

Debate Pack

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Spending of the Department for Work and Pensions on the cost of living measures

1	Background	2
2	Rising Cost of Living	2
3	DWP response to the rising cost of living	5
3.1	DWP Cost of Living Payments and other measures	5
3.2	Cost of the May 2022 package	7
3.3	Estimated impact	8
3.4	Reaction and debate	9
3.5	Parliamentary debate	11
4	What are the estimates?	12
5	DWP's spending plans	14
6	Press articles	17
7	Press releases	19
8	Parliamentary material	24
9	Further reading	29

1 Background

On 5 July 2022 there will be an Estimates Day debate on the spending of the Department for Work and Pensions (DWP) on the cost of living measures.

These subjects were selected by the Backbench Business Committee and were proposed by the Chair of the Work and Pensions committee, Sir Stephen Timms MP. The debate will take place in the House of Commons Chamber.

2 Rising Cost of Living

The Library briefing [Rising cost of living in the UK](#) provides information and statistics on increased living costs in the UK. A short summary of some parts of this briefing are provided below.

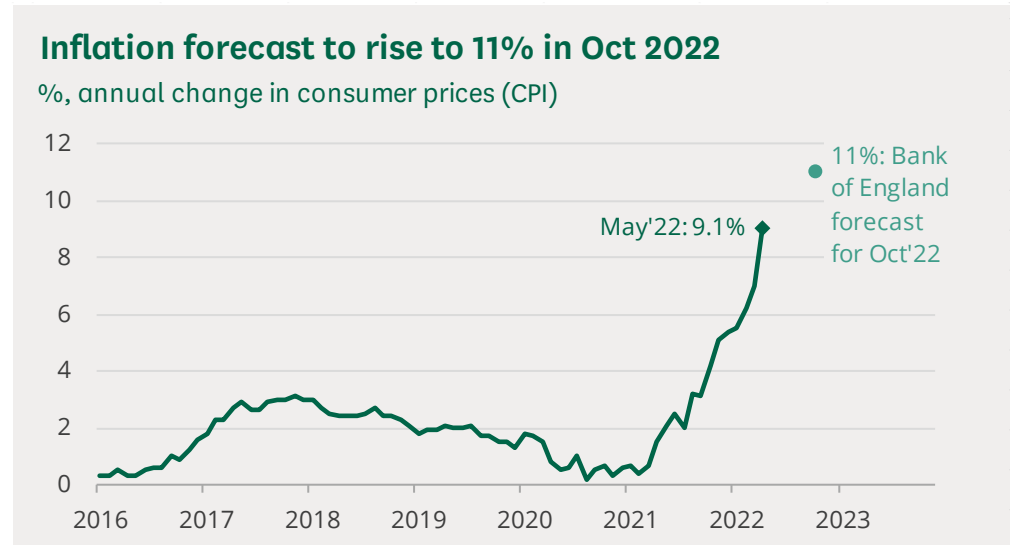
Inflation

Inflation has been rising since early 2021. Consumer prices, as measured by the Consumer Prices Index (CPI), were 9.1% higher in May 2022 than a year before – the highest recorded inflation rate since CPI records began in 1989, with the ONS estimating that it is higher than at any time since 1982.¹

In mid-June, the Bank of England’s Monetary Policy Committee said it expected inflation to “rise to slightly above 11% in October”.²

¹ ONS, [Consumer price inflation, UK: May 2022](#), 22 June 2022; this is based on [modelled data](#) back to 1950 from the ONS as the CPI was only introduced in 1997

² Bank of England, [Bank Rate increased to 1.25% - June 2022](#), 16 June 2022, para 24



Sources: ONS, [CPI annual inflation rate](#), series [D7G7](#) [22 June 2022 update] and Bank of England, [MPC Minutes](#), 16 June 2022

Drivers of inflation include energy and goods prices

Increases in the costs of consumer goods, underpinned by strong demand from consumers and supply chain bottlenecks, have been one factor behind rising inflation.³

Another important driver of inflation is energy prices, with household energy tariffs increasing and petrol costs going up.⁴ Russia's invasion of Ukraine has led to energy prices rising even further.⁵ Food prices have also been increasing.⁶

In May 2022, Bank of England Governor Andrew Bailey said that 80% of the overshoot in inflation over the Bank's 2% inflation target was due to energy and traded goods.⁷

Impact on households

88% of adults in Great Britain reported an increase in their cost of living in June 2022.^{8,9} 60% of adults reported spending less on non-essentials in June,

³ ONS, [Recent drivers of UK consumer price inflation: March 2022](#), 23 March 2022

⁴ Bank of England, [Monetary Policy Report February 2022](#), 3 Feb 2022, pp31-33, Box C

⁵ Library briefing, [Domestic energy prices](#)

⁶ ONS, Food and non-alcoholic beverages annual rate of inflation, series [D7G8](#) [22 June 2022 update]

⁷ Andrew Bailey [oral evidence to Treasury Committee](#), 16 May 2022, [Q419](#) and [Q441](#)

⁸ 8-19 June May 2022 compared to the previous month.

⁹ ONS, [Public opinions and social trends, Great Britain: household finances](#), 24 June 2022

with three-quarters saying they were worried about increases in the cost of living.

The Institute for Fiscal Studies found that income deciles faced a similar level of inflation up until April 2022.¹⁰ However, in April they estimated that the lowest income decile faced an inflation rate of 10.9%, 3 percentage points higher than inflation faced by the highest income decile. Most of this difference comes from the fact that more of low-income households' spending goes on energy.¹¹

¹⁰ All households are placed into 10 groups ("deciles") based on their incomes, from lowest to highest.

¹¹ Institute for Fiscal Studies, [Inflation hits 9% with poorest households facing even higher rates](#), 18 May 2022

3 DWP response to the rising cost of living

A new package of one-off cost of living support measures was announced by the Chancellor in an Economy Update on 26 May 2022.¹² This followed earlier support packages announced in February and the March Spring Statement.

Details of the package are outlined in an HM Treasury [Cost of living support factsheet](#). As this explains, there are five different elements. One of these is an expansion of the previously announced [Energy Bills Support Scheme](#). The rest are largely delivered or overseen by the Department for Work and Pensions.

3.1 DWP Cost of Living Payments and other measures

Two of these support measures are additional payments made by the DWP (as well as HMRC and the Ministry of Defence) to recipients of particular benefits, provided for by the [Social Security \(Additional Payments\) Act 2022](#), which received Royal Assent on 28 June 2022. The Government has called these “Cost of Living Payments”:

- Households in receipt of means-tested social security benefits and tax credits (excluding Housing Benefit and Council Tax reductions) will receive two **Cost of Living Payments** amounting to **£650**. The first payment of £326 will be made by the DWP in the second half of July. HMRC will also be making payments to claimants of tax credits shortly after.¹³ The second payment of £324 will be made by the DWP in the autumn and HMRC in the winter. Qualifying benefits are:
 - Universal Credit
 - The “legacy” benefits being replaced by UC:
 - Income Support
 - Income-based Jobseeker’s Allowance (JSA)
 - Income-related Employment and Support Allowance (ESA)

¹² [HC Deb 26 May 2022 cc449-453](#)

¹³ From 14 July. See DWP, [Over eight million households to get new cost-of-living payment from 14 July](#), 15 June 2022

- Tax credits
- State Pension Credit
- From September, a **£150 Disability Cost of Living Payment** will be paid to qualifying recipients of the following non-means-tested disability benefits:
 - Disability Living Allowance (DLA)
 - Personal Independence Payment (PIP)
 - Attendance Allowance (AA)
 - Scottish Disability Benefits (including Adult Disability Payment, which is replacing PIP in Scotland)
 - Armed Forces Independence Payment
 - Constant Attendance Allowance
 - War Pension Mobility Supplement

The qualifying day for the first Cost of Living Payment is the 25 May 2022. However, the specific eligibility criteria regarding the qualifying day will depend on the benefit or tax credit the claimant is entitled to.¹⁴

The qualifying day for the second payment to means-tested benefit recipients has not yet been announced. It will be no later than 31 October 2022.¹⁵

These additional Cost of Living Payments will be tax free, will not count towards the [benefit cap](#), and will not affect other benefit awards.¹⁶

Further detail on these payments can be found in the Commons Library briefing on [The Social Security \(Additional Payments\) Bill 2022-23](#).

The other measures announced by the Chancellor in May 2022 not legislated for by the Social Security (Additional Payments) Act 2022 are expansions or extensions of existing programmes or benefits, two of which will also be delivered or overseen by the DWP:

- Pensioner households will receive a **one-off £300 Pensioner Cost of Living Payment**, as a top-up to their Winter Fuel Payment. Any household getting a Winter Fuel Payment this winter will receive the £300 top up. To be eligible for Winter Fuel Payment, a household must contain

¹⁴ DWP, [Cost of Living Payment](#), updated 20 June 2022

¹⁵ See Commons Library briefing CBP-9565, [The Social Security \(Additional Payments\) Bill 2022-23](#), 17 June, p19

¹⁶ [PQ 18930 15 June 2022](#)

at least one person born on or before 25 September 1956. £2.5 billion will be spent on this.

- An additional **£500 million of funding for the Household Support Fund**. The Household Support Fund allows local authorities in England to make discretionary payments to people most in need to help towards the rising cost of food, energy, and water bills. This additional funding includes £421 million for local authorities in England and £79 million for the devolved administrations through the Barnett formula, and is to cover the period October 2022 to March 2023. The Household Support Fund was originally announced in September 2021, which provided £421 million to local authorities in England (and £79 million to the devolved administrations) during 6 October 2021 to 31 March 2022.¹⁷ It was later extended with an additional £500 million of funding to cover the period April to September 2022.¹⁸

Households may be eligible for more than one payment in the May cost of living support package. For example, a qualifying household claiming Pension Credit where a member is also getting Attendance Allowance could get: £650 in Cost of Living Payments in addition to their Pension Credit entitlement, a £150 Disability Cost of Living Payment as a result of their Attendance Allowance entitlement, and the £300 Winter Fuel Payment top-up. This would be in addition to discounts offered through the Energy Bills Support Scheme.

3.2 Cost of the May 2022 package

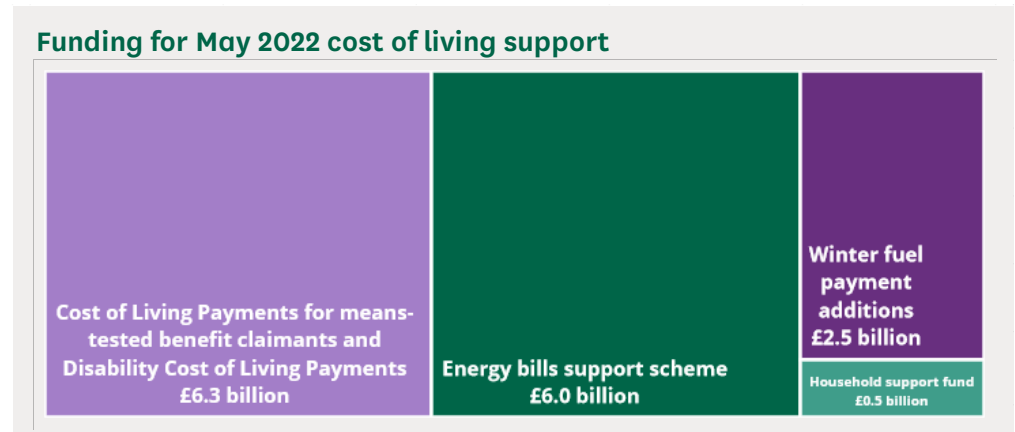
In total the May 2022 cost of living support package is forecast to cost £15.3 billion. £6 billion was allocated to doubling rebates available through the Energy Bills Support Scheme.

The remainder of the package, an estimated **£8.8 billion, will be spent on Cost of Living Payments** administered by the DWP, HMRC and the MoD. £5.4 billion will be spent on the £650 Cost of Living Payments for 8 million households claiming means-tested benefits and tax credits, and £900 million will be spent on the Disability Cost of Living Payment. £2.5 billion will be spent on Pensioner Cost of Living Payments through Winter Fuel Payment additions.

A further £500 million will be spent on the Household Support Fund or made available to the devolved nations.

¹⁷ DWP press release, [Government launches £500m support for vulnerable households over winter](#), 30 September 2021

¹⁸ [Household Support Fund doubled to help most vulnerable tackle cost of living](#), 31 March 2022



Source: HM Treasury [Help with cost of living](#), 26 May 2022

Taken together with previously announced measures designed to help with the cost of living, the Government estimates that it will spend £37 billion on support this financial year.¹⁹

3.3 Estimated impact

Millions of households will receive targeted additions to their benefits as a result of the May 2022 cost of living support package. This includes:

- Eight million households in receipt of qualifying means-tested benefits and tax credits.
- Six million people getting qualifying non-means-tested disability benefits.
- Over eight million pensioner households who will get Winter Fuel Payments this year

Many households will receive more than one of these additions.

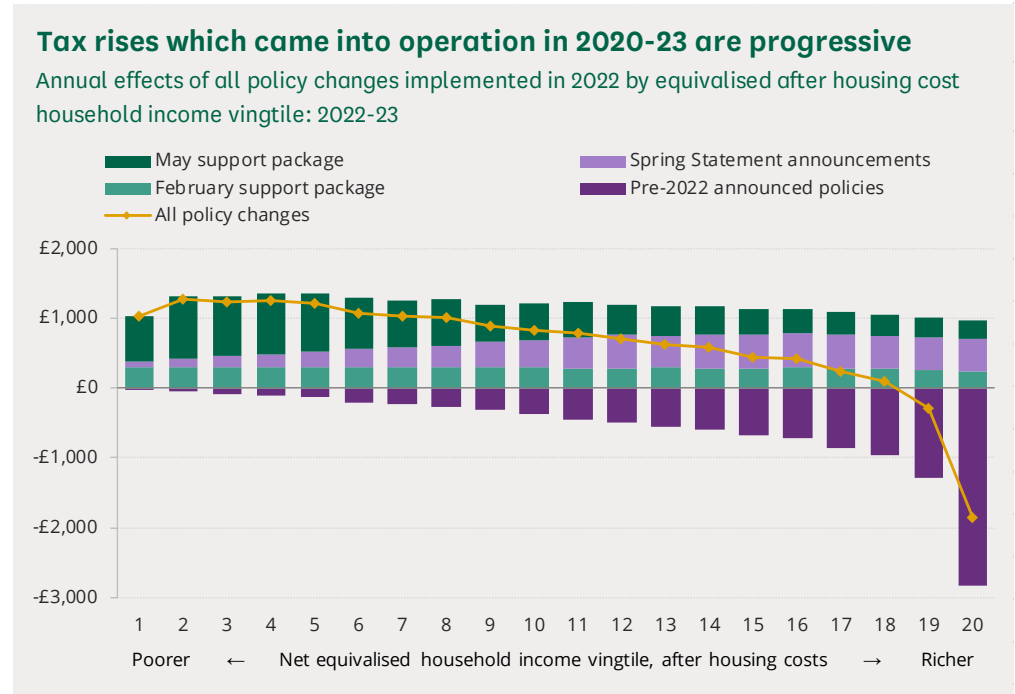
Detailed discussion of the extent to which cost of living support measures offset the rising cost of living and distributional analysis can be found in section 3.3 of the Library's briefing on [The Social Security \(Additional Payments\) Bill 2022-23](#).

The Resolution Foundation say that taken together, the Government's 2022/23 policy changes are progressive and estimate that households in the lowest fifth of incomes will gain on average £1,195, compared to a gain of £799 for

¹⁹ HM Treasury, [Overall government support for the cost of living: factsheet](#), 26 May 2022

households in the middle fifth and a loss of £456 for households in the top fifth.²⁰

Resolution Foundation’s analysis of government policy in 2022/23



Notes: Includes May 2022 announced policies, 5p Fuel Duty cut, higher National Insurance thresholds, £150 Council Tax rebate, £200 Energy Bills Support Scheme, Fuel Duty freeze, Health and Social Care Levy and Income Tax threshold freeze.

Source: Figure 3 from Resolution Foundation [Back on Target](#) report. Adapted to HC Library style with kind permission of authors.

3.4 Reaction and debate

The spending elements of the May package, including the Cost of Living Payments, were welcomed by a wide range of commentators, in particular for targeting of support towards low-income households. The Resolution Foundation²¹ was joined by Citizens Advice,²² the Joseph Rowntree Foundation

²⁰ Resolution Foundation. [Back on target: Analysis of the Government’s additional cost of living support](#), 27 May 2022

²¹ Resolution Foundation, [Back on target: Analysis of the Government’s additional cost of living support](#), 27 May 2022

²² Citizens Advice, [Citizens Advice responds to Chancellor’s announcement on cost-of-living measures](#), 26 May 2022

(JRF),²³ the Chartered Institute for Housing (CIH),²⁴ the Centre for Social Justice (CSJ),²⁵ and others in welcoming the targeted nature of support.

Free market think tanks such as the Adam Smith Institute (ASI)²⁶ and Institute for Economic Affairs (IEA) commended the measures for targeting the poorest, although they criticised the way they were to be funded (in part through the [Energy Profits Levy](#)).

Most of the additional support in the May 2022 cost of living support package does not differentiate level of support by family size. The Resolution Foundation compared the May 2022 package to an alternative policy of uprating benefits by 9.5% in October to reflect higher inflation. While the May package is more generous for some households than uprating by 9.5% would have been, it is less generous for households with two or more children.²⁷

Asked about multiple-child households having greater costs but not getting additional help in a 6 June 2022 Treasury Committee oral evidence session, the Chancellor pointed to the generosity of support for the most vulnerable households, and the Government's record on reducing the number of children in workless households.²⁸

The JRF published a further analysis on 29 June 2022 which noted these measures would target relief towards poorer families, providing £1,200 for households on means-tested benefits and largely covering the upcoming rise in energy bills. However, it also pointed out that 4.6 million households are in arrears on at least one bill, and that this group is in hardship as a result of deductions being taken from benefit payments. It therefore called on the Government immediately to stop benefit deductions at "unaffordable rates", recommending the cap on total deductions from Universal Credit be lowered from 25% to 15% of the standard allowance and that, within this, deductions to repay debt to the Government be capped at 5%. It also called on the Government to increase basic Universal Credit entitlements "to ensure it always, at a minimum enables people to afford the essentials when the fall on hard times".²⁹

The debt charity StepChange also published research on deductions on 30 June, reporting that 49% of its clients who are not in work and who are having deductions made from their Universal Credit awards for previous

²³ JRF, [Relief for low-income families as help targets those in need](#), 26 May 2022

²⁴ CIH, [CIH welcomes Government support measures on cost of living](#), 26 May 2022

²⁵ CSJ (@csjthinktank) "We called for a special fiscal event with a substantial financial support package and there has been one." (Twitter). 26 May 2022 (accessed 13 June 2022) Available from: <https://twitter.com/csjthinktank/status/1529838769242775553>

²⁶ ASI, [Targeted support and tax grabs: ASI responds to the Chancellor's announcement on cost of living relief measures](#), 26 May 2022

²⁷ Resolution Foundation, [Back on target: Analysis of the Government's additional cost of living support](#), 27 May 2022

²⁸ Treasury Committee, [Oral evidence: The cost of living](#), 6 June 2022, HC 343, Q112-113

²⁹ JRF, [No heating, eating or meeting bills: managing a cost of living crisis on a low income](#), 29 June 2022

overpayments have a negative budget. It therefore called on the Government to pause Universal Credit deductions while the cost of living increases continue, before conducting a fundamental review of how deductions work.³⁰

3.5 Parliamentary debate

The issues raised in the 26 May 2022 Economy Update when these support measures were first announced are covered in detail in section 3.4 of the Commons Library briefing on [The Social Security \(Additional Payments\) Bill 2022-23](#).

The Bill which legislated for the £650 and £150 Cost of Living Payments for certain means-tested benefit claimants and certain non-means-tested disability benefit claimants, was fast-tracked through Parliament, going through most of its Commons stages on 22 June and most of its Lords stages on 27 June, before receiving Royal Assent on 28 June. The debates on this Bill were as follows:

- [HC Deb 22 June 2022 cc882-912 \(Commons Second Reading\)](#)
- [HC Deb 22 June 2022 cc913-924 \(Commons Committee Stage and Third Reading\)](#)
- [HL Deb 27 June 2022 cc471-488 \(Lords Second Reading and remaining stages\)](#)

Contributions during the Commons stages of the Bill are summarised in Lords Library briefing LLN-2022-0023, [Social Security \(Additional Payments\) Bill: HL Bill 34 of 2022-23](#).

In the Lords, peers expressed support for the general aims of the Bill to help certain benefit claimants manage the rising cost of living, although concerns were raised about groups of claimants who will miss out, such as people who before eligible for qualifying benefits but miss the qualifying dates, or Universal Credit claimants whose entitlement is reduced to zero during the qualifying assessment period. The lack of differentiation in terms of the level of support by family size was also raised. In response, DWP Minister, Baroness Stedman-Scott, noted that the Government's intention had been to keep the rules "as simple as possible", and advised anyone who missed out to apply to the Household Support Fund.³¹

³⁰ StepChange, [Hardship by design: how to end unaffordable debt deductions](#), June 2022

³¹ [HC Deb 27 June 2022 c472](#)

4

What are the estimates?

One of Parliament's longest standing functions is the consideration and authorisation of the government's spending plans, requiring the government to obtain parliamentary consent before spending public money.

Main Estimates are the documents that contain the detail of those spending plans for a particular year. There is a separate Estimate for each government department. Changes are presented at the end of each year through Supplementary Estimates. Each of the Estimates must be authorised by parliament before they take effect.

Within each Estimate, spending is divided into a number of distinct budgetary limits for each department, covering spending of a specific type determined by HM Treasury. Changes to the categorisation of spending between categories require prior consultation with parliament. Departmental Expenditure Limits (DELs) cover net spending which is subject to limits set in spending reviews and which it is assumed government departments can control:

- **Resource DEL** (also referred to as 'day-to-day spending') covers costs of running and purchasing goods and services; staff costs; current grants; rent; and maintenance costs. It also includes profit or loss on the sale of assets; depreciation; and some impairments; and;
- **Capital DEL** (also referred to as 'investment spending') covers the purchase, disposal and major improvement of assets; capital grants (i.e. grants to purchase or enhance assets) and loans.

Annually Managed Expenditure (AME) covers net spending which is more difficult to control and forecast:

- **Resource AME** covers benefits and state pensions; some impairments; and provisions for liabilities; and
- **Capital AME** covers student loans and some financial transactions.

The [2022-23 Main Estimates](#) were originally published on 12 May 2022 and were subsequently updated on 23 June 2022 to reflect new spending measures to support the cost of living crisis. Departments also produce an explanatory memorandum, which is published and scrutinised by the relevant House of Commons select committee and the [House of Commons Scrutiny Unit](#). This memorandum should compare spending plans to previous years and explain the reasons for changes proposed. Select committees currently publish memoranda on their webpages and the Scrutiny Unit uses the memoranda to prepare briefings for select committees and other members.

Following publication of Estimates, the relevant committee will approve publication of the associated memorandum. Memoranda which have been

published will appear on the relevant committee and Scrutiny Unit webpages of the parliament website.

Further information

Library and Scrutiny Unit briefing, [Main Estimates: Government spending plans for 2022/23](#)

5

DWP's spending plans

Please note that the amounts requested in Estimates are calculated on the same basis as used by HM Treasury to keep track of departmental spending, but this may be different from spending totals presented in the Government's press releases or other guidance. In particular, the Estimates only cover a single year, so the totals will not match up with any departmental planning over multiple years; they are also often revised in the Supplementary Estimates later in the year.

Benefits and state pensions

The vast majority of the Department for Work and Pension's spending is on benefits and state pensions, which lies within **Resource AME** (not subject to pre-set limits set in Spending Reviews). The budget sought for this spending in 2022-23, based on DWP and Office for Budget Responsibility (OBR) assumptions, is **£230,862.6 million, 6.3% (£13,693.3 million) above** the latest forecast for 2020-21 of £217,169.3 million.³²

The first version of the Main Estimates included a benefits and state pensions Resource AME increase of £5,476.4 million from the Supplementary Estimate position. Following the inclusion of the cost-of-living measures, an additional £8,216.9 million has been added to the Resource AME allocation, giving a total increase on the 2021-22 position of £13,693.3 million. This net increase is made up of the following changes to each scheme:

- Pensioner Benefits are the largest proportion of Resource AME spending. They are forecast to total £120,286.1 million in 2022-23. This is a **7.5% (£8,443.1 million) increase** on 2021-22 due to uprating the State Pension by the CPI measure of inflation of 3.1% in September 2021, and the one-off Pensioner Cost of Living Payment. The pension uprating causes a £5,881.7 million increase, whereas the one-off cost of living support causes a £2,561.4 million increase.
- Universal Credit and its equivalents are the second largest expenditure and are forecast to cost £49,288.3 million in 2022-23. This is a **-2.9% (-£1,467.4 million) decrease** on the 2021-22 Supplementary Estimate total, however the 2021-22 equivalent was inflated due to the expectation in a spike in claims following the end of the Furlough Scheme. The spike in claims did not materialise, therefore the decrease reflects the changing economic situation between Supplementary and Main Estimates and is not a reflection of actual spending trends. Actual Universal Credit spend is forecast to increase from 2021-22 to 2022-23 as it continues to be rolled out and due to the uprating of benefits.

³² £1,000 million is equal to £1 billion. So, for example, Resource AME sought for 2022-23 is £231 billion.

- Disability and carer benefits are forecast to cost £31,578.0 million in 2022-23, an **8.9% (£2,527.5 million) increase** on 2021-22. This is due to uprating by CPI of 3.1% and higher predicted caseloads.
- Housing benefits are forecast to cost £14,736.1 million in 2022-23, a **-10% (-£1,632.9 million) decrease** on the 2021-22 Supplementary Estimate total. This is driven by housing benefit spending on working age people falling as their housing costs are increasingly paid through Universal Credit.
- Incapacity benefits are forecast to cost £12,891.1 million in 2022-23, a **0.3% (£42.9 million) increase** on the 2021-22 Supplementary Estimate total. This is driven by an increase in the forecasted caseload, and by the 3.1% uprating by CPI.
- Cost of Living payments of £5,655.4 million have been introduced to the 2022-23 Main Estimate for the first time. The money will be delivered across all means-tested and disability benefits to fund the one-off Cost of Living Payments. This increase was not included in the original version of the Main Estimates.
- Other benefits include Statutory Maternity Pay, Bereavement benefits, Industrial injury benefits and Jobseeker's Allowance, among other smaller schemes. In total, they are forecast to cost £4,394.6 million in 2022-23, a **decrease of -3.0% (£135.7 million)** on the 2021-22 Supplementary Estimate figure. This decrease is driven by decreases in contributory JSA. The time limited nature of contributory JSA, combined with a recovery in the labour market and reduced eligibility means this caseload is expected to continue to decrease in 2022-23. Statutory Maternity Pay, Maternity Allowance and JSA are being uprated by 3.09% in line with CPI for 2022-23, alongside most industrial injuries benefits.

Alongside the Resource AME allocation, some of DWP's pension and benefit expenditure falls under the Capital AME budget. DWP plans a Capital AME Limit of **£327.7 million, a decrease of £28.0 million (-7.9%)** from its final Capital AME for 2021-22 of £355.7 million.

Almost all of this Capital AME is funding for Universal Credit Advances. They have decreased in line with the Resource AME funding for Universal Credit as a result of the 2021-22 Supplementary Estimate allocation assuming a significant spike in claims at the end of the Furlough Scheme. As this expected spike didn't materialise, the actual funding required in 2021-22 was below the allocation, and the decrease to 2022-23 reflects the more normal forecast for the year.

Other day to day spending

DWP also has a separate budget, called Resource Departmental Expenditure Limit (RDEL), covering the day-to-day running costs of the department,

including its staff, other running costs, the Health and Safety Executive, employment programmes, support to local authorities and other activities.

DWP proposes a **Resource DEL of £8,899.8 million**, a decrease of £280.2 million (-3%) from its final RDEL for 2021-22 of £9,180.0 million.

The main decreases are:

(Note: the detailed RDEL movements are rounded to the nearest hundred million.)

- £700 million decrease to the Kickstart scheme budget. This project was initiated to deliver grant programme to encourage employers to employ 16-24 year olds at risk of long term unemployment. This project is now closed to new applicants and is in the process of closing;
- £200 million decrease in RDEL admin and programme, as it moved to depreciation due to IFRS16 lease accounting classifications; and
- £200 million Service Delivery staffing reduction, mainly in Work and Health services.

These decreases have been partially offset by increases to RDEL including:

- £400 million increase in funding provided to local authorities via the Household Support Fund. This programme has been extended to March 2023 to support households with the increased cost of living. This funding was not included in the first version of the Main Estimates, and has been included as part of the cost of living measures introduced to the Main Estimate; and
- £300 million increase to Project Restart funding.

Capital spending

DWP is also allocated a capital budget to fund investments in assets, such as DWP's estate and IT systems. In proportion to DWP's other spending, capital represents a very small fraction of DWP's costs.

DWP plans a **Capital DEL limit of £853.8 million**, an increase of £218.4 million (34.4%) from its final Capital DEL budget for 2021-22 of £635.4 million. This is entirely due to a change of accounting policy following the implementation of accounting standard IFRS 16 which reclassified revenue spent on leased items creating "right of use" capital Assets. Underlying capital funding for 2022-23 remained consistent with 2021-22 levels.

6

Press articles

[Cost of living crisis: Third of Scots cut back spending on essentials](#)

BBC

30 June 2022

[Why UK inflation will stay higher for longer than in other nations](#)

Financial Times

30 June 2022

[UK will face worse inflation than other major economies, says Bank governor](#)

The Guardian

29 June 2022

[Millions falling behind on bill payments as cost of living crisis mounts](#)

The Independent

29 June 2022

[UK shop prices hit highest rate of inflation since 2008](#)

The Guardian

29 June 2022

[Low-income households in UK living in 'year of financial fear' says charity](#)

The Guardian

29 June 2022

[Will I get the cost of living payment on Universal Credit? Who gets the £650 and when it will be paid in July](#)

The i

28 June 2022

[Grim times lie ahead for UK as inflation combines with low growth](#)

Financial Times

26 June 2022

[UK inflation rises at fastest rate for 40 years as food costs jump](#)

BBC

22 June 2022

[Companies must help cut living costs, says new cost of living tsar](#)

BBC

18 June 2022

[Cost of living: People cut back on food shopping as price rises bite](#)

BBC

17 June 2022

[Millions to get first cost-of-living payment from 14 July](#)

BBC

15 June 2022

[Sunak backs PM and denies claims about timing of cost of living aid](#)

Financial Times

6 June 2022

7

Press releases

[Over 8 million families in the UK getting new cost of living payment from 14 July 2022](#)

Department for Work and Pensions

22 June 2022

- Over 8 million households will receive the first of two cost of living instalments totalling £650 from 14 July 2022, part of the £1,200 support package this year
- Initial automatic instalment for means-tested benefit claimants will be £326, with the rest to follow in a second instalment from the autumn
- Tax credit claimants will also receive their first instalment of the cost of living payment from HMRC later this year
- Comes as part of £37 billion government package to help families with cost of living pressures

After ministers confirmed initial payments would begin from 14 July 2022, the Department for Work and Pensions has now revealed how many people in each part of the country will receive the new financial support. They have also revealed that the disability top-up will land in bank accounts in September 2022.

These figures show that nearly one in four families will receive the means-tested benefit cost of living payment, whilst nearly one in ten of the population will get the £150 disability top-up.

The first cost of living instalment will see millions of low-income households in England, Wales, Scotland and Northern Ireland initially £326 better off as the government delivers significant interventions to support groups who are most vulnerable to rising costs. In total, millions of households will receive at least £1,200 from the government this year to help cover rising costs.

Work and Pensions Secretary, Thérèse Coffey said:

With millions of the lowest-income households soon seeing the first of two cash instalments land into their bank accounts, we are taking action to directly help families with the cost of living.

This one-off payment totalling £650 is part of our £37 billion cost of living support package that will put an extra £1,200 into the pockets of those most in need.

The second instalment of £324 will be sent to qualifying low income households from the Autumn. The payments are designed to be deliberately

slightly unequal to minimise fraud risks from those who may seek to exploit this system.

The eligibility date for the second instalment will be announced soon. If customers are eligible through receiving tax credits only, HMRC will contact them and issue payments automatically, with the first instalment being made from autumn. DWP will administer payments for customers on all other eligible means-tested benefits, and customers do not need to contact them or apply for the payment.

Low-income households are benefiting from government support in a variety of different ways this year as global inflationary pressures, exacerbated by the unjust war in Ukraine, have caused prices to rise for several essentials. The government understands that many people are worried about the impact these rising prices will have on their household finances, which is why £37 billion of support is being provided to boost budgets and mitigate the worst of these pressures.

Support includes the direct cost of living payment of up to £650 for over 8 million households on eligible means-tested benefits, a separate £300 payment for pensioners, and a £150 payment for eligible disabled people, which can be paid on top of the £650 payment.

This is on top of £400 for all households to help with energy bills, and an extra £150 for properties in Council Tax bands A-D, meaning millions of the lowest-income households will receive at least £1,200 in support this year. This is all in addition to changes to the Universal Credit taper rate and work allowances worth £1,000 a year on average for 1.7 million working claimants, a rise in the National Living Wage to £9.50 an hour, and a tax cut for around 30 million workers through a rise in National Insurance contribution thresholds.

The government has also expanded support for the Household Support Fund – which helps people with food and energy bills – with an extra £421 million, on top of £79 million for devolved nations; the total value of this support now stands at £1.5 billion. Fuel duty was also cut by 5p per litre for 12 months in March, and alcohol duty has been frozen for 2022/23.

Millions of most vulnerable households will receive £1,200 of help with cost of living

HM Treasury

26 May 2022

Millions of households across the UK will benefit from a new £15 billion package of targeted government support to help with the rising cost of living, the Chancellor announced today (26 May).

- Almost all of the eight million most vulnerable households across the UK will receive support of at least £1,200 this year, including a new one-off £650 cost of living payment
- Universal support increases to £400, as the October discount on energy bills is doubled and the requirement to repay it over five years is scrapped
- This new £15 billion support package is targeted towards millions of low-income households and brings the total cost of living support to £37 billion this year
- New temporary Energy Profits Levy on oil and gas firms will raise around £5 billion over the next year to help with cost of living, with a new investment allowance to encourage firms to invest in oil and gas extraction in the UK

The significant intervention includes a new, one-off £650 payment to more than 8 million low-income households on Universal Credit, Tax Credits, Pension Credit and legacy benefits, with separate one-off payments of £300 to pensioner households and £150 to individuals receiving disability benefits – groups who are most vulnerable to rising prices.

Rishi Sunak also announced that the energy bills discount due to come in from October is being doubled from £200 to £400, while the requirement to pay it back will be scrapped. This means households will receive a £400 discount on their energy bills from October.

The new Cost of Living Support package will mean that almost all of the eight million most vulnerable households will receive at least £1,200 of extra support this year, including the £150 council tax rebate that many families received last month – equal to the average energy price cap rise over this year.

To ensure there is support for everyone who needs it, Mr Sunak also announced a £500 million increase for the Household Support Fund, delivered by Local Authorities, extending it from October until March 2023. This brings the total Household Support Fund to £1.5 billion.

To help pay for the extra support - which takes the total direct government cost of living support to £37 billion – the Chancellor said a new temporary

25% Energy Profits Levy would be introduced for oil and gas companies, reflecting their extraordinary profits. At the same time, in order to increase the incentive to invest the new levy will include a generous new 80% investment allowance. This balanced approach allows the government to deliver support to families, while encouraging investment and growth.

The Chancellor of the Exchequer Rishi Sunak said:

We know that people are facing challenges with the cost of living and that is why today I'm stepping in with further support to help with rising energy bills.

We have a collective responsibility to help those who are paying the highest price for the high inflation we face. That is why I'm targeting this significant support to millions of the most vulnerable people in our society. I said we would stand by people and that is what this support does today.

It is also right that those companies making extraordinary profits on the back of record global oil and gas prices contribute towards this. That is why I'm introducing a temporary Energy Profits Levy to help pay for this unprecedented support in a way that promotes investment.

There is now more certainty that households will need further support, with inflation having risen faster than forecast and Ofgem expecting a further rise in the energy price cap in October.

Today's announcement is on top of the government's existing £22 billion cost of living support which includes February's energy bills intervention and action taken at this year's Spring Statement including a £330 tax cut for millions of workers through the NICs threshold increase in July and 5p cut to fuel duty.

Energy Profits Levy

Surging commodity prices, driven in part by Russia's war on Ukraine, has meant that the oil and gas sector is making extraordinary profits. Ministers have been clear that they want to see the sector reinvest these profits in oil and gas extraction in the UK.

In order both to fairly tax the extraordinary profits and encourage investment, the Chancellor announced a temporary new Energy Profits Levy with a generous investment allowance built in.

The new Levy will be charged on oil and gas company profits at a rate of 25% and is expected to raise around £5 billion in its first 12 months, which will go towards easing the burden on families. It will be temporary, and if oil and gas prices return to historically more normal levels, will be phased out.

The new Investment Allowance, similar in style to the super-deduction, incentivises companies to invest through saving them 91p for every £1 they

invest. This nearly doubles the tax relief available and means the more a company invests, the less tax they will pay.

The government expects the combination of the Levy and the new investment allowance to lead to an overall increase in investment, and the Office for Budget Responsibility (OBR) will take account of this policy in their next forecast.

The Levy does not apply to the electricity generation sector – where extraordinary profits are also being made due to the impact that rising gas prices have on the price paid for electricity in the UK market. As set out in the Energy Security Strategy the government is consulting with the power generation sector and investors to drive forward energy market reforms and ensure that the price paid for electricity is more reflective of the costs of production.

The Chancellor announced today that the Treasury will urgently evaluate the scale of these extraordinary profits and the appropriate steps to take.

During the announcement, the Chancellor also set out the government's strategy to control inflation through independent monetary policy, fiscal responsibility, and supply side activism – a plan he said that should see inflation come down and returning to its target over time.

Further information

- Find the [factsheets here](#)
- This is a highly progressive package of support, and three-quarters of the total support goes to the most-vulnerable households. Distributional analysis of the package is published [here](#)
- The majority of these measures will apply UK-wide except the Household Support Fund, which is England only. The Devolved Governments will receive Barnett funding as a result of this measure. The Energy Bill Support Scheme is only in Great Britain but we will deliver equivalent support to people in Northern Ireland.
- These new cost of living payments will be paid directly to households across the UK by the UK Government.
- In the absence of a functioning Executive in Northern Ireland, the UK Government is taking decisive action to support the people of Northern Ireland through these measure

8

Parliamentary material

Written statements

[Cost of Living Payments and the Welfare Cap](#)

HCWS136, 23 June 2022

Written questions

[Universal Credit: Self-employed](#) Question for Department for Work and Pensions, UIN 23365

Asked by Catherine West on 22 June 2022

To ask the Secretary of State for Work and Pensions, whether the Social Security (Additional Payments) Bill would give an entitlement to cost of living payments to self-employed Universal Credit claimants who do not receive a regular payment due to the minimum income floor.

Answered by David Rutley on 27 June 2022

Claimants who had their UC award reduced to zero by the Minimum income floor and did not receive a UC payment during the qualifying period, will not be eligible for a cost-of-living payment.

For those that are not eligible for this support, or for families that still need additional support; the Government is providing an additional £500 million to help households, on top of what has been provided since October 2021, bringing total funding for this support to £1.5 billion. In England, this will take the form of an extension to the Household Support Fund backed by £421m and is administered by Local Authorities. Devolved administrations will receive £79 million through the Barnett formula.

[Social Security Benefits and Social Services: Cost of Living](#) Question for Treasury, UIN 23237

Asked by Mark Harper on 22 June 2022

To ask the Chancellor of the Exchequer, with reference to his oral statement of 26 May 2022 on Economy Update, Official report, column 451, what discussions he has had with the Secretary of state for (a) Work and Pensions and (b) Health and Social Care on the impact of the cost of living payment on benefit entitlement and social care.

Answered by Simon Clarke on 27 June 2022

The Government understands the challenge of global inflationary pressures on the cost of living.

That is why we are providing over £15bn of additional support targeted particularly on those with the greatest need. This package builds on the over £22bn announced previously, with government support for the cost of living now totalling over £37bn this year.

The Government is supporting over 8 million households across the UK in receipt of means tested benefits with a one-off Cost of Living Payment of £650, paid in two instalments. In addition to this, the government is supporting disabled people with the particular extra costs they will face, with 6 million people who receive non-means tested disability benefits receiving a one-off disability Cost of Living Payment of £150. Over eight million pensioner households will receive an extra one-off £300 this year to help them cover the rising cost of energy this winter.

These payments will be disregarded for tax and benefit purposes, so will not affect claimants' benefit entitlements.

The Department of Health and Social Care is currently undertaking work to determine the interaction between the new cost of living payments and financial assessments for care costs.

[Cost of Living](#), Question for Treasury, UIN 22592

Asked by Paula Barker on 21 June 2022

To ask the Chancellor of the Exchequer, what plans he has to (a) mitigate and (b) tackle the impact on people's personal finances of the recent increase in the cost of living.

Answered by Simon Clarke on 28 June 2022

Millions of households across the UK are struggling to make their incomes stretch to cover the rising cost of living. The government is providing over £15bn of additional support, targeted particularly on those with the greatest need. This package builds on the over £22bn announced previously, with government support for the cost of living now totalling over £37bn this year.

The government is helping all domestic electricity customers in Great Britain to cope with the impact of higher energy bills, with £400 off their bills from October through the expansion of the Energy Bills Support Scheme (EBSS). This is a doubling of the £200 of support announced in February, and there will no longer be any repayments. The government will deliver equivalent support to people in Northern Ireland.

The government is supporting over 8 million households across the UK in receipt of means tested benefits with a one-off Cost of Living Payment of £650, paid in two instalments.

The government is giving additional UK-wide support to help disabled people with the particular extra costs they will face, with 6 million people who receive non-means tested disability benefits receiving a one-off disability Cost of Living Payment of £150.

The government is also providing extra support to help all pensioners across the UK stay warm this winter. Over eight million pensioner households will receive an extra one-off £300 this year to help them cover the rising cost of energy this winter.

For households that are not eligible for Cost of Living Payments or for families that still need additional support; the government is providing an extra £500 million of local support, via the Household Support Fund. The Fund will be extended from this October to March 2023, bringing total funding for the scheme to £1.5 billion.

Millions of the most vulnerable households will receive at least £1,200 of one-off support in total this year to help with the cost of living.

The government is also committed to tackling the underlying, long-term factors driving cost of living challenges. This includes: helping people into work and supporting them to keep more of what they earn; solidifying our supply chains and boosting our energy security; and driving economic growth through a lower tax, dynamic market economy.

[Pay: Cost of Living](#), Question for Treasury, UIN 22587

Asked by Paula Barker on 21 June 2022

To ask the Chancellor of the Exchequer, what steps his Department plans to take to ensure that workers are adequately remunerated in the context of the recent increase in the cost of living.

Answered by Simon Clarke on 28 June 2022

On 1 April 2022, the Government increased the National Living Wage by 6.6% to £9.50 an hour for workers aged 23+. This helps keep us on track to meet our target to end low pay by 2024-25.

The April 2022 increase in the National Living Wage represents an increase of over £1,000 to the annual earnings of a full-time worker on the National Living Wage and is expected to benefit over 2 million workers.

We are also delivering a significant tax cut for low-income families by reducing the Universal Credit taper rate from 63p to 55p, and increasing

Universal Credit work allowances by £500 p.a. This is essentially a tax cut for the lowest paid in society worth £2.2bn next year and means that around 2m families will save an extra £1,000 a year on average.

[Inflation](#), Question for Treasury, UIN 22591

Asked by Paula Barker on 21 June 2022

To ask the Chancellor of the Exchequer, whether he has plans to mitigate the impact of a potential rise in inflation to 11 per cent, as forecast by the Bank of England.

Answered by John Glen on 27 June 2022

The Government recognises the impact that high inflation has on households and has taken significant action to support all families. The Government is providing over £15bn of additional support, building on the over £22bn announced previously, with government support for the cost of living now totalling over £37bn this year.

The Government has the tools and resolve to reduce inflation through three tools – independent monetary policy, fiscal responsibility and supply side reform. Monetary policy is the responsibility of the independent Monetary Policy Committee (MPC) of the Bank of England. Historically, the MPC have met the inflation target and inflation has averaged exactly 2% since independence. The Government retains full confidence in the Bank of England to take the necessary action to get inflation back on target and ensure inflation expectations remain anchored.

Oral Questions

[Inflation](#)

28 June 2022, UIN 900762

[Cost of Living](#)

28 June 2022, UIN 900767

[Cost of Living: Northern Ireland](#)

28 June 2022, UIN 900759

Debates

[Social Security \(Additional Payments\) Bill](#)

HC Deb, 22 June 2022

The Second Reading of the Social Security (Additional Payments) Bill, which makes provision about additional payments to recipients of means-tested benefits, tax credits and disability benefits.

[Cost of Living](#)

HL Deb, 9 June 2022

That this House takes note of (1) the increasing cost of living, (2) the level of economic resilience in the social capital of the United Kingdom, and (3) the case for Her Majesty's Government to take further steps to address these issues.

[Economy Update](#)

HC Deb, 26 May 2022

Ministerial Statement from the Chancellor announcing the Cost of Living support package.

[Tackling Short-term and Long-term Cost of Living Increases](#)

HC Deb, 17 May 2022

A debate on the Cost of Living and the measures the Chancellor has put in place in response.

Committee Inquiries

[The cost of living](#)

Treasury Committee

2022 – present

In this inquiry, the Treasury Committee will examine the causes of the increase in the cost of living; how persistent the increase is likely to be; its impact on different groups in society and the likely effectiveness of Government policies to mitigate it.

[The cost of living](#)

Work and Pensions Committee

2022 - present

The Work and Pensions Committee is examining the cost of living and how the Government can support people on Universal Credit, legacy benefits and the state pension through the next year.

9

Further reading

[Rising inflation weakens outlook for growth in 2023](#) (Scotland)

Fraser of Allander Institute

30 June 2022

[Not heating, eating or meeting bills: managing a cost of living crisis on a low income](#)

Joseph Rowntree Foundation

29 June 2022

[Economic update: Growth slows as inflation rises](#)

House of Commons Library

29 June 2022

[Rising cost of living in the UK](#)

House of Commons Library

22 June 2022

[Inflation and the cost of living for UK households, overview: June 2022](#)

Office for National Statistics

22 June 2022

[The Social Security \(Additional Payments\) Bill 2022-23](#)

House of Commons Library

17 June 2022

[Bank Rate increased to 1.25% - June 2022](#)

Bank of England

16 June 2022

[Cost of Living Support](#)

HM Treasury

15 June 2022

[Tracking the price of the lowest-cost grocery items, UK, experimental analysis: April 2021 to April 2022](#)

Office of National Statistics

30 May 2022

[Back on target: Analysis of the Government's additional cost of living support](#)

Resolution Foundation

27 May 2022

[Overall government support for the cost of living: factsheet](#)

HM Treasury

26 May 2022

[IFS response to government cost of living support package](#)

Institute for Fiscal Studies

26 May 2022

[Inflation hits 9% with poorest households facing even higher rates](#)

Institute for Fiscal Studies

18 May 2022

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