

processed an intake of approximately 4.9 million new benefit claims and answered approximately 39 million customer calls across all DWP service lines.

- 1.13. The COVID-19 pandemic presented a challenge of how to continue supporting those already in receipt of support whilst also meeting the needs of millions of new customers affected by the economic impact of the pandemic and the subsequent measures to limit its spread. It was vital that people knew that financial support was in place, so they did not attempt to go out to work and undermine the non-pharmaceutical interventions regime of the initial phase of the response.
- 1.14. Before the pandemic began, there were 2.8 million people claiming Universal Credit. In the four weeks following the first lockdown, the number of people claiming increased by about 40%, or 1.2 million more claims. By 9 July 2020, there were 5.6 million people on Universal Credit, an additional 2.8 million, equating to an 100% increase in claims. **(See NC/M9-2/01 - INQ000657883, quarterly Universal Credit statistics up to July 2020) and NC/M9-2/02 - INQ000114224 (DWP00455643), the Annual Report & Accounts 2020-21).**
- 1.15. The volume of new claims to Universal Credit peaked in March 2020 at nearly 1.4 million declarations that month, compared to 270,000 in March 2021 and 260,000 in March 2022. Typically, in a normal pre pandemic week, there would be approximately 10,000 new claims a day to Universal Credit but in just one night on 26 March 2020 the Department had to urgently increase its system capacity by around 25% to handle approximately 136,000 new claims. This is a good example of the challenges faced at the start of the pandemic. An analogy I have often used to describe it is that it was like laying tarmac in front of traffic while it was moving very fast behind us.
- 1.16. Responding to the unprecedented scale of this challenge required DWP to innovate the way our services were delivered. I, along with other members of the Executive Team, acted swiftly to re-prioritise and align the whole Department to keep the benefit system functioning and maintain services to existing customers, whilst ensuring it was positioned to process the huge surge in claims.
- 1.17. DWP runs a high-volume operation, receiving over 1 million telephone calls and processing 100,000 claims each week. Even before the pandemic, the system was already under significant operational pressure, running close to its limits. Faced with a massive and unexpected surge in demand, the Department developed responses that utilised existing

- **[NC/M9-2/20 INQ000657859]** - email to HMT MIF 200304
- **[NC/M9-2/21 INQ000657864]** - HMT CX UC UPLIFT 200317
- **[NC/M9-2/22 INQ000657866]** - 200318 - an email chain that includes advice about the potential shock to the welfare system
- **[NC/M9-2/23 INQ000657871]** - NC email to HMT welfare package 200320

- 3.5. Before the 2020 Spring budget the Chancellor of the Exchequer had reached out to me personally through his officials, asking what I thought could be delivered and what I thought could be the best policy options. In turn, I discussed these questions with officials in DWP. The Chancellor's officials called me on the telephone in a meeting with the Chancellor whereby I communicated my views, verbally, to them, and they passed them to the Chancellor. It was not unusual for Treasury officials to call me informally for advice, or to discuss potential options. I did not take notes of these calls, and neither were readouts shared with me. **(See [NC/M9-2/24 INQ000657862] - email to HMT on Uplift 200317).**
- 3.6. On 3 March 2020, an email from the then Deputy Director for Employers and Fuller Working Lives in DWP's Employers, Health, and Inclusive Employment (EHIE) directorate commissioned officials to explore the feasibility of mid-year, temporary changes to benefits rates, including Universal Credit. [See **NC/M9-2/25 - INQ000653745, DWP00047843 which is the email chain containing details of the commission**].
- 3.7. The Secretary of State and DWP Ministers had asked whether help could be provided only to those directly affected by the pandemic (those that they had lost their jobs or seen their earnings fall considerably). However, within the Universal Credit IT system it was not possible to specially identify and create a new, discrete class of 'pandemic claimants'.
- 3.8. The Government's aim was to financially assist those who faced significant disruption, particularly those who lost, or were at risk of losing, employment or significant earnings and were making a new benefit claim for the first time. In the early months of the pandemic, new benefit claimants were mostly claiming Universal Credit (which is now the only option for new working age claimants seeking means-tested social security assistance). A simple flat rate uplift of £20 for Universal Credit (and Working Tax Credit) recipients was identified as the most appropriate measure. There was some discussion about whether it would make sense to pay different amounts to different demographic groups of claimants, but in the end, it was decided that a flat rate was the simplest and most effective option.

- 3.9. The Universal Credit IT System could not differentiate between those who claimed because of the effects of the pandemic and those claiming for other reasons, so the uplift was applied to every recipient of Universal Credit. The “agile nature of Universal Credit” meant that a universal uplift could be introduced very quickly, but for a more targeted approach we understood that we would have needed to invent and code a new version of the Universal Credit IT system, which was just not practical given the cost and urgency required. The decision to apply a flat rate (instead of targeting specific groups of claimants) was justified as the non-targeted approach avoided the complications and costs associated with assessing individual needs for tailored support. Claimants did not have to apply for the uplift, as the Universal Credit system automatically generated payments. This meant that this measure was still not quite as targeted as Ministers would have liked, and existing Universal Credit claimants received an unavoidable windfall.
- 3.10. The decision to uplift Universal Credit aimed to achieve three fiscal and social policy objectives:
- Financially assist those likely to face the most significant financial disruption due to the pandemic, for example, those who had lost or were at risk of losing employment or significant income and who as a result were making new claims for social security benefits for the first time having previously been financially self-sufficient.
  - Provide this financial assistance rapidly without risking the stability of the social security system or delays. As the Universal Credit system was designed to be able to adapt rapidly to changes, unlike legacy benefit systems, the Universal Credit uplift supported this objective.
  - Provide a clear and easy to understand policy that would send a reassuring message to the public that the Government would invest significantly to protect the stability of the economy.
- 3.11. As it was a flat rate paid to all types of claimants, regardless of their circumstances, the Universal Credit uplift offered proportionately less financial support for families and those with additional needs. A sum of £20 is worth significantly more to a single claimant with no children or housing costs, compared with a family with children. We considered this when advising the Secretary of State and DWP Ministers on the measure. **[Please see NC/M9-2/26 - INQ000657882, which is an Equality Analysis for The Social Security (Coronavirus) (Further Measures) Amendment Regulations 2020], [NC/M9-2/27 - INQ000592915, (DWP00000914) which is a submission for the Social Security (Coronavirus) (Further Measures) Regulation 2020] and [NC/M9-2/28- INQ000592916,**

- 3.25. On 9 February 2021, the Work and Pensions Committee published its report on the temporary increase in Universal Credit and Working Tax Credit. The Committee had heard evidence from several external stakeholders at oral sessions, including representatives from Citizens Advice, Rethink Mental Illness, StepChange, Centre for Policy Studies, and the Joseph Rowntree Foundation.
- 3.26. The report recommended that the uplift should be maintained and recommended at the very least that it be extended by 12 months. This mirrored the conclusion of a Joseph Rowntree Foundation report published on 2 February 2021, which argued that extending the uplift for the next financial year “would provide certainty for families and policymakers and support the economy through another very difficult year”.
- 3.27. On 11 March 2021, the submission to make and lay the relevant legislation to extend the Universal Credit uplift by 6 months was signed by the Minister for Welfare Delivery on behalf of the Secretary of State. **(See [NC/M9-2/38 INQ000657888] - URGENT - approval to make and lay UC (Extension of Coronavirus Measures) Regulations 2021).**

REMOVING THE £20 UNIVERSAL CREDIT UPLIFT

- 3.28. The uplift was brought in alongside other temporary measures to support people during the pandemic; therefore, it was phased out in line with these other measures from late September/October 2021. As per The Universal Credit (Extension of Coronavirus Measures) Regulations 2021, the £20 uplift was withdrawn from assessment periods ending after 6 October 2021.
- 3.29. In July 2021, in preparation for the end of the uplift, claimants’ Universal Credit statements were updated to indicate within their award calculation that they had been receiving the additional uplift. A Journal message was also sent to all claimants, alongside lines to take being provided to front-line staff.
- 3.30. As the uplift was designed to be a temporary measure, no formal impact assessment was conducted ahead of its withdrawal. However, the poverty impacts of the uplift ending had been modelled prior to the decision to extend the uplift. **[see NC/M9-2/39 - INQ000592925, (DWP00355401) which is modelling of the distributional impacts of removing the uplift].**

However, I do not believe that this was the main consideration in either the formation, extension or end of the Uplift.

- 3.33. When the uplift ended, the Department focused on supporting people back into work. The Plan for Jobs schemes helped claimants learn new skills and increase their hours or find new work.
- 3.34. On advice from me, the Chancellor and the Secretary of State approved a cut to the taper rate of Universal Credit from 63p to 55p, and the Universal Credit work allowances were increased by £500 p.a. to support low income working households. Both measures were implemented from 24 November 2021. For practically everyone on Universal Credit in work, these changes had the effect of restoring the £20 uplift, and so supported the overall labour market strategy, as well as incentivising work further for those on Universal Credit not in work. **See NC/M9-2/42 [INQ000657899] (DWP00723500) minutes from the Universal Credit Programme Board meeting in October 2020].**

#### THE BENEFIT CAP

- 3.35. The Universal Credit uplift was designed as a flat rate to provide rapid support to those newly unemployed or experiencing reduced incomes and therefore new to the benefits system.
- 3.36. A 9-month grace period (temporary exemption) to the benefit cap applies to new claims where there is a history of sustained work. This meant that the benefit cap did not significantly impact the people who the uplift was primarily intended to support. While I can acknowledge that the benefit cap limited the effectiveness of the uplift for a small proportion of claimants, changes to the cap would not have been aligned with the uplift's primary objectives.

#### LEGACY BENEFITS

- 3.37. As previously stated in paragraph 3.4, in late February and early March 2020 there was a lot of discussion between HMT and DWP at both Ministerial and official level on what measures could be introduced to support people impacted by the Pandemic, this included exploring