



Also attached is No10's latest table of options but they are planning to cut it down slightly for the PM as it is q unwieldy – will send through any updates asap.

And below are our updated key arguments for a 6 month extension of support rather than a 12 month extension, these are also in the EDS note.

Thanks

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## Policy rationale

- As in March 2020, our primary objective is to provide extra support to those on low incomes who have seen their incomes fall as a result of Covid. We would target this support at those on UC and WTC because those are the only means-tested benefits that support those who are either newly unemployed (UC) or who are on low incomes and whose earnings may have fallen as a result of the pandemic (UC and WTC). Unlike UC and WTC, other means-tested legacy benefits are not targeted at those for whom earnings represent a substantial proportion of their income. They are therefore a poor way of targeting people whose income may have fallen as a result of the pandemic.
- This option provides short-term additional support to UC claimants to cover the period while the most disruptive Covid NPIs are still in place and as the vaccine is rolled out. It provides an equivalent amount of support to WTC claimants to cover the same period, through the best available delivery mechanism given the limitations of the tax credits system.

## Further considerations

- This option provides the **clearest exit strategy** from further support:
  - A one-off payment to WTC claimants means that the current level of support is extended, but there is not a further future cliff-edge where WTC claimants' entitlements will fall.
  - By contrast, a 12-month extension would mean the uplift falling away at a point by which we are likely to be significantly beyond the crisis period. We will have lifted NPIs and widely rolled out the vaccine, and so the £20 uplift would feel less like crisis support and more like business-as-usual, making it harder to justify why entitlements should fall at that point by £20 per week.
  - Furthermore, a 12-month extension would mean the November uprating review would become a point at which HMT and DWP ministers would be seen as taking an explicit decision to cut WTC and UC rates for 22-23 by £20 a week, with a further focal point in February 2022 when secondary legislation would have to be

debated in both Houses to set WTC rates for 22-23 whilst the £20 uplift were still in place.

- This option supports and aligns with the government’s wider approach to moving away from Covid support.
  - The time-limited nature of a six-month extension would also send a **strong signal that there is a clear inflection point in the autumn** as we ease restrictions and move towards a more jobs-focused recovery phase.
  - By contrast, announcing a **12 month extension of the £20 uplift now risks reflecting negatively on our handling of the crisis** and signalling that we need additional Covid support to be in place for a long time to come.
- **A short-term extension would cost less than a 12 month extension** - a 6-month extension would cost roughly half: **c.£3bn less**.
- This option offers a simpler legislative route:
  - A short-term extension **can be delivered through secondary legislation alone**, whereas a 12-month extension would require primary to ensure it did not become permanent.
- This option poses fewer legal risks:
  - A 12-month extension, even if set out in primary legislation, comes with a legal risk of having to make to make the uplift permanent.
  - Both a short-term and a 12-month extension come with risk of legal challenge to force a short-term extension to DWP legacy benefits.
  - However, a legal challenge on the failure to extend the existing £20 uplift to Carer’s Allowance was rejected by the courts last year.
- We would also have the option, if the circumstances require it, of extending support further in future.

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