

UC £20 uplift & WTC payment – contingency options

The £20 uplift ends on 5 October

- The default legislative and forecast position is that the £20 pw uplift in UC ends on 5th October (with the last payments including the uplift made around the 12th). DWP will begin the operational work to remove the uplift in late August and are informing claimants that the uplift will be ending in their UC statements from late July.
- An equivalent one-off payment to eligible WTC claimants was made in April (post-finalisation payments still to be made in September and February, based on data from last year we expect ~23,000 could be eligible).

There will be pressure to maintain the uplift in any scenario

- There will be significant pressure to retain the uplift in Parliament, from external stakeholders, and potentially from DWP SoS.
- This will be exacerbated by the planned ending of CJRS and SEISS support at a similar time (with the end of the CJRS assumed to add 100k new UC cases, and move 200k in-work UC cases to out-of-work).
- In addition, a downside NPI scenario (roadmap slowdown/reversal or further local/national lockdown) could increase pressure to maintain the uplift.
- However, without a fiscal event, this pressure may not crystallise. Previous pressure has also focused on maintaining the uplift in UC only (although this only comes with a short-term saving vs extending to Working Tax Credit).
- Extending the uplift in UC on a permanent basis would cost ~£5bn in 21-22 and ~£6bn pa in steady state.

There may therefore be a need for contingency options, either to support exit from the £20 uplift or in a downside NPI scenario

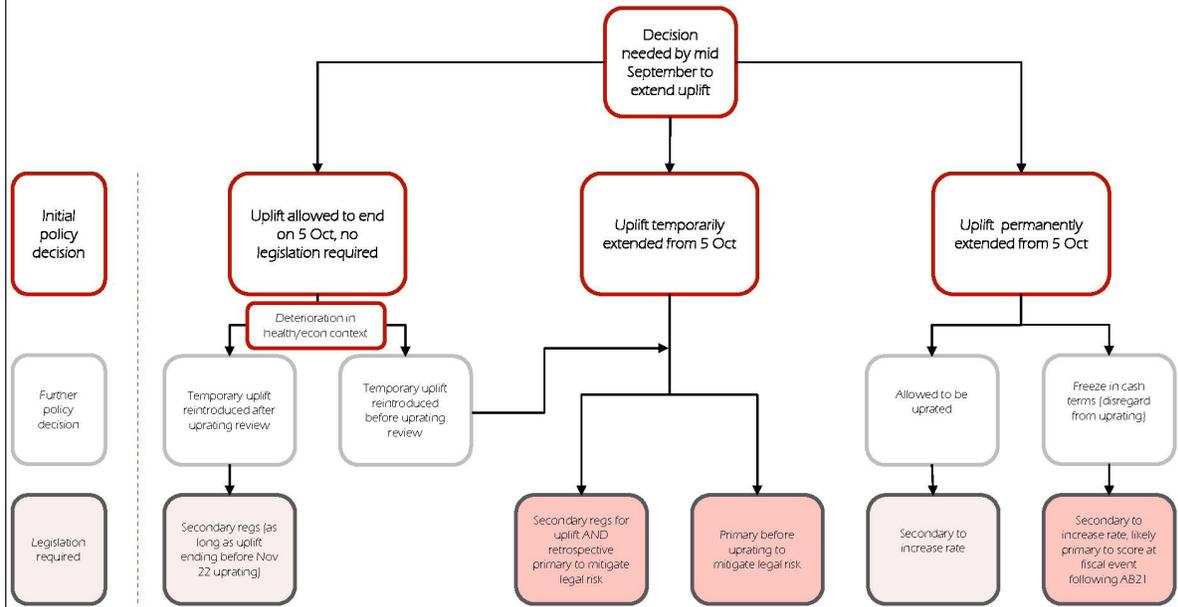
In thinking about contingency options, we have applied the following objectives:

1. Supporting a sustainable exit from the £20 uplift;
2. Smoothing any cliff edge for claimants;
3. Supporting incomes where they continue to be directly impacted by the pandemic/re-escalation of NPIs (targeted, timely, temporary); and
4. Stimulating economic demand in scenarios where the recovery may falter.

Most objectives apply in all NPI scenarios cases but some will become more/less important in a particular scenario:

Scenario	Exit £20	Smoothing	Pandemic income support	Stimulating demand	Key objective(s)
Best case	✓	✓	✗	✗	Exit £20
Mid case	✓	✓	?	?	Exit £20, smoothing
Local containment	✓	✓	✓	?	Pandemic income support (targeted)
Worst case	?	✓	✓	?	Pandemic income support

There are significant legislative challenges around options where an uplift is in place at the time of the uprating review



Delivery constraints also limit the available contingency options

- **The UC system** – changes to the standard allowance, other existing elements (e.g. child element) and the taper rate/work allowances can be made in-year with a 6 week lead time. Changing eligibility for elements/work allowances, creating new elements and other more complex changes will take longer and may not be possible in-year.
- **One-off payments**
 - HMRC could make a one-off payment to WTC recipients at 8 weeks notice (dependent on HMRC's wider operational capacity)
 - DWP comprehensively ruled out at SB21 being able to make a one-off payment to UC claimants; the operational complexities also rule out HMRC making a one-off payment to UC claimants.
- **Local targeting** – no way to target support locally through UC or WTC. Locally targeted support would have to be provided through Local Welfare Assistance or a new scheme delivered through LAs.
- We have ruled out some options that would be impossible to deliver before April 2022:
 - Introducing a new, higher rate of UC or additional element for the recently unemployed;
 - Expanding eligibility for UC work allowances;
 - Reforms to contributory 'New Style' JSA.

Assessment of options against each objective

	Alternative support		Temporary options				Permanent options		
	Local welfare support (£000m's scalable)	Expand FSM and Healthy Start eligibility, make HAF permanent (~£1bn pa)	Further MIF suspension (~£1.8bn for 6-months)	£20 for 6 month, WTC OOP (~£3.2bn in 21-22 / ~£2.6bn if UC only)	Tapered reduction of £20 and OOPs over 12 months (~£3.7bn over 21-22 and 22-23)	Increase UC work allowance / reduce UC taper (£000m's scalable)	Permanent lower uplift (£8) (~£2bn pa)	Freeze £20 (~£5.1bn pa, gradually reducing)	UC child element £20 (~£5.2bn pa)
Presentation	Targeted support and scalable – but unlikely to be seen as adequate	Targeted support that meets NFS demands – still likely to be seen as inadequate compared to the uplift	Support for self-employed affected by restrictions – but pressure to change permanently	Delays cliff edge – but creates future pressure point	Smooths cliff edge but creates multiple pressure points with cash losers	Support for those in work – helps address in-work poverty and complements PII. But leaves cliff edge and cash losers.	Softens cliff edge – but acceptance current rates too low and will also be criticised as inadequate.	No cliff edge. Long term pressure to unfreeze and c. 13 years to return to baseline	No cliff edge for families with children, but cliff edges and cash losses for ~60% UC households
Delivery	Through LWA (MHCLG DEL) or a new scheme	Need to discuss with other teams, may be possible to just increase existing funding and change eligibility checks	Further regs, reintroduction may take longer (may need to redo GSE tests)	6 week lead time and primary leg needed to exclude from uprating, ~8 weeks lead in for OOP	6 week lead time and primary leg needed to exclude from uprating	6 week lead time and secondary regs	6 week lead time and secondary regs	Decision by mid Sept, requires primary if wanting to score.	6 week lead time and secondary regs
Objectives									
Exit £20									
Smoothing									
Pandemic income support									
Stimulating demand									

X-govt poverty taskforce is also working up targeted DEL options which could potentially be deployed (though likely to have limited impact against these objectives)



HM Treasury

Suitability of options against each scenario

Scenario	Alternative support		Temporary options				Permanent Options		
	Local welfare support (£000ms scalable)	Expand FSM and Healthy Start eligibility, make HAF permanent (~£1bn pa)	Further MIF suspension (~£1.80m for 6-months)	£20 for 6 month, WTC OOP (~£3.2bn in 21-22 / ~£2.6bn if UC only)	Tapered reduction of £20 and OOPs over 12 months (~£3.7bn over 21-22 and 22-23)	Increase UC work allowance / reduce UC taper (£000ms scalable)	Permanent lower uplift (£B) (~£2bn pa)	Freeze £20 (~£5.1bn pa gradually reducing)	UC child element £20 (~£5.2bn pa)
Best case	Yellow	Red	Red	Red	Red	Red	Red	Red	Red
Mid case	Yellow	Yellow	Red	Red	Red	Red	Red	Red	Red
Local containment	Green	Yellow	Yellow	Red	Red	Red	Red	Red	Red
Worst case	Red	Yellow	Yellow	Yellow	Yellow	Red	Red	Red	Red

Summary

- There are no obvious contingency options to support the exit from the £20 uplift (Objective 1):
 - “Temporary” UC options come with high risk of becoming permanent
 - Local welfare support provided through LAs feasible but scale and local variation mean it will not significantly alter cliff edge for those losing the £20
- We will therefore need to focus on a robust narrative and handling plan.
- Similarly, welfare options not well targeted to a downside NPI scenario (Objectives 2-4):
 - Temporary UC options most appropriate in a worse case scenario when income support is needed on a large scale – but again come with high risk of permanency
 - Local welfare support could be deployed in a local containment scenario, but unlikely to be sufficient in a worst case scenario

Workplan

	June	July	August	September	October	November
Milestones				CJRS/SEISS end	3 Oct: Cons Party Conf (TBC) AB/SR21	
£20 uplift		Claimants notified of ending of £20	Work begins to remove £20	Deadline for secondary leg to extend £20 uplift (21 days)	Primary leg to disregard uplift	6 Oct: £20 uplift expires (last payments 13 Oct)
WHTC payment			Deadline to make further WHTC payment by October	First post-finalisation WHTC payments		Uprating review
Minimum Income Floor		9 July – deadline to lay regs	31 July – MIF suspension ends			
HMT work	Policy work on contingency options w/c 21 st engage Chris	Work with DWP on handling plan w/c 12th engage Lindsey (TBC) CX update advice	Check in with DWP on IT work to remove uplift (TBC) CX advice on handling plan?	Check in with HMRC on post-finalisation WHTC payments		

Priorities:

- Bottom out delivery/legislative questions (e.g. if/how retrospective primary legislation could be delivered, risks involved with that)
- Update our evidence on impacts of removal of £20 (e.g. regional impacts, unemployment)
- Begin work on handling plan and narrative