



Department
for Work &
Pensions

THE RT HON THERESE COFFEY MP
Secretary of State for Work & Pensions

Caxton House
Tothill Street
London, SW1H 9AJ

Rt Hon Boris Johnson MP
The Prime Minister
No 10 Downing Street

9 October 2020

Dear Prime Minister,

I wrote to you on 25 September to set out how I intend to take forward work to tackle poverty. As I said in that letter, I want to support people to become more independent, more resilient and less reliant on the welfare state. My Spending Review bid supports those objectives and I am taking forward work with Secretaries of State across Government to ensure we are using all the levers available to us to help tackle poverty.

In light of the benefit uprating review that I must complete before the end of November, I am considering carefully the financial situation many people find themselves in and the levels of poverty that are being experienced. Since I wrote to you, I have had some early discussions with MPs and with jobcentre work coaches across the country to understand what they are hearing from constituents and claimants about poverty and the cost of living.

The £20 per week increase to the UC Standard Allowance and Working Tax Credit, which were introduced as a temporary measure to respond to the pandemic, have lifted hundreds of thousands of people out of poverty. These uplifts are due to come to an end in March 2021. However, it is clear from my discussions that people across the country are genuinely concerned about the prospect of removing this and the impact that doing so could have on their lives. Furthermore, removing this support entirely would lead to hundreds of thousands of people falling back into absolute poverty. Given ongoing labour market volatility, I think there are compelling arguments for making a permanent uplift to UC. There are also significant political and legal challenges to not doing so, or to only considering a further temporary uplift.

I am of course conscious that this will have significant AME implications at a time of particular pressure for the Exchequer. With these considerations in mind, it is my strong view that, should we decide to take measures within the benefits system to help alleviate poverty, we need to make sure we have the maximum impact on people's lives. I therefore asked my officials to explore a range of AME options, including maintaining the current £20 uplift, to allow us to understand which measures would be most effective at lifting people out of poverty, with a particular focus on children. These are set out in the table attached, which includes the cost of each option, how many people in general, and children in particular, would be lifted out of absolute poverty as a result, and how much this costs to achieve on a per-person and per-child basis.

My recommendation is to permanently uplift both the UC Standard Allowance and the UC Child Element by £10 per week each

Having approached this in the round, I believe the option which strikes the right balance between poverty alleviation and cost to the Exchequer is to raise the UC Standard Allowance

by £10 per week, rather than £20, AND to raise the UC Child Element by £10 per week, including the equivalent payment for the small number of people receiving Pension Credit. This would cost £2.7 billion less than the £20 uplift in UC across the scorecard and it would lift 800,000 people, including 400,000 children, out of poverty. This is 100,000 more children than if we were to simply maintain the £20 uplift in UC permanently. A family on UC with one child would receive the same additional support as now (£20 a week), whilst 2-child families on UC would receive £30 a week. This re-balancing of support would recognise the greater financial pressure on families with children and the higher poverty rates they experience, and would be worth more to most families than free school meals during holidays. I recognise this leaves claimants without children worse off than they are right now, but they would still get £10 a week extra permanently and DWP is already investing more than £2 billion in our Plan for Jobs, which is focussed on those under 25 who are significantly less likely to have children. Furthermore, families with children are more likely to face barriers to getting back into work, such as the cost and availability of childcare.

My recommendation also takes account of the legal advice that I have received from Government lawyers and First Treasury Counsel.

LPP

LPP

Timing

While the £20 uplift is in place until March 2021, I am required to undertake an uprating of benefits exercise in November, following the publication of the relevant CPI and earnings figures. Before the end of November, I need to make a statement to Parliament which sets out all of the benefit and pension rates from April 2021, including UC rates. A decision will need to be made on the future UC rate by then. While operationally it is possible to further change UC rates after November (unlike for legacy benefits, where the rates must be set by the end of November in order to come into effect in April), I believe it would be politically expedient to make the decision now rather than to potentially end up making a small increase now and a further uplift in the Spring Budget. This would undermine the argument that we are approaching this competently, compassionately and in a considered way.

I will be making further submissions on AME regarding minimising UC fluctuations in the light of anticipated volatile employment conditions (the surplus earnings de minimis).

My officials have been working with yours on these issues and I look forward to discussing with you soon. I am copying this letter to the Chancellor of the Exchequer.

Personal Data