Department for Work & Pensions

Ministerial Correspondence
Caxton House
Tothill Street
LONDON
SW1H 9DA
**ministers@dwp.gov.uk**

**0207 340 4000**

**www.gov.uk**

Ms Sarita-Marie Rehman-Wall
info@almos.org.uk

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Dear Ms Rehman-Wall,

Thank you for your letters of 12 July 2021 to both the Minister for Employment and my predecessor about the ARCH and NFA survey results, in relation to Universal Credit and welfare reform. I hope you will accept this response on behalf of us both and I sincerely apologise for the delay in replying.

**5-week wait**

The Universal Credit Assessment Period and payment structure are fundamental parts of the design. Universal Credit mirrors the world of work, where most people are paid monthly.

It is not possible to award a Universal Credit payment as soon as a claim is made, as the Assessment Period must run its course before the award of Universal Credit can be calculated. However, Universal Credit Advances are available for new claims. Claimants who have received an advance will, at the end of their first Assessment Period, have received their Universal Credit monthly payment plus up to 100 per cent of their monthly payment as an Advance. Advances can be repaid over 24 months.

**Removal of the £20 uplift**

Since the start of the pandemic, the Government's priority has been to protect lives and people's livelihoods. This includes continually supporting individuals and businesses. Universal Credit has provided a vital safety net for six million people during the pandemic, and we announced the temporary uplift as part of a COVID support package worth a total of £407 billion in 2020/21 and 2021/22. As part of the Spring Budget, the Chancellor announced that the temporary £20 a week increase in Universal Credit was to be extended for a further six months, until October. Eligible Working Tax Credit claimants received an equivalent one-off payment of £500.

The Government has always been clear that the £20 increase was a temporary measure to support households affected by the economic shock of Covid-19. As a result, Universal Credit Claimants' Assessment Periods that ended on or after 6 October 2021 did not include the additional £20 per week.

The Department recognises that work is the best route to prosperity. Alongside the comprehensive Plan for Jobs, the Government is now taking further action to make work pay for low income households on Universal Credit. New measures introduced at the Autumn Budget mean that 1.9 million working households will be able to keep substantially more of what they earn, and they effectively represent a tax cut, worth around £2.2 billion a year in 2022/23, for the lowest paid in society. When households move into work, Universal Credit will now be withdrawn at a steady taper rate of 55 per cent. This is in contrast to the legacy system which applied marginal effective tax rates of over 90 per cent to lower earners in some cases.

However, we recognise that some people may require extra support over the winter as we enter the final stages of recovery, which is why vulnerable households across the country will now be able to access a new £500 million support fund to help them with essentials. The Household Support Fund will provide £421 million to help vulnerable people in England through local authorities. The Barnett Formula will apply in the usual way, with devolved administrations receiving almost £80 million (£41 million for the Scottish Government, £25 million for the Welsh Government and £14 million for the NI Executive), for a total of £500 million.

**The benefit cap**

There are no current plans to make changes to the benefit cap. The benefit cap restores fairness between those receiving out-of-work benefits and taxpayers in employment and provides an incentive to move into work. Universal Credit households are exempt from the cap if the household earnings are at least £617 each month; however, any amount of earnings can mitigate the impact of the cap. Housing Benefit claimants that are entitled to Working Tax Credits are exempt, as are those receiving disability benefits and/or entitled to carer benefits.

**Housing**

I note your concerns about the level of Discretionary Housing Payments (DHP) funding for local authorities in 2021/22 in comparison with that provided in 2020/21. For 2020/21, the Government provided £180 million in DHPs for local authorities, in England and Wales, this included an additional £40 million to help tackle affordability pressures in the private rented sector.

For 2021/22, the Government has made available £140 million in DHP funding for local authorities in England and Wales to distribute to help support vulnerable people with housing costs. This level of funding reflects the increase to Local Housing Allowance rates.

The spare room subsidy policy helps to contain growing benefit expenditure and encourages mobility within the social rented sector, strengthens work-incentives and makes better use of available social housing. As a result, there are no plans to abolish this policy.

I noted with great interest the level and range of employment support provided by your respondents in the social housing sector. Social landlords play in supporting residents towards employment, with building confidence and other "soft skills" in addition to the specific provision highlighted in the report. I welcome your recommendation that we continue to support social landlords in this role. I described at last year's Housing, Learning and Work Conference, I believe our key role in this endeavour comes at the local partnership level, be that through the provision of flexible support funding or co-location and outreach between our staff on the ground. I am committed to strengthening further our place-based work with social landlords on employment support and would always be interested to hear your views and specific suggestions on how we can achieve this.

Your comments relating to the building of social rented accommodation is a matter for the Department for Levelling Up, Housing and Communities. I would therefore suggest that you contact that Department to ensure Ministerial colleagues are aware of the issues.

I hope this clarifies the Departments position and that you find this reply helpful.

Kind regards,

**David Rutley MP**

**Minister for Welfare Delivery**