Department for Work & Pensions

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Dear Colleagues,

I am writing following the debate on Wednesday 22 February on The Draft Social Security Benefits Up-rating Order 2023, The Draft Benefit Cap (Annual Limit) (Amendment) Regulations 2023 and The Draft Guaranteed Minimum Pensions Increase Order 2023.

I apologise that I was not able to answer all the questions raised during the debate. This letter makes good on my promise to write on the issues which I was unable to cover, all of which contributed to the discussions on the detail in the three statutory instruments. I am grateful to noble Lords for all the points raised.

Baroness Lister, Lord Davies and Baroness Sherlock asked me whether I had an estimate of the number of households in receipt of Universal Credit which might not see the full effect of uprating because of the loss of transitional protection.

Transitional Protection provides eligible claimants time to adapt to UC by protecting entitlement at the point of migration to UC. Transitional Protection is neither intended to permanently replicate provision in the benefit from which the claimant is migrated, nor to be an indefinitely higher rate of UC. It therefore erodes over time as the underlying UC rates are increased. This ensures that UC entitlement for those who have been subject to managed migration will gradually align with new claimants with the same circumstances.

The report 'Completing the move to Universal Credit: Learning from the Discovery Phase' published information on the Earliest Testable Service (ETS) that was launched in May 2022. The report found that as of January 2023, of the 423 claimants in the ETS cohort who are now on UC and have had a statement, 213 claims (50%) were awarded Transitional Protection. The Department estimates that between 1,000 and 2,000 claimants that are subject to managed migration will not see the full 10.1% increase in their UC award in April 2023.

Baroness Janke asked whether the freeze in the LHA will increase homelessness and, if so, what the Government will do as a result?

The Government is committed to ensuring people experiencing, or at risk of, homelessness get the support they need. Homelessness has different forms and causes, but in all cases the Government aims to ensure people can access support and receive the benefits they are entitled to, navigate the benefit system and other services they require, and move towards work and independent and fulfilling futures.

This commitment is reflected in the Government's 2022 rough sleeping strategy, in which DWP Ministers pledged to build on good work in recent years to strengthen frontline support and maximise employment opportunities for those experiencing the sharp end of homelessness.

We recognise that rents are increasing but the challenging fiscal environment means that difficult decisions were necessary at Autumn Budget to ensure support is targeted effectively. The Chancellor announced a package of targeted support worth £26 billion.

For those claimants who face a shortfall in meeting their housing costs and need further support, Discretionary Housing Payments (DHPs) are available from local authorities. Since 2011 the Government has provided nearly £1.6 billion in DHP funding to local authorities.

In 2022/23, the Government is investing £366 million into the Homelessness Prevention Grant (HPG) to support local authorities in England to tackle homelessness before it occurs. It supports local authorities to deliver their statutory duties to prevent homelessness and provide temporary accommodation where required.

We continue to work closely with DLUHC to monitor rental shortfalls and improve the availability of affordable housing so that we can keep people in their homes and closer to the labour market.

Baroness Janke asked what plans the Government has to review the range of evidence about the benefit cap.

When undertaking the review of the levels of the benefit cap, the Secretary of State must consider “(a) the national economic situation; and (b) any other matters that [he] considers relevant”.

When the Secretary of State completed his statutory review of the benefit cap levels last November, he considered a wide range evidence and statistics held in the Department, and the implications of, and for, other policies and decisions. He considered the challenging economic climate with the associated pressures on public funds, and the circumstances of capped households. At these levels the cap will continue to incentivise work, particularly at a time of high vacancies.

Baroness Sherlock asked whether the Government's rationale for the benefit cap still related to average earnings? If not, what is the rationale against which the effectiveness of the policy in achieving its objective can be measured?

The benefit cap aims to provide a strong work incentive for benefit claimants and fairness for hard working taxpaying households.

When the benefit cap levels were reduced and tiered from 2016, the statutory obligation changed to allow Ministers the scope to take wider issues into account rather than limiting to the single earnings-related measure. This is why the statutory obligation required the Secretary of State to take into account the national economic situation together with any other matters that he might consider appropriate.

The benefit cap is working. Statistics are published every three months and the latest show that on average 270 households every week moved off the cap through increasing their earnings or starting work.

Baroness Sherlock asked whether the Minister can tell us whether the Government has a strategy to deal with growing poverty among the young and the old in our society?

The Government is committed to a sustainable, long-term approach to tackling poverty and supporting people on lower incomes. It will spend £245bn through the State pension and benefit system in 2022/23. For those of pension age the State Pension is the foundation of support for older people, providing the basis on which people can build additional private savings for their retirement. Under this Government, the full yearly amount of the basic State Pension is now over £2,300 higher than in 2010. From April 2023, this will rise to over £3,000.

This Government is also committed to providing a secure and dignified retirement for those pensioners who would otherwise find themselves without an adequate income. Pension Credit is an income-related benefit paid out of general taxation which provides invaluable financial support for pensioners on low incomes and is a passport to a range of other benefits. We are taking ongoing action to raise awareness of Pension Credit, encourage pensioners to check their eligibility and make a claim.

For future pensioners, Government action also includes auto-enrolment into workplace pensions, which has transformed pension saving for millions of workers; and our 50 PLUS: Choices agenda which aims to maximise the labour market opportunities for people to earn and save for longer.

For those below State pension age, the Government's focus is on supporting people into work, and to progress in work. This approach is based on clear evidence about the importance of employment, particularly where it is full-time, in substantially reducing the risks of poverty.

To help people into work, DWP's core Jobcentre offer provides a range of options, including face-to-face time with work coaches and interview assistance. In addition, there is specific support targeted towards young people, people aged 50 or over and people with disabilities or health issues.

To help those in work, the new In Work Progression offer will give 1.6 million low paid workers on UC to access to personalised work coach support to help them increase their earnings. In addition, from 1 April 2023, subject to Parliamentary approval, the National Living Wage (NLW) will increase by 9.7% to £10.42 an hour for workers aged 23 and over - the largest ever cash increase for the NLW.

I do hope that this covers the remaining points raised. I copy in all those who contributed to this debate and will place a copy in the library of the House.

My best wishes,

James Younger

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