



HM Treasury

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Dear Louise,

Thank you for your correspondence dated 19 January, regarding Universal Credit. The Treasury has received unprecedented amounts of correspondence since the start of the coronavirus outbreak in the UK. The Chancellor of the Exchequer has asked me to write to you directly.

The £20 per week increase to the Universal Credit (UC) standard allowance and Working Tax Credit (WTC) basic element forms just one part of a wide-ranging package of support the Government has provided to protect people's jobs and incomes, including income support schemes, mortgage holidays, support for renters, a £500 million local authority hardship fund, £500 payments to help people on low incomes to self-isolate under NHS Test and Trace, a £170 million COVID Winter Grant Scheme, and help with utilities.

To support families who rely on the safety net of the welfare system, we have also temporarily suspended the Minimum Income Floor for self-employed UC claimants, and increased the Local Housing Allowance rates for Housing Benefit and UC to the lowest third of local rents. The Government is spending £7.4 billion on its package of increased welfare support this year.

The increase to UC and WTC is specifically aimed at providing significant temporary support to low income families who may have seen their income fall as a result of the immediate impact of the crisis and is due to end in April 2021.

As the Government has done throughout this crisis, we will continue to consider the most appropriate forms of support as the public health and economic context develop. However, to illustrate, extending the £20 per week increase by a further 12 months would cost over £6 billion, equivalent to adding 1p on the basic rate of income tax plus a 3p increase in fuel duty.

Moving forward, the Government is focused on supporting people by helping them get into work and is making up to £30 billion available through the Plan for Jobs. This includes launching the £2 billion Kickstart Scheme to create hundreds of thousands of fully subsidised jobs for young people, and investing £8.6 billion in infrastructure, decarbonisation and maintenance projects to create jobs.

I hope this is helpful. If you have any questions about this reply, please email public.enquiries@hmtreasury.gov.uk quoting reference MC2021/01999.

Yours sincerely,

L Adams

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