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Policy paper

Cost of living support factsheet: 26 May 2022

Updated 26 May 2022



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Millions of households across the UK are struggling to make their incomes stretch to cover the rising cost of living. That is why the government is providing over £15 billion in further support, targeted particularly on those with the greatest need. This package is in addition to the over £22 billion announced previously, with government support for the cost of living now totalling over £37 billion this year. This means that almost all of the eight million most vulnerable households will get £1,200 of one-off support in total this year to help with the cost of living, with all domestic electricity customers receiving at least £400.

Energy Bills Support Scheme doubled to a one-off £400:

- Households will get £400 of support with their energy bills through an expansion of the Energy Bills Support Scheme.
- As well as doubling the £200 of support announced earlier this year, the full £400 payment will now be made as a grant, which will not be recovered through higher bills in future years.
- Energy suppliers will deliver this support to households with a domestic electricity meter over six months from October. Direct debit and credit customers will have the money credited to their account, while customers with pre-payment meters will have the money applied to their meter or paid via a voucher.
- This support will apply directly for households in England, Scotland, and Wales. It is GB-wide and we will deliver equivalent support to people in Northern Ireland.
- This support is in addition to the £150 Council Tax rebate for households in England in Council Tax bands A-D, which was announced in February, and which millions of households have already received.

£650 one-off Cost of Living Payment for those on means tested benefits:

- More than 8 million households on means tested benefits will receive a payment of £650 this year, made in two instalments. This includes all households receiving the following benefits: Universal Credit
- Income-based Jobseekers Allowance
- Income-related Employment and Support Allowance
- Income Support
- Working Tax Credit
- Child Tax Credit
- Pension Credit
- DWP will make the payment in two lump sums – the first from July, the second in the autumn. Payments from HMRC for those on tax credits only will follow shortly after each to avoid duplicate payments.
- Claimants will need to be in receipt of one of these benefits, or have begun a claim which is later successful, as of 25th May 2022 to be eligible for the first of the two instalments. HMRC and DWP will provide further guidance, and the government will set out the eligibility date for the second instalment, in due course.
- This payment will be tax-free, will not count towards the benefit cap, and will not have any impact on existing benefit awards.
- The government will make these payments directly to households across the UK.

- Legislation will be introduced shortly to allow payments to be made to this timetable.

One-off £300 Pensioner Cost of Living Payment

- Pensioners are disproportionately impacted by higher energy costs, and many low-income pensioner households do not claim the means tested benefits they are entitled to.
- So pensioner households will receive an extra £300 this year to help them cover the rising cost of energy this winter.
- This additional one-off payment will go to the over 8 million pensioner households across the UK who receive the Winter Fuel Payment and will be paid on top of any other one-off support a pensioner household is entitled to, for example where they are on pension credit or receive disability benefits. Eligible households currently receive between £200 - £300, so the payment will represent at least double the support for this winter.
- The Winter Fuel Payment (including the extra Pensioner Cost of Living Payment) is not taxable and does not affect eligibility for other benefits.
- All pensioner households will get the one-off Pensioner Cost of Living Payment as a top-up to their annual Winter Fuel Payment in November/December. For most pensioner households, this will be paid by direct debit.
- People will be eligible for this payment if they are over State Pension age (aged 66 or above) between 19 – 25 September 2022. There are certain circumstances where an individual above State Pension age does not qualify for the Winter Fuel Payment which can be found here on gov.uk [<https://www.gov.uk/winter-fuel-payment/eligibility>]
- The government will make these payments directly to households across the UK.

£150 Disability Cost of Living Payment

- Around six million people across the UK who receive the following disability benefits will receive a one-off payment of £150 in September:
 - Disability Living Allowance
 - Personal Independence Payment
 - Attendance Allowance
 - Scottish Disability Benefits
 - Armed Forces Independence Payment
 - Constant Attendance Allowance
 - War Pension Mobility Supplement
- We know people with disabilities may face a wide range of additional costs, such as specialist equipment, specialist food, and increased transport costs, and this payment will help with these costs as they are likely to have increased. Claimants must be in receipt of, or have begun an eventually successful claim for, one of these benefits as of 25th May 2022 to be eligible for this additional payment.
- For the many disability benefit recipients who receive means tested benefits, this £150 will come on top of the £650 they will receive separately.
- These payments will be exempt from tax, will not count towards the benefit cap, and will not have any impact on existing benefit awards.

- The government will make these payments directly to eligible people across the UK.

£500m increase and extension of Household Support Fund

- To support people who need additional help, the Government is providing an extra £500 million of local support, via the Household Support Fund, which will be extended from this October to March 2023.
- The Household Support Fund helps those in most need with payments towards the rising cost of food, energy, and water bills.
- The government will issue additional guidance to Local Authorities to ensure support is targeted towards those most in need of support, including those not eligible for the Cost of Living Payments set out on 26 May 2022.
- This brings the total amount provided through the Household Support Fund to £1.5 billion since October 2021.
- The Household Support Fund is administered by local councils in England and further information will be available directly from them. Eligibility will be determined by individual councils.
- The Barnett formula provides a share of this funding to the devolved administrations in Scotland, Wales, and Northern Ireland so they can decide how to provide support.

Impacts on households and case studies:

Around three-quarters of the total support will go to vulnerable households. Distributional analysis of the impact of these measures on households in England, published in May 2022, shows that the announced measures are highly progressive.

The following illustrative case-study households show the combined impact of recent policy decisions and changes in the labour market:

1. A low-income household (combined gross annual earnings of £26k, including a full-time earner on £10/hour and a part time earner on the National Living Wage) with 2 children who are in receipt of means tested benefits should expect to receive additional government support of £3,200 this year. This includes £850 from today's measures, £350 from the February package, £2,000 from the UC taper reduction.
2. A low-income couple, both out of work, one of whom has a disability (combined net income of £13,900) will receive a total of £1,350 this year in additional support. This includes £1,000 from today's measures, and £350 from the February support package.
3. A low-income pensioner household will receive a total of £1,500 this year in additional support. This includes £1,150 from today's announcement and £350 from the February support package.
4. A single mother of two children who works full time on the National Living Wage will receive a total of £2,500 this year in additional support. This includes £850 from today's measures, £350 from the February package, £1,200 from the UC taper reduction.
5. A low-to-middle income working family on Universal Credit, with 2 children (combined gross annual earnings of £43k, including a fulltime earner on median hourly wage of £14.10/hour, or around £27,000 per year, and another full time earner on the National Living Wage) will receive £4,200 this year in additional support. This includes £850 from today's measures, £350 from the February package, £240 from the NICs threshold increase, £2,900 from the UC taper reduction.

In addition, households in work will also benefit from wage increases. In March 2022, the OBR forecast average wage growth to be 5.1% this financial year. This would imply someone on median earnings (£27,000 per year) seeing a net wage increase of more than £900. Those on Universal Credit and state pension will also benefit from uprating of 3.1% in April 2022.

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