

Cost of Living Support

Madam Deputy Speaker,

The high inflation we are experiencing now is causing acute distress for the people of this country.

I know they are worried, I know people are struggling.

I want to explain what is happening, why it is happening, and what we propose to do about it.

I trust the British people, and I know they understand no government can solve every problem, particularly the complex and global challenge of inflation.

But this government will never stop trying to help people, to fix problems where we can, to do what is right – as we did throughout the pandemic.

We need to make sure that for those whom the struggle is too hard...and for whom the risks are too great...they are supported.

This government will not sit idly by whilst there is a risk that some in our country might be set so far back... they might never recover.

This is simply unacceptable. I will never allow that happen.

And I want to reassure everybody – we will get through this.

We have the tools and the determination we need to combat and reduce inflation.

We will make sure the most vulnerable and the least well off get the support they need at this time of difficulty.

And we will turn this moment of difficulty into a springboard for economic renewal and growth.

With more jobs, higher skills, greater investment – our plan for a stronger economy.

Madam Deputy Speaker,

Before I turn to the details of our plan, let me put into context for the House, the challenge we face.

This country is now experiencing the highest rate of inflation we have seen for forty years.

The Bank of England expect inflation to average around 9% this year.

Our exposure to global shocks continues to explain most of the inflation

above the 2% target.

Supply chain disruption as the world reopened from Covid...

...combined with Russia's invasion of Ukraine...

...and potentially exacerbated by recent lockdowns in China...

...are all contributing to significant price increases for goods and energy.

However, over the course of this year, the situation has evolved and has become more serious.

There are areas of particular concern.

Even excluding energy and food, core inflation has become broader based and elevated.

Of the basket of goods and services we use to measure inflation, a record proportion are seeing above average price increases.

Also, we are acutely exposed to the European energy price shock and, like the US, we have a tight labour market.

Make no mistake – the lowest unemployment in almost 50 years, just months after averting a jobs crisis during the pandemic, is good news.

But combined with the shock to European energy prices, it does contribute to the UK's relatively high rate of inflation.

And lastly, as the Bank have noted, longer-term inflation expectations have risen above their historical averages, by more than they are in the US and Europe.

We cannot and must not allow short term inflationary pressures to lead people to expect that high inflation will continue over the long term.

Because Madam Deputy Speaker

We can get inflation under control.

It is not some abstract force outside our grasp.

It may take time, but we have the tools we need and the resolve it will take to reduce inflation.

Madam Deputy Speaker,

We have three specific tools available to combat and reduce inflation – and we are using them all.

Independent monetary policy. Fiscal responsibility. And supply side activism.

First, our primary tool is a strong, independent monetary policy.

Since control of monetary policy was taken out of the hands of politicians 25 years ago, inflation has averaged precisely 2%.

It is right the Bank of England are independent.

And I know the Governor and his team will take decisive action to get inflation back on target and ensure inflation expectations remain firmly anchored.

Second, we need responsible fiscal policy.

That means providing fiscal support where required but not making the situation unnecessarily worse...causing inflation, interest, and mortgage rates to go up further than they otherwise would.

Excessively adding fiscal stimulus into a supply constrained economy...

...especially one in which households and businesses have built up over £300 billion of excess savings...

...risks being counterproductive and increasing inflationary pressures.

In other words, fiscal support should be timely, targeted, and temporary.

Timely, because we need to help people when the shock is at its worst.

Targeted, because unconstrained stimulus will make the problem worse.

And temporary, because if we do not meet our fiscal rules, and ensure the public finances are resilient in the longer run...

...we create even greater risks on inflation, interest rates, and the trend rate of economic growth.

And third, we are taking an activist approach to supply side reforms.

This will increase our productive capacity, ease inflationary pressures, and raise our long-term growth potential.

The PM's energy security strategy will, over time, reduce bills by increasing energy supply and improving energy efficiency.

The W&P Secretary is moving half a million jobseekers off welfare and into work...

...and doing more to support older people back into the jobs market.

The Home Secretary is making our visa regime for high-skilled migrants one of the most competitive in the world.

And, in the autumn, we will bring forward tax cuts and reforms to encourage businesses to invest more, train more, and innovate more – the path to higher growth.

So, independent monetary policy.

Fiscal responsibility.

Supply side reform.

The country should have confidence, that using these three tools...

...we will combat inflation – and reduce it over time.

But of course, we know that households are being hit hard, right now.

So today, Madam Deputy Speaker, we will provide significant support to the British people.

But as I have said, a critical part of how we are dealing with inflation is responsible fiscal policy.

What this means in practical terms is that as we support people more, we need to think about the fairest way to fund as much of that cost as possible.

The oil and gas sector is making extraordinary profits.

Not as the result of recent changes to risk taking or innovation or efficiency.

But as the result of surging global commodity prices – driven in part by Russia's war.

And for that reason, I am sympathetic to the argument to tax those profits fairly.

But as ever, there is a sensible middle ground.

We should not be ideological about this...we should be pragmatic.

It is possible to both tax extraordinary profits fairly...and incentivise investment.

And so, like previous governments, including Conservative ones – we will introduce a temporary, targeted, Energy Profits Levy.

But, we have built into the new Levy a new Investment Allowance, similar to the super-deduction...

...that means companies will have a new and significant incentive to reinvest their profits.

The new Levy will be charged on profits of oil and gas companies at a rate of 25%.

It will be temporary, and when oil and gas prices return to historically more normal levels, the Levy will be phased out – and with a sunset clause written into the legislation.

And, crucially, with our new investment allowance, we are nearly doubling the overall investment relief for oil and gas companies.

This means that, for every £1 a company invests, they'll get back 90 per cent in tax relief.

So the more a company invests, the less tax they will pay.

And we understand that certain parts of the electricity generation sector are also making extraordinary profits.

The reason for this is the way our market works.

The price electricity generators are paid is linked not to the costs they incur in providing that electricity...but rather to the price of natural gas – which is extraordinarily high right now.

Other countries like France, Italy, Spain and Greece have already taken measures to correct this.

As set out in the Energy Security Strategy, we are consulting with the power generation sector and investors...

...to drive forward energy market reforms and ensure that the price paid for electricity is more reflective of the costs of production.

Those reforms will take time to implement.

So, in the meantime, we are urgently evaluating the scale of these extraordinary profits...and the appropriate steps to take.

So, Madam Deputy Speaker,

Our Energy Profits Levy will encourage investment, not deter it.

It raises around £5bn revenue over the next year so that we can help families with the cost of living.

And it avoids having to increase our debt burden further.

Because there is nothing noble in burdening future generations with ever more debt to pay...

...because politicians of the day were too weak to make the tough decisions.

Madam Deputy Speaker,

I know the whole House will agree we have a responsibility to help those who...

...through no fault of their own...

...are paying the highest price for the inflation we face.

To help with the cost of living, we are going to provide significant,

targeted support to millions of the most vulnerable people in our society:

Those on the lowest incomes, pensioners, and disabled people.

First, people on the lowest incomes.

Over eight million households already have incomes low enough for the state to be supporting their cost of living through the welfare system.

They could be temporarily unemployed and looking for work.

Unable to work because of long-term sickness or disability.

Or on low pay and using benefits to top up their wages.

Right now, they face incredibly difficult choices.

So, I can announce today we will send, directly to around eight million of the lowest income households, a one-off Cost of Living Payment of £650.

Support worth over £5bn to give vulnerable people certainty that we are standing by them at this challenging time.

DWP will make the payment in two lump sums – the first from July, the second in autumn, with payments from HMRC for those on Tax Credits, following shortly after.

There is no need for people to fill out complicated forms or bureaucracy – we will send the payment straight into their bank accounts.

Our policy will benefit over eight million households in receipt of means-tested benefits, from July.

Up-rating, in that time frame, could only be done for those on Universal Credit.

And our policy will provide a larger average payment this year of £650.

Whereas up-rating the same benefits by 9% would only be worth, on average, £530.

There are two further groups who will need targeted extra support.

Many pensioners are disproportionately impacted by higher energy costs.

They can't always increase their incomes through work.

And, because they spend more time at home, and are more vulnerable, they often need to keep the heating on for longer.

And we estimate many people who are eligible for Pension Credit are not currently claiming it...

...which means there will be many vulnerable pensioners not receiving means-

tested benefits.

So, I can announce today that, from the autumn, we will send over eight million pensioner households who receive the Winter Fuel Payment – an extra, one-off Pensioner Cost of Living Payment of £300.

Disabled people also face extra costs in their day-to-day lives – like having energy-intensive equipment around the home or workplace.

So, to help the 6 million people who receive non-means tested disability benefits, we will send them, from September...

...an extra, one-off Disability Cost of Living Payment, worth £150.

Many disabled people will also receive the payment of £650 I have already announced, taking their total cost of living payments to £800.

And I can reassure the House that next year, subject to the Secretary of State's review, benefits will be uprated by this September's CPI...

...which, on current forecasts, is likely to be significantly higher than the forecast inflation rate for next year.

Similarly, the triple lock will apply for the state pension.

Of course, we recognise the risk that, as with any policy, there may be small numbers of people who fall between the cracks.

For example, it is not possible right now for DWP or HMRC to identify people on Housing Benefit who are not also claiming other benefits.

So, to support them and others, we will extend the Household Support Fund, delivered by Local Authorities, by £500m from October.

This is a significant set of interventions to support the most vulnerable in our country.

We will legislate to deliver this support on the same terms in every part of the United Kingdom – including Northern Ireland.

And, taken together, our direct cash payments, will help one third of all UK households with the cost of living, support worth over £9bn.

So, Madam Deputy Speaker,

We are meeting our responsibility to provide the most help to those on the lowest incomes.

I believe that is fair and I'm confident the House would agree.

But there are many other families who do not require state support in normal times.

They are also facing challenging times.

Is it fair to leave them unsupported?

The answer must surely be no.

While it is impossible for any government to solve every problem, we can and will ease the burden as we help the entire country through the worst of this crisis.

So, we will provide more support with the rising cost of energy – and that support will be universal.

Earlier this year, we announced £9bn to help with the cost of energy.

Including a Council Tax rebate of £150 for tens of millions of households.

And we plan to provide all households with £200 off their energy bills from October, with the cost of that repaid over the following five years.

Since then, the outlook for energy prices has changed.

I've heard people's concerns about the impact of these repayments on future bills.

So I have decided that those repayments will be cancelled.

So, for the avoidance of doubt, this support is unambiguously a grant.

And furthermore, I have decided that the £200 of support for household energy bills will be doubled to £400 for everyone.

We're on the side of hard-working families, with £6bn of financial support.

So, Madam Deputy Speaker,

To summarise.

Our strategy is to combat and reduce inflation over time through independent monetary policy, fiscal responsibility, and supply side activism.

We are raising emergency funds to help millions of the most vulnerable families who are struggling right now.

And all households will benefit from universal support for energy bills of £400 – with not a penny to repay.

In total, the measures I've announced today provide support worth £15bn.

Combined with the plans we've already announced...that means we are supporting families with the cost of living to the tune of £37bn or 1.5% of GDP.

That's higher or similar to countries like France, Germany, and Italy.

And I'm proud to say that around three quarters of the total support will go to vulnerable households.

As a result of the measures we've announced today, and the action we've already taken this year:

The vast majority of households will receive £550.

Pensioners will receive £850.

And almost all of the eight million most vulnerable households in the country will, in total, receive support of at least £1,200.

Let me put this into context.

The House will have noted the news from Ofgem earlier this week.

They currently expect the energy price cap to rise in October to £2,800.

That's an average increase in people's bills this year of just under £1,200.

The same amount our policies will provide for the most vulnerable this year.

I know there are other pressures.

I am not trying to claim we have solved the entire problem for everyone.

No government could.

But I hope that when people hear the significant steps we are taking...

...the millions we are helping...

...they will feel some of the burden eased, some of the pressures lifted.

And they will know, this Government is standing by them.

And Madam Deputy Speaker in conclusion,

Supporting people with the cost of living is only one part of our plan for a stronger economy...

...A plan that is creating more jobs...

...Cutting taxes for working people...

...Reducing our borrowing and debt...

...Driving businesses to invest and innovate more...

...unleashing a skills revolution...

...Seizing the benefits of Brexit...

...And levelling up growth in all parts of the United Kingdom.

The British people can trust this government because we have a plan for a stronger economy and I commend this Statement to the House.