



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Iain Stewart MP
House of Commons
London
SW1A 0AA

8 January 2024

Dear Iain,

Thank you for your email of 27 September to HM Treasury enclosing an example of the correspondence you have received from a number of your constituents about the cost of living. I am replying as the Minister responsible for public spending. I would like to offer my apologies for the delayed response.

Over the last two years, the Government has demonstrated its commitment to supporting the most vulnerable by providing one of the largest support packages in Europe. It is in part thanks to these measures that growth and real incomes have been stronger than expected this year. Inflation has also come down significantly to less than half its 2022 peak.

However, the outlook for real incomes remains challenging and inflation remains too high. That is why the Government will raise Local Housing Allowance rates to the 30th percentile of local market rents in April 2024. The Government will also uprate all working age benefits in full, by September 2023 CPI of 6.7 per cent, for 2024-25. This comes on top of further Cost of Living Payments this year, helping more than 8 million UK households on eligible means-tested-benefits, 8 million pensioner households and 6 million people across the UK on eligible disability benefits. Local Authorities will also continue providing support through the Household Support Fund, which is enabled by £1 billion of funding.

This brings the total support over 2022-2025 to help households with the high cost of living to £104 billion – an average of £3,700 per UK household.

Your constituents make two suggestions to further support households which I will address in turn.

Your constituents suggest uprating the National Minimum Wage (NMW) to £15 per hour. The Government is delivering on its commitment to end low hourly pay for full-time workers on the National Living Wage (NLW). From 1 April 2024, the NLW will increase by 9.8 per cent to £11.44 an hour for eligible workers aged 21 and over. This will meet the Government's target for the NLW to reach two-thirds median earnings and the age threshold lowered to 21 years in 2024, ending low hourly pay (as defined by the Organisation for Economic Co-operation and Development) for full-time eligible workers

in the UK.

The NMW and NLW rates are set on the independent and expert advice of the Low Pay Commission (LPC). The LPC has representatives from business, employee and academic communities, and through their social partnership model reached a consensus agreement on the rates. To help shape their recommendations, the LPC through a public consultation, seek evidence on the effects on employers and workers of the recent increases in the National Living and Minimum Wage.

The Government has accepted the LPC's recommendations on the 2024 rates in full. By seeking expert and independent advice from the LPC when setting the minimum wage rates, the Government is able to ensure that the right balance is struck between the needs of workers, the affordability for businesses and the impact on the economy.

Turning to your constituents' comments on pay rises for public sector workers, I would note that pay for most frontline workforces - including nurses, teachers, armed forces and police officers - is set through an independent Pay Review Body (PRB) process. The PRBs consider a range of evidence when forming their recommendations, including the need to recruit, retain and motivate suitably able and qualified people; the financial circumstances of Government; the Government's policies for improving public services; and the Government's inflation target. They consider the whole remuneration package of those working in the public sector when forming their recommendations, including the substantially more generous pensions available, on average, in the public sector.

The Government recognises that public sector workers play a vital role in the running of our economy and in delivering world-class public services. That's why for the 2023-24 pay cycle, the Government accepted the headline pay recommendations of the PRBs in full for armed forces, teachers, prison officers, police, the judiciary, medical workforces and senior civil servants.

For most workforces, accepting these recommendations has delivered the highest pay uplifts for their respective workforce in three decades. In delivering these awards, the Government is doing what it said it would: providing a fair and balanced settlement for public sector workers informed by the expert, independent advice and recommendations of the PRBs.

Please pass on my thanks to your constituents for taking the time to make me aware of these concerns.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Laura Trott', written in a cursive style.

RT HON LAURA TROTT MP
CHIEF SECRETARY TO THE TREASURY