EXPLANATORY MEMORANDUM TO

THE SOCIAL SECURITY BENEFITS UP-RATING ORDER 2007

2007 No.

1. This explanatory memorandum has been prepared by the Department for Work and Pensions and is laid before Parliament by Command of Her Majesty.

2. Description

2.1 The Social Security Benefits Up-rating Order fulfils the statutory duty of the Secretary of State to review the rates of social security benefits and provides for the up-rating of those benefits.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Legislative Background

4.1 This Order provides for the annual up-rating of social security benefits.

4.2 Under section 150(1) of the Social Security Administration Act 1992 ("the Act") the Secretary of State is required to review the levels of benefits annually with a further requirement, under section 150(2)(a), to increase contributory and non-contributory benefits at least in line with prices. Those benefits are increased in line with the Retail Prices Index.

4.3 Section 150(2)(b) provides that the Secretary of State may, if he considers it appropriate, having regard to the economic situation and any other matters which he considers relevant, increase other benefits by a percentage as he thinks fit. Therefore income-related benefits (including contribution-based Jobseeker's Allowance) are generally increased in line with an index based on the Retail Prices Index less housing costs known as the "Rossi" index.

4.4 A draft of this Order is laid before Parliament in accordance with the provisions of sections 150(2) and 190(1)(a) of the Act for approval by resolution of each House of Parliament.

5. Territorial Extent and Application

5.1 The Order applies to Great Britain.

6. European Convention on Human Rights

The Minister of State for Pensions Reform, James Purnell, has made the following statement regarding Human Rights:

In my view the provisions of the Social Security Benefits Up-rating Order 2007 are compatible with the convention rights.

7. Policy Background

7.1 The non income-related benefits[1] are increased by 3.6 per cent. in line with the increase in the Retail Price Index from September 2005 (the end of the last review of benefit levels) to September 2006 so that they hold their value in relation to the general level of prices.

7.2 Income related benefits[2] are increased by 3.0 per cent. which is the September 2006 increase in the Rossi index (Retail Price Index less the element representing housing costs). This index is used because housing costs are typically met by separate specific provision within these benefits.

7.3 The standard minimum guarantee element of State Pension Credit is increased in line with earnings of 4.4 per cent. to ensure that the gains we have made against pensioner poverty are secure into the future.

7.4 Pensioner premiums in the working age income related benefits are up-rated so that the new rate equals the new rate of standard minimum guarantee in Pension Credit less the new personal allowance rate in the income related benefit. An increase in the premium of 5.8 per cent. for a single person and 5.9 per cent. for a couple.

7.5 Disability and carer premiums (including the additional amount for a carer in Pension Credit) are increased by Rossi and the severe disability premium (and the additional amount for severe disability in Pension Credit) is increased in line with the Retail Price Index.

7.3 The Order provides for the increases to take effect, in most cases, in the week commencing 9 April 2007. For statutory sick pay, statutory maternity pay, statutory paternity pay, statutory adoption pay, housing benefit, council tax benefit and earnings limits in respect of child dependency increases, the Order specifies that the rates take effect at an earlier date in April. Increases take effect on different dates because of differences in the prescribed payday of the benefit and depending on whether the benefit is a weekly or daily benefit.

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[1] With the exception of contribution-based Jobseeker's Allowance.
[2] Income Support, Jobseeker's Allowance, Housing Benefit and Council Tax Benefit.

8. Impact

8.1 A Regulatory Impact Assessment has not been prepared because this Order imposes no new costs on business, charities or voluntary bodies.

8.2 The impact on the public sector of the provisions in this Order is an estimated £3.56 billion due to additional benefit expenditure.

9. Contact

Carol Krahe, DWP, room 2W60, Quarry House, Quarry Hill, Leeds LS2 7UA. Tel: 0113 232 4646: Email: Carol.Krahe@dwp.gsi.gov.uk.