EXPLANATORY MEMORANDUM TO

THE SOCIAL SECURITY BENEFITS UP-RATING ORDER 2015

2015 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[1].

2. Purpose of the instrument

The Social Security Benefits Up-rating Order 2015 ("the Order") fulfils the statutory duty on the Secretary of State to review the rates of social security benefits and provides for the up-rating of certain benefits.

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

None

4. Legislative Context

4.1 The Order provides for the annual up-rating of social security benefits under sections 150 and 150A of the Social Security Administration Act 1992 ("the Act").

4.2 As was the case last year, most of the main rates of benefits for people below State Pension age for women are subject to the Welfare Benefits Up-rating Act 2013 (WBUA), committing them to be increased by 1 per cent and thereby removing the Secretary of State's discretion over these benefits. The benefits covered by the WBUA are up-rated by means of the Welfare Benefits Up-rating Order, which is made prior to the laying of this Order, and so are not included in the Social Security Benefits Up-rating Order 2015.

4.3 With respect to benefits not covered by the WBUA, the Secretary of State is required to review the levels of benefits annually with a further requirement to up-rate certain contributory, non-contributory and extra-costs disability benefits at least in line with prices. The Secretary of State has discretion over how to measure changes in the general level of prices. The Secretary of State has measured the increase in the general level of prices in the appropriate period using the CPI.

4.4 The Secretary of State has determined that those benefits have not maintained their value in relation to prices as measured by the CPI over the period October 2013 to September 2014[2].

4.5 Section 150A(1) and (2) of the Act requires the Secretary of State to review and up-rate the standard minimum guarantee element of Pension Credit, the basic State

[1] This Order is laid and will be debated alongside the draft "Guaranteed Minimum Pensions Increase Order 2015".

[2] The Consumer Prices Index (all items) for the 12 month period to end September 2014 showed growth of 1.2 per cent.

Pension and widow's (apart from the initial rate) and widower's pension in Industrial Death Benefit at least in line with earnings.

4.6 The Secretary of State has determined that those benefits have not maintained their value in relation to earnings as measured by annual growth in the Average Weekly Earnings statistic for the quarter ending July 2014[3]. The Secretary of State has further decided that the basic State Pension will be up-rated by 2.5 per cent under the 'triple lock' commitment. The standard minimum guarantee in Pension Credit is being increased beyond the statutory minimum of earnings to give an equivalent to the cash increase in the basic State Pension, with the cost off-set by an increase in the Savings Credit threshold.

4.7 The Secretary of State may also, if he considers it appropriate, having regard to the economic situation and any other matters which he considers relevant, increase other benefits not covered by the WBUA by a percentage as he thinks fit.

4.8 The premiums payable to pensioners receiving benefits normally payable below State Pension age for women will be up-rated in line with Pension Credit rates. Premiums paid to people with disabilities receiving those benefits; the Support Group component of Employment and Support Allowance; and the Limited Capability for Work and Work-Related Activity element of Universal Credit, will be up-rated with CPI at 1.2 per cent. Carer premiums in benefits for people below State Pension age for women, and the Carer element in Universal Credit, will also be up-rated with CPI at 1.2 per cent. Premiums specified for children or young persons in benefits for people below State Pension age for women, including Universal Credit, will be up-rated with reference to the relevant Child Tax Credit and Child Benefit elements.

4.9 In accordance with the Act a draft of this Order is laid before Parliament for approval by resolution of each House together with a copy of the report of the Government Actuary giving his opinion on the likely effect on the National Insurance Fund of the making of this Order.

5. Territorial Extent and Application

The Order applies to Great Britain. Separate but corresponding provision will be made for Northern Ireland.

6. European Convention on Human Rights

Rt Hon Steve Webb MP, Minister for Pensions, has made the following statement regarding Human Rights:

"In my view the provisions of The Social Security Benefits Up-rating Order 2015 are compatible with the Convention Rights".

7. Policy background

What is being done and why

[3] The Average Weekly Earnings revised statistic, whole economy, including bonuses, seasonally adjusted showed annual growth of 0.6 per cent for the quarter ending July 2014.

7.1 The annual review has been performed on the social security benefit rates not covered by the WBUA. The Up-rating Order provides for certain benefits to be increased by the amounts set out in the following paragraphs. A full list of the proposed social security benefit rates for 2015-16 can be found on the House of Commons library website at: http://data.parliament.uk/DepositedPapers/Files/DEP2014-1568/proposed_benefit_and_pension_rates_2015_to_2016.pdf

Basic State Pension and Industrial Death Benefit

7.2 The statutory minimum increase to the basic State Pension is based on average earnings (see 4.5). However, the Government has given a 'triple lock' commitment to increase the basic State Pension by the highest of the growth in average earnings, the growth in prices, or 2.5 per cent. As both the relevant increase in average earnings (0.6 per cent) and CPI (1.2 per cent) is lower than 2.5 per cent, the basic State Pension will increase by 2.5 per cent in 2015. This will increase the rate of Category A Retirement Pension from £113.10 to £115.95 a week.

7.3 Certain elements of Industrial Death Benefit are increased by 2.5 per cent to maintain parity with the rate of basic State Pension.

Pension Credit standard minimum guarantee and Savings Credit

7.4 The standard minimum guarantee element of Pension Credit is increased by 1.9 per cent, which is more than the statutory minimum of growth in average earnings, to ensure that the poorest pensioners obtain the full value of the increase in their basic State Pension. The rate for single people is increased from £148.35 a week to £151.20 a week, and for couples from £226.50 to £230.85 a week.

7.5 The Savings Credit thresholds are increased by 5.1 per cent in order to fund the additional increase in the standard minimum guarantee. The threshold for a single person will increase from £120.35 to £126.50, and the couple's threshold will increase from £192.00 to £201.80. This concentrates spending on pensioners at the lower end of the income scale.

Additional Pension, Graduated Retirement Benefit, Increments to State Pension, Attendance Allowance, Carer's Allowance, Disability Living Allowance, Personal Independence Payment, Industrial Injuries Benefit, Bereavement Benefits, Support Group component of Employment and Support Allowance, Disability premiums, Carer premiums, Incapacity Benefit, Severe Disablement Allowance, Carer element of UC and Limited capability for work and work-related activity component of UC

7.6 These benefits are all increased by 1.2 per cent in line with the growth in the CPI for the 12 months to September 2014.

7.7 Pensioner premiums may be paid with Income Support, Jobseeker's Allowance and Employment and Support Allowance when a claimant or their partner has reached State Pension age for women. These premiums will be increased so that overall the rate of benefit for a claimant over that age, or for a couple with a member over that age, will reflect the new standard minimum guarantee in Pension Credit.

7.8 In Housing Benefit the personal allowance when a claimant (or their partner if they have one) has reached State Pension age for women will be increased so that the personal allowance will equal the new standard minimum guarantee in Pension Credit. Where a claimant (or their partner if they have one) is aged 65 or over, the personal allowance will reflect the new standard minimum guarantee plus the new savings credit maximum.

Non-dependant deductions from income-related benefits

7.9 Deductions may be made from Housing Benefit, as well as from the housing support provided within the income-related benefits such as mortgage interest costs, to reflect the presence of non-dependants (such as adult relatives) living in the household of people claiming those benefits. There is an expectation that these non-dependants should contribute to the household expenses of the accommodation in which they live. Non-dependants who are in employment have a deduction applied which reflects their gross weekly income. In UC, in order to simplify the system, there is a single flat-rate contribution.

7.10 For 2015, the rates of non-dependant deductions are increased by the Housing Benefit eligible rent forecast which was 2.9 per cent for 2015/16[4]. The income bands used to determine which rate of non-dependant deduction applies will be up-rated in 2015 by increases in average earnings.

7.11 The housing cost contribution in UC is increased by 1 per cent to ensure consistency with the up-rating for the main rates of Universal Credit.

Deductions for service charges

7.12 Where a service charge is included in a rental agreement a deduction is made to reflect the fact that this is a living expense that Housing Benefit is not intended to cover. Deductions for service charges will be up-rated by the CPI rate for fuel, which was 4.5 per cent in the year to September 2014[5].

Commencement

7.14 The Order provides for the increases to take effect, in most cases, in the week commencing 6 April 2015. Increases take effect on various dates because of differences in the prescribed payday of the benefit or payment and depending on whether the benefit or payment is a daily, weekly or monthly benefit.

Consolidation

7.15 Informal consolidated text of instruments is available to the public free of charge via 'The Law Relating to Social Security' (Blue Volumes) on the Department for Work and Pensions website at http://www.dwp.gov.uk/publications/specialist-guides/law-volumes/the-law-relating-to-social-security/ or the National Archive website

[4] The Housing Benefit eligible rent forecast for 2015/16 is 2.9% as stated in the Office for Budget Responsibility's December economic and fiscal outlook.
[5] The CPI rate for electricity, gas and other fuels showed growth of 4.5 per cent for the 12 month period to end September 2014

legislation.gov.uk. An explanation as to which instruments are maintained on each site is available here.

8. Consultation outcome

The Order forms part of the regular annual up-rating requirements, and is therefore not subject to consultation requirements.

9. Guidance

Public information products will be updated to reflect the new rates in due course and guidance bulletins have been issued to operational staff to advise them of the new rates.

10. Impact

The Order imposes no new costs on the public sector: the annually recurring costs are already provided for in the Government's expenditure plans.

11. Regulating small business

The legislation does not apply to small business.

12. Monitoring & review

The position is subject to review each tax year (please see paragraphs 4.2, 4.3 and 4.4).

13. Contact

For any queries regarding this instrument, please contact Libby Cooklin on telephone number: 02074495604 or e-mail: STATE.PENSIONS@DWP.GSI.GOV.UK