EXPLANATORY MEMORANDUM TO

The Universal Credit and Employment and Support Allowance (Rates and Allowances) (Amendments and Modifications) Regulations (Northern Ireland) 2026
S.R. 2026 No. 54

1. Introduction

1.1. This Explanatory Memorandum has been prepared by the Department for Communities (the Department) to accompany the Statutory Rule (details above) which is laid before the Northern Ireland Assembly.

1.2. The Statutory Rule (the Rule) is made under sections 4(2)(a), (6)(c) and 25(1) and (2) of the Welfare Reform Act (Northern Ireland) 2007 and Articles 14(2), 17(3) and 48(1) and (5) of the Welfare Reform (Northern Ireland) Order 2015 and is subject to the negative resolution procedure.

2. Purpose

2.1. This legislation sets the benefit rates for Universal Credit (UC) standard allowance, and Income-Related Employment and Support Allowance (ESA IR) personal allowances from April 2026, using a formula based on inflation, the relevant Consumer Price Index from the September of the relevant year, and fixed uplift percentages introduced in paragraph 1 of Schedule 2 to the Universal Credit Act 2025 (the UC Act)[1].

2.2. It also sets the benefit rates for the higher rate of the Limited Capability for Work and Work-Related Activity (LCWRA) element, the equivalent Support Group rate in ESA IR, and the following disability premiums in ESA IR:

i. the Severe Disability Premium (SDP); and

ii. the Enhanced Disability Premium (EDP).

The formula that will be applied to make these changes is based on the combined real-terms increase introduced in paragraph 3 of Schedule 2 to the UC Act.

2.3. In the case of Employment and Support Allowance (ESA), the changes ensure that people receiving ESA IR are treated separately from those on Contributory or New Style ESA. This means that claimants of the means tested and contributory strands of ESA will have their awards up-rated independently.

2.4. It also further defines a ‘pre-2026 claimant’(existing claimants who will receive the higher rate of the LCWRA element).

2.5. Finally, the Rule makes transitional provisions modifying Schedule 4 to the Employment and Support Allowance Regulations (Northern Ireland) 2008, only for those claimants who retained the Limited Capability for Work element. These transitional and savings provisions protected those

[1] https://www.legislation.gov.uk/ukpga/2025/22

claimants who were in receipt of an additional amount which was added to a UC or ESA award due to the fact that a claimant had limited capability for work.

3. Background

3.1. The UC Act introduced reforms to rebalance support within UC. The policy objective is to ensure that those who can work are supported to do so, while those who cannot work - including individuals with severe, lifelong conditions or nearing the end of life - receive dignified support and protection.

3.2. Existing claimants will see their benefit income protected with their combined rate of the UC standard allowance and LCWRA protected in real terms. In addition, to ensure protection for the most vulnerable, those meeting the Severe Conditions Criteria (SCC) or who are terminally ill, will receive the higher LCWRA element, regardless of when they begin claiming UC.

3.3. The rates of social security benefits in Northern Ireland (NI) are generally maintained in parity with Great Britain (GB). The Rule sets the rates for a number of elements of ESA and UC as required by the UC Act.

3.4. The Rule sets the 2026/27 rates for the following benefit components, increasing them by the statutory formulas set out in the UC Act:

- ESA IR personal allowance rate
- ESA SDP
- ESA EDP
- ESA IR Support Component
- UC standard allowance
- UC LCWRA element for existing and protected claimants (also referred to as the 'UC Health Element')

3.5. The Rule also enables the separate up-rating of ESA IR and ESA Contributory (including New Style ESA) personal allowance rates. The UC Act places a statutory duty on the Department for Communities to up-rate ESA IR personal allowances for the tax years 2026/27 to 2029/30 in line with the formula set out in the Act. To meet this requirement, ESA IR personal allowance rates must be legally separated from ESA Contributory rates, allowing ESA IR to be up-rated via this Rule, while ESA Contributory (including New Style ESA) continues to be up-rated through the annual Up-rating Order. ESA IR is being up-rated as a pre-cautionary, mirroring measure. This protects ESA IR claimants who have not migrated to UC before April 2026 and mitigates the risk of unwanted knock-on impacts for transitional protection payments for those migrating after this date.

3.6. The UC Act also introduced a lower rate of LCWRA element from 6th April 2026. The existing, protected, rate of LCWRA element will apply only to a 'pre-2026 claimant', Severe Conditions Criteria claimant and a

claimant who is terminally ill. The meaning of a 'pre-2026 claimant' is set out in regulation 28A of the Universal Credit Regulations (Northern Ireland) 2016 as inserted by paragraph 2 of Schedule 2 to the UC Act.

3.7. The Rule increases the protected LCWRA rate, so that the combined value of the LCWRA element and the standard allowance will increase at least in line with inflation in the years 2026/27 to 2029/30. The UC Act makes equivalent changes to ESA IR.

3.8. The Rule sets out further circumstances when a person will be a 'pre-2026' claimant as follows:

- Claimants who are awaiting a Work Capability Assessment before 6th April 2026 and go on to be awarded LCWRA on or after 6th April 2026.
- Claimants with limited capability for work who are awaiting a reassessment before 6th April 2026 and are found to have had LCWRA on or after 6 April 2026.
- Claimants in the "relevant period" defined in regulation 28 of the Universal Credit Regulations (Northern Ireland) 2016 (i.e. found to have LCWRA but not yet entitled to have an LCWRA element included in their award) at 6th April 2026.
- Claimants who have been found to have entitlement to the support component of ESA IR component before 6th April 2026 and who have that status continuously until such time as they make a claim for UC after 6th April 2026.
- Claimants who have entitlement to New Style ESA support component immediately before 6th April 2026 and who have that entitlement continuously until such time as they make a claim for UC after 6 April 2026.

What was the previous policy, how is this different?

3.9. Section 150A(1) and (2) of the Social Security Administration 1992 Act (the 1992 Act) requires the Secretary of State for Work and Pensions to review certain contributory, non-contributory and extra-costs disability benefits, and up-rate them at least in line with the general level of prices. Where the general level is greater at the end of the period under review, benefits are increased by at least this percentage. If the benefits have not retained their value, section 150A of the 1992 Act requires the Secretary of State to up-rate them by at least as much as the percentage increase in the general level of earnings.

3.10. When the Secretary of State for Work and Pensions makes an Up-rating Order under section 150, 150A or 151A of the 1992 Act, the Department is empowered under section 132 of the Social Security Administration (Northern Ireland) Act 1992 to make a corresponding Order. The Department has no power to set different rates for Northern Ireland.

3.11. Previously, the benefit rates set out in paragraph 3.4 were included in the annual review of social security benefit rates. However, the UC Act amended legislation to remove those benefit rates from the annual up-rating of benefits and instead implement a statutory formula each year until 2029/30. These rates are therefore not covered by the Up-rating Order for 2026 as they have been previously.

3.12. There is no discretion to vary the rates of benefit: they are determined in line with the UC Act and maintained in parity with the rest of the UK.

4. Consultation

4.1. There is no requirement to consult on this Rule. It makes in relation to Northern Ireland only provision corresponding to provision contained in regulations made by the Secretary of State for Work and Pensions. GB's corresponding provisions were not considered by the Social Security Advisory Committee (SSAC) due to the regulations implementing provisions mandated by the UC Act within six months of Royal Assent, therefore formal consultation by SSAC was not required.

5. Equality Impact

5.1. In accordance with its duty under section 75 of the Northern Ireland Act 1998, the Department has conducted a screening exercise on proposals for this Rule and concluded that it does not have significant implications for equality of opportunity or good relations. In light of this, the Department considered that an equality impact assessment is not necessary.

6. Regulatory Impact

6.1. The Rule does not require a Regulatory Impact Assessment as it does not impose any costs on business, charities, social enterprises or voluntary bodies.

7. Financial Implications

7.1. The proposals to increase by up-rating the elements of ESA and UC named within the Rule are expected to increase the Department's Annually Managed Expenditures in 2026/27 by approximately £7m. This additional requirement has been factored into the Department's future year forecast AME requirements and will be met in full by Treasury.

8. Section 24 of the Northern Ireland Act 1998

8.1. The Department is satisfied that this Rule complies with section 24 of the Northern Ireland Act 1998 (conventions rights, etc.).

9. EU Implications

9.1. Not applicable.

10. Parity or Replicatory Measure

10.1. The corresponding Great Britain Instrument is the Universal Credit and Employment and Support Allowance (Rates of Allowance) (Amendment) Regulations 2026 which comes into force on 6th April 2026.

10.2. In line with the long-standing policy of parity in social security, the Rule will come into operation on the same date as the corresponding Great Britain Instrument. Parity of timing and substance is an integral part of the maintenance of single systems of social security, pensions and child support provided for in section 87 of the Northern Ireland Act 1998.

11. Additional Information

11.1. Not applicable.