EXPLANATORY MEMORANDUM TO

THE UNIVERSAL CREDIT AND EMPLOYMENT AND SUPPORT ALLOWANCE (RATES OF ALLOWANCES) (AMENDMENT) REGULATIONS 2026

2026 No. 113

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Department for Work and Pensions and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Sir Stephen Timms MP, Minister for Social Security and Disability at the Department for Work and Pensions confirms that this Explanatory Memorandum meets the required standard.

2.2 Graeme Connor, Deputy Director for Health & Disability Reform, at the Department for Work and Pensions confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Anuja Barot at the Department for Work and Pensions can be contacted by email at the following address with any queries regarding the instrument: anuja.barot@dwp.gov.uk.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 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 and fixed uplift percentages introduced in section 1 of the Universal Credit Act 2025 (the UC Act)[1].

4.2 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, the Severe Disability Premium and the Enhanced Disability Premium. The formula that will be applied to make these changes is based on the combined real-terms increase introduced in section 4 of the UC Act.

4.3 It is worth noting, that 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.

4.4 Finally, it defines a ‘pre-2026 claimant’, who will be treated as existing claimants and will receive the higher rate of the LCWRA element.

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

Where does the legislation extend to, and apply?

4.5 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is Great Britain.

4.6 The territorial application of this instrument (that is, where the instrument produces a practical effect) is across Great Britain.

4.7 Social Security is transferred in Northern Ireland, and the Department for Communities are bringing forward their own legislation to maintain parity with these measures.

5. Policy Context

What is being done and why?

5.1 The UC Act introduced reforms to rebalance support within UC, addressing perverse incentives that discourage work and contribute to long-term benefits dependency. 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.

5.2 Individuals receiving the UC standard allowance are struggling to get by, this creates a logical - but perverse - incentive for people to define themselves as incapable of work. To address this, the Government is spending £1.9 billion to deliver a sustained, above inflation increase to the standard allowance for the first time ever. Just under four million households will benefit overall from the Government's decision to increase the UC standard allowance, estimated to be worth around £760 annually in cash terms for a single parent aged 25 or over (£250 above inflation) or £1,195 (£400 above inflation) for a couple where one is aged 25 or over with children by 2029/30.

5.3 Existing claimants will see their benefit income protected with their combined rate of the Universal Credit 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 subject to Special Rules for End of Life, will receive the higher LCWRA element, regardless of when they begin claiming UC.

5.4 This Instrument sets the 2026/27 rates for the following benefit components, increasing them by the statutory formulas set out in the UC Act[2]:

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

5.5 This Instrument also enables the separate up-rating of ESA IR and contributory ESA (including New Style ESA) personal allowance rates. The UC Act places a statutory duty on the Secretary of State to up-rate ESA IR personal allowances for the tax years 2026/27 to 2029/30 in line with the formula set out in section 5 of the UC the Act.

5.6 To meet this requirement, ESA IR personal allowance rates must be legally separated from contributory ESA rates, allowing ESA IR to be up-rated via this statutory

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

instrument, while contributory ESA (including New Style ESA) continues to be up-rated through the annual Up-rating Order. We are up-rating ESA IR as a precautionary, 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.

5.7 The UC Act also introduced a lower rate of LCWRA element from 6 April 2026 for claimants other than a pre-2026 claimant, a SCC claimant or a claimant who is terminally ill, which will be frozen from 2026/27 to 2029/30. The existing, protected, rate of LCWRA element will apply only to a pre-2026 claimant, SCC claimant and a claimant who is terminally ill. The meaning of a "pre-2026 claimant" is set out in regulation 27A of the Universal Credit Regulations 2013[3]. This Instrument sets out further circumstances when a person will be a 'pre-2026 claimant'. The instrument 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.

5.8 This Instrument contains a measure to define the following groups to be treated as 'pre-2026 claimant':

- Claimants who are awaiting a Work Capability Assessment before 6 April 2026 and go on to be awarded LCWRA on or after 6 April 2026.
- Claimants with limited capability for work who are awaiting a reassessment before 6 April 2026 and are found to have had LCWRA on or after 6 April 2026.
- Claimants in the "relevant period" defined by regulation 28 of the Universal Credit Regulations 2013[4] (i.e. found to have LCWRA but not yet entitled to have an LCWRA element included in their award) before 6 April 2026.
- Claimants entitled to the support component of ESA IR before 6 April 2026 and who have that status continuously until such time as they make a claim for UC after 6 April 2026.
- Claimants who have entitlement to New Style ESA support component immediately before 6 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?

5.9 Previously, the benefit rates set out in point 5.4 were included in the Secretary of State's annual review of social security benefit rates, which is required by the Social Security Administration Act 1992 (the 1992 Act)[5]. The 1992 Act requires the Secretary of State to conduct a review of applicable State Pension and benefit rates each year to determine whether they have retained their value in relation to the general level of prices or earnings. Where the relevant rates have not retained their value, legislation provides that the Secretary of State is required to (or in some instances may) up-rate their value. The annual Up-rating Order is the Statutory Instrument by which these rates are up-rated.

5.10 However, the UC Act amended legislation to remove the benefit rates referred to in point 5.4 from the annual review and instead implement a statutory formula each year until 2029/30.

[3] https://www.legislation.gov.uk/uksi/2013/376/regulation/27
[4] https://www.legislation.gov.uk/uksi/2013/376/regulation/28
[5] https://www.legislation.gov.uk/ukpga/1992/5

6. Legislative and Legal Context

How has the law changed?

6.1 The benefits set out in paragraph 5.4 are increased in accordance with the requirements set out in the UC Act.

6.2 The Universal Credit Regulations 2013 are also amended to insert a new Schedule setting out circumstances in which a claimant with LCWRA will be a 'pre-2026 claimant'[6]. Pre-2026 claimants are entitled to the higher rate of the LCWRA element.

Why was this approach taken to change the law?

6.3 Legislation was required because the UC Act requires the benefits in paragraph 5.4 to be increased by the formula set out in that Act using the relevant Consumer Price Index increase from the September of the relevant year.

7. Consultation

Summary of consultation outcome and methodology

7.1 This instrument has not been the subject of a formal public consultation because it implements provisions already mandated by the UC Act. As the changes have been set out and scrutinised during the passage of the Act, a further consultation at the secondary legislation stage would be disproportionate. DWP notified the Social Security Advisory Committee (SSAC)[7] ahead of this instrument being laid. Because this instrument implements provisions mandated by the UC Act within six months of Royal Assent, formal consultation by SSAC was not required.

8. Applicable Guidance

8.1 Public guidance relating to these changes will be updated from 6 April 2026 and placed on GOV.UK[8].

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this Instrument because this Instrument implements provisions already mandated by the UC Act. The Impact Assessment[9] published in July 2025 during the passage of the UC Act through Parliament covers the expected impact of the measures included in this Instrument.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies because this Instrument does not go beyond their existing obligations.

9.3 The legislation does not impact small or micro businesses.

9.4 The impact on the public sector is primarily held by DWP who will face financial and administrative changes. Increasing the UC standard allowance above inflation will

[6] https://www.legislation.gov.uk/uksi/2013/376
[7] https://www.gov.uk/government/organisations/social-security-advisory-committee/about
[8] https://www.gov.uk/health-conditions-disability-universal-credit/after-assessment
[9] https://publications.parliament.uk/pa/bills/cbill/59-01/0267/IA0707.pdf

cost an estimated £1.9 billion by 2029/30[10]. However, this additional spending is countered by a forecast reduction in the UC health element for non-protected, new claims, with a final savings estimate of £2,060 million by 2029/30[11]. Operationally, public sector workload is expected to shift, as lower financial incentives are assumed to result in approximately 40,000 fewer people going through the Work Capability Assessment by 2029/30[12].

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The Department will monitor the impact of these changes over time including continuing to engage with disabled people, the organisations that represent them, and stakeholder and clinical groups.

10.2 The Instrument does not include a statutory review clause. The UC Act sets out in legislation the statutory formula for up-rating these benefit components until 2029/30, and further secondary legislation will be required to set the rates in 2027/28, 2028/29 and 2029/30.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None

12. European Convention on Human Rights

12.1 As the instrument is subject to negative procedure and does not amend primary legislation no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").

[10] See page 4 - https://publications.parliament.uk/pa/bills/cbill/59-01/0267/IA0707.pdf
[11] See page 8 - https://publications.parliament.uk/pa/bills/cbill/59-01/0267/IA0707.pdf
[12] See page 4 - https://publications.parliament.uk/pa/bills/cbill/59-01/0267/IA0707.pdf