EXPLANATORY MEMORANDUM TO

The Social Security Benefits Up-rating Order (Northern Ireland) 2023

S.R. 2023 No. 43

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 is made under sections 132, 132A, 132B and 165(1), (4) and (5) of the Social Security Administration (Northern Ireland) Act 1992 and is subject to the confirmatory resolution procedure.

2. Purpose

2.1. This Order, one of a series of statutory rules relating to the annual up-rating of social security benefits, provides for the rates of certain social security benefits, pensions and allowances from April 2023.

3. Background

3.1. Section 150 of the Social Security Administration Act 1992 ("the 1992 Act") requires the Secretary of State for Work and Pensions in Great Britain 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.

3.2. The Secretary of State has determined that benefits linked to the general level of prices have not maintained their value in relation to prices as measured by the Consumer Prices Index (CPI) over the period October 2021 to September 2022 and has decided to up-rate them in line with the growth in CPI over the 12 month period – 10.1 per cent.

3.3. Section 151A of the 1992 Act provides for up-rating of inherited increments of old State Pension and certain amounts which exceed the full rate of the new State Pension, which are payable under transitional arrangements. Transitional components of a new State Pension award covered by section 151A must also be increased in line with prices.

3.4. Having regard to the economic situation and any other matters considered relevant the Secretary of State may also increase other benefits by such a percentage as he or she thinks fit. The Secretary of State decided to up-rate premiums paid to disabled people receiving working-age benefits, Universal Credit, Income Support, Housing Benefit, Jobseeker's Allowance and Employment and Support Allowance elements, in line with CPI (10.1 per cent).

3.5. Section 150A(1) and (2) of the 1992 Act requires the Secretary of State to review and up-rate the standard minimum guarantee element of Pension Credit, the basic State Pension, and the full rate of the new State Pension (for people reaching State Pension age on or after 6 April 2016) and widow's (apart from the initial rate) and widower's pension in Industrial Death Benefit at least in line with Average Weekly Earnings (AWE), the increase in prices or 2.5 per cent (known as the 'triple lock'). Following his review, the Secretary of State has determined that benefits linked to the general level of earnings have not maintained their value. Therefore, in accordance with the government's commitment to the triple lock, he has decided to up-rate the basic state pension and full rate of the new State Pension in line with CPI (10.1 per cent). He has also decided to up-rate the other benefits to which section 150A(1) and (2) applies by 10.1 per cent.

3.6. The Secretary of State has decided to up-rate disability, carer, pensioner, and family/lone parent premiums in benefits for people below State Pension age, and the additional amount for severe disability and carer responsibilities in Pension Credit, in line with CPI (10.1 per cent).

3.7. The Secretary of State has also decided to increase the Savings Credit Threshold in Pension Credit to deliver an increase in the Savings Credit maximum in line with CPI (10.1 per cent).

3.8. 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 to make a corresponding Order. The Department has no power to set different rates for Northern Ireland. This Order will make provision corresponding to provision made by the Secretary of State for Work and Pensions.

Basic State Pension

3.9. The statutory minimum increase to the basic State Pension is the rise in earnings (see paragraph 3.5). However, the Westminster 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 the increase in prices over the relevant period (10.1 per cent) is higher than both the growth in earnings (5.5 per cent) and 2.5 per cent, the basic State Pension will increase by 10.1 per cent from £141.85 a week to £156.20 a week from April 2023

3.10. The rate of the full basic pension in a Category A and Category B State Pension (based respectively on a person's own National Insurance contributions and those of a late spouse or civil partner) will be increased from £141.85 a week to £156.20 a week from April 2023.

3.11. The lower rate of Category B basic pension (payable to a married person or civil partner in certain circumstances) will be increased from £85.00 a week to £93.60 a week from April 2023.

New State Pension

3.12. The statutory minimum increase to the full rate of new State Pension is the rise in earnings. The Westminster Government has also committed to 'triple lock' the full rate of the new State Pension. The full rate of the new State Pension will therefore increase by 10.1 per cent from £185.15 a week to £203.85 a week from April 2023.

3.13. Existing awards of the new State Pension as of April 2023 will be at the transitional rate. The transitional rate incorporates a ‘starting amount’ which is based on a person’s National Insurance contributions to 5 April 2016. Where the ‘starting amount’ is less than the full rate, it is increased by 1/35th of the full rate for each qualifying year gained between April 2016 and State Pension age. As such, the transitional rate is not a fixed rate and may, in individual cases, be more than, less than, or equal to the full rate of the new State Pension.

3.14. Transitional rates of the new State Pension that are equal to or less than the full rate are to be increased by the same percentage as the full rate (Schedule 2 to Pensions Act (Northern Ireland) 2015). These amounts will, therefore, be increased by 10.1 per cent. Where the transitional rate exceeds the full rate, the excess amount (also known as the protected payment) will be increased in line with the increase in prices.

3.15. Payments of inherited amounts or shared State Pension may be payable under transitional arrangements to widowed or divorced individuals who reach State Pension age under the new system - these components are derived from the additional State Pension in the old State Pension. The inheritable amount may also be derived from Graduated Retirement Benefit in the old State Pension. Schedules 4 and 9 to the Pensions Act (Northern Ireland) 2015 provide, respectively, for the up-rating of inherited amounts and shared State Pension. These amounts are up-rated by: either the percentage increase in the full rate of the new State Pension, or the increase in prices, or a combination of the two depending on the total amount of the individual’s award. The total amount of the award excludes any incremental payments arising because the individual has deferred taking their pension for a period after they reached State Pension age.

Benefits linked with earnings

3.16. The higher rate of widow’s pension and the widower’s pension in Industrial Death Benefit will be increased from £141.85 a week to £156.20 a week.

3.17. The standard minimum guarantee element of Pension Credit for single people will be increased from £182.60 a week to £201.05. The rate for couples will be increased from £278.70 a week to £306.85 a week. An increase of 10.1 per cent to match the increase in the basic State Pension.

Benefits that must rise at least with prices (10.1 per cent)

3.18. Additional State Pension, Graduated Retirement Benefit, increments to State Pension, Attendance Allowance, Carer’s Allowance, Disability Living Allowance, Personal Independence Payment, Industrial Injuries Benefit, Widowed Mother’s Allowance, Widow’s Pension, Widowed Parent’s Allowance, Incapacity Benefit and Severe Disablement Allowance will be increased by 10.1 per cent. This also applies to transitional amounts of new State Pension above the level of the full rate, and to inherited increments of old State Pension payable to a surviving spouse or civil partner in the new State Pension.

Benefits over which the Secretary of State has discretion

3.19. Jobseeker's Allowance, Employment and Support Allowance, Income Support, Housing Benefit and Universal Credit elements will increase in line with prices (10.1 per cent). The savings credit element of Pension Credit, and the additional amount paid to severely disabled people receiving Pension Credit, will also be increased by 10.1 per cent. A number of child or family elements in working age benefits, alongside Pension Credit, are linked to child tax and working tax credits. These will be up-rated in line with those benefits. Statutory Sick Pay, Statutory Maternity Pay, Statutory Paternity Pay, Statutory Adoption Pay, Statutory Shared Parental Pay, disability premiums and carer premiums will also be increased by 10.1 per cent.

3.20. Bereavement Support Payment will remain at the same rate as in 2022/23. This benefit replaced Bereavement Payment, Bereavement Allowance and Widowed Parent's Allowance for death on or after 6 April 2017. Claimants with dependent children receive a first payment of £3,500 and up to 18 monthly payments of £350. Claimants who do not have dependent children receive a first payment of £2,500 and up to 18 monthly payments of £100.

3.21. Increments to new State Pension are treated in the same manner as old State Pension increments and will be increased by 10.1 per cent.

4. Consultation

4.1. Consultation with the Social Security Advisory Committee regarding this Order is not required as it forms part of the annual up-rating package.

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 Order 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 Order 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 Rule makes provision corresponding to provision made by the Secretary of State for Work and Pensions in Great Britain. The implementation of the proposals for the up-rating of benefits is expected to increase the Department's annually managed expenditure by approximately £763 million during 2023/24.

8. Section 24 of the Northern Ireland Act 1998

8.1. The Department is satisfied that these Regulations comply 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 Order is the Social Security Benefits Up-rating Order 2023 and comes into force from 1st April 2023.

10.2. In line with the long-standing policy of parity in social security, the Order will come into operation on the same date as the corresponding Great Britain Order. Parity of timing and substance is an integral part of the maintenance of single systems of social security, pensions and child support; during any periods where normal Assembly business is inoperative, it is sometimes necessary to make confirmatory regulations to protect the ethos of single systems of social security, as provided for in section 87 of the Northern Ireland Act 1998.

11. Additional Information

11.1. Not applicable.