

**EXPLANATORY MEMORANDUM TO
THE CHILD BENEFIT UP-RATING ORDER 2010**

2010 No. 982

1. This explanatory memorandum has been prepared by Commissioners for Her Majesty's Revenue and Customs (HMRC) and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. **Purpose of the instrument**

This instrument increases the amounts of child benefit, as set out in the Pre-Budget Report on 9 December 2009.

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

The Treasury have exercised the discretion afforded during the tax year ending 5th April 2010 by section 23 of the Welfare Reform Act 2009 (c. 24) to lay these Orders up-rating child benefit, even though a review by the Treasury required by section 150 of the Social Security Administration Act 1992 (c. 5) has determined that the general level of prices was not greater at the end of period under review than it was at the beginning.

4. **Legislative Context**

- 4.1 Section 145 of the Social Security Contributions and Benefits Act 1992 (c. 4), and s.141 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7), provide for the rate of child benefit to be prescribed and for HM Treasury to alter the rate of benefit payable by an Order.
- 4.2 The Child Benefit (Rates) Regulations 2006 (S.I. 2006/965) set out the rates of child benefit payable in Great Britain and Northern Ireland.
- 4.3 Section 150 (1) of the Social Security Administration Act 1992 provides for the Treasury to review the rate of child benefit as specified by virtue of s.145(1) of the Social Security Contributions and Benefits Act 1992. Section 132(1) of the Social Security Administration (Northern Ireland) Act 1992 (c. 8) provides the equivalent power for Northern Ireland.
- 4.4 Section 23 of the Welfare Reform Act 2009 (c. 24) provides that section 150 of the Social Security Administration Act 1992 shall have effect as if after subsection (2) of that section, there were inserted subsection (2A) which allows child benefit (and other benefits described in the provision) in the tax year ending 5th April 2010 to be increased even though the general level of prices has not increased during the period under review.
- 4.5 In accordance with s.150(2) and s.190(1)(a) of the Social Security Administration Act 1992, and s.132(1) and s.166(10A) of the Social Security

Administration (Northern Ireland) Act 1992 (c. 8), a draft of this order has been laid before and approved by resolution of each House of Parliament.

5. Territorial Extent and Application

This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

The Financial Secretary to the Treasury, Stephen Timms, has made the following statement regarding Human Rights:

In my view the provisions of the Child Benefit Up-rating Order 2010 are compatible with the Convention rights.

7. Policy background

7.1 The Government is committed to child benefit as the foundation of financial support for all families and is a fundamental component in its pledge to tackle child poverty.

7.2 In previous years the rates of child benefit have increased at least in line with prices but for the first time in half a century, the Retail Price Index (RPI) decreased which means that all the rates have increased in real terms. To provide additional support to households during the early stages of economic recovery and having regard to the national economic situation and other relevant matters, the Chancellor announced in his Pre-Budget Report that the Government will bring forward a proportion of the increases expected in April 2011 a year earlier, thereby providing a 1.5 per cent increase from April 2010 for those benefits and tax credits normally uprated by RPI. In April 2011, rates will be increased by the remaining amount necessary to make up the difference with the RPI for September 2010, locking in the real increase that arises from the fact that prices fell.

7.3 Accordingly, the weekly rate of child benefit for the only or eldest child will increase to £20.30 and the weekly rate for all other children will be £13.40.

Consolidation

7.4 None

8. Consultation outcome

No formal consultation has taken place.

9. Guidance

HM Treasury has issued a press release setting out the rates of child benefit for 2010-11.

10. Impact

10.1 This instrument has no impact on business, charities or voluntary bodies.

10.2 The estimated cost of increasing the child benefit is £180m in 2010-11. This is included in the updated public finance projections given in the Pre Budget Report of 2009.

10.3 An Impact Assessment has not been prepared for this instrument.

11. Regulating small business

The instrument does not apply to small business.

12. Monitoring & review

The rates of child benefit are reviewed annually. This is in accordance with section 150 (1) of the Social Security Administration Act 1992, which requires that in each tax year the Treasury shall review the rate of child benefit prescribed in section 145(1) of the Social Security Contributions and Benefits Act 1992 in order to determine whether they have retained their value in relation to the general level of prices obtaining in Great Britain estimated in such manner as the Treasury think fit. Section 132(1) of the Social Security Administration (Northern Ireland) Act 1992 provides the equivalent power for Northern Ireland.

13. Contact

Jenny Fox at Her Majesty's Revenue and Customs Tel: 020 7147 2503 or email: jenny.fox@hmrc.gsi.gov.uk can answer any queries regarding the instrument.