

EXPLANATORY MEMORANDUM TO
THE SOCIAL SECURITY BENEFITS UP-RATING ORDER 2016

2016 No. 230

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 Her Majesty.

2. Purpose of the instrument

- 2.1 The Social Security Benefits Up-rating Order 2016 (“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 Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

- 3.1 None.

Other matters of interest to the House of Commons

- 3.2 Disregarding minor or consequential changes, the territorial application of this instrument includes Scotland.

4. Legislative Context

- 4.1 The Order provides for the annual up-rating of social security benefits specified in section 150A of the Social Security Administration Act 1992¹ (“the Act”).
- 4.2 Unlike in previous years, this Order does not cover those benefits specified in section 150 of the Act including contributory, non-contributory and extra-costs disability benefits. The Secretary of State has determined that those benefits have maintained their value in relation to prices as measured by the Consumer Prices Index (CPI) over the 12 month period ending September 2015². Therefore, no Order has been laid to increase the rates of those benefits.
- 4.3 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 Pension and widow’s (apart from the initial rate) and widower’s pension in Industrial Death Benefit at least in line with earnings. The Secretary of State has determined that these benefits have not maintained their value in relation to earnings as measured by annual growth in the Average Weekly Earnings (AWE) statistic for the quarter ending July 2015³. The Secretary of State has further determined that the annual growth in AWE is higher than both the growth in prices and 2.5 per cent, and will therefore be

¹ The Act can be accessed on the Legislation.gov.uk website (<http://www.legislation.gov.uk/ukpga/1992/5/contents/enacted>).

² The Consumer Prices Index (all items) for the 12 month period to end September 2015 showed a negative growth rate, at -0.1 per cent.

³ The Average Weekly Earnings (whole economy, including bonuses, seasonally adjusted) revised statistic showed annual growth of 2.9 per cent for the quarter ending July 2015.

the measure used to up-rate the basic State Pension in line with the ‘triple lock’ commitment, in which the basic State Pension is increased by the highest of the growth in earnings, the growth in prices, or 2.5 per cent.

- 4.4 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 by the Government Actuary giving his opinion on the likely effect on the National Insurance Fund of the making of this Order.

5. Extent and Territorial Application

- 5.1 The extent of this instrument is Great Britain.
- 5.2 The territorial application of this instrument is Great Britain.
- 5.3 Subject to the agreement of the Northern Ireland Assembly, the Department of Social Development in Northern Ireland will be making corresponding provision for Northern Ireland.

6. European Convention on Human Rights

- 6.1 The Minister of State for Pensions, the Baroness Altmann, has made the following statement regarding Human Rights:

“In my view the provisions of The Social Security Benefits Up-rating Order 2016 are compatible with the Convention rights.”

7. Policy background

What is being done and why

- 7.1 The annual review of social security benefit rates is required by section 150 and 150A of the Act. 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 2016-17 can be found on the website for the libraries of the House of Commons and the House of Lords at:
http://data.parliament.uk/DepositedPapers/Files/DEP2015-0921/Proposed_benefit_and_pension_rates_2016-17.pdf.

Basic State Pension

- 7.2 The statutory minimum increase to the basic State Pension is the rise in earnings (see 4.3). The Government has further given a ‘triple lock’ commitment to the basic State Pension (see 3.2). As both the relevant increase in prices (-0.1 per cent) and 2.5 per cent are lower than the rise in earnings, the basic State Pension will increase by 2.9 per cent from April 2016. This will increase the rate of the full basic pension in a Category A and Category B retirement pension (based respectively on a person’s own National Insurance contributions and those of a late spouse or civil partner) from £115.95 to £119.30 a week. The lower rate of Category B basic pension payable in certain circumstances to a married person or civil partner is similarly increased by 2.9 per cent from £69.50 to £71.50 a week⁴.

⁴ Non-contributory Category C and D retirement pension are payable at the same rate as the “married person’s” Category B pension and are accordingly also increased to £71.50 a week.

- 7.3 There are an estimated 12.8 million recipients of the basic State Pension during 2015-16⁵. Of these, there are an estimated 0.5 million recipients of the basic State Pension who are in a country where there is not a legal obligation or reciprocal agreement to up-rate benefits⁶.

Pension Credit standard minimum guarantee

- 7.4 The standard minimum guarantee element of Pension Credit is increased by 2.9 per cent, in line with the statutory minimum of growth in earnings. The rate for single people is increased from £151.20 to £155.60 a week. The rate for couples is increased from £230.85 to £237.55 a week.
- 7.5 There are an estimated 1,659,000 recipients of the Guarantee Credit element of Pension Credit during 2015-16⁷.

Industrial Death Benefit

- 7.6 The higher rate of widow's pension and the widower's pension in Industrial Death Benefit will increase by the growth in earnings, 2.9 per cent, from £115.95 to £119.30 a week.
- 7.7 There are an estimated 5,000 recipients of Industrial Death Benefit during 2015-16⁸.

Consolidation

- 7.8 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 [legislation.gov.uk](http://www.legislation.gov.uk). An explanation as to which instruments are maintained on each site is available from <http://www.dwp.gov.uk/docs/lawvolnews.pdf>.

8. Consultation outcome

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

9. Guidance

- 9.1 Public information products will be updated to reflect the new rates where applicable and guidance bulletins have been issued to operational staff to advise them of the new rates.

10. Impact

- 10.1 There is no impact on business, charities or voluntary bodies.

⁵ Autumn Statement 2015, Expenditure and Caseload forecasts, State Pension table, which can be found on Gov.uk (<https://www.gov.uk/government/statistics/benefit-expenditure-and-caseload-tables-2015>).

⁶ DWP tabulation tool, State Pension (5% sample) Caseload (Thousands): Country summary by Category of Pension, Time Series = March 2015, which can be found on Gov.uk (<http://tabulation-tool.dwp.gov.uk>).

⁷ Autumn Statement 2015, Expenditure and Caseload forecasts, Pension Credit table, which can be found on Gov.uk (<https://www.gov.uk/government/statistics/benefit-expenditure-and-caseload-tables-2015>).

⁸ Autumn Statement 2015, Expenditure and Caseload forecasts, Industrial injuries benefits table, which can be found on Gov.uk (<https://www.gov.uk/government/statistics/benefit-expenditure-and-caseload-tables-2015>).

10.2 The impact on the public sector is that there will be an estimated £1.8 billion of extra payments in 2016-17 from the National Insurance Fund as a result of the Order, as estimated by the Government Actuary in the report laid before Parliament (see 4.4).

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

11. Regulating small business

11.1 The legislation does not apply to activities that are undertaken by small businesses.

12. Monitoring & review

12.1 The rates of social security benefits covered by sections 150 and 150A of the Act are subject to review each tax year.

13. Contact

13.1 Stephen Wan at the Department for Work and Pensions (Telephone: 02073404460 or e-mail: stephen.wan@dwp.gsi.gov.uk) can answer any queries regarding the instrument.