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Welfare Benefits Uprating Bill

Bill No 116 of Session 2012-13

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Social security legislation requires the Secretary of State to review benefit levels each year to determine whether they have retained their value relative to prices. For most benefits annual uprating is not mandatory, but historically governments have exercised their discretion by increasing the principal means-tested working-age benefits each April in line with prices. Since 2011 the measure used has been the Consumer Price Index (CPI).

In his 2012 Autumn Statement, the Chancellor announced that increases in most working-age benefits would be limited to 1% a year for three years from 2013-14, as part of a package to deliver additional welfare savings of £3.7 billion a year by 2015-16. Increases in the basic rates of benefits such as Jobseeker's Allowance and Employment and Support Allowance (ESA), and benefits including Statutory Sick Pay and Statutory Maternity Pay, will be limited to 1% a year, but disability and carer premiums payable with means-tested benefits, and the ESA Support Component, will rise by the full CPI (2.2% from next April). Uprating by 1% will also extend to the couple, lone parent and child elements of tax credits and, for 2014-15 and 2015-16, to Child Benefit and the basic and 30 hour elements of Working Tax Credit (these are already frozen for 2013-14). Universal Credit (UC) earnings disregards and certain UC elements are also to be limited to a 1% increase in 2014-15 and 2015-16, as will Housing Benefit rates (subject to certain exceptions).

The Bill amends primary legislation to enable the decisions on uprating in 2014-15 and 2015-16 to be implemented. This paper has been prepared for the Second Reading debate in the House of Commons.

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Summary

Social security legislation requires the Secretary of State to review the level of certain benefits annually to determine whether they have retained their value relative to prices. Some benefits – including Disability Living Allowance, Carer's Allowance, Incapacity Benefit, and bereavement benefits – must be "uprated" at least in line with prices, while the Basic State Pension and standard minimum guarantee in Pension Credit must be increased at least in line with earnings. The current Government has also said that the basic State Pension will be uprated by the highest of earnings, prices or 2.5% (the "triple guarantee" or "triple lock").

For other benefits – including Child Benefit, Income Support, Jobseeker's Allowance, Housing Benefit, Statutory Sick Pay and Statutory Maternity Pay – there is no statutory requirement to uprate. Historically however governments exercised their discretion by increasing means-tested working-age benefits each year in line with the "Rossi index" (the Retail Price Index (RPI) less certain housing costs), and employer-provided benefits including SSP and SMP by the RPI. For those working age benefits where there is a statutory requirement to uprate annually in line with prices the index used was the RPI. From 1987 onwards, benefit rates changed from April each year, based on the increase in the relevant index (RPI or Rossi) over the twelve months to the previous September.

The June 2010 Budget announced that, from April 2011, the measure of price inflation used for uprating benefits and tax credits would henceforth be the Consumer Prices Index (CPI), rather than the RPI or Rossi. The switch to CPI indexation of benefits is expected to have a significant effect on benefit rates over the long term, since the CPI tends to rise more slowly than either the RPI or Rossi. The Office for Budget Responsibility's long term assumption is that the annual increase in the RPI will be 1.4% points more than in the CPI. Such a difference would result in benefits being worth after 10 years 86% of the amount they would have been had they continued to be uprated by the RPI.

The estimated savings from the switch to CPI indexation are substantial, dwarfing those from other welfare reforms announced by the current Government since it came to power. It was expected to yield Exchequer savings of £1.5 billion in 2011-12, rising to £10.6 billion by 2015-16 (although this also includes savings from CPI indexation of public service pensions). Furthermore, since the effects of the switch to CPI are cumulative, savings will continue to grow indefinitely, year on year.

In his Autumn Statement on 5 December 2012, the Chancellor of the Exchequer said that it was "not fair to working people" that out-of-work benefit rates had increased by 20% since 2007 while average earnings had risen by only around 10%. Given this, and the general economic situation, he proposed limiting increases in most working-age benefits to 1% a year for the next three years. Benefits subject to statutory uprating would be unaffected, and the Retirement Pension would rise by 2.5% from April 2013, due to the "triple lock".

Increases in the basic rates of benefits such as Jobseeker's Allowance and Employment and Support Allowance, and benefits including Statutory Sick Pay and Statutory Maternity Pay, will be limited to 1% a year, but disability and carer premiums payable with means-tested benefits, and the ESA Support Component, will rise by the full CPI (2.2% from next April). 1% uprating will also extend to the couple, lone parent and child elements of tax credits and, for 2014-15 and 2015-16, to Child Benefit and the basic and 30 hour elements of Working Tax Credit (these are already frozen for 2013-14). Universal Credit earnings disregards and certain UC elements are also to be limited to a 1% increase in 2014-15 and 2015-16, as will Local Housing Allowance rates (subject to certain exceptions). The welfare measures announced in the Autumn Statement are expected to yield savings of £3.7 billion a year by 2015-16. This is in

addition to the £18 billion a year savings by 2014-15 from welfare reforms already announced by the Government.

1% uprating from April 2013 can be implemented under the current statutory framework, but for the two subsequent years 1% uprating cannot be imposed without changing the legislation since it requires the Secretary of State to review benefit levels each year in light of changes in prices. The *Welfare Benefits Uprating Bill* amends primary legislation to enable the decisions on uprating in 2014-15 and 2015-16 to be implemented. It does not cover the limits on increases in Local Housing Allowance, which can be implemented through regulations.

The Bill itself comprises only three clauses and one Schedule, but its impact is significant, both in terms of the expected savings and the consequences for individuals and families in receipt of the specified benefits.

A decision to limit increases in benefits to below inflation for a sustained period is historically unprecedented. If inflation averages more than 1% over the three years, families claiming the benefits and tax credits affected will experience a permanent real terms reduction in the support they receive. Families in receipt of means-tested out-of-work benefits such as Income Support and income-based JSA will receive less than the amount social security legislation *currently* deems necessary to meet their needs. The impact on families is difficult to gauge since no government since the 1960s has undertaken any official empirical study of benefit adequacy, but independent estimates of “Minimum Income Standards” suggest that current out-of-work benefit rates for people of working age are significantly lower than the amounts necessary for a minimum acceptable standard of living.

The uprating changes can also be expected to further widen the disparity in the benefits system between the treatment of pensioners and those of working age. Already before the announcement in the Autumn Statement, it was expected that the proportion of total welfare spending received by people over pension age would increase from around 53% today to 56% by 2017-18.

Announcing the three year limit on uprating, the Chancellor concentrated on those receiving out-of-work benefits. However, working families in receipt of benefits and tax credits will also be affected. The Resolution Foundation estimates that around 60% of the cut associated with the 1% uprating will fall on working households. Modelling undertaken by Citizens Advice suggests that, for almost all low income families whether in or out of work, and for many middle income families with children, the impact of capping the uprating of benefits and tax credits will more than negate any gains from the further increase in the personal tax allowance also announced in the Autumn Statement.

The Government has drawn attention to “protections” for disabled people. Extra costs disability benefits, Carer’s Allowance, the disability elements of tax credits and the disability and carer premiums payable with means-tested benefits will continue to rise in line with the CPI. However, families with disabled people will still be affected by the uprating change since increases in the “personal allowances” in means-tested benefits and the main tax credit elements will be limited to 1%. Furthermore, the “Work-Related Activity Component” of ESA, together with the “limited capability for work” element and the lower rate addition for disabled children in Universal Credit, will also be limited to 1% increases over the next three years.

The Government has said that an Impact Assessment will be published ahead of the Bill’s Commons Second Reading, but it has not yet been published.

The provisions in the Bill relating to social security benefits (other than Child Benefit) extend to England, Wales and Scotland only. Social security in Northern Ireland is a devolved matter, although there is a long-standing policy of maintaining parity with the arrangements in the rest of Great Britain.

The provisions in the Bill relating to Child Benefit and to tax credits apply to the whole of the United Kingdom.

The Department for Work and Pensions has prepared Explanatory Notes which give further information on the provisions in the Bill. It has also produced a memorandum for the House of Lords Select Committee on Delegated Powers and Regulatory Reform, on the regulation-making powers in the Bill.

1 Introduction

The *Welfare Benefits Uprating Bill* amends legislation relating to the uprating of social security benefits and tax credits in 2014-15 and 2015-16, to give effect to the announcement in the 2012 Autumn Statement that increases in certain working age benefits will be limited to 1% a year for three years from 2013-14.[1]

Section 2 of this paper looks at the rationale – such as there is – for current benefit rates, and at how rates for the main out-of-work benefits compare with independent estimates of the amounts necessary for individuals and families to have a minimum acceptable standard of living.

Sections 3 and 4 look at the statutory framework governing benefit and tax credit uprating, and at uprating policies and practices up to 2010.

In its June 2010 Budget, the Government announced that from April 2011 the measure of price inflation used for uprating purposes would be the Consumer Price Index (CPI). This is expected to have a significant effect on benefit rates over the long term, and yield substantial savings. The implications of the switch to CPI indexation are examined in section 5.

Section 6 looks at debates about different uprating options in the run-up to the 2011 Autumn Statement, and the decisions made by the Government about the April 2012 uprating.

Section 7 covers the announcement of the three-year cap on uprating of working-age benefits in the 2012 Autumn Statement, and initial reactions to it.

Sections 8 and 9 look at the Bill itself, and at issues raised by the uprating decisions.

Section 10 covers the proposed 1% uprating Local Housing Allowance rates (with certain exceptions) in 2014-15 and 2015-16. This can be implemented via regulations and is not covered by the Bill, but has been included in this paper as it is part of the overall 1% uprating "package" announced in the Autumn Statement.

The Department for Work and Pensions has prepared Explanatory Notes which give further information on the provisions in the Bill.[2] It has also produced a memorandum for the House of Lords Select Committee on Delegated Powers and Regulatory Reform, on the regulation-making powers in the Bill.

The Government has said that an Impact Assessment will be published ahead of Second Reading in the House of Commons[3], but it is not yet available.

2 How are benefit rates determined?

It is commonly believed that social security benefit rates are set by reference to regular surveys of families' or individuals' minimum material requirements, for example by costing on an annual basis "baskets" of goods and services considered essential to meet minimum needs. However, this is not the case. It is a misconception that benefit rates in the UK are based on some regular, systematic estimate of minimum needs.

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1 The title of the Bill is in fact the Welfare Benefits *Up-rating* Bill (hyphenated) but in this briefing we refer to the *Uprating* Bill, since the unhyphenated term is more commonly used (a DWP press release of 20 December 2012 announcing the publication of the Bill refers to the "Oral Uprating Statement")

2 Bill 116-EN, 20 December 2012

3 Bill 116-EN, para 41

In drawing up its plans for the postwar welfare state the Beveridge Committee undertook some work on minimum needs, but the actual benefit rates introduced in 1946-48 have been described as "a compromise reflecting Beveridge's estimates of incomes adequate for subsistence, the Government's view of what could be afforded, and the existing scale rates on which payments by the Assistance Board were based."[4]

Beveridge claimed that his proposed benefit rates were intended to be "sufficient without further resources to provide the minimum income needed for subsistence in all normal cases"[5], but the amounts suggested were far from generous even by contemporary standards. Beveridge's proposed rates were based (loosely) on calculations by the poverty researcher Seebohm Rowntree, but the minimum budgets only took into account amounts needed for mere physical subsistence. Rowntree himself had long acknowledged the drawbacks of "primary poverty" measures, and by the late 1930s had proposed a more generous "human needs" scale which took into account social as well as physical needs.[6]

National Assistance[7] benefit rates set in 1948 were roughly in line with Beveridge's recommendations. Since these were based on a severe definition of poverty they fell well short of the amounts Rowntree had previously suggested were necessary for social participation.[8]

Subsequent work on benefit adequacy was undertaken covertly by the National Assistance Board (NAB) in the 1960s, in response to concerns about the "rediscovery" of poverty in the United Kingdom. The study - which was never published - used a variety of methods to test whether benefit levels were sufficient to provide a minimally adequate standard of living. It found that existing benefit levels were too low to meet national standards of minimal social participation, but the introduction of a long-term rate of Supplementary Benefit in 1966 was the only identifiable outcome. A recommendation by the NAB that there should be regular reviews of benefit adequacy was not taken up, and no government has since attempted any official empirical study of adequacy.[9]

Supplementary Benefit was replaced by Income Support in 1988. When the Conservative Government considered the prospective rates of Income Support during its review of Social Security in the mid-1980s, it considered the possibility of establishing a method of determining what a "fair rate of benefit" might be, but concluded that attempting to establish an objective standard of adequacy would probably not be "fruitful":

> **Setting the level of help**
>
> 2.50 There have been many attempts to establish what would be a fair rate of benefit for claimants. But it is doubtful whether an attempt to establish an objective standard of adequacy would be fruitful. This is for two reasons. First, all such assessments would themselves include judgements on the standards to be achieved. Second, the level of help for those on supplementary benefit cannot be isolated from consideration both of the returns and the rewards that are available to people in society generally.[10]

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4 Jonathan Bradshaw and Tony Lynes, *Benefit Uprating Policy and Living Standards*, University of York Social Policy Research Unit Social Policy Report 1, 1995, p5

5 Cmd. 6404,1942, para 307

6 B S Rowntree, *The Human Needs of Labour*, 1937

7 National Assistance was the forerunner of current means-tested benefits such as Income Support and income-based Jobseeker's Allowance

8 John Veit-Wilson, "Muddle or Mendacity? The Beveridge Committee and the Poverty Line", *Journal of Social Policy*, 1992, 21, 3, pp269-301

9 John Veit-Wilson, "The National Assistance Board and the 'Rediscovery' of Poverty", in H Fawcett and R Lowe (eds), *Welfare Policy in Britain. The Road from 1945*, 1999, pp116-157

10 Green Paper, *Reform of Social Security: Programme for Change*, Cmnd. 9518, June 1985

The problems involved in objectively determining acceptable minimum levels of income were mentioned in a Memorandum by the Department of Social Security to the Social Services Committee's inquiry into minimum income in 1989.[11] The basic difficulty, according to the Department, was the lack of consensus on just what items were "essential" in today's world:

> 4.3 The general proposition that a minimum income should be adequate to cover the cost of certain essentials such as food, clothing and heating would undoubtedly command wide agreement. However, there must inevitably be a large degree of subjective judgement in deciding what items are 'essential' at any given time. The diet underlying the Beveridge assessment would now be regarded as inadequate by many people. There is unlikely to be any consensus whether items such as pet food, telephone bills, tobacco, entertainment or holidays are 'essentials' in today's world, and even if there was agreement on the items to be included in a 'basket of goods', further subjective decisions would have to be taken about quality and about the allowance to be made for regional variations in costs. In fact, Beveridge recognised some of these difficulties by including an explicit contingency margin to allow for "inefficiency of spending".

The last Labour Government also rejected proposals to link benefit levels to estimates of minimum needs, arguing that there is no objective way of deciding what constitutes an adequate income.[12] In an interview on the BBC Radio programme *Inside Money* in August 2002, the then Parliamentary Under-Secretary of State at the DWP, Malcolm Wicks, stated that those who argued that research studies could be used to derive a minimum subsistence income level were guilty of "social science fiction".[13]

The debate about whether there should be some form of "minimum income standard" was reignited by the Labour Government's child poverty measurement consultation exercise in 2002.[14] A number of those who took part suggested that a long-term child poverty measure should include some recognition of the minimum adequate income a family should be expected to live on.[15] The case for linking the child poverty measure to a minimum income standard was put forcefully by Professor John Veit-Wilson in a commentary on the child poverty consultation in the social security journal *Benefits*:

> …neither income inequality nor indicators of worklessness or low school attainment are in themselves signs of poverty - the highest aspiration perhaps is to be a workless household on a high income, and even rich kids can fail exams. When presented with a statistic of income inequality, the journalist in the street always asks the question, \`Yes, but what does that mean in pounds per week for the average family?'. Until the government faces the issue of how to establish what resource inputs are needed to avoid poverty (remembering Beveridge's statement that "freedom to spend is part of essential freedom", W.H. Beveridge, letter to B.S Rowntree, 18 August 1942), it will not satisfy the public credibility requirement of its poverty measure, nor will it include a key resource in its portfolio of necessary policies to be monitored.[16]

The Labour Government did not however believe that it would be appropriate to include a minimum income standard in the long-term child poverty measure. In its preliminary conclusions from the consultation exercise, it stated:

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11 Social Services Committee, *Inquiry into Minimum Income*, HC 579 1988-89

12 HC Deb 23 February 1998 c119w

13 The full transcript of the interview is available at the BBC website.

14 Department for Work and Pensions, *Measuring child poverty: A consultation document*, April 2002

15 DWP, *Measuring child poverty: Preliminary conclusions*, p 32

16 John Veit-Wilson, 'Policy Review: Measuring child poverty: the government's consultation', *Benefits,* Number 36, Volume II, Issue 1, January 2003, pp 51-55

> First and foremost, despite a wide range of research into budget standards, there is no simple answer to the question of what level of income is adequate. Different research methods tend to make different assumptions that are essentially subjective. Even methods that purport to define the cost of a 'scientifically determined diet' in effect have to make a number of subjective assumptions about needs. This can produce inconsistent answers to the same questions. For example, two pieces of analysis can produce different figures for a minimum income necessary for a lone parent with one child aged 5.
>
> Even supposing adequacy could be defined on a fully consistent basis, it would be difficult to generate a long-term, robust time series, which is essential for measuring progress.[17]

It nevertheless added:

> We take research into family budget standards seriously and our position on minimum income standards has been arrived at through a careful analysis of the available material. We will continue to keep abreast of research in this area in our policy development.[18]

The lack of any clear basis for current benefit rates is also mentioned regularly during annual debates on the uprating of social security benefits. In the debate on the 2005 benefits uprating, for example, the then Liberal Democrat Work and Pensions Spokesman, Steve Webb, said:

> The motions before us are about the rate of benefits next year and therefore we must start with some discussion of adequacy in benefits. The infamous person coming from Mars to look at our deliberations would see that we were talking about a very thick volume full of different rates for different sorts of people and would assume that those rates were based on something. In fact, they appear to be based on what they used to be, plus a bit. There is no objective, external basis on which we pay certain amounts to different groups.[19]

Asked by David Laws what assessment the Government had made of the minimum income a UK household needed to live on, the then DWP Minister Margaret Hodge said in a written answer in February 2006:

> Our concerns about research on minimum income standards have been well documented. What people need to live on varies greatly depending on their needs and a range of factors. Different research methods tend to make different assumptions and generate a range of estimates.
>
> There are a range of research methods such as budget standards, deprivation studies, expenditure studies and consensual studies that can be used to look at questions of absolute and relative adequacy of benefits. We look at all these research methods when assessing benefit levels although it is often difficult to draw strong conclusions as the results are sometimes contradictory.
>
> In practice, when setting benefit rates other objectives such as the need to maintain incentives to work and the need to control public expenditure are also considered.[20]

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17 *Measuring child poverty: Preliminary conclusions*, p 44
18 *ibid.*
19 HC Deb 22 February 2005 c 206
20 HC Deb 7 February 2006 c1163w

Minimum Income Standards were also discussed during the parliamentary stages of the *Child Poverty Bill 2009-10*[21], and again during consideration of the *Welfare Reform Bill 2010-12*.[22] At Committee Stage in the Lords on 13 October 2011, the Liberal Democrat Member Lord Kirkwood of Kirkhope tabled an amendment requiring the Government to have regard to Minimum Income Standards when setting Universal Credit rates.[23] The Labour Work and Pensions Spokesman and former DWP Minister Lord McKenzie of Luton said:

> There is no easy answer to this, but the fundamental proposition being asked for is that we should calibrate what minimum income standards are, and have regard to those or have them to hand when benefit levels are assessed. That does not seem unreasonable. It is a world away from saying that benefit levels should be at minimum income standards, for all the reasons that we recognise.[24]

For the Government, the DWP Minister Lord Freud replied:

> We will continue to take note and look carefully at the evidence from research on minimum income standards. However, the limitations of that approach have been acknowledged by the Joseph Rowntree Foundation, which has stated that the minimum income standard should not be taken as a poverty threshold. There is no single answer to the question, "How much is enough for a family to live on?". Different families have different needs and wants and will spend their income in different ways. I also need to point out the central conundrum around this approach…
>
> […]
>
> As the noble Lord, Lord Kirkwood, acknowledged, there is an inevitable trade-off between the level of benefits and incentives to work. Raising benefit levels would undoubtedly hamper the work-incentive effects which universal credit is designed to produce. We target extra resources towards people in greater need, and will continue to do so under universal credit, through additional elements and disregards for people with limited capability for work, caring responsibilities and children.
>
> Apart from the impact on work incentives, there would be significant financial implications if benefits were to be linked in a more formal way to minimum income standards. I shall not irritate Members of the Committee by talking about the deficit-well, not here. However, even a slight increase in rates of benefits would be very expensive.[25]

The amendment was withdrawn.

2.1 Benefit levels and Minimum Income Standards

While successive governments have argued that there is no single, objective way of determining what constitutes a minimum acceptable income for a particular person or family, independent researchers have made a number of attempts to determine "Minimum Income Standards". In 2008 the first findings from a major research project funded by the Joseph Rowntree Foundation to determine a "Minimum Income Standard for Britain" were published. The project, which involved teams from the Universities of York and Loughborough, aimed to develop an empirically-based minimum income standard, by blending elements of the two main methodologies that have been used to develop budget standards in Britain in recent years, namely:

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21 See Library Research Paper 09/89, *Child Poverty Bill: Committee Stage Report*, pp19-20
22 See Library Research Paper 11/48, *Welfare Reform Bill: Committee Stage Report*, pp16-17
23 HL Deb 13 October 2011 cc483-501GC
24 HL Deb 13 October 2011 c497GC
25 HL Deb 13 October 2011 cc497-498

- the "budget standards" approach developed by the Family Budget Unit (FBU) at York; and

- the "consensual budget standards" approach pioneered by the Centre for Research in Social Policy (CRSP) at Loughborough.

The process combines expert knowledge with in-depth consultation with members of the public, in order to determine the level of income needed to allow a minimum acceptable standard of living in the UK for different households. The first "Minimum Income Standards" (MIS) were launched in July 2008, and have been updated each year since. The most recent estimates – produced by a research team based at CRSP – were published in July 2012.

The 2012 report compares the MIS for four household types with out-of-work benefits each household would currently receive:

Minimum Income Standard compared with out-of-work benefit income, April 2012

	Single adult, working age	Pensioner couple	Couple with two children	Lone parent, one child
	£ per week	£ per week	£ per week	£ per week
MIS excluding rent, Council Tax and childcare	178.25	212.37	432.22	258.87
Income Support/Pension Credit (including where relevant Child Benefit, Child Tax Credit and Winter Fuel Payment)	71.00	221.74	258.83	153.39
Difference (negative indicates shortfall)	-107.25	9.37	-173.39	-105.48
Benefit income as % of MIS	40%	104%	60%	59%

Source: Abigail Davis, Donald Hirsch, Noel Smith, Jacqueline Beckhelling and Matt Padley, *A Minimum Income Standard for the UK in 2012: Keeping up in hard times*, July 2012, Table 4

The CRSP analysis suggests that most people reliant on out-of-work benefits do not reach their Minimum Income Standard. For single people, benefit income is well under half the MIS (net of rent and Council Tax). For families with children, out-of-work benefits cover around 60% of their requirements. For pensioners however, means-tested Pension Credits is sufficient to meet the MIS.

3 Uprating: an overview

A statutory duty to increase social security benefits and pensions annually was first introduced by section 39 of the *Social Security Act 1973*, although the first "uprating order" under the statutory duty did not take effect until 7 April 1975. Prior to this, benefits had been uprated at irregular intervals and while most benefits were increased at least in line with price inflation over the medium term, for some – most notably Family Allowances – real values declined considerably over time.[26]

Since the mid-1970s, benefits have been increased by a variety of methods, including by reference to forecasts of increases in prices and earnings, use of historical data on changes in indices, one-off payments, targeting of particular components of benefits, and changes to

[26] The Family Allowance – first introduced in 1946 and replaced by Child Benefit from 1977, was only uprated four times during its existence

benefit eligibility rules. The main changes over the period as regards the uprating of benefits are:

- 1974 – decision by the incoming Labour Government to link long-term benefits such as pensions and long-term sickness and disability benefits to the higher of prices or earnings, as measured by the Retail Prices Index (RPI) and Average Earnings Index respectively.
- 1976 – shift to the use of forecasts to estimate movements in prices and earnings.
- 1979 – decision by the incoming Conservative government to link long term benefits to prices only.
- 1983 – shift back to the use of historical price data as the basis for uprating.
- 1983 – introduction of the “Rossi index” (all-items RPI less housing costs) to uprate means-tested benefits.
- 1987 – shift in annual benefit uprating date to April to align it with the tax year.
- 1992 – Rossi index replaced by the “New Rossi index” (all-items RPI minus rent, local taxes and mortgage interest payments).
- 1999 – commitment to uprate the Minimum Income Guarantee (later Pension Credit Standard Minimum Guarantee) in line with earnings.
- 2001 – announcement in the Pre-Budget Report that in future the Basic State Pension would rise by the higher of 2.5% a year or inflation
- 2006 – undertaking in Pensions White Paper to link Basic State Pension to earnings by 2015 at the latest (provisions included in the *Pensions Act 2007*).
- Under the *Pensions Act 2007*, the requirement to uprate the Standard Minimum Guarantee at least in line with earnings, came into force for upratings from 2008-09.
- 2010 – June 2010 budget announces that from April 2011 benefits and tax credits would be linked to the Consumer Prices Index (CPI) rather than the RPI or Rossi. “Triple guarantee” announced under which Basic State Pension to rise by the highest of earnings, prices or 2.5%.
- 2010 – Provisions in the *Pensions Act 2007* requiring Basic State Pension to be uprated at least in line with earnings, brought into force for upratings from April 2011

Further information on upratings since 1974, including the relevant uprating factors for each year, is given in Appendix 1 of this paper.

All benefit upratings since April 1987 have been based on the increase in the relevant price index (the all-items RPI, the Rossi/New Rossi index or, since 2011, the CPI) in the twelve months to the previous September. From time to time it is suggested that the April uprating could be based on a more recent estimate of inflation. For example, in a PQ in April 2000 Paul Flynn asked what administrative obstacles existed to basing the annual uprating on December price data. In response, the then Social Security Minister, Hugh Bayley, said:

> Using the RPI for the previous December, which would not be published until mid-January, would seriously disrupt the uprating process. Current arrangement, which base the uprating on September's RPI, published in mid-October, allow for the preparation of the uprating schedule and for the uprating review itself to be completed by the end of November. At the end of November a computer scan is run to identify and uprate pension cases. The scan is required at this time to ensure that order books (which cover 20 weeks) containing foils that pass the uprating date are issued with the correct amounts. Processes for uprating other Social Security benefits are similar.[27]

Order books no longer exist, but in a written answer in June 2010 the current Minister for Pensions, Steve Webb, said that September data was still the latest that could be used for April benefit upratings, in light of the time required to make the necessary changes to legislation and benefit systems:

> **Gordon Banks:** To ask the Secretary of State for Work and Pensions pursuant to the answer of 28 June 2010, Official Report, columns 393-94W, on state retirement pensions, for what reasons the month of September is used as the base for these calculations. [5569]
>
> **Steve Webb:** The Consumer Prices Index figure for September is the most up to date that can be used which allows time for the necessary activities involved in changing both the legislation and benefit systems in time for the uprating date in April. This was also true of the Retail Prices Index when that index was used as the benchmark for price inflation.
>
> The September figures are published by the Office for National Statistics in mid-October and feed into the forecasts prepared for the pre-Budget report, The Uprating Statement to Parliament is made in November or December followed by the Uprating Order which is laid and debated in the new year.
>
> This timetable is important so that new claims to state pensions and pension credit, which can be made up to four months in advance, can be processed using the correct rates of benefit. It also allows adequate time to notify all 19 million benefit recipients of any changes to their benefit.[28]

Using historical price data to determine by how much benefits are uprated several months hence has certain unavoidable implications. Where benefits are uprated in line with prices, claimants should (assuming the relevant index reflects their own inflation experiences) be no worse off in real terms over the long run. However, because the April uprating is based on the increase in prices over the twelve months to the previous September, the increase may not reflect the actual increase in the cost of living faced by the claimant at the time. When inflation is increasing, the current uprating arrangements mean that benefits lag behind. However, when inflation is falling the opposite will be true and claimants will gain more. Over time however the differences should cancel each other out.

4 Uprating policies and practice up to 2010

More detailed information on uprating policies and practices for social security benefits and tax credits is given below. It is important to distinguish between the **statutory requirements** in relation to uprating, and the **decisions and commitments** governments have made within the relevant statutory framework. In practice, governments have had a considerable degree

[27] HC Deb 14 April 2000 c303w
[28] HC Deb 5 July 2010 c109w

of discretion in relation to uprating, even where the legislation requires benefits to be uprated annually.

4.1 The statutory framework

The current statutory framework of uprating social security benefits is in sections 150 and 150A of the *Social Security Administration Act 1992*.

Section 150(1) of the 1992 Act requires that in each tax year the Secretary of State reviews the rates of various social security benefits and pensions "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 Secretary of State thinks fit." There is therefore considerable discretion as regards the choice of inflation yardstick.

The requirement to review benefit rates annually does not cover all social security benefits. One-off payments such as the Winter Fuel Payment, the Cold Weather Payment and the Sure Start Maternity Grant are not covered. Earnings disregards and capital limits for means-tested benefits are also excluded.

Section 150(2) of the 1992 Act requires the Secretary of State to lay before Parliament a draft uprating order "Where it appears to the Secretary of State that the general level of prices is greater at the end of the period under review than it was at the beginning of that period". Any changes to benefit rates must come into force to coincide with the beginning of the tax year.[29]

The uprating order must increase the rates of certain benefits "by a percentage not less than the percentage by which the general level of prices is greater at the end of the period than it was at the beginning".[30]

The benefits to which this **statutory requirement to uprate** applies include:

- Attendance Allowance
- Guardian's Allowance
- Disability Living Allowance
- Industrial Death Benefits (existing cases only)
- Industrial Injuries Disablement Benefit
- Carer's Allowance
- Incapacity Benefit
- Additional pensions (including SERPS and Graduated Pension)
- Severe Disablement Allowance
- Widowed Mother's/Parent's Allowance
- Widow's Pension

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[29] Section 150(10) requires that changes come into force in the week beginning the first Monday in the tax year, or on such earlier date in April as may be specified

[30] Section 150(2)(a)

- Bereavement Allowance

For those benefits covered by section 150 of the 1992 Act where there is no duty to uprate at least in line with prices, the legislation merely states that “if [the Secretary of State] considers it appropriate, having regard to the national economic situation and any other matters which he considers relevant”, the draft uprating order may increase benefit rates “by such a percentage or percentages as he thinks fit.”

The benefits **without a statutory requirement for uprating** covered by section 150 of the 1992 Act include:

- Child Benefit
- Council Tax Benefit
- Housing Benefit
- Income Support
- Jobseeker’s Allowance (contributory and income-based)
- Employment and Support Allowance (contributory and income-related)
- Pension Credit (other than the Standard Minimum Guarantee)
- Maternity Allowance
- Statutory Maternity Pay
- Statutory Sick Pay
- Statutory Paternity Pay
- Statutory Adoption Pay

Following the *Welfare Reform Act 2012*, Universal Credit elements are also subject to annual review (but not mandatory uprating).[31]

For those benefits subject to **statutory uprating**, until 2011 successive governments chose to increase rates annually at least in line with the all-items Retail Price Index (RPI).[32] As noted above however the legislation does not require the use of any particular price measure.

For those benefits covered by section 150 of the *Social Security Administration Act 1992* for which there is **no statutory requirement for uprating**, the arrangements have varied from benefit to benefit.

Child Benefit

Child Benefit was uprated annually for the first few years of the Conservative Government after 1979, but rates were frozen for three successive years from 1988. In his Budget Statement in 1991 the then Chancellor, Norman Lamont, announced a new, higher rate of

[31] Section 150(1)(n) *Social Security Administration Act 1992*

[32] Notwithstanding occasions when Governments have increased benefits by more than the RPI – eg the Labour Government’s above-inflation increases in the Basic State Pension rate – and the uprating of certain benefits in April 2010 despite the negative RPI figure for September 2009

Child Benefit for the first eligible child. He also gave a commitment to increase Child Benefit in line with inflation from 1992.[33]

The incoming Labour Government continued the previous Government's policy of increasing Child Benefit in line with the RPI, and in his March 1998 Budget, the then Chancellor, Gordon Brown, announced an additional increase of £2.50 a week in the rate of Child Benefit for the first child, over and above the normal uprating, from April 1999. Thereafter until the end of the Labour Government Child Benefit maintained its value in relation to the RPI, for both first and subsequent children.

The current Government announced in the June 2010 Budget that Child Benefit would be frozen for three years from April 2011.

Means-tested benefits

From 1983 means-tested benefits were uprated in line with the "Rossi index" (all-items RPI less housing costs). The switch from the all-items RPI was justified on the grounds that most recipients of Supplementary Benefit (replaced by Income Support in 1988) already had their housing costs supported separately.[34] From 1992 Rossi was replaced by the "New Rossi index" (all-items RPI minus rent, local taxes and mortgage interest payments).

The means-tested benefits uprated by Rossi included Housing Benefit, Council Tax Benefit, Income Support, income-based Jobseeker's Allowance, and income-related Employment and Support Allowance. The contributory versions of JSA and ESA were also uprated in line with the Rossi index.

The Rossi index tended to increase at a slower rate than the all-items RPI. Over the period 1990 to 2010, the RPI increased at an average rate of 3.6% per year, while the Rossi index rose by an average of 3.2% per year. The situation can however vary from one year to the next. Looking at the uprating factors used for each of the 28 benefit upratings from when Rossi was first used, in 1983, to 2010 (see Appendix 1), the increase in the Rossi index was less than the increase in the all-items RPI on 18 occasions; RPI was less than Rossi at eight upratings, and both indices were the same at two upratings.

Pension Credit Savings Credit

The aim of the Savings Credit element of Pension Credit is to reward people over 65 with modest levels of "qualifying income" (for example, a second pension or capital assets) above the Savings Credit "threshold", up to a maximum. Initially, the threshold was aligned with the basic State Pension (BSP) and the maximum Savings Credit award was set at 60 per cent of the difference between the BSP and Guarantee Credit. However, the Labour Government became concerned that if pursued indefinitely these uprating policies would result in "an increasing proportion of the pensioner population becoming entitled to Savings Credit. To curtail the spread of means-testing, therefore, it announced that from 2008 the Savings Credit threshold would rise in line with earnings and from 2015 the maximum Savings Credit would be frozen in real terms.[35]

In the October 2010 Comprehensive Spending Review the current Government announced that the Savings Credit maximum would be frozen in cash terms from April 2011 to April 2014. However, in order the finance above-inflation increases in the guarantee credit in 2012-13 and 2013-14, the Savings Credit threshold was increased by more than earnings

[33] HC Deb 19 March 1991 cc 179-180

[34] HC Deb (SCB) 2 March 1982 c636

[35] DWP, *Security in retirement: towards a new pensions system*, Cm 6841, May 2006, p121-2

and the maximum amount was reduced. Further background can be found in Library Standard Note SN01439, *Pension Credit*.

Other benefits without a statutory requirement for uprating

For the other benefits listed above without a statutory requirement for uprating – including the Maternity Allowance, Statutory Maternity Pay and Statutory Sick Pay - uprating policies have differed over the years but in recent years the practice was been to increase them each year in line with the RPI (until 2011, when CPI indexation was introduced).

4.2 Retirement Pension and Pension Credit Standard Minimum Guarantee

Section 150A of the *Social Security Administration Act 1992* – inserted by section 5(1) of the *Pensions Act 2007* – provides that the Basic State Pension (Categories A-D Retirement Pensions) and Pension Credit Standard Minimum Guarantee are to be uprated annually at least in line with earnings. The provisions also cover widows'/widowers' pensions in Industrial Death Benefit, since these are linked to the rate of the Category A Retirement Pension. Section 150A(2) states:

> Where it appears to the Secretary of State that the general level of earnings is greater at the end of the period under review than it was at the beginning of that period, he shall lay before Parliament the draft of an order which increases each of the amounts …by a percentage not less than the percentage by which the general level of earnings is greater at the end of the period than it was at the beginning.

The Labour Government announced its intention to link the Basic State Pension (BSP) to earnings in the May 2006 Pensions White Paper.[36] The aim was to restore the earnings link for the BSP in 2012, "subject to affordability and the fiscal position", or by the end of the next Parliament at the latest (ie 2015). Section 5 of the *Pensions Act 2007* made this a statutory requirement. It also provided for the Standard Minimum Guarantee to be uprated at least in line with earnings from 2008-09.[37]

The incoming Government announced that the earnings link would be restored from April 2011.[38] It also gave a commitment – the "triple guarantee" – that the Basic State Pension would be uprated by earnings, prices or 2.5%, whichever was highest, from April 2011. The June 2010 Budget announced that, for 2011-12 only, the Basic State Pension would increase by at least the equivalent of the RPI. Thereafter, price movements would be measured against the CPI. The Pension Credit Standard Minimum Guarantee was increased in April 2011, 2012 and 2013 by the cash rise in the full Basic State Pension, more than would have been required by earnings-uprating.[39]

Further information can be found in Library Standard Notes SN 5649 *State Pension uprating – 2010 onwards* and SN 5649 *Pension Credit*.

A briefing note produced by the Institute for Fiscal Studies argued that the rationale for the differential treatment of pensioners and working age claimants as regards uprating had not been made clear, and that the Government needed to set out more systematically its thinking on benefit uprating policy as a whole:

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[36] DWP, *Security in retirement: towards a new pensions system*, Cm 6841, May 2006

[37] Section 5 and 30 (1) (a)

[38] The *Uprating of Basic Pension etc (Designated Tax Year) Order 2010* (SI 2010 No 2650) provides for 2010-11 to be the designed tax year for the purposes of section 5 (3) *Pensions Act 2007*. (i.e. the first year in which the Secretary of State is required to carry out a review to see if the basic State Pension has kept its value in relation to the general level of earnings).

[39] June 2010 Budget, para 1.107

> Given the importance of indexation policy in determining the future shape of the tax and benefit system, it would be helpful for the Government to set out its thinking on such policy systematically. Why should the Basic State Pension rise at a different rate to working-age benefits? Why should it rise at a different rate to public sector pensions? Why should the employer's National Insurance threshold rise at a different rate to the employee's National Insurance threshold? It is important to realise that these questions are separate from the issue of how generous the tax and benefit system should be to particular groups. Justifications for indexation rules should relate to the way in which the generosity of the tax and benefit system to particular groups should *change over time*. For example, if one thought that the Basic State Pension should be higher, this is an argument for raising the level of the Basic State Pension. It is not, in itself, a good argument for increasing it at a *faster rate* year-on-year.[40]

4.3 Tax credits

The statutory provisions relating to the uprating of tax credits are less prescriptive than those for social security benefits (in Sections 150 and 150A of the *Social Security Administration Act 1992*). They are contained in section 41 of the *Tax Credits Act 2002:*

> **41 Annual review**
>
> (1) The Treasury must, in each tax year, review the amounts specified in subsection (2) in order to determine whether they have retained their value in relation to the general level of prices in the United Kingdom as estimated by the Treasury in such manner as it considers appropriate.
>
> (2) The amounts are monetary amounts prescribed—
>
> […]
>
> (3) The Treasury must prepare a report of each review.
>
> (4) The report must include a statement of what each amount would be if it had fully retained its value.
>
> (5) The Treasury must publish the report and lay a copy of it before each House of Parliament.

The references in subsection (2) are to income thresholds, individual CTC and WTC elements (except the childcare element of WTC), and the maximum in-year income rise disregard.

As with the provisions outlined above covering social security benefits in the *Social Security Administration Act 1992*, the tax credits legislation does not specify the use of any particular inflation measure; nor does it specify the use of data for any particular month.

The most recent *Annual review of certain tax credits monetary amounts under Section 41 of the Tax Credits Act 2002* was published in February 2012 and is available at the HMRC website.

The *Tax Credits Bill 2001-02* as introduced did not include provisions relating to uprating. At the Committee Stage in the Lords on 23 May 2002, the then DWP Minister Baroness Hollis of Heigham tabled a new clause (now section 41 of the *Tax Credits Act 2002*) requiring the

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40 Institute for Fiscal Studies, *The impact in 2012-13 of the change to indexation policy*, IFS Briefing Note 120, October 2011, p5, original emphasis

Treasury to review the levels of tax credits elements on an annual basis. In response to Earl Russell (the then Liberal Democrat Work and Pensions spokesman), Lady Hollis said:

> It is not right to apply the provisions in Part X of the Social Security Administration Act 1992 to the new tax credit, as the amendment would do, because they are not part of the social security system. However, he may be concerned with the principle that there will be regular uprating. The Bill is designed to strike the balance between parliamentary scrutiny and flexibility. We believe that [the new clause, later to become s41] is more appropriate than attaching tax credits to the provisions of Section 150 of the Social Security Administration Act. Under the proposed new clause the process of setting and reviewing the rates of the new tax credit will be highly transparent and visible. This year the rates and thresholds of the new tax credits were properly a matter for the Chancellor's Budget and the Budget process is already the subject of an enormous amount of scrutiny. This will be true year after year. The new clause on annual review takes the Government's commitments further. It requires the Treasury annually to review the monetary amounts in the Bill against appropriate measures of prices, to prepare a report on that review and to lay that report before the House. I hope that that will meet the noble Earl's concerns.[41]

The Labour Government's main commitment was to uprate the per child elements of Child Tax Credit in line with earnings, and Working Tax Credit elements (except the childcare element) in line with prices (as measured by the RPI).[42] In some years however CTC and WTC elements were increased by more than indexation on this basis would have required, most often for Child Tax Credit. Other amounts were changed only on an ad hoc basis, including the childcare element of WTC, the first income threshold for families eligible for WTC, and in the in-year income increase disregard. Some elements remained unchanged since the introduction of tax credits in 2003, including the CTC family element and baby addition, and the second (upper) income threshold.[43]

In the June 2010 Budget and October 2010 Comprehensive Spending Review the current Government gave undertakings to increase the child element of Child Tax Credit in April 2011 and April 2012 over-and-above the normal indexation. For these purposes, "indexation" means in line with the Consumer Prices Index, following the announcement in the June 2010 Budget that indexation of benefits, tax credits and public service pensions would be in line with the CPI from 2011-12 onwards.

The above-indexation increases in the child element of Child Tax Credit would be £180 from April 2011 (£150 announced in the June 2010 Budget and an additional £30 announced in the October CSR) and a further £110 from April 2012 (£60 announced in the June 2010 Budget and an additional £50 in the October CSR). The June 2010 Budget stated explicitly that the additions then announced would be "above CPI indexation."[44] In his statement on the Comprehensive Spending Review on 20 October 2010, the Chancellor said that the further above-indexation increases to Child Tax Credit were intended to ensure that low-income families with children were "protected from the adverse effects" of the other welfare measures the Government had announced, because the Government was "committed to ending child poverty." He continued:

> This will mean annual increases of £180 and then £110 above the level promised by the last Government, and it will provide support to 4 million lower-income families. And

41 HL Deb 23 May 2002 c CWH 143
42 HL Deb 20 June 2002 cc 916-917
43 Appendix 3 of this paper gives the value of each of the CTC and WTC elements in each year since 2003-04
44 June 2010 Budget, HC 61 2010-12, para 2.40

> I can confirm that using the same model we inherited, the spending review will have no measurable impact on child poverty over the next two years…[45]

The child elements of Child Tax Credit – including the disabled and severely disabled child elements – duly increased by CPI plus £180 from April 2011. Working Tax Credit elements increased in line with the CPI, except for the childcare element and the Basic and 30 Hour elements.[46] The Basic and 30 Hour elements of WTC are being frozen for three years from 2011-12, following an announcement in the October 2010 CSR.

However, these changes have to be seen in the context of the wider package of tax credit measures which being implemented in the run-up to the introduction of Universal Credit, including:

- the increase in the taper rate;
- reductions in the second income threshold;
- abolition of the CTC baby element and WTC 50+ element;
- reductions in the disregard for in-year income increases;
- reduction of the WTC childcare element;
- stricter rules on backdating awards; and
- the increase in the WTC working hours threshold for couples to 24 hours.

Taken together, the Government expected that changes to tax credits will yield net savings of £3 billion a year by 2015-16.[47]

Appendix 3 shows the value of Child and Working Tax Credit elements since the inception of CTC/WTC in 2003-04, and what they are currently forecast to be in 2014-15 and 2015-16 (based on 1% uprating or OBR forecasts of CPI inflation, as appropriate).

5 The switch to CPI

In the June 2010 Budget the current Government announced that, from April 2011, benefits and tax credits hitherto uprated in line with either the RPI or Rossi index would henceforth be uprated using the Consumer Prices Index (CPI):

> 1.106 The Government will use the CPI for the price indexation of benefits and tax credits from April 2011. The CPI provides a more appropriate measure of benefit and pension recipients' inflation experiences than RPI, because it excludes the majority of housing costs faced by homeowners (low income households are subsidised separately through Housing Benefit, and the majority of pensioners own their home outright), and differences in calculation mean it may be considered a better representation of the way consumers change their consumption patterns in response to price changes. This will also ensure consistency with the measure of inflation used by the Bank of England. **This change will also apply to public service pensions**

45 HC Deb 20 October 2010 cc958-959

46 CTC and WTC rates for 2010-11 and 2011-12 are given in the *Annual review of certain tax credits monetary amounts under Section 41 of the Tax Credits Act 2002* published in February 2011.

47 Budget 2011

through the statutory link to the indexation of the Second State Pension. The Government is also reviewing how the CPI can be used for the indexation of taxes and duties while protecting revenues.[48]

In June 2011, the Government announced that the CPI would be used to index direct tax thresholds and tax free allowances from April 2012, replacing the RPI.

The announcement was controversial for two reasons:

- Views differ on whether the CPI as it currently stands is the most appropriate measure of the inflation experiences of households in receipt of pensions and benefits;[49] and

- The CPI tends to rise more slowly than both the RPI and Rossi (although there are occasions over the last 22 years when the September RPI or Rossi has been lower than the CPI).

Taking the period 1990 to the present, the RPI increased on average by 3.3% a year and the Rossi index by 3.2%. The CPI however only increased by 2.7% a year on average over the same period.[50] The estimated savings from the switch to CPI indexation are substantial, dwarfing those from other welfare reforms announced by the current Government. The move to CPI was expected to yield Exchequer savings of £1.5 billion in 2011-12, rising to £10.6 billion by 2015-16 (although this figure also includes savings from the switch to CPI indexation of public service pensions).[51] Furthermore, since the effects of the switch to CPI are cumulative, the savings will continue to grow indefinitely, year on year.

The use of the CPI as a default index for direct taxes results in additional Exchequer revenue of £130 million in 2012/13, rising to £780 million by 2016/17.[52]

The savings to the Exchequer arise because the increase in the CPI tends to be lower than that in the RPI. In the ten years to 2012, the annual increase in the September CPI has averaged at 0.7% points lower than that in the RPI, for example. Since 1989, the increase in the September RPI has been higher than the CPI on 23 occasions, and the increase in the CPI has been higher than the RPI 6 times.[53] While in a single year the switch to linking benefits to the CPI makes only a small difference to the amount of benefit or pension that is paid to an individual, the effects cumulate over time. So, for example, a 0.7% point difference over 10 years would mean that the value of a payment uprated by the CPI would be around 93% of what it would have been under RPI uprating; a benefit payment 10 years hence of £65 per week uprated by the RPI would be around £60.50 under CPI uprating.

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[48] Budget 2010, HC 61 2010-12, 22 June 2010

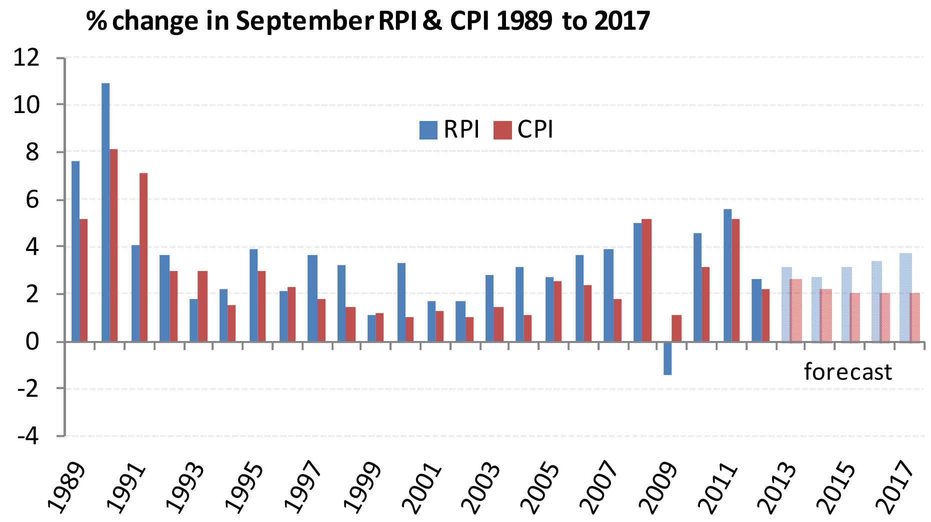
[49] See Library Standard Note SN05649, *State Pension Uprating - 2010 onwards*, pp10-11. See also Office for National Statistics, *Implications of the differences between the Consumer Prices Index and Retail Prices Index*, July 2011

[50] Institute for Fiscal Studies, *The impact in 2012-13 of the change to indexation policy*, IFS Briefing Note 120, October 2011

[51] Budget 2011, HC 836 2010-12, Table 2.2. The IFS commented however that the Treasury estimates might not be an entirely accurate reflection of the fiscal impact of CPI indexation, because of the way the Treasury had chosen to estimate the impact of the change alongside the other benefit and tax credit reforms announced by the Government; see Institute for Fiscal Studies, *The impact in 2012-13 of the change to indexation policy*, IFS Briefing Note 120, October 2011, p3, footnote 5

[52] HM Treasury *Budget 2011*;& *Budget 2012* Table 2.2

[53] 29 annual increases 1989 to 2017; actual data and OBR forecasts 2013 to 2017; ONS & HMT *Autumn Statement 2012* Table B.2



It is possible that the difference between the CPI and RPI will be greater in the future than past averages. The OBR's 2012 Autumn Statement forecast is for the annual RPI increase to exceed the CPI by an average of **1% points between 2013 and 2017**, on average; but the OBR's long-term assumption is that the annual September increase in the RPI will exceed the CPI by **1.4% points**[54]. A 1.4% point annual difference would mean the value of a payment would have been 15% higher after 10 years and 32% higher after 20 years, had the RPI continued to be used instead of the CPI.

Further analysis of the differences between the CPI and other inflation measures, and of the implications of the change to CPI indexation of benefits, is given in Library Standard Note SN05830, *The CPI – uprating of benefits and pensions*.

The Opposition supported the switch to CPI indexation, but only as a temporary measure. Speaking during the Committee Stage of the *Pensions Bill* in July 2011, the then Shadow Pensions Minister, Rachel Reeves, said:

> We have been clear in debates on benefit uprating that we do not support the decision to adopt permanently the consumer prices index as currently constructed for the determination of benefit uprating and of pension revaluation and indexation. While we support the use of CPI, not RPI, in the short term as a means to reduce the deficit, we do not believe that, on a permanent basis, it is the right way to uprate pensions or other benefits.
>
> Making a permanent change from the use of the retail prices index to the consumer prices index with the impact being felt even after the deficit is long gone is an ideologically driven move that we do not support. While I agree that we need to get the economy back on track and to reduce the deficit, it makes no sense that pensioners and those on the lowest incomes who are least able to bear the burden will be punished by such a change, even when our economy is back on track and the deficit has been eliminated.[55]

[54] OBR *Fiscal Sustainability Report* July 2012 Supplementary Data table 2.1
[55] Pensions Bill Deb 14 July 2011 c293

RPI and CPI

Since April 2011 the Consumer Prices Index (CPI) has been used to uprate benefits. Previously the Retail Prices Index (RPI) and the RPI excluding certain housing costs (the 'Rossi' index) had been used.

The RPI usually shows a higher rate of inflation than the CPI.

There are two main differences between the CPI and RPI:

- the goods and services, and households covered
- the method of calculation – the "formula effect"

The **RPI** excludes some households at the top and bottom of the income scale as well as some purchases by people not living in households, such as foreign residents. The RPI excludes the top 4% of households by income and pensioners with more than 75% of their income from the state.

The **CPI** excludes most owner occupier housing costs, such as mortgage payments. It also excludes council tax, vehicle excise duty and TV licence fees. It includes spending by foreign residents while in the UK, university accommodation fees, unit trust and stockbroker charges, none of which is in the RPI.

Both the RPI and CPI are based on the calculation of average prices or price changes. The RPI uses an arithmetic mean (adding up the items and dividing by their number), while the CPI uses mainly a geometric mean (multiplying 'n' items together and take the 'nth' root). The CPI formula allows for the fact that when the price of a particular good rises consumers are likely to react by buying and substituting with another product. The RPI reflects increases in the cost of living on the assumption that consumers continue to buy the same quantities, in the short term at least, irrespective of price changes.

The formula effect means that the CPI will inevitably show lower rates of increase than the RPI. Housing costs can greatly affect the RPI and the exclusion of most of these from the CPI is one of the other main reasons why changes in the two indices differ.

Further explanation see: Royal Statistical Society *RPI versus CPI – the definitive account*

5.1 Inflation rates for different families

The RPI and CPI both present indicators of changes in the cost of living averaged across individuals and families. There are differences between the ways in which the two indicators are compiled and the appropriateness of the RPI over the CPI for uprating purposes is a matter of contention. However, the change in the cost of living for an individual family may differ from that shown by the CPI or RPI if their pattern of spending is different from the average and there are different inflation rates for different types of goods. For example, less well-off families may spend a greater proportion of their income on food. If food prices rise faster relative to other goods then these families will face a higher rise in their cost of living than average.

Recent work by the Institute for Fiscal Studies found that inflation rates tend to be higher on average for low income households, pensioners and benefit dependent households. While the gap can vary from year to year, the general trend has been for lower income households to experience higher average inflation rates than higher income households. Over the ten years to 2010, the IFS calculates an average household CPI-inflation rate for the households in the lowest income decile of 2.5% and of around 2.3% for those in the highest decile.[56]

[56] IFS Working Paper W12/21 *Comparing household inflation experiences measure by the CPI and RPI* Peter Levell & Thomas Skingle, 2012

6 April 2012 benefits and tax credits uprating

The September 2011 CPI was 5.2%, up from 4.5% in August 2011 and its highest rate of increase since September 2008.[57] The Institute for Fiscal Studies estimated that, if all benefits normally increased in line with prices were uprated in the usual way, the higher than expected September CPI could have added an additional £1.8 billion to benefits and tax credit spending in 2012-13, compared with previous forecasts.[58]

The higher than expected September 2011 CPI focused attention on whether the Government should depart from the "default" arrangements for uprating benefits from April 2012, or change the basis for uprating permanently. Media reports in the run-up to the 2011 Autumn Statement suggested different options were being considered including:

- A freeze on benefits in April 2012
- Uprating benefits by less than the CPI, or in line with earnings
- Basing uprating on the average level of the CPI over six months, rather than a single month

The implications of each of these options are explored in Library briefing SN06164, *Uprating of social security benefits*.

In his Autumn Statement on 29 November 2011, the Chancellor announced that while benefits and the Basic State Pension would rise by the full 5.2% of the September CPI from April 2012 (and the Pension Credit Standard Minimum Guarantee by the same cash rise as the Basic State Pension), the couple and lone parent elements of Working Tax Credit would be frozen and the additional £110 increase in the child element Child Tax Credit over and above CPI – announced last year – would not now go ahead:

> Turning to welfare payments, the annual increase in the basic state pension is protected by the triple lock introduced by this Government. This guarantees a rise either in line with earnings, prices or 2.5%, whichever is greater. It means that the basic state pension will next April rise by £5.30 to £107.45—the largest ever cash rise in the basic state pension and a commitment of fairness to those who have worked hard all their lives. I wanted to make sure that poorer pensioners did not see a smaller rise in their income, so I can confirm today that we will also uprate the pension credit by £5.35 and pay for that with an increase in the threshold for the savings credit.
>
> I also want to protect those who are not able to work because of their disabilities and those who, through no fault of their own, have lost jobs and are trying to find work, so I can confirm that we will uprate working-age benefits in line with September's consumer prices index inflation number of 5.2%. That will be a significant boost to the incomes of the poorest, especially when inflation is forecast to be considerably less than that by next April. We will also uprate with prices the disability elements of tax credits, and increase the child element of the child tax credit by £135 in line with inflation too. But we will not uprate the other elements of the working tax credit this coming year; and given the size of the uprating this year, we will no longer go ahead with the additional £110 rise in the child element, over and above inflation, that was planned. By April 2012, the child tax credit will have increased by £390 since the coalition came into power. The best way to support low-income working people is to take them out of tax

[57] The all-items RPI increased by 5.6% in the twelve months to September 2011, while the Rossi index increased by 6.8%

[58] IFS press release, *High September inflation increases welfare spending, but benefit recipients lose from new indexation rules*, 18 October 2011

> altogether, and our increases in the income tax personal allowance this year and next will do that for over 1 million people.[59]

The tax credit changes were expected to yield savings of £1,240 million in 2012-13 (£975 million from Child Tax Credit and £265 million from Working Tax Credit), and around the same in subsequent years.[60] As a result of the changes, from April 2012 families with children received up to £110 less a year per child than they would have done under the previous plans. Lone parents and couples receiving the couple/lone parent element of WTC would in addition lose up to £100 a year.

The decision not to go ahead with the planned £110 increase in the child element of Child Tax Credit over and above the CPI was controversial since the Government had previously argued that this would ensure that its reforms would have no measureable impact on child poverty up to 2012-13. As a result of measures announced in the 2011 Autumn Statement, the Government estimated that relative child poverty would increase by around 100,000 in 2012-13, when measured against previously announced policies.[61]

Advice organisations and pressure groups expressed disappointment at the 2011 Autumn Statement announcement. The Chief Executive of Citizens Advice, Gillian Guy, said:

> The Chancellor has broken the promise he made in last year's Budget to protect families on the lowest incomes from the impact of last year's harsh cuts by increasing child tax credits above inflation, leaving them now with no protection at all. It's astonishing that George Osborne could think it fair that the lowest paid families who can least afford it should pick up the bill for kick-starting the recovery at a time when they are battling with hikes in fuel bills, rising rent and food costs. Make no mistake, this means children in the poorest homes are at risk of going cold and hungry to pay for the new schemes the Chancellor has announced today.[62]

The Chief Executive of Child Poverty Action Group, Alison Garnham, said:

> Britain's poorest families have been abandoned today and left to face the worst. The increase in child tax credit that the Chancellor said last year was there to stop child poverty rising for at least two years has been cancelled today.
>
> Warnings of a bleak future of rising child poverty have not just been ignored, the government has actively decided to let child poverty rise. This is not the fairness we were promised and it will cost the nation dearly in years to come.
>
> The extension of early years childcare [also announced in the Autumn Statement] is obviously welcome, but all the evidence shows it's no silver bullet for ending child poverty if children are made poorer at home. Child poverty is only going to go up and this government has no plans to stop it.[63]

Gingerbread warned that the tax credit changes will increase child poverty and undermine work incentives, with lone parents being particularly affected. Its Chief Executive, Fiona Weir, said:

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59 HC Deb 29 November 2011 cc802-803

60 Autumn Statement 2011, Cm 8231, Table 2.1

61 HM Treasury, *Distributional analysis to accompany the Autumn Statement 2011*, para 1.11

62 Citizens Advice press release, *Citizens Advice response to Chancellor George Osborne's autumn statement*, 29 November 2011

63 CPAG press release, *Government abandons low income families in child poverty u-turn*, 29 November 2011

> The families who will be hit by the raid on tax credits are those that are determined to work despite low wages and high childcare costs – exactly those people the Chancellor says are 'doing the right thing'.
>
> Single parents are twice as likely to receive Working Tax Credit as couples with children, and for many work would not be an option without the support it provides.
>
> The government has also tucked away in Treasury documents the fact that previous commitments to make an above inflation increase of £110 in child tax credit in 2012 will no longer go ahead. This was explicitly intended to prevent further increases in child poverty rates, which must now be inevitable.
>
> The result of these decisions will be more children in poverty, and more single parents who can't afford to work. It's an ill-advised move for a Chancellor who says he doesn't want to increase child poverty and pledges to make work pay.
>
> 36% of all single parents are WTC claimants, compared to just 15% of couples with children, meaning that single parents are twice as likely to be in the WTC group as couples with children.[64]

Press reports following the Autumn Statement suggested that the Secretary of State for Work and Pensions, Iain Duncan Smith, was unhappy with the decision to uprate out of work benefits by the full 5.2% of the September RPI, because of the effect on work incentives.[65]

7 Announcement in the 2012 Autumn Statement

In his 2012 Autumn Statement on 5 December, the Chancellor of the Exchequer said that it was "fair to look at the way in which we uprate benefits and some tax thresholds" but confirmed that due to the "triple lock", the Retirement Pension would rise by 2.5% - more than either earnings or inflation. He went on:

> We have to acknowledge that over the last five years, those on out-of-work benefits have seen their incomes rise twice as fast as those in work. With pay restraint in businesses and Government, average earnings have risen by about 10% since 2007. Out-of-work benefits have gone up by about 20%. That is not fair to working people who pay the taxes that fund them. Those working in the public services, who have seen their basic pay frozen, will now see it rise by an average of 1%. A similar approach of a 1% rise should apply to those in receipt of benefits. That is fair and it will ensure that we have a welfare system that Britain can afford. We will support the vulnerable, so carers' benefits and disability benefits, including disability elements of tax credits, will be increased in line with inflation, and we are extending the support for mortgage interest for two more years.
>
> However, most working-age benefits, including jobseeker's allowance, employment and support allowance and income support, will be uprated by 1% for the next three years. We will also uprate elements of child tax credit and working tax credit by 1% for the next three years, although previously planned freezes will go ahead. Local housing allowance rates, which are a central component of housing benefit, will be uprated in line with the existing policy next April and we will then cap increases at 1% in the two years after that. For that measure, 30% of the savings will be used to exempt from the

64 Gingerbread press release, *Tax credit raid will increase child poverty and discourage work*, 29 November 2011

65 "Vow to undo benefits hike", *Sunday Times*, 4 December 2011; "Incentive to work has been cut, says Iain Duncan Smith", *The Telegraph*, 5 December 2011

> new cap those areas with the highest rent increases. The earning disregards for universal credit will also be uprated by 1% for two years from April 2014. Child benefit is currently frozen. It, too, will now rise by 1% for two years from April 2014.
>
> Let me be clear: uprating benefits at 1% means that people get more cash, but less than the rate of inflation. Taken together, we will save £3.7 billion in 2015-16 and deliver permanent savings each and every year from our country's welfare bill. To bring all those decisions on many benefits over many years together, we will introduce primary legislation in Parliament in the welfare uprating Bill. I hope that it will command support from both sides of the House.[66]

Most DWP benefits, other than those for disability, carers and pensioners will be increased by 1% for three years from 2013-14, subject to Parliamentary approval.

The following **working age benefits** are to be uprated by 1% for three years from April 2013:

- Jobseeker's Allowance
- Employment and Support Allowance
- Income Support
- applicable amounts for Housing Benefit
- Maternity Allowance
- Statutory Sick Pay
- Statutory Maternity Pay
- Statutory Paternity Pay
- Statutory Adoption Pay

This excludes the disability, carer and pensioner premiums in the means-tested benefits listed above, and the support component in Employment and Support Allowance, which will be uprated by 2.2%. This is in line with the Consumer Price Index (CPI).

Child Benefit will be frozen in April 2013, as set out in the June Budget 2010, but is to be uprated by 1% for two years from April 2014.

Tax credits - Uprating by 1% will also extend to the Child Tax Credit and Working Tax Credit (excluding disability elements). The couple, lone parent and child elements will be uprated by 1% for three years from April 2013. The basic and 30 hour elements of WTC will not be uprated in 2013-14 (as previously announced in the 2010 Spending Review) but will be uprated by 1% in 2014-15 and 2015-16. All disability elements in tax credits will continue to be uprated by prices each year.

Universal Credit –The earnings disregards have been set for April 2013 (when UC is to be introduced in Pathfinder areas; ahead of the national roll-out which is due to commence in October 2013) and increased by 1% in April 2014 and April 2015. The standard UC allowances for single persons and joint claimants, the "limited capability for work" element and the lower rate addition for disabled children will also be subject to 1% uprating.

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[66] HC Deb 5 December 2012 cc878-879

Housing Benefit – In April 2013 Local Housing Allowance rates will be uprated as previously announced. In April 2014 and April 2015 Local Housing Allowance rates will be uprated in the usual way, but subject to a 1% cap, with exemptions for rates in those areas in which rent increases are highest. 30 per cent of the potential savings from this measure will be reserved to fund the exemptions in these two years.

Further details can be found in the *2012 Autumn Statement* and associated *Policy Costings* document.

The Chancellor's Autumn Statement said that "total welfare savings announced at this Autumn Statement will save £3.7 billion, including tax consequentials."[67] By far the largest proportion of the savings resulting from the 1% uprating comes from working-age discretionary benefits and tax credits:

Exchequer savings resulting from 1% uprating of benefits and tax credits

	£ million, nominal terms					
	2012-13	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**
Working-age discretionary benefits and tax credits: increase by 1% for three years from 2013-14	0	+505	+1,430	+2,280	+2,445	+2,555
Child Benefit: increase by 1% for two years from 2014-15	0	0	+175	+285	+310	+330
Housing Benefit: increase Local Housing Allowance by 1% for two years from 2014-15 with provision for high rent areas	0	0	+105	+225	+245	+260
Universal Credit: finalise disregards and increase by 1% for two years from 2014-15	0	0	+170	+640	+1,000	+1,235

Source: HM Treasury Autumn Statement 2012 table 2.1

7.1 Reactions

While the proposal to limit the uprating of working-age benefits to 1% for three years has been welcomed in some quarters[68], the extent of public support for the policy is unclear. Some opinion polls appear to suggest that public opinion on the matter is divided,[69] while other surveys have been interpreted as indicating a stronger measure of support among the public.[70]

Many welfare rights organisations, charities and church groups have voiced strong opposition to the three year limit on uprating. A joint letter to *The Observer* last month from 59 charities, welfare rights organisations, trades unions, church groups and other bodies described the Government's decision as a "bitter blow for hundreds of thousands of low-income families":

> Last week's autumn statement marks a watershed in our welfare system, breaking the long-standing link between benefits and either earnings or prices. The policies

[67] Autumn Statement 2012, page 24

[68] See for example *Taxpayers' Alliance responds to George Osborne's Autumn Statement*, 5 December 2012; Tim Montgomerie, *The benefits squeeze will cause real hardship to many families. It's a necessary measure in difficult times but no Tory should see it as a political ploy*, ConservativeHome, 9 December 2012

[69] See "Less than half the public back George Osborne on decision to raise most state benefits by less than inflation", *The Independent*, 20 December

[70] Isabel Hardman, "Why the Tories aren't worried about the benefit wars", *Spectator* Blog, 20 December 2012; Peter Hoskin, "Polls show support for George Osborne's 1 per cent cap on benefits", Conservative Home, 20 December 2012

announced are a bitter blow for hundreds of thousands of low-income families struggling to make ends meet in the face of overwhelming austerity.

Economic analysis of the government's announcements shows clearly that the poorest have been hit hardest. Plans to cap increases in benefits and tax credits at a meagre 1% for the next three years will far outweigh any gains from increasing the personal tax allowance. This will hurt children, leaving a damaging legacy.

While the chancellor paints a picture of so-called "strivers" and "skivers", our organisations see the reality: families scraping by in low-paid work, or being bounced from insecure jobs to benefits and back again.

The truth is that the vast majority of those who rely on benefits and tax credits are either in work, have worked, or will be in work in the near future. They and their families are making their contribution to society and are entitled to genuine security, as Beveridge intended.

As we mark the 70th anniversary of the Beveridge report, which laid the foundations of the welfare state, we risk losing the very safety net that he intended. It is a punitive, unfair policy and must not happen.[71]

Responding to the Autumn Statement, the Chief Executive of the Child Poverty Action Group, Alison Garnham, said:

While we're relieved an outright cash terms freeze was avoided, there is no getting around the fact that benefits have been cut in real terms. The bottom line is that the decisions taken by the Chancellor today will plunge tens of thousand more children into poverty whether their parents are working, unemployed, sick or disabled

According to the Institute of Fiscal Studies, the single biggest driver of child poverty in the next few years will be the changes already made to how benefits are uprated. Today's cuts will make this bad situation even worse and will create a child poverty time bomb that will harm children and their life chances and rack up massive spending bills in future years.[72]

The Chief Executive of Citizens Advice, Gillian Guy, commented:

At last we have some recognition that the welfare budget has been squeezed dry. Cutting another £3.7 billion will still hit working families and families on the edge. It would have been reckless to cut more just ahead of the biggest shake up in the benefits system for over 60 years. It's vital that the government makes sure Universal Credit works for people before thinking of any more welfare cuts.

Holding down benefit increases to 1% is better than a total freeze, which would have been disastrous for people on the lowest incomes already having to spend a higher proportion of their income on essentials when rents, food and heating bills are all rocketing.

But the government can't keep hitting the same people over and over again. Let's not forget, below inflation benefit increases will not just hit people who are out of work. It will also hurt working families in low paid jobs who have already been hit by wage freezes and cuts in working hours. People on basic benefits and looking for work

[71] "George Osborne's talk of 'skivers' bears scant relation to the truth: The majority of people who rely on benefits are either in work or were until recently", *The Observer*, 9 December 2012

[72] CPAG press release, *Autumn Statement: New cuts hit children in working and out of work families*, 5 December 2012

> already have to survive on just £10 a day – less if they're under 25. Many thousands of people already battered by the impact of the recession are on a financial cliff edge.[73]

The Head of UK Policy at Save the Children, Chris Wellings, said that the majority of children in poverty had parents in work and many would be going without basic essentials this winter "as their parents simply don't earn enough to make ends meet." He added:

> Today's announcement on in and out of work benefits won't keep pace with increasing living costs and will push more families into poverty and make life far harder for those already there.[74]

The Resolution Foundation also warned of the impact of the uprating cap on working families. Its Chief Executive, Gavin Kelly, said:

> The majority of the cuts made to benefits and tax credits announced today will come from working households – it's completely wrong to say that today was all about helping so-called strivers. The OBR confirmed they expect to see yet another year of falling wages, stretching into the middle of 2014.[75]

In a statement on 20 December, the Shadow Secretary of State for Work and Pensions, Liam Byrne, said that the *Benefits Uprating Bill* was "an attack on hard working families":

> The Strivers' Tax Bill is a naked attack on hard working families to pay the price for this government's economic failure.
>
> It's plain and simple. The Tories have failed on jobs, the dole queue is set to lengthen and the benefits bill is set to soar by an unbelievable £13.6 billion higher than forecast. Yet now they're asking Britain's strivers to pick up the tab so the government can hand out a tax cut to millionaires.
>
> I want to bring down the welfare bill. But they way we do that is with jobs. Labour will not support a Bill that does nothing to create a single new job yet punishes those who work.

8 The Bill

As described in part 4 of this briefing, social security and tax credits legislation requires the Government to review most social security and tax credit rates each year, in light of changes in prices. The Bill makes special provision for the April 2014 and April 2015 upratings only, so that specified benefit, tax credit and Universal Credit rates are increased by a maximum of 1% each year. The changes are necessary since an announcement of 1% uprating in 2014 and in 2015 is not consistent with the requirement to review benefit rates each year in light of inflation. Changes to legislation are not required for the April 2013 uprating since the decision to increase the relevant sums by 1% from next April falls under the discretion exercisable this year.

The default position whereby the Government exercises its discretion with regard to uprating the specified sums would only apply if, in either 2014 or 2015, prices have not risen, or have increased by less than 1%. The Bill does not affect benefits which must be increased at

[73] Citizens Advice press release, *The Autumn Statement: What it means for hard-pressed households*, 5 December 2012

[74] Save the Children press statement, *Autumn Statement*, 5 December 2012

[75] Resolution Foundation press release, *Autumn Statement hits "strivers" as wage squeeze is prolonged*, 5 December 2012

least in line with prices each year; these will continue to be uprated under the arrangements outlined in part 4.1 above.

The Bill contains three clauses and one Schedule.

Clause 1 provides for 1% uprating of selected social security benefits in 2014 and 2015. The amounts to be subject to 1% uprating are set out in **paragraph 1 of Schedule 1** and include:

- The personal allowances for single persons and couples in Income Support, income-based Jobseeker's Allowance, Housing Benefit
- The personal rate of contributory JSA
- The basic rate of Employment and Support Allowance (income-related and contributory)
- The Work-Related Activity Component of income-related or contributory ESA (but not the Support Component)
- Child Benefit
- Statutory Sick Pay, Statutory Maternity Pay, Statutory Paternity Pay and Statutory Adoption Pay
- The standard allowance for single or joint claimants in Universal Credit
- The "limited capability for work" and lower rate disabled child elements in Universal Credit

Clause 2 makes corresponding provision for tax credits. The relevant amounts to be subject to 1% uprating in 2014 and 2015 are:

- The basic element, 30 hour element, second adult element and lone parent element of Working Tax Credit
- The child/qualifying young person element of Child Tax Credit

In normal circumstances, the annual uprating orders setting out the social security and tax credits rates to apply from April each year are subject to the affirmative procedure. However, the Bill provides that the orders setting out the amounts subject to 1% uprating in 2014 and 2015 are not to be subject to any parliamentary procedure. The DWP memorandum for the Lords Delegated Powers and Regulatory Reform Committee states that this is justified on the grounds that the Bill places a duty on the Secretary of State, rather than giving him discretion, requiring 1% uprating of the relevant amounts in each year. The memorandum adds:

> The Department for Work and Pensions considers that the orders which will eventually be made […] do not need to be subject to any Parliamentary procedure because the fact that the benefits in question will be subject to a mandatory 1 per cent increase will already be known and, indeed, this fact will have been fully debated as the Welfare Benefits Up-rating Bill makes its way through its Parliamentary stages. The up-rated amounts must also come into force in a complex way, to ensure smooth administrative arrangements. In this sense, the orders made under the new power will be very much

> akin to commencement orders which are themselves not subject to any parliamentary procedure.[76]

9 Comment and analysis

9.1 Historical precedent

A decision to limit increases in the rates of income maintenance benefits to below inflation for a sustained period is historically unprecedented, at least since statutory provisions on uprating have existed. The only previous occasion on which a Government chose not to increase benefits fully in line with inflation was in 1975. In that year, prices had risen sharply but the rate of increase slowed down in 1976. Under the uprating arrangements then in force, benefit and pension increases from November 1976 would have been based on increases in prices or earnings over the year to March 1976. However, in April 1976, the then Secretary of State for Health and Social Security, Barbara Castle, announced that the Government had decided to switch over from a "historic" to a "forecasting" method and to base the uprating instead on an estimate of what inflation would be between the two upratings (ie November 1975 – November 1976). She said:

> Now that the rate of inflation is coming down it would no longer be appropriate to base the uprating on a reference period which lies wholly in the past. However we are confident that the proposed increases of 15 per cent will be considerably larger than the actual and likely movements of earnings and prices from the time of the last uprating to November. …
>
> It is clear that if we had adopted the historic method an additional burden would have been put on the worker and the wage earner of £500 million for this uprating, and it would have had inevitable consequences in due course for the contribution rate.
>
> I ask the House to say whether, in striking a balance at a time of difficulty between carrying out in full our promises to pensioners and recognising the heavy sacrifices that we are asking wage earners to make, we have not achieved social justice.[77]

The switch to forecasting was widely seen at the time as a way of saving money because it missed out eight months of high inflation (March 1975 – November 1975, when prices rose by 16%). More recent commentators have called the Labour Government's decision a "massive economy measure."[78]

9.2 Impact of 1% uprating for three years

At the time of writing, the Department for Work and Pensions had not yet published its Impact Assessment for the Bill. It is expected to be published on Monday 7 January (for the Bill's Commons Second Reading on 8 January).

When looking the possible impact of the three year uprating cap, pressure groups have pointed out that consideration should also be given to the wider context for the changes, and in particular the various welfare reforms already announced by the Government which are expected to yield savings of £18 billion a year by 2014-15. These include not only the switch to CPI indexation (see section 5), which is expected to have a major impact on future expenditure, but also other measures including:

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[76] Para 15

[77] HC Deb 7 April 1976 cc426 and 431

[78] Jonathan Bradshaw and Tony Lynes, *Benefit Uprating Policy and Living Standards*, SPRU Social Policy Report No 1, 1995

- Major changes to tax credits
- Time-limiting of contributory ESA for claimants in the "work-related activity group"
- The household benefit cap
- Measures aimed at controlling expenditure on Housing Benefit
- The introduction of the Personal Independence Payment
- Localised support to replace Council Tax Benefit and elements of the Social Fund

It has also been argued that changing the basis of uprating certain elements of Universal Credit, before it is even introduced, could compromise the effectiveness of the new benefit.[79]

If inflation exceeds 1% on average over the next three years the effect of the uprating cap will be a permanent real terms cut in the value of the relevant benefits and tax credits. The amount of the reduction will depend on the level of the Consumer Price Index, but if the increases in the CPI over the three years are in line with the latest forecasts by the Office for Budget Responsibility, the benefits affected by the uprating limit would by 2015-16 be around 4% lower than they would have been had they been uprated in line with the CPI.

The table in Appendix 2 compares the value of benefits subject to 1% uprating with what they would have been worth if uprated by CPI. For example, by 2015-16 the main personal allowance for couples in ESA/Income Support/income-based JSA will be £114.85 per week, which is £4.55 or 4% less than would have been the case if uprated in line with CPI.

Even if CPI uprating resumes after the three year period, benefit rates will not "catch up" with their former level since indexation will continue from a lower base.

For families in receipt of out-of-work means tested benefits such as Income Support and income-based Jobseeker's Allowance, the amount of support they receive would be lower than that social security legislation *currently* deems necessary to meet their needs.[80] The actual impact on families in this situation is difficult to gauge since, as noted on section 2 of this paper, since the 1960s no government has undertaken any official empirical study on whether benefit levels are sufficient to meet minimum needs. Independent estimates of "Minimum Income Standards" suggest however that current benefit rates may be well short of the amounts necessary for a minimum acceptable standard of living, at least for working-age families.

Appendix 5 of this briefing gives the latest figures for the number of recipients of the main benefits and tax credits covered by the Bill.

Working age and pensioner benefits

1% uprating of working-age benefits would also further widen the gap between pensioner benefits and support for others in the benefits and tax credits system. As noted in section 4.2 above, the Institute for Fiscal Studies has argued that the rationale for uprating the Basic State Pension in a different way from working-age benefits has not been made clear. In a

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79 See Citizens Advice press release, *The Autumn Statement: What it means for hard-pressed households*, 5 December 2012

80 DWP decision notices sent to claimants of benefits such as Income Support and income-based JSA usually state that the maximum award is the amount "the law says you need to live on", but this does not mean that it is linked to an estimate of adequacy; it is merely the amount of benefit as stipulated in current regulations

discussion piece in response to the Autumn Statement announcement, Professor Jonathan Bradshaw of the University of York commented:

> The decision to uprate pensions by 2.5% and working age benefits by 1% for three years is going to further exacerbate the absurd differentials in benefit rates that have developed over time. In 1948 a single pensioner received only 10p more than a single person on national assistance. Now a single person receives £71 per week in Job Seeker's Allowance until they are eligible for Pension Credit when it jumps to £142.70 per week. A lone mother with one child gets £133.21 per week. These differentials clearly have nothing to do with need.[81]

The charts below illustrate the divergence between out-of-work benefits (in this case, JSA) and the Basic State Pension.

In real (CPI-adjusted) terms, the real value of a full Basic State Pension has risen by around a third between 1989 and 2012, and thanks to the triple-lock it will continue to beat inflation (as measured by CPI) in years where earnings rise ahead of this. On the other hand the real value of JSA (and its predecessor Unemployment Benefit) has seen a more modest real-terms rise over the period 1989-2012, and will fail to keep pace with CPI inflation during the 1% uprating period, leading to a real-terms erosion in the value of the benefit.

The value of both the Basic State Pension and JSA has risen ahead of earnings over the past five years, due to inflation rising faster than earnings growth. However, JSA and other benefits uprated in line with inflation had previously been in long-term decline compared to earnings. The triple-lock will enable the BSP to keep pace with earnings growth, while JSA and other out-of-work benefits are forecast to resume their decline relative to earnings from 2015-16 onwards. The additional effect of the 1% uprating can be seen in chart 2 below.

The data underlying these graphs is given in Appendix 4.

[81] Jonathan Bradshaw, *Benefits uprating and living standards*, Social Policy Research Unit discussion piece, 11 December 2012

Chart 1: real value of Basic State Pension and out-of-work benefits since 1989

Main rate for single person

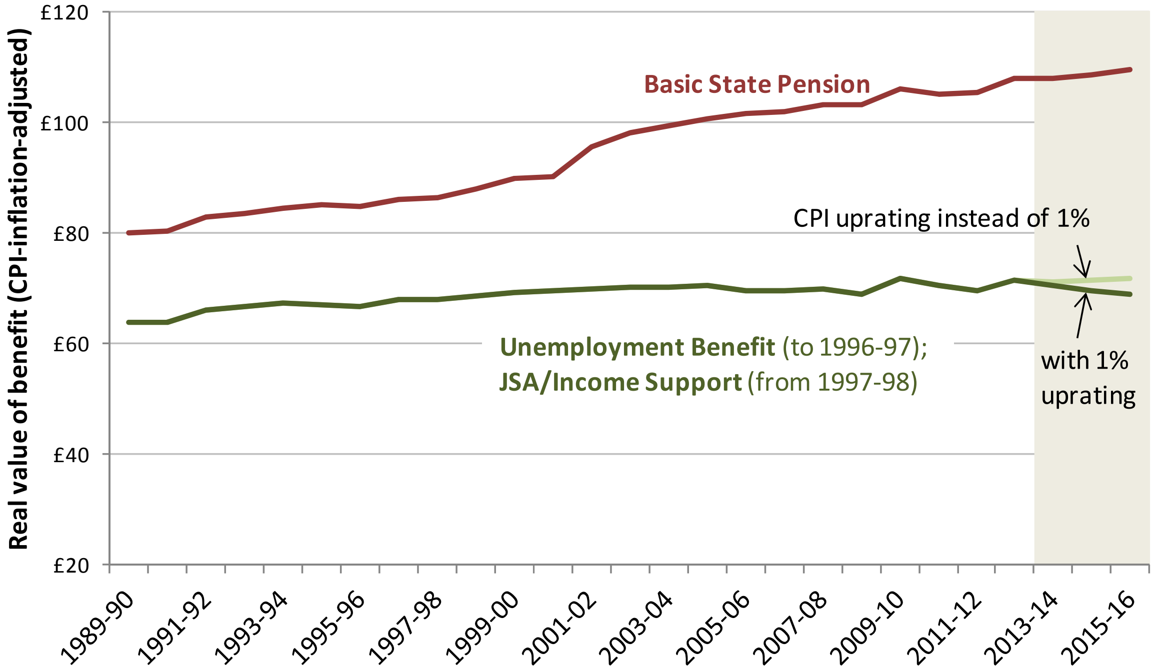
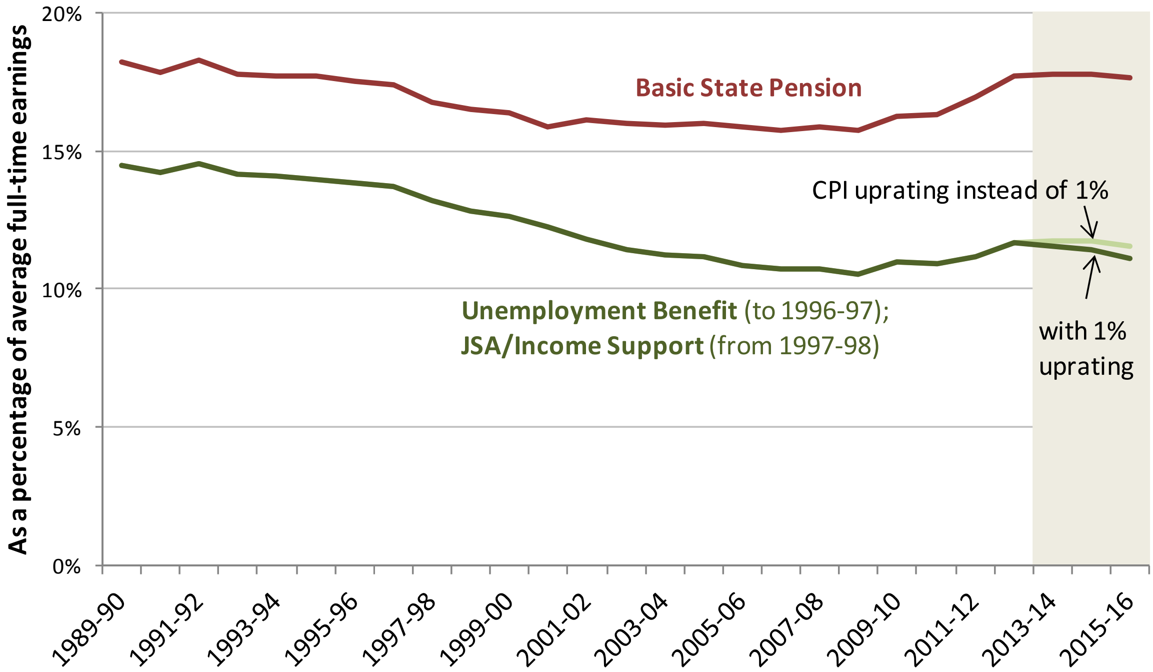


Chart 2: Basic State Pension and out-of-work benefits as a percentage of average full-time earnings

Main rate for single person



The section on the European Convention on Human Rights in the *Explanatory Notes* accompanying the Bill acknowledge that the cap on uprating working age benefits will lead to differences of treatment between claimants based on age. The Department acknowledges that it is possible that someone in receipt of the benefits concerned could argue that they were being discriminated against when compared with a pensioner. The *Explanatory Notes* state however:

> 50.In the Government's view the two groups of people are not in an analogous situation. Further, it is proportionate and justifiable to treat claimants differently on the basis of age, as happens in the current benefits system. On justification, the Government's position is that pensioner benefits are broadly intended to provide an earnings replacement from the point at which a person retires from paid employment. Once a person starts to draw their pensioner benefits they will generally continue to do so for the remainder of their life. Conversely, where possible (this does not apply to Employment and Support Allowance claimants in the support group), the Government expects working-age benefit claimants to be able to move into the labour market. The Government expects that generally their situation would be relatively short term, which means they will be better able to cope with a below inflation increase in benefit.
>
> 51.On proportionality, the Government's position is that if it sought to spread the burden of making the savings more fully, it would have an effect on a wider group of beneficiaries, including the disabled and pensioners. Furthermore, the claimants affected by the current policy won't be left without an increase to their rate of benefit. The Bill also makes it clear that the 1 per cent will only apply for a limited number of years after which time the current intention is for the law to revert back to its current form.[82]

However, as noted above, a return to CPI indexation after 2015-16 would not compensate for any permanent reduction in the real value of the affected benefits and tax credits as a result of the three year uprating cap.

Impact on working households

The uprating cap will affect in-work families in receipt of benefits and tax credits, as well as those receiving out-of-work benefits. The Resolution Foundation has estimated that around 60% of the £3.7 billion savings from the three year uprating cap will fall on in-work households.[83] Modelling undertaken by Citizens Advice suggests that, for almost all low income households whether in or out of work, and for many middle income households, the impact of capping increases in benefits and tax credits will swamp any gains from the further increase in the personal tax allowance also announced in the Autumn Statement.[84]

Research by the Resolution Foundation on the impact of both the tax and uprating changes announced in the Autumn Statement by 2015-16 lends support to the Citizens Advice findings.[85] Using the Institute for Public Policy Research's tax benefit model, the Resolution foundation looked at the impact of the uprating cap on families in 2015-16, both in isolation and when combined with the income tax changes also announced in the 2012 Autumn Statement (ie the additional increase in the personal tax allowance and 1% uprating of the higher rate income tax threshold from April 2014). The analysis found that:

> Looking first at benefit up-rating, it is clear that the move is straightforwardly regressive, with households in the bottom decile facing a 1.2 per cent reduction in their

82 Bill 116-EN

83 Matthew Whittaker, *Resolution Foundation analysis of the 2012 Autumn Statement*, December 2012

84 Citizens Advice, *Revised briefing: the impact of the Autumn Statement 2012*, 20 December 2012

85 Matthew Whittaker, *Resolution Foundation analysis of the 2012 Autumn Statement*, December 2012

> post-tax income in 2015-16 as a result. The impact remains significant across the bottom half of the distribution, but is broadly neutral for the top 30 per cent of households.
>
> The personal tax allowance increase will benefit all basic rate taxpayers and a significant number of higher rate taxpayers. Meanwhile the below-inflation up-rating of the higher rate income tax threshold (for the 40p rate of tax) counterbalances these gains for people on higher incomes – particularly for those earning more than £100,000, the point at which the personal tax allowance is withdrawn.
>
> Taken together however, the welfare cut clearly dominates the income tax giveaway, resulting in overall losses across most of the income distribution. Households lose out on average across the bottom 60 per cent and within the top 10 per cent of the population.

The Resolution Foundation found that, in cash terms, the average loss for the poorest 10% of households – taking into account both the income tax and the uprating changes – would be around £150 a year by 2015-16 (at 2012-13 prices), compared with the situation had existing policies remained in place. Looking at the impact by family type, the analysis found that lone parents would lose on average nearly £330 a year (at 2012-13 prices), or 1.5% of post-tax income, by 2015-16. For couples with children, the average loss was around £150 a year (about 0.75% of post-tax income). For single persons without children the average loss was only around £30 a year, while childless couples would on average neither gain nor lose.

Disabled people

In the April 2013 benefit uprating statement on 6 December 2012, the Minister for Pensions, Steve Webb, said that the Government had "protected" disabled people[86], but this statement needs to be qualified. Extra costs disability benefits including Disability Living Allowance and Attendance Allowance, Carer's Allowance, the disability elements of tax credits and the disability and carer's premiums payable with means-tested benefits will continue to rise in line with the CPI, but families with disabled people will still be affected by the uprating change since increases in the "personal allowances" for means-tested benefits, the main tax credit elements, and the standard allowance for single persons and couples in Universal Credit, will be limited to 1%. Furthermore, the "Work-Related Activity Component" of ESA, together with the "limited capability for work" element and the lower rate addition for disabled children in Universal Credit, will also be limited to 1% increases over the next three years.

The *Explanatory Notes* accompanying the Bill give the following justification for capping increases in the ESA Work-Related Activity Component while allowing the Support Component to rise by the full CPI each year:

> 53. The Government considers that the difference in treatment is justified. Persons in the support group, that is, the more severely disabled, are less likely to be able to improve their economic situation by moving into work so it is acceptable for up-rating to treat them more generously. Employment and Support Allowance claimants in the work-related activity group will be able to move towards the labour market so, again, the Government considers they will be better able to cope with a below inflation increase in their benefit. The two groups of Employment and Support Allowance claimants are already treated differently in the current system and the different treatment has not been successfully challenged to date.[87]

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86 HC Deb 6 December 2012 c1032
87 Bill 116-EN

A similar reason is given limiting increases in the "limited capability for work" element of Universal Credit.[88] Limiting increases in the lower rate UC disability addition for children to 1% reflects the Government's intention to align means-tested support for disabled children with that for disabled adults under UC, although the *Explanatory Notes* also give an additional reason for not increasing the lower rate disability addition for children by the full CPI:

> 55.In Universal Credit, there will also be a difference between those in receipt of the lower as opposed to the higher rate of the additional amount for a disabled child or qualifying young person. Again, the Government considers that the two groups are not in an analogous situation, though it would accept that the fact of there being a disability is common here, and that the policy is justified. Single claimants or parents of children in receipt of the lower disabled child addition would be expected to find work whereas for claimants or parents of children in the higher disabled child group, the expectation of labour market engagement is reduced.

9.3 Child poverty

The impact of the uprating cap on child poverty is difficult to gauge precisely. The Institute for Fiscal Studies (IFS) previously projected a rise in absolute and relative child poverty by 2020-21. Although the IFS found that the introduction of Universal Credit would act to reduce both absolute and relative poverty, this was not sufficient to off-set the impact of other tax and benefit changes, notably the change to CPI-uprating of means tested benefits.[89] The Bill's 1% uprating cap would accentuate this. Hence, according to the Child Poverty Action Group, "failing to uprate in line with inflation will increase absolute child poverty, relative child poverty and the material deprivation of children."[90] It adds:

> The Bill is a cause of grave concern. The proposal to uprate key in- and out-of-work social security benefits and tax credits by a sub-inflation 1% for the next three years is a policy which, under current conditions, can only increase absolute child poverty, relative child poverty and material deprivation for children. As such, it is incompatible with the government's commitment in the *Coalition Agreement* to take steps to bring down all these dimensions of child poverty to minimal levels by 2020.[91]

Further analysis of the impact of the Bill on child poverty may be given in the forthcoming DWP Impact Assessment.

10 Uprating Local Housing Allowance rates[92]

Provisions to implement this measure are not in the Bill as the proposed changes can be effected through regulations.

10.1 Background

The Local Housing Allowance (LHA) was introduced for new claimants living in the deregulated private sector from 7 April 2008. LHA is not a benefit in its own right – it is a way of calculating the rent element of Housing Benefit (HB) for tenants living in the private rented sector.

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88 Ibid. para 54
89 IFS Press Release *Universal Credit not enough to prevent a decade of rising poverty* 11 Oct 2011
90 Welfare Benefit Uprating Bill: *Commons Second Reading Debate – Tuesday 8th January 2013: Briefing from CPAG*, January 2013, p2
91 Ibid. para 1.2
92 Contribution by Wendy Wilson, Social Policy Section

The LHA is a flat rate allowance for different sizes of properties within a Broad Market Rental Area (BMRA). Since April 2011 LHA rates within BMRAs have been based on the 30th percentile of local market rents. In addition, LHAs for different sizes of properties are now subject to national caps:

- £250 per week for a 1 bedroom property;
- £290 per week for a 2 bedroom property;
- £340 per week for a 3 bedroom property; and
- £400 per week for all properties with 4 bedrooms or more.

LHA rates within BMRAs were subject to monthly review by Rent Officers[93] based on movements (both up and down) in private sector rent levels. However, as part of the Government's policy of reducing expenditure on Housing Benefit and the desire to exert downward pressure on private sector rent levels, it was announced that from April 2013 LHA rates would be uprated annually by the Consumer Price Index (CPI). Measures were included in the *2012 Welfare Reform Act* to enable implementation of this change.[94]

The Department's *Impact Assessment on Housing Benefit – uprating Local Housing Allowance rates by CPI* estimated that the measure could save £300 million a year – actual savings will depend on movements in the CPI. Lord Freud advised the Work and Pensions Select Committee that when the CPI figure was set for 2013 it would apply for two years as it would represent a settlement for the 2010 Spending Review: '...what we are doing is breaking the link into the market as a whole for two years, in order to keep downward pressure.'[95]

The Impact Assessment also noted that the precise impact on individual claimants would depend upon behavioural responses in relation to choice of accommodation and on whether landlords would restrict their rent increases to changes in the CPI. An 'illustrative average notional loss' to claimants was identified of £5.50 per week.[96] Restricting rent increases to the CPI would, it was stated, result in landlords receiving a reduced income compared with the existing Housing Benefit scheme.

During the social security uprating statement on 6 December 2011 the Minister, Steve Webb, announced that LHA rates would be frozen from April 2012:

> On local housing allowance, at the emergency Budget in June 2010, the Government announced that from 2013, local housing allowance rates will be calculated annually by using the lower of the rent at the 30th percentile of local rents or the previous year's rate uprated by reference to CPI. This will end the monthly uprating of LHA rates and bring the system into line with the uprating of other pensions and benefits.
>
> As part of the preparation for this change, we need to fix LHA rates, to establish a baseline from which they will be uprated in future. As the new cycle for uprating LHA will be annual, we have decided that the baseline should be one year ahead of the first

93 Rent Officers are employed by the Valuation Office Agency and are independent of local authorities.
94 See Library Research Paper 11/23
95 HC 469, Work and Pensions Committee, Second Report of 2010-11, *Changes to Housing Benefit announced in the June 2010 Budget,* December 2010, p20
96 *Impact Assessment on Housing Benefit – uprating Local Housing Allowance rates by CPI*, para 10

> uprating event. Therefore, LHA rates will be fixed from April 2012. This approach means that there will be no reductions in ongoing awards as a result of this change.[97]

The *Rent Officers (Housing Benefit Functions) (Amendment) Order 2012* (SI 2012/646), which changed the basis on which Rent Officers determine LHA levels, was considered by the Merits of Statutory Instruments Committee in March 2012.[98] The Order (which came into force on 2 April 2012) provides that from April 2013 LHA rates will be set at the lower of:

- the previous LHA rate uprated by the Consumer Price Index inflation published the previous September; or
- the 30th percentile of local market rents in the previous September.

The *draft Housing Benefit (Amendment) Regulations 2012* were considered in Grand Committee in the House of Lords on 15 October 2012 and approved by the House of Lords on 6 November. The First Delegated Legislation Committee considered the regulations on 16 October 2012. These regulations end the process of reviewing existing LHA cases on the anniversary of the claim, or on a change of the claimant's circumstances, with effect from January 2013. Thereafter all claims will be reviewed annually on 1 April when the new LHA rates are set.[99] The Government said that the policy of uprating LHA rates by CPI would be reviewed at the end of the Comprehensive Review Period in 2014-15.[100]

10.2 The Autumn Statement and reactions

On 5 December 2012 the Autumn Statement announced:

> **1.158** Despite recent reforms made by the Government, Housing Benefit is still the third largest area of welfare expenditure and has risen by 50 per cent in real terms since 2001-02. To ensure this support remains affordable, the Government will:
>
> - uprate Local Housing Allowance rates in line with the previously announced policy in April 2013, but will cap increases to 1 per cent in most areas in 2014-15 and 2015-16; and
> - use 30 per cent of the potential savings to exempt rates in those areas where rent increases are highest, in recognition of the fact that rental markets differ across the country.[101]

It is expected that this measure will save £105m in 2014-15 rising to £225m in 2015-16.

As previously stated, provisions to implement this measure are not in the Bill as the proposed changes can be effected through regulations.

In terms of reactions, the responses to uprating LHA rates by CPI are informative. The British Property Federation (BPF) argued that the CPI, as currently constructed, is not an appropriate index for setting housing costs:

> ...it does not seem right that a benefit meant to cover a person's housing costs, should be set by an index that incorporates everything from the price of sausages to net curtains. Rent makes up a relatively small proportion of the current basket of goods

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97 HC Deb 6 December 2011 c164

98 HL Paper 277, 22 March 2012

99 There is scope to review a case if the rent changes throughout the year so tenants will not have to wait until the annual review [First Delegated Legislation Committee 16 October 2012 c6].

100 HC Deb 10 March 2011 c383WH

101 HM Treasury, *Autumn Statement 2012*

> that form the CPI, because the majority of the population are not renters. Even if the index is reformed to include mortgage costs this will not wholly resolve the issue because approaching half existing homeowners have no mortgage and therefore mortgage costs do not figure in their basket of goods.
>
> Although the differences may appear small, a per cent or two a year, the consequences of getting caught on the wrong index can be severe. History illustrates this through the experience of pensioners.[102]

Respondents expressed concern that increasing LHA rates in line with the CPI rather than actual rent levels would, over time, result in these claimants being unable to afford privately rented homes. The Chartered Institute of Housing (CIH) submitted a spreadsheet to the Work and Pensions Committee's inquiry into the Housing Benefit changes announced in June 2010 which explored how long it might be until LHA claimants' purchasing power, increased by CPI, can no longer meet the cost of the cheapest properties in different areas. The Institute projected that within 15 years all two bedroom properties in 42 of 154 rental market areas would be at rents above LHA rates (assuming demand and supply remain unaffected).[103]

The CIH's evidence to the Committee emphasised the potential impact of the move to CPI uprating on the fundamental purpose of Housing Benefit:

> It is critical to understand that this means that over time the effect of the CPI cap will be to break the link between what help tenants receive with their housing costs and the actual rent they pay. At this point it can no longer be said that housing benefit will be meeting its central policy objective: to ensure that accommodation is available to all households regardless of their income.[104]

Consequently the CIH described uprating by CPI as the Budget measure it was most strongly opposed to.[105]

The Residential Landlords Association (RLA), which represents around 13,000 members, also submitted detailed evidence to the Work and Pension Committee's inquiry. The RLA described the CPI measure as "one of the most detrimental of all these proposals"[106] while the BPF said that it was the "most severe aspect" of the Housing Benefit reforms.[107] The RLA predicted that the gap between market rents and LHA rates would grow over time.[108]

After considering the submitted evidence the Work and Pensions Select Committee recommended:

> ...that the Government fully evaluate the impact of the changes to Housing Benefit introduced in 2011, including on rent levels, before introducing the change to using the Consumer Price Index (CPI) for uprating LHA. If uprating using CPI is introduced in 2013, it should be accompanied by an undertaking that the Secretary of State will

[102] HC 469, Work and Pensions Committee, Second Report of 2010-11, *Changes to Housing Benefit announced in the June 2010 Budget,* December 2010, Ev42
[103] *Ibid* Ev44-59
[104] *Ibid* Ev55
[105] *Ibid*
[106] *Ibid* Ev103, para 125
[107] *Ibid* Ev41
[108] *Ibid* Ev103, para 124

> review the Local Housing Allowance rates in relation to prices in the wider private rental market prior to 2015.[109]

The Government agreed to evaluate the impact of changes which came into effect in April 2011 but uprating LHA rates by CPI are outside the scope of this review. However, the Government said that the Secretary of State "will, through secondary legislation, be able to review rates and, if he considers it necessary, will be able to set rates at a different level than increases in the Consumer Price Index."[110]

The Merits of Statutory Instruments Committee, when considering the *Rent Officers (Housing Benefit Functions) (Amendment) Order 2012* (SI 2012/646) in May 2012[111] was not persuaded by the DWP's explanation of the impact of the move to uprating by CPI:

> In the interim the LHA will be frozen at the current level. The DWP state that this will generate additional savings of £800m by 2014-15 but provide no evidence to support this assertion and no basis for assessing what the effect of the change will be on tenants, landlords and charities. In contrast a submission from Shelter describes this as a fundamental change to the way that Housing Benefit is calculated and gives indications from their research of the likely consequences for local authorities and tenants. In particular they commented that in the ten years to 2007 private rents increased by 70% while CPI only increased by 20% and expressed concerns that the change is likely to decrease further the ability of tenants on housing benefit to find affordable accommodation. **We found DWP's explanation deficient and the House may wish to press DWP to provide a clearer statement of the specific effects of this change.**
>
> **This Order is drawn to the special attention of the House on the ground that it gives rise to issues of public policy likely to be of interest to the House.**[112]

The Zacchaeus 2000 Trust (Z2K) launched a legal challenge against uprating LHA levels by CPI in the High Court on 19 December 2012. The Trust is arguing that the change to uprating is ultra vires and breaches the *Equality Act 2010*. [113]

Following the Autumn statement announcement of the intention to cap increases to LHA rates at 1% in 2014 and 2015 (with an exemption for areas with the highest rent increases) housing bodies have again emphasised the impact of LHA rates failing to keep pace with actual rent levels over time. In *Home Truths – 2012* the National Housing Federation predicts private sector rent rises of 6% a year between 2015–2018 and suggests that rent levels will be 27% higher in 2017 than they are now.[114] The cost of privately renting a home has, according to work carried out by the NHF, Shelter and the CIH, risen by 37% in the last five years.[115]

Richard Lambert, chief executive of the National Landlords Association, reportedly said that the 1% cap "could render private accommodation unaffordable for many tenants in receipt of

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[109] HC 469, Work and Pensions Committee, Second Report of 2010-11, *Changes to Housing Benefit announced in the June 2010 Budget,* December 2010, p21

[110] HC 845, Work and Pensions Committee, Fourth Special Report of 2010-11, *Government response to the Committee's Second Report of Session 2010-11,* March 2011

[111] HL Paper 277, 22 March 2012

[112] *ibid*

[113] See: http://z2k.org/category/news/

[114] NHF, Home Truths – 2012, 2012, p7

[115] *Ibid* p8

housing benefit and will deter landlords from investing in much needed housing for those receiving support."[116]

There are potential "knock-on" effects for social landlords if a lack of affordable private rented accommodation results in increased demand for social housing. Local authorities may now discharge their duties to homeless households by using suitable private rented housing – this may become increasingly difficult if Housing Benefit will not meet cover the full contractual rent.

[116] *Inside Housing*, "Benefit cuts raise homelessness fears", 7 December 2012

Appendix 1 – Uprating arrangements and factors, 1974-2013

Uprating date	Period used for uprating	Method	Uprating Factors CPI	RPI	ROSSI	Earnings
22 Jul 74	Oct 73 - July 74	Forecast		17.1%		
07 Apr 75	Feb 74 - Nov 74	Historical		13.3%		16.0%
17 Nov 75	Aug 74 - May 75	Historical		13.2%		14.6%
15 Nov 76	Nov 75 - Nov 76	Forecast		15.0%		
14 Nov 77	Nov 76 - Nov 77	Forecast		13.0%		14.4%
13 Nov 78	Nov 77 - Nov 78	Forecast		7.1%		11.5%
12 Nov 79	Nov 78 - Nov 79	Forecast		17.5%		19.5%
24 Nov 80	Nov 79 - Nov 80	Forecast		16.5%		
23 Nov 81	Nov 80 - Nov 81	Forecast		9.0%		
22 Nov 82	Nov 75 - Nov 82	Forecast		11.0%		
21 Nov 83	May 82 - May 83	Historical		3.7%	4.3%	
26 Nov 84	May 83 - May 84	Historical		5.1%	4.7%	
25 Nov 85	May 84 - May 85	Historical		7.0%	5.1%	
28 Jul 86	May 85 - Jan 86	Historical		1.1%	1.2%	
06 Apr 87	Jan 86 - Sep 86	Historical		2.1%	2.0%	
11 Apr 88	Sep 86 - Sep 87	Historical		4.2%	3.2%	
10 Apr 89	Sep 87 - Sep 88	Historical		5.9%	4.7%	
09 Apr 90	Sep 88 - Sep 89	Historical	5.2%	7.6%	5.2%	
08 Apr 91	Sep 89 - Sep 90	Historical	8.1%	10.9%	8.1%	
06 Apr 92	Sep 90 - Sep 91	Historical	7.1%	4.1%	7.0%	
12 Apr 93	Sep 91 - Sep 92	Historical	3.0%	3.6%	3.6%	
11 Apr 94	Sep 92 - Sep 93	Historical	3.0%	1.8%	3.5%	
10 Apr 95	Sep 93 - Sep 94	Historical	1.5%	2.2%	1.8%	
08 Apr 96	Sep 94 - Sep 95	Historical	3.0%	3.9%	3.0%	
07 Apr 97	Sep 95 - Sep 96	Historical	2.3%	2.1%	2.6%	
06 Apr 98	Sep 96 - Sep 97	Historical	1.8%	3.6%	2.4%	4.2%
12 Apr 99	Sep 97 - Sep 98	Historical	1.4%	3.2%	2.1%	4.8%
10 Apr 00	Sep 98 - Sep 99	Historical	1.2%	1.1%	1.6%	4.4%
09 Apr 01	Sep 99 - Sep 00	Historical	1.0%	3.3%	1.6%	4.0%
08 Apr 02	Sep 00 - Sep 01	Historical	1.3%	1.7%	1.7%	4.3%
07 Apr 03	Sep 01 - Sep 02	Historical	1.0%	1.7%	1.3%	3.6%
12 Apr 04	Sep 02 - Sep 03	Historical	1.4%	2.8%	1.8%	3.9%
11 Apr 05	Sep 03 - Sep 04	Historical	1.1%	3.1%	1.0%	4.1%
10 Apr 06	Sep 04 - Sep 05	Historical	2.5%	2.7%	2.2%	3.4%
11 Apr 07	Sep 05 - Sep 06	Historical	2.4%	3.6%	3.0%	4.4%
11 Apr 08	Sep 06 - Sep 07	Historical	1.8%	3.9%	2.3%	3.5%
10 Apr 09	Sep-07 - Sep-08	Historical	5.2%	5.0%	6.3%	3.2%
12 Apr 10	Sep-08 - Sep-09	Historical	1.1%	-1.4%	1.8%	1.8%
11 Apr 11	Sep-09 - Sep-10	Historical	3.1%	4.6%	4.8%	1.3%
09 Apr 12	Sep-10 - Sep-11	Historical	5.2%	5.6%	6.8%	2.8%
08 Apr 13	Sep-11 - Sep-12	Historical	2.2%	2.6%	2.8%	1.6%

Notes

1. The actual factors used for a particular benefit for a particular year not necessarily that shown – see *DWP Abstract of Statistics for Benefits, National Insurance Contributions, and Indices of Prices and Earnings*, 2010 edition, pp7-8.
2. CPI used from April 2011 only. Earlier figures included for comparison.
3. Despite the negative RPI figure for September 2009, many benefit rates increased from April 2010.
4. Rossi index from 1983-1991; New Rossi from 1992. Replaced by CPI from April 2011.
5. For **April 2013**, these are the relevant factors; increases for many benefits however is restricted to 1%.

Appendix 2 - Benefits affected by 1% uprating: rates from 2013-14 to 2015-16

(and what they would have been if CPI uprating had been maintained)

	2012-13		Uprated by 1% per year (b) 2013-14		2014-15		2015-16		If uprated by CPI instead (c) 2013-14	2014-15	2015-16
	£ per week	% incr. compared with 2011-12	£ per week	*compared with CPI uprating (£pw)*	£ per week	*compared with CPI uprating (£pw)*	£ per week	*compared with CPI uprating (£pw)*	£ per week	£ per week	£ per week
ESA / Income Support / JSA (income-based) personal allowances											
Selected rates:											
Single under 25/lone parent under 18	56.25	5.2%	56.80	*-0.70*	57.35	*-1.65*	57.90	*-2.40*	57.50	59.00	60.30
Single 25+/lone parent 18+	71.00	5.2%	71.70	*-0.85*	72.40	*-2.05*	73.10	*-3.00*	72.55	74.45	76.10
Couple (both over 18)	111.45	5.2%	112.55	*-1.35*	113.70	*-3.15*	114.85	*-4.55*	113.90	116.85	119.40
Jobseeker's Allowance (contribution-based)											
Under 25	56.25	5.2%	56.80	*-0.70*	57.35	*-1.65*	57.90	*-2.40*	57.50	59.00	60.30
25 or over	71.00	5.2%	71.70	*-0.85*	72.40	*-2.05*	73.10	*-3.00*	72.55	74.45	76.10
Employment and Support Allowance											
ESA personal allowances - see above											
Work-related Activity component	28.15	5.2%	28.45	*-0.30*	28.75	*-0.75*	29.05	*-1.10*	28.75	29.50	30.15
Child Benefit											
Eldest child	20.30	0.0%	20.30 (a)	*0.00*	20.50	*-0.35*	20.70	*-0.60*	20.30 (a)	20.85	21.30
Each subsequent child	13.40	0.0%	13.40 (a)	*0.00*	13.55	*-0.20*	13.70	*-0.35*	13.40 (a)	13.75	14.05
Maternity Allowance / Statutory Maternity Pay standard rate	135.45	5.2%	136.78	*-1.65*	138.15	*-3.88*	139.53	*-5.62*	138.43	142.03	145.15

(a) Child Benefit already frozen at 2010-11 rates for three years (2011-12 to 2013-14 inclusive)

(b) 2013-14 rates are those announced by DWP in Dec 2012. 2014-15 and 2015-16 are unofficial and based on Library calculations.

(c) CPI uprating scenario in 2013-14 based on actual Sep 2012 CPI figure (2.2%); for 2014-15 and 2015-16 benefits uprated in line with the latest OBR forecasts for CPI in September of the preceding financial year (2.6% and 2.2% respectively)

Appendix 3 - Value of Child and Working Tax Credit elements since 2003-04

		2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 Forecast	2015-16 Forecast
Working Tax Credit														
Basic element	£ per year	1,525	1,570	1,620	1,665	1,730	1,800	1,890	1,920	1,920	1,920	1,920	**1,940**	**1,960**
	% increase		*+3.0%*	*+3.2%*	*+2.8%*	*+3.9%*	*+4.0%*	*+5.0%*	*+1.6%*	*+0.0%*	*+0.0%*	*+0.0%*	***+1.0%***	***+1.0%***
Couple/ lone parent element	£ per year	1,500	1,545	1,595	1,640	1,700	1,770	1,860	1,890	1,950	1,950	**1,970**	**1,990**	**2,010**
	% increase		*+3.0%*	*+3.2%*	*+2.8%*	*+3.7%*	*+4.1%*	*+5.1%*	*+1.6%*	*+3.2%*	*+0.0%*	***+1.0%***	***+1.0%***	***+1.0%***
30-hour element	£ per year	620	640	660	680	705	735	775	790	790	790	790	**800**	**810**
	% increase		*+3.2%*	*+3.1%*	*+3.0%*	*+3.7%*	*+4.3%*	*+5.4%*	*+1.9%*	*+0.0%*	*+0.0%*	*+0.0%*	***+1.3%***	***+1.3%***
Disabled worker element	£ per year	2,040	2,100	2,165	2,225	2,310	2,405	2,530	2,570	2,650	2,790	2,855	2,930	2,995
	% increase		*+2.9%*	*+3.1%*	*+2.8%*	*+3.8%*	*+4.1%*	*+5.2%*	*+1.6%*	*+3.1%*	*+5.3%*	*+2.3%*	*+2.6%*	*+2.2%*
Severe disability element	£ per year	865	890	920	945	980	1,020	1,075	1,095	1,130	1,190	1,220	1,255	1,285
	% increase		*+2.9%*	*+3.4%*	*+2.7%*	*+3.7%*	*+4.1%*	*+5.4%*	*+1.9%*	*+3.2%*	*+5.3%*	*+2.5%*	*+2.9%*	*+2.4%*
Child Tax Credit														
Family element	£ per year	545	545	545	545	545	545	545	545	545	545	545	545	545
	% increase		*+0.0%*	*+0.0%*	*+0.0%*	*+0.0%*	*+0.0%*	*+0.0%*	*+0.0%*	*+0.0%*	*+0.0%*	*+0.0%*	*+0.0%*	*+0.0%*
Child element	£ per year	1,445	1,625	1,690	1,765	1,845	2,085	2,235	2,300	2,555	2,690	**2,720**	**2,745**	**2,770**
	% increase		*+12.5%*	*+4.0%*	*+4.4%*	*+4.5%*	*+13.0%*	*+7.2%*	*+2.9%*	*+11.1%*	*+5.3%*	***+1.1%***	***+1.0%***	***+1.0%***
Disabled child element	£ per year	2,115	2,215	2,285	2,350	2,440	2,540	2,670	2,715	2,800	2,950	2,950	3,025	3,090
	% increase		*+4.7%*	*+3.2%*	*+2.8%*	*+3.8%*	*+4.1%*	*+5.1%*	*+1.7%*	*+3.1%*	*+5.4%*	*+0.0%*	*+2.5%*	*+2.1%*
Severely disabled child element	£ per year	865	890	920	945	980	1,020	1,075	1095	1130	1,190	1,220	1,250	1,280
	% increase		*+2.9%*	*+3.4%*	*+2.7%*	*+3.7%*	*+4.1%*	*+5.4%*	*+1.9%*	*+3.2%*	*+5.3%*	*+2.5%*	*+2.5%*	*+2.4%*
			Sep-03	Sep-04	Sep-05	Sep-06	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11	Sep-12	Sep-13	Sep-14
Relevant uprating factors	CPI		*+1.4%*	*+1.1%*	*+2.5%*	*+2.4%*	*+1.8%*	*+5.2%*	*+1.1%*	*+3.1%*	*+5.2%*	*+2.2%*	*+2.6%*	*+2.2%*
	RPI		*+2.8%*	*+3.1%*	*+2.7%*	*+3.6%*	*+3.9%*	*+5.0%*	*-1.4%*	*+4.6%*	*+5.6%*	*+2.6%*	*+3.1%*	*+2.7%*

Elements subject to 1% uprating are in bold.

note: values of elements subject to 1% uprating in 2014-15 and 2015-16 have not been officially announced. CPI-uprated elements in these years are based on latest OBR inflation forecasts.

Appendix 4 – Historic and forecast JSA and State Pension rates

Unemployment Benefit / Jobseeker's Allowance (JSA) personal allowances

Subject to 1% uprating from 2013-14 to 2015-16

Figures below dashed lines are based on OBR forecasts of inflation and earnings growth (Dec 2012 EFO)

Fin. yr	Single adult rate (a)		Average real value of benefit during financial year (Nov 2012 prices), inflation-adjusted using:		As a pct. of average full-time earnings at start of year	Couple rate (b)		Average real value of benefit during financial year (Nov 2012 prices), inflation-adjusted using:		As a pct. of average full-time earnings at start of year
			CPI	RPI				CPI	RPI	
	£pw	% incr.	£pw	£pw	%	£pw	% incr.	£pw	£pw	%
1987-88	**31.45**	2.1%	..	75.20	15.8%	**50.85**	2.1%	..	121.58	25.6%
1988-89	**32.75**	4.1%	..	73.88	15.0%	**52.95**	4.1%	..	119.44	24.2%
1989-90	**34.70**	6.0%	63.71	72.61	14.5%	**56.10**	5.9%	103.01	117.39	23.4%
1990-91	**37.35**	7.6%	63.93	71.25	14.2%	**60.40**	7.7%	103.39	115.22	23.0%
1991-92	**41.40**	10.8%	65.91	75.40	14.5%	**66.95**	10.8%	106.58	121.93	23.5%
1992-93	**43.10**	4.1%	66.53	76.09	14.1%	**69.70**	4.1%	107.59	123.06	22.9%
1993-94	**44.65**	3.6%	67.22	77.51	14.1%	**72.20**	3.6%	108.70	125.33	22.8%
1994-95	**45.45**	1.8%	67.09	76.80	14.0%	**73.50**	1.8%	108.49	124.19	22.6%
1995-96	**46.45**	2.2%	66.76	76.02	13.8%	**75.10**	2.2%	107.94	122.90	22.3%
1996-97	**48.25**	3.9%	67.80	77.09	13.7%	**78.00**	3.9%	109.61	124.62	22.2%
1997-98 (c)	**49.15**	1.9%	67.90	76.01	13.2%	**77.15**	-1.1%	106.59	119.31	20.7%
1998-99	**50.35**	2.4%	68.49	75.51	12.8%	**79.00**	2.4%	107.45	118.48	20.1%
1999-00	**51.40**	2.1%	69.12	75.89	12.6%	**80.65**	2.1%	108.45	119.07	19.8%
2000-01	**52.20**	1.6%	69.64	74.83	12.3%	**81.95**	1.6%	109.34	117.48	19.3%
2001-02	**53.05**	1.6%	69.79	74.93	11.8%	**83.25**	1.6%	109.51	117.59	18.5%
2002-03	**53.95**	1.7%	70.10	74.64	11.4%	**84.65**	1.7%	110.00	117.12	17.9%
2003-04	**54.65**	1.3%	70.10	73.56	11.2%	**85.75**	1.3%	109.99	115.41	17.6%
2004-05	**55.65**	1.8%	70.35	72.64	11.2%	**87.30**	1.8%	110.36	113.96	17.5%
2005-06	**56.20**	1.0%	69.58	71.48	10.9%	**88.15**	1.0%	109.14	112.11	17.1%
2006-07	**57.45**	2.2%	69.36	70.44	10.7%	**90.10**	2.2%	108.78	110.47	16.8%
2007-08	**59.15**	3.0%	69.87	69.64	10.7%	**92.80**	3.0%	109.62	109.26	16.9%
2008-09	**60.50**	2.3%	68.87	69.18	10.5%	**94.95**	2.3%	108.08	108.57	16.5%
2009-10	**64.30**	6.3%	71.59	73.19	11.0%	**100.95**	6.3%	112.40	114.91	17.2%
2010-11	**65.45**	1.8%	70.41	70.98	10.9%	**102.75**	1.8%	110.53	111.43	17.2%
2011-12	**67.50**	3.1%	69.61	69.85	11.2%	**105.95**	3.1%	109.26	109.64	17.6%
2012-13	**71.00**	5.2%	71.36	71.26	11.7%	**111.45**	5.2%	112.02	111.86	18.4%
2013-14	**71.70**	1.0%	70.31	70.00	11.6%	**112.55**	1.0%	110.36	109.89	18.2%
2014-15	**72.40**	1.0%	69.53	68.76	11.4%	**113.70**	1.0%	109.20	107.99	17.9%
2015-16	**73.10**	1.0%	68.83	67.27	11.1%	**114.85**	1.0%	108.14	105.70	17.4%
If CPI were used, not 1%:										
2013-14	***72.55***	*2.2%*	*71.14*	*70.83*	*11.7%*	***113.90***	*2.2%*	*111.69*	*111.21*	*18.4%*
2014-15	***74.45***	*2.6%*	*71.50*	*70.71*	*11.7%*	***116.85***	*2.6%*	*112.22*	*110.98*	*18.4%*
2015-16	***76.10***	*2.2%*	*71.65*	*70.03*	*11.6%*	***119.40***	*2.2%*	*112.42*	*109.88*	*18.1%*

(a) Single adult rates apply to:
up to 1996-97 inclusive: Unemployment Benefit to single adult on own contributions;
1997-98 onwards: JSA (contrib or income based) or Income Support to single adult aged 25+ or lone parent aged 18+

(b) Couple rates apply to:
up to 1996-97 inclusive: Unemployment Benefit to married couple on own contributions;
1997-98 onwards: JSA (contrib or income based) or Income Support to couple both aged 18+

(c) JSA introduced in Oct 1996, with amounts in line with Income Support rates.

Basic State Pension

Since 2012-13, uprated in line with 'triple lock' (highest of CPI, earnings growth or 2.5%)

Figures below dashed lines are based on OBR forecasts of inflation and earnings growth (Dec 2012 EFO)

Fin. yr	Single person aged under 80 on own contributions		Average real value of benefit during financial year (Nov 2012 prices), inflation-adjusted using: CPI	RPI	As a percentage of average full-time earnings at start of year	Married couple		Average real value of benefit during financial year (Nov 2012 prices), inflation-adjusted using: CPI	RPI	As a percentage of average full-time earnings at start of year
	£pw	% incr.	£pw	£pw	%	£pw	% incr.	£pw	£pw	%
1987-88	39.50	2.1%	..	94.45	19.9%	63.25	2.1%	..	151.23	31.8%
1988-89	41.15	4.2%	..	92.83	18.8%	65.90	4.2%	..	148.66	30.2%
1989-90	43.60	6.0%	80.06	91.23	18.2%	69.80	5.9%	128.16	146.05	29.1%
1990-91	46.90	7.6%	80.28	89.47	17.8%	75.10	7.6%	128.55	143.27	28.5%
1991-92	52.00	10.9%	82.78	94.71	18.3%	83.25	10.9%	132.53	151.62	29.2%
1992-93	54.15	4.1%	83.59	95.60	17.8%	86.70	4.1%	133.83	153.07	28.5%
1993-94	56.10	3.6%	84.46	97.38	17.7%	89.80	3.6%	135.20	155.88	28.3%
1994-95	57.60	2.7%	85.02	97.33	17.7%	92.10	2.6%	135.95	155.62	28.3%
1995-96	58.85	2.2%	84.59	96.31	17.5%	94.10	2.2%	135.25	154.00	28.0%
1996-97	61.15	3.9%	85.93	97.70	17.4%	97.75	3.9%	137.36	156.17	27.8%
1997-98	62.45	2.1%	86.28	96.58	16.8%	99.80	2.1%	137.88	154.34	26.8%
1998-99	64.70	3.6%	88.00	97.04	16.5%	103.40	3.6%	140.64	155.08	26.3%
1999-00	66.75	3.2%	89.76	98.55	16.4%	106.70	3.2%	143.48	157.53	26.2%
2000-01	67.50	1.1%	90.06	96.77	15.9%	107.90	1.1%	143.96	154.69	25.4%
2001-02	72.50	7.4%	95.37	102.41	16.1%	115.90	7.4%	152.46	163.71	25.8%
2002-03	75.50	4.1%	98.11	104.46	16.0%	120.70	4.1%	156.84	166.99	25.6%
2003-04	77.45	2.6%	99.34	104.24	15.9%	123.80	2.6%	158.80	166.63	25.4%
2004-05	79.60	2.8%	100.62	103.91	16.0%	127.25	2.8%	160.86	166.10	25.5%
2005-06	82.05	3.1%	101.59	104.35	15.9%	131.20	3.1%	162.44	166.86	25.4%
2006-07	84.25	2.7%	101.71	103.30	15.8%	134.75	2.7%	162.68	165.21	25.2%
2007-08	87.30	3.6%	103.12	102.79	15.9%	139.60	3.6%	164.90	164.37	25.4%
2008-09	90.70	3.9%	103.25	103.71	15.8%	145.05	3.9%	165.11	165.86	25.2%
2009-10	95.25	5.0%	106.06	108.42	16.2%	152.30	5.0%	169.58	173.36	25.9%
2010-11	97.65	2.5%	105.05	105.90	16.3%	156.15	2.5%	167.98	169.34	26.1%
2011-12	102.15	4.6%	105.34	105.70	16.9%	163.35	4.6%	168.45	169.03	27.1%
2012-13	107.45	5.2%	108.00	107.85	17.7%	171.85	5.2%	172.73	172.48	28.3%
2013-14	110.15	2.5%	108.01	107.54	17.8%	176.15	2.5%	172.73	171.98	28.4%
2014-15	113.00	2.6%	108.53	107.32	17.8%	180.75	2.6%	173.59	171.67	28.5%
2015-16	116.40	3.0%	109.60	107.12	17.7%	186.15	3.0%	175.27	171.31	28.3%

Earnings data sourced from New Earnings Survey (to 1996) and Annual Survey of Hours and Earnings (ASHE – from 1997 to 2012). Increases in average earnings in 2013-14 to 2015-16 are based on OBR forecasts of whole economy earnings growth.

Appendix 5 - Latest figures on recipients of main affected benefits and tax credits

	Number of recipients				Figure relates to:	
Jobseeker's Allowance (JSA) (a)	**1,503,520**	recipients			UK	Feb 2012
Employment and Support Allowance (ESA) (a)	**954,270**	recipients			UK	Feb 2012
of whom:						
In Support Group (b)	205,340	recipients			UK	Feb 2012
not in Support Group	748,930	recipients			UK	Feb 2012
Income Support	**1,586,740**	recipients			UK	Feb 2012
of whom - reason for claiming:						
incapacity benefit claimant (c)	789,760	recipients			UK	Feb 2012
lone parent	604,840	recipients			UK	Feb 2012
other	192,140	recipients			UK	Feb 2012
Child Benefit (d)	**7,884,760**	families	**13,721,160**	children	UK	Aug 2011
Tax Credits	**4,686,000**	families	**7,779,200**	children	UK	Dec 2012
of whom:						
out-of-work, getting CTC only	1,463,000	families	2,801,000	children	UK	Dec 2012
in-work, with children	2,682,000	families	4,978,200	children	UK	Dec 2012
in-work, without children	541,000	families			UK	Dec 2012
Housing Benefit (e)	**5,051,120**	recipients			GB	Aug 2012
of whom:						
'non-passported' claims (f)	1,773,030	recipients			GB	Aug 2012
of whom:						
claimants in employment	929,340	recipients			GB	Aug 2012
of whom:						
in private rental sector (g)	479,240	recipients			GB	Aug 2012
Local Housing Allowance claims (h)	1,348,730	recipients			GB	Aug 2012
Maternity Allowance	**56,500**	recipients			GB	May 2012
Statutory Maternity Pay	**278,000**	recipients			GB	2012-13

Notes:

(a) JSA and ESA: claimants receiving payments - excludes credit-only cases

(b) The Support component paid to ESA claimants in Support Group will be protected from the 1% uprating (and will continue to be uprated in line with CPI). The basic ESA personal allowances for all ESA recipients, as well as Work-related activity component for those in the WRAG group, will be uprated by 1%.

(c) People receiving IS on the grounds of illness or disability typically receive this in conjunction with Incapacity Benefit credits (and are thus IB claimants as well). This group of recipients is subject to the IB reassessment programme which runs until Spring 2014 which will migrate IB claimants onto ESA if deemed eligible, or off incapacity-related benefits altogether if not.

(d) This figure relates to Aug 2011. From Jan 2012, families containing one or more parent earning £60,000 will lose all Child Benefit - it is estimated around 840,000 such families will lose CB as a result so won't be affected by 1% uprating.

(e) Note that not all HB recipients will be affected by 1% uprating. For example, claimants with no excess income above their 'applicable amount' threshold (such as recipients of means-tested out-of-work benefits) who live in the social rental sector will not be affected. The following groups may be affected:

(f) 'Non-passported' HB claims are those where the claimant is not in receipt of a means-tested out-of-work/pensioner benefit. Non-passported HB claimants may be affected by the 1% uprating of their HB applicable amount as more of their income will be taken into account against their HB award than would otherwise have been the case under CPI uprating.

(g) HB claimants who are in work and renting in the private rental sector are at risk of being affected both by the 1% uprating of the HB applicable amount and the 1% uprating of LHA rates.

(h) LHA claimants may be affected by the 1% uprating of LHA rates, although there is an exemption for 'rates in those areas in which rent increases are highest' (Autumn Statement para 2.64)

Sources:

ONS Nomis; NI Dept for Social Development (DSDNI) benefit statistics; DWP Housing Benefit Statistics

HMRC Child Benefit - geographical statistics; HMRC Personal tax credits: provisional statistics Dec 2012

DWP Maternity Allowance Quarterly Statistics : May 2012; DWP Benefit Expenditure Tables