



## SOCIAL & GENERAL STATISTICS SECTION

### 2000 Benefit Up-rating

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[sgs/note/2000-Up-rating]

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#### Introduction

The up-rating of social security benefits from April 2000 is based on inflation in the year to September 1999. This means that most National Insurance benefits are to be up-rated by 1.1% (the increase in the RPI in the 12 months to September) and means tested benefits by 1.6% (the increase in the “Rossi” index – the RPI less certain housing costs).<sup>1</sup>

#### Policy changes

Some benefits are being up-rated by more than the up-rating factors as a result of policy changes. These are:

- Child Benefit – An above inflation increase in Child Benefit of 4.2% will put the rate at £15.00 per week for the first child and £10.00 for subsequent children.
- In addition there has been a £5.10 pw increase in addition to the usual IS for children aged under 11 and the Income Support Family Premium was increased by more than the usual up-rating amount – from £13.90 to £26.60.
- Pensioner Income Support premiums are being increased in line with earnings rather than the price up-rating factors used for other benefits. The couple rate of Income Support (aged 60-74) will increase by 4.6, from £116.60 pw to £121.95 pw; and the single pensioner rate from £75.00 to £78.45 pw.

In addition, the Secretary of State announced in the up-rating statement that the £100 Winter Fuel Payment will be paid to around 10 million pensioners in 7.5 million households every year from now on. Also, from next Autumn, households with at least one pensioner aged 75 or over will be eligible for a free TV licence, currently worth £101 per year for a colour licence.

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<sup>1</sup> In practice, because of rounding, the rates of some individual benefits will not change by exactly these factors.

## **Benefits not being changed**

A number elements of the benefit system are not being uprated, but will retain their cash value. These include:

- Capital limits for means tested benefits remain unchanged. Many have done so since 1988. (Prices have gone up by around 50% since 1988)
- Earnings and other disregards for means tested benefits are unchanged. Similarly the earnings rule threshold for ICA remains at £50.00 pw.
- Service charges for fuel, heating etc in Housing Benefit remain unaltered. (This is to the advantage of claimants. The service charges are the amount deducted from the rent of claimants where fuel etc is included and cannot be separately identified – not uprating these amounts therefore increases the amount of rent that is likely to be “eligible” for Housing Benefit.)
- The lump sum widow’s payment of £1,000 is unchanged (and has been since its introduction in 1988) – this is pending changes to be introduced to this benefit following the Welfare Reform Act 1999.

## **Overall**

The recently-announced benefit uprating to take effect from April 2000, focussed on the poorest pensioners and families with children. The latter is in line with the Government’s commitment to reduce the incidence of child poverty.

Further details on the costs of the uprating and its financial implications will be contained in the report on the uprating order published by the Government Actuary’s Department. This is usually published in January.

**Richard Cracknell**