



2010 Benefit Uprating

Standard Note: 5198

Last updated: 18 February 2010

Author: Richard Cracknell

Section: Social & General Statistics Section

Summary

From April 2010 rates of many benefits and Tax Credits will change, by a number of factors:

- +2.5% Basic State Pension
- +2.0% Standard minimum guarantee Pension Credit
- +1.8% Income Support, Council Tax Benefit, Housing Benefit
- +1.5% Attendance Allowance, Carer's Allowance, Child Benefit, Disability Living Allowance, Working & Child Tax Credits

The 1.5% increase is being paid by "bringing forward" a proportion of the increase expected in April 2011. Next year, any increase over 1.5% will be paid in the usual way.

For some benefits there is to be no increase in April 2010. For example, pensions on top of the basic state pension (additional pension, increments to the pension, Graduated Retirement Benefit) and dependency increases will remain at the same rates.

This note sets out the basis for the April 2010 uprating of the main social security benefits. It focuses on the Retirement Pension and Pension Credit but also contains a summary of the main benefit and tax credit rates before and after the uprating.

This information is provided to Members of Parliament in support of their parliamentary duties and is not intended to address the specific circumstances of any particular individual. It should not be relied upon as being up to date; the law or policies may have changed since it was last updated; and it should not be relied upon as legal or professional advice or as a substitute for it. A suitably qualified professional should be consulted if specific advice or information is required.

This information is provided subject to [our general terms and conditions](#) which are available online or may be provided on request in hard copy. Authors are available to discuss the content of this briefing with Members and their staff, but not with the general public.

Contents

1	Benefits	3
1.1	Introduction	3
1.2	Retirement Pension	4
	Table 1 Basic state pension 1997 to 2010	4
1.3	Minimum Income Guarantee/Pension Credit	4
	Table 2 Income Support/Minimum Income/Pension Credit Guarantee – 1997 to 2010	5
	Savings Credit	5
1.4	Child Benefit	6
1.5	Incapacity Benefit / ESA	6
	Table 3 Social Security Benefit rates 2010-11	7
2	Tax Credits	8
	Table 4 Working and Child Tax Credits rates	8
3	Links	9
3.1	Earlier notes:	9
4	Uprating Policy	10
4.1	Benefits with statutory requirement for uprating	10
4.2	Benefits without a statutory requirement for uprating	10

1 Benefits

1.1 Introduction

The uprating of social security benefits from April 2010 is based on inflation in the year to September 2009. On the usual basis, this means that many state benefits such as Attendance Allowance, Child Benefit, and Disability Living Allowance would be uprated by the increase in the RPI in the 12 months to September 2009 and means tested benefits by the increase in the "Rossi" index¹ over the same period.

The Government is required to increase the rates for the guarantee part of Pension Credit in line with earnings, which is usually more than if they had been linked to prices.

This year the relevant factors are:

Change in RPI 12 months to September 2009	-1.4%
Change in Rossi 12 months to September 2009	1.8%
Change in average earnings index 12 months to July 2009 ²	1.8%

The September RPI is also used in the formula governing the basic state pension, which was set out in the 2004 Budget Report. This specified that the basic state pension will continue to rise each April by 2.5 per cent or the increase in the retail prices index for the previous September, whichever is higher. With a 1.4% fall in the September 2009 RPI on 12 months earlier the 2.5% minimum basic pension increase will be used.

For other benefits the statutory link is such that it is possible only to increase benefits, even if the RPI falls (as it has done this year) it is not possible within the current statutory framework for benefit rates to be decreased. This year, some of these benefits are staying the same in cash terms, however, others which are normally uprated in line with the RPI are being increased by 1.5%. Where this happens, it is being done by "bringing forward" a proportion of the increase that is expected in April 2011. In April 2011 rates will be increased by the remaining amount necessary to make up the difference from the increase in the September 2010 RPI and 1.5%. Benefits covered by this provision include: Attendance Allowance, Carer's Allowance and Disability Living Allowance.

¹ RPI less certain housing costs, namely less rents, mortgage interest payments, council tax and depreciation

² there is no statutory definition of exactly how earnings growth is to be measured. Uprating provisions allow to the Secretary of State to determine how much prices and earnings have risen over the last year in "in such manner as he sees fit, the basis of earnings uprating for the Minimum Income Guarantee was set out in 2000 as follows:

Mr. Flynn: To ask the Secretary of State for Social Security what methods he uses to measure the annual increase in earnings for the purpose of uprating the minimum income guarantee. [124393]

Mr. Bayley: In line with the Government's commitment to provide security in retirement for the poorest pensioners, the minimum income guarantee has been increased by 4.6 per cent., in line with the increase in average earnings. This measure of earnings growth reflects the 12-month headline rate and is based on a three-month average up to July 1999, published in The Stationery Office's "Monthly Digest of Statistics".

HC Deb 6.6.2000 c223W

The indicator used in the Monthly Digest is the annual percentage change in the 3-month average earnings index for the whole economy (ONS Series Reference LNNC). This is seasonally adjusted and includes bonuses.

1.2 Retirement Pension

An increase in the basic state retirement pension of the 2.5% minimum results in the single rate rising by £2.40pw and the married rate by £3.85pw. The single weekly pension rate increases from £95.25 to £97.65 and the couple rate from £152.30 to £156.15

Table 1 Basic state pension 1997 to 2010

Basic State Pension: £pw		
April	Man or women	Man plus wife
1997	62.45	99.80
1998	64.70	103.40
1999	66.75	106.70
2000	67.50	107.90
2001	72.50	115.90
2002	75.50	120.70
2003	77.45	123.80
2004	79.60	127.25
2005	82.05	131.20
2006	84.25	134.75
2007	87.30	139.60
2008	90.70	145.05
2009	95.25	152.30
2010	97.65	156.15

Note: Age under 80 rates

1.3 Minimum Income Guarantee/Pension Credit

Under provisions in the Pensions Act 2007, the Government is required to increase the standard minimum guarantee by the increase in earnings. This year the relevant factor is 1.8% (the increase in the headline rate of average earnings to July 2009.) In his Pre-Budget Report, the Chancellor announced an increase for the standard minimum guarantee in Pension Credit above indexation. The increases announced amount to a 2.0% increase in the minimum credit.

From April 2010 the weekly rate for Pension Credit minimum credit will be £132.60 (single) and £202.40 (couple).

The basic level of the MIG was related to age in April 1999 and April 2000, as Income Support for pensioners had done previously. However, from April 2001 the MIG was simplified into one rate for all those over 60. The level of the guarantee from April 1999, to April 2010 and the previous rates of IS for pensioners are shown in the following table:

Table 2 Income Support/Minimum Income/Pension Credit Guarantee – 1997 to 2010

	Single £pw			Couple £pw		
	60-74	75-79	80+	60-74	75-79	80+
April						
1997	68.80	71.00	75.70	106.80	109.90	115.15
1998	70.45	72.70	77.55	109.35	112.55	117.90
1999	75.00	11.30	82.25	116.60	119.85	125.30
2000	78.45	80.85	86.05	121.95	125.35	131.05
2001		92.15			140.55	
2002		98.15			149.80	
2003		102.10			155.80	
2004		105.45			160.95	
2005		109.45			167.05	
2006		114.05			174.05	
2007		119.05			181.70	
2008		124.05			189.35	
2009		130.00			198.45	
2010		132.60			202.40	

Savings Credit

The savings elements of the credit had previously risen in line with the Retirement Pension (ie. generally in line with prices) but the 2006 Pensions White Paper³ announced the Government's intention to limit the expansion of savings credit eligibility that would eventually result from this.

From 2008, the Pensions White Paper said that the savings credit threshold would rise in line with earnings; in advance of maximum amount of savings credit being frozen in 2015. Last year the RPI rose faster than earnings, and the savings credit thresholds and maxima were not updated in line with earnings and prices in the way that had been envisaged. Instead the savings credit maximum was updated in line with the increase in earnings (3.5%) and the threshold by more than this (5.2%). This was in line with the original policy intention.

This year the increase in average earnings (1.8%) is higher than the change in prices so the Savings Credit threshold might have been expected to increase in line with this. However, the Basic State Pension was increased by 2.5% and, in order to preserve the differential between the Savings Credit threshold and the state pension, the same 2.5% factor has been used to increase the threshold. The Saving Credit threshold rises by 2.5% from £96.00 to £98.40 pw (single) and £153.40 to £157.25 pw (couple).

The maximum amounts of savings credit are set at 60% of the difference between the threshold and the standard minimum guarantee. This results in small changes in the Savings Credit maxima. From April 2010 these will rise from £20.40 to £20.52 pw (single) and £27.03 to £27.09 pw (couple)

³Security in Retirement Cm 6841 <http://www.dwp.gov.uk/policy/pensions-reform/security-in-retirement/white-paper/>

1.4 Child Benefit

In the April 2008 Budget the Chancellor announced that from April 2009 Child Benefit for the first child would be increased to £20 a week. This was brought forward to January 2009 in the November 2008 Pre-Budget Report, so that Child Benefit rose from £18.80 per week to £20 for the first child and £12.55 per week to £13.20 for subsequent children.

There is no statutory requirement for Child Benefit to be increased but, usual practice has been to link it to the change in the RPI, which fell in the relevant period. The 2009 Pre-Budget report announced that some benefits and tax credits that would normally have been uprated by the RPI would be increased by 1.5%. This increase would be brought forward from increases expected in April 2011, when rates will be increased by the remaining amount necessary to make up the difference with the RPI for September 2010. Child Benefit is therefore to be increased by 1.5% from April 2010, when the weekly rate for the first child will be £20.30, 30p more than previously; and £13.40 for subsequent children, 20p more.

1.5 Incapacity Benefit / ESA

Since 27 October 2008 there have been no new claims for Incapacity Benefit. Instead, new claimants who cannot work due to ill-health or disability are able to claim Employment and Support Allowance (ESA). The Government had previously announced this would be increased by the ROSSI index. This meant that the rates were increased by 6.3% in April 2009 and by 1.8% from April 2010.

Table 3 Social Security Benefit rates 2010-11

£ per week	Apr-09	Apr-10	£ per week	Apr-09	Apr-10
Attendance Allowance			Income Support		
Higher rate	70.35	71.40	Personal allowances		
Lower rate	47.10	47.80	Single 18-24	50.95	51.85
Child Benefit			Single 25+	64.30	65.45
Only/elder/eldest child	20.00	20.30	Couple		
Subsequent child(ren)	13.20	13.40	both 18+	100.95	102.75
Disability Living Allowance			Dependent child <16	56.11	57.57
Care component			Premiums		
Highest	70.35	71.40	Family	17.30	17.60
Middle	47.10	47.80	Carer's Allowance		
Lowest	18.65	18.95		53.10	53.90
Mobility component			Jobseeker's Allowance		
Higher	49.10	49.85	Contribution based		
Lower	18.65	18.95	Under 25	50.95	51.85
Employment & Support Allowance			25+	64.30	65.45
Under 25	50.95	51.85	Pension Credit		
25+	64.30	65.45	Standard minimum guarantee		
Incapacity Benefit			Single	130.00	132.60
Long term	89.80	91.40	Couple	198.45	202.40
Short term			State Pension		
Lower	67.75	68.95	Single	95.25	97.65
Higher	80.15	81.60	Couple	152.30	156.15

2 Tax Credits

Under the *Tax Credits Act 2002* the Treasury is required to review the levels of tax credit elements on an annual basis 'in order to determine whether they have retained their value in relation to the general level of prices in the UK as estimated by the Treasury in such a manner as it considers appropriate'⁴ The expectation was that the basic working tax credit will be reviewed in line with prices and the child tax credit in line with earnings.⁵ The childcare element is not to be linked so directly as these costs do not necessarily follow the same trends. Their uprated levels announced by the Treasury at the 2009 Pre-Budget Report are as follows:

Table 4 Working and Child Tax Credits rates

£ per year (unless stated)	Apr-09	Change	Apr-10
Working Tax Credit			
Basic element	£1,890	£30	£1,920
Couple and lone parent element	£1,860	£30	£1,890
30 hour element	£775	£15	£790
Disabled worker element	£2,530	£40	£2,570
Severe disability element	£1,075	£20	£1,095
50+ Return to work payment (16-29 hours)	£1,300	£20	£1,320
50+ Return to work payment (30+ hours)	£1,935	£30	£1,965
Childcare element of the Working Tax Credit			
Maximum eligible cost for one child	£175 per week	-	£175 per week
Maximum eligible cost for two or more children	£300 per week	-	£300 per week
Percentage of eligible costs covered	80%	-	80%
Child Tax Credit			
Family element	£545	-	£545
Family element, baby addition	£545	-	£545
Child element	£2,235	£65	£2,300
Disabled child element	£2,670	£45	£2,715
Severely disabled child element	£1,075	£20	£1,095
Income thresholds and withdrawal rates			
First income threshold	£6,420	-	£6,420
First withdrawal rate	39%	-	39%
Second income threshold	£50,000	-	£50,000
Second withdrawal rate	6.67%	-	6.67%
First threshold for those entitled to Child Tax Credit only	£16,040	£150	£16,190
Income disregard	£25,000	-	£25,000

Most of the elements of tax credits would have been expected to be increased in line with inflation, which fell in the relevant period. The 2009 Pre-Budget report announced that some benefits and tax credits that would normally have been uprated by the RPI would be

⁴ Section 41(1)

⁵ Committee Stage of the Tax Credits Bill in the Lords 23 May 2002 c CWH 143

increased by 1.5%. This increase would be brought forward from increases expected in April 2011, when rates will be increased by the remaining amount necessary to make up the difference with the RPI for September 2010. From April 2010, most elements of personal tax credits will rise by 1.5% with the exception of the child element of Child Tax Credit (CTC) where the increase is 2.9%.⁶ The family element remains (again) frozen at £545 per year. The income thresholds for CTC also remain at the same level, £6,420 and £50,000 per year.

The maximum eligible childcare costs (again) remain at £175 for one child and £300 for two or more children. The percentage of eligible childcare costs at 80 per cent.

The disregard in Tax Credits for increases in income between one tax year and the next remains at £25,000.

3 Links

DWP table for all benefits before and after the 2010 uprating:

<http://www.dwp.gov.uk/docs/benefitrates2010.pdf>

Uprating statement House of Commons Debate 10 December 2009

<http://www.publications.parliament.uk/pa/cm200910/cmhansrd/cm091210/debtext/91210-0006.htm#09121054000004>

HM Treasury Press Notice *Value added tax, income tax allowances, national insurance contributions, child and working tax credit rates 2010-11 and other rates*

http://www.hm-treasury.gov.uk/prebud_pbr09_press02.htm

3.1 Earlier notes:

This note is the latest in an annual series since 1999; Earlier editions are as follows:

Uprating taking place in April (clickable link)	Library Standard Note Number:
1999	195
2000	300
2001	577f
2002	1715
2003	1969
2004	2781
2005	3275
2006	3819
2007	4177
2008	4537
2009	4901

⁶ The increase in the child element of the Child Tax Credit is not affected by the proposal to take account of increases in April 2010 in the 2011 uprating (HMT Pre-Budget Report 2009 para 5.19)

4 Uprating Policy

Section 150 of the Social Security Administration Act 1992 requires the Secretary of State to review the level of benefits annually to determine whether they have retained their value relative to the general level of prices. The Act provides that certain benefits must be uprated in line with prices. The Secretary of State (SoS) considers the Retail Price Index (RPI) to be the appropriate measure for uprating these benefits. Although the SoS must review the level of income related benefits he is not required to increase them in line with prices. Historically he has exercised his discretion to provide an increase, and considers the most appropriate index for these benefits to be the RPI less costs which are met through the income related benefits such as housing costs.

4.1 Benefits with statutory requirement for uprating

Attendance Allowance
Child Special Allowance
Disability Living Allowance
Industrial Death Benefits (Existing cases only)
Industrial Injuries Disablement Benefit
Carer's Allowance
Incapacity Benefit
State Pension (including SERPS and Graduated Pension)
Severe Disablement Allowance
Widowed Mother's/Parent's Allowance
Widow's Pension (including child and dependency additions) which was replaced by Bereavement Benefit

Standard Minimum Guarantee Pension Credit (in line with general level of earnings, Pensions Act 2007)

4.2 Benefits without a statutory requirement for uprating

Child Benefit
Council Tax Benefit ⁽¹⁾
Housing Benefit ⁽¹⁾
Income Support ⁽¹⁾
Jobseeker's Allowance ⁽¹⁾
Maternity Allowance
Pension Credit (other than Standard Minimum Guarantee)
Statutory Maternity Pay
Statutory Sick Pay

⁽¹⁾ These benefits are not uprated by the RPI (All Items). They are uprated by New ROSSI, which is currently defined as RPI (All Items) less rent, local taxes and mortgage interest payments.