

## **EXPLANATORY MEMORANDUM**

### **THE SOCIAL SECURITY PENSIONS (FLAT RATE ACCRUAL AMOUNT) ORDER (NORTHERN IRELAND) 2014**

**S.R. 2014 No. 51**

#### **1. Introduction**

- 1.1 This Explanatory Memorandum has been prepared by the Department for Social Development (“the Department”) to accompany the above Statutory Rule which is laid before the Northern Ireland Assembly.
- 1.2 The Statutory Rule is made under section 130AA of the Social Security Administration (Northern Ireland) Act 1992 and is subject to the negative resolution procedure.

#### **2. Purpose**

The Social Security Pensions (Flat Rate Accrual Amount) Order (Northern Ireland) 2014 sets the flat rate accrual amount for the tax year beginning 6 April 2014, and subsequent tax years, at £92.00. The Order comes into operation on 6th April 2014.

#### **3. Background**

- 3.1 Since 2002, people with earnings below the low earnings threshold, carers and people with long term health conditions have been credited with earnings at the low earnings threshold for the purpose of building entitlement to the earnings-related element of the State Pension – the additional State Pension.
- 3.2 Measures introduced by the Pensions Act (Northern Ireland) 2008 replaced accruals up to the low earnings threshold with a single cash amount; the flat rate accrual amount. For each qualifying year, a person earns an additional pension equal to the annual flat rate accrual amount. This step was taken to make it easier for individuals to determine future pension entitlement. The annual flat rate accrual amount was introduced from the 2012/13 tax year and set at £88.40.
- 3.3 Each year the Secretary of State is obliged to review the level of average earnings and, where he sees fit, set the rate for the following year by Order. Following a review, the Secretary of State for Work and Pensions concluded that the general level of earnings during the period from 1 October 2012 to 30 September 2013 had increased by 0.9%. This means that the current weekly flat-rate amount of £1.75 will be revalued to give a new weekly amount of £1.77. The annual flat rate accrual amount for April 2014 will, therefore, be £92.00 (rounded to the nearest pound).

- 3.4 Where the Secretary of State makes an Order for Great Britain, the Department may make a corresponding Order in respect of Northern Ireland. The Department has no power to set a different rate for Northern Ireland.

#### **4. Consultation**

There is no requirement to consult on the proposals in this Order.

#### **5. Equality Impact**

In accordance with its duty under section 75 of the Northern Ireland Act 1998, the Department has conducted a screening exercise on the proposal and has concluded that it does not have any implications for equality of opportunity. The Order discharges the Department's duty to increase the low earnings threshold in line with the increase set for Great Britain. It does not alter policy.

#### **6. Regulatory Impact**

The Order does not require a Regulatory Impact Assessment as it does not impose a cost on business, charities, social enterprise or voluntary bodies.

#### **7. Financial Implications**

None.

#### **8. Section 24 of the Northern Ireland Act 1998**

The Department has considered section 24 of the Northern Ireland Act 1998 and is satisfied the Rule is not incompatible with any of the Convention rights, is not incompatible with Community law, does not discriminate against a person or class of person on the ground of religious belief or political opinion, and does not modify an enactment in breach of section 7 of the Northern Ireland Act 1998.

#### **9. EU Implications**

Not applicable.

#### **10. Parity or Replicatory Measure**

The corresponding Great Britain Order will come into force on 6 April 2014. In line with the long-standing policy of parity in social security, the Order in Northern Ireland should be made as soon as possible after the Great Britain Statutory Instrument has been made and brought into operation on the same date. Parity of timing and substance is an integral part of the maintenance of single systems of social security, child support and pensions provided for in section 87 of the Northern Ireland Act 1998.

## **11. Additional information**

Not applicable.