EXPLANATORY MEMORANDUM TO

THE SOCIAL SECURITY BENEFITS UP-RATING ORDER 2025

2025 No. 295

1. Introduction

1.1 This explanatory memorandum has been prepared by the Department for Work and Pensions and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Stephen Timms, Minister of State for Social Security and Disability at the Department for Work and Pensions confirms that this Explanatory Memorandum meets the required standard.

2.2 Andrew Latto, Deputy Director for Devolution, Pensioner Benefits & Carer's Allowance, at the Department for Work and Pensions, confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Ella Hopcroft at the Department for Work and Pensions (email: aliya.hopcroft1@dwp.gov.uk) can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The Social Security Benefits Up-rating Order 2025 ("the Order") fulfils the statutory duty on the Secretary of State to review the rates of social security benefits and provides for the up-rating of certain benefits.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is Great Britain, save for articles 1, 3, 7, 14 and 15 in so far as they relate to the devolved benefits.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is Great Britain, save for articles 1, 3, 7, 14 and 15 in so far as they relate to the devolved benefits.

4.4 The Scottish Government will be responsible, in respect of the devolved benefits only, for bringing forward corresponding provision for Scotland.

4.5 Social security is a transferred matter in Northern Ireland. The Department for Communities in Northern Ireland will be responsible for bringing forward corresponding provision for Northern Ireland.

5. Policy Context

What is being done and why?

5.1 The Secretary of State's annual review of social security benefit rates is required by sections 150, 150A and 151A of the Social Security Administration Act 1992 ("the 1992 Act").[1] The 1992 Act requires the Secretary of State to conduct a review of applicable benefit and State Pension rates each year to determine whether they have retained their value in relation to the general level of prices or earnings (see Section 6 for further detail). Where the relevant rates have not retained their value, legislation provides that the Secretary of State is required to (or in some instances may) up-rate their value. The Order is the Statutory Instrument by which these rates are up-rated.

Basic State Pension

5.2 The statutory minimum increase to the basic State Pension is the rise in earnings. The Government has given a commitment to increase the basic State Pension in line with the triple lock, that is, the highest of the growth in earnings, the growth in prices, or 2.5%. As the increase in earnings over the relevant period (4.1%) is higher than both the growth in prices (1.7%) and 2.5%, the basic State Pension increases by 4.1% from April 2025.

5.3 The rate of the full basic pension in a Category A and Category B State Pension (based respectively on a person's own National Insurance contributions and those of a late spouse or civil partner) will be increased from £169.50 to £176.45 a week from April 2025.

5.4 The lower rate of Category B basic pension (payable to a married person or civil partner in certain circumstances) will be increased from £101.55 to £105.70 a week from April 2025.

New State Pension

5.5 The statutory minimum increase to the full rate of new State Pension is the rise in earnings. The Government has also committed to increase the full rate of the new State Pension in line with the Triple Lock, that is the highest of earnings growth, inflation, or 2.5%. The full rate of the new State Pension will therefore increase by 4.1% in April 2025 from £221.20 to £230.25 a week.

5.6 Existing awards of the new State Pension as of April 2025 will be at the transitional rate. The transitional rate incorporates a 'starting amount' which is based on a person's National Insurance contributions to 5 April 2016. Where the 'starting amount' is less than the full rate of the new State Pension, it is increased by 1/35th of the full rate for each qualifying year gained between April 2016 and State Pension age. As such, the transitional rate is not a fixed rate and may, in individual cases, be more than, less than, or equal to the full rate of the new State Pension.

5.7 Transitional rates of the new State Pension that are equal to or less than the full rate are to be increased by the same percentage as the full rate.[2] These amounts will, therefore, be increased by 4.1%. Where the transitional rate exceeds the full rate, the excess amount[3] will be increased in line with the increase in prices (see paragraph 5.10 below).

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[1] http://www.legislation.gov.uk/ukpga/1992/5

[2] Schedule 2 to the Pensions Act 2014: https://www.legislation.gov.uk/ukpga/2014/19/schedule/2

[3] Also known as the 'protected payment'.

5.8 Payments of inherited amounts or shared State Pension may be payable under transitional arrangements to widowed or divorced individuals who reach State Pension age under the new system.[4] These amounts are up-rated by: either the percentage increase in the full rate of the new State Pension, or the increase in prices, or a combination of the two depending on the total amount of the individual's award.[5] The total amount of the award excludes any incremental payments arising because the individual has deferred taking their pension for a period after they reached State Pension age.

Other Benefits

5.9 The statutory minimum increase to the following rates is the rise in earnings. They will also increase by 4.1% from April 2025:

- Pension Credit standard minimum guarantee
- The widow's pension and widower's pension in Industrial Death Benefit.

5.10 The statutory minimum increase to the following rates is the rise in prices. They will increase by 1.7% from April 2025:

- Attendance Allowance
- Carer's Allowance
- Disability Living Allowance
- Graduated Retirement Benefit
- Incapacity Benefit
- increments to State Pension
- Industrial Injuries Disablement Benefit
- Personal Independence Payment
- Severe Disablement Allowance
- Widowed Mother's Allowance
- Widowed Parent's Allowance
- Transitional amounts of the new State Pension above the level of the full rate, and inherited increments of old State Pension payable to a surviving spouse or civil partner in the new State Pension.

5.11 The following rates will also increase by 1.7% from April 2025:

- Universal Credit – including Standard Allowances, Transitional Severe Disability Premium Elements and Childcare Elements
- Employment and Support Allowance, Housing Benefit, Income Support, Jobseeker's Allowance personal allowances
- Additional amounts in Pension Credit payable on grounds of disability and caring responsibilities
- Carer and disability premiums in Income Support, Jobseeker's Allowance, Employment and Support Allowance and Housing Benefit
- Statutory Adoption Pay, Statutory Maternity Pay, Statutory Parental Bereavement Pay, Statutory Paternity Pay, Statutory Shared Parental Pay and Statutory Sick Pay.

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[4] These components are derived from the additional State Pension in the old State Pension. The inheritable amount may also be derived from Graduated Retirement Benefit in the old State Pension.

[5] Schedules 4 and 9 to the Pensions Act 2014 (https://www.legislation.gov.uk/ukpga/2014/19/contents) provide, respectively, for the up-rating of inherited amounts and the shared State Pension.

5.12 Bereavement Support Payment provides adults below State Pension age with short-term financial support following the death of a spouse or civil partner, or a cohabiting partner where there are dependent children, to help towards the additional costs associated with a death. Its rates will remain the same as in 2024/25.

Rounding conventions

5.13 The legislation generally allows the Secretary of State to round any increases up or down. The majority of new rates are rounded up to the nearest 5 pence.

What was the previous policy, how is this different?

5.14 This Order replaces SI 2024/242 which set out the rates of benefits and pensions for the financial year 2024/25.

6. Legislative and Legal Context

How has the law changed?

6.1 The Order provides for the annual up-rating of social security benefits specified in sections 150, 150A and 151A of the 1992 Act.

Benefits linked to the general level of prices

6.2 Section 150 of the 1992 Act requires the Secretary of State to review certain benefits to determine whether they have retained their value in relation to the general level of prices. If the benefits have not retained their value, section 150 of the 1992 Act requires the Secretary of State to up-rate them by at least as much as the percentage increase in the general level of prices. The main benefits affected are Attendance Allowance, Carer's Allowance, Disability Living Allowance, Personal Independence Payment and the Additional State Pension.

6.3 Section 151A of the 1992 Act requires the inherited increments of the old State Pension and certain amounts exceeding the full rate of the new State Pension (payable under transitional arrangements) to be increased in line with prices.

6.4 The Secretary of State has discretion over how to measure changes in the general level of prices and has decided to measure the increase over the appropriate period using the Consumer Prices Index (CPI).

6.5 Following her review, the Secretary of State has determined that benefits linked to the general level of prices have not maintained their value in relation to prices over the year to September 2024 and has decided to up-rate them in line with the increase in CPI (1.7%).[6]

Benefits linked to earnings

6.6 Section 150A of the 1992 Act requires the Secretary of State to review certain benefits to determine whether they have retained their value in relation to the general level of earnings. If the benefits have not retained their value, section 150A of the 1992 Act requires the Secretary of State to up-rate them by at least as much as the percentage increase in the general level of earnings. The benefits affected are the basic State Pension, the full rate of the new State Pension, the standard minimum guarantee element of Pension Credit, and the widow's pension and widower's pension in Industrial Death Benefit.

[6] https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/september2024

6.7 The Secretary of State has discretion over how to measure changes in the general level of earnings and has decided to use growth in Average Weekly Earnings (AWE) in the year to May-July 2024 (4.1%).[7]

6.8 Following her review, the Secretary of State has determined that benefits linked to the general level of earnings have not maintained their value. She has therefore decided to up-rate the basic State Pension and full rate of the new State Pension in line with growth in AWE in the year to May-July 2024 (4.1%). She has also decided to up-rate the other benefits to which section 150A applies by 4.1% (see paragraph 5.9).

Benefits up-rated at the Secretary of State's discretion

6.9 If she considers it appropriate, the Secretary of State, having regard to the national economic situation and any other matters which she considers relevant, may also increase other benefits by such a percentage as she thinks fit.

6.10 The Secretary of State has decided to up-rate the personal or standard allowances of Universal Credit, Income Support, Housing Benefit, Jobseeker's Allowance, and Employment and Support Allowance in line with the Consumer Prices Index (CPI).

6.11 The Secretary of State has decided to up-rate disability, carer, pensioner, and family/lone parent premiums in benefits for people below State Pension age, and the additional amount for severe disability and carer responsibilities in Pension Credit, in line with CPI.

6.12 She has also decided to increase the savings credit threshold in Pension Credit to deliver an increase in the Savings Credit maximum in line with CPI.

Benefits devolved to the Scottish Parliament

6.13 The Scotland Act 2016[8] amended the Scotland Act 1998[9] by inserting exceptions to reserved matters under Schedule 5, Part 2, section F1 (social security schemes). This devolved legislative competence for certain areas of social security to the Scottish Parliament. The executive functions of the Secretary of State in relation to Carer's Allowance, in so far as they relate to residents in Scotland, transferred to the Scottish Ministers with effect from 3 September 2018. The executive functions of the Secretary of State in relation to Attendance Allowance, Disability Living Allowance, Industrial Injuries Benefits, Personal Independence Payment and Severe Disablement Allowance, in so far as they relate to residents in Scotland, transferred to the Scottish Ministers with effect from 1 April 2020.

6.14 Following the Scotland Act 1998 (Agency Arrangements) (Specification) Order 2018[10], whilst the Scottish Government establishes the infrastructure necessary to deliver replacement benefits, the Secretary of State has entered into Agency Agreements with the Scottish Ministers to deliver the devolved benefits in Scotland for a temporary period. This is on the basis that Scottish Ministers bring forward

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[7] For the original release of the year to May-July 2024 AWE figure, see: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/averageweeklyearningsingreatbritain/september2024
The year to May-July 2024 AWE figure was adjusted upwards to 4.1% (from 4.0%) in the October statistics release. See figure 2 for details: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/averageweeklyearningsingreatbritain/october2024
[8] http://www.legislation.gov.uk/ukpga/2016/11/contents/enacted
[9] https://www.legislation.gov.uk/ukpga/1998/46/contents
[10] http://www.legislation.gov.uk/uksi/2018/626/contents/made

provision which has the identical effect to that being delivered in England and Wales for as long as the relevant Agency Agreements are in place. Functions exercisable under an Agency Agreement cannot include the making of subordinate legislation in Scotland, and consequently the Scottish Ministers will be making provision with regard to the up-rating of these benefits in Scotland.

Additional Information

6.15 The Secretary of State announced her up-rating decisions to Parliament in a Written Ministerial Statement on 30 October 2024.[11] The table setting out the new rates has been placed in the Libraries of the House of Commons and the House of Lords[12] and published on gov.uk.[13]

6.16 In accordance with the 1992 Act, a draft of this Order is laid before Parliament for approval by resolution of each House together with a copy of the report by the Government Actuary giving his opinion on the likely effect on the National Insurance Fund of the making of this Order.

Why was this approach taken to change the law?

6.17 This is the only possible approach to make the necessary changes.

7. Consultation

Summary of consultation outcome and methodology

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

8. Applicable Guidance

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

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because there is not a significant new impact on business, charities or voluntary bodies beyond their existing obligations with respect to making, and in some cases funding, certain Statutory Payments.

Impact on businesses, charities and voluntary bodies

9.2 There is no significant impact on business, charities or voluntary bodies beyond their existing obligations with respect to making, and in some cases funding, certain Statutory Payments.

9.3 The legislation does impact small or micro businesses, but not beyond their existing obligations with respect to making, and in some cases funding, certain Statutory Payments. For small businesses whose annual gross National Insurance payments are

[11] https://questions-statements.parliament.uk/written-statements/detail/2024-10-30/hcws175
[12] https://depositedpapers.parliament.uk/depositedpaper/2286682/details
[13] https://www.gov.uk/government/publications/benefit-and-pension-rates-2025-to-2026

£45,000 or less, this Order does not impose any new costs in respect of Statutory Adoption Pay, Statutory Paternity Pay, Statutory Maternity Pay, Statutory Parental Bereavement Pay or Statutory Shared Parental Pay. That is because these employers are reimbursed 100% of the amount they have paid out. They also get an additional percentage as prescribed in regulations in compensation for the employers' National Insurance costs on these payments. Larger employers are reimbursed for 92% of the costs. Employers meet the full costs of Statutory Sick Pay.

9.4 The impact on the public sector is that overall Exchequer expenditure will increase by £6.9 billion in 2025/26.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The rates of social security benefits covered by sections 150, 150A and 151A of the 1992 Act are subject to review each tax year.

10.2 The instrument does not include a statutory review clause.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 Stephen Timms, Minister of State for Social Security and Disability at the Department for Work and Pensions has made the following statement regarding Human Rights:

"In my view the provisions of the Social Security Benefits Up-rating Order 2025 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").