

UNIVERSAL CREDIT BILL 2025

EXPLANATORY NOTES

What these notes do

These Explanatory Notes relate to the Universal Credit Bill as brought from the House of Commons on 10 July 2025 (HL Bill 123).

- These Explanatory Notes have been prepared by the Department for Work and Pensions in order to assist the reader of the Bill and to help inform debate on it. They do not form part of the Bill and have not been endorsed by Parliament.
- These Explanatory Notes explain what each part of the Bill will mean in practice, provide background information on the development of policy, and provide additional information on how the Bill will affect existing legislation in this area.
- These Explanatory Notes might best be read alongside the Bill. They are not, and are not intended to be, a comprehensive description of the Bill.

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Overview of the Bill

- 1 The Universal Credit Bill (“the Bill”) makes provisions to alter or freeze the rates of universal credit (“UC”) and income-related employment and support allowance (“ESA-IR”), a related legacy benefit. These changes will increase the rate of the UC standard allowance, above the rate of inflation, as measured by the consumer prices index (CPI), in each of the next four years from 6 April 2026. The Bill will also reduce and freeze the rate of the Limited Capability for Work and Work-related Activity (LCWRA) for new LCWRA claimants from 6 April 2026 and introduce financial protections for all existing and some new claimants depending on the nature of their health condition.
- 2 Social security matters are devolved or transferred to differing extents across the UK. The matters covered by the Bill are reserved in Wales and Scotland and transferred in Northern Ireland. As drafted, the Bill will legislate on behalf of Northern Ireland to make equivalent changes which will apply in Northern Ireland.

Policy background

- 3 Measures in the Bill make provision in the following areas:

Changes to UC rates

- 4 UC is a benefit designed to help households on low incomes with their living costs.
- 5 UC awards include a standard allowance, which is the core component of any award and is paid according to age and household composition. There are four rates of standard allowance: a rate for single people under 25, a couple both under 25, single people 25 and over, and a couple where at least one person is 25 or over.
- 6 This Bill will require the Secretary of State to increase the four rates of standard allowance above the rate of inflation in each of the years from 2026-27 to 2029-30. In each year the calculation will begin with the rates used in 2025-26 before applying the required increases.
 - a. For 2026-27, the rates will be the 2025-26 rates, increased by the annual increase in Consumer Prices Index (“CPI”) to September 2025, and then increased by a further 2.3%.
 - b. For 2027-28, the rates will be the 2025-26 rates increased by the annual increase in CPI to September 2025 and September 2026, and then increased by a further 3.1%.
 - c. For 2028-29, the rates will be the 2025-26 rates increased by the annual increase in CPI to September 2025, September 2026 and September 2027, and then increased by a further 4.0%.
 - d. For 2029-30, the rates will be the 2025-26 rates increased by the annual increase in CPI to September 2025, September 2026, September 2027 and September 2028, and then increased by a further 4.8%
- 7 Additional amounts are added to the standard allowance when calculating a UC award to provide for individual needs such as housing, children, caring responsibilities and having LCWRA.
- 8 The Bill provides for a protected amount of LCWRA for pre-2026 claimants, a claimant who meets the Severe Conditions Criteria (“SCC”) or a claimant who is terminally ill.
- 9 The Bill reduces the rate of the LCWRA element of UC from 6 April 2026 for claimants newly determined to be LCWRA (other than for a pre-2026 claimant, a severe conditions criteria claimant or a claimant who is terminally ill). This creates two rates for the LCWRA element;

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- a. A higher pre-April 2026 rate that existing LCWRA recipients, SCC claimants and claimants who are terminally ill will receive, and;
 - b. A reduced rate for new LCWRA recipients.
- 10 The Bill provides that the Secretary of State must exercise the relevant power to increase the combined sum of the protected LCWRA amount and the standard allowance for the previous tax year by the relevant CPI percentage for the current tax year in the tax years 2026-27 to 2029-30. Accordingly, the Bill will remove the Secretary of State's statutory duty to undertake an annual review of those amounts during the specified period.
- 11 Customers in receipt of the UC limited capability for work ("LCW") element will continue to receive this as part of their award. UC LCW will be frozen at the 2025/26 rate in the tax years 2026-2027 to 2029-2030.

Exceptions for those with severe or terminal conditions

- 12 From April 2026 UC claimants who meet the special rules for end of life ("SREL") criteria, and those with the most severe and lifelong health conditions or disabilities, assessed using the SCC, will be entitled to the higher rate of the UC LCWRA element.
- 13 SCC claimants will also not be routinely reassessed for their UC awards.
- 14 The rate paid to these groups will be equal to the rate paid to those in receipt of the UC element prior to April 2026.

Financial protections for existing Claimants and those with severe or terminal conditions

- 15 From April 2026, the sum of an existing UC claimants' standard allowance and LCWRA element will be increased, at least in line with inflation (as measured by CPI), in each of the next 4 years from April 2026 to April 2029.
- 16 Where necessary, this will be achieved by either amending the rate of the UC standard allowance, or UC LCWRA protected rate, to ensure that the sum of the two rates rises at least in line with inflation (as measured by CPI) compared to the previous year.
- 17 The protection set out in paragraphs 15 and 16 will also include new claimants who meet the SCC or SREL requirements from 6 April 2026.

Consequential measures: income-related Employment and Support Allowance

- 18 Income-related Employment and Support Allowance ("ESA-IR") awards are formed of a personal allowance, which is the core component of any award and is paid according to age and relationship status, and then the additional Work-Related Activity and Support Components, that are paid to those classed as LCW or LCWRA accordingly. ESA-IR also includes flat rate premia which may be paid to claimants who are recognised as having additional needs: for example, carers, severely disabled people and people over State Pension age.
- 19 There are some consequential provisions in the Bill which apply commensurate changes to some ESA-IR rates so that they mirror, as closely as possible, the changes made in UC. This is needed because, despite the ambition to complete the migration of all ESA-IR claimants to UC by April 2026, it is possible that not all these cases will be moved by that time.
- 20 The Bill will make the following changes to ESA-IR for the years from 2026/27 to 2029/30:

- a. Increase the ESA-IR personal allowance rates each year using the same method used to increase the UC standard allowance rates.
- b. Increase the Support Component and the severe and/or enhanced disability premia so that, for each combination to which a person could be entitled to, the sum of those amounts for the current tax year is at least (in each case) the amount given by increasing—
 - i. the sum of those amounts for the previous tax year, by
 - ii. the relevant CPI percentage for the current tax year.”

21 Accordingly, the Bill will remove the Secretary of State’s statutory duty to undertake an annual review of those amounts during the specified period.

22 These changes will ensure that any people still in receipt of ESA-IR who move to UC after April 2026 will receive an award that aims to maintain parity with an equivalent UC award. It is worth noting that this is a precautionary measure, The DWP remains committed to fully moving people from ESA-IR to Universal Credit by the end of March 2026.

Impact on up-rating

23 The Secretary of State is required by law to conduct an annual review of certain benefit rates, including UC and ESA-IR, to determine whether they have retained their value in relation to the general level of prices. This is known as the up-rating review. Where they have not retained their value, legislation provides that the Secretary of State may up-rate them having regard to the national economic situation and other relevant matters.

24 The Bill will prevent this review being carried out in relation to:

- a. The UC standard allowance rates,
- b. The UC LCWRA / LCW elements,
- c. The ESA-IR personal allowance rates,
- d. The ESA-IR support and work-related activity components and,
- e. The ESA-IR enhanced and severe disability premia,

for the tax years: 2026-27, 2027-28, 2028-29 and 2029-30.

25 These changes will not affect the premia linked to caring responsibilities or State Pension age. New Style ESA (NS ESA) and contributory ESA (ESA C) are also unaffected by these changes.

Legal background

Changes to UC rates

26 UC is a social security benefit created by section 1 of the Welfare Reform Act 2012 (“the 2012 Act”). That section also specifies that UC can be awarded to a single claimant or to two members of a couple jointly and that awards are calculated with reference to a standard allowance (section 9), housing costs (section 11), responsibility for children (section 10) and other particular needs or circumstances (section 12).

27 Section 8 of the 2012 Act sets out how a UC award is calculated.

- 28 Section 9 of the 2012 Act sets out that the calculation of an award of UC is to include an amount by way of an allowance for (a) a single claimant, or (b) joint claimants. The powers in section 9 have been exercised to create four rates of standard allowance for different categories of claimants.
- 29 Section 12(2)(b) of the 2012 Act provides that there may be an additional element added into the calculation of a UC award for someone who has been found to have LCWRA.
- 30 Regulation 27 of the Universal Credit Regulations 2013 (“the UC Regulations”) specifies when an LCWRA element can be included.
- 31 Section 12(2)(a) of the 2012 Act previously set out that there could be an additional element added into the calculation of a UC award for someone who had LCW. This provision was repealed by section 16 of the Welfare Reform and Work Act 2016, with effect from 3 April 2017. Certain individuals have, however, been able to retain the benefit of this repealed section and the (now revoked) provisions of regulation 27 of the UC Regulations which provided for an LCW element to be included in a UC award.
- 32 Regulation 36 of the UC Regulations provides a table showing the amounts of each UC element. This table is amended annually to reflect any changes in these amounts as a result of the Secretary of State’s statutory review of benefit rates

Exceptions for those with severe or terminal conditions

- 33 Regulation 2 of the UC Regulations defines “terminally ill” for the purposes of those regulations.

Consequential measures for ESA-IR

- 34 ESA-IR is a social security benefit created by section 1 of the Welfare Reform Act 2007 (“the 2007 Act”). That section specifies the overarching conditions of entitlement: that a claimant must have Limited Capability for Work, be of working age, have accepted a claimant commitment and must not be entitled to either Jobseeker’s Allowance or Income Support.
- 35 Section 1(4) provides the definition of Limited Capability for Work.
- 36 Section 1(5) provides that ESA is payable for a week.
- 37 Section 4 of the 2007 Act sets out that an award of ESA-IR is calculated by aggregating any prescribed amounts and adding the support component, if applicable.
- 38 Section 4(2)(a) confers the power on the Secretary of State to prescribe amounts of the ESA-IR allowance.
- 39 Section 4(4)(c) and 4(5)(c) allow the Secretary of State to prescribe conditions of entitlement for the work-related activity component and the support component.
- 40 Regulation 67(1)(a) of the ESA Regulations 2008 prescribes the rates payable for the Personal Allowance, by reference to Part 1 of Schedule 4, which sets the weekly amounts.
- 41 Regulation 67(1)(b) of the ESA Regulations 2008 prescribes the rates payable for the EDP and SDP, by reference to Part 2 of Schedule 4, which sets the criteria for entitlement, and Part 3 of Schedule 4 which sets the rates payable.
- 42 Regulation 67(3) of the ESA Regulations 2008 prescribes the rate payable for the support component by reference to Part 4 of Schedule 4.

Northern Ireland Legislation

- 43 The Bill will also make changes to the corresponding Northern Irish legislation to ensure that these measures will apply equally in Northern Ireland.

- 44 The existing Northern Irish legislation relevant to UC is the Welfare Reform (Northern Ireland) Order 2015 and the Universal Credit Regulations (Northern Ireland) 2016. The Bill amends those regulations, or requires the Department for Communities to do so, in order to ensure the same changes to UC are enacted in Northern Ireland as in Great Britain.
- 45 The existing Northern Irish legislation relevant to ESA-IR is the Welfare Reform Act (Northern Ireland) 2007. The Bill will be used to set the rates of the ESA-IR personal allowance and the ESA-IR premia in each of the specified years.

Territorial extent and application

- 46 The matters covered by the Bill are reserved in Wales and Scotland, and transferred in Northern Ireland.
- 47 The table in Annex A summarises the position regarding territorial extent and application in the United Kingdom. This is that the UC and ESA provisions will apply in England and Wales and Scotland, and the PIP provisions will apply in England and Wales. Schedule 2 provides for equivalent provisions in Northern Ireland.

Northern Ireland

- 48 Social security is a transferred matter in Northern Ireland. Section 87 of the Northern Ireland Act 1998 requires the Secretary of State and the Northern Ireland Minister to consult one another from time to time with a view to securing, to the extent agreed, a single system of social security. This assumption of parity also underpins the relevant funding of the Northern Ireland Executive by HM Treasury.

Commentary on provisions of Bill

Part 1: Universal Credit (UC) provisions

Clause 1: Standard allowance for tax years 2026-27 to 2029-30

- 49 Clause 1 sets out the formula to calculate the minimum amounts to which the UC standard allowance must increase in each year until 2029-30.
- 50 Subsection (1) provides that the Secretary of State must increase the standard allowance above inflation in tax years 2026-27 to 2029-30, so that the rate is at least the amount resulting from the calculation specified in subsection (2).
- 51 Subsection (2) sets out the calculation to determine the minimum amount of standard allowance for the relevant tax years. The UC standard allowance will increase by more than the increase in inflation (measured by the increase in the Consumer Prices Index, “CPI”) each year from 2026-27 to 2029-30. The minimum standard allowance for each year is calculated using the steps set out in this subsection and the percentage increases set out in subsection (4).
- 52 Subsection (3) sets out how the percentage increase in the CPI is calculated for the purposes of subsection (2).
- 53 Subsection (4) specifies the relevant percentage to be used in the calculation set out in subsection (2) for the applicable years.
- 54 Subsection (5) disapplies section 150(1) and section 150(2)(c) of the Social Security Administration Act 1992 in the tax years ending with 5 April 2026, 5 April 2027, 5 April 2028 and 5 April 2029, to any amount of the standard allowance, thereby removing the Secretary of State’s annual duty to review those amounts and her duty to state these amounts in her statement of any sums that are not increased in the annual Up-rating Order.
- 55 Subsection (6) defines “CPI”, the “relevant power” which may be used to increase the standard allowance, “the standard allowance”, and the standard allowance “for” a tax year for the purposes of this section
- 56 Subsection (7) defines a “tax year” and its meaning in phrases such as “tax year 2025-26”, for the purposes of this Bill.

Clause 2: LCWRA element for tax year 2026-2027

- 57 Clause 2 amends Regulation 36 of the Universal Credit Regulations 2013 to create two different rates of the LCWRA element of UC. The rate for pre-2026 claimants, terminally ill claimants and claimants who meet SCC is to be calculated using the approach in clause 4. There is a lower rate for all other claimants
- 58 Subsection (1) amends the table of amounts in regulation 36 of the Universal Credit Regulations 2013 to create two rows for LCWRA, one for those defined as pre-2026, terminally ill or SCC claimants and one for all other claimants. The rate of LCWRA is specified for all claimants except those who are defined as pre-2026, terminally ill or SCC claimants.
- 59 Subsection (2) provides for Schedule 1 to make further amendments to the Universal Credit Regulations 2013.
- 60 Subsection (3) provides for section 2 and Schedule 1 to come into force on 6 April 2026 and have effect in relation to UC assessment periods, as defined in Part 1 of the Welfare Reform Act 2012, starting on or after that date.

Clause 3: Freeze of LCWRA and LCW elements for tax years 2026-27 to 2029-30

- 61 Clause 3 removes the Secretary of State’s annual duty to review LCWRA and LCW elements of UC for tax years 2026-27 to 2029-30. This freezes the amount paid through the LCW element and freezes the amount paid through LCWRA for new determinations from 6 April 2026.
- 62 Subsection (1) disapplies sections 150(1) and (2) of the Social Security Administration Act 1992 in the tax years ending with 5 April 2026, 5 April 2027, 5 April 2028 and 5 April 2029, to the LCWRA and LCW elements.
- 63 Subsection (2) defines “the LCWRA element” and “the LCW element” for the purposes of this section.

Clause 4: Protected LCWRA amount for tax years 2026-27 to 2029-30

- 64 Clause 4 sets out how the financial protections for all existing UC LCWRA claimants, and new claimants who meet the SCC or SREL requirements from 6 April 2026 should be applied in each of the tax years from 2026-27 to 2029-30.
- 65 Subsection (1) and subsection (2) provide that the Secretary of State must use the power in section 9(2) or 12(3) of the Welfare Reform Act 2012 for each of the tax years 2026-27 to 2029-30 to increase either the protected LCWRA amount or any amount of the standard allowance such that the combined sum of the protected LCWRA amount and the standard allowance for the previous year will be increased by at least the relevant CPI percentage for the current tax year.
- 66 Subsection (3) defines the terms “the protected LCWRA amount”, “the LCWRA element”, “the standard allowance”, “for” a tax year and “assessment period”.
- 67 Subsection (4) provides for the meanings of the “relevant CPI percentage” and the “consumer prices index”.

Clause 5: Legacy employment and support allowance payments

- 68 Clause 5 applies changes to ESA-IR that mirror the changes made to UC by clauses 1-4. Namely, it applies above inflation increases to the ESA-IR personal allowance over the four years from 2026/27 and removes the work-related activity and support components from the uprating review over the same period. Clause 5 also acts to remove the rates of SDP and EDP from the uprating review for the same period.
- 69 Subsection (1) applies the provisions of clause 1 to ESA-IR, providing that the Secretary of State will increase the personal allowance above inflation and for all claimants, sustained for tax years 2026-27 to 2029-30 by at least the amounts as calculated according to clauses 1(2)-(4).
- 70 Subsection (1), in applying clause 1(5) to ESA-IR, disapplies sections 150(1) and (2)(c) of the Social Security Administration Act 1992 in the tax years ending with 5 April 2026, 5 April 2027, 5 April 2028 and 5 April 2029, to the personal allowance rates of ESA-IR thereby removing the Secretary of State’s annual duty to review those amounts and her duty to state the amount of any sums that are not increased in the annual Up-rating Order.
- 71 Subsection (2) disapplies sections 150(1) and (2) of the Social Security Administration Act 1992 in the tax years ending 5 April 2026, 5 April 2027, 5 April 2028 and 5 April 2029, in respect of; the SDP, EDP, and the support and work-related activity components of ESA-IR.
- 72 Subsection (3) provides that the Secretary of State must use the power in section 4(2)(a) or 6(c) of the Welfare Reform Act 2007 in the tax years 2026-27 to 2029-30 to increase any amount of an ESA-IR disability premium, the ESA-IR support component, or the ESA-IR personal allowance for the

previous tax year that a person may be entitled to, in order to achieve the result provided for in subsection (4).

- 73 Subsection (4) provides that the result that the Secretary of State must achieve each year is that the total sum of any combination of the ESA-IR personal allowance, the ESA-IR support component and any ESA-IR disability premium which a person could be entitled to should increase each tax year by at least the relevant CPI percentage for that tax year.
- 74 Subsection (5) defines terms used in this clause.
- a. Subsection (5)(a) defines an “amount of the ESA-IR personal allowance” using a two-stage cumulative definition as being (i) an amount prescribed under section 4(2)(a) of the Welfare Reform Act 2007 (amount of an income-related allowance) and (ii) that is not an amount of an ESA-IR premium or an amount in respect of housing costs.
 - b. Subsection (5)(b) defines an “amount of an ESA-IR disability premium” as relating to SDP or EDP only in this context.
 - c. Subsection (5)(c) defines “the ESA-IR support component”.
 - d. Subsection (5)(d) defines “the ESA-IR work-related activity component”
 - e. Subsection (5)(e) defines the references to an amount or component “for” a tax year.

Part 2: Corresponding provisions and short title

Clause 6: Corresponding provisions for Northern Ireland

- 75 Clause 6 sets out that this Bill will also make corresponding provision for Northern Ireland. These provisions are set out in full in Schedule 2.

Clause 7: Short title

- 76 Clause 7 sets out that this Act may be cited as the Universal Credit Act 2025

Part 3: Schedules

Schedule 1: Amendments to the Universal Credit Regulations 2013 in connection with new amounts of the LCWRA element

- 77 Paragraph 1 explains that Schedule 1 amends the Universal Credit Regulations 2013.
- 78 Paragraph 2 inserts a definition of “pre-2026 claimant” and “severe conditions criteria claimant” into regulation 2 by reference to new regulations 27A(1) and 40A(1).
- 79 Paragraph 3(a) amends regulation 27(2) to introduce the categories of “pre-2026 claimant” and “severe conditions criteria claimant”. Whether a claimant falls into one of those categories, is terminally ill or none of the above determines the amount of LCWRA element to which they are entitled, as set out in the table in regulation 36.
- 80 Paragraph 3(b) inserts “or is a severe conditions criteria claimant” into regulation 27(3) to specify that the determination of whether a claimant is an SCC claimant is on the basis of an assessment under Part 5 of the Universal Regulations 2013 (which is the same process to determine LCWRA).
- 81 Paragraph 3(c) amends regulation 27(4) to stipulate that where there are joint claimants, as there can only be one LCWRA element in an award, where the joint claimants would be entitled to different rates of the LCWRA element, the applicable amount is the higher one.

82 Paragraph 4 inserts a new regulation 27A that defines a “pre-2026 claimant”.

- a. New regulation 27A(1) sets out two criteria for the definition of “pre-2026 claimant”, (a) that a person was entitled to the LCWRA element of UC prior to 6 April 2026, and (b) that the person has been entitled to an award of UC and has also had LCWRA continuously since that time.
- b. New regulation 27A(2) treats a claimant as being continuously entitled to UC, despite there being a gap between the claimant’s UC awards, provided that the cumulative criteria in paragraphs (2)(a) and (b) are met.
- c. New regulation 27A(2)(a) sets the criterion that an award ceased because the financial condition in section 5(1)(b) or section 5(2)(b) of the Welfare Reform Act 2012 was not met. This would occur where the income of a single claimant, or combined income of joint claimants, reduces the calculation of their entitlement to below the prescribed minimum amount to be entitled to UC.
- d. New regulation 27A(2)(b) sets the criterion that a further award commenced within the period of six months beginning with the day on which the award referred to in paragraph (2)(a) ceased. This aligns with the period in which UC claimants can be treated as having made a new claim, following the termination of an award, to ensure that if their income reduces (such that they meet the financial condition again) a new award is automatically made.

83 Paragraph 5 amends regulation 38 to introduce “severe conditions criteria claimant” as a category to be assessed under Part 5 of those regulations.

84 Paragraph 6 inserts a new regulation 40A that defines a “severe conditions criteria claimant”.

- a. New regulation 40A(1) states that a claimant is a SCC claimant if it has been determined, on the basis of an assessment under Part 5 of the Universal Credit Regulations 2013, that the claimant is a SCC claimant.
- b. New regulation 40A(2) sets the two cumulative criteria for assessment as a “severe conditions criteria claimant”.
- c. New regulation 40A(2)(a) stipulates the first criterion as being that the claimant has LCWRA on the basis of an assessment under Part 5 of the regulations.
- d. New regulation 40A(2)(b) stipulates the second criterion as being that at least one of the descriptors in Schedule 7 (assessment of whether a claimant has LCWRA) constantly applies to the claimant and will do so for the rest of the claimant’s life.
- e. New regulation 40A(3) stipulates conditions for the assessment of whether a claimant fulfils the criterion in 40A(2)(b).
- f. New regulation 40A(3)(a) stipulates those descriptors which must be satisfied by a bodily disease or disablement, matching the existing criteria for the assessment of LCWRA, and also specifies that the claimant will have the disease or disablement for the rest of their life and the disease or disablement has been diagnosed by an appropriately qualified health care professional in the provision of NHS services.
- g. New regulation 40A(3)(b) stipulates those descriptors which must be satisfied by a specific mental illness or disablement, matching the existing criteria for the assessment of LCWRA, and also specifies that the claimant will have the mental illness or disablement for the rest of their life and the mental illness or disablement

has been diagnosed by an appropriately qualified health care professional in the provision of NHS services.

- h. New regulation 40A(4) sets out when a descriptor in Schedule 7 will be taken to constantly apply to a claimant, that it must apply at all times or on all occasions when the claimant undertakes or attempts to undertake the activity.
- i. New regulation 40A(5) defines what is meant by “NHS Services” for the purposes of establishing that a diagnosis of a specific condition has occurred. In essence, a diagnosis has to be made in the course of the provision of health care services within the national health service in England, Wales or Scotland, or the Health and Social Care service in Northern Ireland.
- j. New regulation 40A(5)(a(i)) gives the first definition as being the definition contained in section 1(1) of the National Health Service Act 2006.
- k. New regulation 40A(5)(a(ii)) gives the second definition as being the definition contained in section 1(1) of the National Health Service (Wales) Act 2006.
- l. New regulation 40A(5)(a(iii)) gives the third definition as being the definition contained in section 1(1) of the National Health Service (Scotland) Act 1978.
- m. New regulation 40A(5)(b) gives the fourth definition as being the definition contained in section 2(1) of the Health and Social Care (Reform) Act (Northern Ireland) 2009.

- 85 Paragraph 7 amends regulation 41 to determine when an assessment of whether someone is a severe conditions criteria claimant may be carried out.
- 86 Sub-paragraph 7(a) inserts “or is a severe conditions criteria claimant” into regulation 41(1)(a) to give the Secretary of State the ability to carry out an assessment of whether the claimant is a SCC claimant for the first time. It also adds a reference to new paragraphs (5) and (6) to regulation 41(1)(b) to apply new limitations on whether the Secretary of State can reassess a claimant who has previously been determined to be a SCC claimant.
- 87 Sub-paragraph 7(b) amends regulation 41(2)(b) so that the Secretary of State can review a previous determination that a claimant is a SCC claimant when their monthly earnings are equal to or exceeding the relevant threshold.
- 88 Sub-paragraph 7(c) makes a consequential change to regulation 41(2) to maintain the existing position that where the Secretary of State may not make an assessment of whether a claimant has LCWRA, they should be viewed as not having LCWRA.
- 89 Sub-paragraph 7(d) replaces regulation 41(4) with new paragraphs (4) to (6) to limit the ability of the Secretary of State to reassess a claimant. In certain circumstances, no further assessment may be carried out unless there is relevant evidence to suggest that the previous determination was made in ignorance of, or based on a mistake as to, some material fact, or there has been a relevant change of circumstances. These limitations apply where the claimant has previously been found not to have LCWRA or has been found to be a SCC claimant. They also apply to a further assessment of whether someone is a SCC claimant where they have previously been determined to have LCWRA but not to be a SCC claimant.
- 90 Paragraphs 8 and 9 amend regulations 43 and 44 to insert “or is a severe conditions criteria claimant” so that the same regulations on assessments and medical examinations apply to the assessment of whether someone is a SCC claimant as apply to the assessment of whether someone has LCWRA.

91 Paragraph 10 amends regulation 23(2)(a) to include the new regulation 27A in the cross-reference that signposts the reader of the legislation to the specific provisions that govern the LCWRA element of an award.

Schedule 2 Northern Ireland: Corresponding provision

92 This schedule makes provisions for Northern Ireland corresponding to those made by the rest of the Bill in clauses 1-5 and Schedule 1, to ensure that equivalent measures apply to Northern Ireland as required.

93 Paragraph 1 (Standard allowance for tax years 2026-27 to 2029-30) corresponds to clause 1.

94 Sub-paragraph (1) sets out the requirement for the Department for Communities to use a relevant power to ensure that the rates of the UC standard allowance are increased above inflation in tax years 2026-27 to 2029-30.

95 Sub-paragraph (2) sets out the calculation to determine the minimum amount of standard allowance for the relevant tax years. The UC standard allowance will increase by more than the increase in inflation (measured by the increase in the CPI) each year from 2026/27 to 2029/30. The minimum standard allowance for each year is calculated using the steps set out in this sub-paragraph and the percentage increases set out in sub-paragraph (4).

96 Sub-paragraph (3) sets out how the percentage increase in the CPI is calculated for the purposes of sub-paragraph (2).

97 Sub-paragraph (4) specifies the relevant percentage to be used in the calculation set out in sub-paragraph (2).

98 Sub-paragraph (5) defines the CPI, the relevant power to increase the standard allowance (with reference to Article 14(2) of the Welfare Reform (Northern Ireland) Order 2015 and section 132 of the Social Security Administration (Northern Ireland) Act 1992), the standard allowance (with respect to Article 14(1) of the Welfare Reform (Northern Ireland) Order 2015), the standard allowance “for” a tax year and assessment periods (with respect to Part 2 of the Welfare Reform (Northern Ireland) Order 2015) for the purpose of this paragraph.

99 Sub-paragraph (6) defines “tax year” and its meaning in phrases such as “tax year 2025-26”, for the purposes of this Schedule.

100 Paragraph 2 (LCWRA element for tax year 2026-27) corresponds to clauses 2 and 3 and Schedule 1.

101 Sub-paragraph (1) sets out that amendments will be made to Universal Credit Regulations (Northern Ireland) 2016.

102 Sub-paragraph (2) inserts definitions of “pre-2026 claimant” and “severe conditions criteria claimant” into regulation 2 with reference to new regulations 28A(1) and 41A(1).

103 Sub-paragraph (3)(a) amends regulation 28(2) to introduce the categories of “pre-2026 claimant” and “severe conditions criteria claimant”. Whether a claimant falls into one of those categories, is terminally ill or none of the above determines the amount of LCWRA element they are entitled to.

104 Sub-paragraph (3)(b) inserts “or is a severe conditions criteria claimant” in paragraph (3) of regulation 28 to specify that the determination of whether a claimant is a SCC claimant is on the basis of an assessment under Part 5 of the Universal Credit Regulations (Northern Ireland) 2016.

105 Sub-paragraph (3)(c) amends regulation 28(4) to stipulate that, where there are joint claimants and as there can only be one LCWRA element in an award, where the joint claimants would be entitled to different rates of the LCWRA element, the applicable amount is the higher one.

106 Sub-paragraph (4) inserts a new regulation 28A that defines a “pre-2026 claimant”.

- a. New regulation 28A(1) sets out that the two criteria for the definition of a “pre-2026 claimant” are (a) that a person was entitled to the LCWRA element of UC prior to 6 April 2026, and (b) that the person has been entitled to UC and has had LCWRA continuously since that time.
- b. New regulation 28A(2) treats a claimant as being continuously entitled to UC, despite there being a gap between the claimant’s UC awards, provided that the cumulative criteria in paragraphs (2)(a) and (b) are met.
- c. New regulation 28A(2)(a) sets the criterion that an award ceased because the financial condition in Article 10(1)(b) or Article 10(2)(b) of the Welfare Reform (Northern Ireland) Order 2015 was not met. This would occur where the income of a single claimant, or combined income of joint claimants, reduces the calculation of their entitlement to below the prescribed minimum amount to be entitled to UC.
- d. New regulation 28A(2)(b) sets the criterion that a further award commenced within the period of six months beginning with the day on which the award referred to in paragraph (2)(a) ceased. This aligns with the period in which UC claimants can be treated as having made a new claim, following the termination of an award, to ensure that if their income reduces (such that they meet the financial condition again) a new award is automatically made.

107 Sub-paragraph (5) amends the table of amount of elements in regulation 38 of the Universal Credit Regulations (Northern Ireland) 2016 and creates two rates of LCWRA. One rate is for pre-2026, terminally ill, or severe conditions criteria claimants, and the other rate is for all other claimants.

108 Sub-paragraph (6) inserts a new regulation 41A that defines a “severe conditions criteria claimant”.

- a. New regulation 41A(1) states that a claimant is a SCC claimant if it has been determined, on the basis of an assessment under Part 5 of the Universal Credit Regulations (Northern Ireland) 2016, that the claimant is a SCC claimant.
- b. New regulation 41A(2) sets the two cumulative criteria for assessment as a “severe conditions criteria claimant”.
- c. New regulation 41A(2)(a) stipulates the first criterion as being that the claimant has LCWRA on the basis of an assessment under this part of the regulations.
- d. New regulation 41A(2)(b) stipulates the second criterion as being that at least one of the descriptors in the Schedule 7 (assessment of whether a claimant has LCWRA) constantly applies to the claimant and will do so for the rest of the claimant’s life.
- e. New regulation 41A(3) stipulates conditions for the assessment of whether a claimant fulfils the criterion in 41A(2)(b).
- f. New regulation 41A(3)(a) stipulates those descriptors which must be satisfied by a bodily disease or disablement, matching the existing criteria for the assessment of LCWRA and also specifies that the claimant must have the disease or disablement for the rest of their life and have been diagnosed by an appropriately qualified health care professional in the provision of health and social care services.
- g. New regulation 41A(3)(b) stipulates those descriptors which must be satisfied by a specific mental illness or disablement, matching the existing criteria for the assessment of LCWRA, and also specifies that the claimant must have the disease or

disablement for the rest of their life and have been diagnosed by an appropriately qualified health care professional in the provision of health and social care services.

- h. New regulation 41A(4) sets out when a descriptor in Schedule 7 will be taken to constantly apply to a claimant, that it must apply at all times or on all occasions when the claimant undertakes or attempts to undertake the activity.
- i. New regulation 41A(5) defines what is meant by “health and social care services” for the purposes of establishing that a diagnosis of a specific condition has occurred. In essence, a diagnosis has to be made in the course of the provision of health care services within the national health service in England, Wales or Scotland, or the Health and Social Care service in Northern Ireland.
- j. New regulation 41A(5)(a) gives the first definition as being the definition contained in section 2(1) of the Health and Social Care (Reform) Act (Northern Ireland) 2009.
- k. New regulation 41A(5)(b(i)) gives the second definition as being the definition contained in section 1(1) of the National Health Service Act 2006.
- l. New regulation 41A(5)(b(ii)) gives the third definition as being the definition contained in section 1(1) of the National Health Service (Wales) Act 2006.
- m. New regulation 41A(5)(b(iii)) gives the fourth definition as being the definition contained in section 1(1) of the National Health Service (Scotland) Act 1978.

109 Sub-paragraph (7) amends regulation 42 to limit when the Secretary of State may carry out an assessment.

110 Sub-paragraph (7)(a) inserts “or is a severe conditions criteria claimant” into regulation 42 to give the Secretary of State the ability to carry out an assessment of whether the claimant is a SCC claimant for the first time. It also adds a reference to new paragraphs (5) and (6) to regulation 42(1) to apply new limitations on whether the Secretary of State can reassess a claimant who has previously been determined to be a SCC claimant.

111 Sub-paragraph (7)(b) amends regulation 42(2)(b) so that the Secretary of State can review a previous determination that a claimant is a SCC claimant when their monthly earnings are equal to or exceeding the relevant threshold.

112 Sub-paragraph (7)(c) makes a consequential change to regulation 42(2) to maintain the existing position that where the Secretary of State may not make an assessment of whether a claimant has LCWRA they should be viewed as not having LCWRA.

113 Sub-paragraph 7(d) replaces regulation 42(4) with new paragraphs (4) to (6) to limit the ability of the Secretary of State to reassess a claimant. In certain circumstances, no further assessment may be carried out unless there is relevant evidence to suggest that the previous determination was made in ignorance of, or based on a mistake as to, some material fact, or there has been a relevant change of circumstances. These limitations apply where the claimant has previously been found not to have LCWRA or has been found to be a SCC claimant. They also apply to a further assessment of whether someone is a SCC claimant where they have previously been determined to have LCWRA but not to be a SCC claimant.

114 Sub-paragraphs 8 and 9 amend regulations 44 and 45 respectively to include the assessment of whether someone is a SCC claimant so that the same regulations on assessments and medical examinations apply to the assessment of whether someone is a SCC claimant as apply to the assessment of whether someone has LCWRA.

- 115 Sub-paragraph (10) specifies that paragraph 2 will come into force on 6 April 2026 and will affect claimants whose assessment period begins on or after this date. An ‘assessment period’ is defined with respect to Part 2 of the Welfare Reform (Northern Ireland) Order 2015.
- 116 Paragraph 3 (Protected LCWRA amounts for tax years 2026-27 to 2029-30) corresponds to clause 4. It sets out how the financial protections for all existing UC LCWRA claimants, and new claimants who meet the SCC or SREL requirements from 6 April 2026 should be applied in each of the tax years from 2026-27 to 2029-30.
- 117 Sub-paragraph (1) and (2) sets out the requirement for the Department for Communities to use the powers under Article 14(2) or 17(3) of the Welfare Reform (Northern Ireland) Order 2015 for each of the tax years 2026-27 to 2029-30 to increase either the protected LCWRA amount or any amount of the standard allowance such that the combined sum of the protected LCWRA amount and the standard allowance for the previous year will be increased by at least the relevant CPI percentage for the current tax year.
- 118 Sub-paragraph (3) defines the terms “the protected LCWRA amount”, “the LCWRA element”, “the standard allowance”, “for” a tax year and “assessment period”.
- 119 Sub-paragraph (4) provides for the meanings of the “relevant CPI percentage” and the “consumer price index”.
- 120 Paragraph 4 (Legacy employment and support allowance) corresponds to clause 5.
- 121 Sub-paragraph (1) applies the provisions of paragraph 1 to ESA-IR, setting out the requirement for the Department for Communities to use the powers under Article 14(2) of the Welfare Reform (Northern Ireland) Order 2015 and 4(2)(a) of the Welfare Reform Act (Northern Ireland) 2007 to increase the personal allowance above inflation and for all claimants in tax years 2026-27 to 2029-30 by at least the amounts as calculated according to the method in paragraph 1 subsection (2)-(4)
- 122 Sub-paragraph (2) provides that the Department for Communities use powers in section 4(2)(a) or 6(c) of the Welfare Reform Act 2007 in the tax years 2026-27 to 2029-30 to increase any amount of an ESA-IR disability premium, the ESA-IR support component, or the ESA-IR personal allowance for the previous tax year to achieve the result provided for in sub-paragraph (3).
- 123 Sub-paragraph (3) provides that the result that the Department of Communities must achieve each year is that any combination of the ESA-IR personal allowance, the ESA-IR support component and any ESA-IR disability premium which a person could be entitled to should increase each tax year by at least the relevant CPI percentage for that tax year.
- 124 Sub-paragraph (4) defines various terms used in the paragraph.
- 125 Sub-paragraph (4)(a) defines an “amount of the ESA-IR personal allowance” using a two-stage cumulative definition as being (i) an amount specified under section 4(2)(a) of the Welfare Reform Act (Northern Ireland) 2007 for the purposes of the calculation of the amount of an income-related allowance and (ii) that is not an amount of an ESA-IR premium as specified in Part 3 of Schedule 4 to the Employment and Support Allowance Regulations (Northern Ireland) 2008, or an amount in respect of housing costs.
- 126 Sub-paragraph (4)(b) defines the references to an amount “for” a tax year with reference to a benefit week. A benefit week is defined with reference to Employment and Support Allowance Regulations (Northern Ireland) 2008.

Commencement

127 The clauses of the Bill will come into force as follows:

128 Clause 1 will come into force on the date that the Bill receives Royal Assent and becomes an Act.

129 Clause 2 will come into force on 6 April 2026.

130 Clause 3 will come into force on the date that the Bill receives Royal Assent and becomes an Act.

131 Clause 4 will come into force on the date that the Bill receives Royal Assent and becomes an Act.

132 Clause 5 will come into force on the date that the Bill receives Royal Assent and becomes an Act.

133 Clause 6 will come into force on the date that the Bill receives Royal Assent and becomes an Act.

134 Schedule 1 of the Bill will come into force on 6 April 2026.

135 Schedule 2 of the Bill will come into force as follows:

- a. Paragraph 1 will come into force on the date that the Bill receives Royal Assent and becomes an Act.
- b. Paragraph 2 will come into force on 6 April 2026.
- c. Paragraph 3 will come into force on the date that the Bill receives Royal Assent and becomes an Act.
- d. Paragraph 4 will come into force on the date that the Bill receives Royal Assent and becomes an Act.

Financial implications of the Bill

136 Claimants with existing determinations of LCWRA will see their combined UC LCWRA and standard allowance award maintained in real terms. Those with an existing LCW award will see their LCW amount frozen but will see a real terms increase in their UC award as the increase in the standard allowance is greater than inflation.

137 The number of households receiving the increased standard allowance is expected to be 6.7 million in 2029-30. There are expected to be 2.7m existing recipients of the LCWRA element when the lower amount is introduced, of these, 2.1m are expected to still be in payment by 2029-30. New recipients of the lower LCWRA amount are expected to amount to 0.8m by 2029-30. These changes are expected to reduce expenditure by £0.2bn in 2029-30 compared to expected spending without these measures.

138 These figures take into account the impact of these measures on Great Britain and Northern Ireland.

Parliamentary approval for financial costs or for charges imposed

139 The House of Commons passed a money resolution for this Bill on 1 July 2025, to cover increases in the standard allowance and limited capability for work and work-related activity element of

universal credit and the personal allowance, support component, severe disability premium and enhanced disability premium of income-related employment and support allowance. It also covers increase administrative expenses of the Secretary of State.

Compatibility with the European Convention on Human Rights

140 Section 19 of the Human Rights Act 1998 requires the Minister in charge of a Bill in either House of Parliament to make a statement about the compatibility of the provisions of the Bill with the Convention rights as defined in section 1 of that Act.

141 The Baroness Sherlock OBE, Minister of State for Work and Pensions, has made a statement under section 19(1)(a) of the Human Rights Act 1998 that, in her view, the provisions of the Bill are compatible with the Convention rights.

Compatibility with the Environment Act 2021

142 The Baroness Sherlock OBE, Minister of State for Work and Pensions, is of the view that the Bill, as published, does not contain provisions which, if enacted, would be considered environmental law for the purposes of Section 20 of the Environment Act 2021. Accordingly, no statement under that section has been made.

Duty under Section 13C of the European Union (Withdrawal) Act 2018

143 The Baroness Sherlock OBE, Minister of State for Work and Pensions, is of the view that the Bill as introduced into the House of Lords, does not contain provision which, if enacted, would affect trade between Northern Ireland and the rest of the United Kingdom. Accordingly, no statement under section 13C of the European Union (Withdrawal) Act 2018 has been made.

Related documents

144 The following documents are relevant to the Bill and can be read at the stated locations:

- Universal Credit Rebalancing impact assessment
[Universal Credit Rebalancing impact assessment - GOV.UK](#)
- Pathways to Work: Reforming Benefits and Support to Get Britain Working - Green Paper
[Pathways to Work: Reforming Benefits and Support to Get Britain Working Green Paper - GOV.UK](#)
- Pathways to Work: Reforming Benefits and Support to Get Britain Working – Evidence Pack
[Pathways to Work: Evidence pack: Chapter 1 case for change evidence - GOV.UK](#)
- Spring Statement 2025 health and disability benefit reforms – Impacts
[Spring Statement 2025 health and disability benefit reforms – Impacts](#)
- Spring statement social security changes – updated impact on poverty levels in Great Britain, July 2025
[Spring statement social security changes – updated impact on poverty levels in Great Britain, July 2025 - GOV.UK](#)
- Welfare reform Act 2012
[Welfare Reform Act 2012 \(legislation.gov.uk\)](#)
- The Universal Credit Regulations 2013
[The Universal Credit Regulations 2013 \(legislation.gov.uk\)](#)
- The Welfare Reform Act 2007
[Welfare Reform Act 2007 \(legislation.gov.uk\)](#)
- The Employment and Support Allowance Regulations 2008
[The Employment and Support Allowance Regulations 2008 \(legislation.gov.uk\)](#)
- Welfare Reform (Northern Ireland) Order 2015
[The Welfare Reform \(Northern Ireland\) Order 2015 \(legislation.gov.uk\)](#)
- Universal Credit Regulations (Northern Ireland) 2016
[The Universal Credit Regulations \(Northern Ireland\) 2016 \(legislation.gov.uk\)](#)
- Welfare Reform Act (Northern Ireland) 2007
[Welfare Reform Act \(Northern Ireland\) 2007 \(legislation.gov.uk\)](#)

These Explanatory Notes relate to the Universal Credit Bill as brought from the House of Commons on 10 July 2025 (HL Bill 123)

Annex A – Territorial extent and application in the United Kingdom

Provision	England	Wales		Scotland		Northern Ireland	
	Extends to E & W and applies to England?	Extends to E & W and applies to Wales?	Legislative Consent Motion process engaged?	Extends and applies to Scotland?	Legislative Consent Motion process engaged?	Extends and applies to Northern Ireland?	Legislative Consent Motion process engaged?
Universal Credit							
Clause 1	Yes	Yes	No	Yes	No	No	No
Clause 2	Yes	Yes	No	Yes	No	No	No
Clause 3	Yes	Yes	No	Yes	No	No	No
Clause 4	Yes	Yes	No	Yes	No	No	No
Clause 5	Yes	Yes	No	Yes	No	No	No
Corresponding Provision for Northern Ireland							
Clause 6	No	No	No	No	No	Yes	Yes
Final provision							
Clause 7	Yes	Yes	No	Yes	No	Yes	Yes
Schedules							
Schedule 1	Yes	Yes	No	Yes	No	No	No
Schedule 2	No	No	No	No	No	Yes	Yes

UNIVERSAL CREDIT BILL

EXPLANATORY NOTES

These Explanatory Notes relate to the Universal Credit Bill as brought from the House of Commons on 10 July 2025 (HL Bill 123).

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