THE UNIVERSAL CREDIT BILL

Memorandum from the Department for Work and Pensions to the Delegated Powers and Regulatory Reform Committee

A. INTRODUCTION

1. This memorandum has been prepared for the Delegated Powers and Regulatory Reform Committee to assist with its scrutiny of the Universal Credit Bill ("the Bill"). The Bill was introduced in the House of Commons on 10 June 2025. This memorandum identifies the provisions of the Bill that confer powers to make delegated legislation. It explains in each case why the power has been taken and explains the nature of, and the reason for, the procedure selected.

B. PURPOSE AND EFFECT OF THE BILL

2. The Bill makes provisions to alter or freeze the rates of universal credit (UC) and related benefits . The first changes to the rate of UC specified within the Bill are planned to have effect from April 2026, subject to parliamentary approval.

3. These measures were announced by the Secretary of State for Work and Pensions on 18 March 2025 and by the Chancellor of the Exchequer in her Spring Statement on 26 March 2025. The detailed rationale for these changes is set out in the "Pathways to Work: Reforming Benefits and Support to Get Britain Working" Green Paper.

Amendments to the rates of UC and related benefits

4. The Bill will require the Secretary of State to increase the rate of the UC standard allowance each year using the approach set out in clause 1.

5. The Bill also amends 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 the severe conditions criteria is the current rate. The rate of the UC element paid to claimants with a new limited capability for work and work-related activity (LCWRA) determination other than those that are a severe conditions criteria claimant or a claimant who is terminally ill after 6 April 2026 is reduced to £217.26.

6. The Bill will also freeze the LCWRA and the limited capability for work (LCW) element of UC for new claims made from 6 April 2026 to 5 April 2030. This will remove the Secretary of State's annual duty to review LCWRA and LCW elements of UC for tax years 2026-27 to 2029-30.

7. The approach in clause 4 provides that for pre-2026 claimants or those claimants who meet the SCC or are terminally ill, 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.

8. The Bill sets out that people, whether with existing or new claims, who meet the special rules for end of life or meet the severe conditions criteria (SCC) will see their incomes protected from reduction in the health element of UC from April 2026. This ensures that people nearing the end of their life and those with the most severe, lifelong health conditions, who have no prospect of improvement and will never be able to work, will see their incomes protected. The Bill will also ensure that those who meet SCC will not be routinely reassessed. The rate of the LCWRA element for these claimants will be aligned with the rate awarded to existing LCWRA customers (i.e. frozen at £423.27 for the next four years).

9. The Bill will also reflect the changes made in respect of the UC rates by requiring an increase in the rate of the personal allowance paid to recipients of income-related employment and support allowance (ESA-IR) using the approach set out in clause 1 for the same tax years.

10. The Bill also 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, such that a person's overall award will be increased in line with CPI.

11. These changes are required to ensure fair treatment for those who move from ESA-IR to UC after April 2026.

12. The Bill also makes equivalent provisions for the same benefits in Northern Ireland and provides equivalent powers to the Department for Communities.

C. NEW DELEGATED POWERS

13. The Bill as drafted does not bring forward any new delegated powers,

D. IMPACT OF THE BILL ON EXISTING DELEGATED POWERS

14. The Bill as drafted does not bring forward any new delegated powers, however, it does impact the exercise of existing delegated powers.

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

15. Clause1(1) requires the Secretary of State to exercise a relevant power in respect of each of the tax years from 2026/27 to 2029/30 to specify an amount that is at least the amount calculated in accordance with clause 1.

16. What is meant by a relevant power is set out in clause 1(6)(b) and includes the power in section 9(2) of the Welfare Reform Act 2012, or the power in section 150(2)(b) of the Social Security Administration Act 1992.

17. It is not possible for the Bill to specify the standard allowance amounts for those tax years. As Step 2 in clause 1(2) sets out, the appropriate amount depends on the increases in the Consumer Prices Index in the relevant tax year(s). Those increases are, at this stage, unknown therefore clause 1(2) sets out the procedure that should be used to calculate the standard allowance in each tax year with reference to clause 1(3) and the table in clause 1(4).

18. Clause 1(5) prevents the exercise of the existing duty in section 150(1) of the Social Security Administration Act 1992 in the tax years ending on 5 April 2026, 5 April 2027, 5 April 2028 and 5 April 2029, insofar as it applies to the UC standard allowance. Section 150(1) requires the Secretary of State to undertake an annual review of certain social security benefits in light of the increase in prices in that year. Following the annual review required by section 150(1), the Secretary of State has a discretionary power to amend the relevant amounts in an affirmative up-rating order. The restriction on the existing duty to carry out a review ensures that the specified rates are not included in this review and is necessary to prevent clause 1 of the Bill being undermined by this review and the up-rating power in section 150(2).

19. However, the definition of a relevant power in clause 1(6) enables the changes to the UC standard allowance to be included in an up-rating order under section 150(2) of the 1992 Act. This would enable all relevant benefits and pension rates to appear in the same instrument as is the convention (despite the ordinary exercise of the duty to review in section 150(1) being curtailed by the clause).

20. The Secretary of State has the power to specify or provide for the determination or calculation of any amount to be included for LCW and LCWRA under section 12(3) of the Welfare Reform Act 2012. Section 12(4) of the same Act provides that regulations may provide for the LCW or LCWRA to commence at a prescribed time or to end at a prescribed time.

Clause 3(1) - Freeze LCWRA and LCW elements for tax years 2026-27 to 2029-30

21. Clause 3(1) prevents the exercise, insofar as it applies to the LCW and LCWRA elements of UC, of the existing duty in section 150(1) of the Social Security Administration Act 1992 to review these elements in the tax years ending on 5 April 2026, 5 April 2027, 5 April 2028 and 5 April 2029.

22. Following the annual review required by section 150(1), which considers the amounts of certain social security benefits in light of the increases in prices in that year, the Secretary of State has a discretionary power under section 150(2) to amend the relevant amounts in an affirmative up-rating order. However, clause 3(1) disapplies subsection (2) to prevent that from happening.

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

23. Clause 4 sets out how the financial protections for all existing UC LCWRA claimants, and new claimants who meet the severe conditions criteria or Special Rules for End of Life requirements from 6 April 2026 should be applied in each of the tax years from 2026-27 to 2029-30. The clause provides that the Secretary of State must use their powers under section 9(2) or 12(3) of the Welfare Reform Act 2012 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.

Clause 5 – ESA-IR for tax years 2026-27 to 2029-30

24. Clause 5(1) applies the provisions of clause 1 to the ESA-IR personal allowance and requires the Secretary of State to exercise the power under section 4(2)(a) of the Welfare Reform Act 2007 in respect of each of the tax years from 2026/27 to 2029/30 to specify an amount that is at least the amount calculated in accordance with clause 1.

25. It is not possible for the Bill to specify the personal allowance amounts for those tax years. As Step 2 in clause 1(2) sets out, the appropriate amount depends on the increases in the Consumer Prices Index in the relevant tax year(s). Those increases are, at this stage, unknown therefore clause 1(2) sets out the procedure that should be used to calculate the personal allowance in each tax year with reference to clause 1(3) and the table in clause 1(4).

26. Clause 5(1), in applying clause 1(5) to ESA-IR, removes the statutory duty on the Secretary of State to review the personal allowance under section 150(1) and (2)(c) of the Social Security Administration Act 1992 in the tax years ending on 5 April 2026, 5 April 2027, 5 April 2028 and 5 April 2029. The removal of the existing statutory duty to carry out a review is necessary to prevent clause 5 of the Bill, insofar as it makes provision for the ESA-IR personal allowance, being undermined by this review and the uprating power in section 150(2).

27. Clause 5(1), in applying clause 1(6) as above, also enables the changes to the personal allowance to be included in an up-rating order under section 150(2)(b) of the 1992 Act. This would enable all relevant benefits and pension rates to appear in the same instrument as is the convention (despite the ordinary exercise of the duty to review in section 150(1) being curtailed by the clause).

28. Clause 5(2) additionally removes the statutory duty on the Secretary of State to review and up-rate the ESA-IR disability premia, the ESA-IR support component and the ESA-IR work-related activity component by disapplying sections 150(1) and (2) of the Social Security Administration Act 1992 in the tax years ending on 5 April 2026, 5 April 2027, 5 April 2028 and 5 April 2029.

29. Clauses 5(3) and 5(4) work to provide that the Secretary of State must use their powers under section 4(2)(a) or (6)(c) of the Welfare Reform Act 2007 to increase the combined sum of any amount of a Severe Disability Premia (SDP) and Enhanced Disability Premia (EDP), the ESA IR support component, and the ESA IR personal allowance for the previous tax year by at least the relevant CPI percentage for the current tax year in the tax years 2026-27 and 2029-30.

Clause 6 and Schedule 2: Provision for Northern Ireland

30. Clause 6 and Schedule 2 make corresponding provisions for Northern Ireland as required to ensure equivalence in Northern Ireland benefits.

31. Paragraph 1 of Schedule 2 provides that the Department for Communities must exercise a relevant power to specify that the amounts of the standard allowance for tax years 2026-27 to 2029-30 are at least the amounts calculated in accordance with paragraph 1(2), which is the same as that laid out in Clause 1. A “relevant power” is defined in paragraph 1(5).

32. Paragraph 3 of Schedule 2 provides that the Department for Communities must exercise the power in Article 14(2) or 17(3) of the Welfare Reform (Northern Ireland) Order 2015 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.

33. Paragraph 4 of Schedule 2 ensures that the same calculations are to apply to increases of ESA-IR personal allowance in Northern Ireland for the relevant tax years. It also provides that the Department for Communities must exercise the power in section 4(2)(a) or (6)(c) of the Welfare Reform Act (Northern Ireland) 2007 to increase the combined sum of any amount of a Severe Disability Premia (SDP) and Enhanced Disability Premia (EDP), the ESA IR support component, and the ESA IR personal allowance for the previous tax year by at least the relevant CPI percentage for the current tax year in the tax years 2026-27 and 2029-30.

34. There is no need to disapply the equivalent uprating power in s.132 of the Social Security Administration (Northern Ireland) Act 1992 as this is a power to make a corresponding order for Northern Ireland to that made under s.150 of the Social Security Administration Act 1992. Clauses 1(5) and 3(1) disapply the Secretary of State’s uprating duty for specific rates and this has the additional effect of freezing those rates in Northern Ireland.

Department for Work and Pensions

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