

Freedom of Information request 1642/2013

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Information request and DWP response

Dear Department for Work and Pensions,

You recently made the following statement;

For income-related benefits such as income-based Jobseeker's Allowance, £71.00 is the current weekly personal allowance paid for a single person aged 25 and over. This rate is set by Parliament each year. The amount is intended to cover all normal day to day living expenses. The level of benefit needs to take account of the competing demands on public expenditure and work incentives. Benefits are not made up of separate amounts for specific items of expenditure such as food or fuel charges, and beneficiaries are free to spend their benefit as they see fit, in the light of their individual needs and preferences.

Please tell me,

1/ Who, in parliament sets the rates?

The government introduces new laws, or changes to existing laws, by presenting them to Parliament for approval, before they can become law.

More information about Parliament's role can be found at:

<http://www.parliament.uk/about/how/role/>

The rates of social security benefits are reviewed each year by the Secretary of State and are up-rated under powers conferred by the Social Security Administration Act 1992, Section 150. The amounts by which specified benefits are increased in any year are set out in the Up-rating Order for that year. The Up-rating Order is laid in draft and debated in both Houses of Parliament before it is made.

The Up-rating statement was made on 6 December 2012, which announces the rates for 2013.

<http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm121206/debtext/121206-0002.htm>

The Up-rating order was laid on 28 January 2013, and was debated in both houses on:

- 13 February 2013 – Up-rating debate (House of Commons)
<http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm130213/debtext/130213-0004.htm>
- 28 February 2013 – Up-rating debate (House of Lords)
<http://www.publications.parliament.uk/pa/ld201213/ldhansrd/text/130228-gc0001.htm>

2/ What bodies are consulted to endeavour the levels are truly linked to current trends and prices?

The Secretary of State has discretion over how to measure changes in the general level of prices. For the up-rating of benefits in 2013-14, the Secretary of State has measured the increase in the general level of prices in the appropriate period using the change in the Consumer Prices Index over the period October 2011 to September 2012. The Consumer Prices Index is collated and published by the Office for National Statistics, an independent body which is at arms length from Government.

3/ Why is the level set at age 25? Are costs smaller for someone aged below 25?

There has been a distinction between the rates of benefit paid to younger income-related benefit claimants since the introduction of Income Support in April 1988.

Income Support was introduced to direct available resources to those most in need, while making the benefit system easier to administer and understand. Levels of benefit were determined to take account of the competing demands on public expenditure and the need to provide work incentives. The distinction on the basis of the claimant's age rather than their household status was central to this approach.

Lower rates of benefit are paid to younger claimants because the majority do not live independently and may legitimately be regarded as having lower living costs than claimants over the age of 25. The rates also reflect the lower earnings expectations of younger people.

4/ You state the amount is "intended to cover all normal day to day living". Intended means "Meant too represent",

Explain how this is achieved. Please use charts to identify this if necessary.

5/ What constitutes day to day living, please illustrate what this would be?

In response to questions 4 and 5, the Government has not prescribed what expenses the personal allowances cover as it is for each individual or family unit to decide how to spend their benefit, in the light of their individual needs and preferences.

There are other support that cover day to day living expenses for example Housing Benefit to help towards rent and Council Tax support, Support for Mortgage Interest etc.

Customers who receive income-based benefits are entitled to full help with costs towards, for example, free dental treatment, free prescriptions etc. Many of these 'passported' schemes are the responsibility of other Government Departments.

6/ How would day to day living be equated when prices are different in different regions of our country?

Attempting to set regional rates would make the benefit system more complicated for staff and claimants and more expensive to administer; however, the benefit system has always recognised regional variations through the mechanism of housing support.

The Local Housing Allowance (introduced in 2008) rates are set within Broad Rental Market Areas which are determined by rent officers. They are intended to reflect the areas in which people live and access services and the rental values within those areas. Rent officers provide local authorities with Local Housing Allowance rates for property sizes.

7/ Why would benefit need to take account of competing demands of public expenditure and work incentives?

8/ Why are public expenditure and work incentives factored into a persons benefit?

In response to question 7 and 8, it is clearly important that benefits are set at a level which does not deter those who are able from moving into work. Decisions have to be considered in the context of the exceptional fiscal challenge which the Government inherited in 2010. The UK had the largest deficit since the Second World War and the state was borrowing one pound in every four it spent. This position was unsustainable, which is why the Government committed to finding savings that would return stability to the public finances. Because of this tough economic climate it has been necessary to make difficult decisions, but in doing so, we have protected

pensioners, and those benefits linked to the additional costs associated with disability.

9/ If benefits are not made up of separate amounts for specific items, please explain how this formula is administered as a panacea for persons of differing circumstances?

The benefit system provides additional support for costs related to age, disability and caring. Help with the costs of children is provided by tax credits and Child Benefit. For example a Jobseeker's Allowance claimant may be able additional premiums of £17.40 if they are a lone parent or if they are single and have a disability they may receive a premium of £31.00 etc.

10/ You say the individual can spend benefit as they see fit. Would this change if food vouchers were introduced on the poorest in society?

There are no plans to introduce payment by food voucher.

11/ Would the value of the vouchers be taken from the £71.00?

There are no plans to introduce such vouchers.

12/ Has a study ever been done to clarify if the £71.00 was sufficient to provide a proper diet that would not shorten the life expectancy of a poor person?

We believe that the amounts payable are a reasonable sum, having regard to all relevant factors. The amount that people need to live on varies greatly depending on their needs and a range of factors so it would be misleading to attempt to evaluate the level of the personal allowance against a single 'cost of living' measure.