

Catching Up?

Benefit uprating policy for April 2026

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September's inflation data shows that the annual rate of CPI inflation was 3.8 per cent, the same rate it was in August 2025, but more than twice its September 2024 level. This grim news of inflation remaining high came with something of a silver lining as September inflation is usually used to uprate most benefits the following April.

However, rates of Universal Credit are due to rise by more than inflation in April 2026, in line with Government plans to (rightly) rebalance social security spending away from health-related benefits. As a result, the UC standard allowance will rise by 6.2 per cent in April 2026. This over-indexation is desperately needed: the value of the UC standard allowance fell by 10 per cent in real-terms between 2012-13 and 2025-26; the April 2026 increase of 6.2 per cent will undo just two-fifths of that fall (40 per cent). This approach is also essential to help families keep up with ever-increasing costs: the overall price level has risen by 25 per cent since July 2021, while food prices have risen by 38 per cent and energy has risen by 55 per cent.

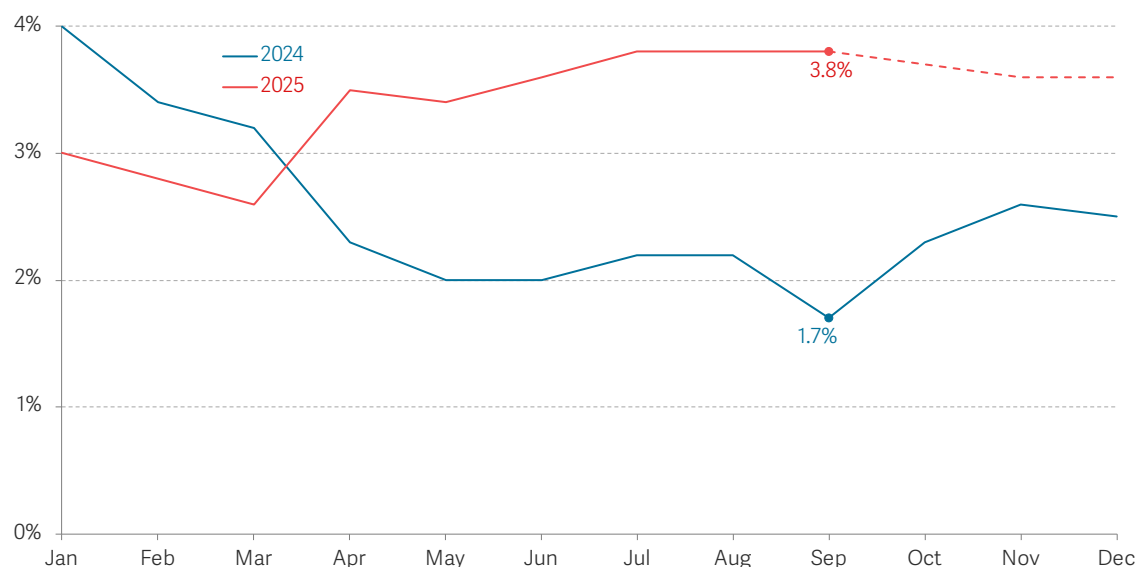
Inflation in September reached its highest rate in nearly two years

[Today's inflation data](#) showed that that annual CPI inflation hit 3.8 per cent in September 2025, the same rate it was in July and August 2025. September's inflation rate takes on extra significance as it is used to uprate the benefits of millions of working-age families in April next year. Thankfully for these families, this September's inflation rate was over twice as high as last September's 1.7 per cent rate, which was used to uprate benefits in April this year. As Figure 1 shows, last September's inflation rate was an outlier, the lowest of the year. The Bank of England had forecast this September's inflation rate to be 4.0 per cent, which would have likely been the highest of the year, but inflation surprised to the downside, and was instead in line with the rate in recent months.

Figure 1

September 2025's CPI inflation rate is over twice as high as that of September 2024

Annual rate of CPI inflation by month: UK



Notes: Inflation figures for October-December 2025 are Bank of England projections.
Source: ONS, Consumer Prices; BoE, Monetary Policy Outlook – August 2025.

Why was inflation much higher this September than last September? The energy price cap was £1,720 in Q3 2025, 10 per cent higher than it was in Q3 2024 (£1,568), meaning that energy prices put upward pressure on inflation in September 2025. In stark contrast, the price cap was 21 per cent lower in September 2024 than it was in September 2023, so energy put downward pressure on last year's inflation rate. Petrol prices had a significant impact on inflation at the end of September 2024: petrol prices were 14 per cent lower than they were at the same time the year before, whereas by September 2025 they had risen by 0.1 per cent, and the previous falls had fallen out of the inflation calculation. The most important reason why inflation in September was lower than forecast is that services inflation stayed the same as in August, at 4.7 per cent (lower than the 5 per cent that had been forecast by the Bank of England) – this was driven in part by a fall in airfares. In welcome news for lower-income families, food inflation also fell to 4.5 per cent in September from 5.1 per cent in August.

Welcome Government policy changes means benefit uprating will look different in April 2026

3.8 per cent inflation is high: it is almost double the Bank of England's target, and is a sign that people are subject to rapidly rising prices. But it is undoubtedly good that many benefits will increase by 3.8 per cent next year, especially following a year where they only increased by 1.7 per cent. However, recent legislation on benefits means that, although many benefits will still rise with inflation, this is not the case for all.

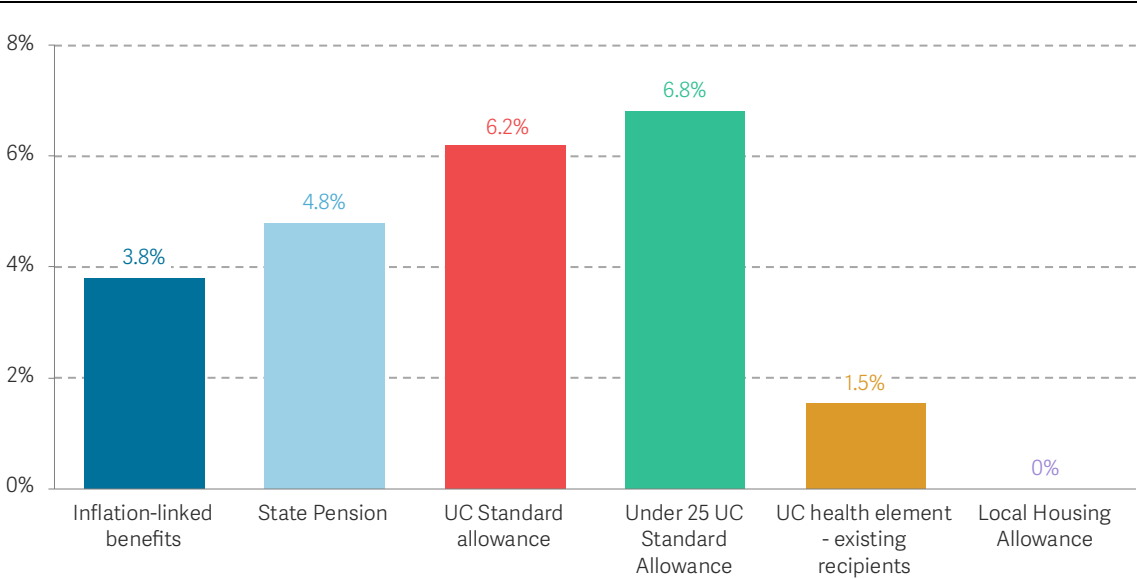
In particular, now we know September's inflation rate, we can confirm that the State Pension will rise by 4.8 per cent next April, the rate of average earnings growth, thanks to the triple lock.¹ Normally the triple lock guarantees that the State Pension rises at least as fast as

working-age benefits. But, for the first time ever, next year the UC standard allowance will rise by more than the State Pension. This is due to (welcome) measures in the [Universal Credit Act](#), passed earlier this year, which aims to shift the balance of social security spending away from incapacity benefits and towards the non-health-related parts of UC. As a result, the UC standard allowance is due to be uprated in April 2026 by the usual CPI uprating plus an extra 2.3 per cent. Indeed, this above-inflation indexation will continue until the end of the Parliament, with the standard allowance set to be 4.8 per cent higher by 2029-30 than it would have been if it were uprated using inflation. This will [cost](#) the Government £800m in 2026-27, rising to £1.85 million in 2029-30. Therefore, the standard allowance will rise by 6.2 per cent next April, the highest rate it has risen since 2009-10 (outside of the pandemic and cost of living crisis periods). Moreover, due to the Government’s commitment that the combination of a young person’s UC standard allowance and the UC health element together rise by at least inflation, the UC standard allowance for all under-25s will actually rise by 6.8 per cent.²

But not all parts of the benefit system automatically rise in line with inflation. As part of the UC rebalancing, the UC health element for new recipients is set to be halved in April 2026 and then frozen for three years; for existing recipients, it will rise by 1.5 per cent, so that the combined total of the UC standard allowance and UC health rise by inflation. And Local Housing Allowance rates are frozen as default, meaning that, without an explicit Budget decision, they won’t go up in April despite rents having grown by 5.5 per cent over the last year according to the latest data.³ All of these are shown in Figure 2.

Figure 2 **The UC standard allowance will be uprated by more than the State Pension for the first time ever**

Increase in various working-age and pensioner benefits in April 2026: UK



Notes: The UC health element for new claimants from April 2026 is being halved, then frozen for 3 years. For more information about varying UC health rates, see endnote 2.
Source: RF analysis of ONS, Consumer Prices; DWP, Abstract of Benefit Statistics; Bank of England, Monetary Policy Report - August 2025; Universal Credit Act 2025.

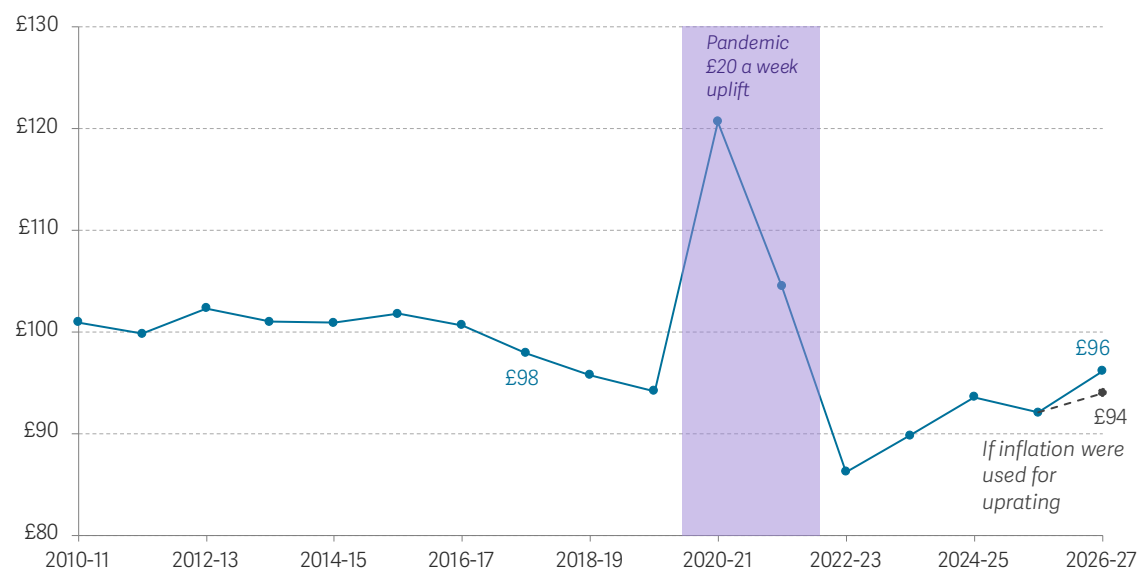
Next year's benefit uprating is much needed for living standards

Over-indexing the standard allowance of UC is an important step for a variety of reasons. First, the basic rate of UC and its predecessors have deteriorated over time. Although the current value of UC is higher in real-terms than its value in 2022-23 (see Figure 3), the rate in 2025-26 is still 10 per cent lower in real-terms than it was in 2012-13. Next April's over-indexation of 2.3 per cent will mean UC reaches its highest real-terms rate since 2017-18 (outside of the pandemic period), but the increase only undoes two-fifths (40 per cent) of the real-terms deterioration seen since 2012-13.

Figure 3

The UC standard allowance will reach its highest rate since 2017-18

The real-terms value of the basic rate of unemployment benefits under current uprating legislation, and if it were increased by inflation only



Notes: JSA before 2020-21, UC from 2020-21 onwards. Data shown is for a single adult 25 years old or over.
Source: RF analysis of DWP, Abstract of Benefit Statistics; ONS, Consumer Prices; Universal Credit Act 2025.

Second, increasing the UC standard allowance by 6.2 per cent will help narrow the gap between working-age and pensioner living standards. Pensioners used to be much poorer than non-pensioners, but changes to State Pension uprating and Pension Credit since the early 2000s have boosted pensioners' living standards, while those of working age have been left behind, reliant on stagnating earnings and benefits. [Median disposable incomes](#) for pensioners have grown by 21 per cent since 2004-05, compared to 7 per cent for non-pensioners.

Third, over-indexing the UC standard allowance is an important part of the Government's strategy to rebalance UC spending away from incapacity benefits, so as to reduce the financial incentive for people to claim the health element in UC. [For example](#), in 2024-25, a single person on UC out of work (with no housing costs) due to ill-health received more than twice as much UC as someone who was unemployed with no health issues. To reduce this,

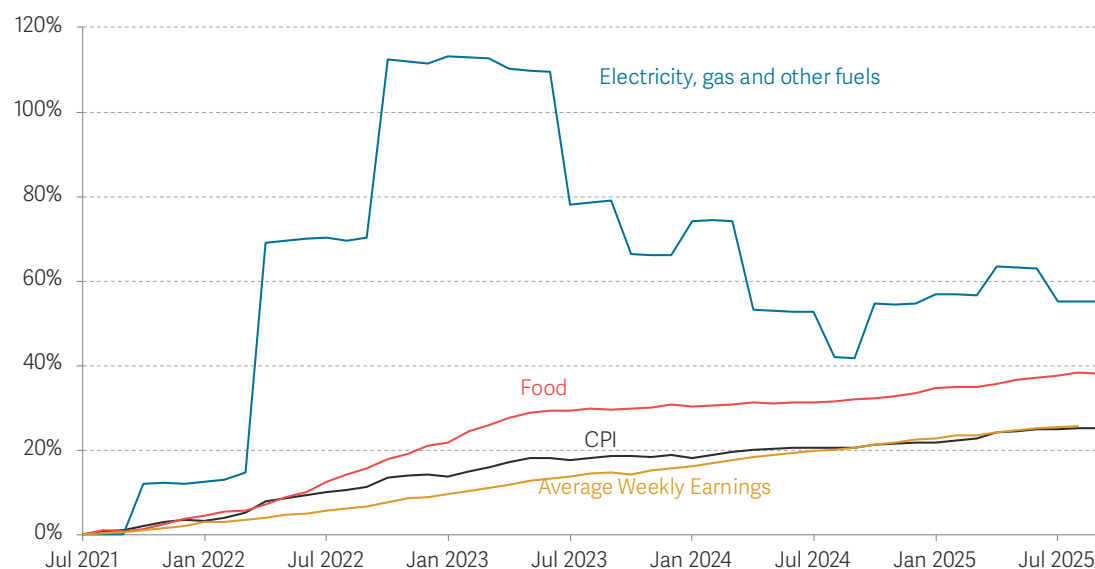
the Government had originally hoped to reduce the value of UC health for all claimants. However, due to opposition from Labour MPs to this change, the final version of the Universal Credit Act instead just halved UC health for new claimants only, starting from 2026-27. (As we said earlier, the UC health element for existing claimants is being uprated by less than inflation (1.5 per cent in April 2026) so that the combination of the UC standard allowance and UC health rise by inflation).⁴

Fourth, cost of living pressures remain salient for people across the UK. Although inflation isn't as high as it was during the cost of living crisis, 3.8 per cent is still almost double the Bank of England's target. Food inflation has now hit 4.5 per cent, and is forecast by the Bank of England to hit 5.5 per cent by the end of 2025. And high inflation in recent years has meant price levels are much higher than they were just four years ago, as Figure 4 shows. Overall prices are 25 per cent higher than they were in July 2021, but food and energy prices are even higher, at 38 and 55 per cent respectively. High costs and stagnant incomes have led to significant hardship for many people: [energy bill arrears](#) doubled between the end of 2019 and the end of 2024, and the number of people living in a household that had used a food bank in the last 12 months rose from 2.1 million in 2021-22 to 2.8 million in 2023-24.⁵ Looking ahead to next April, there will be increasing pressures on household incomes coming from a higher [Energy Price Cap](#), and rising [water](#) and Council Tax bills.⁶ The freeze in LHA rates, at a time when rents are rising quickly, will also put pressure on private renters.

Figure 4

Prices have risen significantly over the last four years

Change in CPI price level by spending category: UK, July 2021 to September 2025



Source: RF analysis of ONS, Consumer Prices; ONS, Labour Market Statistics.

Finally, this increase in the UC standard allowance (and the future above-inflation increases that are scheduled for the rest of the decade) can be seen as a measure that will help families as part of the Government's Child Poverty Strategy. For example, a couple with two children's Universal Credit would increase by £61 a year, a not insignificant amount. Of

course, much more must be done by the Government if it wants to make meaningful reductions to child poverty; the most effective policy measure to reduce child poverty would be to abolish the two-child limit, and this must be a central part of the [Child Poverty Strategy](#).

Living standards aren't faring well at present: inflation is high and real wage growth is low. But a combination of an expected fall in inflation (it is set to continue falling and return to target in Q2 2027 according to the [Bank of England](#)), April's benefit uprating, and any new measures announced at the Budget to tackle child poverty or the cost of living crisis could result in some [income growth](#) for low and middle income households. This will be much needed following likely income falls in 2025-26, and certainly after [twenty years](#) in which incomes hardly grew for most households, and fell for the very poorest.

¹ The triple lock ensures that the State Pension rises each April by the highest rate out of: the previous September's CPI rate, the previous May to July's average earnings annual growth, or 2.5 per cent.

² The Government has committed to ensuring that the combination of the UC standard allowance and UC health will rise with inflation. To ensure this happens for under 25s, the Government will have to increase the UC standard allowance for under 25s by more than is the case for adults 25+. As UC health (for existing claimants) will be uprated by a flat rate for all households, and the UC standard allowance for couples is higher than it is for single people, the combined impact of the change to the UC standard allowance and UC health uprating means UC standard allowance and UC health combined for couples will rise by slightly more than inflation. For more information, see: UK Government, [Universal Credit Act 2025](#), September 2025.

³ Forthcoming Resolution Foundation research will cover the impact of Local Housing Allowance being frozen during a period of high rental growth.

⁴ For more information, see: UK Government, [Universal Credit Act 2025](#), September 2025.

⁵ RF analysis of DWP, Stat-Xplore.

⁶ Central Government estimates assume that all councils in England will increase Council Tax by at least 5 per cent, the maximum increase allowed without special permission.