Welfare benefit related highlights in the Spending Review and Autumn Statement November 2015

1. **Chancellor confirms that proposed tax credit cuts will not go ahead, but that welfare cap will not be met from 2016/2017 to 2018/2019**

Chancellor George Osborne has today delivered his Spending Review and Autumn Statement 2015.

Announcing that tax credit cuts that he'd set out in the Summer Budget 2015 will not now go ahead, Mr Osborne said -

'The improved public finances allow us to reach the same goal of a surplus while cutting less in the early years. We can smooth the path to the same destination.

And that means we can help on tax credits.

I've been asked to help in the transition as Britain moves to the higher wage, lower welfare, lower tax society the country wants to see.

I've had representations that these changes to tax credits should be phased in. I've listened to the concerns. I hear and understand them.

And because I've been able to announce today an improvement in the public finances, the simplest thing to do is not to phase these changes in, but to avoid them altogether.'

- before adding -

'Tax credits are being phased out anyway as we introduce universal credit.'

As a result, the Spending Review and Autumn Statement 2015 confirms (at paragraph 1.122) that the tax credits income threshold will remain at £6,420 from April 2016 and the tax credits taper will remain at 41 per cent of gross income.

NB - however, as announced in the Summer Budget, the amount by which a tax credit claimant's income can increase in-year compared to their previous year's income before their award is adjusted (the income rise disregard) will still be reduced to £2,500 from April 2016.

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In addition, other welfare benefit and tax credit related measures set out in the Spending Review and Autumn Statement include -

2.1 Universal credit (paragraph 1.123)

- changes to the universal credit work allowances will go ahead as planned in April 2016;

- the individual threshold in the Minimum Income Floor for the self-employed is uprated in line with the National Living Wage.

2.2 Housing benefit (paragraph 1.125)

- the amount of rent that housing benefit will cover in the social sector will be capped to the relevant local housing allowance, including the shared accommodation rate for single claimants under 35 who do not have dependent children - this will apply to tenancies signed after 1 April 2016, with housing benefit entitlement changing from 1 April 2018 onwards;
- from April 2016 housing benefit payments will be limited to four weeks for claimants who are outside Great Britain;
- additional discretionary housing payment funding will be made available to local authorities.

2.3 Employment support (paragraph 1.129)

- universal credit will extend the same jobcentre plus support and conditionality that people on jobseeker's allowance (JSA) get to 1.3 million additional claimants;
- jobseekers will be required to attend the jobcentre weekly for the first 3 months of their claim and the more intensive support of the Help to Work Programme - currently for the long-term unemployed - will be brought forward;
- a new Work and Health Programme will be introduced after current Work Programme and Work Choice contracts end, to provide specialist support for claimants with health conditions or disabilities and those unemployed for over two years;
- spending on Access to Work will be increased.

2.4 Pensioners (paragraphs 1.125, 1.133, 1.134 and 1.135)

- from April 2016, pension credit payments will be limited to four weeks for claimants who are outside Great Britain;
- the basic state pension will again increase by the 'triple lock', rising by £3.35 to £119.30;
- from April 2016, those reaching pensionable age will receive the new, 'single-tier' pension with a starting rate of £155.65;
- the single rate of the standard minimum guarantee will increase by £4.40 to £155.60 per week in April 2016, while the pension credit awards for those currently receiving savings credit will be frozen where income is unchanged.

2.5 Additionally, in relation to the welfare cap, the Office for Budget Responsibility, in its Economic and fiscal outlook- November 2015, finds -

'Our central forecast shows that the terms of the welfare cap are set to be breached in three successive years from 2016/2017 to 2018/2019, with the net effect of policy measures raising welfare cap spending in each of those years, and to well above the 2 per cent forecast margin in 2016/2017 and 2017/2018. The terms of the cap are set to be observed by very small margins in 2019/2020 and 2020/2021, with spending above the cap but within the forecast margin and with the net effect of measures in those years reducing spending.'

Accordingly, Mr Osborne announced (paragraph 1.48) that -

'In line with the requirements of the Charter for Budget Responsibility, and consistent with the Parliamentary accountability for welfare spending intended by the cap, the government will bring forward a debate on a votable motion in the House of Commons.'

NB - the Chancellor also published the results of the DWP's settlement at the Spending Review which will see the department becoming smaller and more efficient, spending 22 per cent less on administration in real terms, 34 per cent less in real terms on technology and occupying 20 per cent less estate. The settlement also confirms that -

'As the numbers claiming benefits come down, spending on employment programmes can also be reduced. Total spending on employment will be reduced, including not renewing Mandatory Work Activity and Community Work Placements ...'

The Spending Review and Autumn Statement 2015 and accompanying Treasury documents are available from gov.uk

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