

Welfare spending: Trends, prospects and risks

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Background

The Office for Budget Responsibility

- Created in 2010 to provide independent and authoritative analysis of the public finances
- Produces the Budget and Autumn Statement forecasts of the economy and public finances
- Assesses Government progress against fiscal targets
- Reports on the sustainability of the public finances and the health of the public sector balance sheet
- Scrutinises the Government's costing of policy measures
- Objective to make fiscal forecasts and costings unbiased and clear, but we have no role in making or commenting on Government policy

Core outputs of the OBR



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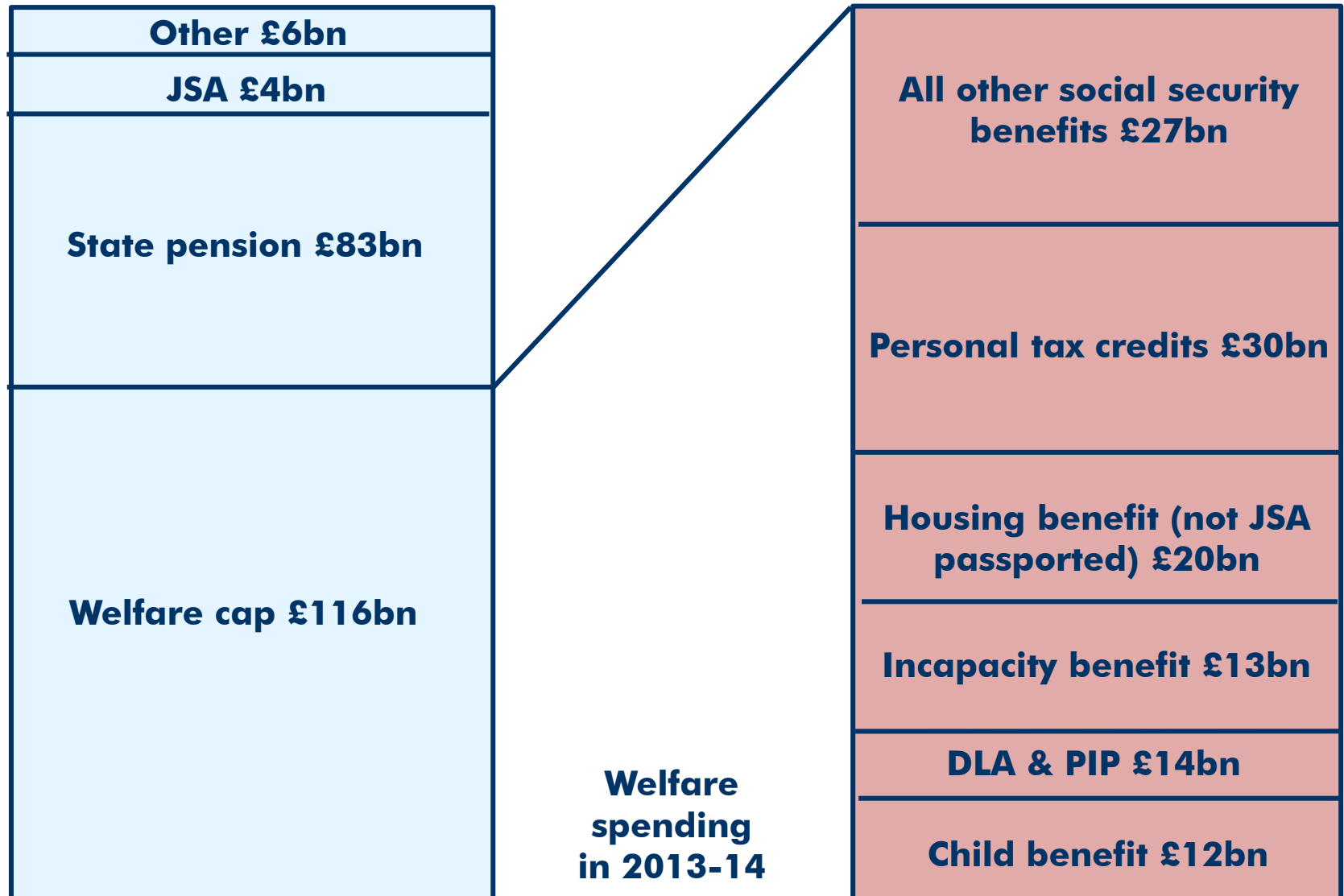
Office for
**Budget
Responsibility**

Welfare Trends Report

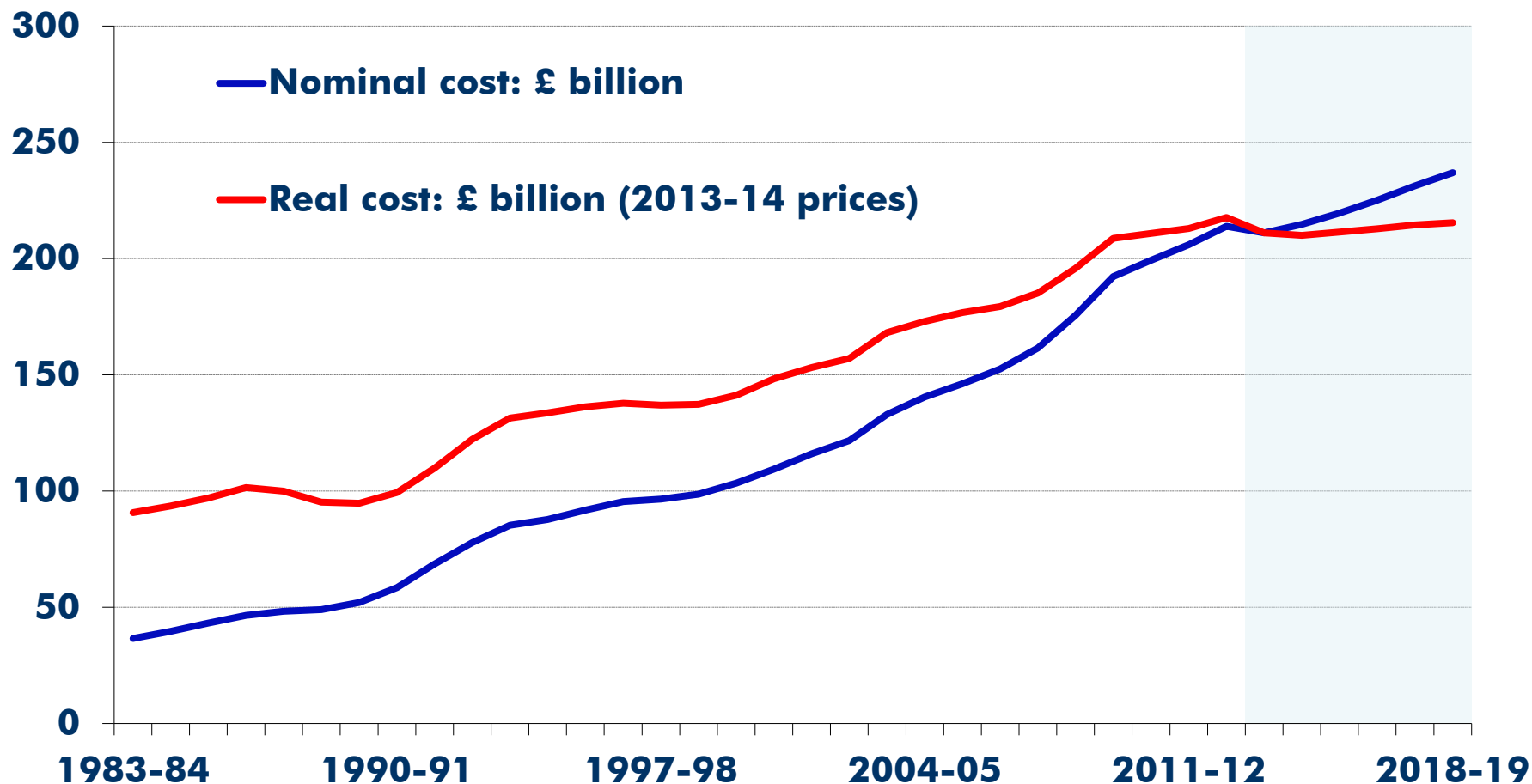
Welfare Trends Report

- **Government announced cap on cash spending on a subset of social security benefits and tax credits**
- **The OBR assesses performance against the cap**
- **And we have been asked to “prepare and publish information on the trends and drivers of welfare spending within the cap”**
- **We have put that in a broader welfare context**

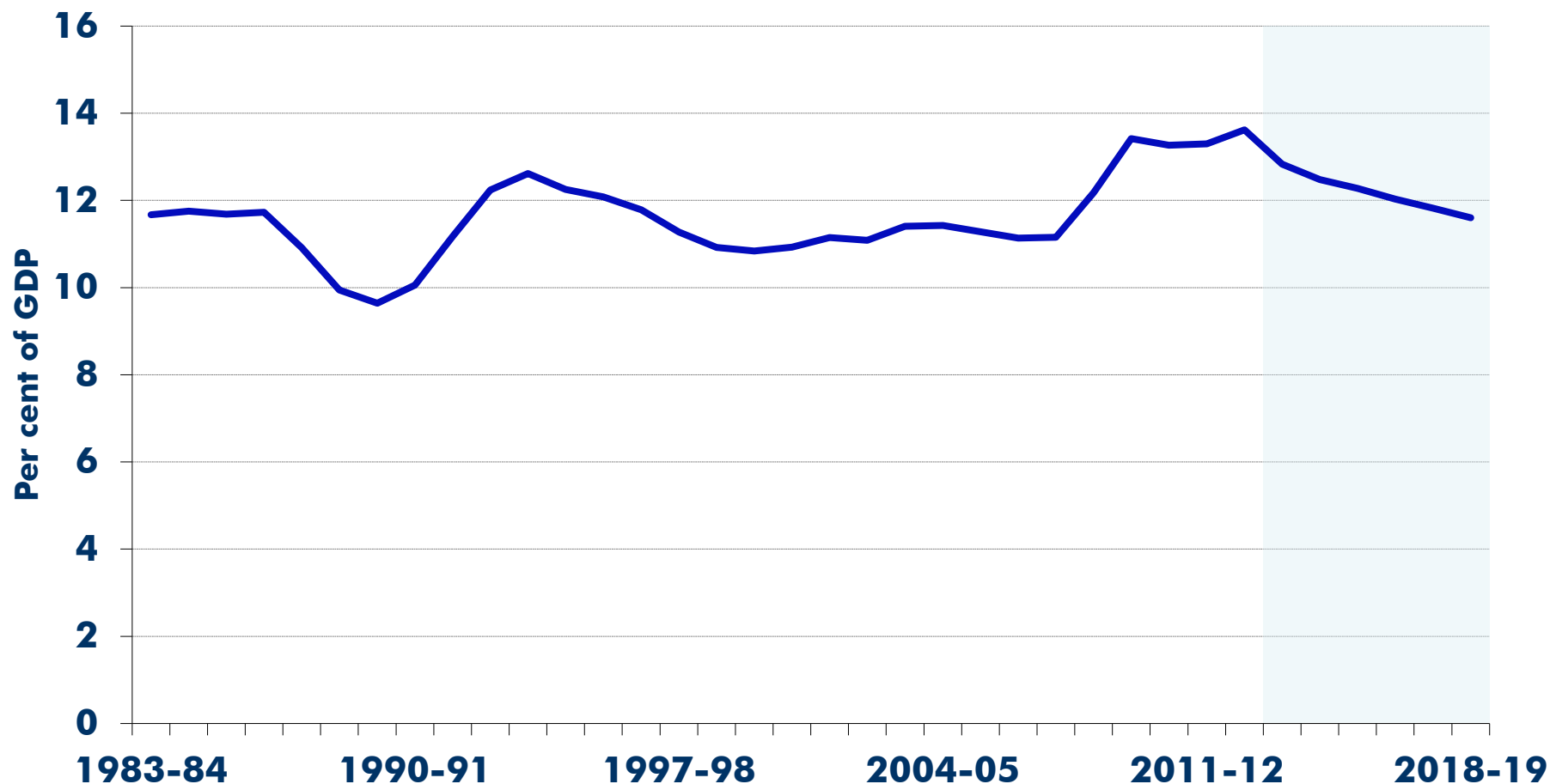
Total welfare spending in the UK



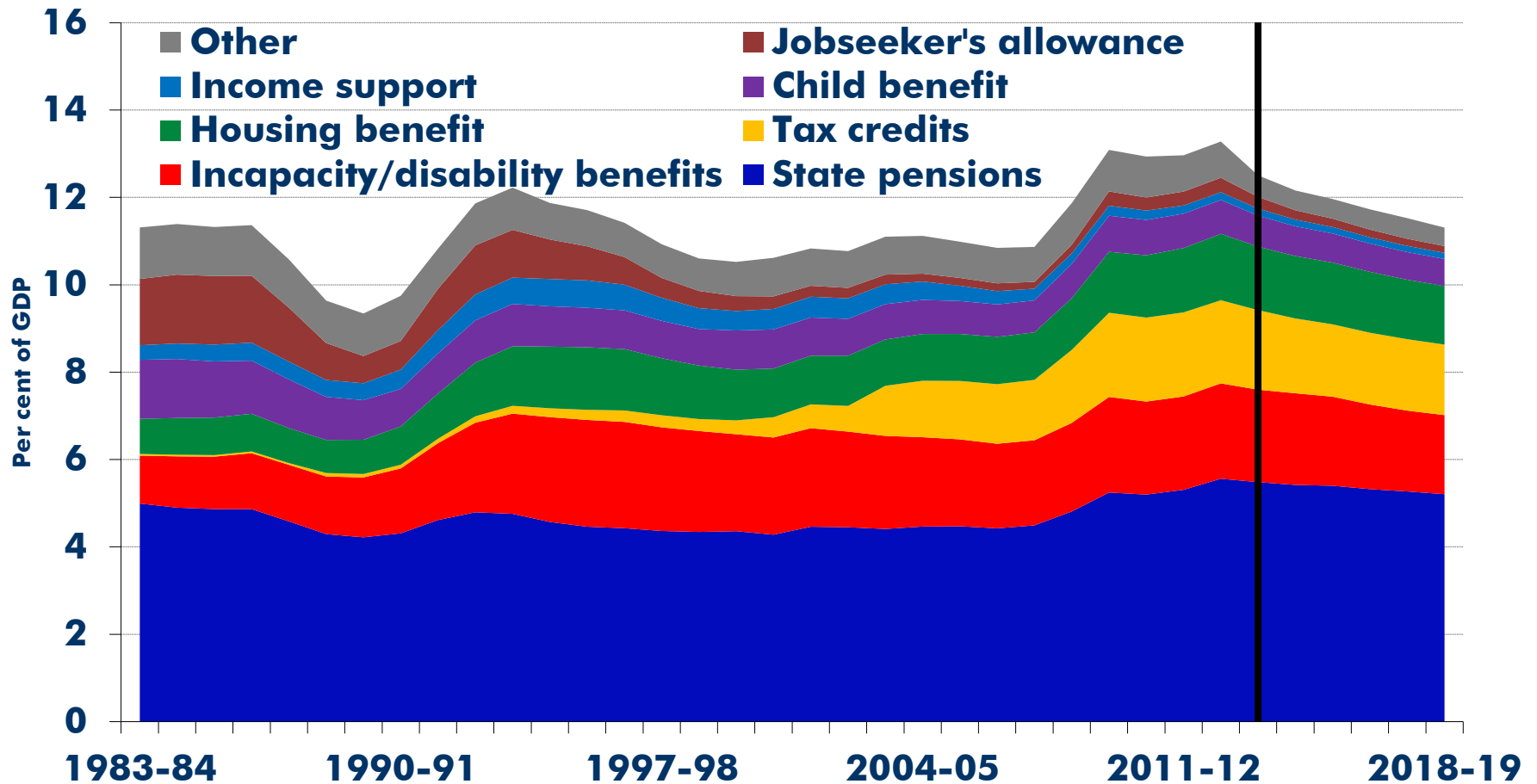
Total welfare spending in the UK



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Welfare spending by type of benefit



Key drivers of welfare spending

- **Demographic and economic trends**
- **Impact of major reforms**
- **Take-up**
- **Wider policy decisions**

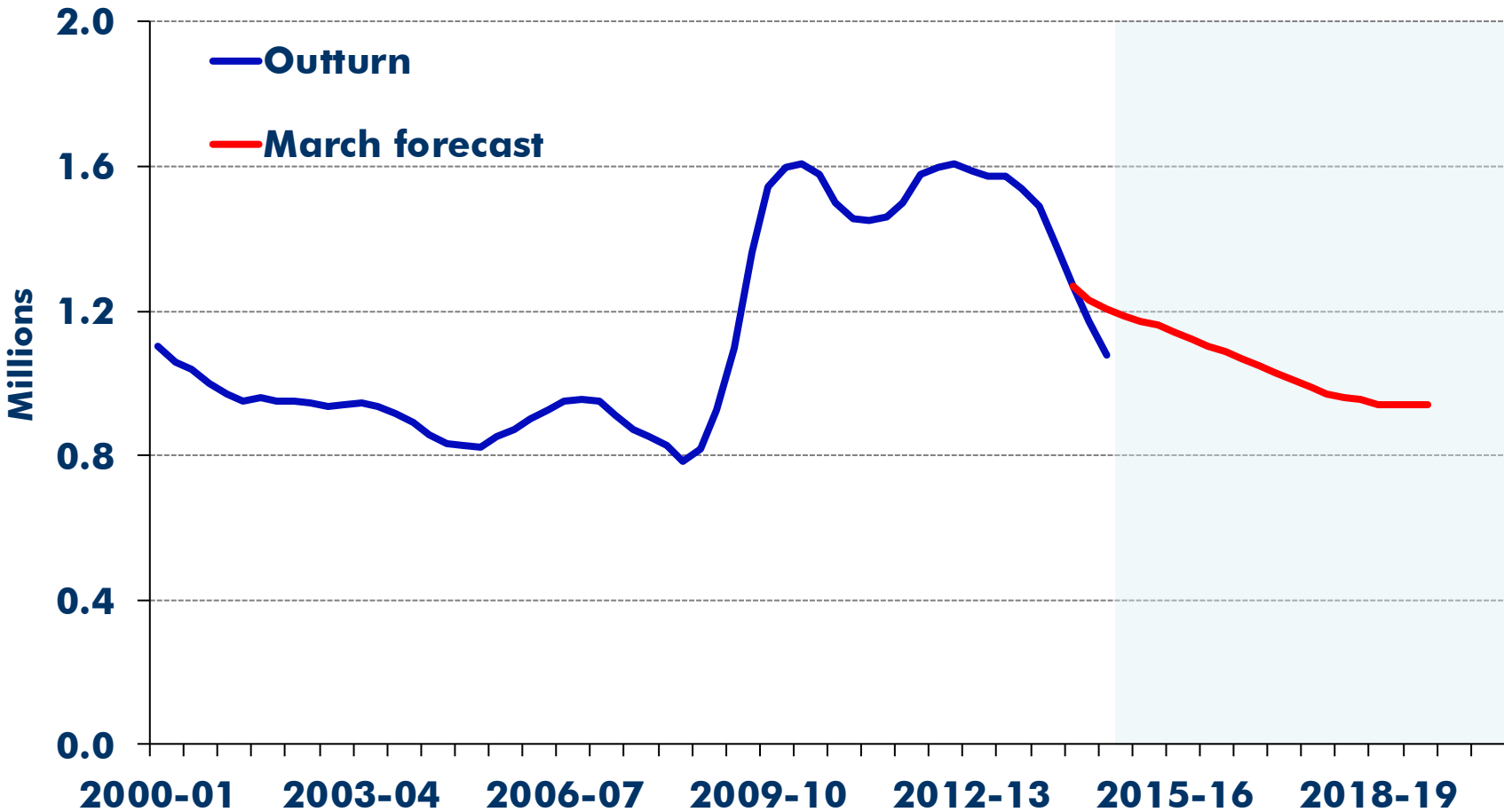
Changes in welfare spending

	Changes (per cent of GDP)	
	83-84 to 07-08	07-08 to 12-13
State pensions	-0.7	1.1
Housing benefit	0.3	0.4
Tax credits	1.3	0.5
Disability benefits	0.7	0.2
Incapacity benefits	0.0	0.0
Income support	-0.1	-0.1
Unemployment benefits	-1.4	0.2
Child benefits	-0.6	0.0
Other welfare spending	-0.2	0.1
Total welfare spending	-0.5	2.5

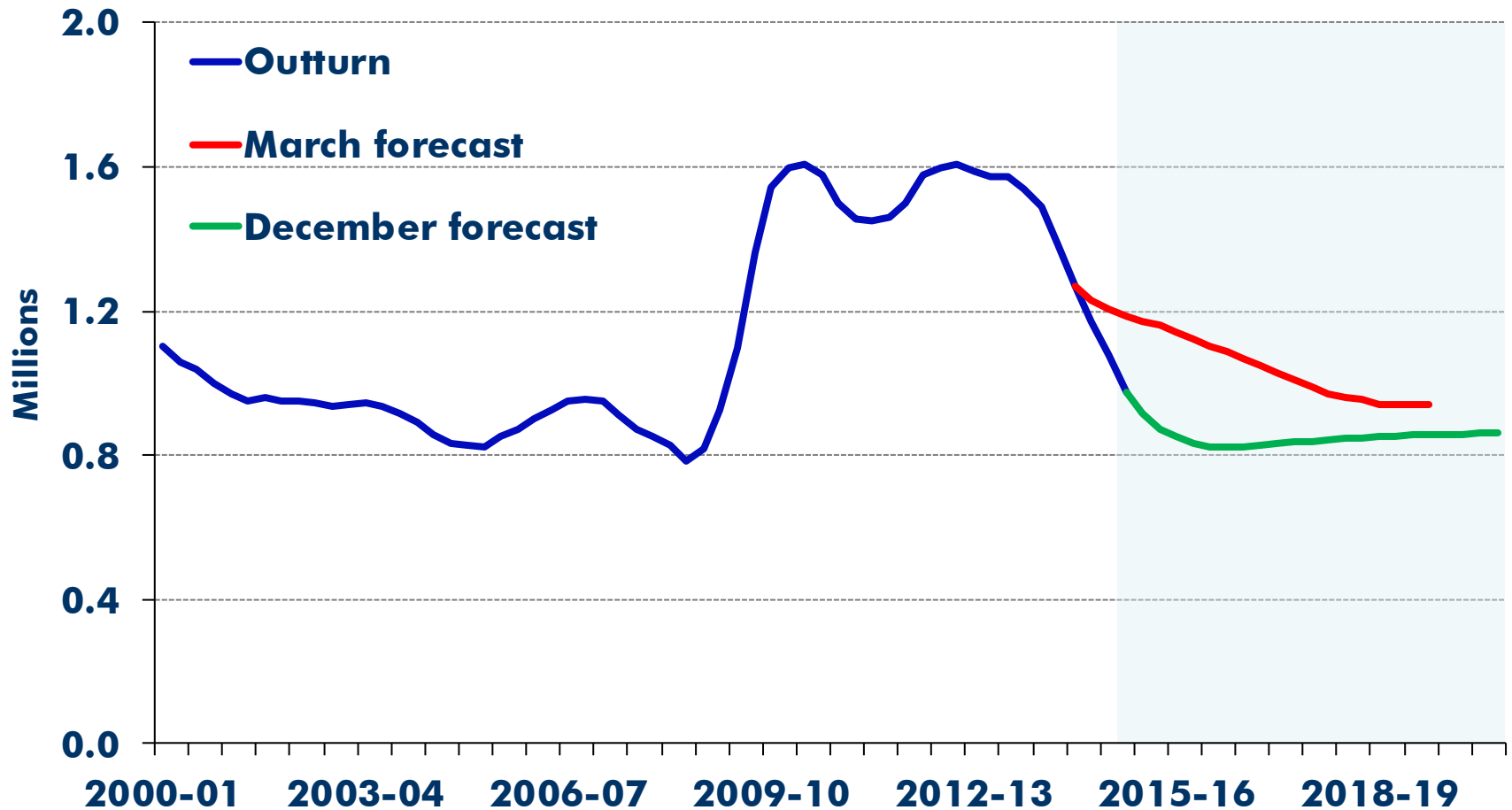
Latest medium-term forecasts

Changes between 2014-15 and 2019-20 (per cent of GDP)	
Welfare spending subject to welfare cap	-0.7
Tax credits	-0.1
Housing benefit (inside cap)	-0.1
Incapacity benefits	-0.1
Disability benefits	-0.2
Other benefits	-0.3
Welfare spending outside the welfare cap	-0.2
State pension	-0.1
Unemployment benefits	-0.1
Other benefits	0.0
Total welfare spending	-0.9

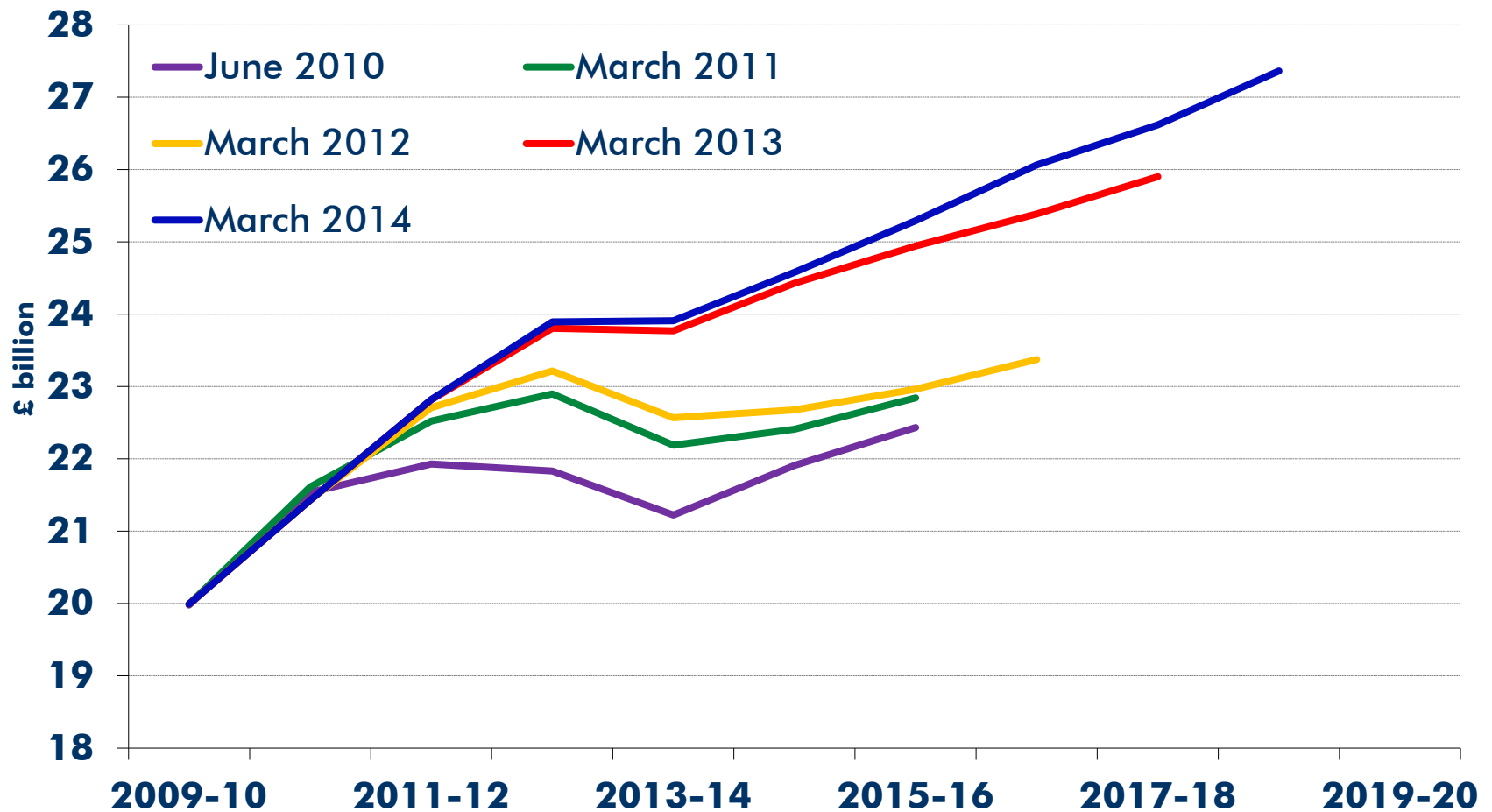
Claimant count unemployment



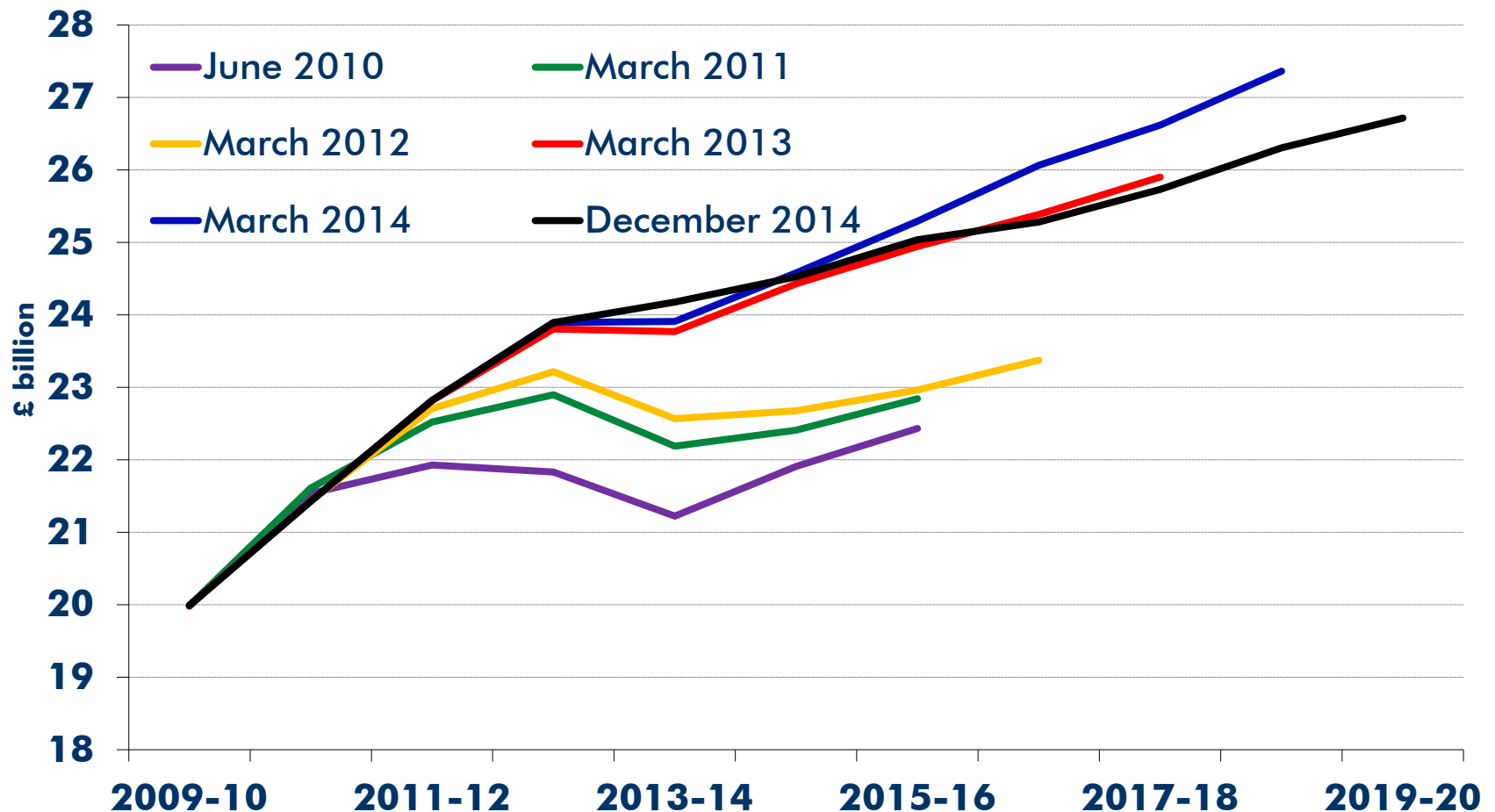
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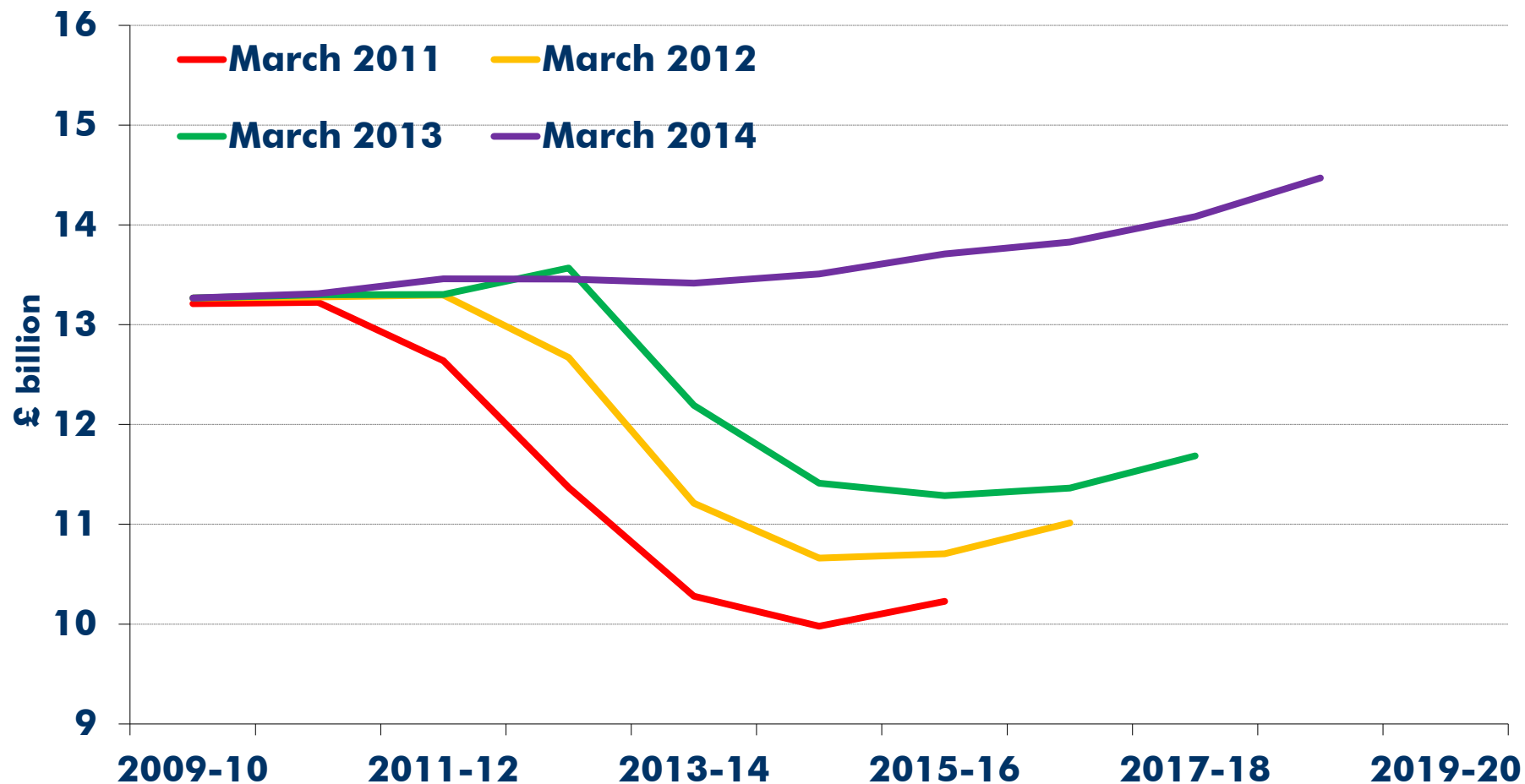
Housing benefit: forecasts



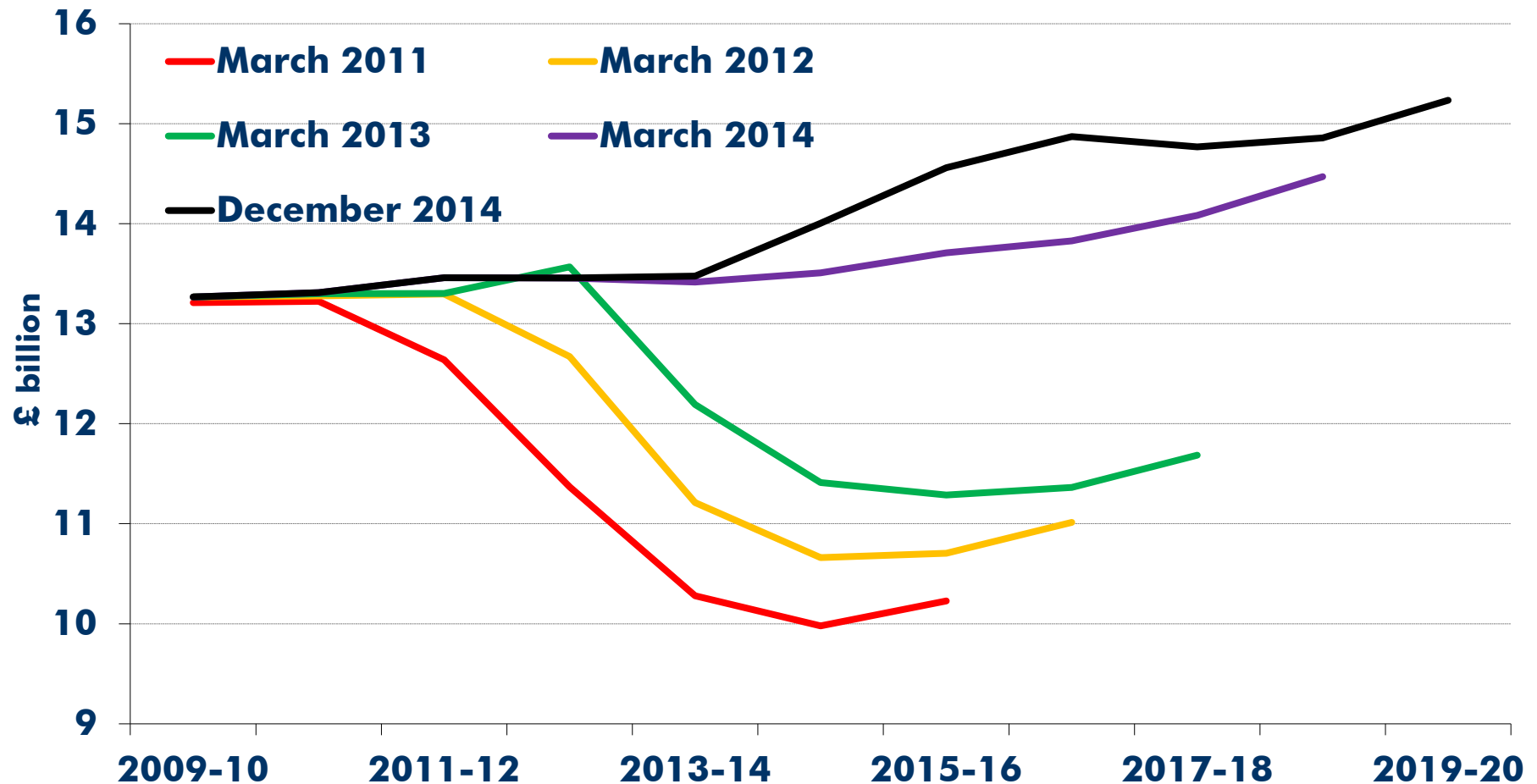
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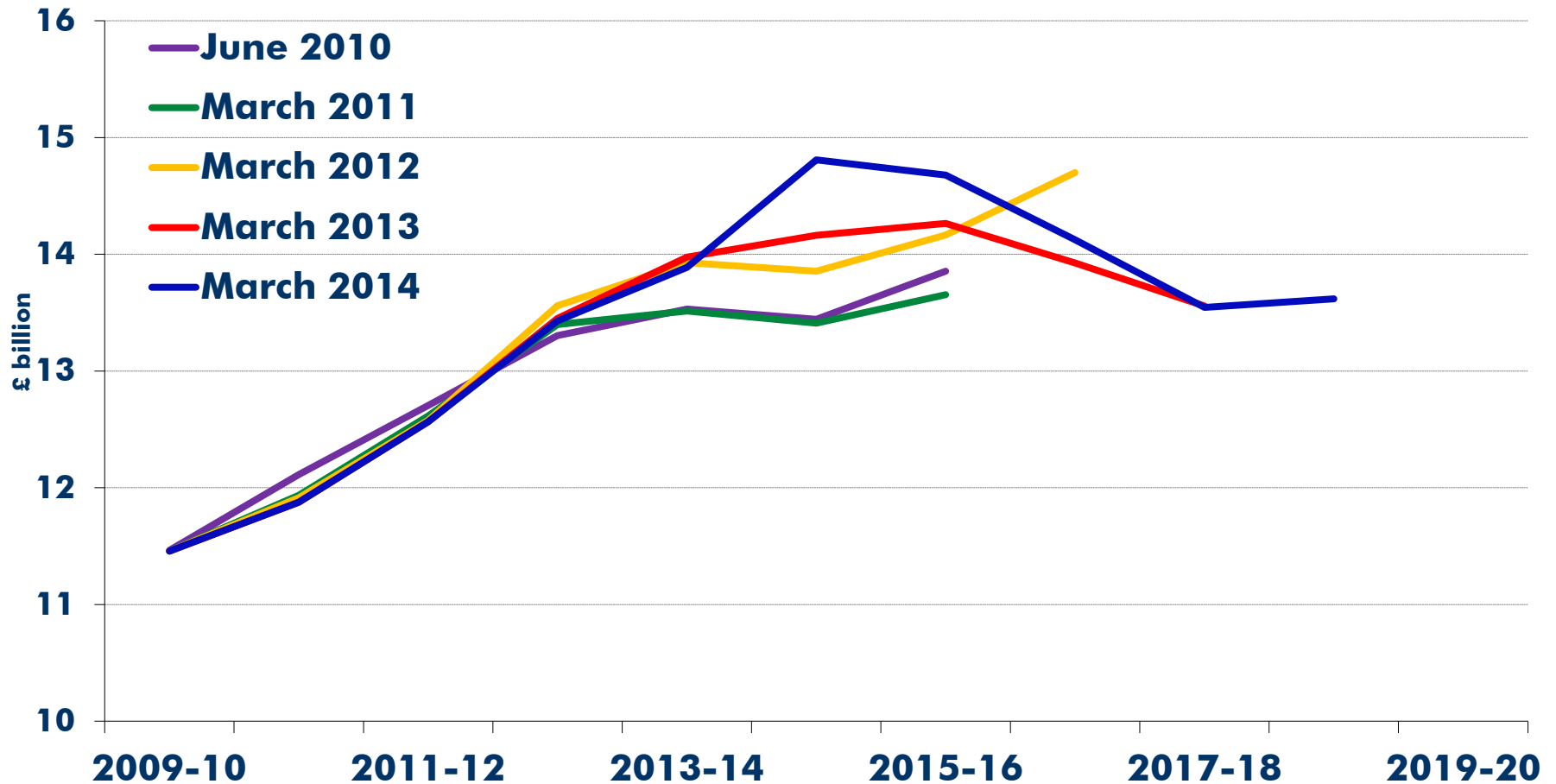
Incapacity benefits: forecasts



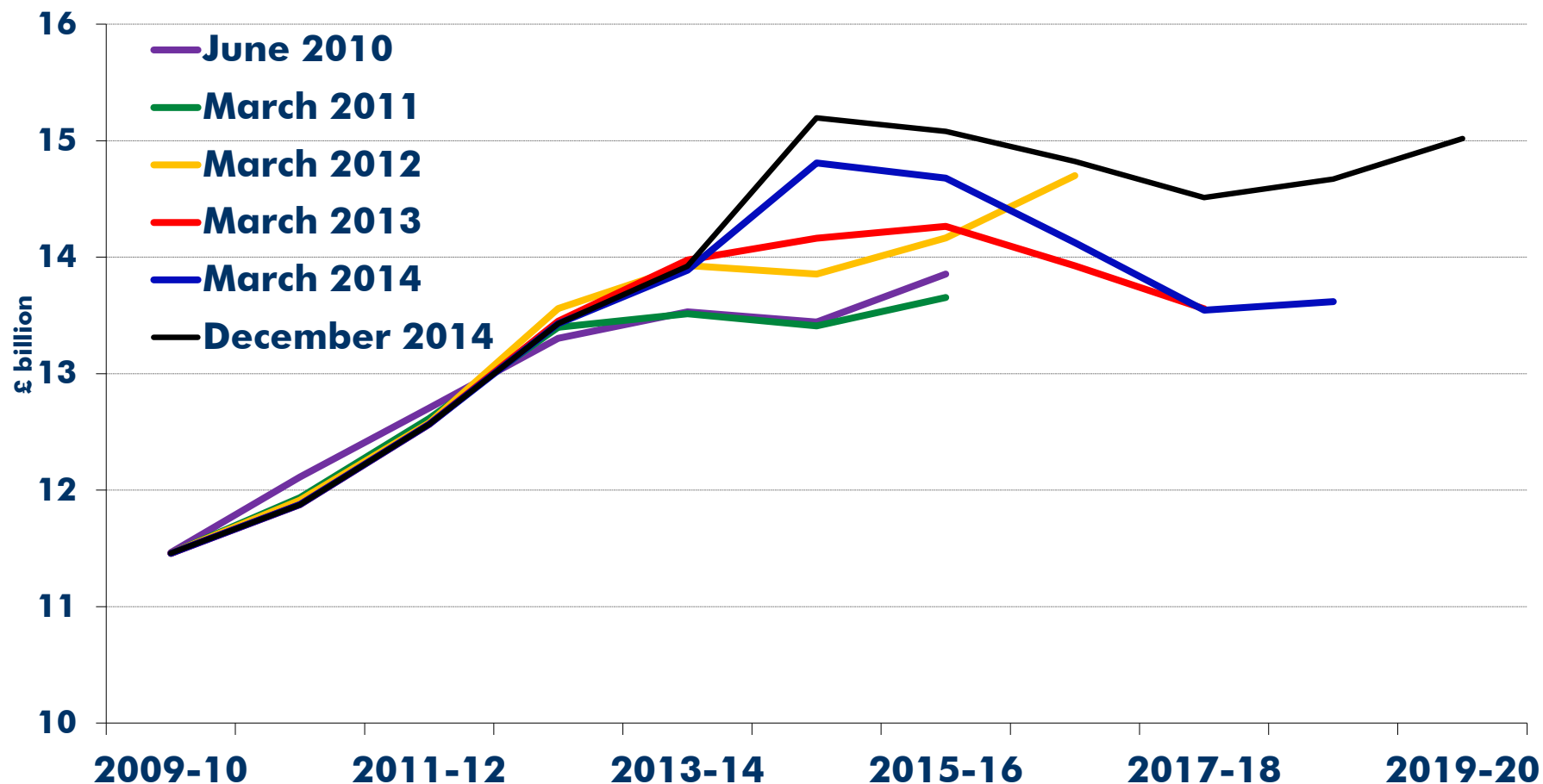
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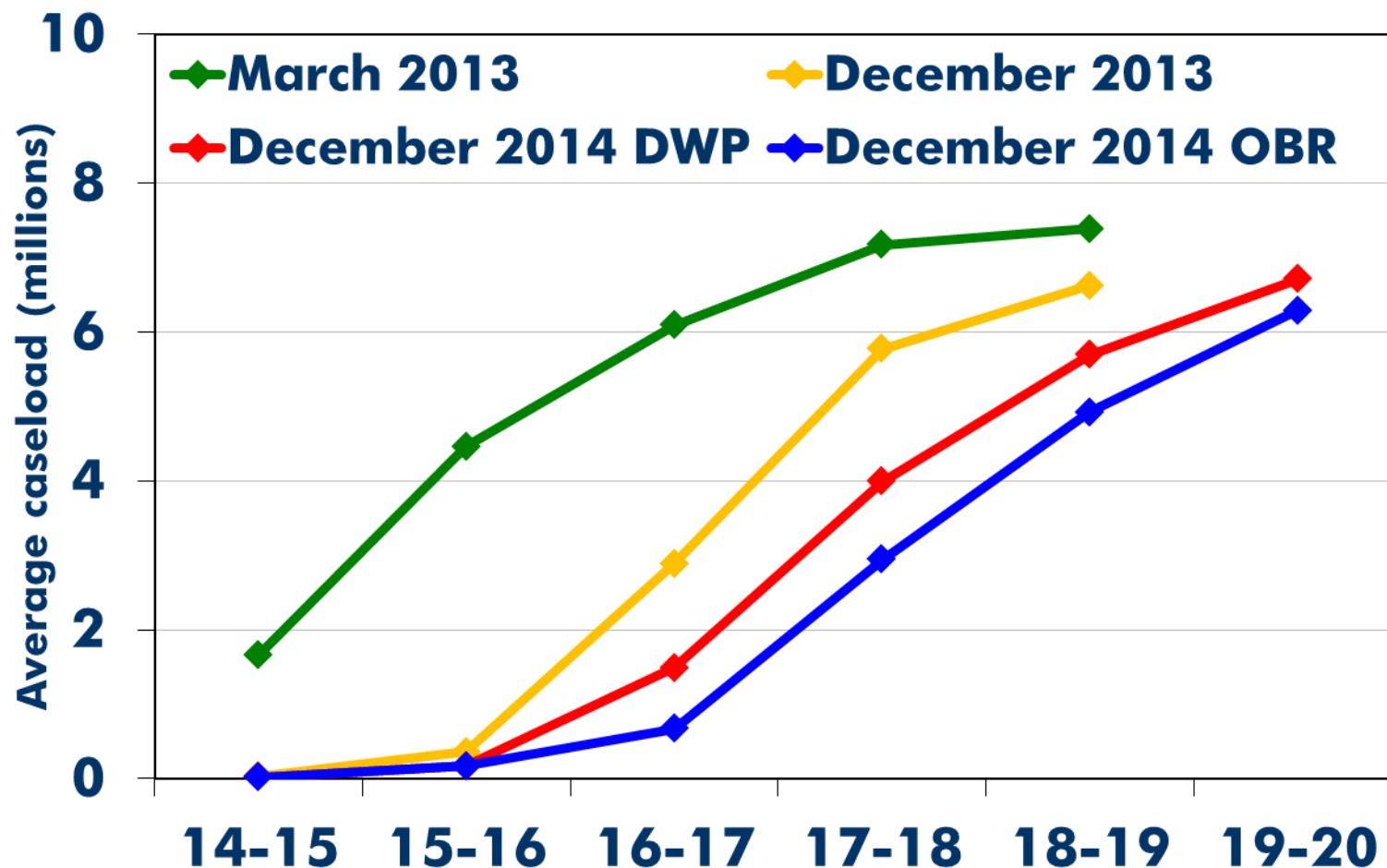
DLA/PIP: forecasts



DLA/PIP: forecasts



Universal credit rollout schedule



Welfare cap assessment

	£ billion			
	2015-16	2016-17	2017-18	2018-19
Welfare cap	119.7	122.3	124.8	127.0
2 per cent forecast margin	2.4	2.4	2.5	2.5
Forecasting changes	1.1	0.6	0.1	-0.3
Economic assumptions	-0.1	-1.1	-1.4	-1.5
Incapacity benefits modelling	0.8	1.1	0.9	0.6
Disability benefits modelling	0.5	0.9	1.2	1.3
Other	-0.1	-0.3	-0.5	-0.7
Autumn Statement policy measures	-0.2	-0.6	-1.0	0.2
December forecast	120.7	122.4	124.0	126.8
Forecast vs welfare cap	0.9	0.1	-0.8	-0.1

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