Office for Budget Responsibility

28 March 2024

Supplementary forecast information release

Further information on universal credit budgeting advances at Spring Budget 2024

1.1 The OBR is releasing the information below following requests for further detail on the forecasts presented in our March 2024 *Economic and fiscal outlook* (*EFO*). We will, as far as possible, meet any requests to release supplementary forecast information where this will improve the quality of public debate on the public finances. Our full release policy is available on our website.

1.2 We have received a request to present the Public Sector Net Debt (PSND) impact of the universal credit (UC) budgeting advances measure included in our March 2024 forecast. UC budgeting advances are for specific circumstances available to UC households (for example, to help with emergency household costs). At the Spring Budget, the Government extended the repayment period for UC budgeting advances from 12 months to 24 months for all new advances from December 2024. The PSND impact of this policy is presented in Table 1 below.

Table 1: UC budgeting advances measure in our March 2024 forecast

	£ million					
	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
UC budgeting advances repayment period extension[1]	0	8	120	4	-5	14

1 Positive (negative) numbers correspond to an increase (decrease) in PSND.

1.3 There are two ways budgeting advances affect PSND: the initial issuance of the advance increases PSND (as the Government loans money out to the UC household), and then the subsequent monthly repayments decrease PSND (as the UC household effectively pays money back to the Government). The Spring Budget 2024 policy doubles the repayment period from 12 to 24 months, and therefore halves the monthly repayment amount.

1.4 The main PSND impact of the policy is the £120 million increase in 2025-26. This is explained by lower monthly repayments: the majority of budgeting advances being repaid in this year will be issued after the introduction of the policy in December 2024, therefore their monthly repayment amount will be half the amount it would have been absent this policy, reducing incoming money for the Government. The PSND effect is largely negligible from 2026-27 onwards, as the lower monthly repayment amounts are offset by a higher stock of households repaying an advance (due to a household now remaining on this stock for two years rather than only one).