

Emergency Budget

Overview

George Osborne delivered the first wholly-Conservative budget for over 18 years, as he outlined the Government's £12bn welfare reforms. Mr Osborne told the House of Commons that there would be a budget surplus by 2020 and promised that the Conservative Government is making sure "Britain is getting its house in order".

Whilst outlining the £12bn welfare reforms the Chancellor said the pace of cuts will be over three years, not the originally planned two years: "We shouldn't go faster. We shouldn't go slower". The "rabbit" of this budget was the announcement of a national "living wage" which will see the national minimum wage for over 25s increased to £7.20 in April 2016 (still lower than the Living Wage which is currently £7.85).

Below you will find a brief summary of some of the announcements; a follow-up briefing will follow in due course as the Full Employment and Welfare Bill is published.

Growth forecasts	George Osborne unveiled a downgraded growth forecast for the UK this year; however the Chancellor was keen to stress that the UK has "the strongest economic growth of any major advanced economy in the world"
The deficit and borrowing	The deficit will be reduced by around 1% of GDP (the value of the economy as a whole) on average in each year, Budget deficit is now less than 5%, with the aim to run a surplus by 2019/20.
Area	Information
Benefits	<p>The Chancellor announced the Government will publish the Full Employment and Welfare Bill. The Bill will freeze working age benefits for four years, (excluding maternity pay, PIP, disability payments and ESA).</p> <p>The Bill will also see the benefit cap reduced to £23,000 in Greater London and £20,000 outside the capital (the first time there has been a regional difference). The justification from the government is "that it is not fair that people out of work can earn more than people in work". The cap is likely to affect 89,000 households and <u>"save £1.67bn over the next five years"</u>.</p>
ESA	The level of ESA for new claimants in the work-related activity group (WRAG) will be reduced by nearly £30 from £102.15, in line with job seekers allowance. A leaked government document

	<p>described this part of ESA as a "passive" benefit which does not "incentivise" people to find a job.</p> <p>This will only affect new claimants not existing claimants.</p>
Social housing	<p>Social housing rents will be reduced by 1%/year for the next four years.</p> <p>Social tenants earning more than £30,000 (£40,000 in London) will now have to pay up to the market rate for their properties from 2017/18. It is expected that this will save up to £250m per year and could cost affected tenants on average up to £70 a week.</p>
18-21 year olds	<p>18-21 year olds in receipt of JSA will lose their automatic entitlement to housing benefit and will have an obligation to 'earn or learn'.</p> <p>There will be a youth obligation, as announced in the Conservative manifesto, which mean 18-21 year olds will have to "earn or learn". More details are expected in the aforementioned Bill.</p>
Childcare	<p>As announced in the Conservative manifesto and the Childcare and Adoption Bill, free childcare for 3-4 year olds will be increased to 30 hours/week from 2017.</p>
Taxes	<p>The personal tax free allowance will rise to £11,000 in 2016 on course to reach £12,500 by the end of the parliament.</p> <p>The threshold for paying the 40pc higher tax rate will increase from £42,385 to £43,000 from next year, set to reach £50,000 by 2020.</p>
Living Wage	<p>A compulsory "national living wage" will be introduced from April 2016 for all those over 25. It will be set at £7.20 with a planned rise to £9/hour by 2020 (future rises to be recommended by the Low Pay Commission). This rate is lower than the current Living Wage Foundation national rate of £7.85/hour.</p>
Apprenticeships	<p>An apprenticeship levy will be introduced on all large firms. According to the government, firms that offer "apprenticeships will get more back than they put in".</p>
Housing	<p>Rent a room relief to be increased to £7500 (up from £4,250)</p> <p>Planning reforms to be announced on Friday 10th July</p> <p>Local Housing Allowance will be frozen for the next four years</p> <p>From April 2017, the system that allows Buy-to-Let landlords to offset mortgage interest payments against their income will be phased out</p> <ul style="list-style-type: none"> • There will also be a restriction of mortgage relief on rental property to the basic rate of income tax for buy-to-let landlords

<p>Tax Credits</p>	<p>From April 2016, the government will reduce the level of earnings at which a household's tax credits and Universal Credit award starts to be withdrawn for every extra pound earned.</p> <ul style="list-style-type: none"> • The income threshold at which tax credit will be reduced from £6,420 to £3,850 • The equivalents in Universal Credit (work allowances) will be reduced to £4,764 for those without housing costs, £2,304 for those with housing costs, and removed altogether for non-disabled claimants without children <p>The government will also increase the rate at which a person's or household's tax credit award is reduced as they progress in work, by increasing the taper rate in tax credits from 41% to 48%.</p> <p>There will be no extra tax credit, Universal Credit or housing benefit support for a third child after 2017. Exceptions will be made for multiple births which would bring a family over this limit.</p>
<p>Domestic abuse</p>	<p>The government will set up a £3 million fund "to encourage innovative approaches including refuge provision to help those suffering from domestic abuse".</p>