

UKMOD Change Log

Summary of changes between B2024.14 and B2024.16

Date: 31 Oct 2024

This document provides a summary of the changes implemented since the preceding public release of UKMOD. For further technical detail, please consult the Excel log file reported in the 'Log' directory of the model.

This release includes **new documentation for the BVR “behavioural responses” add-on** to UKMOD.

Autumn Statement

The model has been updated following the Autumn Statement, as described below. Note that some tax and benefit policy interventions set out in the Autumn Statement are beyond the scope of the model; please get in touch with us if you think that anything has been inadvertently missed.

- National Insurance Contributions
 - Increase the rate of employer NICs from 13.8% to 15% from 6 April 2025.
 - Reduce the Secondary Threshold to £5,000 a year (£96.15 per year) from 6 April 2025 until 6 April 2028, and then increase it by Consumer Price Index (CPI) thereafter.
 - The Lower Earnings Limit (LEL) will be £6,500 per annum (£125 per week) in 2025-26.
 - The Small Profits Threshold (SPT) will be £6,845 per annum in 2025-26.
 - The main Class 2 rate will be £3.50 per week in 2025-26.
- Income tax
 - The government will uprate Married Couple's Allowance and the Blind Person's Allowance by the September 2024 CPI rate of 1.7% from 6 April 2025.
 - The Starting Rate for Savings will be retained at £5,000 for 2025-26.
- Indirect taxes
 - The fuel duty rate for 2025-26 will be set at the same level as 2024-25.
 - NOTE: extension of basic VAT rate to private school fees requires extension of model input data. These data will be processed when the new Living Cost and Food survey is released (currently scheduled for late December).

- Cut alcohol duty rates on draught products below 8.5% alcohol by volume (ABV) by 1.7% from February 2025.
- The government will renew the tobacco duty escalator at RPI+2% on all tobacco products until the end of this Parliament. To reduce the gap with cigarette duty, the rate on hand-rolling tobacco will increase by a further 10% this year.
- Winter Fuel Payment will be targeted to those in receipt of Pension Credit (including Universal Credit, Income Support, income based Jobseekers Allowance and Employment Support Allowance).
- Minimum wages from April 2025
 - National Living Wage will increase to £12.21 per hour
 - National Minimum Wage for 18-20 year olds will increase to £10.00 per hour
 - minimum wages for Under 18s and Apprentices to £7.55 per hour
- State pensions¹
 - The basic and new State Pension will increase by 4.1% from April 2025, in line with earnings growth.
 - The Pension Credit Standard Minimum Guarantee will also increase by 4.1% from April 2025.
- Working aged benefits
 - The government will uprate working age benefits by September 2024 CPI of 1.7% from April 2025.

System Updates

- Model systems extended to include 2028/29 and 2029/30, aligning UKMOD with the OBR forecast window.

Parameter Updates

- All parameters have been adjusted for revised projections for growth rates.
- Switch default for FYA extension from “off” to “on”.

Data Revisions

- All model indices updated for most recent data releases, including projections in the October 2024 Economic and Fiscal Outlook reported by the OBR.

¹ Note that the Table A.3 of the OBR *Economic and Fiscal Outlook* reports that a triple lock uprating factor of 4.0% for 2024/25. The model parameters for 2024/25 are set according to OBR assumptions until payment rates are published by the Government.

Policy Reforms

- Means-testing added to Winter Fuel Payment from 2024/25
 - Statistics presenter comments also updated.

Code Corrections and Amendments

- Discretionary Housing Payments (bhosc01_s) amended to relax hard constraint defined by the UC Housing Element reflecting reform from April 2024 that allows local authorities to issue awards up to the amount of the household's housing costs (loosely defined, taken as xhc_hbai).
- Corrected bug in the eligibility condition of the bmu_uk policy for system years 2020 and 2021.
- Influence of two child limit extended to 2018 for CTC, UC, and HB (rather than from 2019). This reflects the fact that the policy was specified to affect new claims and new births from April 2017. The model assumes that children born prior to 2018 are exempt from the policy, as the input data do not indicate duration of receipt of associated benefits or exact date of birth. This implies that the change in policy only has a practical impact on projections from 2018 (and then only for children aged 0 in that year).
- Introduced variable afc_s, which takes the maximum of afc (financial assets described by the FRS input data) and annual investment income ($y_{iy} \times 12$) uprated by the rate of accrual of tariff income for Pension Credit or Income Support. afc_s is subsequently used in place of afc to evaluate tariff income and asset constraints. The adjustment was introduced to avoid cases where observations were associated with high values of investment income but low (or zero) values of financial assets.
- Amend income lists used to administer means tests for Pension Credit (il_GC_means), Income Support (il_IS_means), and Housing Benefit (il_HBCTB_meansGC) to ignore taxes on investment income (dividends and savings, tax_sav_s and tax_div_s).