

Support for Mortgage Interest: Budget 2011 forecasts

December 2011

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Background

Where a home-owner is getting Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance or Pension Credit and they have a mortgage, those benefits may include an additional element called Support for Mortgage Interest. This assists home-owners with the interest on their mortgage.

Support for Mortgage Interest makes a contribution towards the interest on eligible loans taken out to purchase the property and specific loans for repairs and improvements which are necessary to maintain the home's fitness for habitation.

It is normally paid direct to customers' lenders every four weeks through the Mortgage Interest Direct scheme. Further information is available from: http://www.direct.gov.uk/en/MoneyTaxAndBenefits/BenefitsTaxCreditsAndOtherSupport/On_a_low_income/DG_180321

Methodology

To forecast Budget 2011 Support for Mortgage Interest (SMI) caseload and expenditure we have:

- Used DWP's Quarterly Statistical Enquiry (QSE) to identify the number of claimants in receipt of Income Support, Job Seeker's Allowance or Pension Credit who are also in receipt of the additional SMI element. For Employment Support Allowance (ESA) there is no detailed statistical data enabling us to identify SMI spending, so this has been modelled using the available information from the Generalised Matching Service (GMS), the data extract underpinning the DWP's Work and Pensions Longitudinal Study (WPLS). ESA figures will therefore be more uncertain than those for the other benefits.
- Used a combination of the QSE or GMS and DWP accounting data to calculate the annual expenditure on SMI.
- Forecast the number of future SMI claimants and future SMI expenditure using DWP forecasting models, and economic assumptions from the Office for Budget Responsibility, principally their claimant unemployment assumption and their interest rate assumption¹.

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http://budgetresponsibility.independent.gov.uk/wordpress/docs/economic_and_fiscal_outlook_23032011.pdf, Table 4.3

Results: Budget 2011 Support for Mortgage Interest forecasts

Table 1: Number of recipients of Support for Mortgage Interest

Thousands	2004/05 Outturn	2005/06 Outturn	2006/07 Outturn	2007/08 Outturn	2008/09 Outturn	2009/10 Outturn	2010/11 Estimate	2011/12 Forecast	2012/13 Forecast	2013/14 Forecast	2014/15 Forecast	2015/16 Forecast
Pension Credit	117	123	124	120	119	121	120	118	115	112	109	106
Income Support: Incapacity Benefit related	70	66	61	57	53	51	45	35	20	8	-	-
Income Support: Lone Parent	28	25	23	19	17	17	17	12	10	9	8	8
Income Support: Carer	7	7	7	7	7	7	7	7	8	9	9	9
Income Support: Other	4	3	3	3	3	3	2	3	3	3	3	2
Employment Support Allowance	-	-	-	-	1	7	12	22	32	48	55	57
Jobseeker's Allowance	12	10	10	8	9	29	44	42	42	37	34	31
Total	238	235	227	215	208	235	247	239	230	226	217	213

Source: *The Quarterly Statistical Enquiry, Generalised Matching Service, Work and Pensions Longitudinal Study and Budget 2011 forecasts*

Table 2: Support for Mortgage Interest expenditure - nominal terms

£ million	2004/05 Outturn	2005/06 Outturn	2006/07 Outturn	2007/08 Outturn	2008/09 Outturn	2009/10 Outturn	2010/11 Estimate	2011/12 Forecast	2012/13 Forecast	2013/14 Forecast	2014/15 Forecast	2015/16 Forecast
Pension Credit	126	147	159	182	190	194	184	125	127	129	133	137
Income Support: Incapacity Benefit related	117	124	123	134	130	122	91	58	37	15	-	-
Income Support: Lone Parent	62	64	63	63	61	68	63	42	39	33	32	34
Income Support: Carer	12	14	14	16	17	18	16	14	17	20	21	23
Income Support: Other	6	6	6	8	7	7	6	5	6	6	6	6
Employment Support Allowance	-	-	-	-	1	28	42	54	66	98	124	142
Jobseeker's Allowance	22	21	23	23	25	124	147	103	125	118	113	112
Total	345	375	389	426	430	560	546	402	418	419	430	453

Source: The Quarterly Statistical Enquiry, DWP accounting data, Generalised Matching Service, Work and Pensions Longitudinal Study and Budget 2011 forecasts

Table 3: Support for Mortgage Interest expenditure - real terms (2011/12 prices)

£ million	2004/05 Outturn	2005/06 Outturn	2006/07 Outturn	2007/08 Outturn	2008/09 Outturn	2009/10 Outturn	2010/11 Estimate	2011/12 Forecast	2012/13 Forecast	2013/14 Forecast	2014/15 Forecast	2015/16 Forecast
Pension Credit	151	173	181	202	204	206	189	125	123	123	123	124
Income Support: Incapacity Benefit related	140	146	140	149	140	129	93	58	36	14	-	-
Income Support: Lone Parent	74	75	72	70	65	72	64	42	39	31	30	30
Income Support: Carer	14	16	16	18	18	19	16	14	17	19	20	20
Income Support: Other	8	7	7	9	8	7	6	5	6	6	6	5
Employment Support Allowance	-	-	-	-	1	30	43	54	65	93	115	128
Jobseeker's Allowance	27	25	26	25	27	131	151	103	122	112	104	101
Total	413	442	443	472	463	593	562	402	408	398	398	408

Source: The Quarterly Statistical Enquiry, DWP accounting data, Generalised Matching Service, Work and Pensions Longitudinal Study and Budget 2011 forecasts

Notes:

1. Figures relate to Great Britain only.
2. Forecast figures are consistent with the Budget 2011 spending forecasts published by the Office for Budget Responsibility on 23rd March 2011, and available at:
http://budgetresponsibility.independent.gov.uk/pubs/economic_and_fiscal_outlook_23032011.pdf
Expenditure figures for 2010/11 are based on the estimates made at that time for consistency with the forecast figures; updated out-turn figures have since been published in the Department's accounts.
3. Figures are on a Resource Accounting and Budgeting basis. There may be small differences between figures quoted in these tables and those quoted in Department for Work and Pensions Accounts.
4. Totals may not sum due to rounding.
5. Universal Credit will be introduced in October 2013. This will gradually replace Income Support, income-based Jobseeker's Allowance, income-based Employment and Support Allowance and Housing Benefit, along with Child Tax Credit and Working Tax Credit (delivered by HM Revenue & Customs at present). These tables show the current benefits continuing throughout the period, and do not include the impact of Universal Credit.
6. Caseload figures have been calculated to be consistent with National Statistics based on the Work and Pensions Longitudinal Study (WPLS), where available, so some historic caseload numbers may be different to those previously published.
7. Figures are, where possible, quoted as financial year averages, so differ from those published in National Statistics releases or on the DWP tabulation tool. Normally this means they are averages of the four quarters of published data (May, August, November and February).

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