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Policy Impact Assessment: Autumn Budget Statement 2026. UK-Wide Distributional Analysis 2026-2030

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CeMPA
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1. Executive Summary

Purpose and scope:

This analysis assesses the cumulative impact of the Autumn Budget Statement 2025 on UK residents over the period 2026-2030. The Budget has been passed by Parliament and will be implemented beginning in April 2026. This report models policy impact on the UK population using UKMOD (a UK microsimulation model), which captures effects on all households and individuals, including both those with market income (employment earnings, self-employment income, private pensions, investment income) and those without market income (such as households reliant solely on state benefits and pensions). The analysis covers the UK population weighted to represent the national demographic and economic composition.

What this analysis compares:

The analysis compares baseline scenarios for each year from 2026 to 2030 under pre-Budget legislation with reform scenarios in which the Autumn Budget Statement 2025 policies are implemented. Each year represents a separate comparison between baseline and reform scenarios, with identical market incomes and economic conditions, to isolate pure policy effects. Market income is identical between scenarios in each year because both use the same Office for Budget Responsibility (OBR) November 2025 uprating forecasts applied to 2023 input data. This ensures that all measured differences reflect policy changes only, and not differences in economic assumptions or forecast.

The poverty line and decile groups are held fixed at baseline levels for each year. This ensures that measured poverty reduction reflects individuals crossing a consistent income threshold because of policy changes, rather than shifts in the overall income distribution. All monetary values are expressed in nominal terms for each respective year. This is a comprehensive policy package combining immediate benefit increases (two-child limit removal effective from April 2026) with phased tax changes (dividend tax increases from April 2026; property and savings tax changes from April 2027; and threshold freezes through to April 2031).

Market income composition:

Market income represents pre-government income (employment earnings, self-employment income, private pensions, and investment income) before any tax or benefit policies are applied. The policy changes affect how the government interacts with this market income through taxes and benefits. By doing so, they change work incentives, which in turn might lead to changes in labour supply behaviour. These behavioural changes are not considered

here. Market income grows from £1,474 billion in 2026 to £1,626 billion in 2030 due to OBR uprating forecasts but remains identical between baseline and reform scenarios within each year.

UKMOD Implementation:

Benefit Reforms:

- Remove of the Universal Credit two-child limit (from April 2026)

Tax Reforms:

- Maintain income tax and National Insurance (NI) thresholds at current levels until April 2031 (fiscal drag)
- Maintain employer NI secondary threshold at current level until April 2031
- Increase dividend tax rates by 2 percentage points (from April 2026)
- Introduce separate property income tax rates: 22%, 42%, 47% (from April 2027)
- Increase savings tax rates by 2 percentage points (from April 2027)

Fuel Duty:

- Cancel uprating for 2026-27; extend 5p cut to August 2026, followed by gradual increases

Headline Findings for the United Kingdom:

Net Poverty Impact: Overall poverty decreases by 21,738 people in 2026 (after housing costs), with the poverty rate declining from 18.40% to 18.37%. Approximately 13,193 children are lifted out of poverty, as child poverty falls from 23.8% to 23.7% (-0.09 percentage points). Working-age adult poverty decreases by 13,784 people, with the poverty rate declining from 19.4% to 19.3% (-0.1 percentage points). However, approximately 5,239 elderly residents fall into poverty as pensioner poverty increases by 0.04 percentage points from 19.3%. The removal of the two-child limit benefits families with three or more children, with 21,770 people in households with children lifted from poverty. This gain is partially offset by the increase in poverty among the elderly driven by dividend tax increases and Pension Credit dynamics.

Fiscal Position: The policy package generates a net fiscal improvement of £1.0 billion in 2026, growing to £1.4 billion by 2030. Tax revenue increases by approximately £1.4 billion in 2026 (+0.3%) primarily from personal income tax changes (+£1.2 billion, +0.4%) driven by income tax threshold freezes creating fiscal drag effects. Benefit expenditure increases by approximately £364 million in 2026 (+0.1%) from Universal Credit two-child limit removal (+£714

million), partially offset by Winter Fuel Allowance restrictions (-£269 million) and Pension Credit reductions (-£127 million).

Personal income tax increases comprise non-devolved taxes (+£1.2 billion), Scottish devolved taxes (+£43 million), and Welsh devolved taxes (+£132 million) in 2026. Council Tax shows no change, while Employee and Employer National Insurance contributions show minimal increases (+£7 million and +£27 million respectively). Universal Credit spending increases by £714 million following the removal of the two-child limit, with additional increases in Council Tax Benefit/Reduction (+£59 million) and non-means-tested benefits (+£179 million). Winter Fuel Allowance savings (-£269 million, -64.7%) and Pension Credit reductions (-£127 million, -2.1%) partially offset Universal Credit costs.

Distribution of Impacts: Only 1.78% of UK households are estimated to gain more than 1% of equivalised disposable income in 2026, while 6.49% experience losses exceeding 1%, indicating more households lose than gain overall. The majority of households (91.73%) see minimal income change (<1% either way). Families with children show net positive outcomes from two-child limit removal (1.42% gaining versus 0.20% losing). Among lone parents 2.76% gain and 0.46% lose, while for families with three or more children 2.17% gain and 0.25% lose, with all gainers experiencing income increases exceeding 5%. By contrast, elderly households experience adverse impacts (27.3% losing versus 1.58% gaining), primarily from dividend tax increases and Pension Credit dynamics affecting elderly investors. No-earner households show 22.2% losing and 4.07% gaining reflecting similar dynamics.

Changes in the Income Distribution: Mean disposable income remain largely stable across deciles despite the policy changes. After housing costs, income in the lowest decile (1) - increases marginally from £158.75 per week to £159.19 per week (+£0.44 per week, or +£23 annually). While income in the highest decile (10) is £1,973 per week in both scenarios (-£0.26 per week, or -£14 annually). Income shares barely shift, with all changes under 0.1 percentage points across deciles and household types. Income inequality falls slightly, with the Gini coefficient declining from 0.339 by -0.000085 after housing costs. While targeted benefit increases for families with three or more children produce gains for specific households, the overall income structure remains largely unchanged. However, the concentration of losses among elderly households creates adverse distributional effects for this vulnerable group, with 27.3% of elderly households experiencing income losses and pensioner poverty increasing by 5,239 people in 2026.

2. Introduction

2.1 Background and Context

The UK Government's Autumn Budget Statement, delivered in November 2025, introduced a comprehensive package of tax and benefit reforms aimed at addressing fiscal sustainability while maintaining support for working families. These reforms include significant changes to Universal Credit eligibility, income tax thresholds, dividend taxation, and fuel duty policy, with implementation phased between April 2026 and April 2031.

This technical note presents a microsimulation analysis of the distributional and fiscal impacts of the November 2025 Budget Statement policies across the United Kingdom and its constituent nations. The analysis focuses on the short to medium-term impacts over the period 2026 to 2030, examining how these policy changes affect household incomes, poverty rates, inequality, and government finances at both the national and sub-national levels.

The Budget Statement 2025 comprises three main policy areas:

Benefit Reforms:

- Removal of the Universal Credit two-child limit (effective April 2026)

Tax Reforms:

- Maintenance of income tax and National Insurance thresholds at current levels until April 2031 (fiscal drag)
- Maintenance of employer National Insurance secondary threshold at current level until April 2031
- Increase in dividend tax rates by 2 percentage points (effective April 2026)
- Introduction of separate property income tax rates at 22% / 42% / 47% (effective April 2027)
- Increase in savings tax rates by 2 percentage points (effective April 2027)

Fuel Duty:

- Cancellation of uprating for 2026-27
- Extension of 5p cut to August 2026, followed by gradual increases.

2.2 Analytical Approach

This analysis employs UKMOD (Richiardi et al.,2021), a static tax-benefit microsimulation model developed and maintained by the Centre for Microsimulation and Policy Analysis (CeMPA) at the University of Essex and the Institute for Social and Economic Research (ISER). UKMOD simulates the UK tax and benefit system, allowing for detailed analysis of policy reforms at both household and aggregate levels.

Baseline and Reform Scenarios:

The analysis compares policy scenarios at the same time point in time, with identical economic conditions. Both the baseline and reform scenarios use UKMOD version B2025.09 with uprating indices updated to match the OBR Autumn 2025 forecasts. This approach ensures both scenarios use identical economic forecasts and produce identical market incomes, isolating pure policy effects.

The input data used is UK_2023_a2, constructed based on the 2023-24 wave of the Family Resources Survey, with income uprated to 2026.

Policies Modelled in UK_2026 System (2026 Analysis):

- Universal Credit two-child limit removal (effective April 2026)
- Income tax and National Insurance threshold freezes (one year of fiscal drag effects, 2025-2026)
- Employer National Insurance secondary threshold freeze (one year of effects, 2025-2026)
- Dividend tax rate increases (+2 percentage points, effective April 2026)
- Fuel duty changes (initial phase through 2026)

Policies not Included in UK_2026 System:

- Property income tax separation at 22%/42%/47% (effective April 2027)
- Savings tax rate increases (+2 percentage points, effective April 2027)
- Full fuel duty phase-in through March 2027

These policies effective from April 2027 onwards are excluded from the 2026 analysis but are captured in subsequent year comparisons (2027-2030).

Extended Time Horizon (2026-2030):

To assess the medium-term trajectory of policy impacts, this analysis extends the comparison across five years (2026, 2027, 2028, 2029, and 2030). Each year comparison uses the respective UKMOD policy systems (UK_2027, UK_2028, UK_2029, UK_2030) with appropriate uprating to capture:

- The cumulative effect of threshold freezes through to April 2031
- The phasing-in of property and savings tax changes from April 2027
- The progressive implementation of fuel duty reforms
- Interactions with other scheduled policy changes

2.3 Geographic Scope and National Comparisons

This analysis provides comprehensive coverage of the entire United Kingdom and the differential impacts across its four constituent nations:

England – representing approximately 84% of the UK population

Scotland – with devolved tax powers affecting income tax rates & bands

Wales – with some devolved fiscal responsibilities

Northern Ireland – with distinct benefit and tax credit systems

This national-level analysis allows for:

1. Assessment of aggregate UK-wide fiscal and distributional impacts
2. Identification of geographic disparities in policy effects
3. Understanding of how devolved fiscal powers interact with UK-wide reforms
4. Comparison of poverty and inequality trajectories across nations

2.4 Important Modelling Limitations

As a static microsimulation model, UKMOD captures the immediate mechanical effects of policy changes but does not incorporate behavioural responses such as changes in labour supply or household formation between each baseline and reform scenarios.

Additionally, the analysis focuses on policies within UKMOD's simulation scope. Council Tax increases, property income tax separation (effective April 2027), and savings tax rate increases (effective April 2027) are outside UKMOD's current modelling framework and therefore not reflected in these estimates. The fiscal and distributional impacts reported capture direct tax and benefit changes simulated by UKMOD, representing a subset of the full Autumn Budget 2025 package.

3. Fiscal Overview

The Autumn Budget Statement 2025 reforms generate a net fiscal improvement of £1.0-1.4 billion annually across the United Kingdom over 2026-2030. Tax revenue increases modestly while benefit expenditure increases, resulting in net fiscal improvements ranging from £1.0 billion (2026) to £1.4 billion (2030), see Figure 1.

3.1 United Kingdom

Market income remains identical in both scenarios because baseline and reform use identical OBR November 2025 uprating forecasts. This ensures all measured differences reflect only policy changes, not different economic assumptions. The policy package produces revenue increases primarily from personal income tax changes driven by threshold freezes creating fiscal drag effects, while increasing benefit spending through Universal Credit two-child limit removal, partially offset by Winter Fuel Allowance savings and Pension Credit reductions.

Table 1: UK Fiscal Overview - All Years (2026-2030) - All figures in £ millions per year. Net Fiscal Impact = Revenue Change - Expenditure Change.

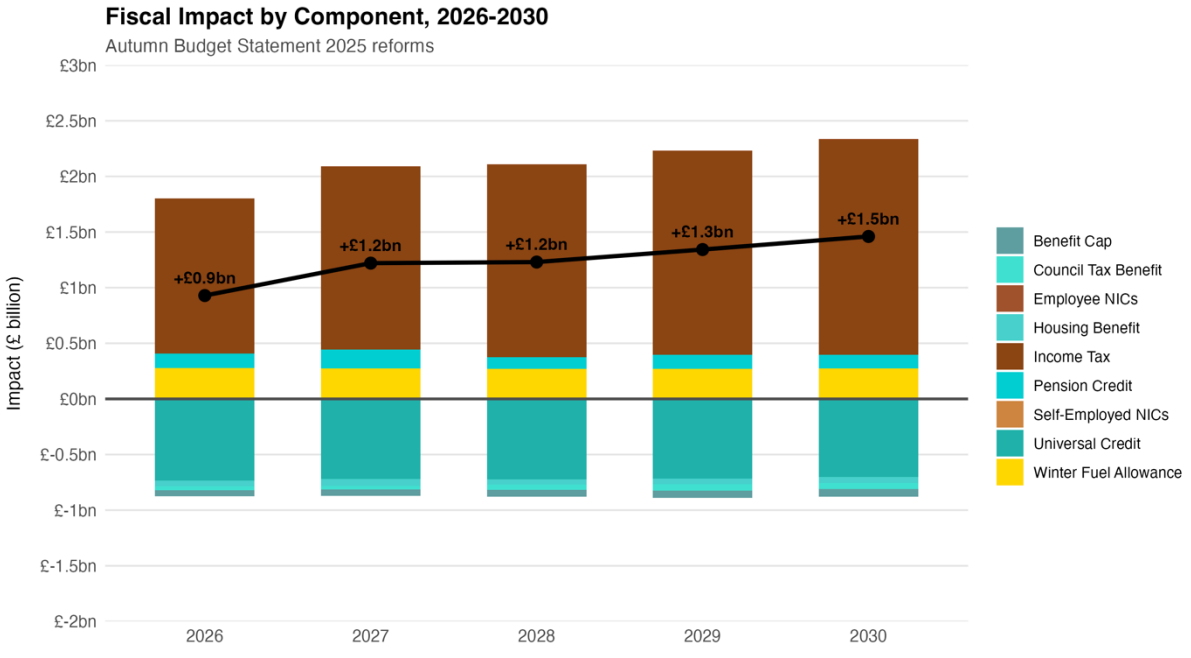
Year	Market Income (Base)	Market Income (Reform)	Revenue (Base)	Revenue (Reform)	Revenue Change	Expenditure (Base)	Expenditure (Reform)	Expenditure Change	Net Fiscal Impact
2026	£1,474,264m	£1,474,264m	£558,840m	£560,238m	+£1,398m	£313,122m	£313,486m	+£364m	+£1,034m
2027	£1,508,252m	£1,508,252m	£574,304m	£575,960m	+£1,656m	£320,966m	£321,329m	+£362m	+£1,294m
2028	£1,541,972m	£1,541,972m	£592,952m	£594,701m	+£1,749m	£322,490m	£322,968m	+£478m	+£1,271m
2029	£1,579,945m	£1,579,945m	£614,262m	£616,127m	+£1,865m	£329,169m	£329,704m	+£534m	+£1,331m
2030	£1,625,977m	£1,625,977m	£639,929m	£641,903m	+£1,975m	£335,606m	£336,180m	+£575m	+£1,400m

As shown in Table 1, the net fiscal improvement grows from £1.0 billion in 2026 to £1.4 billion in 2030, reflecting the cumulative effects of income tax threshold freezes as fiscal drag increases revenue over time. Tax revenue

increases range from +£1.4 billion (2026) to +£2.0 billion (2030), driven almost entirely by personal income tax changes (98-100% of total revenue increases). Personal income tax increases comprise non-devolved taxes (+£1.2-£1.7 billion), Scottish devolved taxes (+£43-£51 million), and Welsh devolved taxes (+£132-£168 million). Council Tax shows no change across all years, while Employee and Employer National Insurance contributions show minimal increases in later years (+£7-£36 million combined).

Benefit expenditure increases range from +£364 million (2026) to +£575 million (2030), driven by Universal Credit two-child limit removal (+£714-£733 million annually), the primary cost of this policy package. This is partially offset by Winter Fuel Allowance restrictions (-£269-£279 million, -64.7% to -69.4% reductions) and Pension Credit decreases (-£127 million, -2.1% to -2.2%). Housing Benefit and Council Tax Benefit/Reduction show modest increases (+£38-£59 million and +£51-£52 million respectively) as more families qualify for support following Universal Credit gains. State pensions remain unchanged as they are not affected by these policy reforms.

Figure 1: Fiscal Impact by Component 2026-2030



Source: UKMOD Microsimulation Model
Note: Positive values indicate revenue gains or expenditure savings.

3.2 National Comparison

Fiscal impacts vary substantially across nations despite uniform policy application, reflecting differences in demographic composition, income distributions, and benefit dependency patterns, see Table 1.2.

Table 1.2: Fiscal Impact by Nation - All Years (2026-2030)

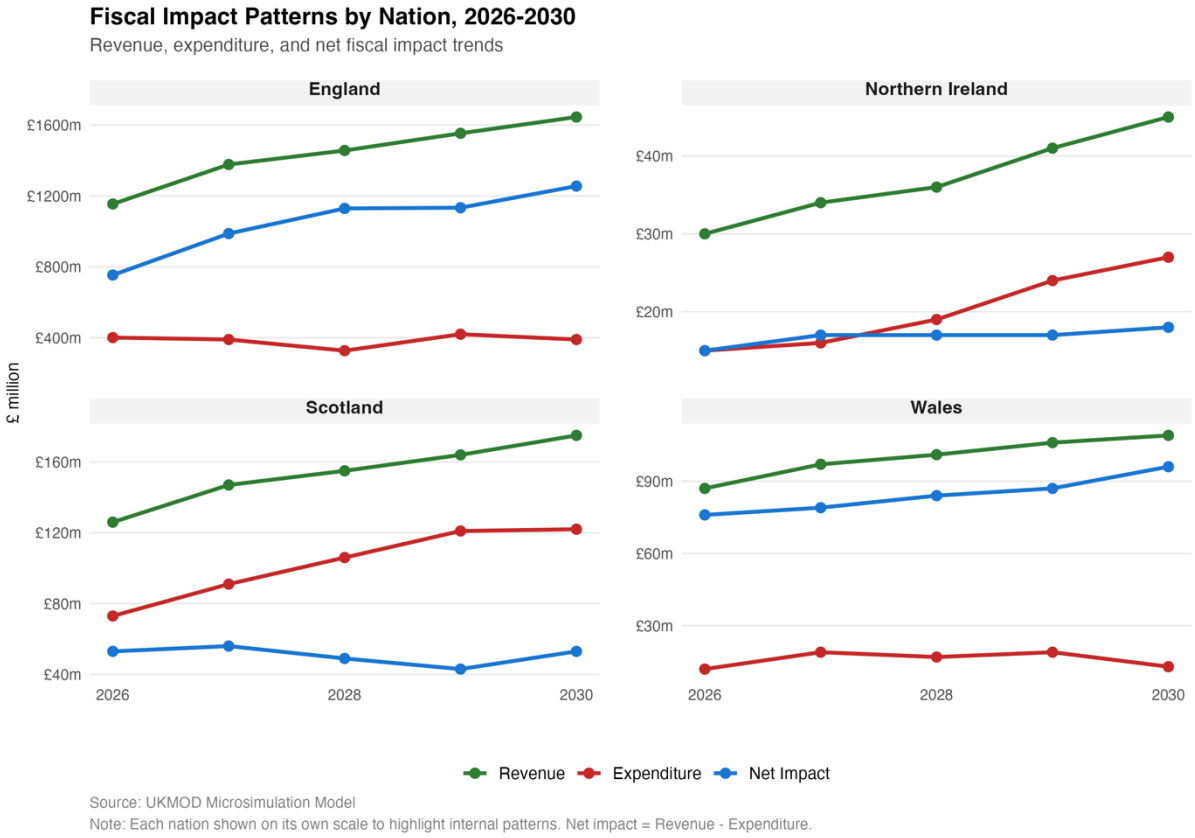
Nation	Year	Revenue Change (£m)	Expenditure Change (£m)	Net Fiscal Impact (£m)	Per Capita Net (£)	Revenue / Expenditure Ratio
England	2026	+£1,155	+£401	+£754	£13	2.9
England	2027	+£1,378	+£390	+£988	£17	3.5
England	2028	+£1,457	+£327	+£1,130	£20	4.5
England	2029	+£1,554	+£420	+£1,134	£20	3.7
England	2030	+£1,646	+£390	+£1,256	£22	4.2
Scotland	2026	+£126	+£73	+£53	£10	1.7
Scotland	2027	+£147	+£91	+£56	£10	1.6
Scotland	2028	+£155	+£106	+£49	£9	1.5
Scotland	2029	+£164	+£121	+£43	£8	1.4
Scotland	2030	+£175	+£122	+£53	£10	1.4
Wales	2026	+£87	+£12	+£76	£24	7.6
Wales	2027	+£97	+£19	+£79	£25	5.3
Wales	2028	+£101	+£17	+£84	£27	5.9
Wales	2029	+£106	+£19	+£87	£28	5.6
Wales	2030	+£109	+£13	+£96	£31	8.5
Northern Ireland	2026	+£30	+£15	+£15	£8	2.0

Nation	Year	Revenue Change (£m)	Expenditure Change (£m)	Net Fiscal Impact (£m)	Per Capita Net (£)	Revenue / Expenditure Ratio
Northern Ireland	2027	+£34	+£16	+£17	£9	2.1
Northern Ireland	2028	+£36	+£19	+£17	£9	1.9
Northern Ireland	2029	+£41	+£24	+£17	£9	1.7
Northern Ireland	2030	+£45	+£27	+£18	£9	1.7
UK Total	**2026**	**+£1,398**	**+£364**	**+£1,034**	**£15**	**3.8**
UK Total	**2029**	**+£1,865**	**+£534**	**+£1,331**	**£20**	**3.5**
UK Total	**2030**	**+£1,975**	**+£575**	**+£1,400**	**£21**	**3.4**

England accounts for 73-90% of UK net fiscal impact across years (£754m-£1,256m), reflecting its 84% population share. Wales consistently shows the highest per-capita net fiscal impact (£24-£31) and highest revenue-to-expenditure ratios (5.3-8.5), indicating revenue gains substantially exceed expenditure increases. Scotland shows the lowest per-capita net fiscal impact (£8-£10) and lowest revenue-to-expenditure ratios (1.4-1.7), with expenditure increases consuming a larger share of revenue gains. England shows per-capita impacts (£13-£22) growing over time, with revenue-to-expenditure ratios (2.9-4.5) close to UK averages. Northern Ireland shows modest per-capita impacts (£8-£9) with revenue-to-expenditure ratios (1.7-2.1) below the UK average.

The growing net fiscal improvement across all nations from 2026 to 2030 demonstrates the cumulative effects of income tax threshold freezes as fiscal drag increases revenue over time, while Universal Credit costs remain relatively stable after the initial two-child limit removal.

Figure 2: Fiscal Impact Patterns by Nation



4. Poverty Analysis (Fixed Poverty)

The Autumn Budget Statement 2025 reforms produce modest poverty reductions across 2026-2030 using a fixed poverty line, with annual impacts varying from 21,738 people lifted from poverty (2026) to just 62 (2029) (see table 2). Across all years, children and working-age adults benefit from Universal Credit two-child limit removal while elderly poverty consistently increases from Winter Fuel Allowance restrictions and benefit interactions.

Net poverty impact across years: Overall poverty shows annual variation. After housing costs, 2026 sees 21,738 people lifted from poverty, 2027 sees 9,945 lifted, 2028 sees 37,709 lifted, 2029 sees just 62 lifted, and 2030 sees 5,343 lifted. These annual fluctuations reflect how policies interact with economic conditions in each year. Child poverty reductions range from 3,222 (2027) to 20,128 (2028), while elderly poverty consistently increases, ranging from 5,239 (2026) to 28,381 (2028) additional elderly people falling into poverty.

Before versus after housing costs: The poverty impact differs substantially by measurement approach. Before housing costs (BHC), poverty increases in most years - by 1,291 (2026), increases by 36,948 (2027), 25,429 (2028), 26,558 (2029), and 57,508 (2030). After housing costs (AHC), poverty decreases across all years. This consistent divergence reflects that housing costs amplify differential impacts across age groups, with elderly households facing adverse effects more pronounced after accounting for housing costs.

The Universal Credit two-child limit removal increases incomes for families with 3+ children, consistently lifting households with children from poverty across all years (ranging from 9,590 to 53,803 annually). However, Winter Fuel Allowance restrictions and benefit interactions increase elderly poverty in every year, with elderly residents falling into poverty ranging from 5,239 (2026) to 28,381 (2028).

Table 2: Fixed Poverty Impact by Demographic Group - Selected Years (AHC)

Category	2026 Baseline	2026 Reform	2026 Change	2030 Baseline	2030 Reform	2030 Change
All	12,450,633	12,428,895	-21,738	12,778,097	12,772,754	-5,343
Children	3,459,641	3,446,448	-13,193	3,520,996	3,509,943	-11,053
Adults	6,520,294	6,506,510	-13,784	6,637,421	6,617,587	-19,834
Adults in work	2,622,598	2,615,831	-6,767	2,663,064	2,656,837	-6,227
Elderly	2,470,698	2,475,937	+5,239	2,619,680	2,645,224	+25,544

Poverty rates (AHC): All 18.4% → 18.4% (2026), 18.9% → 18.9% (2030); Children 23.8% → 23.8% (2026), 24.3% → 24.2% (2030); Elderly 19.3% → 19.3% (2026), 20.5% → 20.7% (2030).

Poverty changes show consistent patterns across years. Households with children see reductions ranging from 9,590 (2027) to 53,803 (2028), with the strongest impacts in households with 3+ children. One-earner households consistently benefit, with reductions from 22,706 (2029) decreasing to 3,605 (2030). Lone parent households see reductions ranging from zero (multiple years) to 18,345 (2029). However, no-earner households experience poverty increases in most later years, with 22,644 additional people in poverty (2029), primarily driven by elderly households without earnings affected by Winter

Fuel Allowance restrictions. In 2026-2027, no-earner households show modest improvements (5,398 lifted in 2026, 3,195 falling into poverty in 2027).

Child poverty impact: Children lifted from poverty range from 3,222 (2027) to 20,128 (2028), reflecting the Universal Credit two-child limit removal's impact. The removal increases incomes for families with 3+ children receiving Universal Credit, eliminating the income penalty these families previously faced. Among households with 3+ children specifically, annual reductions range from zero (multiple years) to 44,070 (2026).

The UK experiences growing net fiscal improvements from £1.0 billion (2026) to £1.4 billion (2030) annually. Tax revenue increases by £1.4-£2.0 billion primarily from personal income tax changes, while benefit expenditure increases by £0.4-£0.6 billion. Universal Credit spending increases by £714-£733 million due to two-child limit removal, partially offset by Winter Fuel Allowance savings (£269-£279 million) and Pension Credit reductions (£127 million). The policy consistently lifts children and working-age adults from poverty while increasing elderly poverty, creating modest net reductions in most years.

4.1 National Comparison

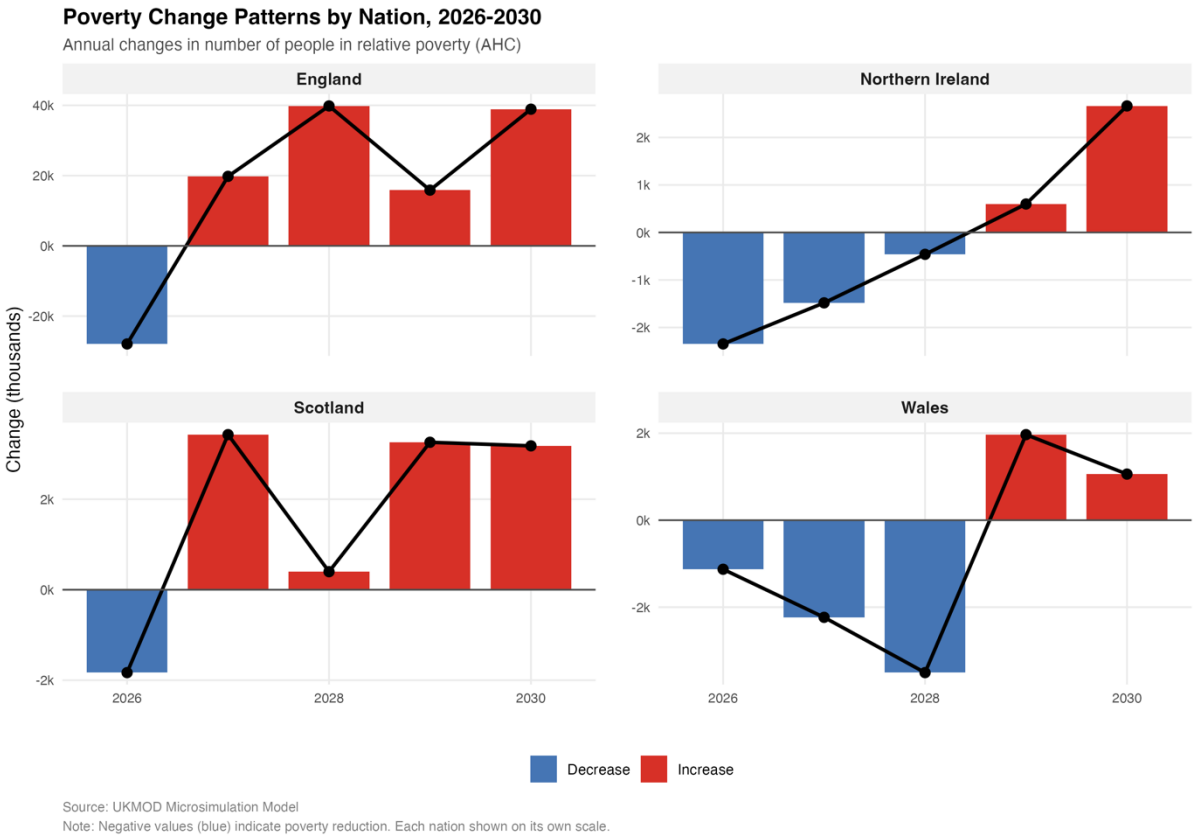
Poverty impacts vary substantially across the four nations despite uniform policy application, with England showing the most variation and Scotland demonstrating consistent modest improvements, as shown in Table 2.1 and Figure 2.1.

Table 2.1: Fixed Poverty Impact by Nation - All Years (AHC)

Nation	2026 Change	2027 Change	2028 Change	2029 Change	2030 Change
England	-27,924	+19,793	+39,837	+15,868	+38,915
Scotland	-1,832	+3,428	+399	+3,259	+3,180
Wales	-1,128	-2,233	-3,504	+1,967	+1,060
Northern Ireland	-2,347	-1,482	-461	+599	+2,663

Note: Negative numbers indicate poverty reductions; positive numbers indicate poverty increases.

Figure 2.1: Poverty Change Patterns by Nation



Source: UKMOD Microsimulation Model
Note: Negative values (blue) indicate poverty reduction. Each nation shown on its own scale.

England: England shows the strongest initial poverty reduction (27,924 people in 2026) but this completely reverses in subsequent years, with poverty increasing by 15,868-39,837 people annually from 2027-2030. This reflects England's elderly population being disproportionately affected by Winter Fuel Allowance restrictions as those effects accumulate over time, more than offsetting Universal Credit gains for families with children.

Scotland: Scotland demonstrates steady modest improvements or minimal changes across all years (ranging from +399 to +3,428), maintaining lower poverty rates (15.7%-16.1%) throughout. This reflects Scotland's income distribution and interactions with Scottish devolved social security powers, including Scottish Child Payment supplements.

Wales: Wales experiences consistent poverty reductions in the early years (1,128 in 2026, 2,233 in 2027, 3,504 in 2028) before showing small increases in later years (+1,967 in 2029, +1,060 in 2030). This suggests Welsh households initially benefit strongly from Universal Credit increases before elderly poverty impacts begin to dominate.

Northern Ireland: Northern Ireland shows poverty reductions in early years (2,347 in 2026, 1,482 in 2027, 461 in 2028) followed by increases in later years (+599 in 2029, +2,663 in 2030). The pattern mirrors Wales but with stronger later-year increases, suggesting elderly poverty impacts accumulate more rapidly.

The stark contrast between England's initial large reduction (-27,924 in 2026) and subsequent large increases (+39,837 in 2028, +38,915 in 2030) suggests England's demographic composition creates stronger adverse impacts from Winter Fuel Allowance restrictions and benefit interactions affecting elderly households. The Universal Credit two-child limit removal produces substantial initial gains, but these are overwhelmed by elderly poverty increases as policy effects compound over time.

4.2 Child Poverty Impact

Child poverty reduction varies substantially across years, ranging from 3,222 children lifted from poverty (2027) to 20,128 (2028). These variations reflect how the Universal Credit two-child limit removal interacts with economic conditions and other policy changes in each year, see Tables 2.2, 2.3 and 2.4.

Child poverty reduction across years (AHC):

- 2026: 13,193 children lifted
- 2027: 3,222 children lifted
- 2028: 20,128 children lifted
- 2029: 10,047 children lifted
- 2030: 11,053 children lifted

Table 2.2: Child Poverty Impact - Selected Years

Measure	2026 Baseline	2026 Reform	2026 Change	2030 Baseline	2030 Reform	2030 Change
Child poverty rate (AHC)	23.8%	23.7%	-0.12pp	24.3%	24.2%	-0.08pp
Children in poverty (AHC)	3,459,641	3,442,387	-17,254	3,520,996	3,509,943	-11,053
Child poverty rate (BHC)	16.5%	16.3%	-0.16pp	16.7%	16.7%	-0.04pp
Children in poverty (BHC)	2,394,241	2,370,616	-23,625	2,427,220	2,421,749	-5,471

Before versus after housing costs: Child poverty reductions show similar magnitudes before and after housing costs across most years (18,599 vs 13,193 in 2026; 9,197 vs 10,047 in 2029). This indicates that housing costs do not substantially amplify or diminish the child poverty effects of these reforms, contrasting sharply with elderly poverty where housing costs magnify adverse impacts.

Household composition of poverty reduction: Poverty reductions among households with children vary by year and household type:

Table 2.3: Poverty Changes in Households with Children by Type

Category	2026 Change	2027 Change	2028 Change	2029 Change	2030 Change
With Children	-21,770	-9,590	-53,803	-18,850	-20,235
Three+ Children	-8,684	0	0	-13,020	-16,155
Lone Parent	-17,162	-1,762	-5,165	-1,750	0

Note: Categories overlap - a lone parent with three children appears in multiple categories, explaining why totals may not sum directly.

Working household participation: The Universal Credit two-child limit removal affects both working and non-working families with 3+ children on Universal Credit. One-earner households show consistent benefits across years, while families with 3+ children show the strongest impacts in specific years (2026, 2029, 2030) when economic conditions and uprating combine favourably.

Remaining child poverty: After reforms, child poverty rates remain elevated in specific household types across all years:

- Young mother households: 49.4-50.2% (unchanged across all years)
- Families with 3+ children: 28.9-29.5% (varying by year)
- Lone parent households: 40.1-41.5% (varying by year)

The two-child limit removal targets families with 3+ children receiving Universal Credit. Families with 1-2 children, families not claiming UC, and households above UC income thresholds but below poverty thresholds are unaffected by this specific reform.

National Variation in Child Poverty

Child poverty impacts vary substantially across the four nations and years, with Scotland consistently showing the lowest rates and Wales the highest.

Table 2.4: Child Poverty by Nation - All Years (Fixed Poverty Line, AHC)

Nation	2026 Rate	2026 Change	2029 Rate	2029 Change	2030 Rate	2030 Change
England	24.9% → 24.6%	-29,349	25.0% → 24.9%	-12,091	25.0% → 25.0%	+5,281
Scotland	11.0% → 10.8%	-2,208	10.4% → 10.4%	0	10.8% → 10.8%	0
Wales	27.9% → 27.8%	-773	28.6% → 28.6%	0	28.2% → 28.2%	0
Northern Ireland	20.6% → 20.4%	-746	20.8% → 20.8%	0	20.9% → 21.0%	+588

England: England shows the largest child poverty reduction in 2026 (29,349 children) and 2029 (12,091 children), but experiences a poverty increase in 2030 (+5,281 children). This reflects England's population size (84% of UK) and suggests varying interactions between Universal Credit increases and other policy effects across years. England accounts for the majority of absolute child poverty changes in all years.

Scotland: Scotland maintains the lowest child poverty rates (10.4-11.0%) throughout 2026-2030, with modest changes in most years. The 2026 reduction (2,208 children) contrasts with zero change in 2029-2030, suggesting Scotland's devolved benefits like Scottish Child Payment may be providing additional protection that stabilizes child poverty outcomes even when UK-wide policy effects vary.

Wales: Wales maintains the highest child poverty rates (27.8-28.6%) across all years with minimal change. The 2026 reduction (773 children) is the smallest among nations, with zero change in 2029-2030. This suggests Welsh households with 3+ children either face different benefit composition patterns or experience offsetting effects that neutralize potential Universal Credit gains.

Northern Ireland: Northern Ireland shows a modest 2026 reduction (746 children), zero change in 2029, and a small increase in 2030 (+588 children). This mixed pattern suggests Northern Ireland households with 3+ children may be less likely to claim Universal Credit or face distinct benefit interactions through Northern Ireland's separate social security system.

Geographic inequality in child poverty: The 18-point gap between Wales (28.2%) and Scotland (10.4%) in 2029 represents substantial geographic variation in child living standards. Wales's child poverty rate is 2.7 times Scotland's rate, indicating children face markedly different poverty risks depending on which UK nation they live in. This gap persists across all years (2026-2030) with minimal convergence.

The substantial year-to-year variation in child poverty changes (ranging from 13,193 children lifted in 2026 to just 3,222 in 2027) reflects how the Universal Credit two-child limit removal interacts with: (1) annual economic uprating assumptions applied to incomes and benefits, (2) population changes in the underlying data, (3) interactions with other policy changes including Winter Fuel Allowance restrictions, and (4) changes in benefit claiming patterns captured in the modelling for each year. Scotland's consistently low rates suggest devolved Scottish benefits provide additional protection that stabilizes outcomes across these variations.

5. Inequality Analysis

The policy package produces negligible changes in income inequality across the United Kingdom over 2026-2030. Disposable income inequality remains virtually stable, with the Gini coefficient showing minimal variation and income shares across deciles remaining largely unchanged. The reforms produce small redistributive effects that slightly narrow income gaps in some years while widening them marginally in others, but the overall magnitude of inequality changes is economically insignificant.

5.1 United Kingdom

Inequality Measures across the United Kingdom 2026-2030):

After housing costs (AHC): The Gini coefficient shows negligible changes ranging from -0.000085 (2026) to +0.000028 (2030). The S80/S20 ratio (measuring the ratio of income of the top 20% to the bottom 20%) varies between -0.007 (2028) and +0.009 (2030). These changes as shown in Table 3a, represents movements of less than 0.15% in inequality measures.

Table 3a: After Housing Costs: Inequality Measures, UK (2026-2030)

Year	Gini (AHC) Baseline	Gini (AHC) Reform	Change	S80/S20 (AHC) Baseline	S80/S20 (AHC) Reform	Change
2026	0.339	0.339	-0.000085	5.91	5.91	+0.002
2027	0.341	0.341	-0.000078	5.96	5.96	-0.002
2028	0.342	0.342	-0.000079	6.05	6.04	-0.007
2029	0.343	0.343	-0.000040	6.08	6.07	-0.006
2030	0.344	0.344	+0.000028	6.12	6.13	+0.009

Before housing costs (BHC): The Gini coefficient shows marginally positive changes across all years, ranging from +0.000031 (2026) to +0.000144 (2030). The S80/S20 ratio changes are minimal, ranging from -0.001 (2029) to +0.005 (2026, 2027), see Table 3b.

Table 3b: Before Housing Costs: Inequality Measures, UK (2026-2030)

Year	Gini (BHC) Baseline	Gini (BHC) Reform	Change	S80/S20 (BHC) Baseline	S80/S20 (BHC) Reform	Change
2026	0.303	0.303	+0.000031	4.58	4.58	+0.005
2027	0.304	0.304	+0.000039	4.60	4.60	+0.005
2028	0.305	0.305	+0.000040	4.64	4.65	+0.001
2029	0.306	0.306	+0.000076	4.66	4.66	-0.001
2030	0.306	0.307	+0.000144	4.68	4.68	+0.002

The AHC versus BHC divergence: Inequality decreases slightly after housing costs (negative Gini changes 2026-2029) but increases slightly before housing costs (positive Gini changes all years). This pattern indicates that housing costs interact with the policy changes to produce modest compression of the

income distribution after accounting for housing expenses, while the distribution widens marginally when measured before housing costs. However, both effects are economically trivial, changes of 0.0001 in Gini coefficients are not meaningful in policy terms.

5.2 National Variations

Inequality patterns show substantial variation across nations, with England maintaining the highest inequality levels and Northern Ireland the lowest throughout 2026-2030.

Table 3.1: Disposable Income Inequality by Nation - 2026 and 2030

Nation	2026 Gini Base	2026 Gini Reform	2026 Change	2030 Gini Base	2030 Gini Reform	2030 Change
England	0.347	0.347	-0.00009	0.351	0.351	+0.00018
Scotland	0.294	0.294	-0.00044	0.295	0.295	-0.00045
Wales	0.319	0.319	-0.00016	0.323	0.323	-0.00002
Northern Ireland	0.266	0.265	-0.00019	0.267	0.267	+0.00009

England shows the highest inequality (Gini 0.347-0.351), while Northern Ireland maintains the lowest (0.265-0.267). The 8.4 percentage point gap between England and Northern Ireland in 2026 indicates substantial baseline inequality differences across nations. Scotland (0.294-0.295) and Wales (0.319-0.323) fall between these extremes. Northern Ireland's significantly lower inequality likely reflects different income distributions, benefit compositions, and devolved social security programs, table 3.1.

Policy-induced changes remain minimal across all nations (maximum -0.00044 in Scotland 2026), though Scotland shows the most consistent marginal inequality reductions throughout the period. England shows near-zero changes, while by 2030 both England and Northern Ireland show slight increases in inequality (+0.00018 and +0.00009 respectively). This confirms the policy's minimal redistributive impact operates relatively uniformly across geographic areas despite substantially different baseline inequality levels, with the largest nation-to-nation gap being 8.4 percentage points.

6. Income Share Analysis

Income shares show what percentage of the UK's total disposable income goes to each group. If the bottom 20% holds 8.4% of total income, they receive £8.40 for every £100 of total income across the UK.

Table 4: Income shares by decile (after housing costs, 2026 and 2030):

Decile	2026 Baseline	2026 Reform	Change	2030 Baseline	2030 Reform	Change
Decile 1	2.11%	2.11%	0.00pp	2.09%	2.09%	0.00pp
Decile 2	4.72%	4.72%	0.00pp	4.72%	4.72%	0.00pp
Decile 3	5.57%	5.57%	0.00pp	5.56%	5.56%	0.00pp
Decile 4	6.52%	6.52%	0.00pp	6.50%	6.50%	0.00pp
Decile 5	7.83%	7.83%	0.00pp	7.82%	7.82%	0.00pp
Decile 6	9.12%	9.12%	0.00pp	9.10%	9.10%	0.00pp
Decile 7	10.50%	10.50%	0.00pp	10.47%	10.47%	0.00pp
Decile 8	12.50%	12.50%	0.00pp	12.48%	12.48%	0.00pp
Decile 9	15.10%	15.10%	0.00pp	15.09%	15.09%	0.00pp
Decile 10	26.00%	26.00%	0.00pp	26.18%	26.18%	0.00pp

Income shares remain unchanged across all deciles in both 2026 and 2030, with all changes rounding to 0.00 percentage points. The top decile holds approximately 26% of total income while the bottom decile holds approximately 2% in both scenarios. This stability reflects the reform's limited fiscal scale (£1.0-1.4 billion annually, approximately 0.1% of total household income) and indicates no meaningful redistribution across the income distribution as shown in table 4.

These changes occur near the poverty line and do not substantially affect overall income distribution. Universal Credit increases (+£714m annually) and tax changes are too small relative to total household income to produce meaningful inequality changes. Gini coefficients and S80/S20 ratios measure distribution across the entire population, not just those near poverty

thresholds, explaining stable inequality measures despite measurable poverty impacts.

6.1 National Variations

Income share distribution varies across nations, with Northern Ireland showing the most compressed distribution and England the most dispersed.

Table 4.1: Income shares by nation - Bottom and Top Deciles (2026 and 2030, AHC):

Nation	2026 Decile 1	2026 Decile 10	2030 Decile 1	2030 Decile 10
England	2.00%	26.60%	1.86%	26.88%
Scotland	2.89%	22.17%	2.88%	22.08%
Wales	2.48%	24.52%	2.42%	23.76%
Northern Ireland	3.65%	21.12%	3.53%	21.10%

Geographic patterns: Northern Ireland shows the most equal income distribution, with the bottom decile holding 3.65% of total income and the top decile holding 21.12% in 2026 (gap of 17.47 percentage points). England shows the most unequal distribution, with the bottom decile holding 2.00% and top decile holding 26.60% (gap of 24.60 percentage points). Scotland (gap of 19.28pp) and Wales (gap of 22.04pp) fall between these extremes. These patterns remain stable through 2030, with England maintaining the largest gap (25.02pp) and Northern Ireland the smallest (17.57pp).

Reform impacts: Income share changes remain negligible across all nations and deciles. In 2026, the largest change is Northern Ireland's Decile 4 (+0.012 percentage points), while most deciles show changes under 0.002 percentage points. By 2030, all nations show changes rounding to zero for most deciles. This stability confirms that the reform's £1.0-1.4 billion annual fiscal scale produces no meaningful redistribution of income shares, despite generating measurable poverty impacts for specific household types near poverty thresholds. The substantial baseline differences in income distribution across nations (7.03 percentage point gap in top decile shares between England and Northern Ireland) persist unchanged through the reform period, see Table 4.1.

7. Mean Household Income Analysis

Mean household income shows average weekly income across the distribution. After housing costs (AHC), see Table 5, captures disposable income available after meeting housing expenses, while before housing costs (BHC) shows total disposable income including housing payments.

Table 5: Mean household income by decile (After Housing Costs, 2026 and 2030):

Decile	2026 Baseline (£/week)	2026 Reform (£/week)	Change	2030 Baseline (£/week)	2030 Reform (£/week)	Change
Decile 1	£159	£159	+£0.44	£159	£159	+£0.06
Decile 2	£354	£353	-£0.39	£375	£374	-£0.43
Decile 3	£438	£439	+£0.64	£468	£469	+£0.24
Decile 4	£514	£515	+£0.48	£551	£551	+£0.21
Decile 5	£597	£597	-£0.62	£642	£642	-£0.45
Decile 6	£691	£690	-£1.30	£744	£743	-£1.55
Decile 7	£807	£806	-£1.39	£870	£868	-£1.53
Decile 8	£954	£952	-£1.19	£1,028	£1,026	-£1.37
Decile 9	£1,158	£1,157	-£1.05	£1,250	£1,249	-£1.00
Decile 10	£1,973	£1,973	-£0.26	£2,148	£2,148	-£0.56
All	£764	£764	-£0.47	£823	£823	-£0.64
Poor	£245	£245	+£0.02	£258	£258	-£0.19

Distribution patterns: Mean incomes show minimal reform-induced changes across all deciles, with changes ranging from -£1.55 to +£0.64 per week. The bottom three deciles show small positive changes in 2026 (+£0.44 to +£0.64/week), while middle and upper deciles show small negative changes (-£0.26 to -£1.39/week). By 2030, patterns remain similar though the bottom decile gain diminishes to +£0.06/week. These minimal changes reflect the

reform's limited fiscal scale (£1.0-1.4 billion annually, approximately 0.1% of total household income).

Mean incomes grow substantially between 2026 and 2030 due to uprating: the bottom decile rises from £159 to £159/week (+£0), the fifth decile from £597 to £642 (+£45), and the top decile from £1,973 to £2,148 (+£175). This uprating-driven growth substantially exceeds reform-induced changes, which remain under £2/week across all deciles in all years.

7.1 National Variations

Mean household income levels vary substantially across nations, with England showing the highest incomes and Northern Ireland the lowest.

Table 5.1: Mean household income by nation (After Housing Costs, 2026 and 2030):

Nation	2026 All Baseline	2026 All Reform	Change	2030 All Baseline	2030 All Reform	Change
England	£769	£769	-£0.36	£829	£828	-£0.72
Scotland	£755	£755	-£0.36	£811	£811	-£0.31
Wales	£724	£723	-£0.84	£778	£777	-£1.09
Northern Ireland	£737	£737	-£0.11	£797	£797	-£0.09

England maintains the highest mean household income (£769-£829/week), followed by Scotland (£755-£811/week) and Northern Ireland (£737-£797/week), with Wales showing the lowest (£724-£778/week). The £105/week gap between England and Wales in 2030 represents a 14% difference in mean incomes. Reform-induced changes remain minimal across all nations (ranging from -£1.09 to -£0.09/week), with Wales experiencing the largest negative change and Northern Ireland the smallest, Table 5.1.

Table 5.2: Bottom and top decile patterns by nation (2026):

Nation	Decile 1 Baseline	Decile 1 Reform	Change	Decile 10 Baseline	Decile 10 Reform	Change
England	£155	£156	+£1.02	£2,029	£2,029	-£0.14
Scotland	£189	£190	+£1.25	£1,673	£1,673	-£0.71
Wales	£183	£184	+£0.35	£1,720	£1,718	-£1.75
Northern Ireland	£263	£264	+£0.26	£1,530	£1,529	-£0.78

Northern Ireland shows the highest bottom decile income (£263/week) and lowest top decile income (£1,530/week), indicating a more compressed income distribution. England shows the lowest bottom decile (£155/week) and highest top decile (£2,029/week), reflecting greater income dispersion. Scotland and Wales fall between these patterns. Bottom decile households show small positive changes across all nations (+£0.26 to +£1.25/week), while top decile changes are negative but minimal (-£0.14 to -£1.75/week), confirming the reform's modest redistributive effects operate uniformly across geographic areas, see table 5.2.

8. Gainers and Losers Analysis

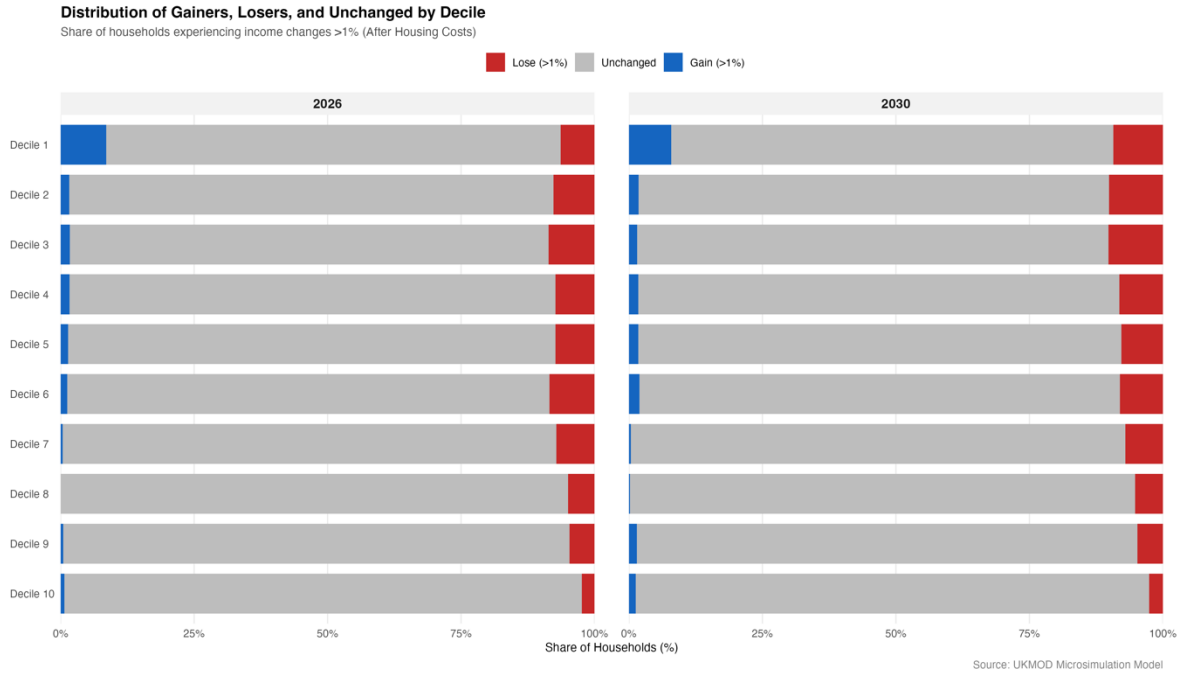
This analysis identifies households experiencing income changes exceeding 1% or 5% thresholds after housing costs. Gainers see income increases while losers experience income decreases from the reform.

The bottom decile shows the highest proportion of gainers (8.52% in 2026, 7.90% in 2030), reflecting Universal Credit increases from two-child limit removal. However, losers increase substantially across lower deciles by 2030, with Deciles 2-3 showing over 10% losing income. Higher deciles show fewer households affected, with Decile 10 showing 1.27% gaining and 2.57% losing in 2030. Most households (91.7% in 2026, 90.7% in 2030) experience minimal income change (<1% either direction). See Table 6 and Figure 3.

Table 6: Distribution of gains and losses (2026 and 2030):

Category	2026 Gainers >1%	2026 Losers >1%	2030 Gainers >1%	2030 Losers >1%
Decile 1	8.52%	6.36%	7.90%	9.28%
Decile 2	1.64%	7.70%	1.80%	10.10%
Decile 3	1.75%	8.59%	1.56%	10.19%
Decile 4	1.65%	7.31%	1.73%	8.17%
Decile 5	1.38%	7.31%	1.77%	7.76%
Decile 6	1.24%	8.47%	1.94%	8.03%
Decile 7	0.36%	7.17%	0.37%	7.05%
Decile 8	0.03%	4.94%	0.21%	5.23%
Decile 9	0.51%	4.67%	1.50%	4.78%
Decile 10	0.70%	2.38%	1.27%	2.57%
All	1.78%	6.49%	2.01%	7.32%

Figure 3: Distribution of Gainers, losers and unchanged by decile

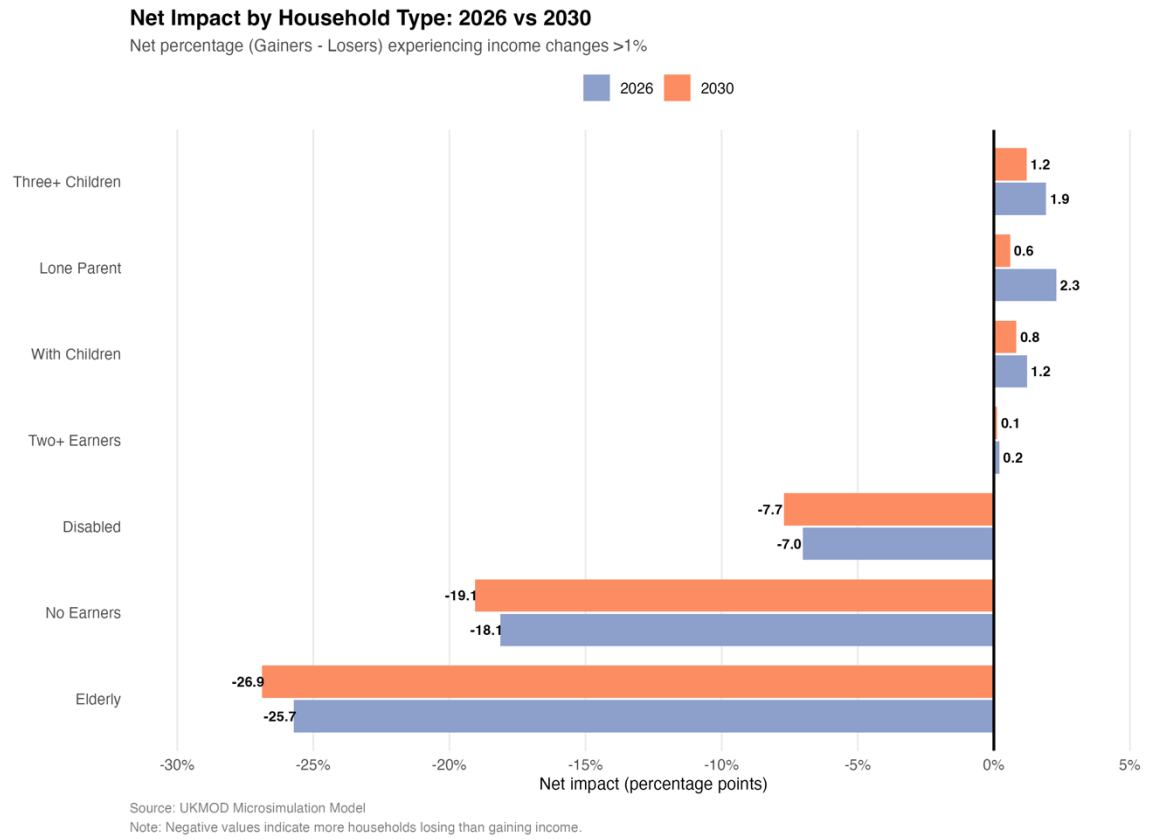


Elderly households experience the most adverse impacts with 27.3% losing in 2026, rising to 28.5% by 2030, primarily from pension credit dynamics and dividend tax increases. No-earner households show 22.2% losing in 2026, increasing to 23.2% by 2030. Families with children show net positive impacts, with gainers exceeding losers in both years. Lone parents show 2.76% gaining and 0.46% losing in 2026, though losses increase to 2.19% by 2030. Disabled households show mixed outcomes with 3.59% gaining but 10.6% losing in 2026 as shown in Table 6.1 and Figure 3.1.

Table 6.1: Household type patterns (2026 and 2030):

Household Type	**2026 Gainers >1%**	**2026 Losers >1%**	**2030 Gainers >1%**	**2030 Losers >1%**
With Children	1.42%	0.20%	2.13%	1.30%
Lone Parent	2.76%	0.46%	2.79%	2.19%
Three+ Children	2.17%	0.25%	3.01%	1.80%
Elderly	1.58%	27.3%	1.61%	28.5%
No Earners	4.07%	22.2%	4.14%	23.2%
Disabled	3.59%	10.6%	3.49%	11.2%
Two+ Earners	0.49%	0.29%	1.04%	0.92%

Figure 3.1: Net Impact by Household Type



8.1 National Variations

Gainers and losers patterns vary modestly across nations, with all nations showing more losers than gainers overall. See Tables 6.2 and 6.3.

Table 6.2: Gainers and Losers by Nation (2026 and 2030)

Nation	2026 All Gainers >1%	2026 All Losers >1%	2030 All Gainers >1%	2030 All Losers >1%
England	1.57%	6.54%	1.67%	7.37%
Scotland	2.62%	6.33%	3.01%	6.68%
Wales	2.43%	5.80%	2.67%	6.85%
Northern Ireland	2.99%	6.05%	3.09%	5.72%

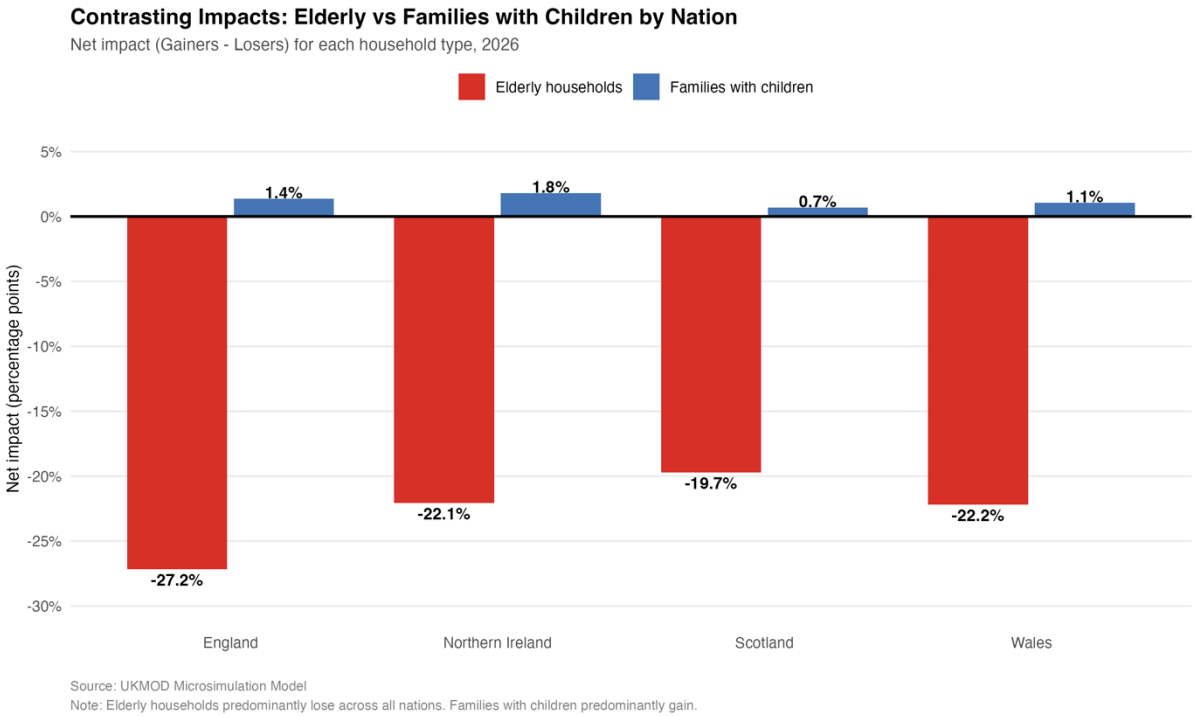
England shows 1.57% gaining and 6.54% losing in 2026, increasing to 1.67% gaining and 7.37% losing by 2030. Scotland, Wales, and Northern Ireland show higher proportions of gainers than England in both years. Northern Ireland exhibits the highest proportion gaining (2.99% in 2026, 3.09% in 2030) with the lowest proportion losing by 2030 (5.72%).

Table 6.3: Household type patterns by nation (2026):

Nation	Elderly Gainers	Elderly Losers	With Children Gainers	With Children Losers
England	0.64%	27.8%	1.60%	0.23%
Scotland	4.89%	24.6%	0.68%	0.00%
Wales	3.62%	25.8%	1.19%	0.13%
Northern Ireland	4.74%	26.8%	1.79%	0.00%

Figure 3.2 shows elderly households experience adverse impacts across all nations, with losers exceeding 24% everywhere. England shows the lowest proportion of elderly gainers (0.64%) and highest elderly losers (27.8%). Families with children show net positive outcomes across all nations, with Scotland and Northern Ireland showing zero losing households with children. Two-child limit removal produces consistent benefits for families with children across geographic areas despite variation in baseline household composition.

Figure 3.2: Contrasting Impact: Elderly Verus Families with Children by Nation



9. Key Findings

The Autumn Budget Statement 2025 produces mixed distributional outcomes with a net fiscal improvement of £1.0-1.4 billion annually across 2026-2030. The reforms reduce child poverty while increasing pensioner poverty, with minimal changes to overall income inequality.

Poverty Impact: Overall poverty shows modest annual reductions, ranging from 62 people (2029) to 37,709 people (2028) lifted from poverty after housing costs. Child poverty decreases consistently, with 3,222-20,128 children lifted annually. However, pensioner poverty increases across all years, with 5,239-28,381 additional elderly residents falling into poverty annually. Net reductions reflect Universal Credit two-child limit removal benefiting families with children, while Winter Fuel Allowance restrictions and benefit interactions increase elderly poverty.

Fiscal Position: Tax revenue increases by £1.4-2.0 billion annually, driven by personal income tax changes (98-100% of revenue increases). Benefit

expenditure increases by £364-575 million annually, primarily from Universal Credit two-child limit removal (+£714-733 million), partially offset by Winter Fuel Allowance restrictions (-£269-279 million) and Pension Credit decreases (-£127 million). Market income remains identical between scenarios in each year, ensuring all measured differences reflect policy changes only.

Income Distribution: Income inequality changes minimally. After housing costs, the Gini coefficient shows negligible changes (-0.000085 to +0.000028). Income shares remain unchanged across all deciles, with all changes rounding to 0.00 percentage points. Mean household income shows minimal variation (Decile 1: +£0.06 to +£0.44 weekly; Deciles 6-10: -£0.26 to -£1.55 weekly). These minimal changes reflect the reform's limited fiscal scale (£1.0-1.4 billion annually, approximately 0.1% of total household income).

Gainers and Losers: Only 1.78-2.01% of households gain income exceeding 1%, while 6.49-7.32% experience losses exceeding 1%. The majority (90.7-91.7%) experience minimal change (<1% either direction). Elderly households show adverse patterns (1.58-1.61% gaining vs 27.3-28.5% losing), while families with children show net positive outcomes (1.42-2.13% gaining vs 0.20-1.30% losing). The concentration of losses among elderly households reflects dividend tax increases and pension credit dynamics, while gains concentrate among families with 3+ children receiving Universal Credit.

National Variations: England generates 73-90% of UK net fiscal improvement (£754m-£1,256m annually). Wales shows the highest per-capita net fiscal impact (£24-£31), while Scotland shows the lowest (£8-£10). Poverty patterns differ substantially: England shows initial reductions (-27,924 in 2026) reversing to increases in later years. Scotland demonstrates consistent modest changes. Child poverty rates vary substantially, with Scotland maintaining the lowest rates (10.4-11.0%) and Wales the highest (27.8-28.6%), representing an 18-point gap.

Reform Effects: Universal Credit spending increases by £714-733 million annually, producing child poverty reductions of 3,222-20,128 children annually. Winter Fuel Allowance restrictions increase elderly poverty by 5,239-28,381 people annually. Income tax threshold freezes generate cumulative fiscal drag effects, with revenue gains growing from £1.4 billion (2026) to £2.0 billion (2030). The limited scope of significant income changes reflects the reform's modest fiscal scale relative to total UK disposable income: targeted benefit increases for specific household types are balanced by tax increases affecting other groups, producing minimal net effects on overall income distribution while generating consistent fiscal improvements.