Budget Briefing March 2017

On 8 March, the Chancellor Philip Hammond presented his last Spring Budget (in future the main Budget will shift to the Autumn). This briefing covers the main items that were either announced or known which relate to older people. Initial observations and comments are shown in *italics*.

- The basic state pension will rise in April by 2.5%, as guaranteed by the triple lock. This is because inflation (Consumer Price Index) was 1% and average earnings 2.3% in September 2016. This will mean a full basic state pension will rise by £3 a week to £122.30 for a single person and by £4.80 a week to £195.60 for a couple (where a wife relies on her husband's contribution record). For millions of women this actually means an increase of just £1.80 a week on their state pension (20p less than last year).

- The state second pension, such as SERPS, S2P or Graduated Pension which are linked to the CPI will therefore rise by 1%. This will also affect many occupational pensions that have an inflation-linked, rather than an RPI, increase.

- There was no fresh announcement on the future of the triple lock, but we know from the Autumn Statement last year that the government will be reviewing at some point before 2020, the way in which the state pension should be indexed in the future. *It is worth noting that since 2010, the triple lock has only given a higher increase than the pre-2010 arrangement on just one occasion in April 2016. There is a detailed NPC briefing on the triple lock available at* http://npcuk.org/wp-content/uploads/2016/12/Triple-Lock-Fact-Sheet.pdf.

- The new State Pension will also rise this April in line with the triple lock guarantee of 2.5%. This will take the £155.65 a week to £159.55 – a rise of £3.90. *This is the first example of how unfair the indexation arrangements are between the old pre-April basic state pension and the new post-April 2016 single-tier state pension, and show how over time the gap between the two will widen. This remains a key area of campaigning with the government.*

- The Pension Credit is likely to rise in April by 2.5% or £3.90 for an individual taking the total to £159.50 – just 5p less than the new State Pension. *This will need to be confirmed.*

- The previous Autumn Statement papers also confirmed that spending on benefits would be capped at £126bn by 2020/21. Whilst the basic and second state pension are excluded from the welfare cap, Pension Credit, Attendance Allowance, the winter fuel allowance, cold weather payments and Christmas Bonus are all included.

- The basic personal allowance for Income Tax will rise in April 2017 from £11,000 to £11,500. The allowance is forecast to rise again to £12,500 by 2020.

- The other main announcement was on the funding of social care. The Chancellor revealed that £2bn will be made available for adult social care over the next three years - £1.2b in 2017-18, £800m in 2018-19 and £400m in 2019-20. *The amount falls short of the funding that campaigners have called for, and is unlikely to halt the ongoing collapse and decline of services across the country. It should also be recognised that around a third of the adult social care budget is spent on younger people with learning disabilities – so not all the money is for older people.*

- The Chancellor also announced that a Green Paper on the long-term future of social care funding would be published later in the year, but ruled out the possibility of having a levy on estates (dubbed the Death Tax) to fund the services. This had previously been suggested by Labour's Andy Burnham at 15% on the value of an estate at the time of death. *Given that this option has already been ruled out, it will be increasingly difficult to see how the government intends to address the funding gap in social care. Former minister, Baroness Ros Altmann responded to the Budget by calling for the introduction of Care ISAs for individuals to save towards their care. This does very little to help existing families that are struggling with the complicated and expensive system. The NPC continues to argue for a National Health and Social Care Service, funded through general taxation: http://npcuk.org/wp-content/uploads/2017/02/Social-Care-Briefing-February-2017.doc.*

- Other announcements included the following:
  - An increase in Insurance Premium Tax in June 2017 from 10% to 12%, costing the average household between £50-£90 a year extra on their various insurance policies.
  - ISA limit will increase in April from £15,240 to £20,000.
  - A cut in the dividend allowance in April 2018 from £5000 to £2000. This will mean an extra £315 in tax a year on average, and affect around 500,000 pensioner savers.
  - An increase in the earnings limit on which National Insurance is paid at 12%, going from £43,000 to £45,000. This will cost each individual an extra £200 a year and is expected to raise £38bn in 5 years.
  - There was no mention of the State Pension Age, but the Cridland Review will report its findings on 23 March.
  - Local voluntary organisations who receive funding from local government should note the ongoing decrease in funding for local authorities from 2017-18 £6.5bn to 2018-19 £5.5bn and 2019-20 £5.4bn. This reduction in funding does not bode well for provision of non-statutory functions such as meals on wheels.

Chancellor offers 'sticking plaster' on social care crisis

Britain's biggest pensioner organisation, the National Pensioners Convention has described the additional £2bn on social care in England announced in today's Budget as a 'sticking plaster' on the crisis that the service is currently facing.

Dot Gibson, NPC general secretary said: “For many older people and their families who are struggling with the confusing social care system, the extra funding announced today will be seen as little more than a sticking plaster on the crisis. The additional £2bn from the Chancellor won’t reverse the £5bn cut that the service has suffered since 2010, it won’t give services to the 1.2 million people who have been rationed out of the system and it won’t ease the burden on millions of unpaid older carers who are working 24/7 to look after their loved ones.”

“The promise of a Green Paper is clearly an admission by the government that they haven’t got a clue how to solve the long-term funding crisis facing social care, and it will be years before anything serious gets done. In the meantime, local councils will struggle to meet rising demands and self-funders will face rising care home bills. No other part of the health service is funded by individuals and their families, rather than by society as a whole. It’s time for a tax-funded social care system that’s fair, shares the cost and risk across everyone and gives dignity to those who need looking after in their later years.”

NB: Supporters are encouraged to send this comment to the letters page of their local papers, in their own name.