

Budget Briefing

November 2017



On 22 November, the Chancellor Philip Hammond presented the second Budget of the year, which in future will become the main Budget. 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 3%, as guaranteed by the triple lock, based on the September 2017 Consumer Price Index figure. This will mean a full basic state pension will rise by £3.65 a week to £125.95 for a single person and by £5.85 a week to £201.45 for a couple (where a wife relies on her husband's contribution record). For millions of women this actually means an increase of just £2.20 a week on their state pension.
- The state second pension, such as SERPS, S2P or Graduated Pension which are also linked to the CPI will also go up by 3%. This will also affect many occupational pensions that have an inflation-linked, rather than an RPI, increase.
- The new State Pension will also rise in April in line with the triple lock of 3%. This will take the £159.55 a week to £164.35 – a rise of £4.80. *Although next year's indexation arrangements have ensured that both the old and new state pensions all go up by the same amount, this is more by luck than design. The key issue is that the second state pension must also be triple locked, rather than simply tied to the CPI. This therefore remains a key area of campaigning with the government.*
- The Pension Credit Guarantee will rise in April by the same cash amount as that given to the basic state pension under the triple lock. For an individual this means an increase of £3.65 a week from £159.35 to £163 a week.
- 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 2018 from £11,500 to £11,850. The allowance is forecast to rise again to £12,500 by 2020.
- The Marriage Allowance allows taxpayers to transfer up to 10% of their unused personal tax allowance to their partner, reducing their tax bill by up to £230 a year in 2017/18. The government will now allow claims in cases where a partner has died before the claim was made, and these claims will be able to be backdated by up to 4 years.

- On other matters, the Chancellor also announced an additional £335m for the NHS this year, £1.6bn in 2018/19 and £900m in 2019/20 in order to come with increased pressure. *Critics have argued that it is less than half of the £4bn that is needed next year and is likely to see waiting lists rise to 5 million.*
- In an attempt to stimulate the housing market, first time buyers are to be exempt from paying Stamp Duty on properties up to £300,000. *Restricting this action on Stamp Duty to first time buyers may turn out to be rather short-sighted. The Office for Budget Responsibility has claimed not only could it raise house prices, but it will only lead to an additional 3500 properties coming up for sale. For older people there needs to be a 75% increase in specialist properties by 2035 if we are to meet a growing older population, and nothing in the Chancellor's statement addressed this issue. An urgent house building programme is needed and a stamp duty holiday for older people right sizing in retirement into homes under £200,000 could release up to 111,000 properties for younger families.*
- The Disabled Facilities Grant is to rise by £42m in 2017/18, increasing the total budget for this year to £473m. The majority of Disabled Facilities Grants are £5,000 or under, with adaptations that enable people to use their bathroom the most commonly grant aided works, followed by stairlifts. *Home adaptations play a key role in enabling older and disabled people of all ages to live independently and safely in their own homes.*
- Other announcements included the following:
 - The pension lifetime allowance – the amount an individual can build up in tax-relieved pension savings will rise in line with CPI to £1,030,000.
 - The ISA annual subscription limit for 2018/19 will remain unchanged at £20,000.
 - 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.
- However, there were two main issues that the Chancellor did not cover in his statement. The first was the ongoing crisis in social care. In March earlier this year he announced that £2bn would 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. *However, the NPC, pensioner charities, think tanks and even the Conservative chair of the Health Select Committee, Dr Sarah Woollaston have questioned whether this was a missed opportunity by the Chancellor to do more. 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. At the moment, all the government can offer is a Green Paper on future funding next summer.*

The second issue was the latest excess winter death figures. These were released on the same day as the Budget, and revealed that 34,300 older people died last winter because of cold related illnesses. This is the second highest number in the last five years and represents 285 deaths a day or 11 deaths an

hour. However, both the Office for National Statistics and a number of age-related charities have started to argue the reason for the increase is related to the lack of effective flu-vaccinations among the older population. Up till now there has been a widespread consensus that the scale of winter deaths was related to the cost of keeping warm, poor housing, extreme temperatures and low incomes. This attempt to somehow suggest there is simply a medical, rather than financial reason for the winter death scandal has to be challenged.

- Commenting on the Budget, the NPC's general secretary, Jan Shortt said: "It appears that it's not just the Chancellor's cars which are driverless – so too is his policy on older people. There was no promise of much needed funding for social care or any measures that could help pensioners to move to smaller properties, but the biggest omission was the fact that Mr Hammond never mentioned the 34,300 older people that died last winter from the cold. In a country which boasts the sixth strongest economy in the world, the fact that tens of thousands of older people die every winter is a national scandal."