Briefing: November 2017 Budget

22 November 2017

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The Autumn Budget on 22 November was notable mainly for what it did *not* say, and in particular neither social care nor pensioners received a mention. However, our policy experts have been through the detailed papers, and the parts relevant to older people are summarised in this paper. You can see the full Budget documents here: https://www.gov.uk/government/topical-events/autumn-budget-2017

Age UK's media response

"At Age UK we worry most of all about the millions of older people in our country in declining health, with a need for extra support, and on a low retirement income after a working life spent on low pay, many of whom live alone in poor quality housing that is hard to heat. Unfortunately there was little in this Budget to cheer older people like these.

"The extra funding for the NHS is welcome but we fear will do little more than slow down the decline in its ability to meet the needs of a growing older population as it is only about half the amount the experts said was required. Meanwhile the Budget's failure to acknowledge the enormous problems facing social care is desperately short-sighted and can only result in the numbers of older people going without the care they need, already disgracefully at more than a million in England, ratcheting up. Last week the Government announced it would publish a Green Paper on social care next summer but we fear for the state of social care by then."

Health and Social Care

A week before the Budget, the Government finally announced a timeline for their green paper on social care, yet it was notable for its absence in the Chancellor's speech. This means no new money for addressing existing pressures on social care funding or any kind of plan for establishing a longer term settlement for social care spending.

This is an important context for the Budget announcement that the NHS will get £6.3 billion of additional money over the next four years. Of this, £2.8 billion, spread over the next three years, is in response to significant pressures on NHS finances, which had led the chief executive of NHS England to recently call for additional funds just to keep the ship afloat. However, it is below the £4 billion which many experts believed was the bare minimum for next year alone, reflecting the underlying deficit facing most NHS hospitals. £3.5 billion, over the next four years, was allocated to capital spend, aimed at improving NHS buildings and facilities, of which £2.6 billion will be available to Sustainability and Transformation Partnerships (STPs) currently undertaking major local transformation programmes.

It is not yet clear where the funding will come from. In the past, the Government has honoured its commitments to increasing NHS spending in real terms by not including non-service delivery spending in the equation. So for example, maintaining NHS funding has meant significant cuts to other agencies involved in regulating services or supporting public health. And why is social care funding an important context? The funding requests made by the NHS in 2014, to which the chancellor again voiced his commitment, were conditional on there being more investment in social care. Likewise, a major reason hospitals are in deficit is because they are not able to discharge patients because of a lack of social care services in the community. There remains a massive gap in plans to maintain NHS services and it is difficult to see how these spending commitments will make a major difference to the underlying challenges it faces.

One welcome point from the Chancellor was his commitment to provide additional funding from outside the current budget to cover increases in pay should that be the result of ongoing negotiations.

Housing

The Government set out a commitment to building 300,000 net additional homes a year on average by the mid-2020s. Otherwise there were few genuinely new announcements on housing, and no announcements specifically of interest to older people.

Of potential interest, but with no detail on when any change might be introduced, are the following announcements:

- Increased empty homes premium – local authorities will be able to increase the council tax premium on empty homes from 50% to 100%.

- Right to Buy pilot – the full Budget document confirms that the Government will proceed with its large-scale regional pilot of the extension of the Right to Buy to housing association tenants. This will take place in the West Midlands.
- Longer tenancies – the Government will consult on the barriers to landlords offering longer, more secure tenancies to those who want them.

In general, the most ambitious measure is the commitment to lifting the Housing Revenue Account borrowing cap for councils in areas of high affordability pressure. This falls short of the action needed to 'fix our broken housing market', but it's a step in the right direction.

There was no specific news on energy costs for consumers, beyond a commitment not to introduce new low carbon levies until 'the burden on energy costs are falling' – expected to be 2025.

The Budget also provides £42 million of additional funding for the Disabled Facilities Grant in 2017-18, supporting people to stay in their own homes. This will increase the total budget for this year to £473 million, but no extra allocation is shown for future years.

Tax allowances and thresholds

Income tax rates are unchanged, but allowances and thresholds will largely rise in line with inflation. The exception is the amount of savings you can have tax-free, which will remain at £5,000.

The personal allowance will rise from £11,500 to £11,850 in April 2018, and basic rate tax will be payable on the first £34,500 of taxable income above the allowance.

The Marriage Allowance allows taxpayers to transfer up to 10 per cent of their unused personal allowance to their husband, wife or civil partner. The Government will now allow claims in cases where a partner has died before the claim was made. These claims will be able to be backdated by up to 4 years.

State Pensions and benefits

Full State Pension and benefit rates are traditionally announced by the Secretary of State for Work and Pensions in the days following the Budget. However, the Budget document confirms that State Pensions will be increased in April 2018 by 3%, in line with inflation as measured by CPI – the highest element of the triple lock. This will mean a cash increase of £3.65 per week for the full basic State Pension (for those who reached State Pension age before 6 April 2016). The benefits of the triple lock uprating will also be passed on to the poorest pensioners through an increase to the Standard Minimum Guarantee in Pension Credit to match the cash rise in the basic State Pension. This will be paid for through an increase in the Savings Credit threshold – the

Savings Credit starting point. The full new State Pension (for those reaching State Pension age after 5 April 2016) will also be increased by the triple lock, rising by £4.80 per week.

Universal Credit

The Chancellor also announced some easing in the rules for Universal Credit:

- From December 2018, new claimants will be able to receive an advance of 50% of their monthly entitlement at the beginning of their claim and a second advance to take it up to 100% in the new year, before their first payment date.
- From January 2018 those who need it, and who have an underlying entitlement to Universal Credit, will be able to access up to a month's worth of Universal Credit within five days via an interest-free advance. The period over which this must be paid back will be extended from six months to twelve months.
- From February 2018, the seven-day waiting period will be abolished so entitlement to Universal Credit starts on the first day of application.
- From April 2018 those already on Housing Benefit will continue to receive their award for the first two weeks of their Universal Credit claim.

The Government will also make it easier for claimants to have the housing element of their award paid directly to their landlord.

To support these changes the government will roll out Universal Credit more gradually between February 2018 and April 2018, and roll-out to all jobcentres will be complete in December 2018 (was September 2018 previously).

Private pensions and saving

The Chancellor made no changes to the rules on private pensions, and the ISA limit for tax-free savings will remain at £20,000. However the lifetime allowance for pensions will increase in line with the Consumer Prices Index, rising to £1,030,000 for 2018-19. This is a limit on the value of payouts from your pension schemes – whether lump sums or retirement income – that can be made without triggering an extra tax charge.

Employment, learning and skills

The Chancellor announce a new National Retraining Scheme (NRS), with priorities to be set in consultation with the Trades Union Congress and the Confederation of British Industry. As a first step, the National Retraining Partnership will oversee targeted short-term action in sectors with skills shortages, initially focussing on construction and digital skills.

We welcome the concept of the NRS, and are pleased to see the Chancellor recognising the importance of investing in the skills of the existing workforce, which we hope will include many older workers. Digital skills are clearly important in the labour market, and any older workers who need to up-skill in these must be able to do so with no unnecessary barriers, such as employer or government restrictions on what learning they are allowed to do. Age UK will be closely watching proposals for how the NRS delivers the skills element of the digital strategy, including tackling digital exclusion - older people who are not in work must also be included in this part of its remit.

The National Living Wage will rise from £7.50 an hour to £7.83 from April 2017. Welcome though this is, it will increase pressures on care providers.