Budget Briefing
March 2016

On 16 March, the Chancellor George Osborne presented his Budget Statement. This briefing covers the main items that were announced relating to older people, some of which have been mentioned previously in other statements or papers.

- The basic state pension will rise in April in line with average earnings of 2.9% as part of the triple lock arrangements. This will mean a full basic state pension will rise by £3.35 a week to £119.30 for a single person and by £5.35 a week to £190.80 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 a week on their state pension.

- The state second pension, such as SERPS, S2P or Graduated Pension will be frozen because it is linked to the Consumer Price Index; which in September 2015 was recorded at -0.1%. This will also affect many occupational pensions that have an inflation-linked, rather than an RPI, increase.

- Pension Credit for an individual will increase in April by £4.40 to £155.60 a week. At the same time, by adjusting the Savings Credit threshold, the Pension Credit awards for those currently receiving Savings Credit will be frozen where income is unchanged. In effect, from April 2016 Savings Credit thresholds will be cut by £1.75 to a maximum of £13.07 for a single pensioner and by £2.68 a week to a maximum of £14.75 for a couple. This change is expected to save £635m over five years. Savings Credit will of course be scrapped for new applicants after April 2016 and the introduction of the new State Pension.

- In the Autumn Statement last year, the Chancellor announced that Pension Credit and Housing Benefit would be withdrawn from anyone who spends more than four continuous weeks out of the country. This was expected to save £80m over five years. However, the Budget documents reveal that its introduction is to be delayed by one month to May 2016.

- The Budget papers also confirmed that spending on benefits would be capped at £115.2bn for 2016/17 and will reduce to £113.5bn by 2019/20. Whilst the basic and second state pension are excluded from the welfare cap, along with Pension Credit, Attendance Allowance, the winter fuel allowance, cold weather payments and Christmas Bonus are all included.

- As previously announced, the basic personal allowance for Income Tax will rise in April 2016 to £11,000. This will finally unfreeze the allowance for the over 75s which has been stuck at £10,660 for a number of years. The allowance is forecast to rise again to £11,500 in 2017/18.

- In addition, the Married Couples Allowance for those couples (married or in a civil partnership) where one partner was born before 6 April 1935 will rise to £8355 and to £8591 in 2016 in line with the RPI.

- The higher rate threshold for income tax will also rise from £43,000 in 2016-17 to £45,000 in 2017-18. The NICs Upper Earnings Limit will also increase to remain aligned with the higher rate threshold. This means anyone earning over £45,000 will only pay 2% on this part of their earnings rather than the basic rate of 12%.

- The government also announced its intention to reform self-employed National Insurance contributions (NICs). From April 2018, Class 2 NICs will be abolished (these were the contributions based on any profits made by the individual's business). This represents an annual tax cut for 3.4 million self-employed people of £134 on average. The government will also reform Class 4 contributions so that self-employed individuals continue to build entitlement to the State Pension and other contributory benefits.

- The Budget papers also reveal that today, the average person will move employers 11 times over their working life, meaning they could end up with 11 or more private pensions by the time they retire. Research shows that over a third of people approaching retirement find it difficult to keep track of their pension pots and so the government is proposing the industry designs, funds and launches a pensions dashboard by 2019. This will mean an individual can view all their retirement savings in one place.

- Probably the most controversial policy in the Budget was the decision to introduce cuts to Personal Independence Payments (PIP) for disabled people. Anyone who makes a claim after they have reached state pension age has to apply for Attendance Allowance. However, around 206,000 Disability Living Allowance recipients (which was the forerunner to PIP) turned 65 between April 2013 and the end of September 2015, and this group will now be pensioner recipients of PIP and could be affected by the decision to cut the benefit by an average of £30 a week.

- The government's Housing Bill has also been controversial, particularly in the House of Lords. In the Budget documents the government said it recognised the important work of providers of supported accommodation and would delay introducing a cap on the Local Housing Allowance applying to new tenancies in this sector by one year to 1 April 2017.

- The Budget also announced additional spending on flood defence of over £700 million by 2020-21 by increasing the standard rate of Insurance Premium Tax by 0.5%.

- War pension payments made to injured veterans will be exempt from the social care means test in England from April 2017.

One of the key areas missing from the Budget statement was that of social care funding. In the Autumn Statement last year the Chancellor had announced that local authorities could raise up to an additional 2% specifically for the funding of social care in 2016. He also announced a major review into integrating health and social care by 2020. However, since 2010, social care budgets in England alone have been cut by £4.6bn. The measures announced by the Chancellor are therefore woefully inadequate. Not all councils will levy the 2% (particularly those in poorer areas where they will not be able to raise sufficient funds) and that will cause even more differences in the levels of services across the country and create a new postcode lottery of care.

In addition, the Chancellor also announced that local government grants would be cut by 56% in the next five years, so that by the end of that period all local authority revenue would be raised locally. Pressure to make up this difference in council tax is likely to be unsustainable and non-statutory services are therefore likely to face further cuts.

Prior to the Budget, the NPC called on the Chancellor to reform the current pension tax relief arrangements – which give more assistance to higher rate tax payers – by introducing a flat-rate 20% tax relief on pension contributions which would save an estimated £12.5bn that could be used to fund our social care system. Under pressure from the pensions industry and Conservative MPs, the Chancellor backed away from any reform. Nevertheless, the NPC continues to argue for a National Health and Care Service, funded through general taxation.

What was noticeable in the Chancellor's statement was his claim that the Budget was for future generations. Responding to this, the NPC put out the following statement:

"Budget for the next generation" is simply a meaningless phrase

Dot Gibson, NPC general secretary said: "The Chancellor referred to his statement as a "Budget for the next generation", but has offered no real evidence to back that up. Our grandchildren face huge university tuition fees, insecure employment, zero-hour contracts, low pay and rising house prices and yet there was no promise to improve any of those things. The truth is people don't save for their retirement because at the end of the month they don't have very much left. They are forced into private rented accommodation because a lack of affordable homes has pushed up the price of houses to buy and work that pays barely more than the minimum wage is not going to give them a decent pension when they retire. Young and old share these concerns, but the Chancellor has done nothing to address any of these issues. He simply uttered a phrase that in reality is totally meaningless."

This issue is important given the current Work and Pensions Select Committee inquiry into "intergenerational fairness" and our efforts to build our Generations United campaign.