

The Budget and Older People Briefing Paper April 2020



Introduction

Although appropriate for the NPC to review The Budget as far as it affects older people, the abnormality of the situation makes the analysis of little long-term value. Much of the information below will be subject to alteration and/or cancellation as the situation continues to change.

The Chancellor of the Exchequer Rishi Sunak's first Budget on March 11 was very quickly overtaken by events surrounding the Coronavirus pandemic.

Within a month of Mr Sunak announcing the country's "largest fiscal boost for 30 years" - £30bn to stimulate the economy in the face of the Covid-19 challenge plus £600bn over five years for infrastructure spending – he has already had to dip into the kitty twice more.

On April 8 he announced £750m in extra funding to assist the struggling charity sector, which plays a vital role in supporting our already stretched social services. While this week he announced a further £1.25bn to bailout struggling start-up businesses.

As the Coronavirus continues to wreak havoc – the Office for Budget Responsibility (OBR) predicts the UK economy will shrink (albeit temporarily) by 35% in the second half of 2020 while unemployment hits 10% - there seems little doubt that Mr Sunak will be revisiting his Budget before the year is out.

Key Points

Coronavirus

- The Chancellor announced a fiscal stimulus totalling £30bn, including welfare and business support, sick-pay changes and local assistance.
- There will be £7bn for businesses and families.
- A £500bn "hardship fund" will be provided for local authorities.
- Business rates will be suspended for smaller firms in retail, leisure, and hospitality for the next 12 months - a tax cut worth up to £1bn. The Government's Time to Pay service will be bolstered, allowing businesses and the self-employed to defer tax payments.
- Banks will offer loans of up to £1.2m to small businesses and the government will cover their losses of up to 80pc.

NHS

- £6bn of additional funding will go to the NHS during this parliament. The package (some of which was previously announced) will help to:
 - Hire 50,000 nurses
 - Build 40 hospitals.
 - Create 50m more GP surgery appointments
 - Fund wider commitments on hospital car parking and support for people with learning disabilities and autism

Welfare

- £1bn of additional funding, including a £500m local authority hardship fund.
- Statutory sick pay will be available to individuals self-isolating. Sick notes will be available by contacting NHS 111.
- Contributory employment and support allowance (ESA) will be claimable from day one, rather than day eight.

- The minimum income floor for universal credit will be removed. The requirement to physically attend a job centre will be removed – everything can be done on the phone and online.

Alcohol

- Business rate discount for pubs will be £5,000, up from £1,000.
- A planned rise in beer and spirits duty is cancelled, and duties frozen for cider and wine.
- For this year only, the rate discount for pubs will be £5,000, up from £1,000.
- The planned increase in spirits duty will be cancelled.

Fuel duty

- Fuel duty will remain frozen for another year - a saving of £1,200 since 2010, but at a cost of more than £100bn to the Exchequer.

Housing

- The Chancellor outlined £12bn for building affordable housing while a 2pc stamp duty surcharge will be imposed on non-UK residents.
- £1.1bn of allocations from the housing infrastructure fund will be made to build almost 70,000 homes in high-demand areas.
- £1bn Grenfell building safety fund will help to remove cladding from tall residential buildings.
- £650m of funding will be made available to move rough sleepers into accommodation.

The Regions

- As part of its 'levelling up' programme, the Government will provide additional funding worth £640m for Scotland, £360m for Wales and £210m for Northern Ireland.
- The eight metro mayors – including one in West Yorkshire - will get new "London-style funding settlements" worth £4.2bn to help boost transport links.
- £27bn will be invested on more than 4,000 miles of roads nationwide.
- £5bn of funding will be invested in next-generation broadband.
- An additional £1.5bn will be made available to fund further education.
- 750 staff from Treasury, business and trade departments will move to a new Economic Campus for the North of England. In the long-term 22,000 civil servant roles will move outside central London.

Taxes and wages

- National Insurance contributions threshold goes up to £9,500, a tax cut for 31 million.
- As previously announced, the Government will not cut corporation tax from 19pc to 17pc.
- The Inheritance Tax taper threshold will be raised by £90,000. Anyone earning under £200,000 will now not be impacted by the tapered annual allowance.

Environment

- The Government will increase taxes on pollution and from April 2022 the climate change levy on electricity will be frozen but increased on gas.
- Funding for green transport solutions will rise by £1bn.
- Tax relief for red diesel will be abolished for most sectors within two years, representing a £2.4bn tax break for pollution. Agriculture, rail, fishing, and domestic heating will be exempt.
- From April 2022, the Government will charge £200 per tonne on plastic packaging with less than 30% recycled content.
- 30,000 hectares of trees will be planted, and 35,000 hectares of peatland restored.
- Investment in flood defences will double over the next five years to £5.2bn, as previously indicated.
- At least £800m will be invested in carbon capture and storage.
- The Government will consider changes to the Air Passenger Duty in the wake of Flybe's collapse.

Business support

- £2bn of sick-pay rebates for up to 2m small businesses with fewer than 250 employees.
- £1bn of lending via a government-backed loan scheme, with the government backing 80% of losses on bank lending.
- Business rates will be abolished altogether this year for retailers, in a tax cut worth more than £1bn.
- Companies eligible for small business rates relief will be allowed a £3,000 cash grant. This is a £2bn injection for 700,000 small businesses.
- VAT will be scrapped on digital publications, including e-books and e-newspapers.
- Employment allowance will go up to £4,000.
- Research and development will increase to £22bn per year.
- The Treasury is to review business rates amid complaints over crippling costs.

Entrepreneurs' relief

- The controversial entrepreneurs' tax relief is changing, with the lifetime limit for relief reducing from £10m to £1m. Around 80% of entrepreneurs will be unaffected. The £6bn saving over the next five years will be invested in buildings, employment and research and development.

Growth

- The Office for Budget Responsibility (OBR) slashed its forecasts for the UK economy, warning that growth will struggle at 1.1pc in 2020, down from its March 2019 prediction of 1.4pc. The OBR's forecasts did not account for the rapid spread of Covid-19, meaning growth is likely to be much weaker than those predictions.
- However, growth will be higher than expected in 2021 at 1.8pc, up from 1.6pc. Growth in 2022 and 2023 will be 1.5pc and 1.3pc, respectively, according to the official spending watchdog.

Borrowing

- Government borrowing as a percentage of GDP will be 2.1% this year, rising to 2.4% in 2020-2021, 2.8% in 2021-22, before falling to 2.5%, 2.4% and 2.2% in the following years.
- The debt as a share of GDP is forecast to fall from 79.5% this year to 75.2% in 2024-25.
- The Chancellor said by 2022-23 there will be "fiscal space" – spending headroom – of £12bn.
- He said his Budget falls within fiscal rules, but has left the door open for a review in the autumn.

Conclusion

Even prior to the pandemic outbreak, The Budget showed no real or genuine commitment to dealing with the crisis in social care. A cross-party committee set up to discuss a way forward could not agree how this should be done.

As far as the NHS is concerned, The Budget commitment to hiring 50,000 nurses, building 40 hospitals, and creating 50million GP appointments - all for £6billion - seems somewhat naïve.

In the meantime, economic 'think tanks' are already looking at how the Government might recoup the money it is spending to offset the impact of Covid-19 on the nation's health and economy. Their proposals once again look to target the triple-lock on the state pension as well as the tax system, moving away from taxing income to taxing actual wealth (which will include the value of your home). We can only hope the decisions the Chancellor eventually takes in this respect, do not have such seismic financial consequences for an older generation, who are already suffering most from this dreadful virus.

Further Information

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