

Parliamentary Briefing

Autumn Budget & Spending Review 2021

Introduction

As we enter a potentially difficult winter, we know that the pandemic has highlighted and exacerbated vulnerabilities that predated Covid-19. Age UK's current overarching strategic priority is to focus our efforts on those that need us the most. The direct and indirect cost of the pandemic, the need to shield and social distance has had a heavy impact on our older population in terms of their physical and mental health and income. The Chancellor's spending commitments announced in this Budget and spending review will affect older people's lives both by what was included and what was omitted in his speech.

In response to the Spending Review, Caroline Abrahams, Co-chair of the Care and Support Alliance and Charity Director at Age UK said:

"Today, social care needed a big injection of guaranteed, additional funding for now and the future, but the Chancellor didn't deliver it. The extra money that was announced for local government was not ring-fenced for social care and will need to be stretched thinly across council services, after a decade of under-funding."

"The end result is that there is no relief in sight for older and disabled people who require care, and their families and carers, who are having to put up with services under extreme duress - if they can get any help at all."

"It's no good the Government promising the possibility of more funding for care in a few years' time if today's provision continues to disintegrate and more workers walk away."

"If the Prime Minister's ambition to 'fix social care' is ever to be realised Rishi Sunak has to play his part by providing enough funding to make it happen. He hasn't done so and therefore unfortunately, the future of social care remains as uncertain as ever, with the credibility of the Prime Minister's promise increasingly on the line."

Newly announced spending commitments

Social Care

In advance of the spending review, Age UK made it clear that social care needed an urgent injection of funding echoing the Health & Social Care Select Committee's view that: *"the starting point must be an increase in annual funding of £3.9bn by 2023-24 to meet demographic changes and planned increases in the National Living Wage"*. We also agreed that this was only the first step towards stabilising the sector and setting social care on the path to an improved system capable of delivering the care older and disabled people desperately need.

While the Government's commitment to implement a lifetime cap on care costs funded through the new Health and Social Care Levy continues to be welcome, there is little immediate relief for older and disabled people in need of care today. The £4.8bn Local Authority grant funding announced today, spread over 3 years, represents an increase in core spending power. However, again while welcome, the funding is not ring-fenced for adult social care and risks becoming thinly stretched

across council services which have experienced a decade of falling real terms investment. Even were all the additional available resources directed towards adult social care, at a time when both demand for services and cost pressures are rising, it would still fall a long way short of the investment necessary to address the immense challenges facing the social care system. At it stands, the Government risks undermining its own social care reforms by failing to adequately support the state-funded system.

An additional £500 million set aside for investment in skills, qualifications and wellbeing of the workforce demonstrates that there is an understanding that those working in the care sector need to be recognised for their valuable skills, and perhaps signals a recognition of the need for a professionalised workforce with opportunities for career progression.

We hope that the Government's more detailed plans for social care, together with Local Authority funding announcements later in the year, will go further and faster in setting social care on a sustainable footing as an essential public service on which many older people and families rely.

Primary and community health care

We welcome the Government's commitments to spending on Covid-19 related health services, addressing the elective surgery backlog, and on improving digital connections between health services. New capital spending on community diagnostic centres, surgical hubs, and new hospitals is also welcome.

However, we already had deep concerns about the shortfall in staffing required to provide existing services, before these additional service developments were announced. The Budget has no immediate concrete plans to address the necessary increase in NHS staffing levels. The plans to increase undergraduate recruitment in Medicine and Nursing will not impact positively on staffing levels for several years. The existing commitment to recruit 50,000 more nurses is already proving difficult, as more burned-out staff are leaving the profession than are joining it. The admirable commitment to provide 50 million more primary care appointments will be impossible to achieve without an immediate increase in the primary care workforce.

Energy

Despite recognising the Energy crisis as one of two major drivers impacting household budgets, no meaningful commitments were made by the Government to address it. The Chancellor highlighted the previously announced Household Support Fund and its £500 million of funding which whilst welcome, falls far short of what is needed to address rising bills. No additional funding was announced for existing schemes, like the Warm Home Discount, or establish new support for those struggling the most.

Key benefits, which help older people with the costs of energy, have not increased in years, so offer less and less protection when prices rise. Given reforms and exemptions announced for other tax rates it was notable that no changes were announced to the 5% VAT on household energy bills. This tax brought in around £1.5 billion for the Government in 2020 and an estimated extra £90million will go to the Treasury in additional revenue because of the energy price cap rise in October.

This lack of Government support will disproportionately impact low income and fuel poor older people this winter. While older people face a lower fuel poverty rate than younger households they often face deeper fuel poverty – paying higher average fuel costs and needing more to come off their energy bill to lift them out of fuel poverty. With an additional 150,000 older households expected to become fuel poor because of energy price increases, the lack of additional Government support exacerbates the challenge many older people face in staying warm and well this winter.

State Pensions, benefits and the cost of living

The triple lock has helped increase the value of the basic and new State Pensions. However, on average, State Pension payments are still below £9,000 a year, and some people receive far less. We have heard from older people who are very disappointed about the decision to suspend the earnings element of the triple lock next year especially given the rising costs of living. Age UK acknowledges that this year presented a unique set of economic circumstances however, the case for the triple lock remains strong to support incomes of current pensioners throughout their retirement and to give lower income workers opportunities to achieve a decent retirement income. It is imperative that the triple lock reverts to normal after this anomalous year and remains in place to maintain the value of the state pension and those who rely on it.

In the meantime, millions of older people are struggling with increases in the cost of living but the Chancellor has not offered any additional funding for those on low fixed pensioner incomes. Rising energy bills, record petrol prices, and inflation that is expected to hit 5% will mean those that were already struggling with essential costs will be extremely anxious about how they will get by. There are often additional costs that come as we age such as greater need for energy for heating, paying for carers, and transport – even more so for the older people that are caring for a partner or relative. The millions of older people living alone also face the added expense of trying to balance a budget by themselves. The impact of rising bills means that older people often end up rationing their essentials such as heating or groceries which could be really damaging for their health and wellbeing. Stretched NHS and care services will be left trying to pick up the pieces when there is already unprecedented demand and backlog for care and treatment.

A great start to help those struggling the most would be ensuring that they are claiming the financial support they may be entitled to such as Pension Credit, Attendance Allowance, and help with housing costs. Currently pensioners are missing out on around £2.2 billion of Pension Credit and Housing Benefit a year.

Private Pensions

We welcome the proposed solution to the pensions 'net pay scandal', which affects approximately 1.25 million savers each year, and is an issue on which we have been campaigning for several years. It is crucial that non-taxpayers saving in net pay schemes receive the tax relief promised as part of the implied agreement for being automatically enrolled. We are pleased to see the Government is working towards achieving this. The process for receiving the money due should be as seamless as possible, and carried out automatically so savers do not need to contact HMRC themselves. We hope this will be built into the final proposal. We are disappointed that no refunds will take place until 2024/25, which means that millions of low earners will continue missing out for the next few years.

The Government is also set to consult on bringing illiquid assets into scope for defined contribution pension schemes to invest in; at the same time 'loosening the charge cap' to make this possible. This is of great concern, as the charge cap provides a vital protection against excessive costs and plays a significant role in ensuring that savers can build a decent pension pot. We will be carefully monitoring the ensuing consultation and subsequent policy decisions.

Education and Skills

We welcome the Plan for Jobs, additional investment in skills training and the announcement of an enhanced offer for those over the age of 50, set out in the Budget. We need to see more people working through to State Pension age yet older workers are often dealing with a particular set of challenges. Older workers are more likely than other age groups to remain unemployed for longer periods if made redundant and may need to find work that accommodates health, caring and other responsibilities. Tailored support and help navigating the options available is essential if this new investment is to work well for the older workforce.

We look forward to seeing further details about how this plan will help the over 50s who are either unemployed or need to reskill.

Housing

Increasing the number of new homes built is a key focus of the budget. Given this large building programme, Age UK believe it is essential that accessibility standards for new build homes are raised as soon as possible. There is already a huge shortage of accessible homes and with an ageing population this shortage is forecast to increase. Accessible housing is key to helping older people to live independently, remain connected to their local community and reduces pressure on social care. Aiming to build so many new homes without addressing this issue will be a wasted opportunity, storing up costly problems for the future.

Please get in touch

If you have any questions or would like to meet to discuss how we can work together please contact Roshni Mistry, Senior Public Affairs Officer at roshni.mistry@ageuk.org.uk