

Policy News - Budget Special

Welcome to this special edition of Policy News, which provides an at a glance summary of the Summer Budget 2015, relevant to MHA.



The Chancellor introduced the budget stating a continued need for the UK to “get our own house in order”. He referred to the Office of Budget Responsibility forecasting strong growth for the UK, due to growth in private consumption and investment and reduction in borrowing but that the cut to the deficit needed to continue at the same pace. The budget identifies £37 billion of spending cuts planned for this parliament.

1. Health and social care

- The Chancellor confirmed the manifesto commitment of £8 billion for the NHS to 2020, with the NHS required to also deliver £22 billion in efficiency savings by 2020-21.
- Despite much advocacy and publication of reports highlighting the issues facing social care from organisations including the [Local Government Association](#), [International Longevity Centre-UK](#) and [Association of Directors](#)

[of Adult Social Services](#), the Chancellor made no reference to funding in this sector, nor to the budget of the Department of Communities and Local Government.

- With the exception of Ministry of Defence, which will receive an increased budget, other unprotected Departments will have their budgets confirmed in the Autumn Spending Review.

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2. Older People

- The government restated the manifesto commitment to continue to protect benefits for older people, maintaining the 'triple lock' on the State Pension and other benefits such as the Winter Fuel Allowance and free TV licences for over 75s – the latter of which will begin to be funded by the BBC from 2018/19.
- The Chancellor also launched a [consultation](#) on whether there is a case for reforming pensions tax relief to strengthen incentives to save and offer greater simplicity and transparency, or whether it would be best to keep with the current system.

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3. Housing

- For social housing, the Chancellor stipulated that rents will be reduced by 1% a year for the next four years. There is no detail as yet as to whether there are any exemptions to this policy.
- The government will require high income social tenants to be charged a market or near market rent, set at £40k in London and £30k elsewhere – this policy will be consulted upon over the summer.
- The Chancellor used the budget to reaffirm commitments to the extension on Right to Buy and the Help to Buy ISA.
- Changes were announced for mortgage relief for landlords purchasing buy to let properties, with mortgage interest relief on residential property, restricted to the basic rate of income tax.
- Planning reforms are due to be announced on Friday 10 July.

Click here for [National Housing Federation's response](#).

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4. Third Sector and Volunteering

- No announcements were made about the charitable and voluntary sector.

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5. Employment, wages and tax

- One of the biggest announcements of the Budget was the introduction of a compulsory Living Wage from April 2016, for the over 25s, starting at £7.20 and raising to £9 per hour by 2020, with annual rises to be recommended by the Low Pay Commission. To offset this the Chancellor has will reduce Corporation Tax to 18% and reduce national insurance contributions for small firms.
- The personal tax allowance will increase from £10,600 to £11,000 in April 2016.
- The threshold at which people start paying 40% income tax will rise to £43,300 next year.
- In changes to Inheritance Tax, the government will phase in, a new £175,000 allowance for a person's home when left to children or grandchildren. This is on top of the existing £325,000 threshold and effectively raises inheritance tax threshold will rise to £1 million in 2020-21.
- The budget included an increased budget for HMRC to clamp down on tax evasion, avoidance and aggressive tax planning.
- Abolition of permanent Non-Domicile tax status from April 2017. Anyone resident in the UK for more than 15 of the past 20 years will have to pay full British taxes on all worldwide income and gains.
- Public sector wage increase was set at 1% for the next four years.

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6. Welfare

- As was speculated in the media, big cuts were announced to the welfare budget, of £12bn over 2 years. Key changes included:

- working-age benefits, including tax credits and Local Housing Allowance, will be frozen for 4 years from 2016-17 (excluding Maternity Allowance, maternity pay, paternity pay and sick pay)
- the household benefit cap will be reduced to £20,000 (£23,000 in London)
- support through Child Tax Credit will be limited to 2 children for children born from April 2017.
- those aged 18 to 21 who are on Universal Credit will have to apply for an apprenticeship or traineeship, gain work-based skills, or go on a work placement 6 months after the start of their claim.

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7. Other announcements

- Fuel Duty was frozen and a new Vehicle Excise Duty introduced for new cars from 2017, to be used to fund roads.
- Insurance premium tax to rise to 9.5%.
- Reduction in the bank levy over next 6 years and 8% surcharge on bank profits introduced from January 2016.
- Extension of devolution of powers in the Greater Manchester area, extending to Fire Services and establishing a land commission in the city and further collaboration on Children's and Employment Services.
- Removal of the cap on student numbers and maintenance grants to be replaced by loans in 2016/17 and a freeze on the student loan fee repayment threshold at £21,000.

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For more information on the Summer Budget 2015, [click here](#).

If you have any feedback that will help us improve our MHA Policy news, please tell us - liz.jones@mha.org.uk

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MHA is a charity providing care, accommodation and support services for older people throughout Britain. Our mission is to improve the quality of life for older people, inspired by Christian concern.

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