**Spring Statement**

**Briefing Paper March 2018**

**Introduction**

On 13 March, Chancellor Philip Hammond delivered the first ever Spring Statement, which replaced the usual Budget. In essence, the Spring Statement is an update on the overall health of the economy – before the Autumn Budget later in the year, and as such there were no real announcements on tax and spending. However, the decision to delay these decisions has been seen as a “missed opportunity” to address some of the pressing issues, such as the funding crisis in social care. Some specific items of interest are dealt with in this paper.

**Review of 1p and 2p coins**

The Chancellor announced that the Treasury would be reviewing the use of 1p and 2p coins, in light of the growing use of non-cash payments such as contactless and online spending. Part of this review must acknowledge that the drive towards a cash-less society does not suit everyone, particularly some older people. The NPC is keen to ensure that those who still need to pay in cash can do so. Interestingly, any plan to eventually remove the coins is likely to have an inflationary effect, as retailers raise prices up to round figures; no longer using 99p, but rather £1.

**Inflation**

As part of the Spring Statement, the Office for Budgetary Responsibility (OBR) also forecast a drop in inflation from 2.7% to 2% by the end of the year. Pay is also likely to rise by just 0.7% in real terms each year until 2022, according to the OBR. One of the reasons given for low wage growth was the cost of auto-enrolment pensions, whereby employers are likely to offset additional contributions to pensions by reducing annual wage increases (especially as the employer’s contribution is a % of salary).

**ONS basket of goods**

The official measurement of inflation is based on the Office for National Statistics (ONS) derived basket of 714 different goods. This basket is regularly updated to reflect changes in purchasing patterns and trends, and in accordance with this the ONS announced on the same day as the Spring Statement that Edam cheese and pork pies had been removed from the basket, to be replaced by women’s exercise leggings and ready-made mashed potato.

Why this is important is because the basket often fails to adequately reflect the nature of the purchases that older consumers would make, and as such, often gives an inflationary figure that is much lower than the actual inflation experienced by older households. The NPC continues to be involved in discussions and research as to the best method of calculating inflation so that it more properly reflects these concerns.

**Social Care**

Despite widespread concern over the urgent funding crisis in social care, the Spring Statement failed to mention it and ignored the call for some short-term financial support for the sector.

In March 2017, the Chancellor announced that £2bn would be made available for adult social care over the next three years - £1.2b in 2017/18, £800m in 2018/19 and £400m in 2019/20. However, the NPC, pensioner charities, think tanks and even the Conservative chair of the Health Select Committee, Dr Sarah Woollaston have questioned whether this was a missed opportunity by the Chancellor to do more. If the economy is doing as well as Mr Hammond now claims, why not inject some much urgently needed funding which could halt the ongoing collapse and decline of services across the country.

Commenting of the Spring Statement, Jan Shortt, NPC general secretary said: “Another statement from the Chancellor and another opportunity missed to address the terrible crisis in our social care system. The fact that he remained silent on the issue actually speaks volumes and proves the government has no real idea of what to do. In the meantime, 1.2m older people are no longer getting the help they need, over 40,000 homes are sold every year to pay for care and all the government can offer is more consultation in the summer. In the last twenty years there have been at least two dozen different reports into the social care sector, and all of them accept that there is a problem. The key is to be bold enough to do something about it, and today the Chancellor has let Britain’s older population down.”

**State Pension**

In the November 2017 Budget, the Chancellor outlined that the basic state pension will rise in April by 3%, as guaranteed by the triple lock, based on the September 2017 Consumer Price Index figure. This will mean a full basic state pension will rise by £3.65 a week to £125.95 for a single person and by £5.85 a week to £201.45 for a couple (where a wife relies on her husband’s contribution record). For millions of women this actually means an increase of just £2.20 a week on their state pension.

The state second pension, such as SERPS, S2P or Graduated Pension which are also linked to the CPI will also go up by 3%. This will also affect many occupational pensions that have an inflation-linked, rather than an RPI, increase.

The new State Pension (for those who retired after April 2016) will also rise in April in line with the triple lock of 3%. This will take the £159.55 a week to £164.35 – a rise of £4.80. Although the indexation arrangements have ensured that both the old and new state pensions all go up by the same amount, this is more by luck than design. The key issue is that the second state pension must also be triple locked, rather than simply tied to the CPI. This therefore remains a key area of campaigning with the government.

**National Pensioners Convention**

**March 2018**