

THE CHANCELLOR'S SPRING BUDGET



20
23

What does this mean?

Getting people into work, and keeping them there for longer, were central themes in the 2023 Spring Budget delivered by Chancellor of the Exchequer Jeremy Hunt to his fellow MPs in the House of Commons on Wednesday.

The cost of living also remained high on Mr Hunt's agenda, with households continuing to feel the financial strain of increasing prices combined with rising bills.

As a result, there were notable changes on childcare and pensions, as well as an extension of the Energy Price Guarantee for a further three months.

Let's have a look at how the Chancellor's budget decisions may affect you and your finances.

Energy bills

As expected, Mr Hunt announced that the government are extending support for energy bills until the end of June.

Typical energy bills had been due to rise to £3,000 per year, from April, but will **now remain at the current Energy Price Guarantee of £2,500 for at least the next three months**. However, the £400 winter fuel payment that most households gratefully received – and was so welcome in many cases – will not be renewed.

That means that energy costs will still rise for households in the short term.

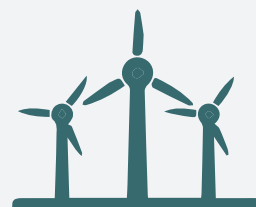
Pre-payment meter customers will now pay the same rate as those on direct debit, but those households who pay quarterly by cash or cheque will still pay more.

And it bears repeating that the Energy Price Guarantee does not mean it is impossible to pay more than £2,500 a year for your gas and electricity. That is merely the marker for a home using a 'typical amount of energy'. You will pay the price for what you use.

Energy bills are still double what they were during the winter of 2021-22, but the Government are hoping that the price of energy will drop sufficiently by July that they can end the Price Guarantee without too much criticism.

Analysis firm Cornwall Insight forecasts that the Energy Price Cap – which is set by the energy regulator Ofgem and is there to limit what suppliers can charge consumers per unit of energy – will fall to around £2,100 a year for a typical household in July.

- Energy is regulated separately in Northern Ireland, where bills will be kept at £1,950 per year



Childcare costs cut

For many parents, the rising cost of childcare has become a barrier to going back to work, or working in a full-time capacity.

On Wednesday the Chancellor announced that, where eligible, there would be 30 hours of free childcare for all under-5s from the moment that maternity care ends.

However, the plan will have a staged introduction, with 15 free hours of childcare for two-year-olds in April 2024, and in September 2024 for those aged over nine months. The 30 hours for all will kick in from September 2025.



Pension changes

In a major policy move, the Chancellor announced that the tax-free limit for pension savings during a lifetime will be abolished next month.

In addition, the annual tax-free pension allowance will rise from £40,000 to £60,000 (those who are already drawing a pension but want to save more will be able to put in £10,000 a year, up from £4,000).

The changes are part of the government's plan to keep older, highly skilled people in work, rather than opting to retire early.

What is the pension lifetime allowance?

This is the maximum amount of pension savings an individual can build up over their working life without facing an additional tax charge. The current £1,073,100 limit was due to last until 2026 but Mr Hunt said on Wednesday that the limit will be removed from April 2023 and then scrapped altogether from April 2024.

The current pension lifetime allowance applies to all pensions (which include both defined benefit and defined contribution). The state pension – which is a government payment – is not affected.

- About 1.3 million workers – less than 4% of UK workers – are on course to breach the current allowance limit according to the latest financial analysis.

What is the annual pension allowance?

The annual pension allowance is the maximum amount of money an individual can pay into their pension each tax year without penalty. That is currently at £40,000. Mr Hunt announced that it would be rising to £60,000 a year from 6th April 2023.

Other Budget points:

- Fuel duty is frozen (the 5p cut to fuel duty on petrol and diesel, which was due to end in April, is kept for another year)
 - Alcohol taxes to rise in line with inflation from August 2023, albeit with new reliefs for beer, cider and wine sold in pubs
 - Tax on tobacco to increase by 2% above inflation (that will be 6% above inflation for hand-rolling tobacco)
 - Families on Universal Credit to receive childcare support up front instead of in arrears, with the £646-a-month per child cap raised to £951
 - £600 “incentive payments” for those people becoming childminders
 - New fitness-to-work testing regime to qualify for health-related benefits
 - A £63 million package for programmes to encourage retirees over 50 back into work
 - A new voluntary employment scheme for disabled people in England and Wales, which will be called Universal Support
- The Office for Budget Responsibility predicts the UK will manage to avoid recession in 2023, although they say the economy is set to shrink by 0.2%.

The key personal questions to take from all this new information are:

- Do you understand how all this affects you?
- Does the Spring Budget have an impact on your finances?
- Will you be worse off?
- Do you know if you can save money in any key area?
- Do you have a plan in place to deal with any rising costs?

If you don't know what it all means for you and your finances then Lifetime can help. Our financial wellbeing programme offers education, guidance and support.

