NPC Budget Briefing March 2012

On 21 March 2012, the Chancellor George Osborne presented his Budget Statement. Whilst some of the announcements had already been made in the Autumn Statement last November, others were completely unexpected. The main announcements affecting older people were as follows:

- From 9 April 2012, the Basic State Pension (BSP) will rise in line with the Consumer Price Index (CPI) figure for September 2011 of 5.2%, giving an increase from £102.15 to £107.45 per week for a single pensioner and from £163.35 to £171.85 for a couple. Had this rise been linked to the Retail Price Index it would have been £5.70 a week for a single pensioner on a full pension rather than £5.30. Over a year this is a cut of £20.80.

- From 9 April 2012, the means-tested Pension Credit Guarantee for a single pensioner will rise by 3.9% from £137.35 to £142.70 per week and from £209.70 to £217.90 per week for a couple. This seeks to give the Pension Credit the same actual cash increase as the basic state pension, rather than the same percentage increase. The capital disregard is likely to remain at £10,000, but the Saving Credit threshold will rise from £103.15 to £111.80 for a single pensioner and from £164.55 to £178.35 for a couple.

- From 9 April 2012 the basic personal allowance for Income Tax will rise from £7475 to £8105. The personal allowance for someone aged 65 to 74 will rise from £9940 to £10,500 and for someone aged 75 or more will rise from £10,090 to £10,660. The maximum income a pensioner can have and still get the age-related allowances in full will also rise from £24,000 to £25,400 (but there will be further restrictions for those with incomes above £100,000).

  However, the Chancellor also announced that he would freeze the age-related allowances from 6 April 2013 at these levels until they align with the ordinary personal allowance. Those retiring after that time (born after 5 April 1948) will therefore receive a lower personal tax allowance of £9205. This measure is expected to save the Exchequer £3.3bn by 2016/17, and according to Treasury figures will result in 4.4m existing tax paying pensioners losing between £63-£83 a year, whilst future pensioners will suffer a loss of between £285 and £322 after tax. By contrast, those earning more than £150,000 a year will see their tax drop next April from 50% to 45%- giving them an extra £10,000 windfall.

- A white paper will be published in the spring, proposing the introduction of a single tier state pension for those retiring after 2015/16 of £140 a week, by combining the existing basic and second state pensions together in one payment. However, someone retiring today with a 30 year contribution record would already get a combined pension of around £150 a week.

Existing pensioners will also not be eligible for the payment, despite the fact that some, mainly women pensioners, would benefit. This will create a further inequality in the state pension system.

- The Chancellor announced that a proposal to automatically raise the state pension age in line with longevity and estimates of life expectancy will be published in the summer. We already know that the government wishes to raise the state pension age for men and women to 67 between April 2026 and April 2028, but this still requires the approval of Parliament. Raising the state pension age is also linked to the age at which future pensioners will become entitled to the winter fuel allowance, concessionary travel and other age-related benefits. Life expectancy is still currently 78 for men and 82 for women, yet initial analysis suggests that someone currently aged 33 would not qualify for a state pension until 70, whilst a 21-year-old would have to work till 75.

- The Chancellor also announced a further £10bn cut to welfare spending by 2016/17. This may have a serious impact on housing and disability benefits in particular.

- The Winter Fuel Payment will remain at £200 for households with someone at or over the female State Pension Age and at £300 for households with someone aged 80 or over.

- The married couple's allowance applicable to those born before April 6 1935 goes from £7295 to £7705. The allowance will be subject to an income limit of £25,400, but there will be minimum allowance of £2960.

- The Inheritance Tax allowance will remain at £325,000 for individuals and at £650,000 for couples until 2014/15.

NPC Response

There has been considerable comment in the media that pensioners have previously emerged relatively unscathed from the government's austerity drive. This ill-informed assertion clearly fails to recognise the changes that have already had an impact on the country's older population, such as:

- A cut to the winter fuel allowance of £100 for the over 80s and £50 for those under 80, at a time when fuel bills are rising and every year over 25,000 older people die from cold related illnesses
- A change in the indexation of state and other pensions from the Retail Price Index to the usually lower Consumer Price Index, which over time will compound the loss of income
- A state pension that for decades has been one of the least adequate in Europe and result in 1 in 4 older people, living below the official poverty line, whilst millions more struggle on incomes that are just above
- Changes to housing and disability benefits, which will reduce the quality of life for those affected
- A 20% cut to the bus operators grant which has led to a decline in bus services, routes and community transport schemes

- Cuts to local authority budgets which have resulted in closures of day care centres, rationing of care services and the withdrawal of other concessions, such as access to adult education

After the announcement, the NPC gave a reaction to the proposals. This is reproduced below for information. Our comments were featured in The Daily Express, Daily Mail, Daily Telegraph, Independent, Daily Mirror, the Morning Star and numerous websites, and Dot Gibson NPC general secretary appeared on BBC News (twice), Channel 5 News, ITV News, Sky News and on a range of BBC local radio stations.

Budget leaves pensioners bruised on pensions, tax allowances, retirement age and care

Britain's biggest pensioner organisation, the National Pensioners Convention (NPC) has criticised today's Budget announcement for failing to address the serious concerns of Britain's 11m older people.

Dot Gibson, NPC general secretary said: "The proposal to merge the basic and second state pensions into a single £140 a week payment is a classic case of smoke and mirrors – given that someone could retire today and get a combined basic and second state pension of £150 a week. In reality there will be no extra money to raise Britain's scandalously low state pension – just a different way of packaging the payment. Not only that but it will also create a two-tier pension system with existing pensioners still having to struggle with a complicated means-tested system that leaves one in four older people in poverty."

"The announcement of an automatic review of the state pension age is clearly a forerunner to making people work up to 70 and beyond. The chancellor is effectively stealing retirement years from millions of ordinary workers whose life expectancy is far lower than the very richest in society. This will hurt the low paid, part time workers in the north much more than the bankers in the city."

"The decision to freeze the age related personal tax allowances effectively means around five million pensioner tax payers will no longer get additional reductions in their tax over the coming years – whilst those on the top rate of tax will see their bills reduced. Many older people will feel they are being asked to forego their reduction in tax to help out the super rich. There's no fairness in that."

"The Chancellor's pledge to cut welfare payments by £10bn over the next few years will also worry millions of pensioners who may think their bus passes and winter fuel allowances might be under threat and the long-awaited social care white paper is being delayed, without any explanation, while around a million older people are struggling with a broken care system that leaves many with expensive care that is often of a poor quality. The money the chancellor is giving away in tax breaks for the richest in society would fund a National Care Service for all those in need. Pensioners will feel bruised by this Budget."