

NPC Budget Briefing June 2010

On 22 June 2010, the Chancellor George Osborne presented his Emergency Budget, to be followed by a Spending Review on 20 October which will contain more detail on the planned cuts in public spending. The main announcements affecting older people were as follows:

- From April 2011, the Basic State Pension (BSP) will rise in line with the higher of either average earnings, prices (Retail Price Index) or 2.5%. A 4% increase would provide £3.90 a week extra for a single pensioner on a full pension and £6.25 a week for a couple, but until September it is not possible to know the exact percentage increase.

However, Treasury papers suggest that after 2011, the prices measure used for uprating might revert to the lower Consumer Price Index rather than the Retail Price Index. The document states:

The Government will uprate the basic State Pension by a triple guarantee of the highest of earnings, prices or 2.5 per cent from April 2011. The CPI will be used as the measure of prices, consistent with the Government's decision to index all benefits and tax credits by the CPI, although the basic State Pension will increase by at least the equivalent of the Retail Prices Index (RPI) in April 2011 to ensure its value is at least as generous as under previous uprating rules.

- Furthermore, the State Second Pension, SERPS and/or Graduated Pension will rise in line with the CPI. The latest figures released in May show that the RPI is 5.1% whilst the CPI is just 3.4%.
- From April 2011, the means-tested Pension Credit Guarantee of £132.60 (single) and £202.40 (couple) will increase by the cash rise in the full basic state pension rather than as a percentage linked to earnings or prices. Therefore if there is a 2.5% increase in the state pension of £97.65, the Pension Credit will increase by £2.45.
- From April 2011, Housing Benefit will be capped at £400 a week for a four bedroom house, £340 for a three bedroom, £290 for a two bedroom and £250 for a one bedroom property.
- From 2013, all claimants of Disability Living Allowance (available for those under 65 when claiming) will be subject to a new medical assessment. Details in the Budget papers reveal the government wants to see 20% fewer claimants.
- From 4 January 2011, VAT will rise from 17.5% to 20%, but will not be extended to items such as food. The 5% VAT rate on fuel will also remain unchanged. The Treasury calculates that a household spending less than £9800 a year will pay around £50 more in VAT.

- Personal Tax Allowances have risen for those aged 60-65 as follows:
Up to 65 - £6475 rises to £7475 from next April
65-74 - £9490 remains unchanged until further notice
75 + - £9640 remains unchanged until further notice
Age related earnings limit of £22,900 remains unchanged until further notice, as does the married couples allowance applicable to those born before April 6 1935 at £6965
- Low spending local authorities will be able to freeze their council tax for one year from April 2011. More details to follow.
- The state pension retirement age for men will be raised to 66 and introduced as early as 2016. For women the date will be 2020. Under the previous government's proposals this would have been 2024 for both men and women.
- The default retirement age will be phased out from April 2011 for those who want or have to work beyond the age of 65.
- Annuity purchases providing a fixed income for life for those with money purchase pension schemes will be able to be deferred with immediate effect for up to two years to the age of 77, ahead of a consultation on scrapping the requirement completely from next year.
- The previous government's plans to limit tax relief on pension contributions for those earning over £150,000 have been delayed pending a further review.
- From 4 January 2011, the tax on home, car and pet insurance will increase from 5% to 6%.
- The proposed 50p a month compulsory levy on all telephone landlines to pay for high speed broadband services will be abolished.
- From April 2011, National Insurance (NI) contributions will rise by 1% for employees to 12% on income between £111 and £844 a week and 2% on all income over £844.
- There is concern that the Autumn Spending Review will announce cuts to the Winter Fuel Allowance of £50 for the under 80s to £200 per household and £100 for the over 80s to £300 per household.

After the announcement, the NPC gave a reaction to the proposals. This is reproduced below for information. Media coverage of our comments included statements in the Daily Mail, Daily Telegraph, Daily Mirror, Mature Times and BBC TV News, and Radio 4.

Budget offers pensioners years of pain and effectively warns 'don't grow old in Britain'

Britain's biggest pensioner organization, the National Pensioners Convention (NPC) has described today's Budget as rewarding generations of pensioners with years of pain. The NPC has calculated:

- The guaranteed link between the higher of earnings, prices or 2.5% will give an extra £1.45 next April for those with a full state pension and just 90p for millions of women on lower pensions. This will do little to tackle the rising costs of living and reduction in savings interest rates
- The increase next year in VAT from 17.5% to 20% will hurt those on limited incomes most, including millions of pensioners who have incomes of between £10,000 and £15,000 a year
- Local authorities have already signaled that the planned cuts in public spending and the freeze in council tax will lead to a reduction in care and other services on which millions of pensioners rely. The government's decision to scrap the free personal care at home proposals have already denied free care to 400,000 of our most vulnerable older people
- Raising the state pension age will have the greatest impact on low-paid, manual workers and those from less affluent areas whose life expectancy is lowest

Dot Gibson, NPC general secretary said: "The government has said that everyone has got to share in the pain of this Budget, but some of us are more able to withstand the pain than others. Raising VAT, cutting care services and making people work longer is going to affect those at the bottom much more than those at the top. Pensioners should also realize that restoring the link with earnings on its own, without also raising substantially the basic state pension, will take decades before it has any real impact on tackling pensioner poverty. The message from the Chancellor today is clearly "don't grow old in Britain."