NPC Budget Briefing March 2013

On 20 March 2013, the Chancellor George Osborne presented his Budget Statement. The two major announcements affecting older people had already been covered in the press a few days earlier, and so much of the statement was already known. Nevertheless, the main announcements affecting older people were as follows:

- From April 2013, the Basic State Pension (BSP) will rise in line with 2.5%, giving an increase of £2.70 from £107.45 to £110.15 per week for a single pensioner and a £4.30 increase from £171.85 to £176.15 a week for a couple. Had this rise been linked to the Retail Price Index it would have been 10p more a week. However, for millions of women who do not qualify for a full state pension, their increase in April is likely to be just £1.60 a week – giving a weekly pension of around £66.

- From April 2013, the state second pension and millions of public sector pensions will rise by the CPI figure of 2.2%.

- From April 2013, the means-tested Pension Credit Guarantee for a single pensioner is likely to rise by 1.9% from £142.70 to £145.40 per week and from £217.90 per week to £222.05 for a couple. This would give the Pension Credit the same actual cash increase as the basic state pension, rather than the same percentage increase, and follow the announcement the Chancellor made in March 2012.

- To qualify for the Savings Credit element of Pension Credit, an individual would have to have an income of £115.30 a week and a couple, £183.90. The maximum amount they could claim would then be £18.06 a week for a single pensioner and £22.89 for a couple. This is a reduction from £18.54 and £23.93 respectively.

- From April 2013, the basic personal allowance for Income Tax for those aged under 65 will rise to £9440, and is planned to reach £10,000 by next year's Budget. However, the Chancellor has stuck to his plans to freeze the age related personal tax allowances for someone aged 65 to 74 at £10,500 and for someone aged 75 or more at £10,660 until they align with the ordinary personal allowance. On current trends, this is likely to be around 2015.Therefater, the allowances will rise in line with CPI.

- This means that those retiring after April (born after 5 April 1948) will therefore receive a lower personal tax allowance of £9440. 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 an average of £80 next year, whilst future pensioners will suffer a loss of around £197. 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.

- The Chancellor also reiterated that from 2016/17 the government would introduce a single-tier state pension of around £144 a week by combining the existing basic and second state pensions together. No extra money will be allocated to this change, so it represents little more than a repackaging of the pension system. Existing pensioners will 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. There is a separate detailed briefing available on this issue.

- The Chancellor announced that the reform of social care funding would also be brought forward from 2017 to 2016, and that the cap on reasonable care costs would be set at £72,000 (rather than £75,000 as previously announced). The means-threshold of £118,000 was also proposed (down from £123,000), which would mean that anyone with property or income of more than this figure would be liable to pay the full £72,000 before they received any assistance from the state. In addition, there was no detail as to the starting point of the means-test (previously set at £17,500). Those with income or assets below this figure would receive their care free, whilst those with between £17,500 and £118,000 would pay a proportion of the £72,000 cap. This policy is to be funded by a freeze on inheritance tax thresholds until April 2018 and additional National Insurance contributions raised as a result of the single-tier State Pension proposal abolish the state second pension and thus end contracting-out. Further detail on this announcement is awaited, but a separate detailed briefing is also available on this issue.

- The Budget also contained an announcement that the government will make an ex-gratia payment of £5,000 to those Equitable Life policyholders who bought their With-Profits Annuity before 1 September 1992, and a further £5,000 will be available to policy holders who meet this criterion and are in receipt of Pension Credit.

- 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.

NPC Response

There continues to be considerable comment in the media that pensioners have 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 Telegraph, Daily Mirror, Guardian, Morning Star, various local newspapers, Press Association and numerous websites including the BBC.

Budget is more "Aspirin Nation" than "Aspiration Nation" as Chancellor leaves millions of older people with a financial headache over pensions and care

Britain's biggest pensioner organisation, the National Pensioners Convention (NPC) has said today's Budget announcement was less "Aspiration Nation" and more "Aspirin Nation" given that it will have left millions of older people with a severe financial headache on issues such as pensions and social care.

On the single-tier state pension proposal Dot Gibson, NPC general secretary said: "There's nothing in these proposals for today's pensioners – so we might get a single-tier state pension, but we'll have a two-tier pension system. This will only add insult to injury to those 5m older women who currently get nowhere near £144 a week and will be left to struggle on with the complicated means tested Pension Credit, which 1.8m people still don't claim despite being eligible. Around 20m existing workers in the private sector will also get less under the new pension than they would under the present system as a result of scrapping the state second pension. Setting the state pension at £144 is also at least £30 less than the official poverty level and will do very little to stop future generations of older people falling into poverty. What the government is trying to sell is a plan for people to pay in for 35 years, get £144 a week and have to wait at least until 68 before they can collect it. No-one should be taken in by what is little more than a con trick."

On the reform of social care funding Dot Gibson, NPC general secretary said: "Setting a lifetime cap on care costs of £72,000 will help just 10% of those needing care, whilst the majority will be left to struggle on with a third rate service. Pensioners will still be faced with means-testing, a postcode lottery of charges, a rationing of services, poor standards and having to sell their homes in order to pay for care. The government needs to be much braver and bolder if it it really going to sort out the problems – otherwise in a few years' time we'll be back again having another look at the issue. Using money saved from the state pension system simply won't raise enough to bring about the real change that's needed. It's time we merged health and social care and had a truly integrated system which was funded through general taxation – like the NHS – rather than put all the responsibility on pensioners and their families."