Autumn Statement/CSR Briefing November 2015

On 25 November, the Chancellor George Osborne presented his Autumn Statement and Comprehensive Spending Review, outlining savings and spending for the next five years. This briefing covers the main items that were announced relating to older people, some of which have been mentioned previously in other statements or papers. Initial observations and comments are shown in *italics*.

- The basic state pension will rise next April in line with average earnings of 2.9% as part of the triple lock arrangements. This will mean a full basic state pension will rise by £3.35 a week to £119.30 for a single person and by £5.35 a week to £190.80 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 a week on their state pension.

- The state second pension, such as SERPS, S2P or Graduated Pension will be frozen next year because it is linked to the Consumer Price Index; which in September was recorded at -0.1%. This will also affect many occupational pensions that have an inflation-linked, rather than an RPI, increase.

- The Chancellor finally confirmed the level of the new State Pension that will come into force on 6 April 2016 as £155.65 a week – 5p higher than the Pension Credit guarantee for an individual. *There has been considerable evidence to show that 6 out of 10 people retiring in the first five years of the new scheme will actually get less than this amount. This is likely to be the case for at least 20 years according to some financial analysts. Referring to it as single-tier or universal is therefore factually incorrect. The NPC continues to campaign for a Living State Pension for all, equivalent to 70% of the Living Wage (outside London) at just over £200 a week.*

- Pension Credit for an individual will increase next April by £4.40 to £155.60 a week, a larger rise than the increase in the full basic state pension. At the same time, by adjusting the Savings Credit threshold, the Pension Credit awards for those currently receiving Savings Credit will be frozen where income is unchanged. In effect, from April 2016 Savings Credit thresholds will be cut by £1.75 to a maximum of £13.07 for a single pensioner and by £2.68 a week to a maximum of £14.75 for a couple. This change is expected to save £635m over five years. Savings Credit will of course be scrapped for new applicants after April 2016 and the introduction of the new State Pension.

- Pension Credit and Housing Benefit will also be withdrawn from anyone who spends more than four continuous weeks out of the country. This is expected to save £80m over five years.

- The Budget papers also confirmed that spending on benefits would be capped at £115.2bn for 2016/17 and will reduce to £114.9bn by 2020/21. Whilst the basic and second state pension are excluded from the welfare cap, along with Pension Credit, Attendance Allowance, the winter fuel allowance, cold weather payments and Christmas Bonus are all included.

- As previously announced, the basic personal allowance for Income Tax will rise in April 2016 to £11,000. This will finally unfreeze the allowance for the over 75s which has been stuck at £10,660 for a number of years. The allowance is forecast to rise again to £11,200 in 2017/18.

- In addition, the Married Couples Allowance for those couples (married or in a civil partnership) where one partner was born before 6 April 1935 will rise to £8355 and to £8591 in 2016 in line with the RPI.

- The Chancellor also announced a 12 month delay in the planned increase in contributions to auto-enrolled pensions. Minimum pension contributions were expected to rise to 3% for employees and 2% for employers from April 2017. This will now be delayed until April 2018. In April 2019, the contributions will rise again to 4% and 3% respectively. This delay is expected to raise around £820m in additional tax revenues as employees keep more of their earnings on which they have to pay tax.

- The government spends almost £50 billion per year incentivising contributions into pensions. At the Summer Budget, the government launched a consultation on the system of pensions tax relief, to gather evidence and views on whether the current system incentivises pension saving. The government received several hundred responses to that consultation, and is considering the options for reform carefully. The government will publish its response at Budget 2016. *The NPC has long argued for a reform of pension tax relief and has made a submission to the consultation.*

- From next year, the government will allow local authorities to raise up to an additional 2% specifically for the funding of social care. The Chancellor claimed this would raise an extra £2bn a year by 2020. The average Band D property would see a £96 increase in their bill as a result. The additional money would be equivalent to funding 50,000 care home residents or nearly 200,000 people in their own homes. The Chancellor also announced a major review into integrating health and social care by 2020. This could for example, see local councils being able to keep all revenues from business rates. *Critics argue that the funding gap in the social care sector will hit £2.9bn by 2020 and up to half of all care homes could close. The measures announced by the Chancellor are therefore woefully inadequate. Not all councils will levy the 2% (particularly those in poorer areas where they will not be able to raise sufficient funds) and that will cause even more differences in the levels of services across the country and create a new postcode lottery of care. In addition, the Chancellor also announced that local government grants would be cut by 56% in the next five years. Pressure to make up this difference in council tax is likely to be unsustainable and non-statutory services are therefore likely to face further cuts. The NPC continues to argue for a National Health and Care Service, funded through general taxation.*

- The Spending Review also includes an additional £500 million by 2019-20 for the Disabled Facilities Grant, which will fund around 85,000 home adaptations that year. This is expected to prevent 8,500 people from needing to go into a care home in 2019/20. More details on this will be published in due course.

- The number of homes receiving subsidised insulation and gas boilers will be halved from 400,000 to 200,000 as the Chancellor announced plans to scrap the Energy Company Obligation (ECO) scheme. The cut will save around £640m. *Campaigners were amazed that such a statement could be made on the day figures were released showing 140% increase in the number of older people dying from cold related illnesses last winter. By cutting investment in energy efficiency measures, millions of households will be left paying more for their energy, living in cold homes and ultimately putting extra pressure on the NHS.*

Much of the newspaper coverage, particularly in papers such as The Independent, however focussed on how well pensioners were doing compared to the working population. The charity Independent Age called for a debate on whether wealthy pensioners should receive the winter fuel allowance, the Fabian Society said spending more on pensioners was unfair and one government adviser claimed pensioner poverty had been virtually abolished. The Taxpayers Alliance also said the triple lock on the state pension was unsustainable and referred to pensioners as the least-deprived age group, whilst one media commentator called for the state pension to be means-tested. Whilst much of this talk is ideologically driven, it gathers support from the Institute of Fiscal Studies which has reported recently that the median income of pensioners is £394 a week compared to £385 a week for the rest of the population. It is clear from this that older people are being "demonised" by some in the media and we will need to do more to counter the argument that older people have escaped austerity at the expense of younger generations. Key evidence to support our argument is contained in the NPC's Age Audit 2015 report.

The NPC's press statement issued following the Autumn Statement is reproduced below for information:

Comprehensive Spending Review "sticking plaster" on social care won't work
Two-tier state pension system will cause confusion and unfairness

Britain's biggest pensioners' organisation, the National Pensioners Convention (NPC) has warned today's Comprehensive Spending Review announcement on social care will do nothing to halt the collapse of the service on which hundreds of thousands of vulnerable older people rely.

Dot Gibson, NPC general secretary said: "The social care system has suffered £4.6bn worth of cuts since 2010 – and the Chancellor's plan to allow local councils to raise additional spending will be nowhere near enough to address the problem. Already over one million older people no longer get the help they need at home, staff turnover is high, the quality of care is sometimes questionable and there is a distinct lack of dignity in the system for both staff and residents. Having local authorities tackle this fails to recognise the need for a national care service that raises standards across the board. Anyone associated with the care system will tell you that it simply cannot survive without major reform and all the chancellor has done today it put a sticking plaster over the problem."

The NPC has also warned that whilst the basic state pension of £115.95 a week will rise next year in line with earnings of 2.9%, the state second pension and millions of occupational pensions that are tied to the CPI (Consumer Price Index) will effectively be frozen. The only increase that pensioners will therefore receive next April is £3.35 a week for those on a full basic state pension, with many women getting around just £2. This does very little to address the rising costs of living that millions of older people face and the diminishing real value of their pensions.

Dot Gibson added: "We know that the new state pension that comes into force next April will mean anyone born after 1970 will get less than they would have done under the current system. Most of those retiring in the first few years of the new state pension will not get anywhere near £155 a week – so to call it a single-tier is completely wrong. In effect, the pensioners of tomorrow will have to work longer, pay more and get less than their predecessors. What we're left with is a two-tier state pension system that no-one understands, fails to tackle the problem of pensioner poverty and is fundamentally unfair."

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