Briefing

Autumn Statement 2013

5 December 2013

Contact:
Jane.vass@ageuk.org.uk

Age UK
1-6 Tavistock Square
London WC1H 9NA
T 0800 169 80 80 **F** 020 30033 1000
E contact@ageuk.org.uk
www.ageuk.org.uk

Age UK is a charitable company limited by guarantee and registered in England (registered charity number 1128267. Registered address is Tavis House, 1-6 Tavistock Square, London WC1H 9NA. VAT number 710 3843 66.

The Chancellor of the Exchequer presented his Autumn Statement on 5 December. This briefing summarises the main items that are relevant and gives Age UK's response. In particular we are disappointed that the Government did not take the opportunity to address the deepening crisis in social care.

State pension age

The Pensions Bill currently before Parliament will increase State Pension age from 66 to 67 between 2026 and 2028 and introduce five yearly reviews to inform further rises. In the Autumn Statement the Chancellor announced that more information about the reviews is being published but that the principle is people should expect, on average, to receive the State Pension for up to a third of their adult life. He expects that, based on the lasted available information, State Pension age is likely to reach 68 in the mid 2030s and 69 by the mid 2040s.

What this means for older people
The increases in State Pension age will affect future pensioners – for example those currently in their 40s will be drawing their pension in the 2030s. The figures are based on average life expectancies, but we know there are inequalities in both life expectancy and healthy life expectancy (that is the number of years in reasonable health) depending on factors such as where people live and social class.

Age UK comment
"Raising the State Pension Age for future generations will be good for the public purse in the long-term but not for individuals. It will be especially tough on people who won't live very long – who are likely to be on low incomes – because they may find they don't have much retirement left to enjoy. It will also be tough on those who lose their jobs in their fifties and sixties, of whom there are far too many at present, whose chances of ever getting another job are slim. And it will be tough on those in poor health who cannot work, or who are caring for others. For all these reasons we are worried this policy could create a more unfair society. To avoid this, the Government must do more to help the least well off as they approach retirement in terms of income and employment opportunities."

"If people are going to have to wait longer before they receive their State Pension it is all the more important that it is worth having once they get it. So the Government must secure the 'triple lock' – which ensures the value of the State Pension does not decline – in legislation, and it has the perfect opportunity to do so in the Pensions Bill, which is currently before Parliament."

State pensions and benefits

The basic State Pension will be increased by £2.95 a week in April 2014 – this is in line with the rise in the Consumer Price Index (CPI). The full list of benefits uprating will be published in the next few days. However the Government has said that the increases in Pension Credit guarantee will match the rise in the basic State Pension – paid for by a reduction in the maximum savings credit.

The Government has announced a new scheme which will allow current pensioners and those reaching State Pension age before 6 April 2016 to pay a new class of voluntary National Insurance (NI) contributions to increase the amount of additional State Pension they receive. This will be broadly actuarially fair but we are awaiting more information.

What this means for older people
The basic State Pension increase is as expected because the Government made a commitment for this Parliament that the basic pension will be increased by the highest of earnings, CPI or 2.5 per cent.

As in the previous two years Pension Credit guarantee is being increased by slightly more than it has to be (by law it is linked to rises in earnings) but this will mean that savings credit rates will be lower.

The additional voluntary contributions could help some people top up their additional pension if they can afford to do so, but they will need to consider carefully the cost and benefits.

Spending on welfare

In his 2013 Budget, the Chancellor announced plans to cap spending on welfare, excluding the state pension and jobseekers' allowance (JSA). The Autumn Statement gives more details and confirms that the cap will not apply to:

- The basic and additional state pension
- JSA and JSA-passported Housing Benefit expenditure and,
- Following the introduction of Universal Credit, to jobseekers within the Full Conditionality group of Universal Credit with no net earnings.

The precise level of the welfare cap will initially be set at Budget 2014, but will be reviewed at the beginning of each Parliament. If the Government breaches the cap this will trigger a debate and vote in the House of Commons.

What this means for older people
While it is a relief that the state pension is exempt, other pensioner benefits do come within the cap and it is not yet clear what steps a Government will take if the cap is breached. Further information is available on the NCVO website at http://blogs.ncvo.org.uk/2013/06/27/the-new-welfare-cap-further-analysis/.

Income tax, including changes for married couples

As announced in the 2013 Budget, people born after 5 April 1948 will be entitled to a basic personal allowance of £10,000 from April 2014. Allowances for people born before 6 April 1948 remain frozen at £10,500 for those people aged up to 74 and £10,660 for those aged 75 and over.

From April 2015, a spouse or civil partner who is not liable to Income Tax or not liable above the basic rate for a tax year will be entitled to transfer £1,000 of their personal allowance to their spouse or civil partner provided that the recipient of the transfer is not a higher-rate taxpayer. The spouse or civil partner receiving the transferred allowance will be entitled to a reduced Income Tax liability of up to £200.

What this means for older people
The basic personal allowance will gradually rise, while the higher allowance for people born before 6 April 1948 will remain frozen, until they reach the same level and everyone will get the same allowance. However, couples may benefit from the new ability to transfer personal allowance.

People who were born before 6 April 1935 are already entitled to a separate married couple's allowance on top of their personal allowance. This new allowance does not work in the same way. Instead it will allow someone of any age whose income is too low to use all their personal allowance to transfer up to £1,000 of their unused allowance to their spouse or civil partner, provided that person is not a higher-rate taxpayer. This will particularly benefit married couples or civil partners where one person is not a taxpayer and the other pays basic-rate tax, and could save them up to £200 in tax in 2015-16. However, it will not help single people, or couples who are not married or registered civil partners.

Age UK comment
"This announcement will particularly help married pensioner couples or civil partners where one partner has not been able to make the most of their personal allowance to date. Any measure that helps to improve the income of pensioner couples, particularly in the current climate, is sure to be welcomed. However, it remains equally important to tackle pensioner poverty among single pensioners, who are likely to be on lower incomes."

Energy

The government has confirmed its recent announcements that it will reduce energy bills by around £50 per household. This will come from three areas:

- Removing the cost of the Warm Homes Discount (a rebate for vulnerable households) from energy bills. The cost will instead be met by a rebate provided to the suppliers.
- Slowing down delivery of the Energy Companies Obligation (ECO). The part of ECO which is designed to support solid wall insulation is being reduced - some fuel poor will be affected by this, but the part of ECO specifically targeted at fuel poor householders remains (and is extended to 2017).
- A reduction in the charges made by the Distribution Network Operators (for the pipes and wires).

The exact details will be subject to consultation in the New Year.

In addition the Government will:

- Provide energy efficiency grants of up to £1,000 for future home buyers to spend on important energy saving measures or up to £4,000 for particularly expensive measures. The scheme will be available to all people moving house
- Introduce a scheme to support private landlords to increase the energy efficiency of their homes
- Freeze fuel duty for the remainder of this Parliament, by cancelling the increase planned for September 2014.

What this means for older people
The reduction is household bills is welcome, and has been achieved whilst safeguarding most of the energy efficiency work targeted towards the fuel poor under ECO. The Warm Home Discount has also been protected. However we are concerned that the impetus to address fuel poverty – never vigorous or determined enough – has slackened still further. A new fuel poverty strategy will be shaped next year, with very few resources to drive it.

Grants for home-movers, while welcome, are unlikely to benefit large numbers of pensioners but the freeze in fuel duty will be a relief for many, particularly in rural areas.

Age UK comment
"With excess winter deaths significantly up last year, in part due to cold homes, the Chancellor missed a major opportunity today to tackle the root cause of the problem – the UK's poorly insulated housing stock. While many people will welcome a slight reduction in their energy bills, a far better strategy would be to focus on improving energy efficiency so that everyone can keep adequately warm at an affordable price – not just now but in the future too. We firmly believe that the only sustainable solution to the scourge of fuel poverty and escalating energy prices is a major overhaul of our poorly insulated housing, to ensure that cold homes are a thing of the past. In 21st Century Britain, older people's lives should not be at the mercy of the weather."

Other announcements

- A new tax relief for investment in social enterprise will commence in April 2014. Following consultation investment in Social Impact Bonds will also be eligible.
- A national Council Tax discount of 50% for annexes will be introduced from April 2014. This will support extended families living together, for example with children saving for a new home or elderly parents.