



## NEWSLETTER

**Number 62**

**21 October 2010**

Dear Colleague

### **COMPREHENSIVE SPENDING REVIEW 2010**

On 20 October 2010, the Chancellor announced the results of the Government's Comprehensive Spending Review. The associated press releases can be found via the following link.

[http://www.hm-treasury.gov.uk/spend\\_sr2010\\_press.htm](http://www.hm-treasury.gov.uk/spend_sr2010_press.htm)

Items of particular importance to older people are as follows:-

- The Government will preserve key benefits for older and vulnerable people, including the Winter Fuel Payment, free eye tests, free prescriptions and free TV licences for the over 75s.
- The Government will protect the statutory entitlement for concessionary bus travel, ensuring that older people can maintain greater freedom and independence;
- The Government will allocate £2 billion of additional funding a year by 2014-15 to social care to support some of the most vulnerable people in society;
- The Government will make permanent the temporary increases to Cold Weather Payments provided in the past two winters, so that eligible households receive £25 for each seven day cold spell recorded or forecast where they live;
- DECC will fund a smaller Warm Front programme for the next two years with a budget of £110 million in 11/12 and £100 million in 12/13;
- From April 2011, energy suppliers will provide greater help with the financial costs of energy bills to more of the most vulnerable fuel poor households, through Social Price Support – with total support of £250 million in 2011/12 rising to £310 million in 2014/15;
- The Government will freeze for four years the maximum savings credit award in Pension Credit, at £20.52 for single pensioners and £27.09 for couples;
- The Government will remove the mobility component of Disability Living Allowance for people in residential care, where such costs are met from public funds.
- The Government will increase the cap on regulated rail fares by **RPI + 3%** for the three years from 2012.

## **State Pension Measures:**

*The Spending Review also announces that State Pension Age equalisation at 65 will be brought forward to November 2018. Both the male and female pension age will then increase to 66 by April 2020. This will affect around 5.1 million people. Over the period 2015 to 2025 this will save around £30 billion through a reduction in spending on State Pensions and pensioner benefits while raising around £13 billion through increased Income Tax receipts and National Insurance contributions. The Department for Work and Pensions will publish further details and a full impact assessment shortly.*

*The Government will also bring forward further proposals for future increases to the State Pension Age to help manage the on-going challenges posed by increasing longevity.*

## **Public Sector Pension Measures:**

*The Independent Public Service Pensions Commission (IPSPC) led by John Hutton published an interim report on 7 October. The report highlights the importance of providing good quality pensions to public servants, rejects the race to the bottom in pension provision, but concludes that there is a clear rationale for public servants to make a greater contribution if their pensions are to remain fair to taxpayers and employees, and affordable for the country. The Government accepts these conclusions. In response to the Commissions' interim commendations, the Government will:*

- *Commit to continue with a form of defined benefit pension;*
- *Await Lord Hutton's final recommendation before determining the nature of that benefit and the precise level of progressive contribution required;*
- *Carry out a public consultation on the discount rate used to set contribution rates in the public service pension schemes;*
- *Implement progressive changes to the level of employee contributions that lead to an additional saving of £1.8 billion a year by 2014-15, equivalent to three percentage points on average, to be phased in from April 2012;*
- *Exempt the armed forces from this increase in employee contributions;*
- *launch a consultation on the Fair Deal policy, which Lord Hutton noted can create a barrier to the plurality of public service provision and make it more difficult to achieve innovation, to report in Summer 2011; and*
- *Seek engagement with all stakeholders including trade unions.*

## **Indexation of the Basic State Pension**

The chancellor confirmed that from 2011 the Government will uprate the basic state pension by a triple guarantee of earnings, prices or 2.5%, whichever is highest. The 2011 prices element will be measured by the RPI, but from 2012 it will be measured by the CPI.

## **Indexation of Public Sector Pensions**

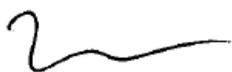
The Chancellor said nothing about public sector pensions currently in payment or preserved. So, we must assume that the Government is sticking to its decision, announced in the Emergency Budget, that they intend to move to CPI indexation from 2011. Lord Hutton has said that this *may have reduced value of benefits to scheme members by around 15% on average.* We are

still fighting the Government on this most important issue. **My most recent letter to the Chief Secretary of the Treasury accompanies this Newsletter and describes our case in a nutshell.** We are seeking further legal advice and we are doing all we can to drum up wide-spread support for a Parliamentary campaign. **Members are encouraged to continue to raise the issue with their MPs.**

## Comment

We welcome the preservation of existing universal benefits for pensioner. But it remains to be seen whether the Government will maintain the Winter Fuel Payment at £250 (and £400 for the over 80s) or revert to £200 (and £300). It also remains to be seen whether local authorities will continue to provide additional benefits above the basic requirements for concessionary bus travel. The removal of the mobility component of the DLA for people in residential care seems particularly cheese-paring. The drastic budgetary and manpower cuts throughout the public sector will lead to a reduction in public services for everyone and, inevitably, the poorest will suffer most. It looks like been a tough five years for us all.

Yours sincerely



John Amos  
Deputy General Secretary