

Public Service Pensioners' Council

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Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
11 Downing Street
London SW1A 1AA

Sent by email

17 December 2021

Dear Chancellor

IMPACT OF RISING INFLATION ON PENSIONERS' WINTER FUEL ALLOWANCE AND CHRISTMAS PAYMENT

I write on behalf of the Public Service Pensioners' Council (PSPC), which represents organisations with over one million retired public service members, about the impact of rising inflation, especially energy costs, on pensioners and the need to index-link the Winter Fuel Allowance and the Christmas payment to pensioners.

The Office of National Statistics announced on 16 December that inflation as measured by the Consumer Prices Index had risen by 5.1% over the past 12 months and was expected to stay above 5% for some months into next year. Yet the basic and new State Pension will only rise by 3.1% from next April, as will all Public Service pensions, just at the time that a further huge rise in the energy price cap is expected following the next Ofgem review period.

The Winter Fuel Allowance, first introduced in 1997, was intended to help pensioners with their winter fuel bills and was set at £200 over 20 years ago in 2000/01. That rate of allowance has not increased over the past two decades, apart from the additional £100 increase to £300 for pensioners aged 80 or over from 2003/04.

The energy price cap set by Ofgem has risen by £235 (22%) over the past 9 months with the April and October increases, thereby wiping out the Winter Fuel Allowance for most pensioners aged 66-79. The default tariff price cap now stands at £1,277, so the Winter Fuel Allowance represents a small proportion of those average capped energy costs, and it is clear from current wholesale energy prices that the next review period will lead to a further huge increase in energy prices from next April, just as the value of the State Pension falls behind the rising price inflation, and average earnings due to the suspension of the triple-lock.

General Secretary: David Luxton

ASSOCIATIONS REPRESENTED: Association of Retired and Former HMI Schools • Association of HM Inspectors of Schools (Scotland) • Association of Teachers and Lecturers • Association of School and College Leaders • Associate and Retired Members' Section of PCS union • British Broadcasting Corporation Pensioners Association • Civil Service Pensioners' Alliance • Civil Service Pensioners' Alliance (Scotland) • Educational Institute of Scotland • Forces Pension Society • Foreign and Commonwealth Office Association • MDP Retired Officers' Association • National Association of Head Teachers • National Association of Retired Firefighters • National Association of Retired Police Officers • National Federation of Occupational Pensioners • National Education Union • Prospect • Retired Police Officers' Association (Scotland) • Retired Teachers' Association (Northern Ireland) • Scottish Retired Teachers' Association • UNISON • University and College Union •

Millions of pensioners, including many retired public servants, rely on the State Pension and Winter Fuel Allowance in retirement, despite having an occupational pension. The recent National Audit Office report on the cost of public service pensions highlighted that the average pension paid across the four main public service pension schemes was £10,000 a year. In the Civil Service the average annual pension is only £8,104, and for women it is only £5,874. It is in that context that the value of the State Pension and the Winter Fuel Allowance is so important to so many pensioners to have a basic standard of living in retirement.

Had the Winter Fuel Allowance risen in line with inflation since 2001 when it was set at £200 it would now be at £347 (based on ONS measures of inflation). With rising inflation expected to continue well into next year, and State Pensions falling behind both earnings and inflation, there is a convincing case to uprate the Winter Fuel Payment and index-link it to at least inflation for subsequent years.

The Christmas Payment to pensioners was introduced by Ted Heath's Government in 1972 and set at £10 payable in December. Had that payment been index linked to inflation it would by now be worth £138 (based on ONS measures of inflation), which would make a meaningful difference to many pensioners at Christmas time.

The Public Service Pensioners' Council urge you to introduce measures in your Spring budget to increase the value of the Winter Fuel Payment from 2022 and link it to inflation or the State Pension triple-lock; and to similarly to uprate and index-link the Christmas Payment to pensioners.

We urge you to respond positively to these points and provide some relief to millions of pensioners facing hardship with rising energy bills this Winter and beyond.

I look forward to hearing from you.

Yours sincerely

David Luxton

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Public Service Pensioners' Council (PSPC)

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