

ACTION FOR OLDER PEOPLE

CONSERVATIVE MANIFESTO 2005



**WE WILL CUT COUNCIL TAX
AND INCREASE PENSIONS.**



ACTION FOR OLDER PEOPLE

**LOWER COUNCIL TAX BILLS. BIGGER STATE
PENSIONS. BETTER LONG-TERM CARE.
ENCOURAGING SAVING. CLEANER HOSPITALS.
MORE POLICE. RESPECT, DIGNITY AND
SECURITY.**

MICHAEL HOWARD'S INTRODUCTION

How a country treats the older generation is a test of its values. If you want to know about a family, look at how they treat their older relatives. And if you want to know about a country, look at how it cares for its older generation.

Many served this country in its greatest hour of need, preserving liberty, freedom and Britain's independence for future generations. We should never forget the contribution they have made – and continue to make – to our society. Where would our charities be without the active contribution of the older generation, who use their time and energy to give so much? This is a generation that looks to the future as much as to the past, that looks towards second or third careers to support a growing family, towards travel and the discovery of new opportunities.

Through much of the post-war period, high taxes and high inflation destroyed incentives to save.

I am proud to have served in a Government that did more for pensioners than any other since the war. Defeating inflation, cutting taxes and restoring the incentives to save transformed Britain's economic performance and enabled a generation of pensioners to retire having saved more for their retirement than any other in history.

However, not all pensioners were able to share in that success. Today, I am conscious that there is much more to be done. There are far too many pensioners, especially some of those who are now very elderly, who today are living in conditions that bring shame on this country.

The older generation did not feature in Tony Blair's New Britain. New Labour's Britain, he kept telling us, was a young country, as if he had airbrushed out the older generation.

Mr Blair took over one of the strongest systems of pension provision in Europe and turned it into one of the weakest. He imposed £5 billion a year of stealth taxes on pension funds. He has created a situation today in which nearly half Britain's pensioners are on means-tested benefits.

Pensioners quite rightly resent means testing. It clashes with the values of Mr Blair's forgotten majority. More than one and a half million

pensioners entitled to the means-tested Pension Credit do not claim it because they resent going cap in hand to the Government and object to its intrusion into their personal financial circumstances.

Means testing penalises pensioners for doing the right thing and building up their savings. It says to the younger generation: 'Don't bother saving, and spend whatever you can before you retire, because your future is one of dependency on the state.'

Meanwhile, pensioners have been hit by higher council taxes. Over a third of the increase in the basic state pension since 1997 has been swallowed up by council tax increases.

I want to end this state of affairs and live in a country where we honour our older generations, value their wisdom and care for their needs.

I want to live in a country where they can live out their days in security and with dignity; respected, protected, secure.

To those who have given so much, we must surely give what is their due.

We will increase the basic state pension in line with earnings to reverse pensioners' reliance on means testing. Over four years a single person's pension would be worth £7 a week more, and a couple's £11 more – over and above increases made in line with price inflation.

We will cut council tax bills for 5 million pensioners. We will maintain the existing range of benefits, including special payments like Winter Fuel Payment and free TV licences for the over-75s.

We will make it easier for tomorrow's pensioners to save and for companies to offer them a good pension.

The choice at the next election is clear: respect, dignity and security for pensioners with the Conservatives, or higher council tax and more means testing under Mr Blair.





LABOUR HAVE EXTENDED MEANS TESTING TO FIVE MILLION PENSIONERS

Labour's betrayal

Pensioners have been betrayed by Labour. They feel increasingly insecure. They worked hard and paid their dues, yet are forced to go cap in hand to claim means-tested benefit. Their neighbourhoods are less safe, and there is a lack of respect for people and property. They worry that if they become ill, they will have to wait months to be treated in a dirty hospital, where they could pick up an infection. Many face the invidious choice of having to sell their homes to be properly looked after in residential care.

Worst of all, pensioners struggle with ever rising council tax bills, which have gone up by 70 per cent since 1997 and have swallowed over a third of the increase in the basic state pension since Mr Blair was elected. He said then that the Labour Party is the 'best guarantee' for pensioners' security in retirement. Pensioners now know that was all talk.

Mr Blair bears responsibility for Britain's pensions crisis. As his former Welfare Minister, Mr Frank Field, has said: 'The big issue that ought to be worrying the whole of the Government, because it's worrying voters, is that when Labour came to power we had one of the strongest pension provisions in Europe and now probably we have some of the weakest.'

With people living longer, they need to save more. But instead of making it easier for people to save, Labour have taxed their pensions and extended the benefits that penalise saving.

- **Labour have raided Britain's pension funds.** Before the 1997 election, Mr Blair promised that Labour would not put up taxes. Then, in his first budget, Gordon Brown put a £5 billion-a-year tax on pension funds, saying he could get away with it because

'many pension funds are in substantial surplus'. By January 2005, FTSE 100 companies alone had pension fund deficits totalling £61 billion.

- **Labour have extended means testing to five million pensioners.** Nearly half of all pensioners are now trapped in Labour's intrusive means tests. According to the Government's Pensions Commission, 'means-testing within the state system both increases complexity and reduces, and in some cases reverses the incentive to save'. We agree. Means-tested Pension Credit is so complicated and unpopular that 1.6 million pensioners are not claiming the money to which they are entitled.
- **People in occupational schemes have been let down by Labour.** Occupational pensions have done more than anything else to provide pensioners with dignity and security in retirement. The proportion of recently retired pensioners with an income from an occupational pension rose from just 40 per cent to 67 per cent under the Conservatives. Under Labour, this trend has been reversed, with the figure falling to 61 per cent.

The Government has a responsibility to ensure the fairness and affordability of public sector pensions and to prevent its pension liabilities undermining the economy. Labour's failure to get value for money has worsened the problem, as it has led to more bureaucrats and falling public sector productivity. In the NHS, the number of bureaucrats is increasing three times as fast as the number of new doctors and nurses. The public finances and the economy will be damaged if we keep increasing the burden of huge public sector pension liabilities, estimated at £690 billion, and fail to get value for money.

Action for pensioners

Older people want security in their lives. They want to know that they can go out alone at night in safety. They want the reassurance that, if they fall ill, they will be treated quickly in a clean hospital. And they want to be sure that they can pay their bills, free of financial worry. The Conservatives share their concerns, and we will act to address them.

A secure society

Older people realise - perhaps better than anyone else - the importance of maintaining the values that underpin a stable and secure society. They understand the importance of respect for other people and their property, and the need for discipline in schools. But today they see a society in which crime is out of control, and schools in which teachers have lost control of their classrooms.

Conservatives share older people's belief that our society needs more respect, discipline and decent values. So we will put more police on the beat to make our streets safer. We will change the law

to strengthen the rights of householders to protect themselves and their property. We will restore honesty to sentencing, so criminals serve their sentences in full. And we will instil discipline in our classrooms by letting head teachers remove disruptive pupils from their schools.

Older people deserve the peace of mind that, if they are ill, they will be treated quickly in a clean NHS hospital. Today, over a million people are on NHS waiting lists and average waiting times for operations have risen since 1997. Each year, more people die from an infection picked up in dirty hospitals than the number killed on Britain's roads.

We will give every patient the right to treatment at any NHS hospital in the country, so people will not be forced to go to dirty hospitals. Patients will be treated free at independent hospitals that can treat them at the standard NHS tariff. If a patient chooses a more expensive independent hospital, he or she will receive half the NHS tariff, cutting the cost of private insurance and self-payment, and reducing the burden on the NHS. By investing an extra £34 billion a year in the NHS by 2009-10, beyond the level of spending we inherit, this new approach will shorten waiting lists. We will also clean up hospitals by ensuring that one person is responsible for a hospital's cleanliness, and giving hospitals the power to shut dirty wards.

We will also act to help the older people who suffer from long-term chronic conditions such as diabetes, Parkinson's Disease or multiple sclerosis. The National Institute for Clinical Excellence will develop a set of clinical guidelines to ensure good practice in the management of each disease, as well as the cost-effectiveness of the treatments available. The delivery of services will follow a care plan, agreed with the patient, so that care can be tailored to the needs of the individual.

Financial Security

People who have worked hard all their lives deserve a dignified and secure retirement. Unlike the younger generation, pensioners can do little to improve their financial circumstances - they are at the mercy of government policies. In everything a Conservative Government does, we will recognise this fundamental truth.



Labour are spending and borrowing so much that, according to most independent experts, taxes would go up again under another Labour Government. Higher taxes would damage our economy and undermine people's living standards.

We have to change direction. Our ability as a country to do more to support pensioners and look after the vulnerable depends on our success in improving the conditions that promote economic growth. The Government should tax less, and spend people's money more wisely.

So Conservatives will act to give people value for money and lower taxes. We will cut back on unnecessary government bureaucracy so that we can spend more on what matters to people - our schools, hospitals, police, armed forces and pensions. Our public spending plans are designed to get better value for money. We will cut the number of public sector bureaucratic posts by 235,000 and abolish 162 quangos.



We will use some of the savings to reduce Labour's borrowing so that we avoid another round of stealth tax rises. We will use the rest of the savings to lower taxes. This approach means we can give more help to older people, who have been among the hardest hit by Labour, and ensure that they get what they are entitled to.

We can assure pensioners that, as well as honouring all their entitlements to state pensions, a Conservative Government will protect the other benefits they receive - including Winter Fuel Payments, free prescriptions, free TV licences for the over-75s and concessionary travel. We will keep the Pension Credit and implement the increases that the present Government has promised. And with a Conservative Government, pensioners will get more: a better basic state pension, protection from the need to sell their homes to finance long-term care, and a 50 per cent discount on council tax bills for those age 65 and over.

Lower council taxes. Pensioners have been among the hardest hit by Labour's rise in council tax. We will cut council tax bills, by introducing an automatic 50 per cent discount on council tax bills. This will be worth up to £500 for households made up of adults aged 65 and over. It will help five million pensioners.

Bigger state pensions. The basic state pension (BSP) is annually increased only in line with price inflation. This means that the value of the pension rises less quickly than the incomes of people in work. Conservatives will increase the BSP annually in line with earnings, not prices. This will mean fewer pensioners will have to rely on means-tested benefits.

- **A bigger pension.** Increasing the basic state pension in line with earnings will mean that after four years, a single person's pension will be worth £7 a week more, and a couple's £11 more – over and above increases made in line with price inflation.
- **No one will lose out.** We will not abolish Pension Credit and we will keep special payments for pensioners such as Winter Fuel Payment and free TV licences for the over-75s. But as they receive a higher income as of right through the basic state pension, fewer pensioners will need to undergo the means test for Pension

Credit. 1.6 million pensioners, including some of the poorest, are entitled to the Pension Credit but do not claim it. They will also gain from a higher basic state pension.

- **Reversing the spread of means testing.** Pensioners who no longer rely on the means tested Pension Credit will see their savings freed from government scrutiny. More pensioners will escape these demeaning tests because all will receive a higher income through a higher state pension, as of right.

Our proposals are carefully costed and fully funded.

- **Taking people off means tested benefits.** Giving pensioners higher incomes as of right will reduce the extent to which they need to rely on means-tested benefits. No pensioner will be worse off, but some of the money spent on increasing the basic state pension will reduce the cost of means-tested benefits. Furthermore, means-tested benefit costs ten times more to administer for each £100 of benefit, although we have not taken account of these administrative savings in our costings.
- **Reforming welfare to work.** We will abolish the New Deal for Young People, New Deal for over 25s and New Deal for Lone Parents, which have proved expensive failures. We will replace these with cost-effective schemes that work and put savings of £670 million a year towards our pension reforms.



Reforming annuities. At the moment, people with private pension schemes have to use their savings to buy an annuity when they reach the age of 75, even if they do not think they are being offered a good deal for their savings. Conservatives believe that people should not be forced to buy an annuity which might not be the best use of their hard-earned savings. We will therefore abolish this requirement provided people do not become dependent on means-tested benefits.

Long-term care. Many pensioners face the invidious choice between living in their own home without adequate care, and selling their home to pay for care. This unpalatable situation has been forced on them by Labour's policies on long-term care. For example, if someone has assets worth more than £20,000, they must pay for their long-term care. We will address this by encouraging rather than crowding out private provision, and rewarding rather than penalising prudence and saving. Under a Conservative Government, no one will be forced to sell their home to finance their long-term care. Rather than shifting the long-term care burden on to the individual by stealth as Labour is doing, we will cap long-term care costs.

We give this guarantee: if you pay for the first three years of long-term care out of your own resources, then a Conservative Government will pay for the remainder of your care – without any means tests. We will instigate a full and extensive review into all long-term care regulations, and abolish those which do nothing to enhance the quality of care.

This approach will give people security and certainty in old age, as they will not face ruinous bills for long-term care. They will not be forced to sell their homes. Older people with assets of less than £20,000 will continue to receive free long-term care, just as they do today.



Supporting families

The older generation provides an anchor for the modern family at a time of change, when family relationships are under threat and children need the love and support that grandparents can bring.

Childminders

Grandparents have a lifetime of experience and parenting skills. One in five children under 16 years are looked after in the daytime by grandparents. Many parents are struggling to find reliable childcare. They cannot benefit from the skills that older people can offer as many grandparents are discouraged from becoming registered childminders because of the rules and regulations.

We will make it easier for grandparents to become registered childminders by increasing the number of childminder places, and help grandparents gain a useful extra income. No one is saying that they need qualifications to look after their own grandchildren, but we will allow grandparents to be fast-tracked through a specially tailored course to allow them to be paid childminders for children in their community.

Family Justice

Not only do grandparents have time and love to give to children, they also have a lifetime of knowledge and experience to pass on. Grandparents are a link to the past and a bridge to the future, both for a child's sense of belonging, as well as family history. Yet the Government has failed to recognise the very important role that grandparents play in the development and upbringing of children. Too many grandparents are unfairly cut off from their grandchildren through no fault of their own. If the marriage or relationship of a son or daughter breaks down, and they are unable to get contact with their children, then grandparents are also unable to see them.

We will reform the family justice system by introducing a presumption of co-parenting so that both parents will have a legal right to be involved in their children's upbringing. This will ensure that children grow up with the love and support of both their parents and their extended family. At the moment, grandparents must make



a request for 'leave to apply' for contact to see their grandchildren before they can actually have a contact hearing, which in effect means that they have to apply twice. We will scrap this unnecessary and expensive duplication and introduce one simpler and easier to understand procedure for applying for contact.

Security for tomorrow's pensioners

Tomorrow's pensioners are being hit hard by Labour's pensions crisis. At a time when people are living longer, the Government should be encouraging people to save. Instead, it has done the opposite. Labour's raid on pension funds has been a major factor in making the London stockmarket one of the worst performing of the major markets. The extension of means-tested benefits creates further disincentives to save. As the Pensions Commission has pointed out, financial advisers 'will be wary of selling to people potentially affected by Pension Credit withdrawal for fear of future mis-selling allegations.'

We will only help more people plan for an adequate retirement if we give them better incentives to do the right thing and save, make it easier for companies to offer their employees a better deal and extend the state contributory pension.

Increasing the basic state pension in line with earnings will mean that fewer people need fear that the money they save today will reduce their entitlement to state benefits in retirement. For the future, we believe there is a case for simplifying the state pension system further by consolidating the state second pension into a higher basic state pension. Like the current Government, we will consider whether

and when new accruals to the state second pension should go flat rate rather than varying with earnings. All accrued rights to second tier state pensions would be honoured in full.

Better incentives for saving. We will provide better incentives to save with a new Lifetime Savings Account (LiSA). To encourage people to get into the savings habit, we will use the simple principle of 'buy one, get one free': when people put money into a LiSA, the Government will put money in too. People save for other things as well as retirement, so putting money into a LiSA need not mean locking it away until the end of working life. A decision on the exact structure and funding will follow completion and analysis of the current 'Savings Gateway'.

Strengthening Company Pensions. A Conservative Government will take the urgent action needed to support company pensions and help people who have lost their retirement savings.

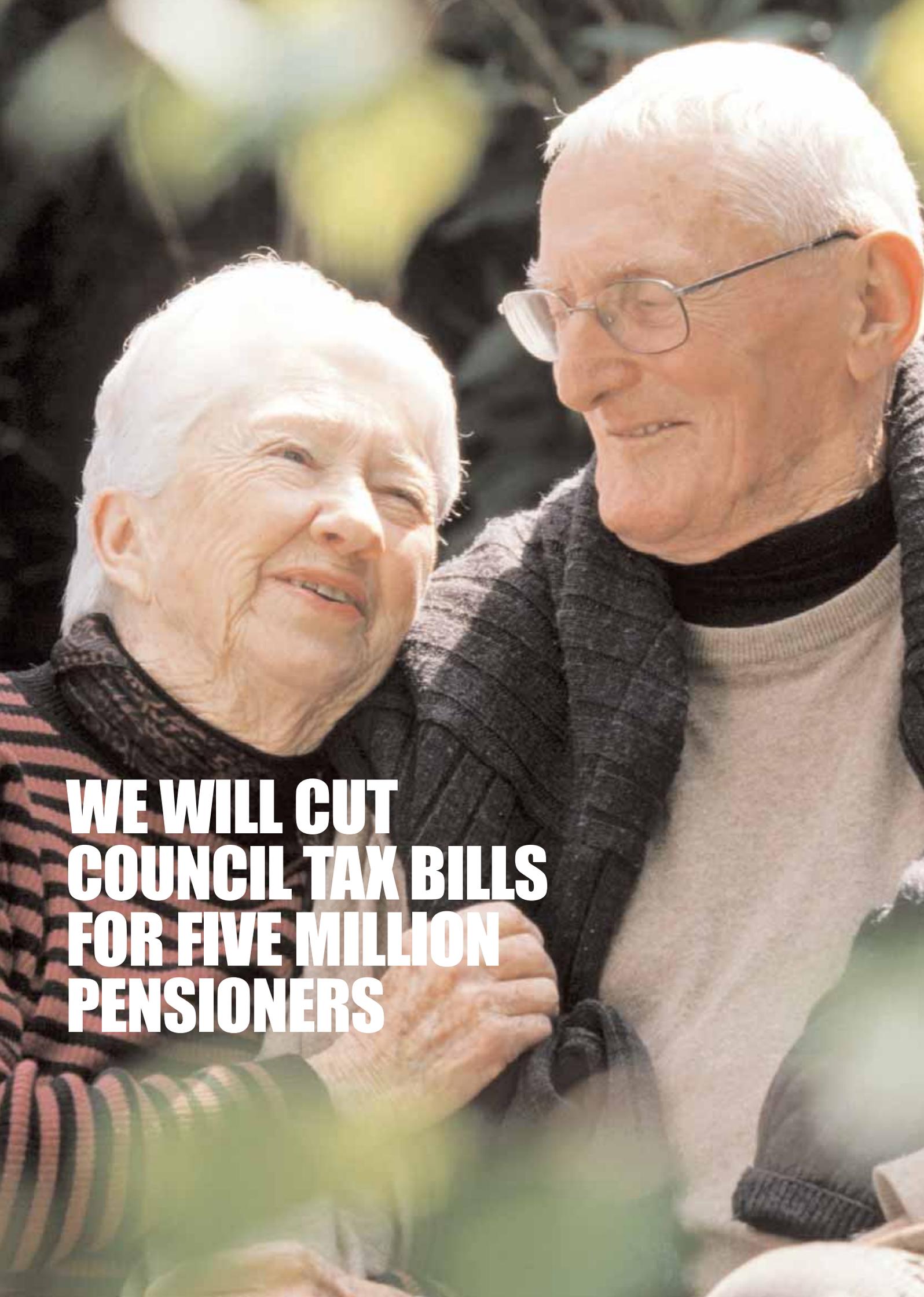
- **Letting companies promote their pension schemes.** It is absurd that companies which offer good pension schemes are not allowed to promote them to their employees because they are not registered to provide financial advice. A Conservative Government will ease the burden of financial regulation so that employers can promote their pension schemes to their members.
- **Not Compulsion, but Encouragement.** Many people do not belong to company pension schemes simply because they have not got around to joining. A Conservative Government will encourage companies to assume that employees want to join the pension scheme unless they opt out.
- **Helping wind-up victims.** Tens of thousands of people have paid into a company pension which they were told was safe - only to lose their savings when the scheme became insolvent. Confidence in saving will never be restored if people who have saved lose out. Gordon Brown has his eye on money in bank accounts where there has been no contact with the depositor for a generation. He says he wants to use this money for unspecified 'charitable' purposes. We will use it to rebuild the pension funds of wind-up victims.

Making contributory pensions fairer for women. Conservatives believe in the principle of contributory pensions. We want to reform the way the contributory system works to help the many people who at present are not able to build up a contributory basic state pension because they are low earners or because they take career breaks to care for children or sick relatives.

Many women in particular are not getting a fair deal from the state pensions system and we are committed to addressing this. We have already set out firm proposals, together with further options for tackling this problem. We will abolish the rule which stops women who have paid National Insurance Contributions for less than ten years getting anything from the basic state pension. We will also modernise the way state pension rights are earned so it becomes easier for women to build them up.

We will offer better pensions to people who take time out of the labour market to bring up their children or to care for sick relatives. We propose to replace the current system – under which people must be out of the labour market for a whole tax year in order to benefit – with a much more flexible weekly credit.

Giving our older generation what is their due and enabling everyone to prepare for a decent retirement are fundamental to the values of what is best about Britain. And these will be the values of the next Conservative Government. We will provide dignity and security in retirement and proper recognition of the contribution the older generation has made to this country.



**WE WILL CUT
COUNCIL TAX BILLS
FOR FIVE MILLION
PENSIONERS**

