State pension to surpass £10,000 a year for first time as inflation soars

Triple lock policy means pensioners will see their incomes partially protected while workers earnings collapse at a record rate

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The state pension is set to surpass £10,000 next year as older people receive a double-digit pay rise to keep up with soaring inflation.

While public sector workers including doctors, nurses and teachers have seen the value of their earnings plunge at a record rate, pensioners will see their weekly payments increase in line with rising prices thanks to the government's "triple-lock" policy.

The triple-lock is a commitment to increase state pension entitlements by consumer price inflation, average wage growth or 2.5 per cent – whichever is highest.

Consumer price inflation hit a 40-year high of 10.1 per cent in the year to July, official figures released this week show, and the Bank of England is expecting it to surpass 13 per cent later this year.

The basic state pension is worth £141.85 a week or £7,376.20 a year, while the new state pension – for those who reached state pension age on or after April 6, 2016 – pays £185.15 per week, or £9,627.80 a year.

If inflation hits 13 per cent in September, the basic state pension would rise the following April by £18.45 to £160.30 per week or £8,335.60 a year. The new state pension would rise by £24.10 to £209.25 per week or £10,881 per year.

That would be more than double the current pace of pay increases for working people, which are averaging just over 5 per cent overall and just 1.8 per cent for public sector staff.

Pensioners on low incomes are expected to be severely impacted by huge jumps in the cost of energy.

The average weekly state pension payment was £159.81 in February this year, or £8,310 a year. A rise in average energy bills to £3,582 in October would mean that energy costs would make up 43 per cent of pensioners' average income this autumn.

This would leave those relying on the state pension with just £90 a week to spend on food, petrol and other basic living costs, such as clothing, home and car maintenance.

However, many pensioners living alone would typically use less than the average household's amount of energy and the triple-lock policy means that many who are relatively wealthy will see the value of part of their incomes protected while Britain's poorest people bear the brunt of inflation.

According to the Institute for Fiscal Studies, the rate of price increases will peak at a staggering 18 per cent for households on the lowest incomes – almost three times the increase to the national minimum wage this year.

Families receiving state benefits have already seen a big drop in their incomes after Rishi Sunak reversed a £20-per-week uplift to universal credit last year.

Chancellor Nadhim Zahawi said: "I understand that times are tough, and people are worried about increases in prices that countries around the world are facing."

Ministers suspended the pensions triple lock for one year in April 2022 as the end of the furlough scheme artificially inflated average earnings growth.

But the government is bringing it back in time for the annual update in pension and other benefits, which will come into effect in April 2023.