

Briefing

The Winter Fuel Payment

April 2015

This briefing note provides information about the winter fuel payment (WFP) and also explains Age UK's views.

Who receives it and how much is it worth today?

The WFP is a one-off annual payment that provides help with the cost of energy bills for pensioner households. It is currently a UK payment but responsibility for the payment in Scotland is expected to be devolved to the Scottish Government.

- It is paid to people who have reached women's state pension age in the qualifying week which is the third week in September¹.
- For winter 2014/15 payments have been made to people born on or before 5 January 1952 – so are currently 62 years old or older.
- The standard household payment is £200 for those under the age of 80 and £300 for people aged 80 or over.
- People may receive the full amount or half the payment (£100/£150) depending on whether others in the household qualify.
- For example a person aged 80 who lives alone will receive £300 while a couple aged 80 and 85 will normally receive £150 each.
- It is paid automatically to people receiving the state pension or certain benefits (a claim may be needed in some circumstances eg from men aged 62-64 who are not receiving benefits).

How has its value changed since it was introduced?

The value of the WFP has varied since its introduction in the winter of 1997-98. For example:

- In 1997/98 it was £20 (£50 if receiving certain means-tested benefits).
- Since 1999/2000 payments have been at least £100 a household.
- Since 2003/04: they have been at least £200 for those under 80 and £300 aged 80 or over.
- 2008/09 to 2010/11 – there were additional payments of £50 for 69-79 and £100 for those aged 80 or over.
- 2011/12 onwards – it has been £200 for those under 80 and £300 aged 80 or over.

Is it likely to cost more or less in future?

Next winter 2015/16 it is forecast that 12.3 million people in the UK will receive the WFP at a cost of £2.1 billionⁱⁱ.

This is expected to fall to 11.5 million payments at a cost of £1.8 billion by 2019/20 (in today's prices). This is because state pension age is increasing and there are no plans to increase payments in line with inflation. So unless this changes the cost of the WFP will gradually reduce.

What is the evidence about how WFP helps older people and why it is needed?

The WFP provides very valuable extra help in winter when it is most needed and the feedback we receive and research we have carried out shows that many older people with low incomes worry less about their energy bills as a result. And crucially new analysis gives us the strongest indication yet that the WFP saves lives.

Around 25,000 older people die every year due to cold weather - that's one person aged over 65 every seven minutesⁱⁱⁱ. In addition to the human cost there is also a clear financial price to pay in terms of increased pressure on local authorities, the NHS and the social care system. The latest estimate from Age UK is that the cost of cold homes to the NHS is around £1.36bn every year^{iv}.

While the number of excess winter deaths remains far too high the figure has fallen and Age UK research (which has been peer reviewed and published in an academic journal) indicates that this is partly due to winter fuel payment. An estimated 12,000 deaths have been prevented each year – possibly because the payment prompts people to take steps to keep themselves warm^v. For example it might be that people are keeping the heating on for longer or turning up the thermostat, providing better protection against cold related illness such as high blood pressure, heart-attacks and strokes and ultimately avoidable, premature deaths.

Age UK's view

Age UK supports the continuation of the WFP. We do so first and foremost because it is a crucial weapon in the battle to help older people to stay fit and well through the winter. It would be good to live in a country in which WFP wasn't needed, because older people were free from poverty and could heat their houses sufficiently without the extra financial help it gives. But we believe this is only attainable if all older people receive their full benefit entitlements, which isn't the case at present, and if there is major government investment to greatly improve the energy efficiency of the country's housing stock, beginning with the least energy efficient. In the long term we hope it may be possible to phase out the WFP, but it would only be safe to do so after older people's homes have been made energy efficient, not before.

Means-testing the WFP

Some have suggested that the WFP should be means-tested. Age UK strongly opposes this because all the evidence is that it would lead to some of the most vulnerable older people missing out, putting their health and for some even their lives at risk. Means-tested benefits are complicated and often fail to reach many who need them; for example, around a third of older people entitled to Pension Credit, the main extra benefit for pensioners on the lowest incomes, are not receiving it. It would be a disaster if the same happened with WFP.

Taxing the WFP

Others have proposed that the WFP should be taxed. Age UK does not support this policy. It would increase the complexity of the tax system and could, for example, require more older people to fill in tax returns. Once the additional administrative costs of this were factored in any savings would be likely to be modest. Only around half of people aged 65 have incomes high enough to pay any income tax.

Excluding higher rate taxpayers from the WFP

It has also been proposed by some that entitlement to WFP should be removed from older people who are higher rate tax payers. Less than 5 per cent of people aged 65 and over have incomes high enough to make them higher rate income taxpayers so savings would be limited. Age UK's view is that while there are some very wealthy older people who do not need extra help towards their fuel bills, any Government should be careful about changing a system that is straightforward and that works well for the majority of pensioners who are on low or modest incomes.

About Age UK

Age UK offers information and advice 365 days a year and older people and their families can call Age UK Advice free on 0800 169 65 65. Spread the Warmth is Age UK's campaign to help older people stay well during winter.

www.spreadthewarmth.org.uk

Age UK

Tavis House

1-6 Tavistock Square

London WC1H 9NA

T 0800 169 80 80 F 020 3033 1000

E policy@ageuk.org.uk

www.ageuk.org.uk

Age UK is a charitable company limited by guarantee and registered in England (registered charity number 1128267 and registered company number 6825798). The registered address is Tavis House 1-6 Tavistock Square, London WC1H 9NA

ⁱ See <https://www.gov.uk/winter-fuel-payment/overview> for more information about the payment including the groups who are not eligible.

ⁱⁱ <https://www.gov.uk/government/statistics/benefit-expenditure-and-caseload-tables-2014>

ⁱⁱⁱ Age UK estimate, using a ten-year average 2003/4 to 2012/13, from Excess Winter Mortality by age group in England and Wales, ONS, November 2013.

^{iv} Based on the method described in South East Regional Public Health Group Factsheet (2009) Health and Winter Warmth, which made use of a calculator produced by the Chartered Institute of Environmental Health to estimate the total cost to the NHS in England arising from cold homes. Age UK updated its figure (£859 million) using 2011 household numbers estimates for England (Office for National Statistics) and the GDP deflator (from HM Treasury's website) to inflate the estimates to 2011/12 prices.

^v <http://www.ageuk.org.uk/latest-press/winter-fuel-payment-prevents-12000-deaths-yearly/>