



**BRIEFING PAPER**

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# Winter Fuel Payments update

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## Summary

The [Winter Fuel Payment](#) is a tax-free annual payment to help older people pay their winter heating bills.

Most payments are made automatically between November and December. Individuals usually get a Winter Fuel Payment automatically if they get the State Pension or certain other benefits. The “standard” rates are £200 per eligible household where the oldest person is under 80, and £300 for households containing a person aged 80 or over.

To be eligible for a Winter Fuel Payment, a person must have reached the relevant age threshold before the end of the “qualifying week” (for this year, 18 to 24 September 2017). The relevant age is linked to the State Pension age for women, which is increasing gradually. This means that, to receive a payment this winter (2017/2018), a person must have been born on or before 5 August 1953.

The Winter Fuel Payment can be paid in other EEA Member States. However, a “temperature link” introduced in 2015 means it is no longer payable to people living in Cyprus, France, Gibraltar, Greece, Malta, Portugal or Spain.

Further information on the rules, details of the payment arrangements for this winter and claim forms are available at the [GOV.UK website](#).

The cost to the Exchequer is approximately £2 billion a year ([HL Deb 28 April 2016 c1236](#)). Some have argued that the Winter Fuel Payment and other “universal benefits” for older people can no longer be justified, in light of the deficit and benefit cuts facing non-retired households – see Commons Library briefing 06354, [Pensioner benefits](#).

In its manifesto for the 2017 election, the [Conservative Party](#) said it would means-test the Winter Fuel Payment. However, the 26 June [agreement between the Conservative and Democratic Unionist Parties](#) said that both parties had agreed that there would be no change to “the universal nature of the Winter Fuel Payment.”

Background to the scheme can be found in Commons Library briefing SN/SP/599, [Winter Fuel Payments](#), which covers the introduction of Winter Fuel Payments and changes up to 2005.

The Winter Fuel Payments scheme is entirely separate from the Cold Weather Payments scheme, under which recipients of certain benefits receive automatic payments of £25 a week during periods of very cold weather – see Commons Library briefing 07454, [Cold Weather Payments for winter 2015/2016](#), for further details.

Commons Library briefing 06163, [Help with energy bills](#), gives information on other sources of financial and practical help with domestic energy bills, and also outlines current policy developments.

# 1. Introduction

## 1.1 Overview

Winter Fuel Payments were introduced in 1997 to help older people meet the costs of heating their homes in winter. They are paid as a tax-free lump sum each winter.

As set out in Box 1 below, the amount of Winter Fuel Payment paid varies according to household circumstances in the “qualifying week” - 18 to 24 September 2017, for winter 2017/18:<sup>1</sup>

### Box 1: Winter Fuel Payment rates, 2017-18

Circumstance	Born between 25 September 1937 and 5 August 1953	Born on or before 24 September 1937
You qualify and live alone (or none of the people you live with qualify)	£200	£300
You qualify and live with someone under 80 who also qualifies	£100	£200
You qualify and live with someone 80 or over who also qualifies	£100	£150
You qualify, live in a care home and don't get certain benefits	£100	£150

### If you get certain benefits

Your payment may be different if you or your partner get one of the following benefits: Pension Credit; income-based Jobseekers Allowance; income-based Employment and Support Allowance; Income Support.

Circumstance	Born between 25 September 1937 and 5 August 1953	Born on or before 24 September 1937
You qualify, get one of the benefits and live alone (or none of the people you live with qualify)	£200	£300
You qualify and live with someone who also gets one of the benefits	£200 – only one of you will get the payment	£300 – only one of you will get the payment
You qualify, live in a care home and get one of the benefits	Nil	Nil

For more on the background to a nil amount being payable to people living in care homes and in receipt of certain benefits, see Library Briefing Paper SN-01475 [Winter Fuel Payments: residential care](#) (November 2013).

<sup>1</sup> Source: GOV.UK, [Winter Fuel Payment: What you'll get](#)

## 1.2 Statistics

12.21 million Great Britain<sup>2</sup> residents received a Winter Fuel Payment for winter 2015/2016. A further 42,000 claimants resident in the EEA or Switzerland received a Winter Fuel Payment, a decrease of almost 70 per cent (97,000) compared to the previous year.<sup>3</sup>

The number of recipients per Parliamentary constituency in Great Britain is available from the DWP: [Winter Fuel Payment: recipient and household figures 2015 to 2016](#).

11.9 million people are expected to receive a Winter Fuel Payment in 2017-18, with total expenditure forecast at £2,025 million.<sup>4</sup>

Previously, the qualifying age to receive the payment was 60, but from 2010 this started to increase in line with the changing State Pension age for women. The number of people getting the Winter Fuel Payment is therefore falling, with DWP estimating that by 2021-22 the number benefiting from the Winter Fuel Payment will fall to around 11.5 million, with expenditure in that year forecast at £1,854 million (real terms, at 2017-18 prices).<sup>5</sup>

The table below shows the number of Winter Fuel Payment recipients in each year since 1999-00.<sup>6</sup>

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<sup>2</sup> A separate but identical Winter Fuel Payments scheme exists in Northern Ireland. Forecasts indicate that 307,932 people in 226,092 households in Northern Ireland benefited from a Winter Fuel Payment in 2015/2016, and the total spend was estimated to be around £53.3 million. See Northern Ireland Department for Social Development, [Annual Report on the Social Fund 2015-16](#), October 2016

<sup>3</sup> DWP, [Winter Fuel Payment: official statistics winter 2015 to 2016](#), September 2016

<sup>4</sup> DWP [Benefit expenditure and caseload tables 2017](#)

<sup>5</sup> Ibid.

<sup>6</sup> DWP, [Winter Fuel Payment: official statistics winter 2015 to 2016](#), September 2016

**Table 1.1. Winter Fuel Payment recipients - figures to winter 2017/18**

	<b>All cases</b>	<b>GB residents</b>		<b>EEA and Switzerland and residents</b>	
	<b>Number of claimants (thousands)</b>	<b>Number of claimants (thousands)</b>	<b>Women</b>		<b>Men</b>
<b>1999/2000</b>	10,084	10,084	6,241	3,843	-
<b>2000/2001</b>	11,106	11,106	6,313	4,793	-
<b>2001/2002</b>	11,202	11,202	6,310	4,892	-
<b>2002/2003</b>	11,356	11,348	6,350	4,998	8
<b>2003/2004</b>	11,486	11,468	6,388	5,080	18
<b>2004/2005</b>	11,430	11,401	6,285	5,116	29
<b>2005/2006</b>	11,555	11,515	6,337	5,218	40
<b>2006/2007</b>	11,750	11,703	6,395	5,308	48
<b>2007/2008</b>	12,123	12,069	6,569	5,500	54
<b>2008/2009</b>	12,421	12,357	6,698	5,659	64
<b>2009/2010</b>	12,681	12,610	6,811	5,799	71
<b>2010/2011</b>	12,783	12,710	6,854	5,855	73
<b>2011/2012</b>	12,686	12,612	6,796	5,814	74
<b>2012/2013</b>	12,683	12,562	6,767	5,795	121
<b>2013/2014</b>	12,585	12,446	6,705	5,741	139
<b>2014/2015</b>	12,489	12,349	6,672	5,677	140
<b>2015/2016</b>	12,215	12,172	6,603	5,569	42

## 2. Purpose of the Winter Fuel Payment

The last Labour Government explained the rationale for the scheme as follows:

Winter fuel payments were introduced as part of the Government's initiative to tackle fuel poverty amongst pensioners. Winter fuel payments give older people reassurance that they can afford to heat their homes in winter. They are paid in a lump sum each winter to ensure that money is available when fuel bills arrive. Older people are targeted because they are particularly vulnerable to the effects of cold weather during the winter months and older people are more likely to be on fixed incomes<sup>7</sup>

The Winter Fuel Payment is however not the only source of help with heating costs. In July 2015, the then Minister for Energy and Climate Change, Andrea Leadsom gave information on the range of help available:

The Government has implemented a range of measures to support vulnerable households reduce their energy bills, including:

- Winter Fuel Payment - worth up to £300, estimated £ 2.15 billion spent in 2013/14 (specifically for pensioners);
- Cold Weather Payments - provide £25 for every week of a cold spell – in the last cold winter (2012/13) 5.8 million payments were made, estimated over £140 million spent in 2012/13 (specifically for those on low incomes);
- Warm Home Discount: provides assistance to around 2 million low income and vulnerable households with their energy costs each year. Over 1.4 million of the poorest pensioners received £140 off their electricity bill last winter (14/15), over 1.3 million of them automatically.
- Nearly £3m invested over 3 years in the Big Energy Saving Network to help the most vulnerable get the best deal for them and access to available help.<sup>8</sup>

Information on the Cold Weather Payments scheme can be found in Library standard note [SN06748](#) and [SN/SP/696](#).

Further information on other sources of financial and practical help for households with domestic fuel bills, and on energy efficiency grants and payments, can be found in Library briefing 06163, [Help with energy bills](#).

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<sup>7</sup> [EXPLANATORY MEMORANDUM TO THE SOCIAL FUND WINTER FUEL PAYMENT \(TEMPORARY INCREASE\) REGULATIONS 2010, SI 2010/1161](#), April 2010

<sup>8</sup> [PQ 5966 \[on Energy: Prices\]](#), 13 July 2015

## 3. Party positions

### Labour Party

The Labour Party introduced Winter Fuel Payments in 1997. They were first announced by Gordon Brown, then Chancellor of the Exchequer, in his Pre-Budget Statement on 25 November 1997.<sup>9</sup>

However, in a speech in 2013, then Shadow Chancellor Ed Balls said that given the pressures on public spending, when thinking about the Labour Party's forthcoming Manifesto, it could no longer be a priority to continue paying the Winter Fuel Payment to the richest 5% of pensioners who paid higher rate tax.<sup>10</sup> This was again confirmed in the party's manifesto for the 2015 election.<sup>11</sup> In its 2017 election manifesto, the Labour Party said the "Winter Fuel Allowance and free bus passes will also be guaranteed as universal benefits."<sup>12</sup>

### Conservative Party

Winter Fuel Payments were referred to as "gimmicks" by the Conservative Party shortly after their introduction.<sup>13</sup> However, in speeches made in May 2001 by William Hague and David Willetts, a commitment was given to retain Winter Fuel Payments for those who wished to receive them, but to offer an alternative in the form of an increase to the basic state pension.<sup>14</sup>

The Conservative Party's 2005 and 2010 General Election Manifestos both pledged to protect the Winter Fuel Payment. Similarly, the Conservative Manifesto 2015 included a commitment to protect pensioner benefits, including the free bus pass, TV licenses and the Winter Fuel Payment:

We will maintain all the current pensioner benefits including Winter Fuel Payments, free bus passes, free prescriptions and TV licences for the next Parliament, while implementing the "temperature test" for Winter Fuel Payment, so that expats in hot countries no longer receive it.<sup>15</sup>

In June 2015, the Conservative Government pledged to protect pensioner benefits and the "triple-lock" for the state pension:

This Government wants all pensioners to have a decent and secure income in retirement. We are committed to the 'triple lock', the guarantee that the basic State Pension will increase by the highest of the growth in average earnings, price increases or 2.5%; and for the poorest pensioners, Pension Credit tops up income to a guaranteed minimum level of £151.20 for a single

<sup>9</sup> HC Deb 25 November 1997 c780

<sup>10</sup> Striking the right balance for the British economy – Ed Balls speech at Thomson Reuters, 3 June 2013

<sup>11</sup> [The Labour Party Manifesto 2015](#), page 17

<sup>12</sup> [Labour Party Manifesto 2017](#), p54

<sup>13</sup> Speech by William Hague, "Common sense for pensions", 24 May 2000; Party conference speech by David Willetts, 4 October 2000

<sup>14</sup> Speech by William Hague, "I will give you back your country", 29 May 2001; Statement by David Willetts, "Conservative launch manifesto for pensioners", 22 May 2001

<sup>15</sup> [The Conservative Party Manifesto 2015](#), page 67



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person and £230.85 for couples. We are protecting key benefits for older people including free eye tests, free NHS prescriptions, free bus passes, free television licences for those aged 75 and over, and Winter Fuel Payments.<sup>16</sup>

However, its manifesto for 2017 election proposed means-testing the Winter Fuel Payment:

Creating a sustainable elderly care system means making decisions about how the rising budget devoted to pensioners is spent, so we will target help where it is needed most. So we will look at Winter Fuel Payments, the largest benefit paid to pensioners, in this context. The benefit is paid regardless of need, giving money to wealthier pensioners when working people on lower incomes do not get similar support. So we will means-test Winter Fuel Payments, focusing assistance on the least well-off pensioners, who are most at risk of fuel poverty. The money released will be transferred directly to health and social care, helping to provide dignity and care to the most vulnerable pensioners and reassurance to their families. We will maintain all other pensioner benefits, including free bus passes, eye tests, prescriptions and TV licences, for the duration of this parliament.<sup>17</sup>

However, the [agreement between the Conservative and Democratic Unionist Parties](#) published on 26 June 2017 said that both parties had agreed that there would be no change to “the universal nature of the Winter Fuel Payment.”

### DUP

The DUP said in 2017 that it would “resist any assault on important universal benefits.”<sup>18</sup>

### Liberal Democrat Party

The 2010 Coalition Agreement also pledged to continue to protect pensioner benefits, including the Winter Fuel Payment.<sup>19</sup> However, the Liberal Democrat Manifestos in 2015 and 2017 said the party would “withdraw eligibility for the Winter Fuel Payment and free TV Licence from pensioners who pay tax at the higher rate (40%).”<sup>20</sup>

### SNP

The SNP pledged to protect the Winter Fuel Payments in 2015 and in 2017, also to extend eligibility “to families with severely disabled children.”<sup>21</sup>

Responsibility for the Winter Fuel Payment was devolved to Scotland under the *Scotland Act 2016*.<sup>22</sup> A [Social Security Bill](#) was introduced in the Scottish Parliament on 20 June 2017. It is an enabling framework,

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<sup>16</sup> [PQ 1452 \[on Older People: Poverty\], 15 June 2015](#)

<sup>17</sup> [Conservative Party Manifesto 2017](#)

<sup>18</sup> [DUP Westminster Manifesto 2017](#)

<sup>19</sup> [The Coalition: Our Programme for Government](#), May 2010, page 26

<sup>20</sup> [The Liberal Democrat Manifesto 2017](#), p60; [The Liberal Democrat Manifesto 2015](#), page 49

<sup>21</sup> [SNP Manifesto 2015](#), page 15; [SNP Manifesto 2017](#), p36

<sup>22</sup> [Scottish Government/Devolved benefits](#)

giving Scottish Ministers powers to make regulations. The policy objective is to:

[...] allow the Scottish Ministers to provide assistance to individuals to help towards meeting heating costs. In doing so the Scottish Government will look to see how best assistance can contribute to reducing fuel poverty in Scotland more effectively, whilst also looking to extend Winter Fuel Payments to families with disabled children on the higher rate of Disability Living Allowance. ([Policy Memorandum](#)).

For more information, see: SPICe, [New Social Security Powers](#), 31 May 2016.

## UKIP

UKIP also pledged to protect the Winter Fuel Payment in their 2015 and 2017 Manifestos, without means-testing.<sup>23</sup>

## Green Party

The Green Party pledged to retain the Winter Fuel Payment in 2015 and 2017.<sup>24</sup>

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<sup>23</sup> [UKIP Manifesto 2015](#), page 19; [UKIP Manifesto 2017](#), p29

<sup>24</sup> [Green Party Manifesto 2015](#), page 30; [Green Party's Policy Statement for Older Citizens, 2017 general election](#).

## 4. Eligibility

To be eligible for the Winter Fuel Payment, a claimant must have reached the qualifying age before the end of the “qualifying week”, which for winter 2017/2017 is 18 to 24 September 2017.<sup>25</sup>

People receiving a state pension or other social security benefit apart from Housing benefit, Council Tax Reduction, Child Benefit or Universal Credit) should not need to make a claim and should be paid automatically; others will need to make a claim.

The Government has said that in over 95 per cent of cases, payments are made automatically.<sup>26</sup> The remaining 5%, primarily men who have reached women's State Pension age and who are not getting a DWP-administered benefit, need to make a claim if they want to get a Winter Fuel Payment. The final deadline for claims for winter 2015/2016 will be 31 March 2016.

The qualifying age for the Winter Fuel Payment was formerly 60, but from 2010 it began to increase in line with the State Pension age for women. The Labour Government first announced its intention to link eligibility to the State Pension age in 1999.<sup>27</sup> The [Social Fund \(Winter Fuel Payment\) Regulations 2000](#)<sup>28</sup> were amended in 2009 to replace the reference to the age of 60 with “the qualifying age” for Pension Credit – which is the State Pension age (SPA) for women.<sup>29</sup> The SPA for women is rising and will reach 65 – equal to that with men – in November 2018. Following equalisation, entitlement to a Winter Fuel Payment will be determined by having reached SPA in or before the September qualifying week.<sup>30</sup>

Further information on the rules on entitlement to Winter Fuel Payments and claim forms are available at [Gov.uk – Winter Fuel Payment](#).

In 2014, the Government undertook a feasibility assessment of paying Winter Fuel Payment directly to energy providers. However, this option was not pursued as the study showed that there would be significant additional administrative complexities and costs to the energy providers which were likely to directly increase the fuel bills for all customers.<sup>31</sup>

Individuals may return their Winter Fuel Payment to the Government, should they wish to do so. A PQ in January 2015 outlined the process for doing so:

We ask people who want to return their payment to do so by post so that it can be dealt with securely under existing Departmental financial processes and recorded against their Winter Fuel Payment account. We also ask for a covering letter indicating

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<sup>25</sup> [Gov.UK Winter Fuel Payment/what you'll get](#)

<sup>26</sup> [PQ 218426 \[on Winter Fuel Payments\], 16 December 2014](#)

<sup>27</sup> [HC Deb 20 December 1999 c325W](#)

<sup>28</sup> [SI 2000/729](#)

<sup>29</sup> *State Pension Credit Act 2002*, s1(6)

<sup>30</sup> [PQ 66915, 13 March 2017](#)

<sup>31</sup> [PQ 1798 \[on Winter Fuel Payments\], 15 June 2015](#)

whether or not they wish us to continue to issue payments in future years.

Returned payments should be sent to the address on the issuing letter or to the office that pays the claimant's benefit.<sup>32</sup>

There have been various calls for the Winter Fuel Payment to be extended to disabled people in receipt of Disability Living Allowance (DLA) or Personal Independence Payment (PIP). Successive governments in Westminster have resisted such calls. The Coalition Government said that Winter Fuel Payments are solely targeted at older people because they are particularly vulnerable to the effects of cold weather, and that disabled people receive financial provision for extra costs through DLA and PIP.<sup>33</sup>

Responsibility for the Winter Fuel Payment was devolved to Scotland under the *Scotland Act 2016*.<sup>34</sup> A [Social Security Bill](#) introduced in the Scottish Parliament on 20 June 2017 gives Scottish Ministers powers to make regulations. The policy objective is to:

[...] allow the Scottish Ministers to provide assistance to individuals to help towards meeting heating costs. In doing so the Scottish Government will look to see how best assistance can contribute to reducing fuel poverty in Scotland more effectively, whilst also looking to extend Winter Fuel Payments to families with disabled children on the higher rate of Disability Living Allowance.<sup>35</sup>

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<sup>32</sup> [PQ HL4133 \[on Winter Fuel Payments\], 26 January 2015](#)

<sup>33</sup> [HC Deb 28 February 2014 c568W](#)

<sup>34</sup> [Scottish Government/Devolved benefits](#)

<sup>35</sup> [Policy Memorandum](#)

## 5. Winter Fuel Payment rates

The Winter Fuel Payment was £20 (or £50 for those in receipt of means-tested benefits) when first introduced in winter 1997/1998, increased to £100 in 1999/2000 and then to £200 in 2000/2001. An extra £100 for households with someone aged 80 or over was first introduced in 2003/2004.

Additional payments have also been made alongside the “standard” Winter Fuel Payment, sometimes for reasons other than to help with fuel bills.

In winter 2004/2005, households with a person aged 70 or over received an additional “one-off” payment of £100 along with their Winter Fuel Payment, to help with Council Tax bills.

In winter 2005/2006, two additional payments were made along with the Winter Fuel Payment - a £50 payment for “living expenses” for pensioners aged 70 or over and getting the guarantee element of Pension Credit, and a £200 “Council Tax Refund” for households containing someone aged 65 or over but not getting the guarantee element of the Pension Credit.

These additional “one-off” payments were not repeated in 2006/2007 and 2007/2008, but Budget 2008 announced additional one-off payments of £100 for over-80s households and £50 for all other households eligible for the Winter Fuel Payment in winter 2008/2009. Budget 2009 announced that the additional payments would again be made for winter 2009/2010, and the pledge was repeated in the March 2010 Budget for winter 2010/2011.

The Labour Government pledged to keep the “standard” rates of Winter Fuel Payment (£200 per household, or £300 for the over 80s) for the lifetime of the 2005 Parliament.<sup>36</sup>

The table below summarises entitlements in each year to date.

Winter	Rate
1997/1998	£20 (£50 if on certain means-tested benefits)
1998/1999	£20 (£50 if on certain means-tested benefits)
1999/2000	£100
2000/2001	£200
2001/2002	£200
2002/2003	£200
2003/2004	£200 for 60-79, £300 for 80+
2004/2005	£200 for 60-79, £300 for 80+

<sup>36</sup> [Budget 2008](#), HC 388 2007-08, para 4.29

	plus one-off £100 for 70+ households "to help with Council Tax bills"
2005/2006	£200 for 60-79, £300 for 80+  plus either one-off "Council Tax Refund" of £200 for 65+ if not getting Pension Credit guarantee element  or one-off "living expenses" payment of £50 if 70+ and getting Pension Credit guarantee element
2006/2007	£200 for 60-79, £300 for 80+
2007/2008	£200 for 60-79, £300 for 80+
2008/2009	£200 for 60-79, £300 for 80+  plus either one-off payment of £100 for 80+  or one-off payment of £50 for 60-79
2009/2010	£200 for 60-79, £300 for 80+  plus either one-off payment of £100 for 80+  or one-off payment of £50 for 60-79
2010/2011	£200 for 60-79, £300 for 80+  plus either one-off payment of £100 for 80+  or one-off payment of £50 for under 80
2011/2012	£200 for under 80s, £300 for 80+
2012/2013	£200 for under 80s, £300 for 80+
2013/2014	£200 for under 80s, £300 for 80+
2014/2015	£200 for under 80s, £300 for 80+
2015/2016	£200 for under 80s, £300 for 80+
2017/18	£200 for under 80s, £300 for 80+

The undertaking to pay the extra £50/£100 additions in the Labour Government's last Budget did not extend beyond winter 2010/2011.<sup>37</sup> The 2010 Government stated on a number of occasions that "...winter fuel payments will remain exactly as budgeted for by the previous Government"<sup>38</sup> so Winter Fuel Payments reverted to the "standard" rates of £200 or £300 from winter 2011/2012. These rates have applied in each subsequent year.

The 2010 Government was criticised by some for "cutting" the Winter Fuel Payment in 2011/2012, but Ministers pointed out repeatedly that the Labour Government gave no commitment to continue the additional £50/£100 payments beyond Winter 2010/2011 and that Labour's published spending plans for subsequent years assumed that

<sup>37</sup> The regulations which provided for the additions in 2010/2011 were [The Social Fund Winter Fuel Payment \(Temporary Increase\) Regulations 2010, SI 2010/1161](#)

<sup>38</sup> See for example [HC Deb 10 March 2011 c1267w](#)

Winter Fuel Payments would revert to the standard rates. In an Opposition Day debate on pensioners and Winter Fuel Payments initiated by the DUP on 22 November 2011, the then Minister for Pensions, Steve Webb, said:

Initially, the winter fuel payment was only for people on means-tested benefits, or a higher rate went to those eligible for means-tested benefits, but eventually, some years ago, it got up to its full universal rate of £200 and it stayed at that level year after year; it was not indexed. Then we reached two years before a general election when the public finances were looking good and the then Chancellor decided to make a one-off increase to £250 and £400. As I say, when it was announced, it was announced as a one-off. Then we reached the year before the general election and the Government of the day thought that cutting the winter fuel payment would look bad so near to the election, so they announced a further one-off increase to £250 and £400. They stressed again that it was a one-off.

Then we reach the March Budget of 2010, and it became apparent in March that the Government would have to announce the rate for winter 2010. Funnily enough, six weeks before a general election did not seem like the right time to reverse a one-off increase, so a further one-off increase was announced again for the winter of 2010. We know it was a one-off increase because the public spending plans of the previous Government were published into the new Parliament. We thus know that the plans we inherited were to cut the winter fuel payment back to its core level of £200 for the winter we are now going into and for succeeding winters. That was the baseline against which we made our decisions.<sup>39</sup>

Ministers also pointed to the 2010 Government's decision to make the £25 a week rate of Cold Weather Payment permanent (for many years Cold Weather Payments were worth £8.50 a week but the Labour Government increased the rate to £25 a week as a temporary measure for winters 2008/2009 and 2009/2010).<sup>40</sup>

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<sup>39</sup> [HC Deb 22 November 2011 c190](#)

<sup>40</sup> HC Deb 22 November 2011 c191. For further details see Library briefing 06074, [Cold Weather Payments for winter 2011/2012](#).

## 6. Winter Fuel Payment for people resident abroad

The Winter Fuel Payment was not originally payable to people resident abroad. However, following discussions with the European Commission (EC), the Government accepted in 2002 that it came within the Scope of EC regulations on the co-ordination of social security system as was therefore “exportable” within the European Economic Area (EEA). This meant that people who qualified for the Winter Fuel Payment in Britain could continue to receive it if they moved to another EEA country.

In July 2011, the Court of Justice of the European Union (CJEU) made a decision regarding payment of Incapacity Benefit to people living abroad. This had implications for other benefits, including the Winter Fuel Payment.

As a result, in August 2012 the DWP issued new guidance which allows, in certain circumstances, claims for Winter Fuel Payment to be made by people who are already abroad when they reach qualifying age. The guidance states that, to receive a Winter Fuel Payment a person who was already living abroad when they reach the qualifying age will have to demonstrate a “genuine and sufficient link to the UK’s social security system”.<sup>41</sup> The Winter Fuel Payments regulations were amended from 16 September 2013<sup>42</sup>, to reflect the new guidance already being applied.

The DWP provides data on the number of Winter Fuel Payments made and the amounts spent on them, by EEA country and Switzerland:  
[Winter Fuel Payments by EEA country.](#)

### 6.1 Winter Fuel Payment “temperature link” from 2015

From September 2015, the Winter Fuel Payment ceased to be payable to individuals living in countries where the average winter temperature is warmer than the warmest region of the UK (South-West England). The proposed “temperature link” affects people in seven countries: Cyprus, France, Gibraltar, Greece, Malta, Portugal and Spain.

In light of the 2011 CJEU judgment, the 2010 Government said it was looking at ways of limiting Winter Fuel Payments to just those living in colder climates. In July 2012, the then Secretary of state for Work and Pensions, Iain Duncan Smith, issued the following statement:

We will fight these ridiculous EU rules. The Winter Fuel Payment is about helping British pensioners with heating costs and it is ludicrous that we could have to pay more pensioners living in hot countries. We will protect taxpayers money and bring in a

<sup>41</sup> DWP Memo DMG 31/12, Winter Fuel Payments – effect of CJEU judgement

<sup>42</sup> [The Social Fund Winter Fuel Payment \(Amendment\) Regulations 2013; SI 2013/1509](#)



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temperature criteria so payments can only be made to British pensioners living in cold climates.<sup>43</sup>

Spending Round 2013 announced that a temperature test for the Winter Fuel Payment would be introduced from 2015. In his Statement to the House, the Chancellor said:

We will act to ensure that we stop the cost of paying the winter fuel payments made to those who live abroad from rising in a way that no one ever intended. EU law now says that people living in the European economic area can claim winter fuel payments from us, even if they did not get them before they left the UK. Paying out even more money to people from all nationalities who might have worked in this country years ago, but no longer live here is not a fair use of the nation's cash. So from the autumn of 2015, we will link the winter fuel payment to a temperature test; people in hot countries will no longer get it. It is, after all, a payment for winter fuel.<sup>44</sup>

The accompanying Treasury report [Spending Round 2013](#) stated:

1.68 The Spending Round announces that **from 2015-16 Winter Fuel Payments will no longer be payable to individuals who live in countries with an average winter temperature higher than the warmest region of the UK.** Winter fuel payments exist to support pensioners with the cost of heating their homes in the winter. A recent European Court judgement means that more people living in Europe can now claim a Winter Fuel Payment. This has increased the cost of paying Winter Fuel Payments outside of the UK by around £30 million a year. The Government will legislate for this change in this Parliament. This change is expected broadly to offset the cost of the European Court judgement, and a full costing will be confirmed at the Autumn Statement.<sup>45</sup>

DWP analysis published in July 2013 estimated that the temperature rule could result in around 132,000 people no longer being entitled to a Winter Fuel Payment in the first year of implementation (2015-16). This would result in savings of around £30 million a year from 2015-16 onwards.<sup>46</sup>

The Government has released the Met Office report which it commissioned to determine the list of countries where the Winter Fuel Payment would no longer be payable, in response to Freedom of Information requests – see [Winter average temperatures for EEA countries and their regions Produced for: Department of Work and Pensions](#), 12th December 2012.

The regulations giving effect to the temperature rule – [The Social Fund Winter Fuel Payment \(Amendment\) Regulations 2014 \(SI 2014/3270\)](#) – were laid before Parliament in December 2014. The [Explanatory Memorandum](#) says:

7.7 DWP is aware there will be people who live in cold regions of “warm” countries who will not be eligible for a Winter Fuel

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<sup>43</sup> DWP background note for the House of Commons Library, July 2012. Also quoted in “‘Temperature test’ to stop expats claiming £100m winter fuel aid”, *The Express*, 23 August 2012

<sup>44</sup> HC Deb 26 June 2013 c314

<sup>45</sup> Cm 8639. original emphasis

<sup>46</sup> [Payment of Winter Fuel Payments in EEA: impacts of the proposed temperature link](#), DWP ad hoc statistical analysis, 19 July 2013

Payment. However, we would have to implement the scheme on a regional basis throughout the EEA in order to make a Winter Fuel Payment for even some of these people. DWP considered this very carefully but concluded that it would introduce disproportionate complexity and administrative costs. Therefore, the scheme has to be administered on a countrywide basis using the average winter temperature for each EEA country to determine where Winter Fuel Payments will be payable.

The Department did not undertake a formal consultation on the proposed changes, but the *Explanatory Memorandum* states that over the years there had been a “steady stream of correspondence, Parliamentary Questions and media articles” on the subject of Winter Fuel Payments, particularly in relation to payments made to people living in warmer countries. It adds:

8.3 Many customers in receipt of Winter Fuel Payments are in favour of the current eligibility criteria applied by DWP, regarding it as part of the rights associated with paying into the UK National Insurance system; however, eligibility for Winter Fuel Payments is not linked to National Insurance contributions. Other customers have strongly criticised making Winter Fuel Payments to people living in warmer climates.

8.4 The decision on which countries should be included or excluded has been based on the only comprehensive and comparable dataset available. The amendment has little detail that could be influenced by consultation or where views could genuinely be taken into account, beyond what has already been considered. Therefore, DWP does not think there is value in consulting on the policy intention or the way in which it is to be executed.

The regulations implementing the temperature rule were laid before Parliament on 15 December 2014 and came into force on 21 September 2015. The regulations were subject to the “negative procedure.” Negative Statutory Instruments become law on the date stated on them but will be annulled if either House (or the Commons only, in the case of instruments dealing with financial matters) passes a motion calling for their annulment within a certain time. The period is 40 sitting days, including the day on which it was laid. For the Winter Fuel Payment regulations, that period has now passed. Sir Roger Gale tabled an [Early Day Motion \(EDM 695\)](#) on 15 January 2015 calling for the regulations introducing the temperature rule to be annulled. The EDM received only 35 signatures, and regulations were not debated.

## Criticism

The temperature link has resulted in criticism from people living abroad in those affected countries, particularly in France.

The calculation for France’s average temperature included not only mainland France but also its overseas departments, including French Guyana, Guadeloupe, La Reunion, Martinique and Mayotte – where the average temperature is warmer.

The Met Office provided the DWP with two temperatures - the average winter temperature for France including *its overseas departments* is 7.0°C; without them (i.e. just mainland France), it is 4.9°C.

As the mean winter temperature in South West England is 5.6 °C, and Winter Fuel Payments are not payable for countries where the average temperature is warmer than in South West England, the inclusion of the overseas departments in the calculation means that Winter Fuel Payments cease to be payable anywhere in France.

In January 2015, then Pensions Minister, Steve Webb, explained that France's overseas departments were included in the calculation because, they are part of the EEA and as such people moving to them from another Member State are covered by the provisions in EU law on the co-ordination of social security systems (EC Regulation 883/2004):

It is the French Government that defines itself as the mainland and its outermost regions, and as such are included in the EU social security co-ordination regulations, used and applied by all member states.

It is because of this that the French Overseas Departments (*départments d'outre mer* or DOMs) are treated in the same way as mainland France with regard to Winter Fuel Payments, which are currently made to those entitled who live there. Therefore, the hotter French Overseas Departments have to be included in the calculation of the average temperature of France. We are being consistent with our policy approach.<sup>47</sup>

## 7. Early Winter Fuel payments for “off-gas grid” households

Four million (15% of) households in the UK are not connected to the mains gas grid and people in this situation generally have very little choice in their source of heating fuel. Households with oil-fired central heating, and those using solid fuel or liquid petroleum gas (LPG) to heat their homes, are much more likely to be in fuel poverty than “on-grid” households. The higher fuel costs faced by off-grid households are the main reason for this, although there are other factors.

It has been suggested that bringing forward the timing of Winter Fuel Payments for off-grid households might provide some help by enabling them to stock up on fuel at a time of year when prices are likely to be lower than in the middle of winter. A Private Member’s Bill presented by Mike Weir MP – the *Winter Fuel Allowance Payments (Off Gas Grid Claimants) Bill* – was due to be debated on 7 September 2012 but the motion for Second Reading was objected to.<sup>48</sup> The Bill did not proceed further, but Mr Weir secured a Westminster Hall debate on Winter Fuel Allowances on 27 November 2012 in which he set out the case for earlier payments for off-grid households.<sup>49</sup> Mr Weir again made the case for earlier payments in a Westminster Hall adjournment debate off-gas grid households on 16 April 2013.<sup>50</sup>

The Government’s main objections to early payments for off-grid households are that it would not be feasible to identify subgroups within the population of Winter Fuel Payment recipients, and that a more targeted approach focusing on those off-grid households experiencing difficulties would be preferable. In the Westminster Hall debate on 27 November 2012, the then Pensions Minister Steve Webb said:

To get this scheme up and running, we would have to identify which of the 12 million households were eligible for it and we would have to invent a claims process—I assume that the hon. Gentleman [Mr Weir] would suggest that people should be able to make a claim to us—and advertise that. We would then have manually to separate the potentially hundreds of thousands of cases, if not more, and process them differently. We estimate that the running costs to the Department would be several million pounds. It is not a trivial task. Is this the best way to help vulnerable households of the sort that both the hon. Gentleman and I want to help and support?<sup>51</sup>

The Minister later added:

We need to look, for example, at budgeting support. I am a great fan of the credit union movement. We could find out whether we could do more to help low-income customers of the sort that the hon. Gentleman mentions with budgeting through the year. I am worried about our changing significantly a system, which runs

<sup>48</sup> HC Deb 7 September 2012 c565

<sup>49</sup> HC Deb 27 November 2012 cc23-31WH

<sup>50</sup> HC Deb 16 April 2013 cc1-24WH

<sup>51</sup> HC Deb 27 November 2012 cc28-9WH

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pretty smoothly and efficiently for the vast majority of low-income pensioners who really need it, for a sub-group, within which many could manage with the right support.

A better approach would be to ensure, first, that the homes of the people we are talking about are as effectively insulated as possible and, secondly, that where it is a budgeting issue, which it essentially is, we help those with budgeting problems through other routes. Just being off the grid does not make the million or so households that are off-grid poor. I was not poor when I bought my house, but I was off the grid. So I would not need my winter fuel payment, if I were entitled to it, two months early. If we changed the system, we would be doing a lot of administrative messing around and keeping track of properties, with people making claims and signing off the system, and all of that, when this could be much more targeted.

The hon. Gentleman is right to raise the issue. People who heat their homes through off-grid routes are paying more and are more at risk of fuel poverty—that is correct—but we need a more targeted approach, rather than a broad-brush approach. We have to ensure that we do not mess up a system that works relatively efficiently.<sup>52</sup>

In February 2014 Steve Webb said that the Government were investigating with the energy industry and MPs via the All-Party Parliamentary Group on Off-Gas Grid the feasibility of bringing forward the winter fuel payment date.<sup>53</sup> However, this does not appear to have been pursued.

Further background can be found in Library briefing SN06408, [Winter Fuel Payments for “off-gas grid” households](#).

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<sup>52</sup> Ibid c31WH

<sup>53</sup> [HC Deb 13 February 2014 c814W](#)

## 8. Criticisms of the Winter Fuel Payment

In December 2009 the Institute for Public Policy Research published a report, [Opportunities in an Age of Austerity: Smart ways of dealing with the UK's fiscal deficit](#), which included a chapter by Kayte Lawton and Kate Stanley, '[Welfare spending – Time to reassess universal benefits?](#)'. This looked at the case for amending universal benefits for children (including Child Benefit) and older people (including the Winter Fuel Payment), in the light of fiscal constraints. In relation to the Winter Fuel Payment, the authors stated:

Everyone over the age of 60 is entitled to Winter Fuel Payments (WFPs), which are designed to boost the incomes of older people and also form one element of the Government's fuel poverty strategy. Payments range from £125 to £400 a year, depending on age, living arrangements and entitlement to other benefits, but everyone over 60 gets something – even if they are in work or on high incomes. WFPs cost the Government £2.7 billion in 2008/09.

As a fuel poverty measure, WFPs are very poorly targeted with just 12 per cent of recipients thought to be fuel-poor. However, many would argue that WFPs are not in fact a measure to reduce fuel poverty specifically but are merely a way of increasing the incomes of pensioners using a non-means-tested mechanism. The universal entitlement to, and automatic payment of, WFPs means that take-up is very high and they are received by those pensioners on very low incomes who fail to claim their entitlement to Pension Credit.

Although they may benefit some, it is clear that WFPs represent significant and poorly targeted expenditure, and are therefore in need of reform in the current context. The environment, Food and Rural Affairs Select Committee (2009) has recommended taxing WFPs for basic-rate taxpayers and ending entitlement altogether for higher-rate taxpayers. These measures combined would save £250 million a year, about 10 per cent of current spending on WFPs, and should be seen as a first step towards reducing expenditure on this benefit.

Entitlement to the payments should be removed from people aged 60 to 64 as the state pension age for women rises to 65 in 2020. More broadly, a major, well-targeted programme of domestic energy efficiency improvements would be a more sustainable way of reducing fuel poverty (and tackling climate change) and may mean that the level and entitlement to WFP could be revisited in future.<sup>54</sup>

In a further report on *Fuel Poverty* in March 2010, the House of Commons Energy and Climate Change Committee concluded that, as a means of tackling fuel poverty, the Winter Fuel Payment was unfocused and poorly-targeted:

31. The most egregious example of a measure classified by the Government as being designed to combat fuel poverty, but which is not targeted on the fuel poor, is the Winter Fuel Payment (WFP). The WFP is a tax-free lump sum paid at the rate of £250 for households with people aged 60-79 and £400 for households

with pensioners aged 80 or over. It does not take income into account. Over £2.7 billion was paid out in 2008/09. [50]

32. Some of our witnesses, while recognising the value of the WFP as an income supplement for older people, noted that it was not targeted on the fuel poor. Energy Action Scotland said it was "very worthwhile" as a way of raising people's incomes generally, but not as a way of solving the problem of fuel poverty; [51] Consumer Focus told us that "the point about Winter Fuel Payments is that word "fuel" in the middle. If we did not have that word "fuel" in the middle, we would see this as it was. It is an income support... The reason for making it universal was very much to get those pensioners who did not claim, for stigma and other reasons, the benefits they are entitled to. ... We should take that word "fuel" out of the middle and stop putting the charges of this against government fuel poverty programmes because it is supposed to be an income support". [52]

33. Derek Lickorish, Chair of the Fuel Poverty Advisory Group (although he stressed that the comments he made regarding WFP were his personal views, and not those of the Group), told us that

we live in desperate times and we have a very uncertain future about the price of energy ...We are going to have to tackle this very difficult issue. ... [WFP] is a pension supplement and it is a misnomer for it to have anything to do with fuel but, nevertheless, I cannot see why high rate taxpayers get it. I would stop giving it to high rate taxpayers and then I would look very seriously at whether it should not be taxed full stop because if we believe the tax system is fair, whatever that may mean, then we should be taxing this. The recovery for high rate taxpayers, I am told it would save somewhere between £160 million and £200 million, and that ... is a significant sum of money....I do accept for an awful lot of people it is an essential payment, there is no doubt about that, but then there are a lot of others for whom it is not. [53]

**34. As a means of tackling fuel poverty, the case for Winter Fuel Payments is weak. Its payment is unfocused and not targeted on people in or near fuel poverty. However, as a universal means of supplementing pensioner incomes, which is easily understood and easy to pay, the political case for the retention of Winter Fuel Payments is strong. However, it would be more intellectually honest to rename the benefit; concede that it a general income supplement; and stop accounting for it as a fuel poverty measure.**

35. If the Winter Fuel Payment is to be retained and classified as a fuel poverty measure, it makes sense to pay it at a time when it can do most to help people who are fuel poor...<sup>55</sup>

The Labour Government did not respond before the 2010 General Election, but in its response published on 25 October 2010 the new Government stated, in relation to the Committee's recommendation in paragraph 34 of its report:

We accept that the Winter Fuel Payment is not solely a fuel poverty measure - it also provides reassurance to older people that they can afford to keep warm in the winter months when heating bills are higher. Each winter the Winter Fuel Payment helps over 12.3 million older people in around 9 million households with fuel

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<sup>55</sup> HC 424-I 2009-10, 24 March 2010; original emphasis

bills, at a cost of around £2.7 billion. We therefore think that "Winter Fuel Payment" is an appropriate name for this benefit and there are no plans to change it.<sup>56</sup>

Information and statistics of "fuel poverty" can be found in Library briefing [SN05115](#).

A Lords written answer from February 2011 gave estimates of the impact of the Winter Fuel Payment on fuel poverty:

### **Energy: Fuel Poverty**

#### **Question**

Asked by Lord Laird

To ask Her Majesty's Government, further to the Written Answer by Lord Marland on 3 February (*WA 282-3*), how the definition of fuel poverty used in the United Kingdom Fuel Poverty Strategy was derived; what is the annual amount in a modelled fuel bill; and why the winter fuel payment is added to general income as opposed to being deducted from the modelled fuel bill when calculating the fuel poverty ration for households in fuel poverty. [HL6938]

**The Parliamentary Under-Secretary of State, Department of Energy and Climate Change (Lord Marland):** The definition of fuel poverty set out in the Fuel Poverty Strategy was the most widely accepted definition of a fuel-poor household. The definition was consulted upon prior to the strategy being published and was broadly the same as the definition that already existed in academia.

The modelled fuel bill is the sum of annual modelled bills for space heating, water heating, lights and appliance usage and cooking costs for each household. The requirement for each of these is modelled based on the dwelling, the efficiency and structure of the dwelling, the people who live there, their personal circumstances and requirements and the fuels used. Information on householders and dwellings used to calculate these modelled bills comes from the English Housing Survey. The fuel poverty methodology handbook can be found at [www.decc.gov.uk/Media/viewfile.ashx?FilePath=Statistics/fueipove%20614-fuel-poverty-methodology-handbook.pdf&filetype=4&minwidth=true](http://www.decc.gov.uk/Media/viewfile.ashx?FilePath=Statistics/fueipove%20614-fuel-poverty-methodology-handbook.pdf&filetype=4&minwidth=true)

Consistent with other statistics, Winter Fuel Payments are classified as an addition to recipients' incomes. They make an important contribution to tackling fuel poverty and were responsible for taking around 100,000 households out of fuel poverty in England in 2008 (and up to 200,000 in the UK as a whole).

Whilst it remains appropriate to consider Winter Fuel Payments in this way for statistical purposes, to gain a full picture of the impact of Winter Fuel Payments on the situation of fuel-poor households it is also useful to consider what effect they would have if used to meet energy bills directly. Taking this approach, around 850,000 fewer households in England (and around 1.25 million fewer households in the UK as a whole) are shown to need

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<sup>56</sup> *Fuel Poverty: Government Response to the Committee's Fifth Report of Session 2009-10*, HC 541 2010-12, 25 October 2010



to spend more than 10 per cent of their income in order to meet the remaining costs of heating their home adequately.<sup>57</sup>

The Winter Fuel Payment is paid as a cash lump sum and recipients are not obliged to spend it on fuel bills. As noted above, the Energy and Climate Change Committee argued that it would be “more intellectually honest” to rename the benefit and to concede that it was merely a general income supplement. However, research from the Institute for Fiscal Studies, funded by the Nuffield Foundation, suggested that households receiving the winter fuel payment were almost 14 times as likely to spend the money on fuel than would have been the case had their incomes been increased in other ways. An IFS press release on 8 June 2011 stated:

Households receiving the Winter Fuel Payment spend 41% of it on fuel even though there is no obligation to do so. When the same households receive additional income which is not labelled in any way, they spend just 3% of it on fuel. To put it another way, simply increase the income of a pensioner household by £100 and they will increase their spending on fuel by £3. Label that increase a “Winter Fuel Payment” and £41 will go on fuel.

Contrary to the predictions of standard economic theory this suggests the name of a benefit has a significant influence how it is spent.

This link between the name of a benefit and how it is spent suggests that government is able to “nudge” people into particular spending decisions through the way it labels. Of course, if the aim of a particular transfer is not to increase spending on any particular good or service but rather to carry out straightforward redistribution then a label might actually have unintended consequences – and care should be taken in naming benefits.

Laura Blow, Senior Research Economist at IFS, said “The winter fuel payment was introduced to encourage older households to spend more on heating in the winter. Remarkably it appears to have had just that effect. The fact that it is labelled a winter fuel payment appears to mean that much more of it is spent on fuel than would have been the case had no such label been attached. This suggests that simply calling a benefit by a particular name can have a real effect on how it is spent. The potential implications for government policy are significant”<sup>58</sup>

However, other IFS research funded by the Nuffield Foundation found that, despite policies aimed at tackling fuel poverty, evidence remains that in periods of very cold weather the poorest pensioners cut back on spending on food to finance the additional cost of heating their homes. The IFS press release stated:

Some households containing people over the age of 60 reduce food expenditures during unseasonably cold weather. They appear to face a “heat or eat trade-off”, cutting back on food spending to finance the additional cost of keeping warm during cold shocks.

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<sup>57</sup> [HL Deb 28 February 2011 cc220-221WA](#)

<sup>58</sup> IFS press release, ‘[Labelling matters: Households spend 40% of Winter Fuel Payment on fuel. But poor pensioners still cut back on food in cold weather](#)’, 8 June 2011

The research finds that the poorest 25% of older households increase fuel spending in response to colder weather and that the increase is of similar proportion to the response of other older households; on average by around 7%. But it appears that poorer households also reduce food expenditures to finance these unexpected extra heating costs. Food expenditures are reduced by a little over 7% in this group. On average over all periods this group of households has a weekly spending of around £111, 25% of which goes on food and 11% on fuel.

The reduction in food expenditure is evident only among the poorest quarter of older households and only when the temperature is substantially lower (more than 2 degrees Celsius) than would be expected for that time of year. Cold weather shocks of this magnitude occur about one in every forty winter months. This suggests that policies specifically targeted at helping families during cold weather shocks, such as the Cold Weather Payment, in conjunction with the annual Winter Fuel Payment, do not fully protect all older households from the impact of very cold weather.<sup>59</sup>

Both research reports are available at the IFS website.<sup>60</sup>

In a previous comment piece in October 2010, the authors of the second IFS report argued that there should be greater clarity about the purpose of the Winter Fuel Payment. They suggested that-

...it might be sensible to scrap the WFP and replace it with a payment that provides targeted support to those most likely to need help with their fuel bills. Such a payment could be either more closely linked to household income - such as a compensating rise in the means-tested pension credit, or more closely linked to extreme cold weather, or more closely linked to both.<sup>61</sup>

One way of linking support more closely to income and the weather, it was suggested, would be to increase the generosity of the existing Cold Weather Payments scheme. The authors added:

If the Spending Review does not announce the demise of the WFP, then it would be helpful to hear what the Government thinks is the purpose of the payment. If the aim of the payment is to encourage older individuals (regardless of their income) to increase their fuel consumption, then it seems to be a reasonably successful (albeit expensive) policy. If, though, the aim is to reduce hardship among those most likely to struggle with paying their winter fuel bills, then the policy is poorly targeted and a great deal more expensive than necessary.<sup>62</sup>

However, in the 2010 Spending Review the Chancellor reaffirmed the Government's support for universal benefits for pensioners, including the Winter Fuel Payment.

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<sup>59</sup> Ibid.

<sup>60</sup> [Cash by any other name? Evidence on Labelling from the UK Winter Fuel Payment](#) by Laura Blow, Thomas Crossley and Cormac O'Dea of the IFS with Timothy Beatty of the University of Minnesota; and [Is there a heat or eat trade-off in the UK](#), by Laura Blow and Thomas Crossley of the IFS with Timothy Beatty of the University of Minnesota

<sup>61</sup> Thomas S Crossley and Cormac O'Dea, [How to keep warm in winter: winter fuel payments or cold weather payments?](#), IFS Observations, October 2010

<sup>62</sup> Ibid.

A further report from the Social Market Foundation in February 2012 called for Winter Fuel Payments (together with free TV licenses for pensioners) to be restricted to those in receipt of means-tested Pension Credit:

While protecting the elderly from the cost of rising energy prices is admirable in principle, it is no longer defensible for the money to go to well-off pensioners for two reasons: first that these recipients are likely to save rather than spend the value of the windfall, and second, on the grounds of fairness. The lifecycle savings hypothesis suggests that in retirement people should stop saving and start spending any accumulated wealth towards the end of their lives. On this basis, it would seem like give-aways to pensioners would have a high multiplier effect, with most of the cash getting into the economy. Unfortunately, the evidence suggests otherwise. High-income pensioners, in particular, are substantially more likely to save income than are poorer pensioners.

Better-off pensioners are by far the wealthiest age group in society, which raises questions about why less well-off working age people are being taxed to pay for their Winter Fuel Payments. Nor is it clear why older, wealthier pensioners should receive more money than poorer, younger ones.

For these reasons, eligibility for Winter Fuel Payments and free TV licenses should be restricted to pensioners on the Pension Credit. With 3.35 million individuals and couples receiving pension credit in 2010, this change would safeguard the poorest and most vulnerable pensioners, saving around £1.7bn per year.<sup>63</sup>

An IFS report commissioned by the Nuffield Foundation and published in June 2012 also suggested restricting the Winter Fuel Payment (and free TV licences) to those on Pension Credit, as one way of paying for the Dilnot Commission's proposals for the funding of care and support (although other options were also suggested).<sup>64</sup> Looking at existing support for pensioner households in the tax and benefit system, the authors argue that "there seems little justification for Winter Fuel Payment and free TV licences existing as separate benefits: the same support could easily be provided through the State Pension and Pension Credit systems", and with an almost identical distributional effect.<sup>65</sup> The report states:

One way of raising revenue to pay for the Dilnot Commission proposals on social care by taking money from richer pensioners would be to means-test these benefits. Restricting Winter Fuel Payment and free TV licences to those on Pension Credit would save around £1.4 billion a year. Another option would be to tax these payments: again, only higher-income pensioners would lose out from this, as many pensioners' incomes are less than the income tax threshold. This would raise much less, at only around £250 million per year – those pensioners who do pay tax would only lose 20% of the value of these payments if they were basic-

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<sup>63</sup> Ian Mulheim, [Osborne's Choice: Combining fiscal credibility and growth](#), SMF, February 2012. pp28-29; see also 'Is it time to cut fuel allowance?', *The Times*, 2 March 2012

<sup>64</sup> Stuart Adam, James Browne and Paul Johnson, [Pensioners and the tax and benefit system](#), IFS Briefing Note BN130, June 2012

<sup>65</sup> *Ibid.* p35

rate taxpayers (though the small number of pensioners who are higher- and additional-rate taxpayers would lose more).<sup>66</sup>

However, the authors also acknowledged the problem of incomplete take-up of Pension Credit, and the fact that additional means-testing would weaken the incentive for individuals to save for retirement (although this would be offset at least in part by the strengthening of incentives to save as a result of the Dilnot proposals for funding social care).

In its report on *Energy Prices, Profits and Poverty* published on 29 July 2013, the House of Commons Energy and Climate Change Committee again criticised the Winter Fuel Payment as being poorly a targeted measure for tackling fuel poverty, adding:

114. We conclude that energy efficiency programmes should be the focus of Government's fuel poverty policy in order to tackle the long-term root causes of the problem cost-effectively. It is disappointing that so much of current Government fuel poverty policy centres on short-term help with bills when improving the thermal efficiency of UK housing stock should be the priority. We welcome the recent announcement in the Spending Review that the Winter Fuel Payment will no longer be paid to those living in warmer European climates. We recommend that Government considers better targeting of the Winter Fuel Payment through means-testing, considering how savings made could be used to boost investment in energy efficiency programmes. We also recommend that Government reviews the allocation of funds for fuel poverty policies, prioritising energy efficiency initiatives over provision of financial assistance.<sup>67</sup>

In a 2016 report on Intergenerational Fairness, the Work and Pensions Committee said:

**80. The Winter Fuel Payment is a universal benefit that is not focused on those who need it most. It is a blunt instrument for alleviating fuel poverty among the least well-off pensioner households and gives a cash payment to many households who do not need it. As its value is fixed in cash terms its real value is set to dwindle gradually over time.**<sup>68</sup>

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<sup>66</sup> Ibid. p23

<sup>67</sup> [HC 108 2013-14](#), original emphasis

<sup>68</sup> Work and Pensions Committee, [Intergenerational Fairness](#), November 2016

## 9. Options for reform

A number of different options for reforming the Winter Fuel Payment have been suggested, including means-testing the payment, introducing some mechanism for withdrawing it from higher income pensioners, and making it taxable. These are discussed below.

### 9.1 Means-testing

To focus help on older households in greatest need, the Winter Fuel Payment could be means-tested (i.e. entitlement could be subject to an assessment of a household's income and capital). Introducing a separate means-test would introduce complication and significantly increase administrative costs (the Winter Fuel Payment, based on simple age criteria, is relatively straightforward and cheap to administer).

As an alternative, the Winter Fuel Payment could be paid only to those in receipt of Pension Credit, the main benefit means-tested benefit for pensioners. This option has been suggested by, among others, the Social Market Foundation and the Institute for Fiscal Studies (see above).

A written answer in December 2011 gave an indication of the likely savings if Winter Fuel Payments were made only to those on Pension Credit:

**Ben Gummer:** To ask the Secretary of State for Work and Pensions whether he has made an estimate of the cost of means-testing winter fuel allowance payments. [85240]

**Steve Webb:** Means-testing winter fuel payments would significantly increase administrative costs, but it is likely that these would be more than offset by decreased benefit expenditure. For example, if the payments were to be made only to those in receipt of pension credit the benefit expenditure would be £600 million in 2012-13. With current entitlement conditions benefit expenditure on winter fuel payments is forecast to be £2,100 million in 2012-13.

Note: All figures rounded to the nearest £100 million.<sup>69</sup>

However, as the IFS noted, limiting the Winter Fuel Payment to households in receipt of Pension Credit would mean that significant numbers would lose out, because of incomplete take-up of Pension Credit.

In 2009-10, around a third of households eligible for Pension Credit did not claim it. Take-up in 2009-10 was between 62 per cent and 68 per cent by caseload and between 73 per cent and 80 per cent by expenditure. While there were 2.62 million pensioners claiming £7.64 billion of Pension Credit in 2009-10, between 1.21 million and 1.58 million pensioners were estimated to be entitled to but not claiming the benefit. The total amount of Pension Credit unclaimed was between £1.94 billion and £2.80 billion.<sup>70</sup>

<sup>69</sup> [HC Deb 13 December 2011 c704w](#)

<sup>70</sup> DWP, [Income Related Benefits: Estimates of Take-Up: 2009-10](#)

A briefing by Age UK, [Older People's Universal Benefits – Questions and Answers](#),<sup>71</sup> sets out the case against means-testing universal benefits such as the Winter Fuel Payment:

**Why not means-test the winter fuel payment so it only goes to those who really need it?**

Means-tested benefits are complicated and often fail to reach many who need them. For example around of third of older people who are entitled to pension credit are missing out [Income Related Benefits: Estimates of Take-up in 2009-10 DWP, 2012]. Universal benefits are the most effective way of ensuring that vital support reaches all who need it, including the very poorest who are not receiving the means-tested benefits they are entitled to.

Any increase in means-testing risks penalising those vulnerable people who may slip through the net or who are too proud to claim. Over the years this universal benefit has become an essential weapon in the battle to stay warm during winter and is an important income boost for many older people with low state pensions

And means-tested benefits are expensive to administer. In 2010-11 each new Pension Credit claim cost £351 and existing claims £47 compared to £91 for a new state pension claim and £14 for existing claims [Means testing National Audit Office, 2011].

## 9.2 Make the Winter Fuel Payment taxable

A PQ in January 2015 stated that the Government's latest estimates show that treating Winter Fuel Payments as taxable income would bring in around £250 million a year of additional revenue.<sup>72</sup> This estimate is based on DWP modelling using HMRC taxpayer data from November 2012 and Winter Fuel Payment caseload data from winter 2013.

A lords written answer on 11 March 2013 stated that in 2012-13 the estimated saving to the Exchequer if Winter Fuel Payments were subject to income tax at all rates was £235 million.<sup>73</sup> Around 550,000 people in the 40% tax bracket were eligible for a Winter Fuel Payment in 2012-13. In 2013-14, it was expected that around 600,000 Winter Fuel Payment recipients will be higher rate taxpayers.<sup>74</sup>

## 9.3 Withdraw from higher income pensioners

It has been suggested that the Winter Fuel Payment should be withdrawn from higher income pensioners, but it is not always clear what income threshold proponents have in mind. The Winter Fuel Payment could be withdrawn from those paying higher rate income tax, but relatively few Winter Fuel Payment recipients (around 600,000) are higher (or additional) rate taxpayers. In 2011-12, only around 5% of Winter Fuel Payment recipients aged under 80, and 2% of those aged 80 and over, were higher or additional rate taxpayers.<sup>75</sup> It is estimated

<sup>71</sup> September 2012

<sup>72</sup> [PO HL4133 \[on Winter Fuel Payments\], 26 January 2015](#)

<sup>73</sup> [HL Deb 11 March 2013 c42WA](#)

<sup>74</sup> Ibid.

<sup>75</sup> [HC Deb 29 February 2012 c397w](#)

that withdrawing the Winter Fuel Payment from higher or additional rate taxpayers could yield savings of around £105 million a year.<sup>76</sup>

Some have suggested that the Winter Fuel Payment should be withdrawn from millionaire pensioners. Exactly how much this would save depends on how one defines “millionaire.” Typically this means owning assets worth at least £1 million, although one might also define a millionaire as someone with an annual income in excess of £1 million. Many more people will own assets of over £1 million than have an annual income in excess of £1 million.

In terms of annual income, HM Revenue and Customs estimated that in the UK there were 13,000 with incomes of over £1 million in 2012-13. These figures are based on income subject to income tax for taxpayers. There does not appear to be a breakdown by age however.<sup>77</sup>

In terms of wealth, the ONS’s Wealth and Assets Survey estimated that 2.3 million households (or 9.3% of the total) in Great Britain had total wealth of over £1 million in the period 2008-10. Total wealth is measured on a household basis and includes assets in property, investments, physical items and private pensions. Breakdowns showing the characteristics of individuals living in households with wealth of £1 million or more are provided in the [ONS report](#) and include age, sex, educational levels and socio-economic groups. These show that in 2008-10, 10.0% of people aged 65 or over were living in households with total wealth in excess of £1 million in 2008-10. A slightly higher proportion of those describing themselves as “retired” – 13.2% – lived in households with total wealth in excess of £1 million. Neither group corresponds exactly to the population in receipt of Winter Fuel Payments however – people under 65 can qualify for the Winter Fuel Payment, while some people who have retired will not yet have reached the Winter Fuel Payment qualifying age.

Not all those with total wealth on this definition in excess of £1 million may be considered “millionaires”, however. For some older people, for example, a considerable proportion of their total wealth may be tied up in the value of the property they live in. HMRC estimates of the liquid wealth (ie wealth held in cash, bank accounts, building societies and securities) held by individuals in the UK in 2008-2010 suggest that, of those aged 65 or, fewer than 1% had liquid wealth in excess of £1 million.<sup>78</sup> However, the identified wealth population in this analysis covered less than half of the actual population in this age group. In addition, HMRC emphasises that the statistics are still experimental.

Whatever the income/wealth threshold chosen, there is the question of how would identify those affected each year. In addition, one would have to decide whether income/wealth should be measured on an individual or household basis. Looking at income/wealth in an individual basis could result in, for example, partners of millionaires who have no income themselves receiving a Winter Fuel Payment. Basing entitlement

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<sup>76</sup> [HC Deb 21 May 2013 c675w](#)

<sup>77</sup> HMRC Personal Income Statistics, [table 2.5](#)

<sup>78</sup> HMRC UK Personal Wealth Statistics 2008 to 2010, [table 13.4](#)

on household income might be seen as fairer, but could involve introducing a complicated and expensive means-test, reducing the savings from the measure.

Withdrawal at a certain threshold would also create a “cliff-edge” problem. This could be tackled by introducing some sort of “taper”, as has been done for the Child Benefit High Income Charge, but this could be complicated and expensive to administer.



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