



advice and support for older age

**Independent
Age**

Independent Age and Institute for Public Policy Research

Analysis of Winter Fuel Payment Reforms

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About Independent Age

Whatever happens as we get older, we all want to remain independent and live life on our own terms. That's why, as well as offering regular friendly contact and a strong campaigning voice, Independent Age can provide you and your family with clear, free and impartial advice on the issues that matter: care and support, money and benefits, health and mobility. A charity founded over 150 years ago, we're independent so you can be.

Website

For more information, visit our website www.independentage.org

Helpline

We give free, confidential advice over the telephone for older people, their families and carers on issues such as getting help at home, adaptations, care assessments, paying for care, staying in touch with other people and welfare benefits.

Call our team of experts on 0800 319 6789, Monday to Friday, 8am-8pm, and Saturday to Sunday, 9am-5pm, or email your query to advice@independentage.org

Registered charity number 21072



About Institute for Public Policy Research

IPPR aims to influence policy in the present and reinvent progressive politics in the future, and is dedicated to the better country that Britain can be through progressive policy and politics. With nearly 60 staff across four offices throughout the UK, IPPR is Britain's only national think tank with a truly national presence.

Our independent research is wide ranging, it covers the economy, work, skills, transport, democracy, the environment, education, energy, migration and healthcare among many other areas.

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Analysis of Winter Fuel Payment reforms

Introduction

The Conservative Party manifesto committed to means testing Winter Fuel Payment, with the aim of “focusing assistance on the least well-off pensioners, who are most-at-risk of fuel poverty”. The funds raised as a result of means testing Winter Fuel Payment are intended to be transferred directly to boost spending on health and social care. The Conservative manifesto does not set out how the payment would be means-tested.

Following the results of the General Election, this policy briefing comes at a time where the future of Winter Fuel Payment is under serious scrutiny. The Democratic Unionist party (DUP), which the Conservative party is seeking to work closely with in government committed to keeping Winter Fuel Payments in their election manifesto.

This analysis considers some of the policy impacts of means-testing; both in terms of the overall consequences for the Exchequer, but also for pensioner households, identifying how different income groups are affected. We consider a number of options for means testing Winter Fuel Payments (WFPs) that could be considered as part of the government’s future policy programme:

- Withdrawing WFPs from older people who do not receive Pension Credit
- Withdrawing WFPs from higher rate and additional rate taxpayers
- Taxing Winter Fuel Payments for all older people who pay tax
- Restricting WFPs to those aged 75 and over

The modelling applies across UK households.

Key findings

1. Withdrawing WFPs from older people who do not receive Pension Credit

- Older people in the top household income decile will lose on average 0.9% of their income which represents £160 of their annual income.
- Older people in the bottom household income decile will lose on average 7.2% of their income, representing £190 of their annual income.

2. Withdrawing WFPs from higher and additional rate taxpayers

- Older people in the top household income decile will lose on average 0.2% of their income which represents £90 of their annual income.

- Older people in the bottom household income decile will lose none of their income.

3. Taxing Winter Fuel Payments for all older people who pay tax

- Older people in the top household income decile will lose 0.1% of their income or £50 per year.
- Older people in the bottom household income decile will lose 0.1% of their income or £10 per year.

4. Restricting WFPs to those aged 75 and over

- Older people in the top household income decile will lose 0.7% of their income or £110 per year.
- Older people in the bottom household income decile will lose 5.1% of their income or £100 per year.

5. Overall fiscal impacts

- Withdrawing WFPs from older people who do not receive Pension Credit results in an overall saving of £1.7bn
- Withdrawing WFPs from higher rate and additional rate taxpayers results in an overall saving of £100m
- Taxing Winter Fuel Payments for all older people who pay tax results in an overall saving of £350m
- Restricting WFPs to those aged 75 and over results in an overall saving of £1.05bn

Conclusions

The options which raise the most money are restricting WFPs to those on Pension Credit (saving of £1.7bn) and restricting WFPs to the over-75s (saving of £1.05bn). However, these are also the most regressive options for raising funding for health and social care, with means testing via the Pension Credit system emerging as the most regressive option of all. For example, while older people in the top household income decile stand to lose on average 0.9% of their income, or £160 a year, those in the bottom income decile will lose 7.2% of their income, or £190 a year.

The cash loss for pensioners in the lowest income households is higher than for other groups (£190 per year), because pensioners in this group are more likely to be over 80 - and therefore receive the higher winter fuel payment, but may not be claiming pension credit. It is therefore clear that if the government were to press ahead with targeting WFPs, this option for means testing Winter Fuel Payments – via the Pension Credit system – would see the Conservatives

achieving the opposite of its intentions. They would be disproportionately achieving savings by removing Winter Fuel Payments from the least well-off households – those most at risk of fuel poverty.

Technical notes

- To calculate the fiscal and distributional impacts of the different policy proposals, we used the Family Resources Survey and DWP Caseload statistics for 2015/16.
- Household income deciles are equivalised household income deciles after housing costs.
- Fiscal savings are rounded to the nearest £50 million.
- Annual cash losses are rounded to the nearest £10.