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**BRIEFING PAPER**

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# Pensioner benefits

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# Summary

The term 'pensioner benefits' is used in this note to refer to those benefits that are available to people of or near State Pension age in addition to the State Pension. They include, for example, disability and carers' benefits and benefits for people who have reached a specific age such as free prescriptions, the Winter Fuel Payment, free TV licences and concessionary bus travel. Means-tested benefits include Pension Credit, Housing Benefit and Council Tax Support and certain passported benefits.

Some have argued that the Winter Fuel Payment and other 'universal benefits' can no longer be justified, in light of the deficit and benefit cuts facing non-retired households. In its April 2016 report on Intergenerational Fairness, for example, the Work and Pensions Committee said that such measures led to "ill-targeted support, further complicate the benefits system and are far harder to put right than to introduce in the first place. Given welcome improvements in pensioner incomes in recent years, there was "no case for future governments to contemplate any increase in the value or range of universal pensioner benefits" and that they should "not be off-limits" when spending priorities are set in future Parliaments. (Work and Pensions Committee, HC 59, April 2016, chapter 4, para 86 and 87).

The election manifestos for the 2019 election, contained a range of commitments to protect pensioner benefits and/or the policy to uprate the basic and new state pensions according to the triple lock (the highest of earnings, prices or 2.5%).

This note provides an overview of the main "pensioner benefits" and the debate on how and whether they should be reformed. It also covers developments in Scotland, where responsibility for certain benefits received by pensioners has now been devolved to the Scottish Government and Parliament following the *Scotland Act 2016*.

# 1. Background

## 1.1 The State Pension

The State Pension has just been reformed, with a new State Pension introduced on 6 April 2016.

People who have already reached State Pension age (SPA) on 6 April 2016, will continue to get a State Pension under the old rules.[1] The old State Pension had two tiers:

- The basic State Pension, which is a flat-rate State Pension to which people build entitlement on the basis of their National Insurance record. The full amount is £129.20 pw in 2019/20.[2]
- The additional State Pension, which is partly earnings-related. People accrued entitlement through the State Earnings Related Pension Scheme (SERPS) between 1978 and 2002, and the State Second Pension (S2P), which replaced SERPS from April 2002.[3] SERPS and S2P derived from contributions on earnings between lower and upper earnings limits. Entitlement could continue to build up throughout working life.[4]

The new State Pension was introduced from 6 April 2016 for people reaching State Pension age from that date. Thirty-five qualifying years are required for the full amount (£168.60 in 2019/20).[5]

**For more information, see**

Library Briefing Paper CBP 6546 State Pension age review (Aug 2017)

The earliest age at which the State Pension can be drawn (the State Pension age or SPA) is increasing. From the 1940s until April 2010, the State Pension age (SPA) was 60 for women and 65 for men. Legislation to increase the SPA was introduced in three stages:

- The *Pensions Act 1995* included provision to increase the SPA for women from 60 to 65 in stages between April 2010 and 2020, to bring it into line with that for men.
- The *Pensions Act 2007* made provision to increase the SPA from 66 to 68 in stages over the period 2024 to 2046.
- The timetable set in these Acts has now been changed. The *Pensions Act 2011* brought forward the increase in women's SPA to 65 to November 2018, at which point the SPA will start to rise to 66, which it will reach in October 2020. Provision to bring forward the increase in the SPA to 67 between 2026 and 2028 was made in the *Pensions Act 2014* (s26).

The Coalition Government legislated for periodic reviews of the State Pension age in future.[6] The first review, led by John Cridland, published its final report in March 2017. In response, the Government said it

1 *Pensions Act 2014*, s1; DWP, Benefit and pension rates 2019-20, April 2019
2 Rising to £134.20 in 2020/21 – see HCWS74, 2019/20; DEP 2019-1077
3 Between 1961 and 1978, earnings related provision was provided through Graduated Retirement Benefit
4 See Library Briefing Paper SN-255 State Second Pension (January 2013)
5 *Pensions Act 2014* s2; Rising to £175.20 in 2020/21HCWS74, 2019/20; DEP 2019-1077
6 Ibid, s27

would "accept the key recommendation of the Cridland review and increase the state pension age from 67 to 68 over two years from 2037." It would carry out a further review before legislating for this, "to enable consideration of the latest life expectancy projections and to allow us to evaluate the effects of rises in state pension age already under way."[7]

## 1.2 Pensioner benefits

The term 'pensioner benefits' is used in this note to refer to those benefits, in addition to the State Pension, that are available to people of or near State Pension age. They include:

- The non-means-tested benefits such as disability and carers benefits, available to people who meet certain criteria. In addition, there are benefits that are payable to people who have reached a specified age – such as free prescriptions, the Winter Fuel Payment, free TV licences for people age 75 and over, and concessionary bus travel;
- Means-tested benefits, such as Pension Credit, Housing Benefit and Council Tax Support. People on Pension Credit can be "passported" to benefits including the Cold Weather Payments, Funeral Expenses Payments, certain health benefits (such as free dental treatment) and grants and loans from the discretionary social fund.

Under the *Scotland Act 2016*, responsibility for disability and carers' benefits, benefits providing help with heating costs, and benefits for funeral expenses, was devolved to the Scottish Government and Parliament. New benefits are being introduced in Scotland to replace reserved benefits in these areas. Further details are in sections 3-5 below.

**For more information…**

on pensions, benefits and other payments available to people over state pension age, see the benefits section of the Gov.UK website and in the "money matters" factsheets produced by Age UK.

7 HC Deb 19 July 2017 c865-6; DWP, State Pension age review, July 2017, p10

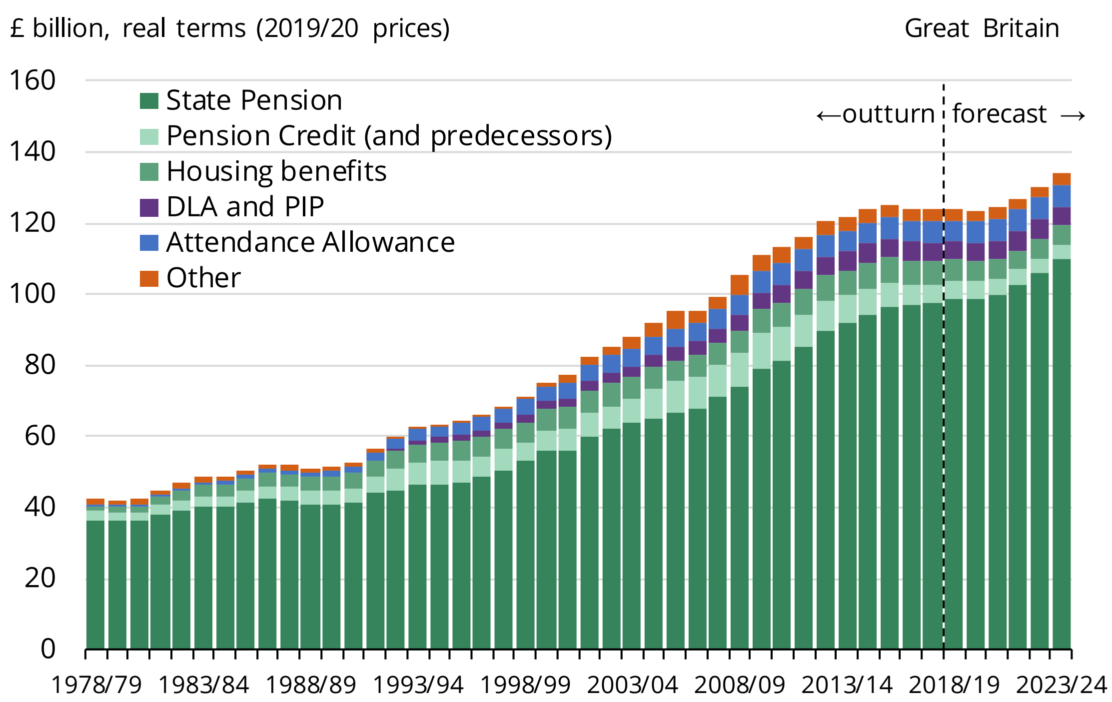
# 2. Costs and numbers

## 2.1 Expenditure

In 2019/20 an estimated £124 billion of DWP benefit spending is directed at pensioners – around 56% of all welfare spending in Great Britain (comprising DWP and HMRC expenditure on social security benefits and tax credits).

Within the £124 billion total directed at pensioners, the **State Pension** accounts for £99 billion (80%).

**Chart: DWP social security expenditure directed at pensioners**




**Note** Chart shows expenditure consistent with current DWP coverage. Includes DWP expenditure paid to overseas residents. (State Pension and certain pensioner benefits). Excludes Government financing of the free TV licence concession for poeple 75 and over, which ran from 2000 to 2020.

**Source** DWP Benefit expenditure and caseload tables 2019, table 2b

Other important strands of pensioner benefit spend in 2019/20 are:

- Disability benefits (Attendance Allowance, DLA and PIP): £11.1 billion (9.0% of pensioner benefit expenditure)
- Housing benefits: £5.6 billion (4.6%)
- Pension Credit: £5.0 billion (4.0%)
- Winter Fuel Payment: £2.0 billion (1.6%).[8]

Two other key pensioner entitlements which were previously part of DWP expenditure have left the Department's remit:

- The **free TV Licence for people aged 75 and over** was first introduced in 2001 and at its peak cost the Department

[8] DWP Benefit Expenditure and Caseload Tables 2019, table 2b

£655 million in cash terms in 2017/18. Following negotiations with the BBC, the Government announced at Summer Budget 2015 that DWP funding for the concession would be phased out.[9] This happened over the course of 2018/19 and 2019/20. From 2020/21 full responsibility for the design and financing of the 75-and-over concession passes to the BBC, who have decided to restrict it to recipients of Pension Credit from June 2020.[10] See the section on TV Licences for more information.

- Until 2012/13, the DWP paid **Council Tax Benefit** to support low-income households in Great Britain with their Council Tax bills. From 2013/14 onwards, responsibility for this benefit was transferred ('localised') to English local authorities and to the Scottish and Welsh Governments.[11] In 2018/19, English local authorities paid over £1.5 billon in localised Council Tax Support to pensioner households.[12] See the section on Council Tax support for more information.

Pensioners also receive the following benefits-in-kind:

- The cost of giving people of pensionable age free **bus travel in England** is approximately £1 billion per year.[13] See the section on concessionary bus travel in England for more information.
- People aged 60 and over qualify for **free prescriptions and eye tests**.[14] Currently there is no official estimate of how much these healthcare concessions cost.[15] See the section on free prescriptions.

## 2.2 Number of pensioners

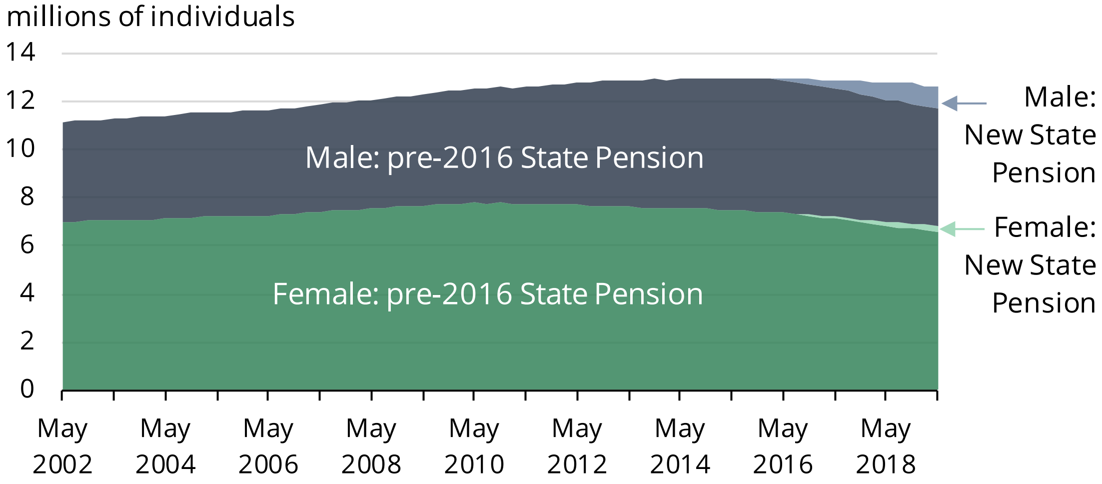
As of May 2019, there were 12.6 million people living in Great Britain or abroad who were in receipt of a State Pension from the DWP. Of these, 5.8 million (46%) were men and 6.8 million (54%) were women.[16]

The State Pension caseload peaked at 13 million in 2014 after decades of steady increases due to population growth and life expectancy improvements. This growth trend has however been contained – and recently reversed – by increases in the State Pension age (SPA) since 2010. The women's SPA started to increase in stages from 60 in April

9 HM Treasury, Summer Budget 2015.
10 BBC Board decision on licence fees for older people, 10 June 2019
11 HM Treasury Spending Review 2010 paragraph 2.42.
12 MHCLG, Local authority revenue expenditure and financing England: 2018 to 2019 individual local authority data – Revenue outturn summary (RS) table. Data published for 291 out of 293 district and unitary local authorities in England. Expenditure on Council Tax Reduction schemes in Scotland and Wales are published on the Scottish Government and StatsWales websites respectively but amounts received by pensioner households are not separately identifiable.
13 Written question 142328 [Bus Services: Concessions] answered on 17 May 2018. See also Evaluation of concessionary bus travel: the impacts of the free bus pass, Department of Transport, December 2017, page 50.
14 In England there is a specific charge exemption for those aged 60 and over; in Scotland, Wales and Northern Ireland prescriptions dispensed to all age groups are free of charge. For more information see Commons Library briefing NHS charges (CBP-7227).
15 HC Deb 7 March 2011 c854W. Spending on free prescriptions dispensed in the community was identifiable up to 2007, when a change in the process of capturing prescription charges meant that exemption status could no longer be analysed. Before this, some £4.5 billion p.a. was spent on free prescriptions for the elderly.
16 DWP Stat-xplore

2010 and was equalised with the men's SPA of 65 by November 2018. The equalised SPA is in the process of rising to 66 by October 2020.

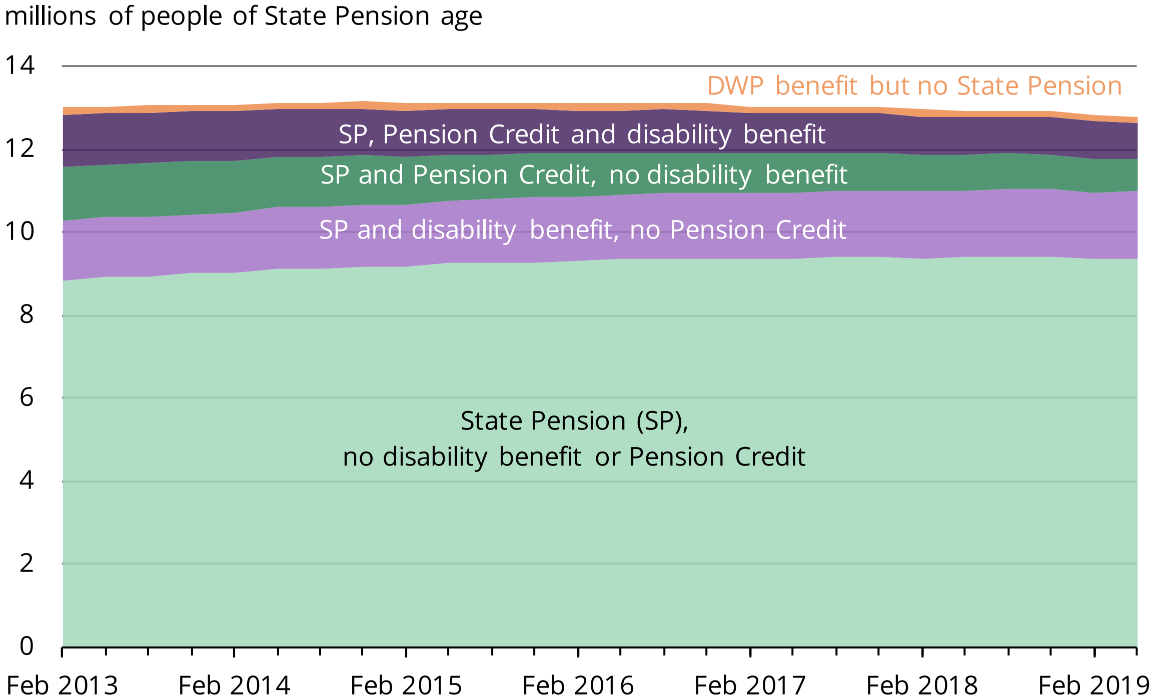
**Chart: State Pensioners, Great Britain and abroad, 2002-2019**




Source: DWP Stat-xplore

In total 12.8 million people of State Pension age receive one or more benefits from the DWP. Around 2.5 million receive a disability benefit (DLA, PIP or Attendance Allowance) in addition to their State Pension, and 1.7 million are beneficiaries of Pension Credit in addition to receiving the State Pension. Just over 860,000 receive State Pension, Pension Credit and a disability benefit.[17]

**Chart: Pension-age recipients of DWP benefits, Great Britain and abroad**




Source: DWP Stat-xplore benefits combination dataset and HoC Library calculations

[17] DWP Stat-xplore benefit combinations dataset. Figures relate to May 2019.

In the medium term, the number of State Pensioners is forecast to reach a low of 12.3 million in 2020/21 upon completion of the current phase of State Pension increases (to 66) and then to rise back to 12.9 million by 2023/24.

**Table: Pension-age claimant caseloads of individual DWP benefits by financial year, with forecast to 2023/24**

| Millions of people | | | Outturn | Forecast | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 /16 | 2016 /17 | 2017 /18 | 2018 /19 | 2019 /20 | 2020 /21 | 2021 /22 | 2022 /23 | 2023 /24 |
| State Pension | 13.0 | 12.9 | 12.8 | 12.6 | 12.4 | 12.3 | 12.5 | 12.7 | 12.9 |
| Winter Fuel Payments | 12.2 | 12.0 | 11.8 | 11.6 | 11.4 | 11.3 | 11.4 | 11.6 | 11.8 |
| Over-75 TV Licence | 4.4 | 4.5 | 4.6 | 4.7 | 4.8 | * | | | |
| Disability benefits: | | | | | | | | | |
| Attendance Allowance | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.7 |
| Disability Living Allowance | 1.0 | 1.0 | 0.8 | 0.7 | 0.7 | 0.6 | 0.5 | 0.5 | 0.4 |
| Personal Independence Payme | 0.0 | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 0.4 | 0.4 | 0.5 |
| Pension Credit | 2.1 | 1.9 | 1.8 | 1.6 | 1.5 | 1.5 | 1.4 | 1.4 | 1.3 |
| Housing benefits | 1.4 | 1.4 | 1.3 | 1.2 | 1.2 | 1.2 | 1.1 | 1.1 | 1.1 |
| Carer's Allowance | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Industrial Injuries benefits | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |

Note * Responsibility for the Over-75 TV Licence concession passes to the BBC in 2020

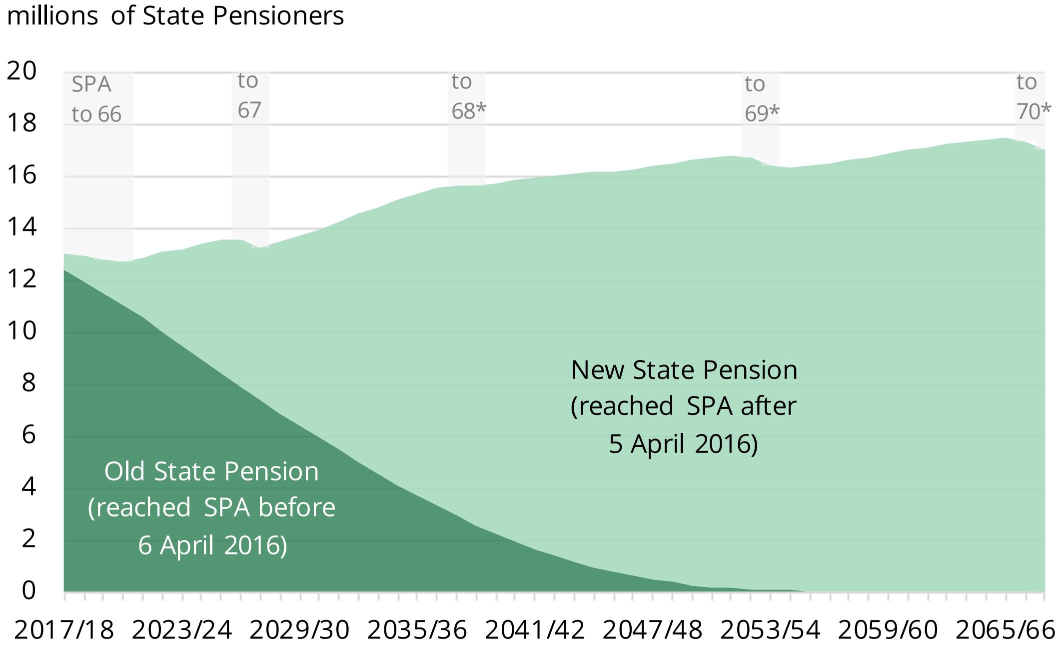
Source DWP Benefit expenditure and caseload tables 2019 table 2c

## 2.3 Long-term projections

The DWP has projected that the number of State Pensioners will increase to 14 million by 2023/24, 15 million by 2034/35, 16 million by 2042/43 and 17 million by 2060/61. As shown in the chart below, projected growth in the State Pension caseload is contained by successive increases in the State Pension age (which from 2037 onwards are those which the Office for Budget Responsibility assumes will take place as a result of future reviews of pensioner longevity).[18]

[18] DWP Long-term projections of pensioner benefits 2018 table LT2. Assumed State Pension age increases to 68, 69 and 70 are taken from OBR Fiscal sustainability report July 2018 table 3.8.

**Chart: DWP projection of State Pensioner caseload**




Note: Grey columns indicate phased increases of State Pension age (SPA).
* Increases to 68, 69 and 70 are Office for Budget Responsibility (OBR)'s assumptions based on the 2017 State Pension age review and subsequent longevity-based changes. These have not been passed into law. Current legislation provides for an increase to 68 in 2044/46.

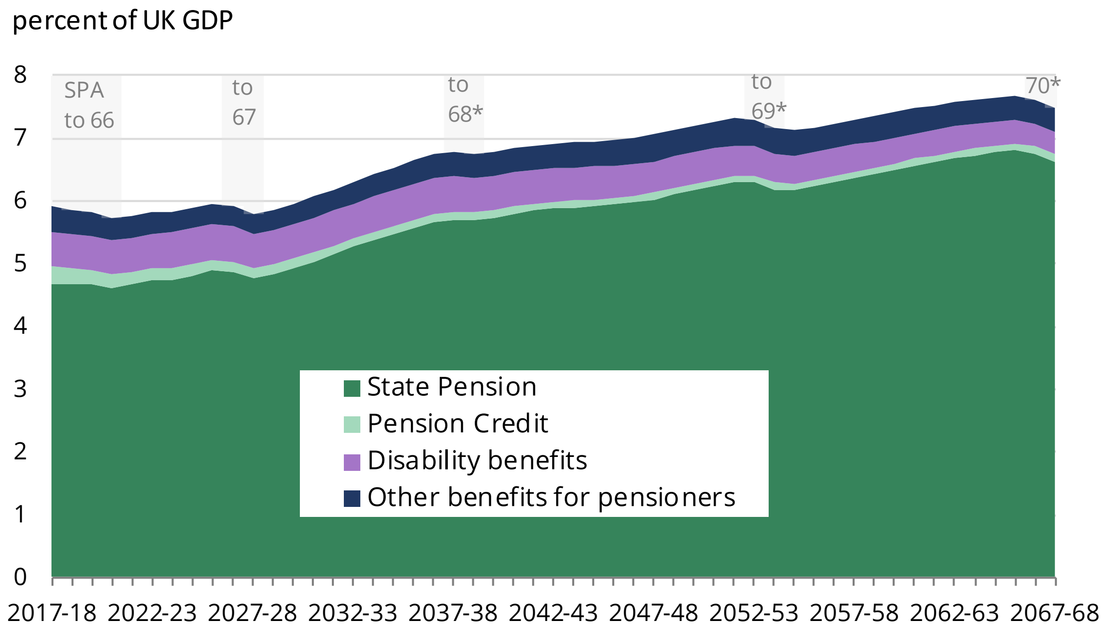
Source: DWP Long-term projections of pensioner benefits 2018.

By 2029/30, more than half of all State Pensioners will be on the New State Pension, which is received by those who reached State Pension age on or after 6 April 2016. When the New State Pension was first introduced, the DWP projected that it would reduce expenditure on the State Pension over time compared to the position if the old State Pension had continued.[19]

As shown in the chart below, total expenditure on pensioner benefits is projected to rise as a percentage of the country's Gross Domestic Product (GDP) from just below 6% today to over 7% by the middle of the century. This gradual increase in pensioner benefit expenditure as a share of GDP is assumed to be periodically held in check by longevity-linked increases in the State Pension age.

19 DWP, Updated impact of the single-tier pension reform, July 2014, p18-20

**Chart: DWP projection of pensioner benefit expenditure**




Note: Grey columns indicate phased increases of State Pension age (SPA).
* Increases to 68, 69 and 70 are Office for Budget Responsibility (OBR)'s assumptions based on the 2017 State Pension age review and subsequent longevity-based changes. These have not been passed into law. Current legislation provides for an increase to 68 in 2044/46.

Source: DWP Long-term projections of pensioner benefits 2018.

# 3. Debate

Those in support of keeping pensioner benefits universal argue that it ensures those in need benefit, whereas means-tested benefits tend to be characterised by low take-up. Savings from means-testing the Winter Fuel Payment would be relatively low.[20]

In the report of its 2016 inquiry into Intergenerational Fairness, the Work and Pensions Select Committee made the point that because universal pensioner benefits – such as the Winter Fuel Payment – are not index-linked, their value "withers away in real terms." However, it considered them to be ill-targeted and to complicate the benefits system and to have a symbolic importance that meant, once introduced, they were difficult to change:

> Universal pensioner benefits have been deployed by successive governments for reasons of short-term expediency. Such measures, which do not tend to be subject to indexation, lead to ill-targeted support, further complicate the benefits system and are politically and administratively far harder to put right than to introduce in the first place. The Winter Fuel Payment is one such example. There is no case for future governments to contemplate any increase in the value or range of universal pensioner benefits. They should also not be off limits when spending priorities are set in future Parliaments.[21]

Over the years, there have been calls for targeting - by means-testing or through the tax system – on grounds of intergenerational fairness, or to allow savings to be redirected elsewhere.

In April 2019, the House of Lords Select Committee on Intergenerational Fairness recommended "better targeting" of concessionary bus passes and Winter Fuel Payments through significant increases in the age thresholds in future:

> 241. The Government should seek to target existing age-related benefits better at individuals outside the workforce. Age thresholds should be raised. From 2026–28 when the State Pension age is due to rise to 67, free bus passes and Winter Fuel Payments should be available no sooner than five years after the State Pension age and age thresholds should be aligned across benefits. The difference should be maintained from then on as the State Pension age rises. There should be transitional protection so that individuals who currently receive these payments continue to receive them. This should ensure that the cohort of women who have been most severely affected by changes to the State Pension age would not suffer a double disadvantage from this subsequent change.[22]

It also called on the Government to "investigate the feasibility of treating these benefits as taxable income for those above the tax

20 'Ending the phoney generation game', Jay Ginn and Neil Duncan Jordan, in 'Data in society: challenging statistics in an age of globalisation', Evans et al ed, August 2019

21 Work and Pensions Committee, Intergenerational fairness, HC 59, November 2016; See also Ian Mulheirn, Osborne's Choice, Social Market Foundation, February 2012

22 House of Lords Select Committee on Intergenerational Fairness, Tackling intergenerational fairness, HL 329, April 2019

threshold without requiring individuals who currently do not complete an income tax form having to fill out a form."[23]

In April 2019, Conservative MP Damian Green called on the Government to use the tax system to target Winter Fuel Payments, with the savings transferred to social care:

> The Conservative manifesto in 2017 made a specific pledge to means-test winter fuel payments, with the money saved "transferred directly to health and social care". This policy was dropped after negotiations for a confidence and supply agreement with the Democratic Unionist Party. A simpler, and less controversial, system would see the winter fuel allowance added to each person's taxable income – while being withheld altogether from higher rate taxpayers (who make up a very small number of very affluent pensioners). This means you do not need a separate and more complex clawback mechanism. This would raise £350 million a year towards social care.[24]

In October 2019, the think tank Reform called for the Winter Fuel Payment to be means-tested, with the savings redirected to public services.[25]

## 3.1 Views of the main political parties

The main political parties included various commitments to protect pensioner benefits in their manifestos for the 2019 election:

> We will keep […] the winter fuel payment, the older person's bus pass and other pensioner benefits, ensuring that older people have the security and dignity they deserve. We recognise the value of free TV licences for over-75s and believe they should be funded by the BBC. Conservative Party

> We will […] guarantee the guarantee the Winter Fuel Payment, free TV licences and free bus passes as universal benefits. Labour Party

> Protect the BBC, reinstate free TV licences for over-75-year-olds Green Party

> […] we believe it was unfair to pensioners for the Tories to force the BBC to take responsibility for deciding whether the license fee remains free to over-75s. We will therefore support the urgent reversal of the decision to make pensioners pay and demand that the UK Government fully fund licences for over 75s. SNP

> The DUP [will continue to support] "the restoration of the free BBC licence to all those aged over 75, for as long as it continues to exist." DUP

> We will require the BBC to reverse the cuts to free TV licences. The free bus pass that allows older people to keep in touch with friends and maintain their independence will be protected and with our investment in public transport will become more important. Plaid Cymru

23 Ibid, para 242
24 Fixing the care crisis, Damian Green, 29 April 2019
25 Take Winter Fuel Allowance from Rich Pensioners urges think tank

## 3.2 Winter Fuel Payments

The Winter Fuel Payment is a tax-free, non-means tested annual payment paid to people who have reached the State Pension age for women. 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.[26] It is one part of the support government provides to vulnerable groups in winter – which also includes Cold Weather Payments and Warm Home Discount scheme.[27] In 2019/20, it is forecast to be paid to 11.4 million people at a cost of £1,962 million.[28]

**For more information, see**

Library Briefing Paper SN 6019, Winter Fuel Payments update (November 2018).

### Background

The Winter Fuel Payment was introduced in 1998.[29] The Labour Government explained that its purpose was:

> […] 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.[30]

On first introduction in 1997-98, the WFP was £20 (or £50 for those in receipt of means-tested benefits). It then increased to £100 in 1999-2000 and then to £200 in 2000-2001. An additional £100 for households with someone aged 80 or over was first introduced in 2003/2004. The "standard" rate remains £200 per eligible household where the oldest person is under 80 and £300 for households containing a person aged 80 or over. Additional payments have sometimes been made alongside the standard payment for reasons other than to help with fuel bills.[31] For winters 2008-2009 and 2009-2010, the Labour Government made additional "one-off" payments worth £100 to households including a person aged 80 or over or £50 where the oldest person was aged 60-79, along with the "standard" Winter Fuel Payment. The March 2010 Budget announced that additional payments would also be made in winter 2010-11, and this pledge was honoured by the incoming Government. For winter 2011-2012 however, the standard amounts only were paid (i.e. £200/£300). The Coalition Government faced accusations that it had cut the Winter Fuel Payment. However, it pointed out that the Labour Government had never made the additional amounts permanent and had only budgeted for them on a year to year basis.[32]

The Coalition Government introduced a 'temperature test', so that from 2015-16 the Winter Fuel Payment would no longer be payable to

26 Gov.UK - Winter Fuel Payment
27 HC Deb 5 April 2011 c755W
28 DWP, Benefit expenditure and caseload tables 2019/20. table 1a and 1c
29 HC Deb 25 November 1997 c 779-80
30 *Explanatory Memorandum to the Social Fund Winter Fuel Payment (Temporary Increase) Regulations 2010 (SI 2010/1161)* April 2010
31 Library Briefing Paper SN-06019 Winter Fuel payments update (March 2016), s5
32 HC Deb 22 November 2011 c190 [Steve Webb]. See also Library standard note SN06019, Winter Fuel Payments update

individuals living in countries with an average winter temperature higher than the warmest region of the UK (the South West of England).[33] The 'temperature link' affects people in seven territories: Cyprus, France, Gibraltar, Greece, Malta, Portugal and Spain.[34]

## Debate

The future of the Winter Fuel Payment, in particular, has been an issue of debate. A report by the Institute for Public Policy Research (IPPR) in 2009 argued that the Winter Fuel Payment was "significant and poorly targeted expenditure" in terms of those thought to be "fuel poor." However, there were others who argued that they were a "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.[35]

In March 2010, the Energy and Climate Change Select Committee said that although the Winter Fuel Payment was not well-targeted as a fuel poverty measure, there was nonetheless a case for retaining it:

> 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.**[36]

In its response in October 2010, the Government said it was "not solely a fuel poverty measure" but also provided "reassurance to older people that they can afford to keep warm in the winter months when heating bills are higher."[37]

The Institute for Fiscal Studies has argued that there should be more clarity about 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

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33 HM Treasury, Spending Review 2013, June 2013 para 1.68
34 *The Social Fund Winter Fuel Payment (Amendment) Regulations 2014 (SI 2014 No. 3270)*
35 Kayte Lawton and Kate Stanley, 'Welfare spending – Time to reassess universal benefits?, in Opportunities in an Age of Austerity: Smart ways of dealing with the UK's fiscal deficit (2009)
36 HC 424-I 2009-10, 24 March 2010
37 *Fuel Poverty: Government Response to the Committee's Fifth Report of Session 2009-10*, HC 541 2010-12, 25 October 2010

> policy is poorly targeted and a great deal more expensive than necessary.[38]

In the report of its inquiry on Intergenerational Fairness, the Work and Pensions Select Committee said the WFP was ill-targeted but made the point that its value was set to dwindle over time:

> 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.**[39]

It considered various options for restricting its payment – the estimated savings are in brackets:

- restrict to Pension Credit recipients only [£1.5 billion];
- progressively withdraw from pensioners with incomes above the national average salary [uncosted];
- treat it as taxable income [£250 million]; and
- remove from higher rate taxpayers [£105 million]

> 82. These measures would at best only save just over 1 per cent of total social security expenditure on pensioners.[40]

## Winter Heating Assistance in Scotland

Under powers in the *Scotland Act 2016*, the Winter Fuel Payment in Scotland is to be replaced by a new benefit – Winter Heating Assistance (WHA) – starting from November 2021. WHA will also be payable to non-pensioners families with a severely disabled child, from the end of 2020.

The Scottish Government states that no one will lose out from the introduction of WHA. Eligibility will be based on the existing Winter Fuel Payment and payments will continue to be made automatically. The new benefit will not be means-tested and will remain tax-free. In the longer term, the Scottish Government's ambition is to "improve the way that the new Winter Heating Assistance is delivered to households, in particular in remote rural and island communities that are not on the gas grid." To inform development of the design of the benefit, the Scottish Government is seeking views of households who have benefited from the current Winter Fuel Payments as part of its Research Plan for 2019-20.[41]

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38 Thomas S Crossley and Cormac O'Dea, How to keep warm in winter: winter fuel payments or cold weather payments? IFS, October 2010
39 Work and Pensions Select Committee, Intergenerational Fairness, November 2016
40 Work and Pensions Committee, Intergenerational fairness, HC 59, November 2016, para 81
41 Scottish Government, Cold Spell and Winter Heating Assistance: policy position paper, 28 February 2019

## 3.3 The welfare cap

**For more information, see**

Library Briefing Paper CBP 6852 The welfare cap (Sept 2017)

Public spending is also categorised into Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME):

- DEL is spending which can be planned several years ahead. This type of spending includes the salaries of most public sector workers, most of the NHS budget and the administration costs of most government programmes.
- AME is spending which it is more difficult to predict and plan several years ahead. It includes spending on social security benefits and national debt interest.[42]

The 2013 Budget said the Government would introduce "a firm limit on a significant proportion of Annually Managed Expenditure (AME), including areas of welfare expenditure".[43]

In the Spending Round on 26 June 2013, the then Chancellor of the Exchequer George Osborne confirmed that he would introduce a cap on social security spending from 2015/16:

> The cap will be set each year at the Budget for four years. It will apply from April 2015 and will reflect forecast inflation, but it will be set in cash terms. In future, when a Government look to breach the cap because they are failing to control welfare, the Office for Budget Responsibility will issue a public warning. The Government will then be forced to take action to cut welfare costs or publicly to breach the cap and explain it to Parliament. [44]

Although pensioner benefits would be included, the State Pension would not:

> We will exclude a small number of the most cyclical benefits that directly rise and fall with the unemployment rate to preserve the automatic stabilisers: housing benefit, tax credits, disability benefits and pensioner benefits will all be included—but the state pension will not. I have had representations that we should include the basic state pension in the welfare cap. That would mean that a future Government could offset a rise in working age benefits by cutting the pensions of older people. That penalises those who have worked hard all their lives. Cutting pensions to pay for working age benefits is a choice this Government are certainly not prepared to make. It is unfair; we will not do it and we reject those representations completely.

Spending on the State Pension was "better planned and controlled over a longer time period, for example by using the State Pension age to account for rising longevity."[45]

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42 See Library Briefing Paper SN-06642 Background to the 2013 Spending Review (June 2013)
43 HM Treasury, Budget 2013, HC 1033; para 1.62, p 26
44 HC Deb 26 June 2013 c314
45 HM Treasury, Autumn Statement 2013, Cm 8747 December 2013

# 4. Non-means-tested pensioner benefits

There are some non-means-tested benefits – such as disability and carer benefits – which are available for those who meet the qualifying conditions. In addition, there are some non-means-tested benefits for which pensioners can qualify from a particular age. These include, the Winter Fuel Payment, the Christmas bonus, free prescriptions and sight tests, concessionary bus travel and free TV licences for people aged 75 or over. The Winter Fuel Payment is discussed in section 3.2 above. The others are discussed below.

## 4.1 Disability benefits

The main social security benefit giving additional help to older people who are disabled is Attendance Allowance. People over state pension age may also be receiving Disability Living Allowance (DLA) or Personal Independence Payment (PIP), and disability premiums/additions with means-tested benefits such as Pension Credit and Housing Benefit. Further information on Attendance Allowance, DLA and PIP is given below.

### Attendance Allowance

Attendance Allowance is a social security benefit for people aged 65 or over who need help with personal care because of physical or mental disability. It is non-contributory – i.e. it does not depend on the person having paid National Insurance contributions – and is not affected by any income or capital (savings) the person or their partner might have. It is also tax free.

**For more information, see**

on the rules governing Attendance Allowance and how to claim it, see GOV.UK website.

There are two rates of Attendance Allowance. In 2019-20 weekly rates:

Lower rate £58.70

Higher rate £87.65

The lower rate is payable if the person needs help with personal care frequently or supervision continually throughout the day only, help with personal care or someone to watch over them during the night only, or someone to be with them when they are on dialysis.

The higher rate is payable if the person needs help with personal care, or someone to supervise or watch over them frequently throughout the day **and** also during the night.

A person can get Attendance Allowance even if no one is actually providing them with care; it is entirely up to the recipient how they spend the money.

In May 2019 there were 1.57 million people on Attendance Allowance in Great Britain, of whom:

- 0.99 million (63%) qualified for the higher rate;
- 1.08 million (68%) were aged 80 or over;

- 1.01 million (64%) were women;
- 1.43 million (91%) were in receipt of a payment, whereas for the remaining 9 per cent payment was suspended (due to the claimant having been in hospital or publicly-funded residential care for 28 days or longer).[46]

Total expenditure on Attendance Allowance in Great Britain is estimated at £5.89 billion in 2019/20 and is forecast to rise by 7% in real terms by 2023/24, to £6.29 million (expressed in 2019/20 prices).[47]

### Attendance Allowance and older people with mobility needs

Unlike Disability Living Allowance and Personal Independence Payment (see below), Attendance Allowance is intended to help with care needs only and does not provide help with the extra costs disabled people may face when getting around. A person already getting the DLA or PIP mobility component when they reach the age of 65 can continue to receive it beyond that age, but older people with mobility needs which emerge only after they reach the age of 65 cannot get benefits for mobility needs and cannot therefore access linked schemes such as Motability.

Successive governments have justified the age limit for new claims on cost grounds and the need to give priority to those disabled earlier in life, who are likely to have had less opportunity to work, earn and save than those with mobility needs emerging only after they reach 65.

**For more information, see**

Library Briefing Paper SN-7160, Social security benefits for older people with mobility needs (Jan 2020); and

CBP-7729, The future of Attendance Allowance (Jan 2017).

### Consultation on reform proposals

In December 2015 the then Government announced that it would consider "giving more responsibility to councils in England, and to Wales, to support older people with care needs – including people who, under the current system, would be supported through Attendance Allowance." In July 2016 the Department for Communities and Local Government launched a consultation on the Government's plans to allow local government to retain 100% of the business rates that they raise locally.[48] As part of this, it sought views on a range of functions and responsibilities that could be funded locally from retained business rates. This included Attendance Allowance, although no further details of what devolution might involve were given.

Organisations representing local government voiced opposition to the proposal to devolve responsibility for Attendance Allowance, as did organisations representing older people, disabled people, and welfare rights advisers. Following concerns raised by stakeholders, the then Communities and Local Government Secretary Sajid Javid announced in January 2017 that Attendance Allowance would no longer be considered as part of the business rates reforms.[49]

46 DWP Stat-xplore Attendance Allowance cases in payment and cases with entitlement datasets.
47 DWP Benefit expenditure and caseload tables Spring Statement 2019 edition.
48 DCLG, Self-sufficient local government: 100% Business Rates Retention: Consultation Document, 5 July 2016 https://www.gov.uk/government/speeches/supporting-local-government
49 DCLG & The Rt Hon Sajid Javid MP, Speech: Supporting local government, 19 January 2017

> Of the 225 responses that commented on Attendance Allowance, 98% were against its devolution. The majority of these respondents stated that Attendance Allowance does not fit with any of the four guiding principles for devolution outlined within the consultation document. Respondents' key concern was that the number of claimants of Attendance Allowance is predicted to increase far quicker than the rate at which business rates will grow. Respondents stated that this could potentially expose local authorities to a significant financial risk and also place an unnecessary risk upon current and future claimants of Attendance Allowance.[50]

## Disability Living Allowance

Disability Living Allowance (DLA) was replaced by Personal Independence Payment (see below) for people of working age from 8 April 2013 and new claims for DLA are now only possible for children. All existing DLA claimants who were under 65 on 8 April 2013 are being reassessed for PIP, but those aged 65 or over on that date will continue to get DLA, provided they satisfy the conditions.

DLA provides a weekly fixed sum for the purpose of assisting a claimant with the extra costs associated with disability. It is – like Attendance Allowance – non-means-tested, non-contributory, and tax free. DLA has a mobility component and a care component. The mobility component – for help with walking difficulties – is paid at two different levels. The care component – for help with personal care needs – is paid at three levels. A person can receive a care component along with a mobility component. Although DLA could be paid indefinitely, there was an upper age limit for the first claim. Claims had to be made before a person's 65th birthday. Otherwise, Attendance Allowance could be claimed instead. Attendance Allowance has no mobility component, but the disability tests are the same as for the middle and higher rate care components of DLA.[51]

In May 2019, 698,000 people of State Pension age in Great Britain were on DLA (42% of the total DLA caseload). Of these:

- 532,000 (76%) qualified for the mobility component at the higher rate;
- 423,000 (61%) qualified for the mobility component at the higher rate plus the care component (at either the highest, middle or lowest rate).[52]

Total expenditure on DLA in Great Britain for people of State Pension age is estimated at £3.28 billion in 2019/20 (45% of all DLA expenditure in Great Britain).[53] Pension-age expenditure on DLA is set to decline gradually to zero over the next few decades due to the

50 DCLG, Self-sufficient local government: 100% Business Rates Retention Consultation: Summary of responses and Government response, February 2017, para 30
51 See Commons Library briefing SN07160, Social security benefits for older people with mobility needs
52 DWP Stat-xplore DLA cases with entitlement dataset.
53 DWP Benefit expenditure and caseload tables Spring Statement 2019 edition.

replacement of DLA by Personal Independence Payment for new working-age claimants since 2013 (see below).

## Personal Independence Payment

Personal Independence Payment (PIP) is replacing DLA for people of working age and like DLA, is a non-means-tested, non-taxable benefit payable whether in or out of work, intended to help with the extra costs arising from ill health or disability. PIP consists of two components – a mobility component, based on an individual's ability to get around; and a 'daily living' component, based on their ability to carry out other key activities necessary to be able to participate in daily life – each paid at two rates ('standard' or 'enhanced').

PIP was introduced for new claims from 8 April 2013, and DWP is reassessing all existing working age DLA claimants (and those now over SPA who were under 65 on that date) to determine whether they satisfy the conditions for PIP.

As was the case for DLA, a claim for PIP must be made can before the claimant has reached State Pension age, but entitlement can be retained on an ongoing basis past State Pension age.

As of May 2019, there were 293,762 people of State Pension age who were on PIP, with ages ranging between 65 and 71.[54]

Total expenditure on PIP for people of State Pension age in Great Britain in 2019/20 is estimated at £1.94 billion, which accounts for 15% of total expenditure on PIP. Pension-age expenditure on PIP is currently forecast to increase by 61% in real terms by 2023/24 (to £3.12 billion in 2019/20 prices).[55] It is set to increase further after that as it gradually displaces pension-age expenditure on DLA (see above).

The PIP assessment was intended to provide a more 'holistic' assessment of the impact of a health condition on an individual's ability to participate in everyday life which differs from that used to determine eligibility for the DLA care components. PIP was intended to target support more closely on those most in need and significantly fewer people were expected to qualify for PIP than would have qualified for DLA, but the Office for Budget Responsibility has shown that PIP will not in fact deliver savings relative to DLA. In its January 2019 Welfare trends report, the OBR observed that while the Coalition Government assumed initially that PIP would ultimately cost 20% less than DLA would have done, by 2017-18 it was in fact costing around 15-20% more, with rollout only around two-thirds complete.[56]

54 DWP Stat-xplore benefit combination dataset.
55 DWP Benefit expenditure and caseload tables Spring Statement 2019 edition.
56 OBR, Welfare trends report, January 2019, p13

## Disability Assistance in Scotland

Under the *Scotland Act 2016*, responsibility for disability benefits (among other things) was devolved to the Scottish Government and Parliament. New benefits are to replace the existing extra-costs disability benefits in Scotland.

**For more information, see**

Library Briefing Paper SN07160, Social security benefits for older people with mobility needs (Jan 2020), section 4

New claims for Disability Assistance for Older People (DAOP), replacing Attendance Allowance, will be taken from winter 2020, and new claims for Disability Assistance for Working Age People (DAWAP), replacing PIP, will start from early 2021. Claimants of the existing benefits will then transfer to the devolved benefits. The Scottish Government currently expects that transfers will be completed by 2024.[57]

A consultation on Disability Assistance was undertaken between 5 March and 28 May 2019.[58] An analysis of responses to the consultation, together with the Scottish Government's response, was published on 28 October 2019.[59]

The Scottish Government proposes that the eligibility rules for both DAWAP and DAOP will remain largely the same as for PIP and Attendance Allowance, with benefit rates also aligned. For DAOP, decisions about entitlement will be made using existing supporting information only and not through face-to-face assessments. For DAWAP, decisions about entitlement will be made using existing supporting information where possible, with face-to-face assessments only undertaken where necessary. For both benefits, Social Security Scotland (the Scottish Government's social security agency) will be responsible for gathering the information required to make decisions.

The analysis of responses to the March consultation paper states that while majority of respondents agreed with the proposed eligibility criteria for DAOP, "…there were some concerns over the lack of a mobility component and several requests for this to be included, primarily from organisations."[60] The Scottish Government, however, believes this would be "unachievable" given the cost (which it estimates at around £580 million a year). It also cites the cites the unfairness to existing Attendance Allowance claimants pending transfer to DAOP of introducing a mobility component, the interaction with other reserved benefits, and the impact on "passported" benefits.[61]

57 See Commons Library briefing CDP-2019-0084, Devolution of welfare, 8 April 2019; Scottish Government, Social security: policy position papers, February 2019
58 Scottish Government, Disability assistance in Scotland: consultation, 5 March 2019
59 Disability assistance in Scotland: analysis of consultation responses; Disability assistance in Scotland: response to consultation
60 Ibid. section 1.7, p8
61 Disability assistance in Scotland: response to consultation, pp36-37

## 4.2 Carer's Allowance

Carer's Allowance – formerly known as Invalid Care Allowance (ICA) - was introduced in 1975. It is non-contributory and non-means-tested. It is worth £66.15 a week (2019-20).

In order to qualify for Carer's Allowance, a claimant must be caring for a disabled person "regularly and substantially". This is defined in the regulations as any week in which the claimant is engaged in caring for 35 hours or more. In addition, the disabled person must receive either:

- Disability Living Allowance (middle or higher rate care component), or
- Personal Independence Payment daily living component (either rate), or
- Attendance Allowance, or
- Constant Attendance Allowance paid with a war or industrial disablement pension, or
- Armed Forces Independence Payment

Since October 2002, Carer's Allowance has been payable to people aged 65 or over. However, it cannot be paid in addition to the Retirement Pension. This is due to the 'overlapping benefits rule.' However, they can still benefit from entitlement to additional means-tested support in Pension Credit and Housing Benefit.

As of May 2019, around 344,539 claimants over State Pension age in Great Britain satisfied the care conditions for Carer's Allowance, but because of the overlapping benefits rule only around 12,367 (3.6%) actually received a Carer's Allowance payment.[62] In the same month 178,584 beneficiaries of Pension Credit had an underlying claim for Carer's Allowance as well, and were therefore potentially able to benefit from the additional carer's premium in Pension Credit.[63]

Expenditure on Carer's Allowance for people over State Pension age is estimated to be around £31 million in 2019/20.[64]

**For more information, see Library Briefing Papers**

CBP 846 Carer's Allowance (Jan 2020);

7756 Carers (June 2019); and

6349 Carer's Allowance and the Retirement Pension (June 2017).

### Carer's Assistance in Scotland

In their 2016 Scottish Parliament election manifestos, the SNP, Scottish Labour, the Scottish Conservatives and the Scottish Liberal Democrats all committed to using new powers under the *Scotland Act 2016* to increase Carer's Allowance to bring it into line with Jobseeker's Allowance.

The Scottish Government introduced a Carer's Allowance Supplement in September 2018, backdated to April 2018. It is paid twice yearly and is calculated using the formula Jobseeker's Allowance minus Carer's Allowance, multiplied by 26 weeks. It is currently worth £226.20 (2019-20 rate). The increase is not clawed back elsewhere, and does not affect

**For more information, see**

Scottish Government, Support for carers policy position paper, (Feb 2019);

SPICe, Scottish social security benefits, (Oct 2019);

Carers Scotland, Timeline: Devolved and new Scottish social security payments, Oct 2019

62 DWP Stat-xplore Carer's Allowance cases with entitlement dataset.
63 DWP Stat-xplore benefit combinations dataset.
64 DWP Benefit expenditure and caseload tables Spring Statement 2019 edition.

other benefits which remain reserved, including Income Support, tax credits and Universal Credit.[65]

From winter 2021, new claims for Carer's Assistance (replacing Carer's Allowance and the Carer's Allowance Supplements) will begin, and under current plans existing Carer's Allowance claimants in Scotland will transfer to carer's assistance between spring 2022 and 2025. Carer's Assistance will initially mirror Carer's Allowance (plus the supplements), but the Scottish Government intends to consult on longer term changes to the benefit in 2021.

Further information on the Scottish Government's plans for carers' benefits and on the latest timetable for delivering the devolved benefits can be found in:

## 4.3 Christmas bonus

To get a Christmas Bonus, an individual must be resident in the UK and entitled to a qualifying benefit in the qualifying week (normally the first full week of December. Qualifying benefits include the State Pension, Pension Credit and a number of benefits paid in respect of disability or bereavement. If both partners in a couple are entitled to a qualifying benefit, both can qualify.[66] It is normally a one-off payment of £10, although the legislation allows the Secretary of State to specify a larger sum.[67]

The first Christmas bonus was paid to pensioners in 1972. It was originally intended as a one-off payment, part of a package of counter-inflationary measures.[68] The Labour Opposition welcomed the payment, but argued that it would be better to have a general increase in pensions.[69] In government, Labour did not always pay the bonus, arguing, for example, that good progress was being made increasing pensions generally.[70] However, since 1977, the bonus has been paid every year. In 1979, the Conservative Government passed the *Pensioners' Payments and Social Security Act 1979* which put the bonus on a permanent footing and removed the need for annual legislation.

In 2001, the last Labour Government said that it had no plans to increase the amount of the Christmas Bonus.[71] In the Pre-Budget report in November 2008, it announced that it would make a one-off payment

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65 This is in line with the fiscal framework for further Scottish devolution which provides that any increase in Scottish benefits must provide additional income for a recipient and not result in an automatic offsetting reduction in benefits which remain reserved (and vice versa). For further details see Camilla Kidner, Devolved social security powers: progress and plans, SPICe briefing SB 19-27, 10 May 2019, pp14-15

66 Directgov – Christmas bonus – who is eligible?

67 Social Security Contributions and Benefits Act 1992 (section 148-150)

68 HC Deb 6 November 1972 cc625-626

69 HC Deb 20 November 1972 c977, See also HC Deb 19 October 1973 c580-581 [Barbara Castle]

70 See, for example, HC Deb 22 May 1975 cc1623-1624 [Barbara Castle]

71 SN 6109 Winter Fuel Payments update

of £60 to those eligible for the Christmas Bonus.[72] The intention was to get help those "in vulnerable groups and on fixed incomes, in the light of the current economic conditions."[73] This was a one-off payment and was not repeated.

The Christmas Bonus has therefore remained at £10 since it was first introduced. In a written answer provided in December 2018, Pensions Minister Guy Opperman said that the Christmas Bonus was "now an established feature of the social security system" but added that the Government had no plans to uprate it.[74] £10 paid in 1972 is worth £116 in 2019 prices.[75]

The *Pensions Act 2014* provided for the Christmas Bonus to continue for people reaching State Pension age after 6 April 2016 when the new State Pension was introduced.[76]

## 4.4 Free prescriptions[77]

**For more information, see**

Library Briefing Paper NHS charges (Sept 2019).

Health benefits include free prescriptions, sight tests, dental treatment, wigs and fabric support and help with the costs of travel to hospital. In each case, there are a number of different grounds on which an individual can qualify. Free prescriptions and sight tests are the only ones for which it is possible to qualify for solely on grounds of age (e.g. being 60 or over).[78]

Prescription charges of one shilling, and a flat rate of one pound for ordinary dental treatment, were introduced on 1 June 1952. Prescription charges were abolished in 1965, and subsequently reintroduced in June 1968. The current prescription charge in England is £9. The Scottish Government abolished the prescription charge in Scotland from 1 April 2011; Wales and Northern Ireland abolished prescription charging, in 2007 and 2010 respectively. Due to various exemptions, around 90 per cent of prescription items in England are dispensed free of charge. The main exemptions apply to those who are under 16 years old; are 16, 17 or 18 and in full-time education; are 60 or over, are in receipt of certain benefits, or who have medical exemption certificates relating to certain medical conditions.[79]

The Labour Government looked at whether the age of eligibility should rise above 60 from April 2010, in line with the State Pension age for women, but no change was made.[80]

Over time the fairness of the system of exemptions from prescription charges, particularly the medical ones, have been called into question (the list of medical conditions exempt from prescription charges was

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72 Pre Budget Report, Nov 2008, Cm 7484, para 5.82; Library Briefing paper SN-0632 (Jan 2009)
73 Explanatory Memorandum to the Christmas Bonus (Specified Sum) Order 2008 (SI 2008 No 3255)
74 PQ 196849 [Christmas Bonus], 3 December 2018
75 Real terms calculation based on the September 2019 GDP deflator.
76 *Pensions Act 2014*, s23 and Sch 12 (68)
77 Information provided by Tom Powell, Social Policy Section
78 Department of Health leaflet, Help with health costs, HC11( November 2009)
79 NHS England/Healthcosts/pages/prescription costs (archived webpage viewed 2013)
80 HM Treasury, Pre-Budget Report 2009, chapter 5; HC Deb 25 Mar 2010 c 61WS

agreed in 1968 following discussions with the medical profession and provides a limited list of readily identifiable, permanent, life-long conditions all of which require regular medication). The Wanless Report on the future of the NHS published in 2002 concluded that:

> 6.75 Recognising the political sensitivities and the limited amount of money which might be raised, this may not be a priority for attention. However, the present structure of exemptions for prescription charges is not logical, nor rooted in the principles of the NHS. If related issues are being considered in future, it is recommended that the opportunity should be taken to think through the rationale for the exemption policy.[81]

The Health Select Committee also published a report on health service charges in 2006, which concluded that there were a number of anomalies in the current system of exemptions from NHS charges. See for example:

> 12. Several reviews have examined health charges, including the 1953 Guillebaud Committee of Enquiry into the cost of the NHS, our predecessor Committee's 1994 report on *Priority setting in the NHS: the NHS drugs budget* and the Comprehensive Spending Review of 1998. There have also been studies by think tanks and other organisations. The Comprehensive Spending Review of 1998 examined alternatives to the current system of health charges, and the savings/costs they would entail. The alternatives considered included a reduced prescription fee with fewer exemptions, charges for pensioners with income above a certain level, free dental checks for the over-60s and free sight tests for all. It was decided to leave the system unchanged, although the reasons for this were not clarified in the written evidence we received. The Minister stated:
>
>> "We were not the first government to have done that: since [charges] were introduced, they have been looked at many times, and on each occasion it has been concluded that, whilst there are anomalies in the system—and we accept that—the system we have is probably best left as it is."[82]

The Government has said that there are no plans to extend the current list of medical exemptions.[83]

In a PQ response in 2016 it estimated that ending the exemption from prescription charges for people aged 60+ would save around £700 million:

> Those aged 60 and over are exempt from NHS prescription charges. We do not hold information about the pensioner status of those claiming this exemption. The Department of Health has estimated that if this exemption was not available, but all other exemptions and the availability of prescription prepayment

81 Derek Wanless, Securing our future health: taking a long term view, April 2002, chapter 6

82 Health Select Committee, NHS Charges, Third Report of Session 2005-06, 18 July 2006, HC 815 volumes I-III; The Select Committee's report also provides a useful timeline of the development of NHS charges

83 PQ 22445 [pulmonary arterial hypertension] 20 January 2016

> certificates remained the same, the saving to the public purse would be around £700 million.[84]

For more on the background, see CBP 7227 NHS charges (September 2019).

## 4.5 Free bus travel

**For more information, see**
Library briefing papers CBP 1499 Concessionary bus fares (August 2019) and 6546 State Pension age review (August 2017).

Travel concession policy is devolved in the UK and there are separate bus concession schemes in England, Wales, Scotland and Northern Ireland.

Each jurisdiction decides its own eligibility age – in Scotland, Wales and NI this is 60, in England it is linked to the rising state pension age. This decision was taken by the last Labour Government, but has obviously been impacted by subsequent decisions to increase the state pension age at a faster rate.

The costs associated with issuing passes at earlier ages are borne by the relevant administration – this also applies to those areas of England where you can receive a concession at the age of 60 (e.g. London).

Similarly, any 'extra' benefits such as being able to travel before 9.30 am on weekdays or to use other forms of transport, like local rail, tram or ferry services, are funded by the relevant local council.

To give some idea of the costs involved of providing the scheme in England (by far the largest in the UK), in 2018/19 (the latest data available), there were 9.14 million passes held across England (by comparison there were 9.51 million in 2010/11) and the reported cost of the scheme was £1.14 billion. This puts the average cost of a bus pass at roughly £125.

[84] PQ 55425 7 December 2016

## 4.6 Over 75s free TV licences

**For more information, see**

Library Briefing Paper Free TV licences to the over-75s (November 2019);

TV licensing website.

Until 31 May 2020, households with a person aged 75 or over are eligible for a free TV licence.[85]

The concession for the over 75s was announced by the then Chancellor of the Exchequer Gordon Brown in November 1999.[86] The rationale was that:

> The Government recognise that the television licence fee can be a source of concern for many elderly people. Older pensioner households are more likely to be on low incomes, which is why additional resources will be directed at the 75-plus group. Free television licences to people aged 75 years and over, nearly 50 per cent. of whom are in the lowest three income deciles, is a significant measure for poorer pensioners and will benefit over three million pensioner households.[87]

The Coalition Government pledged to protect free TV licences.[88] It also made no change to the age criteria, arguing that as a group, the over 75s were:

> […] more likely to be reliant on television for information and entertainment, for reasons of poor health, lack of mobility and social isolation (as well as, on average, having lower incomes than younger pensioners). This relieves large numbers of older people of a substantial household bill for a service that is especially important to them.[89]

The Conservative Government announced in the Summer Budget 2015 that, following negotiations with the BBC, from 2020 onwards full responsibility for the design and financing of the over-75s licence fee concession would pass to the BBC.[90] This change was forecast to save the Government £725 million a year from 2020/21.[91]

On 10 June 2019 the BBC announced its decision, following a public consultation, to restrict eligibility for free TV licences to households in which someone receives Pension Credit. This will come into force from 1 June 2020.[92] The BBC estimated at the time of the consultation that a Pension Credit 'passport' would result in around 900,000 over-75 households still receiving a free licence. The 3.75 million over-75 households who do not receive Pension Credit would no longer receive a free licence.[93] This was based on an analysis of recent levels of Pension Credit take-up among the over-75s, which could change if the incentive to claim were increased.

85 TV licensing – over 75 TV licence; *Communications Act 2003*, s365; *The Communications (Television Licensing) Regulations 2004 (SI 2004/692)*
86 HM Treasury, Pre-Budget Report 1999, para 5.46
87 HC Deb, 21 December 2009, c576W
88 The Coalition – our programme for Government, May 2010, p26
89 HC Deb, 19 March 2011, c450; HC Deb 22 June 2010 cc108-9W
90 HM Treasury Summer Budget 2015, 8 July 2015, para 1.92
91 HM Treasury Budget 2016, table 2.2, line bg.
92 BBC Board decision on licence fees for older people, 10 June 2019
93 BBC, Age-related TV licence policy - Public consultation, 20 November 2018

# 5. Means-tested benefits

## 5.1 Pension Credit

**For more information, see**

Further information is on Gov. UK – see Pension Credit - and in a Detailed Guide to Pension Credit for Advisers and Others (Jan 2019).

Pensioners with relatively low incomes may also qualify for means-tested support through the Pension Credit. This has two elements:

- The Guarantee Credit tops up weekly income to a "standard minimum guarantee" (£167.25 pw for a single person, £255.25 for a couple, in 2019/20). Additional amounts are payable in respect of severe disability, certain caring responsibilities and housing costs (such as certain mortgage interest payments). The earliest age from which it can be claimed is linked to the State Pension age for women.
- The Savings Credit aims to provide an additional amount for those aged 65 or over who reached State Pension age before 6 April 2016. The maximum amounts are £13.73 for a single person and £15.35 for a couple in 2019/20. It was removed for people reaching pension age after that date as part of the Government's reforms to the State Pension.[94]

Pension Credit is means-tested, so the income and capital of the claimant and any partner is taken into account, subject to any disregards, in assessing entitlement. Unlike means-tested benefits for people of working age, there is no upper capital limit. Instead, £1 of income is assumed for every £500 of capital above £10,000.[95]

Pensioners receiving Pension Credit may find they are entitled to 'passported benefits':

> People in receipt of Pension Credit may also qualify for other benefits (each with their own conditions of entitlement) such as Cold Weather Payments, Funeral Payments from the Social Fund and the Warm Home Discount Scheme. Other benefits such as Housing Benefit and help from the Local Council Tax Reduction scheme are available to Pension Credit recipients and to others who may qualify on the grounds of low income. Pension Credit recipients are also exempt from certain health charges. Other benefits including Winter Fuel Payments, free prescriptions and concessionary travel are available on the grounds of age.[96]

From June 2020, receipt of Pension Credit will be necessary to qualify for the BBC TV licence concession (see above).

## 5.2 Housing Benefit

Housing Benefit (HB) is a means-tested benefit paid to people with low income who pay rent. Pensioners who qualify for the Guarantee Credit element of Pension Credit (with or without Savings Credit) are passported to full HB. Otherwise, pensioners must have capital below

[94] *Pensions Act 2014*, s13, Sch 12 (Part 3); Library Briefing Paper SN-06525 The new State Pension – background (August 2016), section 5.6
[95] HM Treasury, Budget 2009, HC 407,
[96] PQ 45139 12 September 2016

£16,000 to qualify.[97] More detail can be found in Age UK factsheet Housing Benefit (April 2019).

As part of the Government's plans to replace the current system of benefits for people of working age with a Universal Credit, HB is to be abolished. For people of Pension Credit qualifying age, a new housing credit is to be introduced as part of Pension Credit. This will provide support for people once HB is no longer available following the introduction of universal credit.[98] The Government's intention is that claimants will be entitled to "broadly the same amount of support under the Housing Credit as they would have been entitled to by way of Housing Benefit."[99] A capital limit – as currently applies to Housing Benefit – will apply to the housing credit element of Pension Credit.[100]

## 5.3 Council tax support

Until April 2013, help for people on low incomes with Council Tax bills was provided through Council Tax Benefit (CTB). This amounted to expenditure of £2.1 billion in 2012/13, to 2.3 million recipient households.[101] However, as part of the 2010 Spending Review the Government announced an intention to localise support for Council Tax from 2013-14 and to reduce expenditure on this benefit by 10%.[102]

**For more information, see**

Library Briefing Paper CBP 6672 Council Tax Reduction Schemes (21 Sept 2017).

The *Welfare Reform Act 2012* provided for the abolition of Council Tax Benefit (CTB). Since 1 April 2013 local authorities in England have been responsible for administering their own Council Tax Reduction Schemes subject to the requirement that certain pensioners who would have received CTB should not experience a reduction in assistance.[103] Some authorities have chosen to adopt the default scheme.[104] For information on a particular authority's scheme it is now necessary to contact the authority direct. Most have full details or summaries of their schemes on their websites.

97 *Housing Benefit (State Pension Credit) Regulations 2006 (SI 2006/214)*, regulation 26
98 *Welfare Reform Act 2012* – Explanatory Notes, para 159
99 *Welfare Reform Act 2012* – Explanatory Notes, para 162
100 Ibid, section 75
101 DWP Benefit Expenditure Tables (April 2013)
102 HM Treasury, Spending Review 2010, CM 7942, Oct 2010, para 2.42 and Table 3
103 Subject to the *Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012* (SI 2012/2885
104 *Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (England) Regulations 2012* (SI 2012/2886)

## 5.4 Cold Weather Payments

**For more information, see**

Gov.UK Cold weather payment.

Library briefing, Cold Weather Payments for winter 2017/18 (CBP-8254, April 2018).

Cold Weather Payments are made from the Social Fund to certain recipients of Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Universal Credit or Pension Credit during periods of very cold weather. To 'trigger' the payments, the average temperature at a specified weather station must be recorded as, or forecast to be, zero degrees or below for seven consecutive days. The scheme runs from 1 November to 31 March each winter. Payments are made automatically to those entitled to them.

The payment is a fixed amount for each week of cold weather. For many years this was set at £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. The Coalition Government made the £25 rate permanent.[105]

In the last few winters, relatively mild weather has meant that far fewer payments were made compared with previous years. In the winter of 2018/19, 1.08 million Cold Weather Payments were made in Great Britain, totalling £27.1 million. Of these, 438,000 recipients (40%) were individuals in receipt of Pension Credit, receiving £10.95 million.[106]

Some winters have however been more severe, with more significant sums being paid to benefit claimants. In winter 2010/11 for example, 17.2 million individual Cold Weather Payments were made worth £430.8 million.[107]

### Cold Spell Heating Assistance in Scotland

The Scottish Government intends to replace Cold Weather Payments in Scotland with a new benefit – Cold Spell Heating Assistance – starting from November 2021. The new benefit will be designed and delivered based upon the existing Cold Weather Payment and the Scottish Government states that no-one will lose out from its introduction.

The Scottish Government has "no plans to change the current eligibility for this benefit or to change the amount of benefit paid."[108] It nevertheless recognises that "the way in which the current Cold Weather Payments are triggered could be improved" and is seeking views from people receiving payments via its claimant "Experience Panels." A Scottish Government policy position paper states:

> In considering the design and delivery of Cold Spell Heating Assistance, we will review how payments are triggered, including the number and location of weather stations. We will also seek a wide range of expert opinion and look to design processes that better reflect the needs and experiences of Scottish households.[109]

It adds:

105 *Social Fund Cold Weather Payment Regulations 1998 (SI 1998/1724)*, reg 3
106 DWP, Cold Weather Payment estimates: 2018 to 2019, April 2019
107 DWP, Cold Weather Payment estimates: 2010 to 2011, March 2011.
108 Cold Spell and Winter Heating Assistance: policy position paper, 28 February 2019
109 Ibid.

> Given the technical complexity of the current benefit, we will explore with DWP transitional delivery of these benefits on the basis of existing eligibility. We anticipate that we will need to work closely with DWP to progressively transfer responsibility for payments and undertake an annual review of delivery arrangements in Scotland.[110]

## 5.5 Funeral expenses payments

**For more information, see**

Library Briefing Paper SN01419, Social Fund Funeral Payments (Oct 2018).

Help may be available from the Social Fund for people responsible for arranging a funeral. The payments may cover certain funeral expenses including burial or cremation. Other expenses – such as funeral directors' fees, the cost of a coffin, church fees and flowers – may be covered, but this is limited by a maximum cap.[111] This is currently £700, but in November 2019 it was announced that from Spring 2020 the cap will rise to £1,000.[112]

To be eligible for a Funeral Expenses Payment, a person must be in receipt of a qualifying benefit or tax credit. These are Income Support; income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Pension Credit, Housing Benefit, the disability or severe disability element of Working Tax Credit, one of the extra elements of Child Tax Credit or Universal Credit.[113]

In 2017-18, around 25,500 Funeral Expenses Payment awards were made worth £37.1 million. The average award was £1,461. Just under 8,000 payments were to pensioners.[114]

### Funeral Support Payment in Scotland

**For more information, see**

MyGov.scot, Funeral Support Payment Guide, 25 October 2019

On 16 September 2019, the Scottish Government introduced its own Funeral Support Payment to provide help for people on low incomes to meet the costs of a funeral. The new Funeral Support Payment is delivered by Social Security Scotland and replaces the Department for Work and Pensions Funeral Payment for people living in Scotland.[115]

When announcing the new benefit in early 2019, the Scottish Government claimed that "around 40% more people will be eligible to apply" than the DWP Funeral Payment in Scotland. It noted that the payment would help towards burial or cremation costs, as well as transport costs, and that £700 would be provided for other costs – although it was noted that this figure will be uprated annually taking inflation into account.[116] The Scottish Government forecast spending £6.3 million on this benefit in the first full year of operation.[117]

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110 Ibid.
111 Gov.UK – Funeral payment/what you'll get
112 'Benefit claimants to get more cash to help with funeral costs', DWP press release, 5 November 2019
113 Gov.UK – Funeral Payments/eligibility
114 DWP, Annual Report by the Secretary of State for Work and Pensions on the Social Fund 2017-18, November 2018, para 2.5, and Annex 1 & 2a
115 Scottish Government, Funeral Expense Assistance (policy action paper)
116 'Funeral Expense Assistance', Scottish Government press release, 18 January 2019
117 Ibid.

In order to be eligible to claim this new benefit, a person who lives in Scotland, or their partner, must be in receipt of a qualifying benefit or tax credit.

## 5.6 Benefit advances, loans and other one-off payments

Recipients of state benefits – including those over State Pension Age – may be able to get help with occasional or one-off needs such as money to tide the person over before their first benefit payment, loans for purchases such as a new bed or cooker, or where they are faced with an unforeseen emergency or disaster. The main source of help for needs such as these was the discretionary Social Fund, but this was abolished by the Coalition Government in April 2013. Other changes have also been made, or are happening, as a result of the Coalition Government's wider welfare reform programme.

The discretionary Social Fund consisted of:

- **Community Care Grants** – mainly to help enable independent living or continued independent living, preventing the need for institutional care;
- **Crisis loans** – for people faced with an unforeseen emergency or disaster which left them without funds, where there was a danger to their health or safety; or to help with living expenses pending a first payment of benefit; and
- **Budgeting Loans** – to provide help with occasional or "lumpy" items of expenditure, such as furniture and household equipment.

From 1 April 2013, Community Care Grants and Crisis Loans (other than "alignment loans" to tide people over pending their first payment of benefit) were abolished and funding was made available to local authorities in England and to the devolved administrations in Scotland and in Wales to provide such assistance in their areas as they saw fit.[118] The transfer of funding was not accompanied by the transfer of any new powers or the introduction of any new responsibilities. Nor was the money ring-fenced in any way. The criteria by which an application is assessed, decision-making processes and review arrangements, and what form of assistance to provide, are matters for the local authority or devolved administration.

Other elements formerly covered by the discretionary Social Fund remain the responsibility of DWP. Social Fund Budgeting Loans and alignment loans are being replaced by a new nationally administered advance of benefit facility. From April 2013, interim payments and alignment loans were replaced by "**Short Term Advances**". "**Budgeting Advances**" will replace **Budgeting Loans** for Universal Credit claimants, but Budgeting Loans will continue to be available to people claiming "legacy benefits" (the benefits UC is replacing) until all

**For more information, see**

Library Briefing Papers SN06413, Localisation of the Social Fund;

SN06683, Short Term Benefit Advances and Budgeting Advances;

GOV.UK also gives information on Budgeting Loans.

118 Welfare reform in Northern Ireland has proceeded on a different timetable to that in Great Britain, but from 27 November 2016 Social Fund Crisis Loans and Community Care Grants were abolished in Northern Ireland and replaced by a new system providing "Discretionary Assistance"

such claims have been closed or the claimants moved onto Universal Credit. For claimants of Pension Credit – who are not affected by the introduction of Universal Credit – "Benefit Advances" will replace Budgeting Loans.

The table below summarises the position before and after April 2013.

### Social Fund payments and Interim Payments of benefits: equivalent provision from 1 April 2013 onwards

<table>
<tr><th>Before 1 April 2013</th><th>1 April 2013 until full introduction of Universal Credit</th><th>When Universal Credit is fully introduced</th></tr>
<tr><td>"Interim payments" of benefit – made when a person has made a claim for a benefit but a decision on their claim can't be made straight away<br>or<br>Crisis Loan "alignment payments" – loans to people in advance of their first payment of benefit</td><td colspan="2">Universal Credit Advances<br>or<br>Short Term Advances (for claimants of "legacy benefits" – i.e. those benefits being replaced by UC – and certain other DWP benefits including contributory JSA, contributory ESA, Pension Credit, State Pension, Carer's Allowance, Maternity Allowance, Bereavement Allowance/Benefit, and Industrial Injuries Disablement Benefit)</td></tr>
<tr><td>Crisis Loans (other than alignment payments)</td><td colspan="2" rowspan="2">Local/devolved welfare assistance schemes</td></tr>
<tr><td>Community Care Grants</td></tr>
<tr><td>Budgeting Loans</td><td>Budgeting Loans for claimants of "legacy benefits"<br>or<br>Budgeting Advances for UC claimants</td><td>Budgeting Advances for UC claimants<br>or<br>Benefit Advances for Pension Credit claimants</td></tr>
</table>

## Local/devolved welfare assistance schemes

DWP provided (non-ring-fenced) grant funding totalling £347 million to local authorities in England for local welfare provision in 2013-14 and 2014-15 (plus additional funding for the devolved administrations in Scotland and in Wales – around £28 million and £12 million a year, respectively). The Coalition Government initially proposed to discontinue additional funding after 2014-15, but in February 2015 the Department for Communities and Local Government announced that it would provide a further £74 million to upper-tier authorities in England in 2015-16, in recognition of their requests for additional support, "including to help them respond to local welfare needs and to improve social care provision."[119] In 2016-17, DCLG merely identified a notional figure of £129.6 million within the general Revenue Support Grant (RSG) for councils in England to spend on local welfare provision. However, this was not ring-fenced and there was no proposal to repeat the additional £74 million funding awarded in 2015-16.[120]

In a report in January 2016, the National Audit Office commented that the future of local welfare provision appeared uncertain. With reducing resources and competing pressures, many councils had said they could not afford to continue to provide welfare assistance without specific Government finding. NAO found that some councils had already closed their schemes, or reduced provision, placing increased demand on charities.[121]

Local welfare assistance schemes vary widely, in terms of the needs covered, eligibility rules, types of assistance provide, and delivery mechanisms. The NAO looked in more detail into this variation in its 2016 report. Some of the key findings included:

- Councils often provided support that was similar to that previously provided by the DWP. A number said this was because they did not feel they had enough time to develop a different approach.
- Most councils ran their own schemes, although a minority contracted other councils, charities or private sector firms to run theirs.
- Councils have developed their own eligibility criteria. 70% of those authorities surveyed said they only provided assistance to those on income-related benefits (with scope to assist some additional applicants, such as those fleeing domestic abuse).
- As per the rationale set out by the DWP above, most councils have moved away from providing cash support (only 24% of those surveyed did). Instead they provide things like furniture, white goods, food support or pre-paid fuel cards.
- There is variation in the maximum amount councils will spend on these items, for example, among the six councils surveyed:

**Reports on recent developments in local welfare assistance include:**

Centre for Responsible Credit, The Decline of Local Welfare Schemes in England: why a new approach is needed, 13th Sept 2018;

Greater Manchester Poverty Action (GMPA) report, The decline of crisis support in England, September 2018;

Children's Society and the Church of England, Not Making Ends Meet, 25 May 2018

119 HCWS246 [on Local Government Finance], 3 February 2015
120 Department for Communities and Local Government, Core spending power: final local government finance settlement 2016 to 2017, 8 February 2016
121 NAO, Local welfare provision, 12 January 2016

  - Amount spent on a double bed ranged from £80 (recycled) to £249.93
  - Clothing, between £10 and £40
  - Electric cookers, between £147 and £231.11

- Some councils are taking advantage of local supply chains. One negotiates bulk discount from Argos, whilst another sources recycled, donated furniture from a charity employing formerly homeless people.
- There is little evidence of bench-marking or comparison between councils to improve cost-effectiveness (in contrast to Scotland, where a there is a national programme and cost list).[122]

The Child Poverty Action Group's website has a page which includes links to remaining Local welfare assistance schemes in England and to the corresponding schemes in Scotland, Wales and Northern Ireland.

In March 2019, the Children's Society published a report – Nowhere To Turn: Strengthening the safety net for children and families facing crisis – which found that 23 of 152 'upper tier' local authorities had closed their welfare assistance schemes, with one fifth of councils having cut spending these schemes, and that as a consequence 75% fewer people have access to crisis support from welfare assistance schemes than under the Social Fund schemes.[123] In October 2018, a report from Church Action on Poverty found that "at least" 28 local authorities in England had closed their welfare assistance schemes completely.[124]

Further reports detailing recent developments in local welfare assistance schemes include:

## 5.7 Health benefits

Guarantee Credit (though not Savings Credit) can act as a passport to help with other health costs such as dental treatment, help with the costs of travel to hospital, vouchers towards the cost of glasses or contact lenses, wigs and fabric supports. Those who do not qualify on other grounds may qualify for help under the 'low income scheme'.[125]

**For more information, see**

Library Briefing Paper CBP 7227 NHS charges (September 2019).

[122] NAO, *Local Welfare Provision*, January 2016, part 2
[123] Children's Society, Nowhere to Turn: Strengthening the safety net for children and families facing crisis, March 2019
[124] Church Action on Poverty, Compassion in Crisis: how to people in poverty stay afloat in times of emergency?, October 2018
[125] NHS UK – health costs

## 5.8 Warm Home Discount

The Labour Government introduced provision in the *Pensions Act 2008* to allow DWP data regarding receipt of Pension Credit to be shared with energy suppliers.[126] The purpose was to allow "energy suppliers to share customer data in order to identify people to whom they can provide assistance with the cost of their fuel bills."[127]

Gov.UK explains that the discount is £140:

> You could get £140 off your electricity bill for winter 2019 to 2020 under the Warm Home Discount Scheme.
>
> The money is not paid to you - it's a one-off discount on your electricity bill, between September and March.[128]

There are two ways to qualify:

> There are 2 ways to qualify for the Warm Home Discount Scheme:
>
> - you get the Guarantee Credit element of Pension Credit - known as the 'core group'
> - you're on a low income and meet your energy supplier's criteria for the scheme - known as the 'broader group'
>
> How you apply for the Warm Home Discount Scheme depends on how you qualify for the discount.[129]

The 'broader group' of eligible recipients is largely left to energy suppliers to define, within a framework set by Ofgem and the relevant Regulations. It may include being on that supplier's 'Priority Services Register'. Because definitions vary, it might be worth investigating and switching supplier. However, there are limited funds, so meeting the definition of a supplier's broader group does not guarantee that a person will receive the WHD.

**For more information, see…**

Ofgem, Warm Homes Discount; and guidance for suppliers.

Library Briefing Papers CBP 5956 Warm home discount scheme (May 2016) and CBP 6163 Help with energy bills (March 2019).

[126] *Pensions Act 2008;* s142
[127] HL Deb 17 July 2008 c1385
[128] Gov.UK, The warm home discount scheme; *Warm Home Discount Regulations 2011 (SI 2011/1033)* (as amended).
[129] Gov.UK, The warm home discount scheme; *Warm Home Discount Regulations 2011 (SI 2011/1033)* (as amended).