

Age UK's evidence to the Work and Pensions Committee's inquiry: The Cost of Living

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Age UK
7th Floor, One America Square
17 Crosswall
London
EC3N 2LB
T 0800 169 87 87 F 020 3033 1000
E policy@ageuk.org.uk
www.ageuk.org.uk

Age UK is a charitable company limited by guarantee and registered in England (registered charity number 1128267 and registered company number 6825798). The registered address is 7th Floor, One America Square, 17 Crosswall, London, EC3N 2LB.

About this consultation

The Work and Pensions Committee is carrying out an inquiry on the cost of living and is seeking evidence on how the Government can support people on Universal Credit, legacy benefits and the State Pension through the next year.

About Age UK

Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England, to help everyone make the most of later life, whatever their circumstances. In the UK, the Charity helps more than seven million older people each year by providing advice and support. It also researches and campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people: have enough money; enjoy life and feel well; receive high quality health and care; are comfortable, safe and secure at home; and feel valued and able to participate.

Introduction

Age UK is pleased to have the opportunity to respond to the Committee's call for evidence. We have been campaigning on the cost of living as we know many low-income older people are very concerned about rising bills, especially the soaring cost of energy, so the Chancellor's announcements were welcome. The package of support will be helpful to many older people, particularly those receiving means-tested benefits or living with a disability.

Targeting the greatest support to those who receive means-tested benefits, is the best way of reach as many people as possible on the lowest incomes but makes it more important than ever that every older person who qualifies for Pension Credit receives it. We support Government initiatives to increase Pension Credit take-up through increased awareness, getting information out to older people and their friends and family, and encouraging claims. We believe there is also scope for the Government to do more by identifying those likely to be missing out based on available data and by ensuring benefit systems are more joined up. A focus on Pension Credit is important but other benefits can also have a big impact on older people's income and there needs to be support available to help people claim their entitlements.

How effectively will the new Cost of Living Payments protect different types of households from increases in the cost of living?

Age UK was pleased and relieved to hear the Chancellor announce the package of measures to ease the impact of rises in the cost of living. In addition to the support available for all households, there is a Cost of Living Payment for pensioners who receive Winter Fuel Payments, and payments for those receiving means-tested benefits and disability benefits. Age UK believes it is right to provide help to all households while targeting additional support linked to benefit receipt to groups most likely to be in need.

These payments are much needed and will make a difference to many pensioners who are currently struggling to pay their bills. Some of the stories we have been told are included in Age UK's campaign report, published prior to the announcement. People describe cutting back, skipping meals, and worrying about the future. One woman said 'sometimes dinner is just biscuits' while a man told us he saved money by only showering once a fortnight.¹ After the announcement we had some positive feedback from some of our campaigners including a woman who told us she was relieved as she had only put her heating on three times last winter.

The announcements make it more important than ever that those who are eligible for benefits make a claim. DWP figures show that more than three-quarters of a million pensioner households are missing out on Pension Credit by an average of nearly £2000 a year. Providing information, encouraging claims, and giving practical support to claim Pension Credit and other benefits are important areas of work for Age UK nationally and locally.

The first instalment of the £650 payment is for people who were entitled to benefits in the month up to 25 May. We understand that the normal three-month Pension Credit backdating rules will apply which will enable some people who do not claim until later, to still receive the payment. It is also important to establish the date of entitlement for the second payment. Being able to publicise cut off dates will help Age UK and others encourage claims.

In addition to those who are not in receipt of the means-tested benefits due to them, there are other groups who may miss out on some of the support announced. These include:

- Those just above the eligibility threshold for benefits – someone with income a few pounds, or even pence, above the threshold for benefits will not be entitled to the £650 payment. One alternative source of help is the Household Support Fund. It is important that those who could benefit are made aware of the scheme and that it is easy to access, including among those who do not use the internet (over 3 million

people age 65+ are not onlineⁱⁱ). We have been concerned to hear reports that in some areas it can be hard to apply if people are offline.

- People with legacy prepayment meters (PPMs) – the system of delivering the Energy Bills Support Scheme (EBSS) will depend on people receiving vouchers or Special Action Measures (SAMs) to be redeemed after the qualifying date in October. This will be a more complicated system than for other electricity users and risks some vulnerable consumers missing out – previous attempts to deliver vouchers in this way have had mixed results. PPM users face substantially higher fuel poverty rates than credit or direct debit customers. We estimate that as many as 500,000 older households use a legacy prepayment meter.ⁱⁱⁱ
- Park home residents - park home residents do not have a domestic electricity supply contract because their landlord or site owner operate a commercial contract with a supplier. They may be excluded from the EBSS. There are around 85,000 park home households in England and residents are more likely to be aged 60 or older.^{iv}
- Off-gas grid homes using solid and liquid fuels (e.g. oil, coal, bottled gas) may see limited immediate benefit from the EBSS if they use minimal electricity due to a heavier reliance on solid or liquid fuels. With these fuels lacking protection from Ofgem’s price cap prices have gone unchecked, leaving many unable to afford their heating fuel. Households lacking an electricity connection will also be excluded from the EBSS.
- Some older people receiving care - housing-with-care, housing-with-support and care home residents paying for their energy via a service charge or direct to their landlord could also face barriers to accessing the EBSS.

Examples of people contacting Age UK include:

A couple who live in an area without mains gas told us they use oil for hot water, heating and cooking and have very low electricity costs. They will not receive the full benefit of receiving £400 off their electricity bill until over a year from now but will soon have to buy more oil. This lasts for about three months and last time cost around £550 but they are expecting the price to be higher now. They ask ‘How will we receive the £400 towards the cost of oil?’

A man contacted us to say he thought it was very unfair that he and others would not get the grant because they live in a park home and do not have an account directly with an energy company but still face rising bills. He pointed out that many park home residents are older and living on a limited income.

What approach should the Government take to the uprating of benefits and state pensions in future years?

Age UK was reassured to hear the Chancellor say that next year, subject to the Secretary of State's review, benefits will be uprated by this September's CPI and that the triple lock will apply to the State Pension again. As it is expected that inflation will remain high during 2022, this will feed through to next April's upratings. However, currently people must manage on State Pensions and benefits that rose by just 3.1% when inflation is currently 9% and may go higher. The newly announced support package will mainly start to come through in the Autumn although the first payment linked to means-tested benefits is due to be made 'from 14 July'.

Currently, it is September's CPI (announced in October) that is the inflation measure used for April increases. This gap means that when inflation rises quickly, as in recent months, increases will not match the price rises people face at the time of uprating. (Although of course there are also times when inflation falls between September and April). We recognise that there are technical administrative reasons why DWP needs time to implement the changes but would like the DWP to conduct a review to establish what changes are required to its systems and processes in order to close the gap.

Following the Chancellor's announcement on 26 May, are there other ways in which the Government should increase support for people on legacy benefits and state pensions ahead of the next scheduled benefit uprating in Spring 2023?

While this package of measures will provide reassurance for many lower income older people, it is not clear what will happen to prices going forward. Age UK will be tracking the experiences of older people particularly those on low income as the months go by.

How can the Government act to increase Pension Credit take-up to help pensioners with rising living costs?

The Government has, over the last year or so, been involved in a range of initiatives to encourage the take-up of Pension Credit. This includes providing information alongside the annual uprating letters and running a campaign to promote Pension Credit take-up. As

part of the campaign, it has produced press releases, publicised Pension Credit through social media, distributed leaflets, promoted the DWP toolkit aimed at helping organisations encourage take-up, and in June 2022, ran a second Pension Credit Day of Action. There is also a working group involving a range of organisations and the Pensions Minister chaired a roundtable with stakeholders including representatives from the voluntary sector, private sector, broadcasters, and local authorities. Age UK welcomes these initiatives and has been pleased to have been involved. We also support the approach of engaging a range of organisations including private companies, as a way of reaching more lower income older people who may be missing out on Pension Credit.

The work so far has focussed on looking at different ways of raising awareness and providing information to older people and their family and friends with the aim of encouraging more people to claim. This has included messages to address some of the misconceptions people have – for example people may incorrectly assume they will not be entitled to help because they own their own home or have some savings. These approaches are likely to increase the numbers of people claiming Pension Credit and it will be important to assess the impact.

However, messages will not get through to everyone, and for some people, information and encouragement will not be sufficient to overcome the range of barriers they face. These include the expectation that benefits do not apply to them, concern about the process of claiming, and negative attitudes towards claiming benefits. Age UK would like to see changes to systems so there is less emphasis on individuals having to find out about any entitlements.

Targeting those most likely to be eligible and joining up systems

Ideally people would receive their entitlements automatically but although the Government has a range of information such as tax and benefit data, it does not know everything that is needed about someone's personal and financial circumstances to determine entitlement under current rules. However, Age UK believes there is scope for the DWP to work with HMRC to look at what data is available and explore ways to identify those who are likely to be entitled to Pension Credit. These people could then be targeted directly and encouraged to claim, for example, by being sent a partially completed form. Going forward there may also be scope for modifying Pension Credit rules to reduce the amount of information need to assess entitlement.

In addition, there is a need to ensure different benefits systems are more joined up. For older people, Pension Credit, Housing Benefit (HB) and Council Tax Reduction (CTR) involve similar assessments based on much the same information about income, savings,

and other circumstances, but they involve separate claims – one to the DWP and the other to the local council. If someone claims Pension Credit, the DWP passes information to their council, but the individual must still approach the council and make a claim. Some may not pursue HB/CTR claims, especially if their Pension Credit claim has been turned down, or they find it difficult to make a claim if they are not online – many councils strongly encourage online applications. And information provided to councils for HB/CTR claims is not forwarded to the DWP to consider Pension Credit entitlement. Some councils run good initiatives to try to identify those older HB and CTR claimants who could also qualify for Pension Credit and encourage them to claim – but the individual then has to make a full claim, providing much of the same information again to the DWP.

At some point Housing Benefit will be replaced by support with housing costs within Pension Credit but this change has been delayed by the slow roll out of Universal Credit and is not planned to happen until at least 2025. Closer links and data sharing between the DWP and local authorities could ensure that no older person receiving Pension Credit misses out on help with housing costs and vice versa.

Access to information and advice services for help with Pension Credit and other support

While Age UK is very supportive of the DWP initiatives to encourage Pension Credit claims we would like the Government to widen the focus to ensure people also receive any other entitlements including HB, CTR, Attendance Allowance and Carer's Allowance (while the latter is not paid on top of the State Pension it can increase the level of Pension Credit through the carer element). All can make a major difference to low income and disabled older people. It also needs to be recognised that some people need help to navigate the systems and practical help to make an application but may not have friends and family to offer support. DWP visiting services can provide help with benefit claims, but people need to be referred to the service and capacity is limited.

Providing information, advice and support is an important role for Age UK and other voluntary sector organisations. Advisers can help people understand the different benefits that could help them and, if needed, provide practical help with claims. This is particularly important for people who have health problems and may be entitled to benefits such as Attendance Allowance which can involve a lengthy application. However, many local advice services are under great pressure. It is essential that local information and advice services have the resources they need to offer the advice and practical support that people need to claim any benefits due.

ⁱ <https://www.ageuk.org.uk/our-impact/campaigning/it-doesnt-add-up/>

ⁱⁱ Age UK analysis of Labour Force Survey Q1, 2021

ⁱⁱⁱ <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/consultation-responses-and-submissions/safe-at-home/consultation-response---technical-proposals-for-the-energy-bills-support-scheme-department-for-business-energy--industrial-strategy.pdf>

^{iv iv} HCL, 2019. Research Briefing: Mobile Park Homes. House of Commons Library. [Online]. Available at: <https://commonslibrary.parliament.uk/research-briefings/sn01080/>. [Accessed 22/04/22].