

Pension Age Winter Heating Payment consultation response from the Poverty and Inequality Commission

January 2024

The Poverty and Inequality Commission notes that the Scottish Government is consulting on the introduction of its 'Pension Age Winter Heating Payment' (PAWHP) which is intended to deliver a like for like replacement of the existing reserved benefit: the UK Government's Winter Fuel Payment.

The policy objective of the UK Government Winter Fuel Payment (and thus also the PAWHP) is to provide financial support to pension age people to keep their homes warmer during the winter. The Scottish Government expects the PAWHP to be an investment of around £180 million in the first year of delivery (24/25) which will provide support to around 1 million eligible people. The Scottish Government intends the PAWHP, like the Winter Fuel Payment it will replace, to continue to be non-means tested. Universal entitlement will be based on reaching state pension age. Take-up levels are likely to be very high given this automatic entitlement.

While there may be other legitimate policy objectives furthered by the planned PAWHP, the Commission is clear that this cannot be considered a progressive policy instrument from an anti-poverty perspective. While non-means tested benefits can play an important role in poverty reduction efforts, this particular instrument is extraordinarily poorly targeted as regards to addressing poverty.

As the equality impact assessment presented in the consultation notes, 'older households' have higher fuel poverty rates than households with families. This is also true of 'other households' that have no older people or children (e.g. working age single people or working age couples without children). However it is also the case that overall poverty rates are lower for pensioners: in 2019-22, 21% of working age people in Scotland were living in poverty compared to 15% of people of pensionable age in poverty. An effective social security intervention needs to address both the fact that some households with older adults are in fuel poverty, but also that overall poverty amongst pensioners is lower than for some other household types. The PAWHP as currently proposed does not do this, and as a result will be an inefficient spend in terms of achieving the Scottish Government's poverty reduction ambitions.

The Commission recognises the commitments that the Scottish Government made in 2019 not to change current eligibility criteria, or means test or tax the payment. The context, however, has changed significantly over the last five years. The Scottish Fuel Poverty

Advisory Panel's [response to the consultation](#) advises that progressing with a like for like payment that is only for those of a pensionable age would be a missed opportunity to address fuel poverty. The Commission agrees, and considers that this would also be a missed opportunity to address poverty more widely. It supports the Panel's view that a replacement benefit should be targeted, not universal, and underpinned by data analysis to determine where the payment would have the most impact.

The Panel has proposed that the three existing winter weather payments – Winter Heating Payment, the current Winter Fuel Payment and the Warm Homes Discount – should be consolidated in the longer term. If this is not possible, due to the restrictions imposed by the Social Security (Scotland) Act, then the Panel sets out some short term options for consideration. Possible options include targeting the PAWHP at those on Pension Credit; aligning it with the Winter Heating Payment; or treating it as taxable income, and using the tax revenues to increase levels of energy support funding in Scotland. The Commission considers that Scottish Government should explore these options further.

The transfer of the Winter Fuel Payment offers the opportunity to align funding to deliver on the Scottish Government's commitments to tackle poverty and fuel poverty. The Commission would encourage the Scottish Government to look again at options for the Pension Age Winter Heating Payment in order to do this.