
Supplementary Costing: Pension Age Winter Heating Payment

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ISBN: 978-1-911637-73-8

Published by the Scottish Fiscal Commission, September 2024

Laying number: SFC/2024/5

Foreword

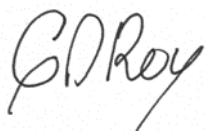
The Scottish Fiscal Commission is the independent fiscal institution for Scotland. Our statutory duty is to provide independent and official forecasts of Scottish GDP, devolved tax revenues and devolved social security spending to inform the Scottish Budget.

Our forecasts represent the collective view of the Scottish Fiscal Commission, comprising the four Commissioners. We take full responsibility for the judgements that underpin them.

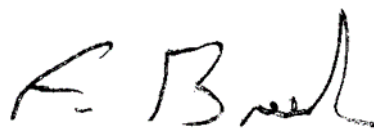
This report presents our revised forecast for the Scottish Government's Pension Age Winter Heating Payment which provides eligible households with an annual payment to help with heating costs in winter, which is to be delivered in Scotland this winter by the Department for Work and Pensions on behalf of the Scottish Government. The regulations for this payment are being laid in the Scottish Parliament today, 25 September 2024.

For legislation relating to social security payments, our objective is to ensure the Scottish Parliament has an independent estimate of the financial effects of the policy changes proposed by the Scottish Government.

We included a costing of this payment in our December 2023 forecast. We have now produced an updated forecast to reflect the effects of the eligibility change to the payment from winter 2024-25. Our assessment is that the eligibility restriction will reduce spending on Pension Age Winter Heating Payment from 2024-25.



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25 September 2024

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Pension Age Winter Heating Payment costing

Introduction

- 1 Today, 25 September 2024, the Scottish Government laid the Winter Heating Assistance (Pension Age) (Scotland) Regulations 2024 before the Scottish Parliament. Pension Age Winter Heating Payment (PAWHP) will replace the UK Government's Winter Fuel Payment (WFP) in Scotland. The payment provides financial support for older people to help towards meeting heating costs in winter.
- 2 In our December 2023 forecast, we published a policy costing for PAWHP.¹ That forecast was based on the Scottish Government's plans to replace the existing WFP on a like-for-like basis in terms of the eligibility criteria and payment amounts from winter 2024-25. At that point, most people above the State Pension age received WFP regardless of their income.
- 3 On 29 July 2024, the UK Government announced that, from autumn 2024, WFP in England and Wales will be restricted to one payment per household with one or more people over the State Pension age receiving specific qualifying benefits. Following this announcement, the Scottish Government has announced that eligibility for PAWHP will also be restricted to one payment per household with one or more people above the State Pension age in receipt of specific means-tested benefits in Scotland.²
- 4 As the executive competence for this payment has been devolved, the Scottish Government is laying the Winter Heating Assistance (Pension Age) (Scotland) Regulations 2024 to legislate for this payment. These broadly replicate the UK Government policy and, therefore, implement a payment with means-tested eligibility in winter 2024-25. The payment will be administered by the Department for Work and Pensions (DWP) via agency agreement in winter 2024-25. From winter 2025-26 onwards, the payment will be delivered through Social Security Scotland.
- 5 To assist scrutiny of the current legislation, we are now providing an updated forecast based on these regulations. The Winter Heating Assistance (Pension Age) (Scotland) Regulations 2024 cover the policy approach for the payment for winter 2024-25 in terms of eligibility and payment amount. We assume that the Scottish Government will implement the same policy approach from 2025-26 onwards.
- 6 We now estimate that the number of households receiving PAWHP will be 137,000 in 2024-25. We also estimate that the total spending on PAWHP will be £32 million in 2024-25, which is £148 million lower than our previous forecast before the policy change.

¹ Scottish Fiscal Commission (2023) [Scotland's Economic and Fiscal Forecasts – December 2023](#)

² Scottish Government (2024) [UK Government decision ends universal fuel payments](#)

Figure 1: Overall policy costing for Pension Age Winter Heating Payment, Scotland, £ million

Year	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Spending	32	33	32	30	29	29

Source: Scottish Fiscal Commission.

Measure description

- 7 Pension Age Winter Heating payment (PAWHP) will replace Winter Fuel Payment (WFP) in Scotland. The Winter Heating Assistance (Pension Age) (Scotland) Regulations 2024 state the conditions for eligibility for PAWHP in 2024-25. The payment will provide financial support towards meeting heating costs in winter to households with one or more people over the State Pension age in receipt of specific means-tested benefits who meet the eligibility criteria during the qualifying week. The main difference between WFP in England and Wales and PAWHP in Scotland will be the redetermination and appeal processes, which will be aligned with the Social Security Scotland Charter.
- 8 PAWHP eligibility is based on the person’s age, residency and presence conditions, and being in receipt of one of the following qualifying benefits:
 - Pension Credit
 - Universal Credit
 - Income-related Employment and Support Allowance (ESA)
 - Income-based Jobseeker’s Allowance (JSA)
 - Income Support
 - Child Tax Credit or Working Tax Credit.
- 9 People residing abroad may be eligible for PAWHP in winter 2024-25 only, if they receive equivalent benefits abroad.
- 10 The annual payment is automatic for those eligible with the standard payment rates of £200 or £300 per household. This depends on the age of the oldest qualifying person in the household, specifically their age by the beginning of the qualifying week in the third week in September.³
 - For those living alone, they will receive:
 - £200, if the person is under the age of 80 during the qualifying week.
 - £300, if the person is aged 80 or older during the qualifying week.

³ For winter 2024-25, the qualifying week is of 16 to 22 September 2024.

- For couples, one will get a payment of either:
 - £200, if both are of State Pension age or over, and the lead claimant is under the age of 80 during the qualifying week.
 - £300, if one or both are aged 80 or over during the qualifying week.

Eligibility and qualifying benefits take-up

- 11 In this costing, we forecast the number of households eligible to receive PAWHP from winter 2024-25. In our forecast, we assume eligible households will receive the payment automatically.
- 12 Pension Credit is a low-income benefit that was introduced in 2003 and accounts for most of the population above the State Pension age receiving a specified means-tested benefit. Pension Credit makes up the majority of the caseload for PAWHP, followed by people in receipt of Universal Credit, with the other benefits accounting for a small number of eligible people.
- 13 We forecast the number of people in receipt of the specific qualifying benefits based on the latest data trends and the changes in the State Pension age. In addition, in our qualifying benefits forecast we include an adjustment for the potential increase in the take-up of Pension Credit.
- 14 Not everyone eligible for Pension Credit or the other qualifying benefits claim the payments. Take-up refers to the number of people in receipt of benefits they are entitled to. Estimates of take-up compare the number of people who are entitled to the benefit and the number of people who claim the benefit they are entitled to. DWP estimated that the take-up for Pension Credit was around 63 per cent in 2022. This means that around only six out of ten of those entitled to Pension Credit claimed the benefit.⁴
- 15 The restriction to eligibility for winter payments might lead to more people who are entitled to Pension Credit to claim the benefit. We have included the effect of this possible increase in take-up in our forecast.
- 16 DWP estimates that the take-up of Pension Credit will increase by 5 percentage points in response to the change to Winter Fuel Payment (WFP), from 63 per cent to 68 per cent.⁵ This represents an 8 per cent increase in the Pension Credit caseload. Furthermore, UK wide claims to Pension Credit increased by 115 per cent in the five weeks since the announcement of restriction to WFP eligibility on 29 July 2024.⁶

⁴ Department for Work and Pensions (2024) [Income-related benefits: estimates of take-up: financial year ending 2022](#)

⁵ Department for Work and Pensions (2024) [Responses to Freedom of Information requests on Equality Impact Assessments produced for targeting Winter Fuel Payment](#)

⁶ Department for Work and Pensions (2024) [Weekly Pension Credit claims received from 1 April 2024 to 1 September 2024](#)

- 17 Given the short time between the policy change and the qualifying week for Pension Credit, we expect the immediate increase in take-up to be smaller than the total increase over the forecast period. We assume that the Pension Credit take-up will increase by 5 percentage points over the forecast period from the 2023-24 caseload. We forecast for this increase to be progressive, so half of the caseload increase occurs in 2024-25, reaching the full 5 percentage points from 2025-26 to the end of the forecast period.
- 18 Accordingly, the increase in take-up translates into the Pension Credit caseload increasing by 8 per cent over the forecast period. Similarly, we forecast this increase to be progressive with half of the increase occurring in 2024-25 and reaching the full 8 per cent from 2025-26 to the end of the forecast period.
- 19 Figure 2 shows our forecast of the number of households we expect to receive PAWHP. We forecast that 137,000 households will receive a payment in winter 2024-25 and 114,000 by the end of the forecast in 2029-30.

Figure 2: Forecast caseload for Pension Age Winter Heating Payment, Scotland, thousand

Year	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Caseload	137	138	132	123	114	114

Source: Scottish Fiscal Commission.

- 20 The decrease in the caseload in the later years is driven by the decreasing Pension Credit caseload as the State Pension age increase takes effect. The effect of the phasing out of the Savings Credit element of Pension Credit increasing incomes for those of State Pension age and rules on mixed age couples are also minor factors reducing the caseload.
- 21 Our forecast estimates 137,000 households to receive PAWHP in 2024-25 following the policy change. Our previous forecast in December 2023 estimated around 1 million people to receive the payment in 2024-25. These caseload forecasts of number of households and number of people are not directly comparable as they are estimated on different basis.

The costing

- 22 Our caseload forecast is broken down by age to allow us to multiply by the corresponding payment award to each household to obtain the expenditure forecast.
- 23 As set out in our February 2024 policy baselines paper, our baseline assumption is for Pension Age Winter Heating Payment to be uprated using September Consumer Price Index (CPI) inflation in the previous year.⁷
- 24 Figure 3 shows the overall spending for PAWHP of £32 million in 2024-25 and £29 million in 2029-30.

⁷ Scottish Fiscal Commission (2024) [How we set Policy Baselines](#)

Figure 3: Overall policy costing for Pension Age Winter Heating Payment, Scotland, £ million

Year	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Total spending, of which:	32	33	32	30	29	29
Spending baseline	32	33	31	29	27	27
Uprating assumption		1	1	1	2	2

Source: Scottish Fiscal Commission.

Figures may not sum because of rounding.

Changes since December 2023

- 25 We forecast a lower PAWHP caseload than in our December 2023 forecast following the restriction in eligibility for the payment to households with one or more people over the State Pension age and in receipt of qualifying means-tested benefits. The updated forecast is lower than our December 2023 forecast by £148 million in 2024-25 and by £158 million in 2028-29. As those aged over the State Pension age have an additional incentive to claim Pension Credit to qualify for PAWHP, we assume that there will be a progressive increase in the Pension Credit take-up. We forecast this to increase spending by additional £1 million in 2024-25, increasing to £2 million for each subsequent year to the end of forecasting period.
- 26 Although the Scottish Government does not have a statutory duty to uprate, our baseline assumption is that the payment will be uprated using September Consumer Price Index (CPI) inflation in the previous year. This uprating accounts for £1 million of additional PAWHP spending in 2025-26, with the compounding effect of uprating meaning that in 2028-29 it accounts for £2 million.

Figure 4: Change in forecast for Pension Age Winter Heating Payment since December 2023 forecast, Scotland, £ million

Year	2024-25	2025-26	2026-27	2027-28	2028-29
December 2023 forecast	180	184	185	184	187
Reduction in caseload due to eligibility changes	-149	-153	-156	-158	-162
Pension Credit take-up increase	1	2	2	2	2
Uprating assumption		1	1	1	2
September 2024 supplementary costing	32	33	32	30	29
Change since December 2023 forecast	-148	-150	-153	-154	-158

Source: Scottish Fiscal Commission.

Figures may not sum because of rounding.

Implications for the Scottish Budget

- 27 Executive competence for Winter Fuel Payment (WFP) was devolved to Scotland in 2024-25, and as such the Scottish Government receives Block Grant Adjustment (BGA) funding which is determined by spending on the equivalent WFP in England and Wales.
- 28 As the UK Government has restricted the eligibility for WFP, spending will decrease in England and Wales, leading to a reduction in the associated BGA funding. The Scottish Government estimates this will reduce the BGA by £150 million in 2024-25. Based on our forecast, the reduction in spending should broadly be aligned with the reduction in BGA funding.
- 29 This is the first instance of a significant UK Government social security policy change taking place in-year with an effect on BGA funding. As the UK Government policy change was announced after the 2024-25 Scottish Budget was set, the Scottish Government could defer the in-year adjustment to account for the reduction to the BGA until the final BGA can be calculated with outturn spending data and a reconciliation applied to a future Scottish Budget.

Uncertainty in the costing

- 30 In our December 2023 costing, we based our forecast on the number of people receiving WFP in Scotland and how we expected this to change in the future. This was because, at that time, the Scottish Government was planning to replace WFP with PAWHP on a like-for-like basis with no change in the eligibility criteria or payment rates.
- 31 For the updated policy costing, to estimate the number of lead claimants within households to receive the age-related winter payments in Scotland in 2024-25, we use the number of people over the State Pension age in receipt of means-tested benefits. As the eligibility changed, we cannot use the same trend assumptions and do not yet have historical data on the caseload for this payment. As more data becomes available on the PAWHP caseload, we will adjust our assumptions. If the caseload outturn is different to our assumption, it will change our forecast.
- 32 In this costing, we have assumed that the lead claimant for Pension Credit is the older person in the household. There may be some cases in which the Pension Credit data refers to a person younger than 80 years, but another member of the household is older than 80 years. In these few cases, we may have under-forecast the PAWHP spending in the household.
- 33 We have assumed that the change to eligibility for the winter payment will lead to an increase in the take-up of the qualifying benefits, specifically Pension Credit. If the outturn data shows that our assumption for this increase was too high or too low, this will affect the accuracy of our forecast. While this assumption may pose a risk to our forecast accuracy, it does not pose a risk to the Scottish Budget net position, because any increase of the Pension Credit take-up is expected to be consistent across the UK.
- 34 We assume that the number of eligible people living outside Scotland, in a qualifying country, and receiving benefits equivalent to the eligible benefits have a negligible effect on our spending forecast in 2024-25. Our forecast will be revised if data shows a substantial number of people living abroad in receipt of PAWHP.

Additional information

Abbreviations

BGA	Block Grant Adjustment
CPI	Consumer Price Index
DWP	Department for Work and Pensions
ESA	Employment and Support Allowance
JSA	Jobseeker's Allowance
OECD	Organisation for Economic Cooperation and Development
PAWHP	Pension Age Winter Heating Payment
SFC	Scottish Fiscal Commission
WFP	Winter Fuel Payment

A full glossary of terms is available on our website: [Glossary | Scottish Fiscal Commission](#).

Professional standards

The SFC is committed to fulfilling our role as an Independent Fiscal Institution, in line with the principles set out by the Organisation for Economic Cooperation and Development (OECD).⁸

The SFC also seeks to adhere to the highest possible standards for analysis. While we do not produce official statistics, we voluntarily comply as far as possible with the UK Statistics Authority's Code of Practice for Statistics. Further details and our statement of voluntary compliance can be found on our website.⁹

Correspondence and enquiries

We welcome comments from users about the content and format of our publications. If you have any feedback or general enquiries about this publication or the commission, please contact info@FiscalCommission.scot. Press enquiries should be sent to press@FiscalCommission.scot.

All charts and tables in this publication have also been made available in spreadsheet form on our website. For technical enquiries about the analysis and data presented in this paper please contact the responsible analyst:

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⁸ OECD (2014) [Recommendation on Principles for Independent Fiscal Institutions - OECD](#)

⁹ Scottish Fiscal Commission (2022) [Statement of Voluntary Compliance with the Code of Practice for Statistics and Error Policy | Scottish Fiscal Commission](#)

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ISBN: 978-1-911637-73-8

Published by the Scottish Fiscal Commission, September 2024