

## Age UK submission – HMT equalities team

### Current context for older people

For many older people, the cost of living crisis is far from over. We hear from thousands of older people who are struggling to cope with soaring prices and are worried about the prospect of another difficult winter ahead. High energy bills have depleted savings and have left many less resilient to withstand another winter of high energy prices. The cost of living crisis is pushing others living on low and modest incomes into debt. Many people who have retired are facing difficult financial situations leaving them little to fund a comfortable standard of living.

### Age UK analysis of the Office for National Statistics data finds<sup>i</sup>:

- 11.3 million people aged 50+ in Great Britain are currently finding it difficult to afford their energy bills and 16.9 million have seen their cost of living go up compared to just one month ago.
- A quarter of those over 50 in Great Britain couldn't afford an unexpected but necessary expense of £850.
- 1 in 5 (3.4 million) people aged 50 to 69 and 1 in 12 of over 70s in Great Britain have had to borrow more money or use more credit than usual in the last month, compared to a year ago.
- 1.3m of those over 50 in Great Britain had had a direct debit, standing order, or bill they have not been able to pay in the past month.
- 19% of over 70s and 50% of 50–69-year-olds in Great Britain who rent or have a mortgage are struggling to pay it.

*Note: these figures are unpublished so confidential to you for now. We intend to publish them in the next few weeks.*

Increases in State Pensions and benefits in April, alongside Cost of Living payments and other support with energy bills, have undoubtedly made an important difference to older people's finances. However, inflation remains high at 8.7% (May 2023) and those with low and modest incomes, who generally spend a high proportion of their income on essential items, continue to be under great pressure especially as food prices are nearly a fifth higher (19%) than this time last year.

We are particularly concerned about older people who are on very low fixed incomes and those whose incomes take them just above the line to qualify for additional support who can sometimes end up with even less to spend. Another group we worry about are those who incur high costs due to disability or chronic ill health.

The impact of high energy bills requires a long term solution. Age UK would like the Government to implement a fully funded social tariff by April 2024 at the latest that supports not just those on means tested benefits but everyone in or at risk of fuel poverty. This would make a huge difference to those currently missing out on financial support.

### Energy Bills

Unaffordable energy bills continue to devastate the household finances of older people. While the energy price cap will drop from July – bringing the typical annual household energy bill down to £2,074 – this is still almost double the price paid in 2021. It will lead to more than a quarter (27%) of older households<sup>ii</sup> in England being in fuel poverty from July<sup>iii</sup> and with typical bills expected to linger around this £2,000 level until at least March<sup>iv</sup>, it means 2.6 million older households face yet another bleak winter ahead. In January almost a third (29%) of those aged 60+ said their home was too cold most or all of the time, while

5% (around 800,000 older people) reported recently leaving their home to keep warm elsewhere (e.g. libraries, shopping centres, warm banks)<sup>v</sup>.

This winter older people will face continuing high prices without the crucial support offered before during this crisis (e.g. the Energy Bills Support Scheme). In the absence of a social tariff that reaches all those at risk of fuel poverty and not just those on means tested benefits, the Government must step in to deliver further support this year to ensure older people who have missed out in the past are able to warm their homes and keep well.

#### **Age UK would like the Government to:**

- Introduce a Government funded discounted energy deal (social tariff) for disabled people, unpaid carers and those on lower incomes by April 2024. This must be Government funded and provide support to those in or at risk of fuel poverty and not just those on means tested benefits to prevent people struggling missing out twice.
- Offer a prepayment meter (PPM) amnesty to give all households with a PPM the opportunity to have it uninstalled and to receive adequate compensation and permanently ban switching customers to a prepayment meter under warrant as well as forcing smart meters into PPM mode.
- Improve funding for energy efficiency improvements to housing stock, in particular targeted towards lower income households.
- Be prepared to deliver wider support payments such as an improved Energy Bills Support Scheme and a more generous Energy Price Guarantee to ensure those struggling financially but still missing out on welfare benefits are adequately supported this winter.

#### **Cost of Living Payments, State Pension and benefits**

The 10.1% rise in State Pensions and benefits in April 2023 was a great relief to many who were fearing the Government might renege on its Manifesto commitment on the triple lock. However, the full new State Pension is still only £10,600 a year and most pensioners receive less than this – in November 2022 the average annual State Pension received was £8620<sup>vi</sup>. Even after a 10.1% increase in April, this is only around £9,500 a year, whereas the Pensions and Lifetime Savings Association's work on Retirement Living Standards finds the cost of a 'minimum' lifestyle is now £12,800 a year. There is therefore still some way to go until the State Pension reaches an adequate level and the triple lock needs to remain in place this Parliament and beyond.

By confirming as early as possible that the triple lock will apply to the State Pension and that means tested benefits will be uprated by inflation, the Government can give assurance to older people who will be worrying about putting the heating on this winter.

While, ideally, people should be able to meet their basic costs from their regular income, over two million pensioners live in poverty, so it is important that Cost of Living Payments are being made again this year. The £900 payment linked to means-tested benefits (paid in three instalments), is particularly helpful. However, around a third of pensioners who are entitled to Pension Credit are not receiving it so will miss out on the payment, as well as extra weekly income.

Age UK welcomes the Government's ongoing work to raise awareness and encourage Pension Credit claims. However, awareness raising can only go so far and we believe there is scope for reaching more people through data matching - for example combining DWP, HMRC and local authority data and making benefit systems more joined up. We would also like to see the promotion of benefit take-up extended to other benefits including Attendance Allowance. Through our information and advice services, we know that many disabled older

people are missing out on this support which could help ease the pressures of the extra costs they face.

We are also concerned about those who miss out on the payments because their income is just over the level to receive Pension Credit. This may be due to a small private pension, or because the full new State Pension is just above the basic Pension Credit rate. Some are receiving help from Housing Benefit and Council Tax Reduction, but although these are means-tested benefits, they do not qualify people for the cost of living payments. People can find that, overall, they are worse off after paying essential housing costs than those receiving Pension Credit and some question why they saved for their retirement. We understand that there have to be cut off points with targeted payments, but extending the second and third instalments of the cost of living payments to those getting means-tested help with housing costs would provide much needed help to some of those just missing out on additional support.

Providing support linked to benefit receipts is a relatively straightforward way to reach people, but we are aware that there will still be significant gaps in provision. As a result, the Household Support Fund must receive additional funding alongside improvements to targeting to ensure it better delivers for those in greatest need.

#### **Age UK would like the Government to:**

- Expand the eligibility criteria for the Cost of Living Payments so that older people on Housing Benefit and/or Council Tax Reduction qualify too.
- The Household Support Fund needs to be better targeted and better funded to ensure it can adequately support those in greatest need.
- Commit to maintaining the triple lock this Parliament and beyond to help maintain living standards in retirement.
- Make a concerted effort to ensure that people receive the benefits for which they are eligible, especially Pension Credit

#### **Support for people approaching their State Pension age**

Following the review of the State Pension age, Age UK was relieved that the Government did not announce any plans to bring forward any rises. Age UK does not think that there is any justification for further rises at present, given the stagnation in life expectancy over recent years, uncertainty about improvements going forward, and the level of inequality which appears to be widening.

However, we believe that more needs to be done to support people in their late 50s and early 60s who are not in work or finding it difficult to work up until the State Pension age. For those for whom it may be possible to work, the Government needs to deliver greater support that matches the demands of the contemporary labour market, including tackling ageism, enabling more flexible working, implementing carers leave and creating more training opportunities for the over 50s. Delivering effective back-to-work support is also crucial, as over 50s who lose their job are more likely to fail to return and get stuck in long-term unemployment.

In addition, it needs to be recognised that work is not an option for everyone in this age group and we would like to see greater financial support for those approaching State Pension age who are unable to work for reasons such as caring responsibilities or ill health. Early access to the State Pension, in limited clearly defined circumstances, and increased benefit levels in the run up to State Pension age should be considered.

More generally, we believe that Universal Credit rates are too low to meet essential costs which is we support the Joseph Rowntree and Trussell Trust's 'Guarantee our Essentials' campaign.

### Age UK would like the Government to

- Provide more support to help people get back to work, or stay in work, up until the State Pension age.
- Improve financial support for those who cannot work, for reasons such as caring responsibilities or health conditions.
- Increase the basic rate of Universal Credit so people in the run-up to their State Pension age can afford the essentials such as food, household bills and travel costs.

### Get in touch

If you have any questions, or would like to meet to discuss our position please contact Age UK's Senior Public Affairs Officer, Roshni Mistry, at [roshni.mistry@ageuk.org.uk](mailto:roshni.mistry@ageuk.org.uk).

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<sup>i</sup> Office for National Statistics. 2nd June 2023. Public opinion and social trends, Great Britain: household finances. 17 to 29 May 2023 edition of this dataset. Accessed 6th June 2023. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/datasets/publicopinionsandsocialtrendsgreatbritainhouseholdfinances>

<sup>ii</sup> Older households are defined as a household where the oldest resident is aged 60 or over.

<sup>iii</sup> We define households experiencing fuel poverty as households spending more than 10% of their after-tax income on energy costs, so as to maintain an adequate standard of warmth. Age UK analysis (June 2023) of Fuel Poverty Database; BEIS; Bank of England; Department for Work & Pensions; HM Treasury; OBR; Ofgem; ONS; Prime Minister's Office.

<sup>iv</sup> CI, 2023. Cornwall Insight release final forecast for July price cap. Cornwall Insight. [Online]. Available at: [https://www.cornwall-insight.com/press/cornwall-insight-release-final-forecast-for-july-price-cap/?utm\\_source=email&utm\\_medium=email](https://www.cornwall-insight.com/press/cornwall-insight-release-final-forecast-for-july-price-cap/?utm_source=email&utm_medium=email). [Accessed 21/06/23].

<sup>v</sup> Age UK, 2023. Keeping the lights on: The case for an energy social tariff. [Online]. Available at: <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/safe-at-home/age-uk-energy-public-policy-report-march-2023.pdf>. [Accessed 23/06/23]. Pg16.

<sup>vi</sup> <https://www.gov.uk/government/statistics/dwp-benefits-statistics-may-2023>