

# Parliamentary Briefing

## Cost of living

### October 2023

#### Overview

After two years of weathering sky-high price rises on everything from food to fuel, it's clear that for millions of older people, the cost of living crisis is far from over. These high energy bills have depleted older people's savings and pushed some into debt. With their financial resilience chipped away many older people are incredibly worried about the winter ahead and are already struggling to cope. Those on very low fixed incomes are among the worst affected. However, we are also very concerned about those whose incomes take them just above the threshold to qualify for additional support and those incur high costs due to disability and chronic ill health. More needs to be done to support older people, both this winter and beyond.

Recent research with Opinium has found that **almost a third of over 60s- equivalent to 4.2 million older people have recently cut back on food or groceries due to the cost of living crisis.** Worryingly our research shows that the median pensioner household is spending around £50 per week on food today compared to £38 in 2021- the equivalent of £640 more per year.

#### Age UK's Position

**The Government must ensure older people have the support to cover essential costs this winter and take steps to protect those on low incomes in the longer term. More and better targeted support through the Household Support Fund is needed and entitlement to the Cost of Living payments should be extended to include those on Housing Benefit and Council Tax Reduction. Confirmation that the State Pension and benefits will rise with inflation in April will give older people the security they need to spend on staying warm and well this winter.**

#### Support for this Winter

The astronomical energy costs of last winter and the ongoing cost of living crisis have devastated older people's finances leaving them in a perilous state heading into another difficult winter.

Increases in State Pensions and benefits in April, alongside Cost of Living payments and support with energy bills, have undoubtedly made an important difference to older people's finances. However, for many older people, their pensions are no longer enough to cover their everyday essentials such as energy and food bills. For others, health conditions or disabilities will require them to keep the heating on over the upcoming winter, despite the financial impact.

A recent YouGov poll<sup>1</sup> showed more than one in three (36%) people aged 65+ in Great Britain described their financial situation as being worse than a year ago, with a further one in seven (14%) saying it continues to be as bad as last year.

**A third (34 per cent) of those eligible for Pension Credit are still missing out on receiving it.** The current £900 Cost of Living payments are currently linked to means tested benefits such as Pension Credit, meaning that significant numbers of those on the lowest incomes are missing out on the support available – a huge concern, especially as inflation remains high and energy analysts have said energy costs will remain high this winter.

Furthermore, some just miss out on extra help because their income is slightly higher than Pension Credit level. 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. Age UK would like to see the Government expand the eligibility criteria to include those on Housing Benefit and Council Tax Reduction.

People can find that, overall, they are worse off after paying essential housing costs than those receiving Pension Credit. The Household Support Fund is really important for supporting this group of older people.

### **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.
- Improve targeting and funding for the Household Support Fund to ensure it can adequately support those in greatest need.
- Extend the support offered by Cost of Living Payments beyond the spring.

### **Long-term support**

A growing number of older people are not able to meet their essential costs from their regular income. Our recent survey found that 1 in 3 older people are cutting back on food or other essentials. Even with the support that the Government put in place last winter, 2.5 million households were in fuel poverty last winter, and 1.3 million of those were on lower incomes. Those in vulnerable households need long-term solutions to ensure that they are never faced with the choice between heating and eating.

### **Energy social tariff**

The increases in energy bills have highlighted how quickly an essential commodity such as energy can become unaffordable and push vulnerable households to make difficult decisions on which essentials to cut back on. To ensure that vulnerable households don't face a situation like this again, Age UK would like to see an 'energy social tariff' introduced. This would discount the energy bills of those most in need and should be set at half the cost of the typical price-capped bill. The tariff should be targeted at the households in greatest need - including those in poverty, those close to the poverty line, means tested benefit recipients, carers, and people with disabilities or long-term health conditions. The tariff must also sit alongside, rather than replace, existing support like the Warm Homes Discount.

### **Increasing State Pension and benefits in line with inflation**

The inflation linked rise in the State Pension and benefits in April 2023 was a great relief to many. However, the full new State Pension is still only £10,600 a year and most pensioners receive less than this – in February 2023 the average annual State Pension received was £8,640. 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 in this Parliament and beyond. Likewise the benefits, which support the worst off pensioners, also need to rise with inflation to enable older people to manage rising prices.

### **Pension Credit**

With over two million pensioners living in poverty, it is vital that pensioners on low incomes receive all the support available to them, such as Pension Credit. However, around a third of pensioners who are entitled to Pension Credit are not claiming it, meaning they not only miss out on support to help them raise their incomes, but additional eligibility to additional payments.

While we welcome the Government's ongoing work to raise awareness and encourage take-up, we believe that more can be done. Age UK believe that there is scope for reaching more people through data matching such as combining DWP, HMRC and local authority data and making benefit systems more joined up. A small DWP trial targeting pensioners receiving Housing Benefit who could be missing out on Pension Credit is underway and is a welcome first step.

Furthermore, 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 can help ease the pressures of the extra cost they face.

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

- Commit to maintain the triple lock and raise benefits in line with inflation this Parliament and beyond and 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.
- 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.

### **Older people have told us:**

- "To keep up with gas and electric costs, I have cut my food intake to one meal a day. At times I have had to sell items from my home to be able to use my heating."- Ray, 73
- "Each month for the past year I have had to draw on savings. At the current rate I may last another year before running out."- Anonymous
- "I am £1,500 in debt with my energy bills, and I cannot see a way out of it. My arthritis and polymyalgia are getting worse, plus mental health has deteriorated as I am worried constantly how I'm going to pay my bills. We have reached the point where we don't have enough money left for food."- Jean, 63
- "I only have a small private pension plus state pensions, so I still am working at 75 to afford to live."- Barbara, 75

### **Get in touch**

If you have any questions or would like to meet to discuss an energy social tariff 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> YouGov poll of 3364 GB adults surveyed online on 22nd September 2023. Question asked: "How would you describe your financial situation now, in comparison to how it was 12 months ago?" Available at <https://yougov.co.uk/topics/economy/survey-results/daily/2023/09/22/359da/2>. Accessed 26<sup>th</sup> September 2023.