



Department  
for Work &  
Pensions

# Payment of Winter Fuel Payments in EEA:

Impacts of the proposed temperature link

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# Background

Currently, as of winter 2012/13, people who live in the EEA or Switzerland who have a genuine and sufficient link to the UK are potentially eligible to receive the Winter Fuel Payment (WFP), regardless of whether they previously had entitlement to it whilst living in the UK. This is a change from previous years, following a 2011 European Court of Justice ruling (the 'Stewart Case'). Prior to 2012/13 only people who had entitlement to WFP prior to moving overseas, were eligible. The number of claimants of the WFP living in the EEA and Switzerland is thus forecast to increase from 2012/13 onwards, as awareness of the change in eligibility spreads.

The proposed WFP temperature link (WFP-TL) limits the increase in overseas WFP expenditure by restricting the export of WFP to those who live in EEA countries with an average winter temperature that is comparable to that of the UK. The WFP-TL (announced in the 2013 Spending Review, SR13) is likely to apply from winter 2015/16, and the new rules would apply to all eligible people living in the EEA or Switzerland from that point onwards, whether they were newly eligible for the payment, or had already received the WFP in previous years. The WFP-TL proposal lists 7 countries (Cyprus, France, Gibraltar, Greece, Malta, Portugal and Spain) that will become out of scope for payment of WFP.

This analytical publication provides an overview of the analysis and data behind the WFP-TL proposal, and considers the number of people who would lose the payment under the proposal, as well as the forecast impact on the UK public finances. Some of the numbers in the publication have previously been published whilst some are placed in the public domain for the first time. The estimates behind the proposal will be scrutinised by the Office for Budget Responsibility at the Autumn Statement later this year. The proposal requires secondary legislation to be passed, most likely in early 2015, before it takes effect.

The analysis is based largely on WFP data of payments made up to and including winter 2011/2012. The next scheduled release of WFP data, covering winter 2012/13 is scheduled for release in September 2013.

# Analysis

To arrive at an overall assessment of the total number of people expected to be affected by the WFP-TL proposal, as well as the expected savings, there were two stages to the analysis (i) predict the number of people in EEA and Switzerland expected to receive WFP under the current rules; (ii) estimate the total number of people in countries excluded by the WFP-TL who will lose eligibility under the WFP-TL proposal.

Figures are rounded to the nearest 1000 cases unless otherwise stated.

## **(i) Current recipients of WFP in EEA and Switzerland**

The following two sections present background information and analysis on WFPs made to recipients in EEA countries plus Switzerland, prior to the WFP-TL proposal.

### **Position prior to the ‘Stewart Case’ (winter 2011/12)**

Prior to winter 2012/13, the only people living in the EEA and Switzerland who were eligible to receive the WFP were those who had gained their entitlement to WFP before leaving the UK.

For winter 2011/12, there were 75,000 recipients of the WFP in the EEA or Switzerland, receiving a total of £12.8m in expenditure<sup>1</sup>, that's 0.6% of the 12.7million recipients of the WFP overall in that year. This was a 9-fold rise in the number of recipients living in the EEA and Switzerland that received WFP over the 9 year period between 2002/03 and 2011/12 - from 8,000 to 75,000<sup>1</sup>. However, over the last three years the increase in EEA and Switzerland claimants has slowed. Additionally the increase in the qualifying age for the WFP (the WFP is linked to women's state pension age) has a downward pressure on the number of future recipients.

Spain, France and The Republic of Ireland are the countries which have consistently had the largest numbers of overseas recipients of the WFP, with 34,000, 18,000 and 7,000 recipients respectively in winter 2011/12. The corresponding expenditure to these countries was £5.8m, £3.1m and £1.2m respectively<sup>1</sup>.

### **Position following the ‘Stewart Case’ (winter 2012/13)**

Following a 2011 European Court of Justice ruling (the ‘Stewart Case’) entitlement to the WFP was extended to those people who live in the EEA or Switzerland who have

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<sup>1</sup> Published DWP data: breakdown of WFP caseload and expenditure by EEA country (the caseload table is also found in the Annexe to this document)  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/195343/wfp\\_eea\\_residents\\_publication.xls.xls](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/195343/wfp_eea_residents_publication.xls.xls)

a genuine and sufficient link to the UK but did not previously have entitlement to the WFP whilst living in the UK. This change commenced for winter 2012/13.

Entitlement to the state pension is a good proxy for those living in the EEA and Switzerland who could have a genuine and sufficient link to the UK and therefore be entitled to the WFP. In February 2012, there were 450,000 recipients of the UK state pension living in EEA countries plus Switzerland<sup>2</sup>. This is projected forward assuming the EEA and Switzerland state pension caseload increases inline with the forecast increase in the total state pension caseload<sup>3</sup>, giving 456,000 recipients in 2012/13.

Unlike the state pension, the WFP is available to men once they reach the women's state pension age (SPA). We therefore estimated the number of men aged between women's SPA and 65 who live in the EEA and Switzerland that could be entitled to the WFP (15,000, based on inflows to state pension). Adding this to the state pension cases above gives an estimated 471,000 people in the EEA and Switzerland who are potentially entitled to the WFP in 2012/13.

We also project forward the number of people already in receipt of the WFP prior to the Stewart Case, assuming the trend is consistent with the overall trend in WFP cases. We estimate that around 74,000 are expected to already be in receipt of the WFP in 2012/13, leaving a potential increase in the WFP caseload of 397,000.

We do not expect full take-up of the WFP entitlement, since initially awareness will be low. We have little evidence on how the take-up will build over time, so we have used a scenario that will be tested and amended as data on take-up becomes available. The take-up build used in the estimates is shown in the following table, along with the estimated increase in cases and expenditure.

#### Estimated take-up of WFP by newly entitled cases in EEA and Switzerland

	2012/13	2013/14	2014/15	2015/16	2016/17
% of cases taking up entitlement	15%	20%	30%	40%	50%
Number of additional cases (thousands)	60	95	130	160	165
Additional expenditure (millions rounded to nearest £10m)	£10	£20	£20	£30	£40

The expenditure is estimated using the payment amounts of £200 (for under 80's) and £300 (for over 80's) applied to the take-up population adjusted for household composition based on the UK household composition of WFP recipients.

In the extremely unlikely event of 100% take-up, the cost of paying the WFP to those 397,000 people would be an additional £80m in 2012/13.

<sup>2</sup> DWP Tabulation tool: [http://tabulation-tool.dwp.gov.uk/100pc/sp/tabtool\\_sp.html](http://tabulation-tool.dwp.gov.uk/100pc/sp/tabtool_sp.html)

<sup>3</sup> DWP publishes forecasted caseloads for State Pension and Winter Fuel Payments here: <https://www.gov.uk/government/organisations/department-for-work-pensions/series/benefit-expenditure-tables>

## **(ii) Impacts of WFP-TL proposal**

The proposed WFP-TL (as announced in 2013 Spending Review, SR13) would limit the above described increase in EEA WFP expenditure by restricting the export of WFP to those who live in EEA countries which have an average winter temperature that is comparable to that of the UK.

It is anticipated that the WFP-TL proposal will apply from winter 2015/16, and the new rules would apply to all eligible people living in the EEA or Switzerland from that point, whether they were newly eligible for the WFP, or had already received it in previous years. The WFP-TL proposal lists 7 countries (Cyprus, France, Gibraltar, Greece, Malta, Portugal and Spain) that would become out of scope for WFP.

The expected impact on recipients and expenditure has been estimated based on the estimated caseload and expenditure following the 'Stewart Case' changes outlined in the previous section. The analysis of the WFP-TL will be scrutinised by the Office for Budget Responsibility (OBR) at the Autumn Statement later this year.

Published data shows that in winter 2011/12 there were 62,000<sup>1</sup> people who received the WFP living in the countries that will in the future become out of scope under the WFP-TL proposal. Assuming the distribution of entitlement in these countries remains as now, and that the trend is consistent with the overall WFP recipient trend, we forecast this to reduce to 60,000 for winter 2014/15. The proposal will directly affect these people, assuming their circumstances do not change. Following the 'Stewart Case' we estimate there to be an additional 72,000 recipients of the WFP in those countries out of scope under the WFP-TL in 2015/16.

Therefore, in the first year of implementation there will be an estimated 132,000 people in the EEA who will no longer be entitled to WFP. By not paying WFP to these people, the reduction in WFP expenditure resulting from the WFP-TL proposal is estimated at £30m a year from 2015/16 onwards.

## **Uncertainties in the analysis**

Much of the analysis presented here is based on published forecasts of entitlement to WFP and the state pensions, and forecasts are subject to some degree of uncertainty, and the estimates for future years will change as new data and revised forecasts become available.

The largest uncertainty in the analysis is the estimates of the take-up of WFP as awareness of the Stewart Case spreads. Increasing or decreasing the central take-up scenario results in a range of expenditures around our central £30 million a year estimate of £20 to £40 million (rounded to the nearest £10m).

# Annexe 1

**Table 1 - Number of WFPs paid to eligible customers living in EEA and Switzerland by country by winter (1000s)**

([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/195343/wfp\\_eea\\_residents\\_publication.xls.xls](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/195343/wfp_eea_residents_publication.xls.xls))

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Spain	5,165	10,390	16,215	21,270	24,615	27,270	31,145	33,025	33,495	33,815
France	1,780	3,795	6,470	9,410	11,460	13,560	16,075	17,445	17,815	18,155
Rep of Ireland	660	1,395	2,365	3,450	4,270	5,095	5,970	6,485	6,810	7,155
Cyprus	-	-	-	2,170	2,990	3,765	4,675	5,135	5,300	5,420
Portugal	105	255	450	720	905	1,165	1,510	1,760	1,935	2,080
Italy	95	200	360	585	725	920	1,115	1,290	1,360	1,425
Greece	65	150	270	480	655	865	1,110	1,260	1,345	1,405
Germany	90	225	370	540	645	795	985	1,125	1,165	1,220
Malta	-	-	-	415	570	695	870	945	1,040	1,110
Switzerland	10	20	45	85	110	165	245	305	350	370
Bulgaria	-	-	-	-	-	-	-	145	275	330
Poland	-	-	-	70	115	150	190	245	265	320
Netherlands	25	60	85	145	170	205	225	260	260	295
Sweden	5	30	40	65	90	120	170	205	220	255
Austria	15	25	45	85	115	130	175	215	230	250
Belgium	20	35	65	105	125	145	180	185	195	205
Gibraltar	30	50	75	90	100	135	170	180	190	200
Hungary	-	-	-	55	85	115	155	170	170	180
Denmark	10	20	30	50	50	70	85	100	105	120
Finland	10	10	20	30	40	45	55	60	70	80
Norway	0	10	15	20	30	50	60	70	70	80
Czech Rep.	-	-	-	5	10	20	30	40	40	50
Rep. Latvia	-	-	-	5	10	15	25	30	35	35
Luxembourg	5	5	10	15	15	15	20	25	30	30
Rep. Slovenia	-	-	-	0	5	10	20	25	20	25
Rep. Lithuania	-	-	-	5	5	5	10	20	15	20
Romania	-	-	-	-	-	-	-	10	15	20
Iceland	0	0	5	5	5	0	5	5	5	10
Rep. Estonia	-	-	-	5	5	10	5	5	5	10
Slovak Rep.	-	-	-	0	0	5	5	10	10	10
Liechtenstein	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>8,090</b>	<b>16,675</b>	<b>26,935</b>	<b>39,880</b>	<b>47,920</b>	<b>55,540</b>	<b>65,285</b>	<b>70,780</b>	<b>72,840</b>	<b>74,685</b>