



19 November 2024

Dear Debbie

Thank you for inviting Peter Schofield and me to attend the newly formed Work and Pensions Select Committee held on 13<sup>th</sup> November. I was very pleased to be able to share with you the important work my Department is doing and I very much look forward to working constructively with you in future.

During the evidence session, I outlined my commitment to being open and transparent with the public and parliament on all matters relating to DWP including on the Winter Fuel Payment.

In line with that commitment, today, 19 November, this letter contains internal government modelling produced by the Department as part of routine policy advice.

The modelling outlines estimates of the number of pensioners that are estimated to move into poverty as a result of this change.

Full details are included in the annex to this letter.

At the time of the original policy decision, the internal modelling showed that compared to the numbers that would have been in poverty without this policy, restricting Winter Fuel Payment eligibility would result in each year in question an estimated additional 100,000 pensioners in relative poverty after housing costs in 2025/26, 50,000 in both 26/27 and 27/28 and 100,000 in 28/29. For absolute poverty after housing costs, it is estimated that an additional 50,000 pensioners will be in poverty in each year in question from 25/26 to 28/29.

However, this modelling has since been updated to incorporate more up-to-date OBR economic assumptions and to include the impacts in 24/25. Updating the economic assumptions changes the factors (wages, growth) affecting the median income and therefore using updated economic assumptions will change the projected poverty impacts.

The latest modelling shows that compared to the numbers that would have been in poverty without this policy, it is estimated that in each year in question there will be an additional 50,000 pensioners in relative poverty after housing costs in 2024/25, 2025/26 and 2027/28, instead. The modelling also shows that an additional 100,000 pensioners are estimated to be in relative poverty after housing costs in 2026/27, 2028/29 and 2029/30. For all other measures of poverty it is estimated that there will be an additional 50,000 pensioners in poverty each year from 2024/25 to 2029/30.

The poverty impacts represent the change in the numbers in poverty as a result of the policy change only. They are not an estimate of the change in overall poverty each year or over time and should not be added together or interpreted as cumulative data.

It's important to note that this modelling is subject to a range of uncertainties meaning the poverty impacts are rounded to the nearest 50,000 individuals which should be taken into account when interpreting the results. This means that small variations in the underlying numbers impacted can lead to much larger changes in the rounded headline numbers.

It should be noted that the modelling does not take into account any impacts of the measures we are taking to increase Pension Credit take-up and to ensure pensioners get the benefits to which they are entitled. As I outlined in my evidence, we are taking significant steps to encourage those pensioners who are entitled to claim Pension Credit to do so with the success of our campaign boosting applications by 152%, and I will continue with this endeavour. For example, we have written to 120,000 pensioners in receipt of Housing Benefit who may also be entitled to Pension Credit to encourage them to claim. In the longer term, we are working to bring together the administration of Pension Credit and Housing Benefit, to ensure that pensioner households receive the benefits to which they are entitled.

We have also put in place extra financial support for the most vulnerable households including pensioners through the £150 Warm Home Discount to help with energy bills, the Cold Weather Payments and our extension of the Household Support Fund.

Means-testing Winter Fuel Payments was not a decision this government wanted or expected to take. However, we were forced to take difficult decisions to balance the books in light of the £22 billion black hole we inherited.

Given the dire state of the public finances, it's right that we target support to those who need it most while we continue our work to fix the foundations and stabilise the economy – which is the best way to support pensioners in the long term and is what has allowed us to deliver our commitment to the triple lock.

I will be happy to update the Committee further in due course.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Liz Kendall', written in a cursive style.

**RT HON LIZ KENDALL MP**

**Annex: Further detail on the estimated impact of the winter Fuel Payment eligibility change on pensioner poverty levels**

This document provides internal modelling estimates of the impact on the number of pensioners in poverty from FYE 2025 to FYE 2030.

## Methodology

The Department for Work and Pensions' Policy Simulation Model (PSM) is used to model the impact of policies on individuals and poverty levels in the UK. The PSM is a static microsimulation model based on a snapshot of the UK population from the Family Resources Survey (FRS), currently for the financial years ending 2020, 2022 and 2023. It uses caseload forecasts alongside benefit rules to simulate results such as poverty levels for each year, currently up to and including FYE 2030.

To model the impact of policies the PSM compares new policies to a baseline scenario, which assumes existing benefit rules, and estimates the impact of the policy change on poverty rates in the year in question. **The poverty impacts represent the change in the numbers (and percentages) in poverty as a result of the policy change only. They are not an estimate of the change in overall poverty each year or over time and should not be summed.**

The analysis presented here is an updated version of the analysis used to inform the decision to means test winter fuel payments. It uses new (FYE 2023) FRS data and the OBR's Round 2 Autumn Budget 2024 Economic Assumptions - the most up to date model at the time of writing. It also has improved methodology to account for the full updated eligibility criteria and is rounded to 50,000 individuals. The modelling does not account for any other measures announced at the Autumn Budget. The modelling also does not include any impacts on Pension Credit take-up as a result of the changes to Winter Fuel Payment eligibility.

Estimates are rounded to the nearest 50,000 individuals and the nearest 0.1 percentage point due to uncertainties inherent in the modelling approach. This means that small variations in the underlying numbers impacted can lead to larger changes in the rounded headline numbers. For example, an estimated increase in poverty in the underlying data of 74,000 would be rounded to 50,000, whilst an increase of 76,000 would be rounded to 100,000. Analysis is at a UK level.

Poverty analysis is presented for four measures of poverty, both relative and absolute low income, both before and after housing costs. Further information on the methodology behind these measures can be found here [How low income is measured in households below average income statistics - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/how-low-income-is-measured-in-households-below-average-income-statistics) and here [Household below average income series: quality and methodology information report FYE 2021 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/household-below-average-income-series-quality-and-methodology-information-report-fye-2021).

## Poverty impacts of the policy change

The analysis of the poverty impacts takes into account only pensioners in households affected.

Compared to the numbers that would have been in poverty without this policy, it is estimated that in each year in question there will be an additional 50,000 pensioners in relative poverty after housing costs in FYE 2025, 2026 and 2028, and an additional 100,000 pensioners in relative poverty after housing costs in FYE 2027, 2029 and 2030. For all other measures of poverty it is estimated that there will be an additional 50,000 pensioners in poverty each year from FYE 2025 to 2030. See Table 1.

**Table 1: Impact of WFP policy change on projected numbers and proportions of pensioners in poverty from FYE 2025 to FYE 2030**

Impact on poverty levels compared to baseline	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
<b>Relative poverty after housing costs</b>						
Change in number of pensioners in poverty	+50,000	+50,000	+100,000	+50,000	+100,000	+100,000

Percentage point change in pensioner poverty rate	+0.5ppt	+0.5ppt	+0.6ppt	+0.6ppt	+0.7ppt	+0.6ppt
<b>Absolute poverty after housing costs</b>						
Change in number of pensioners in poverty	+50,000	+50,000	+50,000	+50,000	+50,000	+50,000
Percentage point change in pensioner poverty rate	+0.3ppt	+0.3ppt	+0.3ppt	+0.3ppt	+0.2ppt	+0.3ppt
<b>Relative poverty before housing costs</b>						
Change in number of pensioners in poverty	+50,000	+50,000	+50,000	+50,000	+50,000	+50,000
Percentage point change in pensioner poverty rate	+0.4ppt	+0.4ppt	+0.5ppt	+0.5ppt	+0.5ppt	+0.5ppt
<b>Absolute poverty before housing costs</b>						
Change in number of pensioners in poverty	+50,000	+50,000	+50,000	+50,000	+50,000	+50,000
Percentage point change in pensioner poverty rate	+0.4ppt	+0.4ppt	+0.4ppt	+0.3ppt	+0.4ppt	+0.3ppt

Note: Figures are not cumulative