

**Entitlement estimates for Pension Credit:
Pre-Budget Report 2004 projections**

Summary

We estimate that there are around **3.80 million pensioner households** eligible to receive Pension Credit in Great Britain in 2004/05. This is projected to increase to around 4.10 million by 2007/08. This is based on the 2002/03 Family Resources Survey (FRS).

The previous figure for 2004/05 was slightly lower at 3.75m. The difference results from updated population projections, and improvements to the methodology which projects incomes between the FRS survey year (2002/03) and the current year.

Given an estimated margin of uncertainty of around 0.25 million either side of the estimate, this means that the true size of the eligible population in 2004/05 is likely to be between 3.55 million and 4.05 million.

These figures are projections based on the latest available data, and are due to be updated alongside the Budget 2005. Actual figures on entitlement for 2004/05 will not become available until sometime next year, published in the usual National Statistics publication.

Latest estimates

**TABLE 1: Numbers of households / individuals
entitled to Pension Credit**

Estimates	2003/4	2004/5	2005/6	2006/7	2007/8
PBR 2004: Entitled Households	n/a	3.80m	3.85m	3.95m	4.10m
PBR 2004: Entitled Individuals	n/a	4.90m	5.00m	5.15m	5.35m
<i>May 2004 estimate of households entitled (based on 2002/3 FRS)</i>	<i>n/a</i>	<i>3.75m</i>	<i>3.85m</i>	<i>3.95m</i>	<i>4.1m</i>
<i>March 2004 estimate of households entitled (based on 2001/2 FRS)</i>	<i>3.8m</i>	<i>3.85m</i>	<i>3.95m</i>	<i>4.05m</i>	<i>4.25m</i>

Figures in millions, rounded to the nearest 0.05million

1. Table 1 also demonstrates previous estimates of entitlement. The estimates have changed for PBR 2004 for the following reasons:
 - Different population projections, as issued by the Government Actuary's Department (GAD) in September 2004
 - Growth in population over the period applied at a lower level of disaggregation

- Adjusting the population in different age bands and Government Office Regions to account for some of the sampling biases within the FRS.

How the estimates are produced

2. The estimate for pensioners in private households for 2004/05 is based on the Department's Policy Simulation Model (PSM), which uses 2002/03 Family Resources Survey (FRS) data, **projected forward** to reflect known changes in taxes and benefit rates and **expected** changes in incomes to 2004/05.
3. Since the **survey data is from a year in which Pension Credit was not yet available**, the Pension Credit rules have had to be modelled, adding extra uncertainties into the figures.
4. For years beyond 2004/05 we assume that the Guarantee Credit will be uprated with earnings and the Savings Credit will increase proportionately with the Basic State Pension. This is consistent with current Government commitments.
5. We make the assumption that pensioner incomes will grow in line with earnings. State Pensions are only uprated with prices, but we expect individual entitlements to increase over time as a result of effects such as women's improved contribution records, Home Responsibilities Protection and State Second Pension (S2P).
6. Eligibility estimates for those in residential care and nursing homes (0.2 million) have not changed since the last estimates (circulated in May), except for new growth rates due to the new population projections issued by GAD in September 2004. Residential care and nursing homes are not covered by the FRS, so further breakdowns are only provided for private households.
7. The methodology is under constant review, and subject to change as new data becomes available and as new forecasts are released (currently twice a year, at Budget and PBR).

Important caveats to note

8. Providing breakdowns is subject to wide error bounds and so care should be taken with the figures, and the figures also incorporate additional uncertainties due to them being projections based on data from two years ago (the most recent currently available), which necessarily involves making a range of assumptions about how incomes have moved over the period.
9. For sampling and response error reasons, we do not consider figures accurate enough to provide a split between Guarantee Credit only cases, and those who receive Guarantee Credit combined with Savings Credit.
10. Colleagues in Pensions Analysis Division did work last March to assess the margin of uncertainty around the estimate of numbers eligible to Pension Credit. They suggested a range of ± 0.25 million. Applying this to the latest central estimate suggests that the true figure lies somewhere between about 3.55 million and 4.05 million households.

Usage of the Figures

11. . Because of the significant number of assumptions that need to be made to turn actual information from two years ago to estimates of entitlement in the current year and future years, they should be regarded as indicative. For this reason it is also inadvisable to derive take-up estimates from these figures.
12. Actual figures on entitlement and take-up, meeting National Statistics standards, are published on an annual basis, and are subject to less uncertainty due to usage of actual information for the year in question, removing the need for assumptions on growth in incomes and population, and involving significantly more rigorous quality checks and adjustments for known data deficiencies. Estimates for 2004/05 are likely to be published next year, and will provide the definitive estimates of entitlement and take-up in the current year.