

Emergency Budget

What it means to carers. On the day briefing

Summary

The Chancellor set out savings of £17bn today, with £12bn coming from welfare cuts and £5bn coming from tax evasion/avoidance measures. Further savings will come from departmental budget cuts, to be set out in the Autumn.

The £12 billion savings to the welfare bill are to be gained from a number of different areas including freezes to many benefits, a lowering of the benefit cap, significant changes to Tax Credits and a number of changes to support with rent and some changes to mortgage payments for householders. There were changes to maintenance grants for those in higher education, which will become a loan based system.

The Chancellor also announced a new 'National Living Wage' for those over 25 years old.

Carer's Allowance

Carer's Allowance will increase in line with the Government's measure of inflation, the Consumer Price Index. The Carer premia on other benefits will also rise with inflation even where the rest of the benefit is frozen.

Disability benefits and related premia will also rise with inflation.

Verdict: Following press speculation of a cut to Carer's Allowance, carers will be relieved that it has not been cut. The protection of carers and disability benefits from the benefits freeze is welcome, but carers receiving other working age benefits such as income support or will see at least part of their income affected by this freeze. See below.

Benefits Freeze

Most working-age benefits will be frozen for four years from April 2016. This will apply to Jobseeker's Allowance; Employment and Support Allowance; Income Support; Child Benefit; applicable amounts for Housing Benefit; and Local Housing Allowance rates, with provision for high rent areas.

It **excludes** Maternity Allowance; Statutory Sick Pay; Statutory Maternity Pay; Statutory Paternity Pay; Statutory Shared Parental Pay; and Statutory Adoption Pay; disability, carers and pensioners' premia in the frozen benefits; the Employment and Support Allowance Support Group component; and other disability, carer and pensioner benefits, which will continue to be uprated in relation to prices or earnings as applicable.

Verdict:

Many carers and their families rely on working-age benefits that are due to be frozen, placing greater pressure on finances. The Joseph Rowntree Foundation have calculated that the cost of essentials went up three times quicker than average pay between 2008 and 2015¹ meaning that these kinds of below inflation increases compound the difficulties families face with rising fuel and food prices.

National Minimum Wage/National Living Wage

From April 2016, a new National Living Wage of £7.20 an hour for the over 25s will be introduced. This will rise to over £9 an hour by 2020.

National Minimum wage rates are usually updated every October. The Government has announced a review to align it with the tax year.

Verdict:

¹ <http://www.jrf.org.uk/publications/measuring-poverty-inflation>

Whilst this increase is welcome in itself, it threatens to cause significant difficulties for carers over 25 who are currently entitled to Carer's Allowance. To be entitled, a carer can earn a maximum of £110 per week after deductions.

The National Living Wage will take those working 16 hours or more (the minimum requirement for many to receive WTC) over this threshold meaning they will have to choose between cutting their hours (if that is an option) and missing out on WTC or lose out on Carer's Allowance.

This issue has arisen before and Carers UK has repeatedly urged the Government to put in place reforms to ensure that this conflict does not arise again by, as a minimum, automatically increasing earnings limit each year in line with the National Minimum Wage or Living Wage. However the right long-term solution is to remove this 'cliff edge' earnings limit altogether and introduce an 'earnings taper' so that the benefit is gradually reduced with earnings.

For those receiving Working Tax Credits, the National Living Wage increases will be partly offset by reductions in the amount of Working Tax Credits.

Income Tax

The Chancellor announced that the income tax threshold (the amount you can earn without paying income tax) will rise from £10,600 in 2015-16 to £11,000 in 2016-17. It will increase to £11,200 from 2017-18 and to £12,500 by 2020.

The Chancellor also announced that the government will legislate to ensure that once the personal allowance has reached £12,500, it will always be set at least at the equivalent of 30 hours a week on the National Minimum Wage. This will ensure that those working up to 30 hours on the National Minimum Wage will not pay income tax in the future.

Verdict:

This could benefit carers who are juggling part-time work with caring for older and disabled loved ones. But, for some families, keeping more earnings by paying less or no income tax, could be substantially offset by cuts to their tax credits and benefits.

Employment Support Allowance

From April 2017 **new** claimants who are not fit for work but are placed in the ESA Work Related Activity Group will receive £29.70 less per week than under current rules. This will bring them in line with those on Job Seekers Allowance.

Verdict:

This is a worrying change for those that have been assessed as being unfit for work (as all of those receiving ESA have been). Support to return to work when ready in the form of work related activity is important but these people are very likely to need more support and it will depend on their health as to when they will be able to return to work. These changes mean that many will have to manage on very low incomes.

Many carers who for a number of reasons are not entitled to Carers Allowance are likely to be in this group and will be affected by this change.

Tax Credits

The Government announced a series of changes to tax credits. Some of them affect all potential recipients for example, the income threshold for tax credits is to be reduced from £6,420 to £3,850.

Others affect those with larger families who will be particularly hit by tax credit changes if they have children from April 2017. For example, new claimants will see child tax credits and Universal Credit limited to the first two children.

Verdict:

The impact of multiple changes to Tax Credits will require further scrutiny but it is likely that resulting reductions to the incomes of those working part time and caring will be greater than the improvements to income from increases in the minimum wage.

Benefit cap

The £26,000 cap on benefits will be reduced to £20,000 (£23,000 in London)

Verdict:

The Benefit cap currently affects a small but significant group of people including those who are caring for and live with a non-dependent person such as a child or grandparent. The Government's original 2012 Impact Assessment estimated that around 5000 recipients of Carer's Allowance would be affected and this number is likely

to increase as the Cap is lowered. The Government should urgently reassess the impact of the policy on carers.

Other Housing related announcements

Rents for social housing will be reduced by 1% a year for 4 years, and tenants on higher incomes (over £40,000 in London and over £30,000 outside London) will be required to pay market rate, or near market rate, rents.

Verdict:

Little detail is available on the requirement of those on higher incomes to pay rent at or near market rate.

Changes to the Support for Mortgage Interest: The waiting period will return to the pre-recession length of 39 weeks, but the capital limit will be maintained at the higher level of £200,000. From April 2018, new SMI payments will be paid as a loan. Loans will be repaid upon sale of the house, or when claimants return to work.

Verdict: There is not sufficient information yet on who this will affect and whether it will affect existing claimants. Potentially this could significantly increase debt amongst home owners who end up in financial difficulty due to disability or caring responsibilities.

Cost of living

Fuel duty remains frozen in 2015. The Chancellor has extended the time before a car needs its first MOT test from 3 years to 4.

Verdict:

Families struggling with the costs of running a car will be relieved that fuel duty will not be adding more to their petrol bills which are often disproportionately high for carers – particularly those in rural areas and caring at a distance.

Carers and their families often face far higher living costs. Our Caring & Family Finances made a number of recommendations related to the cost of transport and household bills, particularly energy bills. There is nothing in this Budget to address these extra costs of living.

Savings and Pensions

Pensioners benefits will not be frozen. The Chancellor has committed to continuing the 'triple lock' on the State Pension meaning it will rise every year in line with wages, prices or 2.5% – whichever is highest.

Other benefits for pensioners including the Winter Fuel Allowance will be continue to be protected. The BBC will take on responsibility for maintaining free TV licences for those over 75 years old.

Verdict:

This is a welcome protection for older carers. Older carers are the fastest growing group of carers – increasing by 35% between 2001 and 2011.

Childcare

From September 2017, working families with 3 and 4 year olds will receive 30 hours of free childcare – an increase from the 15 hours they're currently offered.

Verdict:

This was a promise in the Conservative Manifesto. It will be welcome for those with childcare. However, family income will be partly offset by changes to Tax Credits and a freeze on Child Benefit.

It also comes with an expectation from the Government that parents whose youngest child is aged three or above including single parents will look for work if they are to receive Universal Credit.

Carers UK urges the Government to confirm whether the free childcare pledge will include specialist childcare for children with disabilities.

NHS and Social Care

NHS spending will increase by £8 billion per year by 2020 in line with the extra spending called for as part of NHS England's Five Year Forward View.

Verdict:

This puts in place the Conservative Manifesto promise to increase spending on the NHS by £8 billion by 2020. This is the minimum amount which NHS England Chief Executive Simon Stevens suggested the NHS needed to maintain current provision. It assumes NHS efficiency savings of £13 billion over this period and does not reflect any extension of service.

The Budget said nothing about further spending to address the critical need for **investment in social care**. The LGA and ADASS estimate that by the end of the decade there will be a £4.3 billion funding gap in adult social care. This year alone, adult social care budgets will reduce by a further £0.5 billion in cash terms. Taking the growth in numbers of older and disabled people into account, this means that an additional £1.1 billion would be needed to provide the same level of service as last year. An announcement is needed urgently on the future of social care funding. The commitment to NHS resources will not achieve its aims if social care continues to be underfunded and create increasing demand for NHS services.

Contact us

To find out more contact:

Chloe Wright, Policy and Public Affairs Manager

T: 020 7378 4942 E: chloe.wright@carersuk.org

Keep up to date with our campaigns and research:

Carers UK

20 Great Dover Street

London SE1 4LX

T: 020 73784 4999

E: info@carersuk.org

CarersUK.org

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