CARERS UK
the voice of carers

Policy Briefing

Budget 2014: What it means for carers

March 2014

Summary

Whilst announcing some elements of a more favourable economic forecast, the Chancellor also confirmed that spending reductions will continue for at least the next five years including the planned introduction of a cap on total welfare spending. Alongside a number of changes to tax and duties, the Chancellor also announced additional support for savers, new flexibility on accessing private pension pots and a small increase in the Carer’s Allowance earnings limit.

This briefing is a short summary of the major areas of the ways in which the March 2014 Budget will affect carers and their families.

Carer’s Allowance earnings limit (all UK)

The Carer’s Allowance earnings limit will increase from £100 to £102 a week from May 2014

Carers can currently earn up to £100 a week without losing Carer’s Allowance, but this earnings limit has not risen since 2010 which has caused serious problems for carers who are able to combine caring with low-paid work.

Each year, as the minimum wage has increased, carers who were earning just under the £100 limit have been pushed over the earnings limit even though they are working exactly the same number of hours. They have faced the absurd situation of having to ask for a cut in hours or face losing £59.75 a week in Carer’s Allowance, because they were suddenly earning just £1 a week more than the earnings limit. This caused a particular problem for carers in receipt of Working Tax Credit, as they needed to be working 16 hours a week to receive tax credits but 16 hours on the new level of minimum wage automatically pushed them over the Carer’s Allowance earnings limit – leaving them in the impossible situation of either losing carers’ benefits, tax credits or paid work.

Alongside continuing to argue for much wider reform of carers’ benefits, Carers UK has repeatedly urged the Government to take urgent action to raise the earnings limit – meeting with Ministers and officials at the Department for Work and Pensions, writing directly to the Chancellor and making key recommendations in our Caring & Family Finances Inquiry, published in February.

The Government has responded by raising the limit to £102 a week, which means that carers will be able to work for 16 hours a week on minimum wage without losing Carer’s Allowance.

Verdict: *Whilst there is an urgent need for wider reform to carers’ benefits, we are glad the Government has now listened and made this small but welcome step. The Government must now*

put in place reforms to ensure that this conflict does not arise again by, as a minimum, automatically increasing earnings limit each year. 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.

Income tax (all UK)

Raising the income tax threshold to £10,500

A flagship Government policy has been raising the threshold below which people do not pay income tax – this means that people earning less than the threshold do not have to pay any income tax at all.

Existing announcements mean that, this April, the threshold is due to rise to £10,000 a year, and the Chancellor announced that the Government will further increase it to £10,500 in April 2015.

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 or completely offset by cuts to their tax credits and benefits.

Savings and pensions (all UK)

Changes to ISAs (tax free Individuals Savings Accounts)

The Chancellor announced changes to ISAs including the introduction of a New ISA (NISA) including raising the annual savings limit from just under £6,000 to £15,000.

Changes to private pensions

There will also be additional flexibility in how people can access pensions savings, including reducing restrictions and costs for withdrawals including lump sums. From 2015 there will also be a guarantee of free, face to face advice for people retiring on a defined contribution pension scheme.

Verdict: With rising care bills, it is important to incentivise families to save for retirement and future care costs - the new ISA limits will help people save more, tax free. Many people who retire early to care or become carers after retirement have to rethink their pensions plans. More flexibility in and access to financial advice on private pensions may reduce costs of making withdrawals and enable them to manage their incomes better.

However these measures will be of little help to many carers for whom caring has meant the loss of their savings and their ability to contribute to a pension - making ends meet day to day is a struggle and they have little or no chance to save for the future.

Cost of living (all UK)

Scrapping a rise in fuel duty

The Budget cancels a planned rise in fuel duty (a tax on the cost of fuel) which was due in September 2014.

Inflation

The Budget also included predictions that inflation will stay at around 2% for the next few years. This has reduced substantially from much higher levels in recent years when families saw their bills rise very sharply. However it does not mean that the squeeze on living costs is over.

Many families with paid income will see wages rise more slowly than 2% per year and Carers UK analysis has shown that the Government's decision to change the way benefits rise with inflation, and the introduction of a 1% freeze from 2013-16 on the majority of working-age benefits[1] will result in most families caring for a disabled loved one seeing a real-terms cut in benefits.

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.

However carers' and disability benefits are still being devalued by changes in how their rates are set each year – meaning that many carers and disabled people will still find making ends meet continuing to get harder and not easier. As well as arguing for improvements to carers' benefits, we made a range of recommendations in our Caring & Family Finances Inquiry on reducing carers transport and household bills which we will continue to urge Government to adopt.

Spending cuts

Cap on total welfare spending (All UK)

The Government had already announced that it intended to place a cap on total Government spending on benefits (different from the household benefit cap which is a limit on the amount individual households can receive in benefits).

In this Budget the Chancellor announced the level of the limit will be £119.5 billion in 2015-16. The Chancellor said that a 'permanent cap on welfare' will include all welfare spending except the State Pension, Jobseeker's Allowance and its replacement Universal Credit.[2] This means that disability and carers' benefits will be included in the limit and, if the relevant spending exceeds this limit, these benefits could be cut in order to stay under the cap level.

Verdict: Carers UK has previously expressed deep concerns about this significant shift in how social security is funded - instead of the welfare budget responding to <u>need</u> at the time, the Government will decide in advance the limit on how much can be spent. This is concerning because we know that there is a rising need for disability and carers' benefits and we believe that

[1] Whilst Carer's Allowance and some disability benefits are exempt, carers on means-tested benefits are still seeing the majority of their benefits package rise slower than inflation.
[2] And some passported benefits.

spending to support families affected by caring and disability should respond to the number of people needing support not political decisions about welfare spending.

The announcement also suggests that the Government intends to make further cuts to benefits. Carers UK has condemned existing cuts which will result in carers losing over £1 billion in support by 2018[3] *- any further cuts to financial support for families caring for older and disabled loved ones risk pushing carers already struggling to make ends meet into financial crisis, making it harder for families to continue to provide care.*

Spending on public services (England only)

Spending on other public services, including local councils funding for social care, was set out in the Government Spending Review in 2013. However the Chancellor's acknowledgement in the Budget that austerity will continue for years longer than expected means that services that have already been substantially reduced will see further cuts into the next Parliament.

Verdict: There is mounting evidence that social care services continue to be cut and, despite growing numbers of people needing care services, the number of older and disabled people receiving social care support continues to fall. Despite the announcement of some stop-gap funding for social care in previous years, each year that passes without Government setting out a sustainable solution for long-term care funding, heaps more pressure on families.

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[3] Caring & Family Finances Inquiry UK Report (2014) Carers UK