



What the Emergency Budget means for carers

June 2010

Benefits

Carers UK has long called for radical reform to reshape the welfare system, however we have deep concerns about the impact of a number of the measures outlined in the Emergency Budget. The lack of details on these plans is causing a great deal of anxiety amongst disabled people and their families and we call on the Government to publish their plans as a matter of urgency.

With the exception of the state pension and pension credit, the Government will switch to a system where they up-rate benefits, tax credits and public service pensions in line with consumer prices rather than retail prices.

The Government plans to save £6 billion a year by switching the measure by which it increases benefits annually from the Retail Price Index to the Consumer Price Index. The CPI measure is typically lower than the RPI (for eight of the last ten years) and does not include housing costs. Estimates suggest that if Carer's Allowance, for example, had been linked to CPI rather than RPI for the last ten years the current rate would be £48.64 a week rather than its current level of £53.90 – carers would be over £5 a week and £270 a year worse off. This will hit the incomes of certain families particularly hard, including families where disability, carers' and means-tested benefits are the only source of income - single parents caring for a disabled child or carers looking after a partner or elderly parent on their own.

Carers UK argues that making savings in this way is deeply unfair – impacting upon the most vulnerable in our society particularly hard, people who are already struggling to make ends meet.

The Government will introduce a medical assessment for Disability Living Allowance from 2013, which will be applied to new and existing claimants.

The introduction of medical assessments for Disability Living Allowance will also cause great concern amongst carers. The Treasury Red Book sets out estimated savings of £360m in 2013-14 and over £1bn in 2014-15. Carers UK is extremely concerned that cuts of this magnitude place at risk some of the most vulnerable families in our society. These tests could have a huge affect on carers, as their own benefits, Carer's Allowance and others, are often based on the disabled person they care for receiving Disability Living Allowance at a certain level. A poor medical assessment could spell financial disaster for carers and their families.



Evidence from Carers UK's advice line also shows that experiences of similar testing for Employment and Support Allowance and Incapacity Benefit have been extremely negative, with many cases being challenged. For example, between October 2008 and March 2009, 97,800 individuals were declared 'fit for work' by the Work Capability Assessment – of 28,000 appeals heard, 11,000 (39%) found in favour of the appellant¹. The Budget Red Book states that the new assessment for DLA will 'follow a similar process to the Work Capability Assessment (WCA) used for claims to Employment and Support Allowance'. Carers UK is concerned that referring to Disability Living Allowance in the context of capacity to work is a worrying conflation of income-replacement and disability benefits which are fundamentally different.

As a result, Carers UK is concerned that not only will this testing system cause considerable fear, stress and uncertainty to families already coping with heavy caring responsibilities, but that the costs of implementation and subsequent appeals will not deliver the kinds of savings the Government hopes for.

Reduce the costs of Housing Benefit by £1.8 billion through various adjustments and restrictions including limiting social tenants' entitlement to 'appropriately sized homes' and introducing maximum limits on housing benefits. Housing benefit will also now cover the cost of an additional room for those claimants with a disability who need a carer.

Carers UK welcomes the extension of Housing benefit to include the costs of additional space for claimants being cared for by friends or family members. However, setting a national cap for Housing Benefit may fail to take account of the additional housing needs of families affected by illness or disability. Increasingly, 'sandwich generation' carers, who may be supporting both their own young children and elderly parents in their home, have a real need for large and accessible accommodation. The sizes and therefore costs of housing may be pushed up by accessibility requirements and the cap may prevent these families from being able to afford the accommodation they need.

In April 2011, the tax credit eligibility for families with household income will be reduced to £40,000 (down from £50,000), however the child element of the Child Tax Credit will increase by £150 above CPI indexation and in April 2012 it will increase by £60 above indexation.

Whilst the increase in the Child Tax Credit is a positive move towards mitigating the impact of the rise in VAT, there is a danger that a reduction in tax credit eligibility will hurt families whose income struggles to keep pace with the additional costs of disability from caring for disabled children, or supporting adult disabled relatives alongside caring for young children.

VAT

The Government will increase the standard rate of Value Added Tax (VAT) to 20 per cent from 4 January 2011

The Treasury reports that the impact of the VAT rise in those with incomes below £10,000 will be between £50 - £100 a year. A survey of carers by Carers UK in 2008 showed that 74% were

¹ *Employment and Support Allowance: Work Capability Assessment: Official Statistics*, DWP (April 2010)



already struggling to pay essential food and heating bills² over half of carers are falling into debt as a result of caring. Any rise in basic living costs risks having a devastating impact on those already in debt and financial hardship as a result of caring. Carers UK is also concerned that the VAT rise could have a disproportionate impact upon carers' expenditure. The additional costs of disability mean that families often end up spending more on a range of VAT rated products like cleaning materials, detergents, continence pads, bed clothes and bandages.

Spending

The Government has committed to providing the National Health Service with real increases throughout the Parliament. Once this is taken into account, alongside the ringfencing of the international aid budget, the Budget figures imply that other departments will face an average real cut of around 25 per cent over four years. For councils able to keep their cost increases low, the Government will help them to freeze council tax for one year from next April

A 25% cut being passed on to local authority budgets, as well as the additional pressure of a planned freeze in Council Tax, could pose a huge risk to essential care and support services that carers, older and disabled people rely on. In recent BBC research into how local authorities would distribute service cuts, social care, alongside transport, came out as one of the areas where councils planned to make the biggest cuts.

Carers UK argue that such an approach would not only damage the dignity and quality of life for older, ill and disabled people, but that it would be economically short-sighted. Cuts to care services are likely to fall on services for those with low and moderate needs, often vital services in keeping particularly older people independent for longer. Reducing these services may ultimately result in services users losing that independence quicker and requiring critical care services or residential care sooner. This will only serve to add to the social care bill but will also see a cost to NHS services as it is likely to cause an increase in emergency admissions, readmissions (as people lose services which help them regain independence after a hospital stay) and length of hospital stays as discharges are delayed due to lack of social care support services to provide post-discharge care. In addition, cuts to services which allow carers to juggle work with caring for family members could see many forced to give up work because services can no longer meet their family's needs.

Carers UK has called upon the Government to consider ringfencing social care budgets, and asked local authorities take a mature and long-term view of social care which is vital to people's daily lives, to be able to work, live with family and have some dignity.

Savings Gateway

The Chancellor announced that the Savings Gateway will not be introduced in July 2010

Carers UK is deeply disappointed that Savings Gateway scheme will not go ahead. We campaigned hard for carers to be included in the scheme, which would have given carers in receipt of Carer's Allowance, an additional 50p for every £1 they were able to save. Research has shown

² *Carers in Crisis* Carers UK (2008)



that carers spend down their savings, leaving many caring round the clock for someone, unpaid, with no savings or buffer against any large purchase³ - Carers UK strongly felt that support to allow carers to attempt to rebuild their savings was a way of rewarding both responsible saving and the caring responsibilities carers take on.

Income tax thresholds and State Pensions

Uprating the basic State Pension by a triple guarantee of earnings, prices or 2.5 per cent, whichever is highest, from April 2011

Carers UK warmly welcome these guarantees in uprating the State Pension. Caring can have a long term impact on carers' finances, and often means that they have incomplete National Insurance contribution records and face reduced State and Private pensions in retirement, on top of depleted savings from paying the additional costs of disability and charges for care services.

The Government will increase the personal allowance for under 65s by £1,000 to £7,475 in 2011-12, taking 880,000 people out of income tax altogether.

Carers often juggle caring with part-time or low-paid work. Moves to lift those on the lowest incomes out of tax altogether, mark a strong, positive move in ensuring that working carers get the full value of the paid work they are able to engage in.

Commission on long-term care

In the Coalition Programme for Government, the Government has committed to establishing a commission on long term care, to report within one year

Although not part of the Budget, Carers UK is pleased to welcome Government's recognition of the urgency with which the crisis in our social care system must be tackled. We call for carers and families to be central to reform of social care, and know that what they need is a fair, transparent and sustainable funding settlement to deliver a care and support system which can meet the needs of an ageing population that is living longer with illness and disability.

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³ *Carers in Crisis* Carers UK (2008)