



What the 2012 Budget means for carers

March 2012

In the Budget, the Chancellor announced a number of significant changes to the Government's tax and spending policies. Whilst measures which will lift low earners out of income tax and cut taxes for middle-income earners will benefit carers who are able to juggle work and care, Carers UK is concerned that the Chancellor indicated that the Government will consider further cuts to benefits by 2016.

A brief analysis of the major announcements which could affect carers is set out below:

Tax

As part of the Government's objective to lift the personal tax allowance (the amount you can receive in income before you start paying tax) to £10,000, the Chancellor announced that the personal allowance will rise to £9,205 in April 2013.

So what does this mean for carers?

The Treasury states that this will leave millions of people on low and middle incomes around £170 a year better off, because they will pay tax on less of their earnings.

For many carers unable to work as a result of their caring responsibilities, this will have no impact at all. But for carers who are juggling work and care, or are able to work a small amount alongside caring, this may mean they keep more of their earnings.

Pensions

The Chancellor announced several measures relating to the State Pension:

- *State Pension age:* There will be an automatic review of the state pension age designed to reflect increases in longevity.
- *Reforming the State Pension:* A new 'single tier' pension will be introduced to simplify the current system; which includes the basic State Pension and Second State Pension. The Government estimates this will be set at around £140 a week and detailed plans will be published later in the Spring.



- *Freezing personal allowances for pensioners:* Currently people over State Pension age get a higher 'age-related' income tax personal allowance than people under pension age (so they pay less in tax on their income). This additional allowance for older people will be frozen and eventually phased out.

So what does this mean for carers?

With an ageing population and longer working lives, it makes sense to increase the State Pension age. However with longer lives come additional caring responsibilities for many families.

Around one million people have given up work to care, with a further three million managing to juggle work alongside caring. Research indicates that the UK will soon reach a 'tipping point' where the number of older people will outstrip the availability of family members to provide care¹. Without radical reform of social care to support families to juggle work and care – increased demand for care will mean greater numbers of carers being forced to give up work to care.

As a result, increasing numbers of carers may face the double penalty of having reduced ability to pay into the State and private pensions, and also of having to wait longer for their State Pension as the pension age rises.

Carers UK argues that the increasing prevalence of caring and its impact on work should be taken into account as the Government looks at increasing the State Pension age.

Carers UK supports simplification of the State Pensions system, so that older people and those planning for retirement can more easily see what they will be entitled to. However it is crucial that any changes to the National Insurance contributions record you need to receive the State Pension, take account of the fact that many carers may have reduced contributions as a result of caring responsibilities.

Finally, the changes to the personal tax allowance for older people could leave people reaching 65 with incomes as low as £10,500 over £200 a year worse off. Many carers who face retirement on reduced incomes as a result of giving up work or retiring early to care will be disappointed to see an additional squeeze on their low or moderate incomes.

Welfare Spending

The Chancellor also suggested that £10 billion of welfare cuts may be necessary by 2016 - with the Treasury arguing that if the current increase in welfare spending is maintained other departments would need to make savings of 3.8% a year, rather than the current rate of 2.3%.

There were no details about where any additional cuts would fall, but the Chancellor stated that this question would be addressed in the next spending review in 2013.

¹ Linda Pickard (2008) *Informal care provided to older people by their adult children: projections of supply and demand to 2041 in England*, report to the Strategy Unit and Department of Health



So what does this mean for carers?

We need clarity on what this means, but any additional cuts to the benefits system would be deeply concerning. Families are already facing an estimated total of £9 billion of cuts to disability benefits as part of the Government's Welfare Reform Act - Carers UK urges the Government to protect families affected by ill-health and disability from any additional cuts.

Tax Credits

In advance of the Budget, the Treasury announced that carers would be exempt from plans to increase the number of hours couples would need to work in order to receive Working Tax Credit.

So what does this mean for carers?

Currently individuals and couples need to work for 16 hours a week in order to qualify for Working Tax Credit. This is not going to change for single people, but the Government has announced that, from April 2012, couples will have to work for at least 24 hours between them (with one partner working for 16 hours a week or more) in order to qualify. So couples where one partner is caring full-time and the other is juggling work with childcare would have to find an extra eight hours of work or lost Working Tax Credit, worth £3,870 a year.

Carers UK joined other charities and unions to write to the Prime Minister calling for a rethink on the change, and presented our own evidence to the Treasury arguing that carers should be exempt. This week, the Government has announced that they have accepted this case and that households including someone in receipt of Carer's Allowance will be exempt from the change.

Social Care (England only)

It is positive that the Chancellor mentioned the Government's plans for reforming social care in the Budget, saying:

"We will also address the rising costs of an ageing population, and the burden this places on future generations. We will be publishing a White Paper on social care."

The Government has promised to publish a White Paper setting out proposals on reforming the structure of the social care system and community care law, along with a progress report on social care funding, later this Spring.

So what does this mean for carers?

We know the care system is in crisis now, with many carers unable to get the support they need because services are too often too expensive, poor quality or inflexible. We have sent a very clear message to the Government and all political parties that they must act now to reform the system and deliver sustainable funding for social care.



Advice and information

The Chancellor announced £20 million for not-for-profit advice and information provision in 2013–14, and again in 2014–15, to ‘support the sector as it adapts to changes in the way that it is funded.’

So what does this mean for carers?

With huge demand and funding pressures on local and national provision of advice and information from charities and Citizens Advice Bureaux, many families are struggling more than usual to get the information they need. This is particularly worrying when such big changes are taking place to the benefits system which will mean more families needing advice and support as their benefits change.

This additional funding is welcome, but advice providers are warning the shortfall in funding is greater than this new funding, and that cuts to the Legal Aid budget will put yet more pressure on provision.

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