CPAG'S post-Budget briefing: Spring 2024

March 2024

This briefing outlines CPAG's response to the Spring Budget announcements in the following areas:

- National insurance
- Child benefit
- Budgeting advance loans in universal credit
- Childcare
- Household support fund
- Employment support
- Disability benefit assessments

Introduction

1. Yesterday, the government showed clearly and starkly where its priorities lie. We are in urgent need of a plan to tackle child poverty; families need money to live on and public services are crying out for investment, but the government turned a blind eye. It prioritised short-term election promises over the future of the 4.2 million children who are experiencing poverty in the UK today. These children are growing up in cold, damp homes, with not enough food to eat, unable to take part in the day-to-day activities that should be part of every childhood.

2. There was very little in this Budget for children and families living in poverty. Tax or national insurance (NI) cuts do almost nothing to help those on the lowest incomes, and other measures announced were tweaks to a social security system on its knees. Increasing child benefit, expanding free school meals, and abolishing the two-child limit and the benefit cap would immediately lift a million children out of poverty, and ensure that all families are provided with a basic level of support to help with the costs of raising a child. This is the ambition we need to see from the government.

National insurance

3. The poorest households do not benefit from these changes. Workers earning less than the NI threshold and people not in work will not benefit from the headline cut to NI. If the government wants to support low-

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income households, both in work and out of work, investing in the social security system is the best way to achieve this.

4. The government claims that its headline cut to NI means the average worker is paying less in taxes. However, the government's own analysis shows that the announced tax cuts disproportionately benefit richer households.[1] In addition, just focusing on the headline 2p cut fails to acknowledge the impact that freezing income tax and NI thresholds has on taxes paid and is much greater than the headline cut (known as fiscal drag – workers pay more in taxes as their income rises but the thresholds remain frozen so more of their income is taxable).[2] CPAG would welcome progressive tax increases that support the government to take action on child poverty and increase investment in children, but that is not what we saw yesterday.

Child benefit

5. The Chancellor announced that the thresholds for the high income child benefit charge (HICBC) are going to rise. This means that families where neither parent is earning more than £60,000 are entitled to full child benefit (up from £50,000). The HICBC is then tapered away once a parent earns above the threshold. Previously, for every £100 earned above £50,000, 1 per cent was lost in child benefit, until £60,000, where entitlement was zero. This will change so that for every £100 earned above £60,000, 0.5 per cent is lost in child benefit, until £80,000, where entitlement is zero.

6. CPAG welcomes any steps that increase the number of families who are eligible for child benefit. Child benefit, one of the oldest and simplest forms of social security support, was designed as a universal benefit to help all families with the additional costs of raising children. That universality needs to be restored.[3] The HICBC, with its previously frozen thresholds, has meant fewer families are eligible year on year. And the complexity of the charge puts many families off from claiming altogether.

7. The reduction in the taper rate from 1 per cent to 0.5 per cent will boost work incentives. Previously, a parent with two children earning above the threshold would lose £220 in child benefit for every £1,000 earned. This has now fallen by half, so only £110 in child benefit is lost for every £1,000 earned.

8. We await further information regarding the planned consultation on whether household earnings (rather than individual earnings) should be used to calculate when the HICBC applies. We welcome steps to address the unfair income threshold that affects lone parents and single earner households (who receive no child benefit at all, despite earning less at a household level than two earners who are both under the threshold and therefore receive child benefit). However, we have concerns about the move to a household income assessment, which has consequences for women's financial independence. Child benefit, historically, has been a benefit paid to the mother, and a household income assessment could have the effect of cutting off this important source of independent income. This is yet another reason to make child benefit universal again.

9. While changes to the HICBC thresholds are welcome, they do not address the problem of the loss of value of child benefit and the impact this has in particular on low- and middle-income families who rely on it so much.

[1] HM Treasury, *Impact on households: distributional analysis to accompany Spring budget 2024*, March 2024
[2] Office for Budget Responsibility, *Economic and fiscal outlook – March 2024*, 2024
[3] For more details about the advantages of a universal child benefit see CPAG, *Money well spent: Why we should recognise and reinvest in child benefit*, 2023

Child benefit has lost 20 per cent of its value since 2010. Increasing it by £20 a week would more than restore its value, benefit a wider range of families, and reduce child poverty by 500,000, at a cost of £10 billion.

10. The Budget contained little for low-income families on means-tested benefits. Scrapping the two-child limit and removing the benefit cap would make the biggest difference to families living in poverty.[4]

Budgeting advance loans in universal credit

11. Budgeting advance loans exist within universal credit (UC) to help with specific costs such as replacing appliances, paying for a funeral, getting a job or staying in work. They exist because the low amount most people on UC receive in social security support means it is impossible to save. The Chancellor announced that budgeting advance loans can now be repaid over 24 months instead of 12 months. While this is a welcome step, it does not get to the root of the problem: the social security system is inadequate and people in poverty have no financial margins at all, as these case studies from CPAG's Early Warning System show.

One lone parent, who has worked for ten years for the same employer, explained that she applies for a budgeting advance every year. She applies as soon as she has paid off the last one. The money pays for lump sum costs like new appliances. Despite working, she is not able to save up any money because costs are so tight.

A lone parent with a two-year-old, who is working, took out a budgeting advance to pay her up-front childcare costs for January. She has done this for two years running as her January nursery bill is significantly higher than December's and childcare costs in UC are paid in arrears.[5]

12. As these case studies highlight, some families apply for one budgeting loan after another, a clear indication that the social security system is not working. The change to budgeting advance loans also doesn't address the wider problem of deductions in UC more generally. UC claimants can have deductions taken from already meagre levels of support for a variety of things including gas and electricity debts, DWP benefit overpayments, and new claim advance payments, which many UC claimants take to get them through the five-week wait for UC. The Chancellor could have gone much further yesterday to address the issue of deductions in UC, at minimal cost to the Treasury. This would have made an immediate difference to low-income families with children. Half of children in families claiming UC are in households that are subject to a deduction.[6]

Childcare

13. Childcare providers and others have been sounding the alarm about the lack of funding for the planned extension to the free childcare offer.[7] It will bring some relief to providers that there are plans to increase the early years funding in line with hourly provider costs over the next two years, though more details are needed to assess how it will work in practice. However, the announcement yesterday does little to address the vast gaps in funding which remain – for 2025/26 the total shortfall is estimated to be £5 billion.[8] There are also

[4] See CPAG, *Budget Submission 2024*, 2024 for more details about these changes including costings, and wider social security reform.
[5] Recent changes to UC mean that some parents in new jobs or with increased hours can benefit from up-front help with childcare costs, but not parents in existing work.
[6] Parliamentary question UIN 5974, tabled on 8 December 2023
[7] In the Spring Budget 2023, the Chancellor announced a planned expansion to the free childcare offer to cover eligible children from nine months to four years, starting in April 2024 (as a phased roll out).
[8] Women's Budget Group, *Updated analysis: Early Years Education and Childcare funding shortfall*, 2024

much wider questions about the extent to which the structure, funding and delivery of childcare need reform to better support the needs of children and families on a low income.

14. Additionally, the government urgently needs to address the current shortage of childcare places. According to analysis by Coram Family and Childcare, in 2023 one in three local authorities reported gaps in childcare supply affecting the delivery of the 30 free hours for 3- and 4-year olds. Only 15 per cent reported sufficient childcare for parents working atypical hours, less than 1 in 5 (18 per cent) local authorities reported enough childcare for disabled children and less than half reported enough childcare for children under two. This means that regardless of wider entitlement to free hours, many parents are simply unable to access the childcare they need.[9] With the wider entitlement being rolled out from next month, there are concerns about providers' ability to meet the demand, particularly in the later stages of the roll out. Sixty per cent of local authorities are confident that they can provide enough places for the April 2024 expansion, compared to just 27 per cent for the September 2024 and only 12 per cent for the September 2025 expansions.[10]

Household support fund

15. CPAG welcomes the extension of funding for another six months. The household support fund (HSF) is an invaluable lifeline for many families, helping them when something goes wrong or to cover sudden unexpected costs, as these case studies from CPAG's Early Warning System illustrate.

A lone parent with a 7-year-old son, off work for mental health reasons after a bereavement, had been living in temporary accommodation. After nearly a year, she was offered a council property. However, as this woman explained, 'When you get an offer of a house while in homeless accommodation you only get one or two weeks' notice, you have to arrange removal costs and floor coverings and how can you afford that if you're not working?' This claimant was put in touch with the local authority who accepted an application to the HSF. They provided food parcels and energy vouchers. With the money she saved on shopping and bills, the claimant was able to pay her moving costs. The claimant is now living in a stable home and working 24 hours a week.

A lone parent of three children aged 9 to 13 used the supermarket vouchers she received through the HSF to buy her daughters' school uniforms. She had received a £40 voucher from one of the children's schools, but this wasn't enough to cover the costs for all three girls. She says she would have preferred to spend the voucher on food but had to prioritise the uniforms. She added, 'I can't afford to buy them out of my benefits.'

16. While further funding is welcome, it is deeply disappointing that funding was announced just three weeks before the HSF was due to close, and there is no information about what happens after September 2024. Councils need certainty about the funding they will receive from central government for local welfare assistance so that they can plan services, retain staff and allocate budgets for the next financial year.

17. Short-term pots of funding are not the right way to deliver good quality local crisis support. There needs to be a centrally-funded local crisis support scheme with a multi-year funding commitment, and proper guidance, decision-making and a data trail to ensure support is guaranteed across England. The current uncertainty over the HSF and lack of funding for local welfare assistance means local support is increasingly turning into a postcode lottery.

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[9] Coram Family and Childcare, *Childcare Survey 2023*, 2023
[10] Coram Family and Childcare, *Childcare Survey 2024 Early Release*, 2024

18. It is also important to note that the HSF should not be a sticking plaster for much wider systemic problems, most pressingly the inadequacy of our social security system and a lack of funding for public services. The HSF, which should be focused on cash support for families in crisis, is now funding welfare rights advice, free school meal vouchers over the holidays, and support provided by the voluntary sector. These are elements that should be subject to sustainable and proper funding settlements.

Employment support

19. We have concerns about the announced extension of the additional jobcentre support (AJS) pilots for a further 12 months as we have evidence of the issues participating claimants are experiencing. They report a lack of meaningful, personalised support and the disruptive nature of the daily Jobcentre Plus appointments. The case study below from CPAG's Early Warning System illustrates how the support provided by the AJS is not consistent with the DWP's claims of being committed to providing tailored employment support to help claimants move into appropriate and sustainable work.

A highly-qualified claimant with a degree was mandated to attend additional jobcentre support in October 2023 after claiming UC for less than 3 months. Although he had several interviews lined up in his industry, he was pressurised into applying for entry-level jobs and apprenticeships. He described a rigid approach from jobcentre staff: 'It's causing [me] a lot of anxiety… I'm actively looking for good quality work (that doesn't trap me into poverty wages).'

By December 2023, the same claimant had accepted an offer of a permanent job in his industry, starting in January 2024. However, at the start of December he was scheduled in for a further two weeks of everyday appointments as part of the AJS pilot, despite providing proof of his employment start date. This was because he had reached the critical 13-week point. Jobcentre staff were not prepared to waive the requirement.

20. The requirement that claimants accept a new claimant commitment at rigidly spaced intervals of 6, 13 and 26 weeks, and agree to more work requirements under a threat of their claim being closed, is highly concerning. And it doesn't fit with the DWP's assertion that claimant commitments are tailored to individual needs.

21. There are more effective approaches to employment support. Through our employment support scheme for second earners in households claiming universal credit,[11] we know that tailored employment support in combination with personal budgets and welfare rights advice is highly effective in helping people move into paid work. Fifty-four per cent of participants in the Your Work Your Way programme moved into employment or self-employment and 49 per cent sustained employment for 6 months or more. In contrast, only around 22 per cent of participants in DWP's Restart programme achieve and sustain employment for 6 months or more.[12]

Disability benefit assessments

22. We welcome the announcement that additional funding will be allocated to support the processing of disability benefit claims. Improving the capacity of the system is key to ensuring that eligible claimants get the right support in a timely manner, and to preventing people missing out on entitlement to cover extra costs related to their disability. However, we await further information regarding the increase in funding and the difference this will make on the ground. Estimates suggest that disabled people are missing out on an

[11] See Your work your way for more details
[12] Department for Work and Pensions, *Restart scheme statistics to October 2023*, 2023

estimated £24 million every month due to delays to personal independence payment (PIP) reviews, with some people waiting over two years for a PIP review.[13]

Conclusion

23. The Chancellor said yesterday that this government does not pass on its bills to the next generation. The 4.2 million children living in poverty today are the next generation. Child poverty is scarring, and the decisions taken yesterday will leave a legacy of cold homes, empty tummies and crumbling classrooms. By failing to invest in the social security system and in the public services children and families need, the Chancellor is damaging the childhoods and life chances of future generations of children, which is surely the biggest 'bill' of all.

About CPAG and our sources of evidence

Child Poverty Action Group works on behalf of the more than one in four children in the UK growing up in poverty. It doesn't have to be like this. We use our understanding of what causes poverty and the impact it has on children's lives to campaign for policies that will prevent and end poverty – for good. We provide training, advice and information to make sure hard-up families get the financial support they need.

We have particular expertise in the functioning of the social security system through our welfare rights, training and policy work. CPAG's *Early Warning System* collects case study evidence from advisers across the UK on the impacts of welfare reform, and has collected thousands of cases to date. The *Your Work Your Way* project provided tailored employment support to second earners.

[13] Citizen's Advice, 'Millions of pounds held up every month due to delays in PIP reviews - Citizens Advice', 15 August 2023