

# Briefing



## Budget 2014

19 March 2014

### Summary and key statistics

In response to the Budget Citizens Advice Chief Executive, Gillian Guy, said:

"The proposals to free up pensions are welcome, particularly the new 'right to advice', which recognises the significant value of impartial, trusted advice. I hope Government departments across Whitehall will follow suit and formally recognise the value of advice in helping people cope with other policy areas.

"The Chancellor talked about making, doing and saving. This Budget needs to work for those who are making do and can't save.

"Middle class families have had to adjust and savers will welcome the extra support. . Those on lower incomes face a daily struggle to fight off poverty. For many the priority is making ends meet.

"We're half way through the austerity programme and many spending cuts have yet to bite. Families are feeling the cumulative impact of the stripping away of support and services from all sides. Support for childcare will be a welcome relief but it's only partial respite for households dealing with almost a decade of austerity.

"Better targeting childcare support to the poorest families will help to make work pay for them. Stronger, immediate investment in house building would ease the pressure on people struggling to manage rocketing housing costs. Putting weight behind efforts to help young people into work will prevent a new generation of long-term jobseekers."

"Government must take the long view of positive economic news. Unemployment is down but growing self-employment can be a sign of instability: self-employed people are as likely to get debt help from their local Citizens Advice Bureau as unemployed people."

### Key Citizens Advice Statistics

- Citizens Advice research found 3 in 5 people are worried about the effect that rising household bills will have on their finances over the next year.
- Our figures show half of UK adults – 27 million people – will have to cut their spending to cope with household costs.
- 1 in 4 people coming to Citizens Advice have some kind of debt problem.
- 2 in 5 people who get help with debt problems from Citizens Advice have dependent children.

- Employment and housing are bigger concerns for under 25s coming to bureaux than any other age group.
  - We've seen a 16 per cent increase in rent arrears in a year and a 20 per cent increase in mortgage debt since 2008.
  - 3,000 people have sought online help about flooding since 6<sup>th</sup> December.
  - Energy bills are up by 33% since 2010, that's seven time the increase in average earnings.
  - 33% of self-employed people who came to Citizens Advice for help in the last three months got advice on debt problems, the same proportion as those who are unemployed.
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## Savings and Pensions

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With an ageing population and a squeeze on household finances, making it easier and cheaper for people to save for the future is vital. The range of decisions people have to make whilst they save and when they retire means many don't always know how to use their pension pot to their best advantage. Giving people choice and access to trusted, independent advice will help them to make informed decisions about their pension. Citizens Advice knows all too well that getting the implementation right is key in making big changes work for people.

People who are able to put money aside into savings will find an increase in how much they can save tax free helpful. But the Chancellor does need to remember that for many people, saving money is a pipe dream as they are struggling to make ends meets. One in four people who come to Citizens Advice for help have some kind of debt problem.

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## Income Tax Threshold and Childcare

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Raising the income tax threshold to £10,000 was a welcome move, but the latest increase to £10,500 will do nothing for those on the very lowest incomes. Until ministers look at taking low earners out of paying National Insurance, people struggling to make ends meet will still be hit by tax.

Those paying the higher rate of tax and earning up to £100,000 will benefit significantly more from this increase, gaining £1.92 per week than even those working full time on minimum wage who are highly likely to receive Housing Benefit and Council Tax Benefit and therefore gain only 29p per week from the change.

*A couple who pay rent of £100 a week and council tax of £20 a week and where one is working fulltime on the minimum wage earning about £13000 a year and therefore paying tax, their partner is at home with their two young children will gain just 29p a week*

*Similarly a lone parent working fulltime on the minimum wage and earning £13000 a year with childcare costs for her two young children will also only gain 29p*

These families lose out because they are entitled to both housing benefit and council tax support so their earnings will rise by £1.92 but their benefit will be immediately cut by £1.63.

Even families higher up the income spectrum will gain a lot less than £1.92

*A family with two children at school – one working fulltime earning £300 a week about £15,500 a year, the other working part-time and earning about £60 a week and paying rent of £110 a week will only gain 67p*

Many more people will be caught in this trap once Universal Credit (UC) rolls out. When it is fully rolled out, half of all children in the UK will be in households who are receiving UC . UC will have the same problem because like housing benefit and council tax support and unlike TCs it will use net income

Ministers could do more for less by targeting low income households more effectively.

We are pleased that ministers have acted on our advice and given all families on Universal Credit increased help paying for childcare. This should be just a starting point. Rather than giving additional childcare help to the top one per cent of earners, channelling money towards even greater support for families on the very lowest incomes would dramatically increase their chances of getting employment and making work pay.

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## AME Cap

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“Seeking to manage welfare spending is sensible, but the Chancellor’s method is flawed. If the Government insists on putting a cap in place, ministers must look across the whole social security budget, including State Pension spending, and not just drill down on working-age support. Locking this cap into law reduces ministers’ ability to react to changing economic circumstances and give people the safety net they need.

“The design of this cap means it is the working poor, sick and disabled who would face having their support further reduced.”

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## Energy costs

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Reducing the carbon floor price will only matter to people if they see a reduction in their bills. Any reduction in the cost of energy generation for suppliers must be reflected in consumers’ bills but it’s worth remembering it is a future saving, not one which will cut bills now.

Keeping the lights on is becoming a bigger and bigger challenge for hard-pressed households. Energy bills have gone up by 33 per cent since 2010 and increased seven times faster than earnings. The £15 saving on fuel bills will be cancelled out if energy firms continue to raise prices and there is a risk consumers may pick up the tab for exemptions from the Renewable Obligation.

To get energy costs down for the long term means radically overhauling the energy market by increasing transparency, improving energy efficiency and launching an investigation into competition.”

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## Housing

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Building a single garden city is a positive step and extending Help to Buy may help some people get on the housing ladder. Neither represents the immediate investment in housing we need in order to get costs down and address the housing shortage.

Keeping a roof over their head is an unmanageable challenge for thousands of our clients. We've seen a 20 per cent increase in mortgage arrears problems since 2008 and unless the inevitable rise in interest rates is brought in gradually, there is a risk that this problem could get even worse. Household debt is forecast to increase, meaning the shocking 16 per cent rise in social housing arrears problems we've seen in the past year could climb even higher.

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## Young People

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Increased funding for apprenticeships is welcome but it will take much more to help the over one million young people drifting along with no education, training or work available to them. Support for helping young people to get into stable work and live independently is an investment in our country's economic future.

Since the start of the downturn, 53 per cent more young people have come to Citizens Advice for help. Of the young people who get help from a Citizens Advice Bureau with a housing issue, 40 per cent are about private rented properties.

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## Flooding

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It is good news that the Chancellor has committed £140 million to helping flood-hit communities, and our army of volunteer advisers will continue to work tirelessly to help communities to get back on their feet.

Images and stories of the storms may have receded from the front pages, but some of the most damaging effects of flooding only appear months after the initial impact. Following the floods of 2007, Citizens Advice Bureaux were still trying to help people get fair treatment from their insurer twelve months after the storms, whilst the crushing burden of debt can easily hit home as households try to pay for the damage.

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## Flooding

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Paying for petrol is one of the biggest costs faced by households, particularly when they rely on their vehicle for work or commuting. Reducing fuel duty further will ease pressures on stretched budgets.

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## About Citizens Advice

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In 2012-13 the Citizens Advice helped 2.1 million clients to solve 6.6 million problems face to face and on the phone. 14.5 million people visited our self-help website [www.adviceguide.org.uk](http://www.adviceguide.org.uk).

## Analysis of client problems 2012/13

CAB client problems (England and Wales)		Adviceguide page visits (England, Wales, Scotland and Northern Ireland)	
Benefits and tax credits	2,349,000	Consumer *	4,950,000
Debt	1,956,000	Benefits and tax credits	4,553,000
Employment	481,000	Employment (excluding discrimination)	3,842,000
Housing	465,000	Debt and money	2,676,000
Relationships and family	312,000	Family	2,118,000
Consumer *	245,000	Housing	1,812,000
Legal	237,000	Legal	1,367,000
Financial services and capability	118,000	Tax	831,000
Immigration and asylum	79,000	Health	328,000
Health and community care	74,000	Discrimination	253,000
Tax	51,000	Education	247,000
Education	23,000		
Other	106,000		

\* Includes consumer problems concerning utilities and communications, travel and transport, as well as other consumer goods and services (excluding debt and financial services).

Adviceguide figures are for web page views and not equal to the overall number of visits.

We provide advice from 3,300 locations including community centres, high streets, doctors surgeries, libraries, courts and prisons, serving every community in England and Wales. Our 22,000 generous and committed volunteers are involved in advising clients, fundraising, administration, PR, campaigning and trusteeship. They work alongside 6,500 paid staff.

## Contact

For further information on any of the issues covered by this briefing, please contact either:

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