

Evidence Submission: Budget 2020

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Key points and recommendations

- The Government should secure the immediate future of care through investing £8 billion over the next two years, to stabilise existing services. The Government should also set out clear plans for the long-term reform and funding of the care system that meet our minimum criteria.
- The Government must now accept that local government funding will need to rise to support preventive services, otherwise wider policy aims (such as reducing the need for statutory social care services) will be threatened.
- With less than 4 months to go until the free licence for over-75s is removed, we call on the Government to negotiate with the BBC as a matter of urgency to find a solution that will enable the free licence to continue.
- The Government should reintroduce Pension Credit eligibility based on the age of the older partner so that pensioners are no longer penalised for having a younger partner.
- The 'net pay' pension issue, which affects 1.7 million lower earning pension savers, must be resolved as soon as possible.
- Access to cash is a vital part of the national infrastructure. Unless there is swift progress in implementing the recommendations of the Access to Cash Review we believe the Government should consider legislation to require businesses to accept cash, as has already happened in China and New York City.
- The Government should develop a portfolio of measures to ensure housing supports older people's health and well-being. Housing should be built to high quality, accessible standards. Older and disabled people living in existing housing should be able to make their home accessible and in good repair. There should be affordability and security for those living in private rented accommodation.
- The Government should designate energy efficiency as a national infrastructure priority, and allocate appropriate levels of central funding to meet the statutory targets.

Introduction

Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England, to help everyone make the most of later life, whatever their circumstances. In the UK, the charity helps more than seven million older people each year by providing advice and support. It also researches and campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people: have enough money; enjoy life and feel well; receive high quality health and care; are comfortable, safe and secure at home; and feel valued and able to participate in society.

In this Budget submission, we focus on the opportunities that the new Government has to help older people, and in particular those who need our help the most. There are more than 10 million people aged 65 and above in England, nearly one in five of the population, six million of whom have some degree of need – whether this is poor health, an unmet need for care, poor housing or low income.

The number of older people living in need will grow in line with the increase in our older population unless the Government takes action now. When the birth rate rises the Government creates more school places, so when the older population grows the Government must invest in the services they need too – social care, the NHS, pensions and housing. It also needs to rebuild local support services run by councils and the voluntary sector that have been eroded by austerity while the number of older people has been growing.

Social Care

Social care is in crisis. Local authorities are having to juggle towering pressures related to a growing and ageing population with increasingly complex care needs with sustained reductions in Government funding; rescued only with short term emergency injections of public money – allowing them to prevent complete collapse. And more older people every day are having to rely on a system that is barely functioning.

The sustained reductions in Government funding are clear. Between 2010/11 and 2018/19 total spending on adult social care fell by £86 million in real terms, representing a 4% reduction in local authority spending. While spending has now largely recovered from its lowest point in 2014/15, the population has increased, meaning spend per head of the adult population has fallen by 6% per person over the same time period. This does not account for the many older people who have to fund their own care and who currently are left propping up the care market, paying greatly inflated prices. A self-funder can expect to pay on average 41% more for the same care. This means that after picking up the cheque for their care, older people or their relatives are often left with nothing, often having used all their life savings and had to sell their home.

The harmful impact on older people is clear and we know that those struggling without all the help they need to carry out at least one essential Activity of Daily Living (ADL) now stand at 1.5 million people over the age of 65, and that the numbers considered ineligible for social care services also continue to grow – a clear rationing response by a system struggling to cope. It is also clear that the challenges faced by the social care system are impacting other public services, particularly the NHS; this is already working under great pressure and is unable to discharge older people from hospital when they are well enough to leave because the social care system is unable to provide the necessary support. We estimate that these delayed discharges from hospital due to a lack of social care costs the NHS £500 every minute.

The Government should secure the immediate future of care through investing £8 billion over the next two years, to stabilise existing services. The Government should also set out clear plans for the long-term reform and funding of the care system based on the following principles:

- **Fair eligibility criteria:** An independent, standardised national eligibility threshold and assessment process for accessing care. Furthermore, eligibility for care should be set at a 'moderate' level to enable those in need of community and preventative support to access it.
- **Free at the point of use:** If you need care as an older person it should be free at the point of use. The risk of developing a need for care should be pooled on a compulsory whole (adult) population basis, funded through taxation.
- **Inclusive:** The care and support needs of working age sick and disabled adults should be met as well as those of older people.
- **Carer support:** More support should be given to unpaid carers, including help to juggle work and care and more generous welfare benefits.

- **Investment in care professionals:** 130,000 new care workers are needed each year just for the social care workforce to cope with current levels of demand. Terms and conditions need to improve substantially.

Local Government funding

Other local government services, beyond social care, are extremely important to older people, such as local bus services, libraries, public health, trading standards and information and advice services (for example Citizens Advice and local Age UKs). These services often complement social care services and have an important preventive role in keeping older people well and independent. Government policy has recognised this, with changes such as the transfer of responsibility for public health to local authorities and the development of a loneliness strategy.

However, according to the Institute for Fiscal Studies, cuts to funding for local government in England have led to a 17 per cent fall in spending on local services since 2009/10, equal to 23 per cent or nearly £300 per person. Funding is increasingly focussed on statutory services (57 per cent of spending going to social care, for example), squeezing out spending on other preventive servicesⁱ. Voluntary sector agencies cannot pick up all of the slack, particularly as many have also lost local government funding for their information and advice services and for other services such as befriending and home from hospital support.

The Government must now accept that local government funding will need to rise to support preventive services, otherwise wider policy aims (such as reducing the need for statutory social care services) will be threatened.

Reducing pensioner poverty

Although poverty levels are lower than they were 20 years ago, numbers have started to rise again in recent years. Two million (16 per cent) pensioners in the UK now live in poverty and a further million are only just above the poverty threshold. Many of those approaching retirement are also struggling: 18 per cent of people aged between 60 and their State Pension Age are in poverty, due in part to the increase in women's State Pension Age and the resulting increase in Pension Credit Age. The distributional effects are severe:

- 23 per cent of single women pensioners are in poverty compared to 20 per cent of single older men and 13 per cent of couples.
- 35 per cent of private tenants and 29 per cent of social rented sector tenants live in poverty compared to 13 per cent of older people who own their home outright.
- 31 per cent of Asian or Asian British pensioners and 32 per cent of Black or Black British pensioners are in poverty compared to 15 per cent of white pensioners.

Against this backdrop Age UK views with grave concern a number of recent policy decisions that are likely to exacerbate poverty levels, particularly in these at-risk groups. We call on the Government to act immediately in the following areas to reduce the risk of poverty, and ameliorate its effects.

TV licences

Those most at risk from the previous Government's decision to withdraw funding for free TV licences for people over 75, and the BBC's decision to means-test them, are the most vulnerable older people in our society. The groups at greatest risk of missing out include the 2.2 million over-75s living with a limiting long-standing illnessⁱⁱ – meaning in many cases they are largely confined to home – and two million over-75s living aloneⁱⁱⁱ, many of whom will struggle to pay the extra £157.50 a year. Means-testing will not reach everyone, given that 2 out of 5 (39 per cent) of over 75s who are entitled to claim Pension Credit are not receiving the benefit. Already nearly a fifth (18 per cent) of over-75s live in poverty and the removal of the free licence could push more into living below the poverty line. **With less than 4 months to go until the free licence is removed, we call on the Government to negotiate with the BBC as a matter of urgency to find a solution that will enable the free licence to continue.**

Mixed age couples

We have heard from pensioners with a partner under State Pension Age who are facing hardship following the May 2019 changes which mean that, for a couple claiming Pension Credit now, eligibility for Pension Credit is based on the age of eldest partner. The couple cannot claim Pension Credit until the youngest partner reaches State Pension Age. Couples could be up to £7,000 a year worse off. Age UK research found that almost one in three couples (31 per cent) have an age gap of five or more years, so these couples could be set to lose out on up to £35,000 if they need to remain on benefits until the younger

partner reaches State Pension Age – perhaps because he or she is unable to undertake paid work due to ill health or caring responsibilities.

This change is having a particular impact on women affected by the rise in State Pension Age (so-called ‘WASPI’ women), who even if married to someone much older can no longer, as a couple, claim Pension Credit to tide them over until they qualify for their own State Pension. While those already receiving Pension Credit are protected, a change of circumstances, even if this is only temporary, means people lose entitlement and have to claim Universal Credit instead – a benefit never designed for pensioners.

For some unfortunate pensioners in this position, the issue is compounded by the intention that from April 2020 their Adult Dependency Increase (ADI) – currently £70 per week – will be withdrawn. The payment is currently made to pensioners with a spouse who is financially dependent and was designed primarily to bridge the gap until the younger partner reaches State Pension Age – leaving some couples more than £3,500 a year worse off. When this legislation was debated during the passage of the Pensions Act 2007 the Government at the time assured people that they may be eligible for benefits such as Pension Credit – but for mixed age couples claiming Pension Credit is no longer an option. No new claims for ADI have been possible since 2010, but 11,000 pensioners are still claiming it. As it affects relatively few pensioners, all of whom will be at least 75 years old, it would be relatively cheap to reverse.

The incremental effect of these changes on some of our poorest older people is significant, particularly if they also have to find an extra £157.50 a year for their TV licence fee. **The Government should reconsider these damaging changes, and urgently reintroduce Pension Credit eligibility based on the age of the older partner.**

Net pay pensions

We were pleased to see that the Conservative Party election manifesto contained a pledge to tackle the net pay pensions issue. Non-taxpayers who are auto-enrolled into a pension scheme using ‘net pay arrangements’ do not receive tax relief, meaning they make the whole payment from their own salary. This affects 1.7 million people, about three-quarters of whom are women. We are concerned that this risks undermining the automatic enrolment consensus, and urge the Treasury to address it as soon as possible. We are members of the Net Pay Action Group, and fully support the solution proposed by the group, which can be viewed in [this briefing paper](#).^{iv}

Financial Inclusion and Access to Cash

It is a year since the Access to Cash review reported, highlighting the importance of maintaining cash as a vital part of the national infrastructure, and the Government accepted all its recommendations. There have been some moves to make ATMs more accessible, including a welcome move by Link to maintain the free-to-use ATM network^v but no news on progress in other vital parts of the cash system – and in particular on

reducing the cost of cash-handling for small businesses. Worrying evidence of the fragility of the cash system came with the proposal by Barclays in October 2019 to end cash withdrawals from its accounts at the Post Office. We welcomed their decision to rescind this decision, but this is only for the next three years^{vi}.

We are also deeply concerned about continuing contraction in the bank branch network, with further major cuts on the way^{vii}.

However, the evidence continues to show that cash and face-to-face transactions remain important. A quarter of the population prefer to use cash^{viii}, particularly for budgeting and control methods, and there is also a small percentage - but probably including a large number of vulnerable people - who are wholly reliant on cash. Cash is also important for the resilience of the financial system. Financial Conduct Authority data shows that in the last year, the main UK banks suffered 265 IT shutdowns that prevented customers making electronic or card payments - up from 228 the year before.^{ix}

We would like to see the Government's Financial Inclusion Policy Forum or another body being given a formal remit to monitor and report on access to cash, and unless there is swift progress in implementing the recommendations of the Review on access to cash we believe the Government should consider legislation to require 'bricks and mortar' businesses to accept cash, as has already happened in New York City^x.

Housing

Age UK welcomes the reiteration of the importance of building the right type of homes in the Conservative Party manifesto and the commitment to “encourage innovative design and technology to make housing more affordable, accessible, and suitable for disabled people and an ageing population.” We look forward to a revised framework and regulations that will promote the building of accessible homes (to at least the current Part M4 (2) Category 2 standard) as the default standard, plus more wheel chair accessible homes (currently Part M4 (3) category 3).

Age UK also welcomes the Government’s Renters’ Reform Bill and the proposed ending of insecure tenancies by the abolition of Section 21 of the Housing Act 1988. This measure will increase the quality, accessibility and value for money of the private rented sector. It will allow older tenants to seek improvements without fear of eviction unless possession under Section 8 of the Housing Act 1988 is justified. Private sector tenants currently include 750,000 older people, one in three of whom are in living in poverty^{xi}, while two in five have poor health^{xii}.

Related to this, we would like to see a further review of the Local Housing Allowance (LHA). Although the Government has lifted the freeze on LHA, it has failed to keep up with rent increases since 2016. The current gap between rent and Housing Benefit will create hardship for many vulnerable older private tenants. It will also continue to reduce the availability of lettings for low-income groups in many places. The Government should raise the LHA rate paid so that Housing Benefit payments at least cover the average rent increase since the rate was frozen.

Over recent years the Government has increased the funding for the Disabled Facilities Grant (DFG) for disabled people in recognition of the importance of this grant in enabling them to remain independent while relieving pressure on health and social care services. Whilst the increases have been welcome, more funding is required to fully meet the need for adaptation and repair to the homes of the increasing numbers of older and disabled people, both owner occupiers and the growing numbers of older people living in private rented accommodation. Growth in spending under the DFG is good value for money given the significant potential savings to the NHS and to social care. Research by the Building Research Establishment estimates that the cost to society from leaving poor housing unimproved was £18.6 billion per year^{xiii}. The London School of Economics estimates that every £1 spent on Disabled Facilities Grants results in more than £2 gains in health and social care savings and quality of life improvements^{xiv}.

The Government should develop a portfolio of measures to ensure housing supports older people’s health and wellbeing. Housing should be built to high quality, accessible standards. Older and disabled people living in existing housing should be able to make their home accessible and in good repair. There should be affordability and security for those living in private rented accommodation.

Fuel Poverty

The current level of fuel poverty is unacceptable, with a million older people in England estimated to be in fuel poverty^{xv}. The UK has some of the oldest housing stock in Europe, with 38 per cent built pre-1946^{xvi}, 20 years before the first regulation which required new-build homes to meet certain standards for efficiency. The main energy efficiency programme is the Energy Company Obligation (ECO) which has been running since 2013 and which requires energy suppliers to fund energy efficiency measures for vulnerable households. However, ECO is failing to reach those with the greatest need and the installation of the most cost-effective energy efficiency measures is 95 per cent lower than in 2012^{xvii}.

The Committee on Fuel Poverty suggests that nearly £20 billion extra is required to reach energy efficient targets by 2030^{xviii}. Reducing domestic energy consumption is also crucial if the UK wants to meet its commitment to net-zero carbon emissions by 2050^{xix}. **The Government should designate energy efficiency as a national infrastructure priority, and allocate appropriate levels of central funding to meet the statutory targets.**

ⁱ *English Local Government Funding: Trends and Challenges in 2019 and beyond*, Institute for Fiscal Studies, 2019

ⁱⁱ Age UK analysis of wave 8 of the English Longitudinal Study of Ageing (ELSA), collected in 2016-17 and released in 2018. Estimates have been scaled up to the England 75+ population using Office for National Statistics mid-year population estimates for 2017, released in June 2018.

ⁱⁱⁱ Age UK analysis of wave 8 of Understanding Society, the UK Household Longitudinal Study, collected in 2016-17 and released in 2018. Analysis was restricted to participants living in England and aged 75+. Estimates have been scaled up to the England 75+ population using Office for National Statistics mid-year population estimates for 2017, released in June 2018.

^{iv} https://www.litrg.org.uk/sites/default/files/1909-NPAG%20proposal%20document_Final.pdf

^v <https://www.psr.org.uk/psr-focus/access-to-cash/uks-atm-network>

^{vi} *Barclays and the Post Office Banking Framework*, Barclays press release, 24 October 2019

^{vii} See <https://inews.co.uk/news/business/hsbc-global-redundancies-considered-finance-latest-uk-jobs-under-threat-1354108> and www.thisismoney.co.uk/money/saving/article-7943223/56-Lloyds-Halifax-Bank-Scotland-bank-branches-close.html

^{viii} https://www.psr.org.uk/sites/default/files/media/PDF/CP19-6-call-for-views-cash-access_0.pdf

^{ix} *Ongoing IT meltdowns leave majority of consumer vulnerable to payment issues*, Which pr

^x <https://www.theguardian.com/us-news/2020/jan/24/new-york-city-ban-cashless-businesses-discrimination>

^{xi} *Households below average income*, Department for Work and Pensions, 2017/18.

^{xii} Age UK analysis of the English Housing Survey.

^{xiii} Building Research Establishment 2016 'Cost of Poor Housing' <https://www.bre.co.uk/news/New-BRE-Trust-report-shows-poor-quality-homes-in-England-cost-the-NHS-14bn-per-year-and-wider-society-186bn-1161.html>

^{xiv} Snell T et al. (2012). Building a business case for investing in adaptive technologies in England. pssru.ac.uk/pub/dp2831.pdf

^{xv} Age UK methodology - Age UK Analysis of the [Fuel Poverty Dataset 2017](#) and ONS mid-year estimates 2018 (both accessed on 20th January 2020). The number of people aged 60 and over in England living in fuel poor household is estimated to be 991,435 (with a 95% confidence interval of between 805,327 and 1,250,313). The number of people aged 60 and over living in England is estimated to be 13,223,627. There around 7.5% (with a 95% confidence interval of between 6.1% and 9.5%) of people aged 60 and over living in England are estimated to be living in fuel poor households. Households with members aged both below 60 and 60 or over are assumed to only have one person aged 60 and over living in them; this may lead to an underestimation of the number of people aged 60 and over living in fuel poor households.

^{xvi} https://www.bre.co.uk/filelibrary/Briefingper cent20papers/92993_BRE_Poor-Housing_in_Europe.pdf

^{xvii} <https://www.nea.org.uk/wp-content/uploads/2019/11/Manifesto-for-Warmth-2019.pdf>

^{xviii} https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839352/CFP-Interim-Report-October-2019.pdf

^{xix} <https://publications.parliament.uk/pa/cm201719/cmselect/cmbeis/1730/1730.pdf>