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MONEY BOX LIVE

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LEWIS: Hello and welcome to the new tax year and also the new benefits year next week. We've heard a lot today about tax changes, but in fact the biggest hits on the income of many families will be changes to benefits. They began on 1st April with big changes to housing benefit. They'll save around £1.7 billion a year by 2014/15. Then today tax credits were cut for many, especially those with high childcare costs. And next week most benefits will be increased, though some will be frozen, and the rise will be lower than it would have been as the government moves to its new measure of inflation, the Consumer Prices Index - a change which will altogether save more than £7 billion a year by 2014/15. And then of course there are the plans to change the state pension completely, and we've already had lots of emails about that and we'll be answering some of the more alarming fears today. We can answer any questions in fact today on benefits and tax credits and how they're changing this week and next - benefits for carers, for people with disabilities, people who are unemployed, help with rent, and people who haven't worked and people who are parents. So ask your question by calling Money Box Live now. The number is 03700 100 444. With me today to answer your questions: Jean French, who's Head of Advice and Information at Carers UK; Eddy Graham is Advice and Rights Manager at the Child Poverty Action Group; and Sally West is Strategy Advisor with the charity Age UK. And our first question is from Folkestone where Alan has a question. Alan, your question?

ALAN: Good afternoon, panel. Nice to talk to you. My fear is having passed the personal capability test for what was incapacity benefit previously, it's very alarming

to hear that there's going to be 30,000 people examined a week. And is this just going to be raising the bar, sir, and making it very difficult to pass muster even though one's passed muster in the past?

LEWIS: Right, these are the new assessments for people who are too ill to work, Eddy Graham. How will it actually work?

GRAHAM: Well, Alan, I mean the first thing to ask if you don't mind is can I ask how old you are?

ALAN: Well on February 18th, I became 60, sir.

GRAHAM: Oh okay. It's just that some people are exempt from the new assessments, from the transfer by reasons of their age, but that won't apply to yourself. Basically people who are on incapacity benefit and who've passed the test in the past are going to be converted to awards of employment and support allowance. So your incapacity benefit over the next 3 years, everyone who's receiving it, will be converted to a new benefit called employment and support allowance, and you will have to undergo a medical based on the new test - the work capability assessment - which is a much tougher test than the personal capability assessment, the test you've passed previously. So, yes, you will have to continue to take medical assessment and unfortunately you may find, depending on your condition, that it's harder to pass the new test. But you'll still have the same rights of appeal, you'll still be assessed by a doctor, and you'll still have the opportunity to tell the doctor (and, via the form, the DWP) everything about your condition.

LEWIS: We've certainly heard a lot about this this week, Eddy, because I think these letters are going out at the end of the pilot scheme. You say the tests are much tougher. Is that because the government thinks that people have been on this benefit who really could work, or have they just made the test tougher so more people will be put onto a lower benefit?

GRAHAM: I think, to be honest Paul, it's a bit of both. I mean there has certainly

been a view across this government and the previous one that incapacity benefit had become something of a soft option for claimants; that lots of people who were capable of work had ended up on the benefit and (in their words) had been stuck on the benefit. But also the most recent review - the work capability assessment has been changed relatively recently - was done with the stated intention of increasing the disallowance rate, and that's exactly what it's done. So we know at the moment that 39% of all the people assessed fail, but there's much a higher dropout rate under the new assessment. So something like two thirds of people actually who claim ESA are losing the benefit. And obviously lots of people like Alan who've been on incapacity benefit previously and maybe who's been on it for a long time you know will find the new test quite a shock.

LEWIS: Yes.

ALAN: May I just have a quick word with you both?

LEWIS: Alan of course, yes.

ALAN: I also receive at the low level of care and mobility, disability living allowance, panel, so it's not just what is going to be changed to the new employment support grant I have. And I won that in an appeal before a tribunal. So having passed the old capability test, I was just worried about the bar being raised so high. I have letters from consultants saying I will never work again at 60.

LEWIS: Yes. I mean I think that is another issue, isn't it - that if you've been on a benefit like that for a number of years, it's actually very, very hard to enter the job market and have a realistic hope of getting a job? Jean French, what about helping these disabled people that we've been hearing from, carers? Can they get anything on the basis of them getting these benefits?

FRENCH: Sorry, what do you mean?

LEWIS: Carers who might be assisting people who are going in for these tests, is there anything that they can get?

FRENCH: Yes, absolutely. I mean if there's a carer, then the carer should be claiming carer's allowance.

LEWIS: Right and is that changing with the new rules or not?

FRENCH: No.

LEWIS: No. So as long as you keep getting the benefit, the carer's allowance will continue?

FRENCH: Providing you're getting attendance allowance or middle or higher rate care component of DLA, carer's allowance will be in payment.

LEWIS: Right, so it's middle or higher rate. Alan, you were saying you get the lower rate.

ALAN: Yes, I get the lower rate. I live in a semi-sheltered scheme, as I say, with panic buttons and warden assisted. I'm not at the high rate at all.

LEWIS: Right. Alan stay with us, but let me bring Rita in from Glasgow because you've got another question about these assessments, Rita.

RITA: Hello Paul. Thank you for taking my call. Basically again it's regarding incapacity benefit. My question is how are candidates chosen for reassessment? Now I've contacted a couple of agencies, one of which was Job Centre Plus. The girl was very helpful, but admitted that she's very much in the dark and they don't know how they will actually be picking people to reassess them. It could be randomly, national insurance number, alphabetically. They don't know. And I contacted a disability agency as well, and again they have said they don't know how this will be done.

LEWIS: Does this affect you? Are you on this?

RITA: No, it's actually my friend who's actually you know quite worked up about this at the moment.

LEWIS: Yes. And it's this uncertainty I think, Eddy, isn't it, that affects people? How are they being picked?

RITA: That's the problem, yuh.

GRAHAM: Yes, well Rita, I mean there is a process. I mean there is what's called a conversion process. So people who are already on incapacity benefit, they will have a date when they are next due to be assessed under the personal capability assessment, and they will then be assessed under the new test when they were due to go for their next medical. So basically if somebody is being sent for a medical every 6 months or every year or every 2 years, then on the date they're next due to be assessed, that's when they'll be subject to the new sort of much tougher regime. Of course a lot of people on incapacity benefit are exempt from the PCA and may not have been sent for a medical for some time because they've got severe conditions, and those people, it's true to say, that's down to the DWP to allocate them basically a day when they will be subject to conversion. And I think anybody in that situation, if they were to ring up their local Job Centre Plus and say "I'm really worried. When am I going to be assessed?", they wouldn't be able to be told basically.

LEWIS: No. And this is a real worry because it is a tough test, as you said. People are obviously concerned they'll fail it. And they know if they do fail it, quite apart from having to look for a job, which they may or may not feel they're able to do, they will get less money.

GRAHAM: They will. People who claim their claims for incapacity benefit or income support on the basis of sick will end. If they appeal a decision, they'll be able to be paid an assessment rate of the new benefit - employment and support allowance - but other than that many people will find themselves claiming jobseeker's

allowance.

LEWIS: Sally West?

WEST: Well I was just going to pick up the point Eddy said about appeals. I mean it is really worrying when you don't know what the future for your benefit is, but I think if you are turned down and you feel this is unfair, it's always worth getting some advice and maybe getting some help to make an appeal. It's not the end of it because there is an appeal system.

LEWIS: And help from where? That's often a question we get asked.

WEST: Yes it often depends what's available locally, so there may be a citizens advice or other advice agencies. So yes. And of course they're quite pressed, particularly with all these changes. Or there may be disability advice agencies. So it's definitely worth looking into what's available.

LEWIS: Yeah, okay. And Alan, you've had experience of appeals.

ALAN: Yes, I managed to get the report last time and I believe that the doctor tapping away didn't understand the parameters or my condition very well. And I won't mention the firm that does these tests ...

LEWIS: No, don't do that.

ALAN: ... but it has come under a lot of scrutiny in the past.

LEWIS: Well it has and I think a lot of people have said that over the last few days - that they feel the doctors weren't really aware of their own condition and they were just ticking boxes and you passed or failed on a basis that they didn't think was fair.

ALAN: That's right, Paul.

LEWIS: But you can appeal. And I can only say it is a period of uncertainty for anyone on that benefit, but the process is there, it's going to happen, and there's nothing we can do, I'm afraid, to stop it. We can just try and explain the rules. Alan, thanks very much. And Rita in Glasgow, thank you very much for your call. Before we move onto the next call, I'll just take a couple of emails on the state pension reforms. We have the green paper, as it's called, out on Monday with the plans. And Sally West, we've had a few, and just let's deal with a couple of points. Leonard is retired already. He gets a pension and he's saying is it true that when this comes in existing pensioners won't see any benefit from it?

WEST: That's right, this is certainly what the government are proposing - that the changes which will ... There's two options. One of them is to combine the current basic pension and additional pension into one higher pension, which would be worth about £140 a week, or they might look at having the two separate pensions still but speed up the process that's already going on where the state second pension becomes a flat rate pension. However, and unfortunately for people that are on low pensions now, what the government are saying is that the changes are only going to be people reaching state pension age in the future. And we would assume it's something around 2015/2016 that these changes will come in.

LEWIS: They haven't told us that though, have they?

WEST: Well it's not actually in the paper. Yes, there's not a huge amount of detail yet in the pension, so in the next few years. But unfortunately it won't help people unless the government have a change of heart.

LEWIS: Yes. And of course well I think that would probably be too expensive. I think that's the problem, isn't it - that it's got to be done at no cost - and if you suddenly bring 12 million people into the system, it would be more expensive. And until we know the date, of course, people who are reaching pension age for men or women in the sort of 2015/16 time just don't know if they're going to be subject to the new rules or not.

WEST: Well that's right because the proposals are that state pension age increases by more than the regime that was agreed under the previous government.

LEWIS: Indeed, yes. And let's just deal with one more of these. This is Colin. His state pension is going to be £190 a week - £102 plus state second pension graduated retirement benefit. So he's saying if the new pension is £140 or maybe a bit more by the time you've added inflation on for the 2 years, will his pension actually be reduced? Will he get less than he would have got under the old system?

WEST: And this is someone who hasn't yet reached ...

LEWIS: Who hasn't yet reached pension age. Yes I think so, yes.

WEST: Yes, I mean the government's paper does say that they will honour contributions made. I've got it here in front of me actually. It says people with higher amounts of additional state pension before the introduction of the single tier would correspondingly receive higher amounts than the estimate of £140. So they're not going to take away rights that are already approved.

LEWIS: No. So it's not really going to be that simple, is it? You're going to have one rate for people, then you're going to have another rate for people who've got more, and then another category are going to have a bit less.

WEST: I don't think any of these reforms are necessarily that simple really ...

LEWIS: No.

WEST: ... but they may be a bit simpler, and in years to come it may be much simpler.

LEWIS: Someone suggested it was complication rather than simplification, but we'll see. Anyway thanks for those emails Colin and Leonard. And we're going to

take another call now. Anna's waiting very patiently in the West Midlands. Anna, your question?

ANNA: Oh hello. I'm currently on a pension and I also have pension credit, and that pays for my rent and my council tax. With the new proposals, will that affect me? Because if I have £140, I will have to pay for my rent and my council tax and I'll be in poverty because I have a special diet as well.

LEWIS: You've already reached pension age, Anna? You're over ...

ANNA: Oh yes, I am.

LEWIS: Well, as we said earlier, the changes won't affect people who've already reached pension age and you should carry on getting much the same. But do we know, Sally, about pension credit for people already retired and also council tax benefit which we think is going to change in the next few years?

WEST: Well certainly at the moment there's nothing in the proposals that have been introduced in the green paper that would affect benefits that people who are already retired are getting, although it does talk about the need to perhaps look at the means tested system for people who reach state pension age after any changes are being introduced. However, there are also changes to housing benefit being introduced. Are you a private tenant, Anna, or are you ...

ANNA: No, I'm council.

WEST: Right, so you wouldn't be affected by the changes regarding private tenants. The other thing that I'm afraid we know very little about yet is reforms to council tax. The government have said that they want to take council tax away from the Department for Work and Pensions - council tax benefit, sorry - and to have a localised system, and at the moment we just haven't got any details of how that will work. Although perhaps one thing reassuring, Anna, is that the government did say

that they want to protect certain groups, particularly pensioners.

LEWIS: Yes, I'm sure that's true. We also do know, don't we, that they expect the overall cost of council tax benefit, Eddy, to fall by 10% when local councils take it over?

GRAHAM: Yes, they're certainly looking basically to save money. You know they want a local scheme, they think, to let councils decide how to meet local need. And there is a great concern among CPAG and other groups that it will be the end of a national scheme which guarantees that people on very low incomes don't have their income taken below the poverty line or even further below the poverty line by having to pay very high levels of council tax.

LEWIS: But, Anna, I think you at least can rest assured that the government have said that they will protect in your position, and let's just hope that that turns out to be true over the next few years. So don't worry. I mean it's an easy thing for me to say, I know, and all this uncertainty inevitably makes people worried, but, as far as we know, it won't affect you. So thanks very much for your call. I hope that has been slightly reassuring. And I'm just going to go to an email now because we talked about housing benefit and this is from someone in a very different situation whose name I don't have. I apologise for that. She's a single parent. She earns £35,000. She's just about to lose her job. She owns a house. It's rented out. She lives in rented accommodation. And how will owning a house impact on her eligibility for housing benefit - I presume to pay the rent? So that's quite a complicated set of circumstances, Eddy.

GRAHAM: It is, yes. I mean based on her own personal circumstances, she could of course claim income support as a lone parent, claim child tax credit and make a claim for housing benefit. She's not living in a property that she owns, so that will be treated as capital. The income that she receives from the tenants will basically be treated as capital; and any capital value, basically equity in the house that she owns, will also count as capital. And that could be enough. So if the house is worth for example £200,000 and she's got a £50,000 mortgage on it, then basically that's going

to rule her completely out of means tested benefits. So that person needs to get specialist advice basically before they make a claim.

LEWIS: Yes. I suppose one solution would be, once the tenancy comes to an end, to sell the house and then she would have some money to help her in her situation. But she might be able to get tax credits with an income of £35,000 and some children, or at least one child.

GRAHAM: At present, yes. I mean yes, she may well. And also you know if she loses the job or even moves back into the house because the value of any house that you live in isn't treated as capital. So yes, it does sound like if she's not claiming benefits or tax credits, she might actually be entitled to.

LEWIS: Yes, so thanks for your email. Claim tax credits. And then, given your circumstances, you might have to think about giving up your rented house and living in it yourself, which might be the answer. Thanks very much for that email. And now another tax credit question I think from Jessica in Southend. Jessica?

JESSICA: Oh hi, yes.

LEWIS: What's your question?

JESSICA: Basically I'm in a situation where I have returned to work part-time two days a week, having been on maternity leave, and I've got two young children for whom we have a nanny at home. And my husband works and is just into the higher rate tax band. And we're doing everything we can in terms of claiming the childcare vouchers, but we're in a situation that my income, what I'm actually earning is less than we have to pay out for the nanny, for childcare.

LEWIS: For childcare. Yes, I can see that. Yes, I think that's very common, I'm afraid, with mothers who go out to work, particularly if they work part-time or work short hours. So I suppose one answer would be to not work at all and care for the

children yourself?

JESSICA: Well that's right. It seems to me that we would probably be financially better off if we did do that, but I was just wondering whether there was any other alternative or any other way of getting help towards the costs of the childcare?

LEWIS: Yes because I suppose what you're thinking is that getting out of the job market is a bad move and you can stay in and perhaps work longer and longer hours as things change and that would help you?

JESSICA: Absolutely. I am paying tax and national insurance, so I'm paying it for the nanny as well, so you would think it would make sense for it to be encouraged.

LEWIS: Yes, absolutely. Eddy, what sort of benefits do you think Jessica and her husband might be able to claim?

GRAHAM: Well the most obvious benefit for you to claim Jessica obviously is child and working tax credit because working tax credit contains a childcare element, which can contribute towards the cost of the childcare that you are having to pay. I think your problem will be that your earnings as a couple are relatively high.

JESSICA: Yes.

GRAHAM: So to qualify for the childcare element anyway when you're a couple, you're going to both basically have to be working 16 hours a week. So if you're working less than 16 hours a week ...

JESSICA: I am working 16 hours.

GRAHAM: Okay, so you would meet that criteria, but then it would all be assessed on your income. And so if your husband is a higher rate taxpayer and you add that to your earnings. And you've got two children if you're claiming child...?

JESSICA: Yes.

GRAHAM: Okay. I mean I would estimate without kind of doing a detailed calculation, I would estimate that your income would actually be probably too high basically. And, for example, if you decided you know it wasn't worth it and gave up work, obviously you wouldn't have any childcare costs. You wouldn't be able to claim for them even if you did because you wouldn't both be in full-time work, so basically you wouldn't get any help that way either. Unfortunately you're just above the kind of income level that these benefits are actually aimed at. That's the problem.

LEWIS: Yeah, that's been a big change with this government - that they are bringing that income limit down. I should just mention a website here, Jessica, for you and everyone else. It's www.entitledto.com. It actually takes you through to another website now, but that's the easy one to remember. Entitledto.com. And if you put in all your details, it will tell you if you are entitled to means tested benefits. And you can look at the difference between last year and this year on there as well, as far as I know. So it may be worth looking at that and seeing if you can claim. And I suppose, Eddy, we should also point out that if Jessica's husband is paying higher rate tax, they're going to lose their child benefit in January 2013 as well, aren't they?

GRAHAM: Yes. I mean unfortunately a lot of the attempts to kind of rein in the fiscal deficit have actually been targeted at families with children. And so whilst you would lose the baby element of tax credits, which you might have got last year, the element for children under 1 has been abolished and, as Paul says, child benefit is going to be restricted, taken away from higher rate taxpayers. So families with children are really at the sharp end basically of this government's attempts to rein in the deficit, unfortunately, because the children are the group in this society who are most at risk of poverty.

LEWIS: Yes and I think that is true of the tax changes that came in today. People with children are going to have offsetting reductions that don't help them with tax changes. So, Jessica, I'm very sorry. I think it's probably bad news. But do check what you're entitled to at that website I mentioned.

JESSICA: Yes, I think my understanding is that if I didn't work, we'd actually be entitled to benefits of some kind; but if I do work, we're not.

LEWIS: You may well be. Yes but working should pay. But anyway it's a difficult borderline situation. Thanks very much for your call and we'll move to Linda now who's in Swindon. Linda, sorry to keep you waiting so long. What's your question?

LINDA: Oh not at all. It's always interesting to listen anyhow.

LEWIS: Good. What's your question?

LINDA: I'm registered disabled. I'm 66 years old. I hadn't wanted to retire actually, I wanted to do something part-time, but I'm not able to. I receive disabled living allowance and grade one of the care allowance for myself because some things I'm not able to do for myself, and I have a pension from my husband who died. My sister is more seriously disabled than I am and she's also deaf and there are only the two of us now left from the family ...

LEWIS: In the family?

LINDA: Yes. And I spend quite a lot of time away from my own home looking after her when it's necessary. And I tried to apply for carer's allowance because it can be rather expensive - for example using taxis to and from my sister. My motability scooter won't sort of go that far.

LEWIS: So you want to know what you might be able to get?

LINDA: Well I was told I could not have the carer's allowance because my DLA was already considered a benefit.

LEWIS: Right, well let's bring Jean French in here. Jean?

FRENCH: Hello Linda.

LEWIS: Hello.

FRENCH: The rules for carer's allowance are that it cannot be paid at the same time as certain other benefits, but DLA isn't one of them.

LINDA: Oh!

FRENCH: So you can claim DLA and carer's allowance. You say that you're receiving a pension.

LINDA: From my husband, yes.

FRENCH: Is that a private pension?

LINDA: It's a teacher's pension.

FRENCH: Okay. And do you get a state pension yourself?

LINDA: Yes, it was very small. There were circumstances, I won't take your time with them, because I was in and out of employment. I was also a teacher.

FRENCH: Linda, it's probably the state pension that's causing the problems here because that's what's called an overlapping benefit, so you can't get your state pension at the same time as carer's allowance.

LINDA: Oh I see.

FRENCH: However, it is worthwhile checking out whether you're entitled to any pension credit because if you're a carer, you can get paid more pension credit. So what I suggest is either give our advice line a ring or get a quick benefit check from

somebody, it won't take very long, to work out whether you may have any entitlement to any pension credit. Can I also suggest that you get yourself a carer's assessment.

LINDA: Ah, I don't know how to go about that and I've not heard of it.

FRENCH: Very simple. What you do is contact the local council where your sister lives. Ask them for a carer's assessment. They'll be able to look at whether they can give you any support in your caring role and that might include some help with the travel costs that you're incurring.

LINDA: With the what costs?

FRENCH: The travel costs.

LINDA: Oh yes.

LEWIS: Thanks very much for calling. I'm going to move on because we've got one more call to squeeze in. And I should say you can claim pension credit by ringing the pension credit helpline free. It's 0800 991234. 0800 991234 to see if you can claim pension credit. But thanks very much for your call, Linda. And I'm just going to try and squeeze in a question from Ian in Dumfries. Ian, if you could be brief, it would be very helpful.

IAN: Yes, I'll try and be as quick as I can. Very quickly, I am a single parent and I currently work 16 hours a week. I get working tax credit and child tax credit and I've also got child benefit. I've been looking to go to 30 plus hours a week. I'm on minimum wage. If I stay on minimum wage at 30 hours plus, would I technically be any better off or worse off because I've heard a rumour that I'd actually be worse off overall?

LEWIS: That's a very difficult question to answer without a computer. Eddy's frowning his brow. I think he might have an answer for us.

GRAHAM: I think it's unlikely that you would actually in cash terms be worse off. I mean unfortunately you're probably going to be worse off anyway after this week because of the changes that have been made to tax credits. Once you work 30 hours a week, there is an additional amount called the 30 hour element, so your entitlement to tax credits, working tax credits would actually go up. But obviously you've got a higher income basically eating into the amount that you've got. But I think it's unlikely, unless it kind of greatly increases your going to work costs or other things, I think it's unlikely you'd actually be worse off financially.

LEWIS: Okay. And I'm going to have to draw it to a close there because we are running out of time. I'll just mention that website again: entitledto.co.uk. You can put your details in there, Ian, and see what you are entitled to. But we have to stop now because we've run out of time. My thanks to Eddy Graham of Child Poverty Action Group; Jean French of Carers UK; and Sally West from Age UK. Thanks for all your calls and emails. I'm sorry we couldn't get through more of them. There's more about benefits on our website, bbc.co.uk/moneybox, and you can listen again and in a couple of days read a transcript for all those fiddly bits you didn't quite hear or note down. You can read my money thoughts on Twitter, Paul Lewis Money whenever I'm awake. I'm back at noon on Saturday with Money Box when we'll be looking at the state pension reform plans in more detail with the minister. And Vincent Duggleby's here on Money Box Live next Wednesday afternoon taking calls on pensions.