

Analysis of Budget 2015 from a Children and Families Perspective

October 2014

Introduction

Barnardos is pleased that some announcements made in Budget 2015 show the Government is keen to offer some relief to low income families. Measures such as a €5 increase in child benefit for all families will help alleviate some financial pressure and the substantial investment in social housing is welcomed.

However, it is disappointing that more spending was not invested in key services such as healthcare, education and childcare which would make a tangible difference to the lives of many children. Ensuring access to timely medical interventions, appropriate educational supports and quality subsidised childcare would not only benefit the child directly but also make sound economic sense. Invest now and save in the future should be a guiding principle shaping Ireland's recovery.

Below is an outline of all Budget measures affecting children and families as announced this week.

Taxation Measures

- The Universal Social Charge has been restructured, current rates have been reduced and bands widened and new rates introduced to be more equitable and ensure those on higher incomes pay more tax. It will result in removing 80,000 low paid workers from the tax net as anyone whose income is below €12,036 is exempt from paying USC. It will particularly benefit part time workers.
- For those liable for USC: the first €12,012 will be charged at 1.5%, the next €5,564 of your income is charged at 3.5%, the next €52,467 is charged at 7% (totals up to €70k)
A new rate of 8% will apply to those incomes over €70,000 and 11% will be applied on those self-employed with an income over €100,000.
- Someone earning €17,500 will now pay €374 USC in 2015 compared with €547 in 2014
Someone earning €35,000 will now pay €1,595 USC in 2015 compared with €1,769 in 2014
Someone earning €175,000 will now pay €12,444 USC in 2015 compared with €875 in 2014.
- The top tax rate falls by 1% to 40% and the point which people start paying this rate has increased by €1,000 for a single person and €2,000 for a couple up to €33,800.
- Income tax relief on water charges up to a maximum of €500 will apply to each household. The relief will be worth up to €100 per household per year and is claimed on a year after basis.

Department of Children and Youth Affairs

- Barnardos welcomes the additional €26m allocated to the Child and Family Agency, Tusla bringing its budget to €635m (over €12m in capital funding) in 2015. This is much needed, and will allow the Agency to provide desperately important services for children and tackle its lengthy waiting lists. Its reform programme will continue in 2015 under the National Service

Delivery Model, upgrade special care facilities and roll out of National Child Care Information Systems. It will also concentrate on a commissioning strategy and tackling legal costs.

- €260m to support childcare sector through continuing the 'free pre-school year' which benefits 68,000 children and costs €173m. Also continue to provide targeted childcare schemes to enable parents take up education / training / low paid job. None have these have changed.
- The Area Based Childhood programme will continue and an additional €750,000 has been allocated to this.
- Barnardos welcomes the continued commitment to finish the construction of Oberstown Detention Centre with an allocation of €19m in capital investment and €1.8m in additional operating costs.
- Capital allocation of €35m to support additional child detention services.
- €50m to fund youth services to enhance participation of young people in these services and supports.

Department of Social Protection

- Barnardos welcomes the increase of €5 in Child Benefit bringing the rate to €135 per month per child. Given the previous cuts (from €166 to €130) disproportionately affected low income families this will offer some reprieve. Universal payments have proven to reduce child poverty so Barnardos is pleased the Government opted to raise this payment as opposed to the targeted social welfare payments. A further €5 increase is planned in Budget 2016. Approximately 1.17m children will benefit.
- Other key social welfare payments such as One Parent Family Payment and Jobseekers Allowance are remaining the same at €188 per week. The rates for the Back to School Clothing and Footwear Allowance are unchanged as are the income guidelines applicable to Family Income Supplement. This is disappointing given the rise in inflation and introduction of water charges and property taxes makes it harder for a welfare family to escape poverty.
- The Christmas Bonus will be partially reinstated, 25% of the weekly payment, for long term social welfare recipients. It will benefit more than 1.16m people at a total cost of €63.5m. However, those recently unemployed will not receive it.
- To assist with water charges, €100 per year will be given to all those in receipt of the household benefit package and fuel allowance. This will cover 665,000 households. Unfortunately anyone unemployed for less than a year is not entitled to this subsidy.
- A new Back to Work Family Dividend scheme was introduced. This will allow unemployed parents / lone parents to take up a job regardless of wages being received and retain their Qualified Child Increase (€29.80 per week) in full for the first year and then keep 50% of that for a second year. It equates to keeping €2,325 per child over the two years. It will not affect their entitlement to Family Income Supplement. Barnardos believes this is a missed opportunity to invest significantly in the quality subsidised childcare which would facilitate more parents back into work.

- An extra €2m will be provided for the School Meals Programme in 2015 up to €39m.
- There was no change to the rent supplement levels which is extremely disappointing. Many families have to top up their rent supplement levels to pay the actual rent charged by landlords. It is putting huge financial pressure on parents and is resulting in families remaining in overcrowded accommodation as they are unable to afford the escalating rents. Rent supplement is a significant poverty trap preventing parents taking up low income jobs as the wages won't cover the rent. The Housing Assistance Payment needs to be rolled out more comprehensively across the country.

Department of Education and Skills

- The Department is going ahead with the 1% cut to the capitation grants. This will mean less money for schools to operate on a day-to-day basis despite ever increasing pupils in the system. Subsequently, more pressure will be placed on parents to make up this shortfall by paying 'voluntary' contributions.
- Barnardos welcomes the recruitment of 1,700 full time teaching posts comprising 920 teachers (610 primary and 310 secondary), 480 resource staff and 365 special needs teachers. These are much needed in light of the demographic changes. It will not improve class sizes.
- Ten Department of Education inspectors for pre-school settings will be recruited in 2015. Their work will support that being undertaken by the Department of Children and Youth Affairs.
- An additional €6m allocated toward the roll out of the National Literacy and Numeracy strategy bringing the annual budget to €13.8m.
- €3m is being made available to ensure the high-speed broadband which has been installed in all post-primary schools is available to them free of charge.
- The second instalment of €5m within the three year investment programme of €15m for school book rental schemes in primary schools is confirmed.
- The third level student contribution rose by a further €250 bringing it to €3,000 as was announced in Budget 2011. This charge will prevent more students from entering into third level education.

Department of Health

- The Department of Health budget increased by €305m to bring it to €13bn in 2015.
- The introduction of the free GP care to under sixes is dependent on negotiations with the IMO concluding and there is no timeframe for this.
- The prescription charge of €2.50 per item up to a maximum of €25 per family per month remains unchanged. Barnardos sees the negative impact of this charge as families struggle to pay medicines even if they have a medical card.

- Emergency department fees and income thresholds for medical cards and GP cards remain frozen.
- €35m was allocated for the continuing development of community mental health services, particularly CAMHS, adult community mental health teams and specialist community mental health teams. This is back in line with the commitment made in the Programme for Government, although last year only €20m was ring fenced. Despite earmarking funding to the development of these services concerted implementation has been slow leaving services under-resourced across the country.

Department of Environment

- Barnardos welcomes the investment of €2.2bn in social housing over the next three years. A Social Housing Plan will be published outlining the intention to deliver up to 30,000 units in next few years. In 2015, €800m of this will be spent to construct or acquire 946 units. This is desperately needed and is still insufficient given 90,000 households remain on the social housing waiting lists.
- The number of direct units delivered through voluntary housing bodies and co-operatives will rise from 275 to 440. The additional capital programme within the Department will also allow for 1,000 extra vacant housing units to be brought back into use. Current spending on housing will grow by €52m to €345m which will be used to finance increased local authority housing services, including through the Rental Accommodation Scheme and the new Housing Assistance Payment. In total, 7,536 additional housing units will be delivered from a range of measures which, combined with a target of 8,000 for transfers from Rent Supplement to the Housing Assistance Payment, will deliver a total of 15,925 housing units in 2015.
- The budget for homeless services has increased by €10m from €45m.
- The Home Renovation Scheme is to be extended to landlords to improve the quality of rented housing stock until end 2015. Hoping landlords at lower end of market will avail of it.

Department of Justice

- Further recruitment of 200 gardai planned.
- New Irish Human Rights and Equality Commission been allocated €6.3m
- New Charities Regulatory Authority received an additional €500,000.

Conclusion

Budget 2015 brought a chink of hope to low income and welfare dependent families with no further cuts to essential supports and services. Some measures were quite redistributive such as reform of the Universal Social Charge and hopefully will enable parents to take up employment. However, the real life experience of child poverty, risk of homelessness, inadequate health supports and poorly funded education system remain a constant concern for Barnardos. There is still growing inequality in Irish society with the real risk that this generation of children and the next will be left far behind in Ireland's economic recovery.