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Age UK's response to the consultation *Localising Support for Council Tax in England*

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Name: Sally West
Email: sally.west@ageuk.org.uk

Age UK
1-6 Tavistock Square
London WC1H 9NB
T 020 8765 7200 F 020 8765 7211
E policy@ageuk.org.uk
www.ageuk.org.uk

Age UK is a charitable company limited by guarantee and registered in England (registered charity number 1128267 and registered company number 6825798). The registered address is 207-221 Pentonville Road, London N1 9UZ.

About this response

In the 2010 Spending Review the Government announced that it would localise support for council tax. The Welfare Reform Bill abolishes council tax and this Department for Communities and Local Government consultation paper sets out proposals around key elements of a framework for local support. Some of the main proposals are:

- Council Tax Benefit (CTB) will be replaced by a localised system of support from 2013-14 with expenditure reduced by 10 per cent.
- Funding will be provided through a cash limited grant which is not expected to be ringfenced.
- Schemes will be developed within broad parameters set out by Government which include protection for pensioners.
- Local authorities will need to establish schemes for working age claimants which should be designed to support work incentives.
- They will be free to collaborate with other authorities.
- Administrations in Scotland and Wales will put forward their own proposals.

Key points and recommendations

Age UK is concerned that the proposals replace a national benefit based on need with localised cash limited support without full consultation on whether this is the right approach. Unless and until there is widespread support and evidence that this would result in better outcomes CTB should continue to be a national entitlement.

In the context of the proposals we strongly support the commitment to protect pensioners. Council tax is a major cost and it is essential that older people have the security of knowing that they will be entitled to a specified level of support wherever they live in the country.

We are concerned that localising support would make the administration of the system less integrated with other low income benefits although there could be advantages in having closer links to other council tax discounts and reductions.

If the Government proceeds with localisation then we believe that maintaining the current criteria and allowances for older people through legislation is the best approach. Otherwise there is a risk of a more complex system where it is harder to guarantee that support for pensioners is protected.

While older people would be protected we are concerned that there would be disincentives for local authorities to encourage take up as this would reduce the funding they have to support younger people or use for other purposes.

We are also concerned that help could be reduced for those approaching pension age who are unable to work, and there could be potential negative effects on intergenerational support and age equality.

Age UK believes that there should be as much consistency as possible between local schemes in order that people receive similar levels of support wherever they live and to reduce complexities especially when people move areas.

If proposals go ahead funding for pensioners, and any other protected groups, should continue to be reimbursed by central government on a demand led basis. Local authorities should not be put in the position where it is against their financial interest, and that of younger people in the area, to encourage older people to claim their entitlements.

1. Introduction

Age UK works to improve later life for everyone through our information and advice service, campaigns, products, training and research. We welcome the opportunity to respond to this consultation on localising support for council tax in England.

Council Tax Benefit (CTB) offers essential support to many older people and others with low incomes. Age UK welcomes the Government's commitment to protect pensioners although as set out below changes for people of working age could also have an impact on the groups we represent, for example by discouraging local authorities to maximise take up. Many of the questions asked in the consultation are more appropriate for local authorities who will have to set up and administer schemes than for voluntary sector organisations and in this response we focus on the impact for pensioners and those approaching retirement.

2. General view on localising council tax support

Age UK believes that there are circumstances when a localised approach can be an effective way of providing support particularly where needs vary in different parts of the country and where communities and service users would benefit from the involvement in the design of a service.

However we are concerned that the proposals replace a national benefit based on need with localised cash-limited support. Furthermore the announcement to localise council tax support and the provisions in Welfare Reform Bill to abolish CTB were made without full consultation about whether this is the right approach. In our view major changes to localise national welfare benefits should be subject to detailed debate and consultation and only taken forward if there is widespread support and evidence that this would result in better outcomes. Unless and until this happens we believe that the current system should remain and CTB should continue to be a national entitlement.

3. Protection for pensioners

In the context of a localised scheme Age UK strongly supports the Government's commitment to protect pensioners. Council tax is a major expenditure for older people – for example the Institute of Fiscal Studies reported that in 2007 pensioners spent 7.2 per cent of their budget on local taxes (after benefits) compared to 4.4 per cent for non-pensioners¹. Benefits such as Pension Credit guarantee are considered to be the minimum acceptable income level for older people excluding rent and council tax so it is appropriate that recipients normally receive full help with council tax bills.

Those with incomes above the basic level of Pension Credit guarantee may get partial help through the CTB system and this is an important recognition that there are many older people with modest income and savings who would otherwise be in difficult financial circumstances. As the consultation paper says groups such as pensioners are not expected to undertake paid work to increase their income. It is essential that older people have the security of knowing that they will be entitled to a specified level of support wherever they live in the country.

However although pensioners will be protected there could be disadvantages in separating this support from DWP benefits. The three main means-tested benefits that older people can claim have similar rules set down in legislation but Pension Credit, is administered by the DWP, and Housing Benefit and CTB are administered by local authorities. It is possible to claim all three benefits in one telephone call but there are inevitable additional complexities for individuals in having both local and national government departments involved in administration.

With the advent of Universal Credit, support with housing costs for pensioners will be incorporated into Pension Credit. This is likely to make the system easier for older tenants needing help with their rent but we are concerned that a localised system of council tax support could result in a less integrated system. It would be easier for individuals if assessment for council tax support was linked to the assessment for Pension Credit and help with housing costs rather than part of a separate locally based scheme. We do however acknowledge there could be advantages with closer links to other forms of support with council tax as considered later.

If the Government proceeds with localisation then we believe that maintaining the current criteria and allowances through legislation is the best approach. Any other option would: move the system further from linked support such as Pension Credit; create more work for local authorities in setting up different systems of administration; and cause increased complexity for older people and those supporting and advising them. Furthermore if local authorities were given more flexibility it would be harder for the Government to ensure that its commitment to protect pensioners continued to be met on an ongoing basis.

The paper does not discuss how 'pensioner' is to be defined. We assume this will cover those who have reached the age of entitlement for Pension Credit – that is men

¹ *The expenditure experience of older households* IFS, 2009.

and women who have reached women's state pension age². This leaves the question of how to treat couples where one person has reached this age and the other has not who, under welfare reform proposals would no longer be entitled to Pension Credit but instead would need to claim Universal Credit. We believe that any commitment to protect pensioners for reductions in support under a localised system should also apply to those pensioners who happen to have a partner of working age.

Other vulnerable groups

While it is right that pensioners should not be expected to work in order to make up any shortfall, the same argument also applies to other groups such as those who are unable to work due to caring responsibilities, ill health or disability.

The consultation paper asks about the best way to balance protection for vulnerable groups with local authority flexibility. Age UK believes that while it is right to protect vulnerable groups local authorities should not be put in a position whereby if the Government sets out greater obligations for some groups they will have less funding to support others. This is considered further under funding in section 6 below.

4. Impact of changes for younger people

Age UK's remit is to work on behalf of people in later life so the commitment to protect pensioners should ensure that most of the people we represent would not be entitled to less money. However it is proposed that the overall funding for local authorities will be cash limited. Approaching half (46 per cent) of current CTB claimants are aged 65 and over and nearly two fifths (38 per cent) are aged 60 and over. As benefits for pensioners are protected and overall funding is to be reduced by 10 per cent, unless there is a substantial increase in the numbers working and not needing to claim benefits, many people of working age will get less support than under the current system. Furthermore the more support claimed by older people, the less funds will be available for younger people or for local authorities to use in other ways. We have concerns about the impact of cash-limited support for younger people for three reasons which are then considered in more detail:

- Implications for encouraging take up among older people,
- The impact that changes could have on people approaching pension age, and
- Potential negative affects for intergenerational support and age equality.

Take up of council tax support by older people

Currently CTB is the least claimed entitlement provided for older people. Between 36 to 44 per cent of older people entitled to benefit do not receive it³. This results in between 1.4 and 2 million older people missing out on an average of £14 a week. By definition these are people on low incomes with no or limited savings for whom an additional £728 a year could make an important difference. Homeowners are

² This will be the position until state pension age is equalised for men and women.

³ *Income related benefits – estimates of take-up in 2008-09* DWP, 2010.

particularly at risk of missing out with more than half (between 56 and 61 per cent) of people of all ages entitled to, but not receiving, benefit. As with other means-tested benefits the low take up is likely to be due to combination of linked reasons including lack of awareness, a perception that people in their situation are not entitled (for example because they own their own home or have some savings), they are deterred by the process, or have negative attitudes about the idea of claiming and would rather try to manage with what they have got.

There is ongoing work by local authorities and voluntary sector organisations to encourage benefit take up and central government has also been involved in campaigns to promote claiming CTB. Without this work it is likely that take up would be even lower and there could be more pensioners living in poverty than the current 1.8 million. However because the Government proposes that overall funding will be cash limited there will be little incentive for local authorities to run take up projects or encourage claims. Indeed while we know that most local authorities will want their older residents to receive the support due, it could be in their financial interest to deter claims.

Impact of the changes for people approaching pension age

Most of Age UK's work is with pensioners and it will be for other organisations to comment in more detail on the impact for families and different groups of people of working age. However within our remit are concerns for those approaching pension age who are unable to work due to disability, caring responsibilities or unemployment or who receive CTB to supplement low paid work – perhaps working part-time due to health problems in the run up to retirement. Such groups could find they have to make up a shortfall in council tax from already low income or draw on modest savings put by for retirement.

Of course there would be less pressure on the budget if more people took up paid work or, if already working, increased their earnings, and the consultation paper states that reforms will create stronger incentives for councils to get people back into work. While there may be more that local authorities could do, many factors around creating work opportunities and providing people with the support they need to take these up are beyond the control of local authorities. Some individuals in their 50s and early 60s are not able to work (or expected to work) due to caring responsibilities or health problems. Unemployed people already have to show that they are actively seeking work in order to receive Jobseeker's Allowance and older unemployed people can find returning to work particularly difficult. They can face barriers such as age discrimination, are less likely to have formal qualifications than younger workers and may be a long way from the labour market. In any case local authorities already have good reason to encourage working where this is feasible for the individual as this will be beneficial to the local economy and community.

We are also concerned about how localised support for council tax will interact with Universal Credit for those approaching pension age. One of the major advantages of Universal Credit is that it brings together tax credits and a range of income-related based benefits into a single system with a single taper. If part of this support is localised then this will add to complexity and uncertainty for individuals. The introduction of Universal Credit already provides a major challenge in terms of

administration and delivery and this could be made even harder if the system needs to take into account different local schemes.

Intergenerational fairness and age equality

In some circumstances there are good reasons for the benefit systems to treat people differently depending on their age or other circumstances. For example it is acknowledged that some groups, including older people, should not be expected to seek paid work in order to receive support and levels of benefits can be higher for people with disabilities or who have reached certain ages. However the basic benefit levels such as Pension Credit or Jobseeker's Allowance are established as minimum income levels excluding housing costs. Age UK believes there should be age equality except where differences can be justified and in respect of help with council tax we do not believe the case has been made.

We have concerns that if proposals go ahead younger people may feel that it is unfair that older residents receive more support from a fixed budget, and this could lead to resentment or pressure to bring pensioners into a cash limited scheme.

5. Administering local schemes

The paper states that local authorities will be given the power to develop their own local schemes for working age claimants with freedom to determine the levels of support and how the scheme will operate. It suggests it might be desirable to have some minimum levels of consistency – for example in definitions of income and capital (but not necessarily thresholds).

Because the Government proposes to maintain the current system for pensioners we do not wish to comment in any detail on how schemes should operate for other groups of claimants. However in general, Age UK believes that there should be as much consistency as possible in order that people receive similar levels of support wherever they live. If criteria and administration procedures differ substantially across England and between UK nations, then not only will people in very similar situations receive different levels of support but there will be less consistency with national benefits such as Universal Credit. The position could lead to potential complexity and uncertainty if people are planning to move areas or change their circumstances. Having a variety of local schemes would also make it harder for those giving information and advice on a national level, and also for local advisers covering more than one local authority.

For pensioners the schemes should be administered in a way that minimises the burden on those claiming support and local authorities administering the scheme. Sharing of data between central and local government, straightforward claim processes and the provision of clear information will be needed.

Appeals

The consultation paper refers to new arrangements for appeals and asks if appeals for the new system should be integrated with this. If council tax support is no longer part of the social security system then this would seem to be an appropriate way

forward. Wherever people live they should have access to a fair, clear and straightforward way to challenge decisions and the appeal system needs to be no more difficult for individuals than the current social security system.

Links with other types of support

While we are concerned that localised support would break the direct link with other social security benefits we recognise there could be some benefits if there were closer links with other local authority support. For example access to, and take up, of the low income scheme could be made easier if it was more closely associated with other forms of local support such as council tax discounts and rebates. However as previously stated any increase in take up by pensioners would put additional pressure on funding.

6. Funding

The consultation paper states that local authorities will be provided with funding as a cash limited grant and the amount available will be reduced by ten per cent. This is envisaged as an unringfenced special grant.

We earlier expressed our concern about replacing a national benefit based on need with a localised scheme, particularly given the cut in overall funding. We believe the proposals should be reconsidered. However if they do go ahead, funding for pensioners and any other protected groups should continue to be reimbursed on a demand led basis. Given the already low levels of take up and high number of older people living in poverty, local authorities should not be put in the position where it is against their financial interest, and that of younger people in the area, to encourage older people to claim their entitlements.

The consultation specifically asks if schemes should be unchanged over several years or adjusted annually to reflect changes in need. Age UK believes levels of funding should be reviewed annually. An increase in need in an area may be due to factors beyond the local authority's control and it would be unfair if that meant support for other residents had to be reduced.