

Help the Aged

The impact of council tax on older people's income

A report for Help the Aged from
the New Policy Institute

New Policy Institute

The New Policy Institute (NPI) is an independent think tank devoted to promoting social justice. Focusing mainly on poverty and social exclusion, it also works on problems to do with essential services, from personal finance to education.

Council tax has been a major area of concern for some years and the NPI has worked with central and local government, trade unions and the voluntary sector on a range of possibilities for council tax reform.

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Foreword

Over the past few years, council tax has become an increasingly important issue for older people. Help the Aged has been deluged with letters and calls from older people concerned that their council tax is rising well above increases in their state and private pensions.

A decade on from its introduction, there is clearly a need for debate about how council tax is affecting the incomes of older people and what policy changes, at both local and national levels, would alleviate these concerns. The proposed revaluation of all properties in England and Wales for council tax liability over the next few years makes this debate doubly urgent.

Help the Aged has commissioned this report from the New Policy Institute to consider the evidence about the council tax burden on older people, and to formulate a number of policy recommendations. We are delighted to publish this important piece of policy analysis, which will be influential in the emerging debate over local taxation.

Older people deserve a council tax system that is fair and does not generate fear and frustration with each yearly increase. They also deserve well-funded, high-quality local services. The proposals put forward within this report demonstrate that the council tax system could be made much fairer without having a significant impact on the income that local authorities receive.



Michael Lake
Director General

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Summary

April 2003 saw the tenth anniversary of the introduction of council tax, instituted by the Conservative Government as a replacement for the community charge. The occasion was marked by a record percentage rise in England and by a double-digit percentage rise in Wales. Council tax rises have been relentless, outstripping earnings and price rises.

This report examines the council tax system from the point of view of pensioners. The latest rises in the tax impact on all households whether pensioner or non-pensioner. Yet for pensioners, they are just the latest turn of a screw that has been tightening since the tax was introduced.

The report's findings and conclusions cover three areas:

- the impact of council tax on pensioners;
- the council tax benefit system; and
- goals and supporting policies on council tax and council tax benefit that pensioners and their organisations could consider supporting.

The impact of council tax on pensioners

In April 2003, council tax for Britain as a whole was almost double the level of April 1993. By contrast, average

earnings were up by a half on their level ten years ago, while prices were up by around a third.

There are marked differences both between countries and within English regions. Wales has seen a much bigger percentage increase than either England or Scotland (although from a much lower starting point), while the increases since 1997 have been two-thirds higher in the East of England than in the North West.

Over the ten-year period, the 'burden' of the tax – that is, council tax as a proportion of income – has risen for all tax payers. However, because pensioners' incomes rise more slowly than those of working-age people, in line with prices rather than earnings, the burden of council tax has increased further for pensioners than for people of working age.

Being relatively income-poor and asset-rich, pensioners carry a burden nearly twice as great as for the average person. The burden is also slightly greater for older pensioners than younger ones.

In 2007, all properties in England will be revalued for the purpose of re-assessing liability for council tax. This will raise bills for some pensioners while lowering them for others. Most of those facing higher bills will be in London and the South of England and many of them will be on below-average incomes.

Council tax benefit

Council tax benefit caps the amount that households on low incomes and with little or no savings have to pay towards the tax. In 2000/1, there were 4.7 million people receiving the benefit, half of whom were pensioners. This is more than for any other means-tested benefit.

The number of pensioners entitled to claim council tax benefit is set to become higher still, thanks to changes which make the benefit more generous, especially the Pension Credit which is being introduced from October 2003.

Yet there are millions of people who are entitled to the benefit but who do not claim it, most of whom are pensioners. The take-up rate for all pensioners is 65 per cent and for pensioner owner-occupiers, just 45 per cent. Those not claiming their entitlement were, as a result, losing an average of £7.60 a week in 2000/1.

These lamentably low take-up rates can be explained by a combination of general reasons why older people are reluctant to claim means-tested benefits plus various specific difficulties with council tax benefit. These specific difficulties include the complications around making a claim and the poor administration of the benefit.

Practical responses: goals and possible policies

One of the notable aspects of council tax is that it keeps going up even though the individual is doing nothing different from one year to the next. We are experiencing low inflation and general acceptance that raising income tax is taboo. Yet council tax keeps going up beyond our control and irrespective of what we do, and this is unusual. Against the background of their extremely stable incomes, pensioners are likely to be very aware of the rate of their council tax, a cost that keeps growing all the time, making many of them anxious.

We therefore propose, for any organisation concerned with the problems that pensioners have with council tax, that:

the overall goal for policy on this subject should be to reduce the uncertainty and anxiety that the tax causes.

More specifically, this means setting three objectives.

1. To ensure that the systems meant to protect people from council tax demand they cannot afford to work properly.

This objective could be helped by:

- giving the government's Pension Service overall responsibility for raising the take-up of council tax benefit, in partnership with organisations working directly with pensioners. A target could be created within the government's Public Service Agreements, for example to achieve a 90 per cent take-up rate within three years; and
- converting the council tax benefit system into a system for assessing a household's maximum liability to council tax. Such an assessment could be done automatically by The Pension Service or the Inland Revenue, at the same time as determining either the Pension Credit or income tax, thereby doing away with the need for older people to make a separate application to their local authority.

2. To make the tax fairer.

Making the tax fairer could be advanced by:

- relaxing the rules about savings that restrict eligibility to council tax benefit for those with modest savings;
- abolishing the restriction on the maximum amount of council tax benefit that can be paid to households in higher-banded properties. This

restriction currently leaves them liable to pay something however low their income or savings may be; and

- increasing the degree to which council tax bills reflect households' ability to pay, by increasing the difference between the amount of council tax paid by those in cheaper properties and the amount paid by those in more expensive properties.

3. To curtail the growth of the council tax to a reasonable rate.

This could be achieved by:

- restricting the long-term growth in council tax to the long-term growth in

local government spending. Although this would still leave pensioner council tax burdens increasing over time, the rise would be much more gradual than in past years; and

- choosing a system for a post-revaluation council tax system, to apply in England from 2007, that minimises the number of homes that go into a higher council tax band than they are in now.

1. Council tax

Ten years of council tax

This April, the council tax was ten years old. Introduced by the Conservative Government as a replacement for the community charge, its anniversary was marked in England and Wales by double-digit (and, in England, record) percentage rises.

These rises impact on pensioner and non-pensioner households alike. Yet for pensioners, they are just the latest turn of a screw that has been tightening since the tax was introduced.

As the only tax in Great Britain controlled by local government, council tax is both the main financial link between citizens and councils and the biggest way in which local authorities can vary their spending.

Local authorities set a council tax each year, starting in April. Every property in Britain has been assigned to one of eight bands, according to an estimate of their value in 1991. The lowest band is A and the highest is H. The authority sets the rate for band D. The amounts paid by the

other bands are then calculated as a fixed proportion of band D, ranging from two-thirds of the rate for D in band A, to twice the rate for D in band H. These proportions are set down by law and apply across the country.

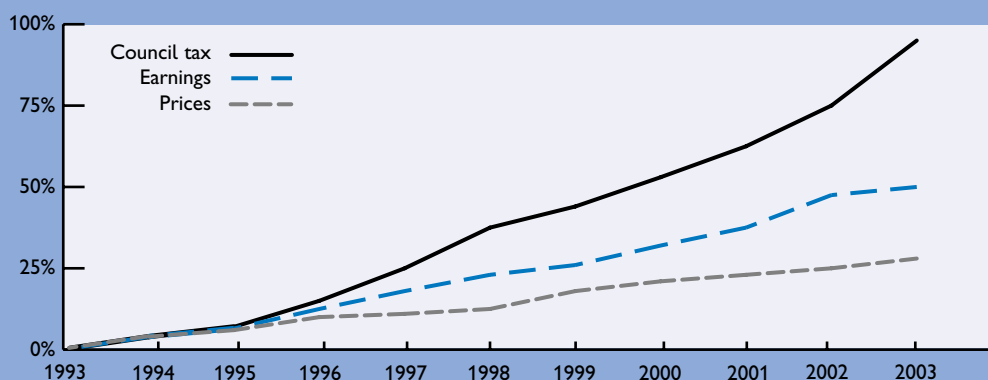
Note: figures rounded to the nearest £10 and nearest 5%.

In April 2003, council tax across Britain was almost double the level it was when first introduced in April 1993. By contrast, average earnings are now up by a half on ten years ago, while prices are up by around a third.

In England and Wales, rises in council tax have been relentless, always 6 per cent or more a year since 1996. In England, this year's 13 per cent rise has been the biggest annual increase yet.

Behind the average rise in the tax over the ten years, there are marked differences between England, Scotland and Wales. At more than 150 per cent, Wales has seen a much larger increase over ten years than either England (95 per cent) or Scotland (80 per cent). Despite this, however, average council tax in Wales in 2003/4 is still only about three-quarters of the level in England.

Figure 1 • Council tax, prices and earnings: percentage increases since 1993



Source: NPI calculations.¹

Figure 2 • Average B and D council tax: 1993/4 and 2003/4

	1993/4	2003/4	Percentage increase
England	£570	£1,100	95%
Wales	£330	£840	155%
Scotland	£560	£1,010	80%

Figure 3 • Average B and D council tax: 1997/8 and 2003/4

	1997/8	2003/4	Percentage increase
North East	£780	£1,160	50%
North West	£800	£1,140	45%
Yorkshire and the Humber	£710	£1,070	50%
East Midlands	£710	£1,130	60%
West Midlands	£700	£1,090	55%
East of England	£640	£1,120	75%
London	£650	£1,060	65%
South East	£640	£1,100	70%
South West	£670	£1,110	65%
England	£690	£1,100	60%
Wales	£500	£840	70%
Scotland	£780	£1,010	30%

Note: figures rounded to the nearest £10 and nearest 5%.

There have also been big differences between the English regions. Comparing 2003/4 with 1997/8 – the first year of the Labour Government – the tax has risen by 75 per cent in the East of England but by ‘only’ 45 per cent in the North West.

A rising council tax burden for pensioners

Since council tax has risen faster than earnings, the ‘burden’ of the tax – that is, council tax as a proportion of income – has risen greatly over the past ten years.

But pensioners’ incomes rise more slowly than those of people of working age, going up in line with prices rather than earnings. As a result, the council tax burden for pensioners has risen more than for non-pensioners – up by nearly a

half in England and Scotland and doubling in Wales.

To some extent, it is inevitable that the burden of council tax will rise as a pensioner grows older. Council tax pays for the wages and salaries of those providing local services, so it can be expected to grow in line with earnings, which typically grow faster than prices. Pension increases are based on price rises so the council tax increase outstrips pensions by a couple of percentage points each year. Over ten years, this adds up to an increase in the burden of 20 per cent. This is far less than the actual rises posted since 1993, but it is still a significant factor in the increased burden facing pensioners.

Council tax is only partly to blame. The root of the problem is that pensions rise

Figure 4 • A pensioner couple who reached retirement age in April 1993 with a gross annual income of £11,000 and a home in council tax band D

The £11,000 gross annual income, which was about average for two recently retired people in 1993, comes half from the state retirement pension, and half from a pension from the man's former employer.

By 2003, the couple's gross income has risen to £14,700 – more than inflation because of above-inflation rises in the state retirement pension in some years.

After income tax (as well as the free television licence to those over 75 to which they are now entitled), their net income has risen by 36 per cent from £10,600 to £14,400.

The share of the couple's net income taken by council tax would depend on where they live:

- In England, the share taken by council tax would have risen from 5½ per cent in 1993/4 to 7½ per cent in 2003/4.
- In Wales, it would have risen from 3 per cent to 6 per cent.
- In Scotland, it would have risen from 5 per cent to 7 per cent.

only with prices, excluding pensioners from the rising prosperity that comes with economic growth. Whether anything could or should be done about it within the council tax system is a legitimate question.

A higher council tax burden for pensioners

Information on the amount of council tax paid by households with different levels of income is available from official survey data.²

Data for 2000/1 shows that among households paying the tax, either in full or in part, council tax represented 3 per cent of net income of all households, compared with about 5½ per cent for single pensioners and 5 per cent for pensioner couples.³ Overall, the burden of council tax is higher for pensioners than for other households.

The data also shows that the burden of council tax is slightly greater for older pensioners than for younger ones because more recently retired people have higher incomes than those who have been retired longer. Among single pensioners, the burden for those in their 60s is a little over 5 per cent, rising to just under 6 per cent for those over 75. Among pensioner couples, the burden ranges from 4½ per cent for those in their 60s to 5 per cent for those over 75.

Further analysis of the figures highlights the contrast between pensioners and the rest of the population.

- The average household had a net weekly income of £430 and lived in a band C property (worth about £60,000 in 1991).
- The typical pensioner couple household, by contrast, had a net

Figure 5 • Households paying council tax in full or in part: 2000/1⁴

	Average net weekly household income	Average council tax band
Single pensioners	£170	B/C
Pensioner couples	£320	C/D
All households	£430	C

weekly income about a quarter lower (£320 instead of £430) but lived in a property that was slightly more valuable (worth around £70,000 in 1991). Eighty per cent of pensioner couples owned their home, either outright or on a mortgage, compared with 70 per cent for the population as a whole. This illustrates how, compared with the population as a whole, pensioner couples are more asset-rich but also more income-poor.

- The typical single pensioner was in a much worse position. Their average net weekly income, at £170, was just half that of pensioner couples and only 40 per cent of the all-household average. They also typically lived in smaller properties than the average (worth around £50,000 in 1991) and only 60 per cent of them – compared with 70 per cent for the whole population – owned their home. This shows single pensioners to be relatively asset and income-poor compared with the population as a whole.

The single person discount

One feature of the council tax system is that single adult households receive a 25 per cent discount on their council tax. Clearly, this helps to reduce the burden that council tax represents as a share of income but, with single pensioner incomes just half those even of pensioner couples, it still leaves single pensioners facing a markedly higher burden.

This raises the question of whether the single person discount should be larger, perhaps as high as 50 per cent. The difficulty with this is that single people are as diverse in their economic circumstances as any other group. Plenty of them have both considerable incomes and (if they have no dependent children) rather low levels of essential expenditure too. Increasing the single person discount is therefore a blunt instrument for dealing with the problems that poorer single pensioners (and other poorer, single adult households) face.

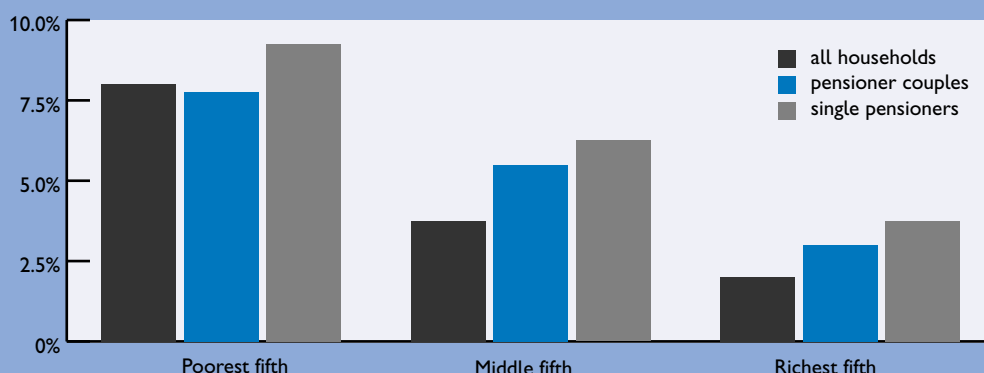
The difficulties single pensioners face with council tax suggest that close attention should be paid to the impact of any reform or alteration to the tax on single pensioners. On the other hand, any improvement is more likely to be achieved by indirect means, for example, through reforms to the system of council tax benefit than by direct ones aimed at single adult households.

A higher burden for lower-income households

There are large variations in the council tax burden for different levels of income but, in essence, the lower the income, the higher the council tax as a share of that income.

Among pensioners, both single and couples, the burden for low-income households (9 per cent) is much greater than that for middle-income households

Figure 6 • Council tax as a percentage of net household income 2000/1: by position within the income distribution



(6 per cent), let alone that for high-income households (3 per cent).

Among all households paying the tax, this pattern is the same but the relative impact is bigger; the low-income burden (8 per cent) being twice that for middle incomes (4 per cent) and four times that for high incomes (2 per cent).

This pattern reflects a basic feature of the council tax: although the tax is higher on larger, more valuable properties, the tax rates (or 'multipliers') do not rise anywhere near in line with property value. Within any local authority area, the difference in council tax between the smallest and the largest property is just 3 to 1, even though the difference in property value is likely to be at least 10 to 1.

Future shock? Revaluation 2007

The council tax revaluation (which in England takes place in 2005 and comes into effect in 2007) will bring further rises to some pensioner households,

especially in London. A similar exercise is about to start in Wales, with the effects feeding into council tax bills in 2005. In Scotland, there are currently no plans for a revaluation.

A revaluation is long overdue. At present, properties are allocated to council tax bands on the basis of their value in 1991. The revaluation will not alter the total amount of money raised from council tax but it will alter the bands in which some properties are placed. As a result, some people will pay more and some will pay less. What will determine whether a home goes up or down a band is whether its value has gone up by more or less than the average for the country as a whole. Roughly speaking, going up a band would mean a one-off rise in the council tax bill of about 16 per cent. This would, of course, be on top of the usual annual increase.

What are the specific pensioner issues in this? A key point about revaluation is that the devil is in the detail. Because the council tax system has so many parts that central government can adjust, all

Figure 7 • Forecast effect of basic revaluation (2007) on pensioner households' council tax band: England

	Go down a band (gainers)	Stay in same band	Go up a band (losers)
London	0%	33%	67%
Southern England and the Midlands	10%	80%	10%
Northern England	33%	67%	0%
England total	15%	70%	15%

sorts of different outcomes can be engineered if the Government so chooses. Nothing definitive can be said until specific proposals covering details of the revaluation are published.

It is fair to assume, however, that the default position is for the present system to be rolled forward, with the band limits raised in line with the increase in house prices across the country since 1991. The table in figure 7 summarises an estimate of the likely effect of this on pensioner households and whether they will move up a band, down a band or stay in the same band. Two points stand out:

- First, for England as a whole, the number of pensioner households that gain is about the same as the number that lose: 15 per cent (roughly a million pensioner households) in each case.
- Second, the distribution of gainers and losers is far from uniform, with a majority of the losers being concentrated in London. Here, some two-thirds of pensioner households will go up by a band. Many of these are bound to be on low incomes since the proportion of pensioners with low income is largely the same in London as it is elsewhere in Britain.

Another important issue for pensioners is the limitation on the amount of council tax benefit paid to households whose property is in band F or above. Since 1998, the amount of council tax benefit such a household could receive has been limited to the amount of tax that would be incurred if the property were in band E. This means that however low its income, the household has to pay the difference between the bill for the band the property is in (F or above) and the bill for band E (which is covered by council tax benefit).

The limitation does not apply to people who were already claiming the benefit in 1998, but it does apply to any new claimant or existing claimant moving to a property in band F. On this basis, some low-income households, chiefly in London and the South of England, will find that, after revaluation, council tax benefit will no longer completely cover the council tax bill and they will have to find the extra themselves.

Conclusions

To sum up, council tax poses a number of problems for pensioners:

- The tax takes a rising share of a pensioner household's income year by

year. The rise this year in England has been particularly large.

- The tax takes a bigger share of income from households with low income than from those with high income.
- The revaluation, due to take effect in England in 2007, threatens big rises for

some pensioner households and will leave others without the full protection of council tax benefit that they currently enjoy.

- The tax is a greater burden for pensioner households than for non-pensioner households.

2. Council tax benefit

An important but misnamed benefit

Council tax benefit is very important because it caps the amount that households on low incomes and with little or no savings have to pay towards council tax. On paper, at least, it is a very good answer to the problems that pensioners have with an ever-rising council tax. Recent changes have improved it, while further ones due in October 2003 will make it more generous.

In 2000/1, there were 4.7 million people receiving council tax benefit, almost half

of whom were pensioners.⁵ This compares with 4 million receiving housing benefit and 3.5 million getting either Income Support or the pensioner's Minimum Income Guarantee. This leaves council tax benefit with the dubious distinction of being the most claimed of all the means-tested benefits and underlines its importance.

Council tax benefit is an anomaly and a misnomer, as well as an example of a system that allows the innocent individual to bear the cost of bureaucratic mistakes and delays. It fails to reach very many pensioners who are entitled to it and its operation is woeful.

Figure 8 • The Kafkaesque world of council tax benefit

Recent research for Help the Aged⁶ found examples of older people receiving summonses for non-payment of council tax, even when they were entitled to full council tax benefit and the only reason for the arrears was the delay in processing their claim. They had to go through the trauma of attending court to avoid incurring further court costs.

Court staff explained that the law allowed the council to issue a summons even if it knew that the arrears were caused by its own failure to process the claim.⁷ Once the summons was issued, court attendance was mandatory. The court provided space outside the courtroom for a council staff member to see everyone before entering the courtroom. Court staff said that there were long queues of people every week, many of whom were only there because of delays in processing their claims.

The research also revealed problems with councils accusing older people of fraud and reclaiming alleged overpayments of both housing and council tax benefit. In some cases, advice agencies could quash such requests because the council had made a mistake. Some were basic errors, such as treating Attendance Allowance as income instead of ignoring it. In other cases, the older person had to repay the overpayment even though it appeared likely that it was due to a simple error or misunderstanding rather than deliberate fraud.

One woman in her 70s explained how this affected her: 'I had the letter from the council and they said I owed them ... I was shaking. I tell you straight, I cannot fill in the form. Every time I get it, I go down to the council and put everything on the desk. And the questions they ask, I give them the answer. I put everything that I have, bank statements, everything, they have it there. I am honest. I count every penny. I don't make the mistake, they make the mistake, but I will have to pay them back.'

What makes council tax benefit an anomaly is that it is the only benefit attached to a tax. What makes it a misnomer is that it is not a 'benefit' at all, in the sense of money paid over to the individual (like child benefit). Rather, it is a reduction in a household's liability to the tax, based on who is in the household, what their income is and what their savings are. In that sense, it is more akin to a 'relief' or an 'allowance' (both terms which are associated with tax) than to a 'benefit'. In fact, however, neither of these is really accurate. Better, as explained below, would be a tax 'cap', or 'upper limit', which depends on income and savings and which is set by central government rather than by the local authority in whose area the taxpayer lives.

Low take-up by pensioners

Despite the high number of claimants, there are still many people who are entitled to the benefit who do not claim it – between 1.4 million and 2 million people in 2000/1, according to the Government. Note that these estimates take into account savings as well as income, for when savings are too high, entitlement is reduced or disappears.

As the table in figure 9 shows, most of those who are entitled to claim but don't are pensioners. And most of these are owner-occupiers. In 2000/1, 2.4 million pensioner households claimed council tax benefit but there were a further 1.2 million that were entitled to claim it but

did not. Of these, the great majority were owner-occupiers. The take-up rate (those claiming the benefit as a proportion of all those entitled to it) for pensioners as a whole was two-thirds. Among owner-occupiers (the majority of whom were pensioners), the take-up rate was less than a half. ('Private tenants' includes tenants of registered social landlords.)

Does this matter? Yes. In 2000/1, each entitled pensioner who did not claim council tax benefit lost out on average by £7.60 a week. This adds up to half a billion pounds to which pensioners were entitled but which they did not claim, the equivalent of nearly £1 a week on the state pension.

In addition, £7.60 was not much less than the average amount (£9.20) going to pensioners who were receiving the benefit. The people who were not claiming were, in the main, not those for whom the amounts of money involved were just very small. Neither were they people for whom a sum of money of this size was unimportant. Half were in the poorest fifth of the population (in other words, in 'income poverty') and almost all were in the poorer half of the population.

Pensioners' problems with the benefit

Older people's attitudes to claiming benefits are different from those of younger people. Many feel discouraged

Figure 9 • The take-up and non-take-up of council tax benefit, 2000/1⁸

Millions	Pensioners	Non-pensioners	Local authority tenants	Private tenants	Owner-occupiers
Recipients ⁹	2.4	2.3	2.3	1.4	1.1
Non-recipients ¹⁰	1.3	0.5	0.2	0.3	1.2
Take-up rate	65%	84%	91%	83%	46%

Figure 10 • Administrative and other changes linked to council tax benefit

Besides major changes to pensioners' benefits, there have been several significant administrative changes. These include:

- concentrating national benefits administration in the hands of The Pension Service. Instead of the existing network of local social security offices, The Pension Service will set up 26 pension centres to deal with customers over the phone and provide face-to-face contact in partnership with local councils and voluntary agencies;
- removing the need to claim council tax benefit each year;
- the Department of Health's fairer charging guidelines. Local authorities have to ensure that charges for home care and other services, such as meals-on-wheels, are based on a detailed financial assessment which includes a duty to offer a benefits check¹²; and
- introducing performance standards for housing benefit and council tax benefit in April 2002 and including detailed advice to local authorities on what must be done to be 'at standard' and 'above standard'. Local authorities are expected to have a strategy on benefits take-up, especially for under-claiming groups. Inspection reports, which rate councils from no stars to three stars, are public documents.

from claiming or feel great anxiety around the claims process.

Low levels of benefit take-up by pensioners are linked to older people's general attitudes to money management.

They include:

- a strong dislike and fear of debt, coupled with 'doing without' rather than risking debt;
- a desire to maintain independence and control over financial affairs and not to appear 'needy' or unable to cope with everyday life; and
- a desire to retain some savings in order to have financial security and money for emergencies and (especially for those with children) to leave a legacy.¹¹ Pensioners are reluctant to eat into savings for day-to-day spending (which would include paying council tax).

On top of these general problems, there are some specific to council tax benefit. The claim forms and process are especially difficult. Claim forms for other pensioners' benefits have been simplified and claims can be made by telephone. For council tax benefit, each council designs its own form and they are usually very long and the same for all households, including families with children and people in work.

Although social security benefits are not always well-administered, the Audit Commission in 2001 identified housing and council tax benefits as being especially poor, calling them 'Cinderella services'.¹³ Long delays in processing claims, lost claim forms and documents and serious miscalculation of entitlement have been the rule rather than the exception in many councils. To fight fraud, a new framework was introduced in the 1990s which required all applicants to produce original documents instead of photocopies

Figure 11 • Benefits take-up campaigns¹⁴

There have been a number of initiatives to improve benefits take-up, usually set up by voluntary agencies, although sometimes by council staff as well. Initiatives focused on older people have come from both older people's organisations and all-age agencies, especially Citizens Advice Bureaux (CABx). These generally cover all benefits, particularly those that are means-tested (including council tax benefit) and those linked to disability but not means-tested (especially Attendance Allowance). Occasionally, such initiatives have been specifically targeted at the take-up of council tax benefit.¹⁵

In 2001, CABx were surveyed on their experience of running benefits take-up campaigns for older people. They found that the two most important factors were face-to-face contact and successful targeting. Face-to-face contact was considered essential, particularly to build relationships of trust, and this was also found in research for Help the Aged. Across a whole range of take-up campaigns for older people, the following have been effective in encouraging them to claim means-tested benefits:

- using volunteers to make home visits, screen for benefits eligibility and fill in claim forms (especially important in rural areas);
- basing benefits uptake work in GP surgeries and using GP databases of older patients (for example, letter from GP inviting them to contact CAB staff);
- training local authority, Department for Work and Pensions, voluntary agency and health staff to increase their knowledge of all benefits and improve cross-referrals;
- seconding staff between organisations (for example, local authority staff seconded to CAB);
- 'piggy-backing' on other publicity sent to older people, for example, concerning free travel for the elderly;¹⁶
- improving advice on benefits at time of bereavement; and
- targeting ethnic minority elders using advisers who speak their languages and running surgeries in community centres and places of worship.

and this compounded the problems.

Since January 2003, the Government has published league tables showing how quickly councils process claims for these benefits. There are widespread variations, with the 100 best performers processing claims within 34 calendar days but the worst taking up to 162 days (five-and-a-half months). Against this background, low rates of take-up are hardly surprising.

There are particular problems with poor take-up by home owners and probably by some older private tenants. They are less likely to be in touch with other services which might refer them on for benefits advice. They are also less likely to be receiving other benefits, either because they are not eligible or because they are reluctant to claim. Many pensioners are reluctant to use advice services, relying instead on informal advice from family,

Figure 12 • A pensioner couple with a net income of £275 a week and a weekly council tax of £22.50

This example uses the same couple as in figure 4 (£275 a week being equivalent to £14,400 a year).

Three years ago, this couple would have had a net weekly income of £250 and a weekly council tax of £17.50. At that time, with an income of £128 a week above the threshold value, they would have received no council tax benefit and would therefore have had to pay the £17.50 a week in full.

In October 2003, because of a rise in the income threshold – the level at which liability to start paying council tax, as opposed to having it covered fully by council tax benefit – to £175 a week, the couple's net weekly income will exceed the threshold by £100. Since their council tax has now risen to £22.50, this means they are entitled to £2.50 a week council tax benefit, leaving them having to pay £20 a week.

friends or frontline staff already known to them. All-age services, such as Citizens Advice Bureaux, are seen as being for younger people.¹⁷

Looking forward: the impact of the Pension Credit

Obstacles to claiming council tax benefit are all the more serious once two sets of recent increases are taken into account, first in council tax and, second, in the Minimum Income Guarantee and its replacement, the Pension Credit. Both of these increases, far above inflation, work to raise the number of pensioners who will be entitled to council tax benefit.

- The Minimum Income Guarantee and, from October 2003, the Pension Credit, determine the level of income at which a pensioner household starts to pay council tax.¹⁸ Below this threshold value, they receive full council tax benefit. In April 2000, the values were £78 a week for a single pensioner and £122 for a couple. By April 2003, they had risen to £102 and

£156 respectively. In October 2003, for those households with at least one person aged 65 or over, they rise again to £117 and £175. Increasing these levels not only increases the number of pensioners entitled to full council tax benefit, but it also increases the numbers entitled to at least some council tax benefit.

- Increases in council tax itself amplify this effect. Benefit entitlement depends not just on income (and savings) but on income in relation to the council tax bill. As the bill goes up year by year, faster than a pensioner's income, so some people who previously were not entitled to any benefit become entitled for the first time.

The example in figure 12 illustrates these effects by showing how a couple who were entitled to no council tax benefit three years ago will become entitled to some after October 2003. The new entitlement is due to both the increase in the thresholds and the steep – almost 30 per cent – rise in council tax over the period.

The official figures for 2000/1 suggest that as many as 3.7 million pensioner households could have been entitled to council tax benefit in that year, that is around half of all pensioner households. Looking at income alone, we estimate that the changes in the thresholds, plus the steep rises in the tax over recent years, could increase the number of entitled pensioner households by up to another million. Since that estimate does not take account of savings, it will be too high, but the precise numbers matter here much less than the overall scale of entitlement it implies. This can be summed up by saying that, from later this year, somewhere between a half and two-thirds of all pensioner households will be entitled to council tax benefit. Wherever the true figure lies within that range, it is a huge proportion.

Conclusions

Council tax benefit is very important for pensioners. In theory, it provides protection against many of the problems that the tax itself creates. Many pensioners already claim the benefit and it has the potential to help very many more. But:

- take-up is lamentably low, especially among owner-occupiers; and
- it is complicated, difficult to understand, often poorly administered and has a stigma attached to it.

Finding ways of dealing with the problems of council tax benefit should be a major part of attempts to address the wider problems of council tax for pensioners.

3. Policies for pensioner organisations

Goals for policy

In this final section, we consider what sort of policies could be pursued to tackle the problems that pensioners face with council tax.

What goals should such policies be trying to achieve? One of the striking things about council tax is that it is a cost that keeps going up even though the individual does nothing different from one year to the next. In a time of low inflation and when raising the rate of

income tax is taboo, a cost that continues to increase irrespective of what we do is very unusual. Income tax only rises if income rises. The amount we spend at the shops is under our control. Bills for fuel and light, telephone and even water are fairly steady. Against the background of their very stable incomes, pensioners are likely to be keenly aware of a cost, such as council tax, that keeps growing all the time and to find it a source of uncertainty and anxiety.

Reducing the worry that council tax causes pensioners would seem to be an appropriate overall goal for policy on this subject. Three subsidiary goals also suggest themselves:

Figure 13

Suggested policy	Goal	Need for pensioner organisations to lead	Timescale	Specific focus for action
<i>Relating to council tax benefit</i>				
That raising the take-up of council tax benefit should be a Pension Service priority, in partnership with organisations working directly with pensioners	To make the protection systems work better	Yes	Immediate	No
That the capital limits on eligibility to council tax benefit and the rules that restrict it for properties in bands F to H should be reformed	To make the tax fairer	Unclear	Ongoing	No – but revaluation in England provides an opportunity
That council tax benefit should be made a system for assessing a household's maximum liability to council tax, avoiding the need for a separate application to the local authority	To make the protection systems work better	Yes	Immediate	Could contribute greatly to making the effects of revaluation acceptable
<i>Relating to council tax</i>				
That the long-term growth in council tax should not exceed the long-term growth in local government spending	To curtail council tax growth to reasonable rates	No	Now and ongoing	Government's current 'Balance of Funding Review'
That the number of homes that go up a band following council tax revaluation should be kept to a minimum	To curtail council tax growth to reasonable rates	No	2003 to 2006	Changes arising from revaluations in Wales and England
That the gap between the tax paid by those in cheaper properties and those in more expensive ones should be increased	To make the tax fairer	No	2003 to 2006	Changes arising from revaluations in Wales and England

- To ensure that the systems that are supposed to protect people from council tax demands that they cannot afford to work properly.
- To make the tax fairer.
- To curtail the growth of the council tax to a reasonable rate.

We have identified six policies to advance these goals, three to do with council tax itself and three to do with council tax benefit. The table in figure 13 lists the policies, the goal that each relates to, whether pensioner organisations are likely to have to take a lead on the subject and the timescale over which each issue is likely to be 'live'.

The six policies are not all equally important in their direct impact on pensioners. The more important ones from a pensioner perspective are those connected with council tax benefit. These are the policies on which we think it likely that organisations representing pensioners will need to take a lead.

Policies relating to council tax benefit

Efforts to raise take-up

A concerted effort to raise take-up, especially among owner-occupiers, is essential. We therefore propose that:

raising the take-up should be a Pension Service priority, in partnership with organisations working directly with pensioners.

Benefits take-up work is a mainstream activity for The Pension Service. Obviously, there are particular groups for whom special initiatives are likely to be needed: for example, older people from ethnic minority communities, or those with

needs for accessible information, such as older people with sensory impairments.

If take-up rates were 80 per cent or 90 per cent already, it would be reasonable to expect that the bulk of the extra effort on take-up should lie with the specialist, that is voluntary sector, agencies. But with take-up rates of only 65 per cent among all pensioners and of less than 50 per cent among owner-occupier pensioners, it is clear that the existing system is failing to reach even those pensioners who should fall automatically within its scope. A response from the voluntary sector alone would not be sufficient. Only Government can take the lead in dealing with a problem on this scale. The commitment to doing so could be underlined by the introduction of a target within the Public Service Agreements set by central government, for example that take-up should be raised to 90 per cent within three years.

The first step is to make council tax benefit more accessible (for example, a simpler benefit and simpler claim forms) and to ensure effective administration of the benefit.

However, taking the lead includes addressing the question of where the money is to come from to support take-up campaigns. Take-up work that involves such things as home visits is expensive. More broadly, developing effective local inter-agency working and capacity-building in the voluntary sector has a cost. It is not that evidence is lacking of what works in older people's take-up campaigns. There is also plenty of work on developing inter-agency working across the statutory/voluntary divide. Yet, too often, excellent services are scratching around for funding to keep them afloat and experienced staff have to leave because funding dries up.

Figure 14 • Agencies involved with benefits take-up among older people

Statutory sector:

- The Department for Work and Pensions and The Pension Service
- All levels of local government, including:
 - districts (because of their responsibility for council tax benefit administration as well as housing advice); and
 - counties (because of links between council tax benefit and social services and other advice sources such as libraries and websites)
- The Community Legal Service, because of partnerships between local advice and information agencies

Voluntary sector:

- National older people's agencies, because of their lobbying role and as a source of information and advice
- Local older people's agencies, especially local Age Concerns, as well as general advice agencies, especially Citizens Advice and local Citizens Advice Bureaux, because of their work on benefits take-up
- Community organisations to widen accessibility and agencies representing people with special needs for advice on accessible information (for example, RNIB, RNID).
- Local Community Legal Service partnerships and older people's forums, such as local Better Government for Older People groups, which have a wealth of experience and contacts

Reform of the conditions and restrictions applying to council tax benefit

The amount of council tax benefit a household receives depends on both its income and on the normal amount of council tax for the property the household occupies. The lower the household's income, the higher the council tax benefit. Where a household's income is below a specified level, council tax benefit is equal to the normal amount of council tax due, meaning that the household pays no council tax at all. From October 2003, this will apply to

households where at least one person is 65 or over and household income is below £117 a week for a single pensioner and £175 a week for pensioner couples.

There are, however, two situations when this relatively straightforward relationship between income and council tax benefit can be drastically altered:

- the household has savings; or
- the property is in one of the top three

council tax bands (F, G or H). In this case, council tax benefit is restricted to an amount below the 'normal' amount of council tax payable.

In both these situations, a household will always have to pay at least some council tax however low its income. So, despite council tax benefit's dubious distinction as the most claimed of all means-tested benefits, there are still people who are not protected from the demands of a seemingly ever-growing council tax.

We therefore propose that:

the capital (savings) limits on eligibility to council tax benefit and the rules that restrict it for properties in bands F to H should be reformed.

As far as the rules on savings are concerned, the details of what reforms might be made have not, as far as we know, ever been examined. At a minimum, the issue to be tackled is the consistency between this and other similar rules about the impact of savings on benefits. This, though, is unlikely to be enough. From October 2003, a household with savings of £16,000 or more that is not receiving the 'guarantee credit' part of the Pensioner Credit, will not be eligible for any council tax benefit, however high its council tax bill.

Given that savings of £16,000 are unlikely to earn more than £600 a year in interest, and typical council tax bills are routinely at least double that, this limit is far too low. A substantial increase is needed in the maximum level of savings allowed, coupled with a much more realistic formula to reflect the amount of income that is earned from savings below that maximum.

The rationale behind restricting the amount of council tax benefit that can be received by a householder in the top

three council tax bands must be questioned. The restriction applies however little income or savings the householder has. It was a late addition to the apparatus of council tax benefit, having been introduced in 1998, and affects only a small number of households. However, it could affect many more – tens of thousands – after the council tax revaluation comes into effect in England in 2007.

The only possible rationale for the restriction is that people who have low income and savings but live in a large home should give up their home and move into something smaller. It is difficult to think of anything better calculated to increasing pensioners' anxiety about this tax than that it might force them from their homes.¹⁹ It is wholly disproportionate that a tax paid to local authorities should ever be so great as to drive someone out of their home.

Transforming the council tax benefit system

Substantially raising the take-up rates for council tax benefit is clearly very important. But, in view of how low those rates are now, one needs to look not just at the direct efforts to raise take-up but at the very nature of the benefit. The proposal below takes what we believe is an opportunity to change both the character and appearance of the protection system, as well as its administration, while leaving its financial effects unaltered. With no adverse cost implications, one of the main obstacles to any policy change is removed.

We therefore propose that:

council tax benefit should be replaced by a system for assessing a household's maximum liability to council tax, thereby avoiding the need for a separate application to the local authority.

Figure 15 • 'Maximum council tax liability' approach: pensioner couples (at least one aged 65+)

	Example 1	Example 2	Example 3	Example 4
Normal amount of council tax due	£18.75	£18.75	£18.75	£22.50
Net income	£155.80	£225.00	£275.00	£275.00
Threshold below which zero liability ²⁰	£175.00	£175.00	£175.00	£175.00
Excess of income over threshold	N/a	£50.00	£100.00	£100.00
Maximum council tax liability	£0.00	£10.00	£20.00	£20.00
Amount of council tax to pay	£0.00	£10.00	£18.75	£20.00

As a new idea, specifically tailored for pensioners, this is a policy that pensioner organisations may wish to lead on.

The key to this proposal is a new way of looking at the formula used to work out how much council tax benefit a household is entitled to. The formula also happens to work out the maximum amount of council tax that a household would have to pay, on the basis of its income and its savings. Once the amount – what could be called the household's *maximum liability for council tax* – is calculated, one of two things happens:

- If the normal amount of council tax due on the property (according to its band, the rate set and whether the single person discount applies) is less than the maximum liability, then the household pays this normal amount.
- If the amount due is more than the maximum liability, then the household pays only the maximum.

Figure 15 provides some examples for a pensioner couple where at least one of them is aged 65 or over. Using a number of different weekly net incomes and levels of normal weekly council tax, the table shows the maximum council tax liability as well as the amount that the householder would actually have to pay.²¹ Similar calculations could also be made for single pensioners aged 65 or over

and for single pensioners and pensioner couples under 65.²²

The advantages of this approach fall into two groups, one to do with its character and the other with its administration.²³

First, although the arithmetic and the personal details that have to be given are the same, the psychology of applying for a benefit is quite different from that of applying to have a cap set on the amount of council tax that one has to pay. After all, having the amount one pays in tax 'capped' – that is, assessed on the basis of one's income and one's capital – is what happens with income or capital gains tax. Yet nobody regards it as charity that we are not required to pay whatever sum comes into the Inland Revenue's head. To have our tax properly assessed is not a sign of dependency or of being needy; it is a right.

Of course, filling in forms to assess liability for tax is hardly enjoyable but people do it because it limits the amount of 'our' money that 'we' have to pay over to 'them'. This is the root of the difference between taxes and benefits, where in the latter case it is about 'them' handing some of 'their' money over to 'us'.

Administratively, the 'maximum liability' approach is independent of the amount of council tax charged by the local authority and the band that one's

property is in. All it depends on is personal financial information, coupled with a threshold value set by the Chancellor of the Exchequer. As a result, the assessment could be done by the Inland Revenue or The Pension Service, perhaps automatically as part of either the annual tax assessment or the calculation of the Pensioner Credit. Besides savings in administration costs, this would have the huge advantage of the pensioner household having to do nothing to make it happen. In such cases, the problem of take-up disappears.

The assessment being independent of local information on the level of council tax means that advice agencies or the media can give clear, national guidance about when households are likely to be near their maximum liability and therefore when to apply for an official assessment.

Finally, a pensioner household's maximum liability is likely to change very little, even over a number of years. As a result, once its normal council tax has reached that level, the amount that has to be paid will hardly change. This protects pensioner households against further rises in the level of council tax set by local authorities.

Since nothing, arithmetically, is changing here, exactly this protection is already offered by council tax benefit. But it is not perceived like that. If changing to a maximum liability approach improves understanding of what is available and how it works, that in itself is a strong reason for doing so.

Policies relating to council tax

Restricting council tax growth to a reasonable rate

As a council tax policy to help pensioners with the problems they face, we propose that:

the long-term growth in council tax should not exceed the long-term growth in local government spending.

This precise statement is an attempt to define what a pensioner organisation can sensibly argue is an 'unreasonable' growth in council tax without having to get into arguments about the overall level of public spending. In particular, as a statement about the share of local government spending that should come from council tax, it avoids the need to judge whether overall spending is too high or not. Had Government adhered to this policy from 1993, council tax would now be 20 per cent lower than it is.

The policy also recognises that council tax is likely to grow faster than pensioners' income, since the tax has to rise in line with wages and salaries of those providing the services in local government. The recognition of this fits with the fact that pensioners are important beneficiaries and users of local government services. Moreover, to the extent that there is a problem here, it is not to do with the council tax but with the lower rate of growth of pension incomes.

The Government is currently conducting a review of the 'balance of funding' for English local government. This policy has something to say to that review, namely, that because council tax impacts so hard on pensioners' incomes, it should not be asked to carry any greater share of local government spending than it already does. Less onerous (as far as pensioners are concerned) and more progressive taxes, notably income tax, should continue to play at least the role in funding local government that they do now.

Avoiding large increases in council tax following revaluation

Our second proposed policy on council tax focuses specifically on the

forthcoming revaluations in Wales and especially England. Since the devil is in the detail, as far as council tax revaluations are concerned, any policy on it at this stage must be restricted to expressing a sentiment. We propose that:

the number of homes that go up a band following council tax revaluation should be kept to a minimum.

While it is too early to say what will happen, the best guess at the moment is that up to a million pensioner homes could find themselves facing a council tax rise of a sixth or more, most of them in London and the South East. There is no shortage of options for action about this. One possibility would be to 'regionalise' the council tax by setting different band limits in different parts of England – this would tend to help London and the South – but there are other options too. Pensioner organisations do not need to get into the detail: what matters is the outcome. While decisions might be delayed until as late as 2006 (in England), public discussion on them is already under way.

Reforming the tax

In view of the importance of council tax benefit to so many pensioners, it is easy to think that the underlying fairness of the tax is something that pensioner organisations need not concern themselves with. For several reasons that is not so.

To start with, as it stands, council tax benefit fails to reach many pensioners entitled to it, while its rules on savings also limit entitlement among many more. For these people, there is no substitute

for making the tax fairer by reducing the amount that those in more modest properties have to pay.

It is worth noting that such a change is also the way to help low-income, working-age households. This is because, thanks to the greater generosity of the system of tax credits for working people, few in this group are entitled to council tax benefit.

We propose that:

the gap between the tax paid by those in cheaper properties and those in more expensive ones should increase.

This policy would lead to pensioners (and others) in less valuable properties paying less – and those in more valuable ones paying more. As with most things to do with council tax, the detail is extremely important. There is scope for debate about exactly how much more progressive the tax can and should be, but we think that most people would agree about the desired direction for change from the current situation.

The wider issues about the fairness of council tax and its level over the coming years cannot be ignored by pensioner organisations. As the only tax over which councils have full control, it is a central and indispensable part of local democracy. No tax is liked but, if council tax falls into disrepute, feared by those who can't afford it and resented by those who can, councils' capacity to provide the services that they think are necessary is undermined. As important beneficiaries of local government services, that would be bad for pensioners.

Notes

1. The sources for the numbers on levels of council tax in this report are as follows: for England: *Local Government Finance Statistics England, No.13 2002* (for the years 1993 to 2002) and www.local.odpm.gov.uk/finance/ctax/data/tab1finl.pdf (for 2003); for Wales and Scotland: Chartered Institute of Public Finance and Accountancy, *Survey of Local Authorities' Intentions*, March 2003.
2. The survey is the government's annual *Family Resources Survey*, data from which is made available through two data sets, namely the *Family Resources Survey* itself and *Households Below Average Income*, which is the source for official numbers on poverty and low income. The analysis uses data for 2000/1.
3. 'Net income' is measured by unequivalised household net income within the *Households Below Average Income* data set, but plus the council tax paid and less any housing benefit received.
4. The quintiles of the household income distribution used here are the equivalised, after housing cost quintiles for all households.
5. Department for Work and Pensions, *Income Related Benefits: Estimates of Take-Up in 2000/2001*, table 3.1, 2003.
6. Pannell J, R Means and H Morbey (2002) *Surviving at the Margins: Older homeless people and the organisations that support them*. London: Help the Aged. Carlton N, F Heywood, M Izuhara, J Pannell, T Fear and R Means (2003) *The harassment and abuse of older people in the private rented sector*. Bristol: The Policy Press.
7. Local Government and Finance Act 1992 Part VIII Section 6, and Council Tax [Administration and Enforcement] Regulations 1992 paragraph 34.
8. Department for Work and Pensions, *Income Related Benefits: Estimates of Take-Up in 2000/2001*, tables 3.1 and 3.3, 2003.
9. Recipients are what the Department for Work and Pensions calls 'benefit units', in other words, 'a single adult or couple, together with any dependent children... An adult living in the same household as his or her parents, for example, is a separate benefit unit from the parents and would be assessed separately for Income Support/Minimum Income Guarantee or Jobseeker's Allowance.' Department for Work and Pensions, *Income Related Benefits: Estimates of Take-Up in 2000/2001*, p 7, 2003.
10. The Department for Work and Pensions provides estimates of the range of non-recipients. These figures are the mid-point of the upper and lower limits.
11. Mayhew V (2002) 'Barriers to benefit take-up among older people – a summary of research', in *Department for Work and Pensions Research Yearbook 2000–2001*.
12. A joint team has been created between Devon County Council and The Pension Service which includes a CAB project (the Devon Welfare Rights Unit) as a full member; the only one in the country to include a voluntary sector partner as a full member. CAB advisers work with The Pension Service home visiting service and have already picked up people missing out on council tax benefit and

council tax disability reductions; there will now be 6.5 extra CAB posts in Devon to take on the fairer charging work.

13. Audit Commission (2001) *Learning from inspection: housing benefit administration*. London: Audit Commission.
14. Citizens Advice (2003) *Serious benefits: the success of CAB benefit take-up campaigns*. London: Citizens Advice.
15. For example, Esher CAB ran a campaign when Minimum Income Guarantee levels were increased in 2001 because they realised that more pensioners would be entitled to council tax benefit. They worked with Elmbridge Borough Council to identify pensioner tenants receiving some housing benefit but no council tax benefit, and pensioner home-owners who had previously claimed but been ineligible. The council then wrote to all those identified, inviting them to claim partial council tax benefit.
16. For example, Havering CAB used the reissue of freedom travel passes, which are not means-tested, in Greater London.
17. Pannell J and I Blood (2003) *Housing advice for older people*. London: Help the Aged.
18. This statement only applies provided the property is in one of the bands A to E and that the pensioner either has no more than £16,000 savings or is entitled to the Minimum Income Guarantee (in which case the savings limit will not apply).
19. For pensioners to have to move to cheaper housing because they cannot afford to pay an increased council tax would fly in the face of both government policy and research on

older people and housing. Government policy emphasises the need for quality and choice and decent and affordable housing, and recognises that most older people want to stay in their own homes, living as independently as possible (Department of Health and Department of the Environment, Transport and the Regions 2001, *Quality and Choice for Older People's Housing: A Strategic Framework*). Research confirms the importance that many older people attach to staying in their home, close to family and friends, in familiar localities, often linked to memories following bereavement. Forced moves can lead to mental and physical ill-health and even death (Heywood F, C Oldman and R Means (2002) *Housing and Home in Later Life*. Buckingham: Open University Press).

20. As from October 2003.
21. The 'maximum council tax liability' is calculated as 20 per cent of the amount by which income exceeds the threshold below which no council tax is payable. This mimics the operation of the taper on council tax benefit, which is reduced by 20 pence for each £1 by which income exceeds the threshold – and it is this mimicry which ensures that the arithmetical effects of this approach are identical to those of the council tax benefit system.
22. Council tax benefit no longer appears as such, although it is equal to the amount by which the normal amount of council tax due exceeds the amount to pay.
23. Inevitably, mimicry of the council tax benefit system is not always as straightforward as this. Maximum liability does not just depend upon the level of income but has to take savings into account too. This complicates but does not invalidate the approach. It means that the figures presented in the

table are for a pensioner couple with less than £6,000 of savings. The calculation is also more complicated where there are other people in the household, whether non-dependent adults or dependent children. More seriously, the approach does not work at all for properties in bands F, G or H where council tax benefit is restricted. At least, however, these exclusions are easy to identify.



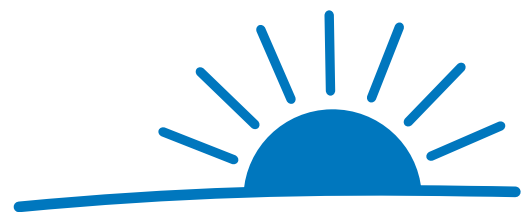
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