

Council Tax Benefit reforms will pitch young against old, as well as poor against poor

One of the proposed reforms of the welfare system is moving the responsibility for Council Tax Benefit to local authorities. However, central government has included a number of stipulations that local authorities must obey that will affect their abilities to run benefits. [Craig Berry](#) and [David Sinclair](#) discuss how one such stipulation will affect working age recipients most acutely.



The [Welfare Reform Bill](#), currently passing through the House of Lords, has attracted much media attention. The decision to move the committee stages off the floor of the House and into a committee room has led to criticism that the debate on the bill is being '[squirreled away](#)'. One of the Bill's most controversial measures is the abolition of Council Tax Benefit as a UK-wide benefit: the benefit will remain in place in practice, but responsibility passes to local authorities to determine the support they give to low-income households in meeting their council tax bills.



At the same time, however, local authorities must also deliver a 10 per cent cut in the total amount spent on Council Tax Benefit in their area. Only pensioners will be protected from this cut. The government has said that it will do this by prescribing '[the criteria, allowances and awards for council tax support to pensioners which local authorities will need to provide for in their local schemes](#)'.

This policy represents a recipe for intergenerational conflict. It seems unjust that one group of the poor population will be treated differently to another, based purely on age. Currently, around 3 million households do not claim the Council Tax Benefit they are entitled to – and these are more likely to be older households. But one implication of the cut would be that if a charity were to run a take-up campaign to encourage older people to apply for the benefit for which they are entitled, they will be reducing the pot of money available for local authorities to fund support for other vulnerable groups. Pitching the poor against the poor is bad policy, and in this case, it will also pit young against old.

Council Tax Benefit is actually the [most popular means-tested benefit in terms of the number of recipients](#), that is, 5.8 million households. The benefit currently costs around £4.8 billion per year, with an average award of around £830 per year (it generally covers 100 per cent of a household's council tax bill). Almost half of recipients, around 2.7 million households, are households with occupants aged 60 or over. There are 3.1 million working-age households in receipt of Council Tax Benefit.

While we do not know the average awards for different age groups, it is relatively safe to assume that households from different age groups receive roughly the same amount on average. This means that the required cut of £480 million must come entirely from the amount spent on working-age households. It would reduce the working-age bill to just under £2.3 billion, leading to an average award of around £735 per year, or a cut of around £95 per year. This is not significantly more than the amount that would be cut if no groups were protected. But the fact that older households will have no cut means that based purely on their age, poorer older households will receive £95 more in Council Tax Benefit than poorer young households.

This inequality will be exacerbated if council tax bills rise, yet the total amount that can be spent on Council Tax Benefit does not – a scenario which seems very likely. Older households could remain entitled to 100 per cent discounts as part of the pensioner protection, but working-age households would suffer a cut in the proportion of their bill that can be discounted, as well as a cut in the total amount received.

The move to a locally administered and defined system will also undermine attempts to increase take-up as local authorities will receive no extra funds if take-up improves. If the Government believes a reformed Council Tax Benefit system works better locally, then they should let local authorities manage the resources and not stipulate that any one group will be protected. Arguably this is merely a localism of political and fiscal convenience, not principle.

It should not be forgotten that council tax hits the asset rich, income poor, particularly hard – and that older people are more likely to fall into this category. Moreover, around 1.3 million recipients are single female pensioners, who are especially susceptible to poverty. Yet 1.6 million working-age recipients have dependent children, and 1.1 million of these are lone parents. The age distribution of the impact of cuts

remains unclear, and there is no compelling argument why older people should be protected at the expense of children and young people.