



policy response
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The Department of Finance and Personnel

Rate Rebate Replacement Arrangements: The Way Forward

October 2013

Introduction

Housing Rights Service (HRS) works to promote positive change by promoting and protecting the rights of people in housing need in Northern Ireland (NI) including:

- People who are homeless
- People at risk of becoming homeless (including as a result of debt related possession action)
- Low income households
- People in receipt of benefits (including tenants and homeowners)
- People with disabilities
- Older people
- Prisoners and ex offenders
- Ethnic minority groups

HRS has been providing housing debt advice since the early 1990s. We are currently contracted by the DSD to provide the Mortgage Debt Advice Service for NI. We also provide a Housing Possession Court Duty Scheme in High Court and county courts. As well this, we operate a Tenant Debt Advice Service for a number of housing associations. Through this work, we have become acutely aware of the problem facing many of our clients in relation to rates payments and affordability.

Consultation questions

HRS welcomes the opportunity to respond to this consultation. We appreciate that DFP is facing the major challenge of meeting the 10% Westminster funding cut for rates support while trying to ensure that assistance remains available for the most vulnerable.

1. What views do you have on the preferred approach put forward in Section 4 of this consultation paper?

Housing Rights Service broadly agrees with the preferred approach. We agree that existing levels of support for those who are least able to pay should be retained. HRS is concerned about the impact of the funding shortfalls imposed by Westminster. However in this context, the 'least worst' option would be to make up savings from removing or reducing other rating support measures and allowances for households.

2. What views do you have on the retention of the broad infrastructure for rates support until April 2016?

We support the retention of the broad infrastructure until the introduction of Universal Credit. This approach will help to minimise disruption to claimants and should allow time to develop the new system and associated administration processes. We are also content with the proposal to integrate the new rates support system with UC.

3. What views do you have on the future removal of the low income rate relief scheme?

Given the need to meet the funding shortfall and to continue to protect those in most financial need, HRS recognises that the current rate relief scheme cannot continue. However, we are aware that the removal of this support could have a negative impact on some low income families. We therefore recommend that the Department considers developing a hardship scheme. This could provide temporary or transitional assistance to those who would lose out and who are just above the threshold for entitlement to rates rebate. This system should be tied in with independent advice provision, with referral arrangements for claimants to receive appropriate benefits, debt and/or money advice.

4. What views do you have on the retention of other forms of current domestic rates support?

The funding cuts at Westminster have precipitated the need to refocus assistance to NI households in most need. As such, we believe that **all** of the current non means tested rates relief support allowances and discounts should be reviewed. When conducting this review we ask that the Department assesses the policy rationale for each scheme/allowance against rating support policy objectives.

HRS questions the availability of assistance to 'better off' households, in particular capping the maximum capital value at £400,000. As the consultation document recognises, there are 5,000 ratepayers benefiting from this cap at a cost of £3.8m.

We also question the levels of early payment/discount entitlements which reward those who can afford to pay lump sums up front including:

- 4% discount for full payment of rates upfront; and
- up to 12.5% discount for private landlords.

In the case of discounts for private landlords, HRS appreciates that in these cases landlords are acting as LPS collection agents. However, this in itself can contribute towards confusion regarding rate liability and responsibility for payment in this sector. To help clarify this situation, we recommend that the Department sets up a system whereby payment of rates rebate/support, regardless of household tenure, is paid directly to LPS (or deducted from rates bills). This would avoid the need for a third part to act as rate collector. It would result in direct savings by reducing collection administration costs.

5. What views do you have on the treatment of UC as income within the current means test infrastructure?

HRS would not support treating the entire UC payment as income when assessing entitlement under the current means test, as a substantial proportion of claimants would lose entitlement altogether. UC will include a housing credit element which will increase substantially the amount of income to be taken into account as part of the assessment. As your modelling simulation indicates 84,000 households would come off rates support and 31,000 would see a reduction in entitlement.

6. What views do you have on the intersection of the models for UC income with the wider benefits system?

According to your modelling, the removal of passporting benefits would mean that cases receiving full support would be required to undertake a means test. This would appear to be onerous and unnecessarily over administrative. HRS would support a system whereby the majority of those entitled to full assistance continue to be passported.

7. What preference, if any, do you have in respect of the models outlined in Section 6?

Model 4 – Passport cases with zero earnings taken into account in UC award to rates support excluding the housing element from the calculation

Based on the information provided, this currently appears to be the most attractive option put forward in the document i.e. if a claimant has no income (earned or otherwise) then s/he will be entitled to full rates rebate. Those who have earnings will be subject to the current means test, with UC minus the housing credit treated as income.

However, we have concerns that those working more than 16 hours per week would lose out under the new scheme. As your document points out this will be subject to any earnings disregard considered as part of the new rates support scheme. It will be important to seriously consider this as part of the scheme's development, given that the policy intention of welfare reform is to 'make work pay'.

Model 6 – Passport everyone to rate rebate if they are entitled to UC.

On initial consideration, this option appears to be the most expensive with the estimate of an additional £70m funding needed. However, it would obviously be much easier to administer in comparison to the other options. We suggest that the Department further examines this model to determine which non UC claimants would remain outside of this option having to claim other reliefs and at what cost. The Department should also calculate what cost savings would result from less administration.

Model 7 – Passport using housing element of UC

This option would appear to have some merit. However, the DSD is suggesting that this methodology may present "a distorted picture of actual entitlement". Having looked at the figures supplied by the DSD it is clear that further analysis is needed before HRS can make informed comment about this option. We therefore request that the Department carry out further modelling to ensure the possible merits and/or disadvantages are fully considered and shared with stakeholders.

8. What views do you have on the development of a hardship fund; do you think this is necessary?

HRS believes in the principle that no one should be threatened with homelessness because of the inability to pay rates liability. We would therefore support the availability of a hardship fund to provide assistance to households with low incomes who will no longer be entitled to assistance if relief measures are withdrawn. For example, hardship assistance could be provided where a household is receiving an occupational pension along with pension credit, which would bring them just above the applicable amount. Such assistance is likely to be transitional and therefore referral for independent advice with benefits, debt or money management should be built into any system.

9. Do you have any other suggested approaches that the Department could model?

The Department may wish to consider the Discretionary Housing Payments system operated by the Housing Executive for tenants who are experiencing a shortfall in their rent. It would be important however for the Department to issue guidance to the Land and Property Service on the scheme administration including guidance on decision making.

10. What views do you have on the way in which rate rebates should be paid; should they be credited off the rate account or would this cause problems for certain individuals or groups?

Where a household is entitled to rate rebate then this should be credited off the rate account.

11. Do you have any views on the initial integrated Impact Assessments carried out by the Department?

No issues.

12. Do you have any qualitative or practical issues that could be considered in order to supplement the statistical analysis carried out as part of the initial Integrated Impact Assessment?

No issues.

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