

Rate Rebate Replacement Arrangements

Report on Preliminary Consultation Exercise

April 2013

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Section 1: Context and Background

Background

1. This report outlines the responses to the preliminary consultation exercise conducted by the Department of Finance and Personnel on behalf of the Northern Ireland Executive on the future of rates support for households. This arises as a direct result of the UK Government's decision to remove Council Tax Benefit in GB and Housing Benefit Rate Rebate in NI from the social security system, as part of wider Welfare Reform. A direct and immediate consequence is a fundamental change in the way in which our rate rebate scheme is paid for. Up until now April this year funding was guaranteed to cover whatever the demand is. All the Devolved Administrations and local Authorities in England have had to devise local schemes to deal with the new arrangements and significantly this includes a 10% cut in overall funding. The responsibility has been fully devolved already.
2. Last year the Northern Ireland Executive decided to retain the current level of protection for 1 or 2 years, funded through public expenditure, to allow more time to develop new arrangements and deal with the ongoing cut in funding. This approach has been followed in Scotland and Wales, however a large number of local authorities in England have already implemented localised and reduced support schemes.
3. This preliminary consultation is a part of this process of change for Northern Ireland. It asked questions about the current scheme and who it should continue to cover. It also asked difficult questions about the future and priority of other support measures, including other rating reliefs and allowances.
4. Another important issue to be addressed is how rate rebate should operate when Universal Credit is introduced, as that will sweep away the long established social security entitlements that passport people of working age into the current scheme.

Preliminary Consultation

5. A paper was published on 16 January 2013 for a 12 week preliminary consultation in order to seek views on how a new scheme could be developed and to gather further evidence.
6. This consultation report is a factual paper and merely summarises the consultation responses. No commentary is provided and the opinions are not challenged. It is intended is a factual report. Proposals to take the matter forward will be published in a second paper, for a further round of consultation lasting another 12 weeks. This paper will also include an initial integrated impact assessment, as well as illustrations of impact on typical households.

7. Responses to the preliminary consultation, which concluded on 10 April 2013 were received from the following groups or organisations:-

- Advice NI
- Age NI
- Ards Borough Council
- CAB
- Chartered Institute of Housing
- Commissioner for Older People (COPNI)
- Cookstown Borough Council
- Equality Commission NI
- Northern Ireland Fair Rates Campaign
- Northern Ireland Federation of Housing Associations
- NI Law Centre
- Rural Community Network
- Save the Children
- Simon Community

8. In addition we received a response from 6 individual ratepayers.

Further evidence

9. This paper focuses upon the opinions expressed in the consultation exercise. As part of the stakeholder engagement process the Department has also been referred to additional evidence (see below) from NI Law Centre, Save the Children, Chartered Institute of Housing, Age NI, COPNI, and Advice NI. The Department will be considering this evidence alongside the consultation opinions and its own modelling work.

10. In addition the Institute for Fiscal Studies published a timely report during the consultation period, **Section 4** of which provided that body's views on the provision of rates support in a Universal Credit context. A copy of the report entitled "*Universal Credit in Northern Ireland: what will its impact be, and what are the challenges?*" A copy of the report can be accessed on at the link below:-

<http://www.ifs.org.uk/publications/6641>

Overview of responses

11. As will be outlined below, the responses to the preliminary consultation tended to fall into one of two main camps, representing polarised views. Whilst there was broad consensus from the advice sector, who were in the majority, there was a significant minority view expressed by others. Interestingly no one expressly suggested that we should look to divert public expenditure from elsewhere or increase the regional rate to cover the ever increasing bill. Therefore the views were either about rationalising other domestic rating support measures and allowances or else about reducing rate rebate itself.

Section 2: Preliminary Consultation Process

12. The preliminary consultation paper was published on **16 January 2013**, allowing 12 weeks for the public to respond. It was issued to a wide range of interested parties, was placed on the Department's website and its publication was advertised in the local press.¹
13. Views have been expressed on a range of options to develop a new scheme to provide rate rebates in Northern Ireland from April 2014. The options that were presented in the consultation paper included:
 - i. Maintaining the current level of support but removing other forms of support;
 - ii. Maintaining current levels of support for vulnerable groups and focussing cut on remainder claimants;
 - iii. Top slicing or taper support to match budget, either fixed for a spending review period or adjusted annually in line with uptake and budgetary forecasts;
 - iv. Introducing a completely new income based scheme.
14. These options are set against the challenge of achieving the following policy aims:
 - a. Supporting the most vulnerable
 - b. Making work pay;
 - c. Protecting revenues; and
 - d. Working within a cash limited budget.
15. It was accepted in the Preliminary Consultation Paper that it would be unlikely to satisfy all these aims. It was recognised that while some of the policy aims can be achieved through each of the options; nothing satisfies all the policy aims.
16. During the consultation process representatives from the Department met with key interest groups to seek views on how a new rate rebate replacement scheme could be managed on reduced resources.
17. This included meetings with NICVA, the Consumer Council, the Commissioner for Older People NI, Rural Community Network, Age NI, the Northern Ireland Law Centre, Chartered Institute of Housing, Northern Ireland Federation of Housing Associations and Citizens Advice Bureau, Irish Congress of Trade

¹ http://www.dfpni.gov.uk/rating-review/welfare_reform_rate_rebate_replacement_arrangements_-_preliminary_consultation_paper.pdf

Unions, NIPSA and the Equality Commission for Northern Ireland. In addition the Department held two round table events. The first was organised by NICVA on 19 February and further information on that event can be accessed at the NICVA website at the following link:-

<http://www.nicva.org/events/welfare-reform-rate-rebate-replacement-arrangements-preliminary-consultation-event>

18. A further event was hosted by Land and Property Services as part of their Benefits Outreach Strategy on 4 March.
19. During the Preliminary Consultation Process the Department has also been referred to additional evidence from NI Law Centre², Save the Children³, Chartered Institute of Housing⁴, Age NI, COPNI, and Advice NI⁵. The Department will be considering this evidence alongside the consultation opinions.
20. Following the closure of the preliminary consultation period on **10 April 2013**, 20 written responses had been received, primarily from umbrella groups, though there were some individual responses.
21. While the absolute number of responses was low, this is fairly typical for consultations of this nature and in this area of policy. The majority, however, were from well informed umbrella groups. The Department is satisfied that a broad enough spectrum of opinion was represented though the responses received in this preliminary consultation and that this is sufficient to inform policy direction in preparation for the next round of consultation.
22. A full report on the responses is contained in **Section 3** and a link to the Rating Policy Division website which details all responses received can be found at the following link (individual responses have been anonymised):

<http://www.dfpni.gov.uk/rating-review>

² <http://www.jrf.org.uk/publications/impact-localising-council-tax-benefit>

³ <http://www.poverty.ac.uk/system/files/attachments/PSE%20policy%20working%20paper%20No.%208,%20Bradshaw,%20CONSULTATION%20ON%20CHILD%20POVERTY%20MEASUREMENT.pdf> ;

<http://www.cpag.org.uk/content/politics-child-poverty-measurement-consultation>

http://www.savethechildren.org.uk/sites/default/files/documents/child_poverty_2012.pdf

⁴ http://www.cih.org/policy/display/vpathDCR/templatedata/cih/policy/data/Universal_credit

⁵ See consultation responses at <http://www.dfpni.gov.uk/rating-review>

Section 3: Overview of Responses

23. The majority of organisations who responded (7 organisations), particularly from the advice sector, were in favour of Option 1 / Sub-Option 1.1 within the report, which was the retention, by and large of the existing rate rebate scheme, with the funding shortfall made up through savings in removing or reducing other rating support measures: the ‘top up’ low income rate relief scheme, or one or other of the targeted forms of non-means tested support, such as Maximum Capital Value, Lone Pensioner Allowance, Disabled Persons Allowance, etc.
24. The Rural Community Network “encouraged the Department to explore the option of removing or raising the maximum capital value”, and Advice NI stated that the Department should “ascertain the impact of raising the capital value limit to various levels”. In terms of Lone Pensioner Allowance the Rural Community Network stated that “there may be an opportunity to make savings from wealthy lone pensioner households which could be directed towards more needy households” a view that was echoed by Citizens Advice Bureau in their response.
25. Citizens Advice Bureau also favoured the abolition of discounts for landlords within the rating system which was a view also taken by Advice NI in their response, who advocated landlord liability for rates which would eradicate the need for support to tenants.
26. The Equality Commission for Northern Ireland stated their view that, “With regard to the issue of short term funding for an interim rate relief scheme, the Department may wish to consider what savings could be made through amendment and/or the removal of financial support to some of the additional rate relief measures for a number of groups... whilst maintaining the principle of protecting vulnerable groups such as those on low income, including pensioners, and disabled people.” They went on to state that they “strongly believe that the Lone Pensioner Allowance, Disabled Persons Allowance, and the Low Income Rate Relief Scheme should be retained to provide support for these vulnerable groups [and] acknowledge that some form of means testing may be an option to consider with respect to the Lone Pensioner Allowance.”
27. Citizens Advice Bureau expressed a specific concern about protected support for any one group (Option 2), or enhanced support for any one group outside the present means tested structure. This differed from Age NI who advocated the protection of support for pensioners as a group. NIFHA said that there would be merit in protecting vulnerable groups. Cookstown District Council were the sole response advocating support for all three categories identified within Option 2 of the consultation paper.
28. The Chartered Institute of Housing also commented on this option stating their view that “work undertaken by CIH in Great Britain to better understand the impact of housing elements of welfare reform has indicated that traditional categories of vulnerability should not be read as a proxy for inability to pay rent/council tax”.

29. The Northern Ireland Law Centre stated that they were, “in favour of maintaining an equivalent level of support as present” but recognised “the disadvantages outlined in Option 1 which could make the scheme untenable in the future.” They saw “merit in the interim of taking the sub option 1.1 approach and offsetting savings from additional schemes being made towards the cost of maintaining the existing scheme in the short term [with] the exception for the Disabled Person’s Allowance.” This view was shared by the Simon Community. Save the Children also stated that the Department should “heed its own advice and design a scheme that makes up the shortfall elsewhere through the rating system” but also made the point that there may be merit in postponement of considering the issue of rates support so as to align with a wider review of the Executive’s fiscal powers.
30. Another significant category of responses (2 organisational (including Ards council and 5 individual responses) was reluctantly in favour of a flat rate cash cut (Option 3), which would see a 10% reduction in funding for everyone’s level of support. Indeed, in this category some of these comments were strongly in favour of retaining all existing forms of non-means tested support The main proponent of this view being the Northern Ireland Fair Rates Campaign, although the Chartered Institute of Housing shared this view and suggested that one way of making it work would be to adopt a absolute minimum amount of liability.
31. A number of the organisations made the counter-argument making specific comments on the difficulties inherent in a flat rate cash cut approach in terms of collecting small amounts of money (NIFHA) and the impact upon those facing payments of small amounts for the first time in the current financial climate (Advice NI). The Northern Ireland Law Centre stated that they opposed the introduction of the ‘top slice’ scheme outlined in Option 3 citing concerns that the impact of such measures may be similar to that when the community charge was introduced (in GB) in 1988. This view was shared by the Simon Community. The Equality Commission for Northern Ireland also stated that they did “not recommend this option on the grounds that those on low incomes would face greater financial hardship as a result of having to make some contribution towards their rates” and cited a statistic from Advice NI that “in the last six months [prior to April 2013] 300 people have sought assistance with rates debt amounting to £500,000.”
32. Advice NI raised the fact that the UK Government has allocated a £100m transitional fund through DCLG to help implement localised council tax support schemes, which has not been made available to Northern Ireland . It is worth noting in this context the fact that the Resolution Foundation report, No Clear Benefit , which was published during the 12 week consultation period, reviewed the localised schemes put in place in England and referred to the fact that the majority of scheme designs were put in place in order to meet the requirements for this form. Advice NI also noted the issue of Departmental under spend in Northern Ireland Departments and the possibility of using some of that money to help address the rates support shortfall.

33. Some organisations also noted the possibilities for utilising some sort of passport based, or redesigned means tested scheme (Option 4) in the medium to long term (NIFHA), although it was noted that there were issues in terms of utilising state pension credit as a sole gateway (Commissioner for Older People NI), and the Rural Community Network expressed reservations about using online applications for rates support (which would be an issue if Universal Credit were to be used as a sole gateway). The Northern Ireland Law Centre stated their view that “in the long term, a solution that lies within Universal Credit is attractive. Any alternative arrangement long term should also look at help with rates ideally being administered within the same Department that looks after Universal Credit.” They “recognise[d] that may have implications beyond simple administrative efficiencies”. The Northern Ireland Law Centre also highlighted passporting mechanisms in GB for Sure Start, Funeral Benefits and Cold Weather Payments. In light of limited examples coming forward out of the UC environment they did not think that a solution to the passporting issue tailor made for the rate rebate scheme will emerge over the next two financial years. These views were shared by the Simon Community.
34. The Chartered Institute of Housing also stated that their preferred option was the introduction of a new income based scheme stating that “there is an opportunity to develop a scheme ensuring payment of rates is based on ability to pay, whilst still protecting clearly defined vulnerable groups through rates support.” They hoped “that any new scheme sees payment of rates assumed at a level commensurate with universal credit, thus ensuring that households do not find themselves only very marginally better off in work or if they increase their hours.”
35. In terms of Option 4 the Equality Commission for Northern Ireland stated that they “agree[d] with the conclusions reached in the report carried out by the Institute of Fiscal Studies (IFS) assessing the impact of Universal Credit that there may be some merit in integrating any assessment for rate support entitlement within the framework of Universal Credit. This would allow consideration of those groups on low income that could perhaps benefit from rate relief support but fall beyond the threshold of entitlement to Universal Credit or State Pension Credit.”
36. In terms of sectional interest that feedback was centred on the age sector, with Age NI responding as the umbrella group and the Commissioner for Older People’s Office putting forward views on support for pensioners. Age NI were opposed to any cut for pensioners, in particular the removal of other forms of relief such as Low Income Rate Relief and Lone Pensioner Allowance.
37. The Rural Community Network’s response highlighted the specific issue of rural poverty which can sometimes occur in areas of relevant affluence. In addition Save the Children stated that in addition to the PFG considerations cited within the Preliminary Consultation document specific consideration should also be given to the obligations placed on Executive ministers, especially child rights obligations and the statutory child poverty duty, particularly the targets set by the Child Poverty Act 2010 and as reiterated in the PFG, including the target for relative income poverty (less than 10% by 2020).

38. Advice NI also noted some key concerns on the fact that the cut comes at the same time as the delays in the Welfare Reform Bill, “creat[ing] a dangerous vacuum in terms of trying to assess the potential impact of what will be further cuts flowing from any amended rates support scheme”. They also cited the recession, the decline in the housing market and the levels of documented rating debt as key factors to final policy decisions in this area given the current levels of household debt. They have stated that, “further cuts flowing from any amended rates support scheme will serve to place further pressure on Northern Ireland households”.
39. In terms of administration of the scheme Chartered Institute of Housing stated that, “one concern that [they] would note in relation to the rate rebate arrangements is the administration of rates support, particularly in the context of changes as a result of the introduction of universal credit and the restructuring of the Northern Ireland Housing Executive. There are a number of significant changes taking place to the structures and systems with responsibility for housing benefit and rate rebate and the transition to new arrangements under universal credit could potentially result in confusion and disruption for customers.”
40. In terms of general context the Equality Commission for Northern Ireland stated that “any change to [the] current rate relief support arrangement must take into account persistent economic inequalities associated with a number of vulnerable Section 75 groups.” They went on to state that “disabled people are twice as likely to be unemployed as non-disabled people whilst women are more likely to take on the role caring for children and older people, limiting their employment opportunities and a chance for economic security and independence”, “Low pay linked to part-time work and ill health were found to be important contributory factors to the high job exit rates for lone parents, the majority of whom are women”, and that “more than one in five pensioners in Northern Ireland are defined as living in poverty, which is three percent higher than the UK average.

Section 4: Next Steps

41. The Department of Finance and Personnel is currently undertaking modelling work with the help of the Department for Social Development on a range of options to present to the Executive to help Ministers decide on the preferred solution or solutions.
42. This will then need to go out to a further round of public consultation, accompanied by an initial integrated impact assessment, before final decisions are taken in the Autumn.
43. It is the Department's intention for a second 12 week public consultation on policy proposals to issue in the coming weeks.
44. The timescale for this will be dependent on agreement of broad policy direction by the Northern Ireland Executive.
45. Further information on next steps and any decisions taken by the Executive will be made available on the Recent Developments section of the Rating Policy Division's website at:-

<http://www.dfpni.gov.uk/rating-review>