

# **Future of Rate Rebate**

## **Report on Consultation Exercise**

**December 2013**

## **INDEX**

**Section 1: Context and Background**

**Section 2: Consultation Process**

**Section 3: Overview of Responses**

**Section 4: Next Steps**

## **Section 1: Context and Background**

### **Background**

1. This report outlines the responses to the consultation exercise conducted by the Department of Finance and Personnel on the future of rates support for households in Northern Ireland. This arises as a direct result of HM 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. It also supports the Government's drive to reduce the fiscal deficit. A direct and immediate consequence is a fundamental change in the way in which our rate rebate scheme is funded. Up until April 2013 funding was guaranteed to cover the demand. 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 since April 2013.
2. In 2012 the Northern Ireland Executive decided to retain the current level of support for up to 2 years, funded through public expenditure, to allow more time to develop new arrangements and deal with the ongoing cut in funding. These arrangements were effective from April 2013. 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 for council tax.
3. The vast majority of the schemes in GB have not been developed to operate with universal credit. Universal credit is only operating in a few, so called, pathfinder areas, mainly for straightforward non householder claims. From available information these pathfinder areas, are adapting elements of the universal credit calculation in various ways to determine entitlement to council tax support. It is too early to determine the merits of these schemes in terms of developing an effective policy in Northern Ireland for the treatment of universal credit as part of the rate rebate calculation.

### **Latest consultation**

4. This is the second consultation exercise; a preliminary consultation paper was published in January this year and closed in April in order to inform how a new scheme might be developed and to gather fresh evidence as to the potential effect on households. It also addressed the issue of how rate rebate should operate when universal credit is introduced, as that will eventually sweep away the long established social security entitlements that passport people of working age into the current scheme.
5. This consultation took account of suggestions made by consultees at preliminary stage and set out the proposed way forward together with illustrative impact assessments and modelling, including suggestions on how rate rebate would take account of universal credit for those of working age.

6. The consultation was to have ended on 11th October, but was extended to 31st October to allow consultees to take account of additional information and analysis. Responses were received from the following:

- Advice NI
- Age Sector Platform
- Ballymena Borough Council
- Citizens Advice Bureau (CAB)
- Commissioner for Older People (COPNI)
- Equality Commission NI
- Housing Rights Service (HRS)
- Institute of Revenues Rating and Valuation (IRRV)
- Irish Congress of Trade Unions (ICTU)
- Law Centre (NI)
- Law Society of NI
- Newtownabbey Borough Council
- Northern Ireland Association for the Care and Resettlement of Offenders (NIACRO)
- Northern Ireland Fair Rates Campaign
- Northern Ireland Federation of Housing Associations (NIFHA)
- Northern Ireland Local Government Association (NILGA)
- Rural Community Network
- Save the Children

7. In addition two responses were received from individual ratepayers.

## Section 2: Consultation Process

8. The [consultation](#) 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.
9. The proposals set out in the consultation paper, took account of views expressed in the preliminary consultation which took place earlier this year from 22 January to 10 April.
10. The main proposals set out in the consultation paper were:
  - to retain the existing rate rebate scheme in its present form for the time being (but operated by DFP outside the social security system) and thereby continue to assist over 220,000 households least able to pay domestic rates;
  - the inclusion of universal credit payment information into the income assessment of the existing scheme; and
  - the removal of the top up low income rate relief scheme at the earliest opportunity to help pay for the funding shortfall imposed since April 2013.
11. Although the funding reduction has already occurred and the policy on rate rebate is now fully devolved, the date for formal transfer of the rate rebate element of the housing benefit scheme from social security has been put back from April 2014 to April 2015. This is for a variety of reasons but mainly due to delay in the passage of the Welfare Reform Bill and a slower than anticipated UK wide roll out of universal credit. The revised start date for transfer of the scheme to DFP should not affect rate rebate claimants, as the proposals are that its scope will remain the same as current provision.
12. During the consultation process representatives from the Department met with key interest groups to seek views on the proposals for a new rate rebate replacement scheme.
13. This included meetings with Northern Ireland Council for Voluntary Action (NICVA), the Consumer Council, NI Fair Rates Campaign, the Law Centre, ICTU, Disability Action, Advice NI, the Commissioner for Older People, Equality Commission, NIFHA, Rural Community Network, Ballymena Borough Council, CAB and Age Sector Platform. In addition the Department held a round table event on 10 September; this was organised by NICVA. The Department appreciates the efforts made by NICVA in organising the event.
14. Twenty responses to the consultation were received; eighteen from welfare rights and other organisations and two from individual ratepayers.

15. The low number of responses is typical for consultations of this nature. However as the vast majority were from well informed organisations, the Department is satisfied that the responses provide a broad enough spectrum of opinion that is sufficient to inform policy direction for a new rate rebate scheme.
16. An overview of the responses is contained in **Section 3** and details of all responses received can be found in [Rating Policy Division's website](#) (individual responses have been anonymised).

### **Section 3: Overview of Responses**

17. The following gives an overview of responses made in relation to questions posed in the consultation paper.

#### **Views on Department's preferred approach**

18. Overall the respondents welcomed the consultation exercise and understood the difficult circumstances faced by the Department in light of the 10% budget cut from Westminster. Analysis of the responses shows that in general the respondents broadly agree with the Department's proposed way forward, in particular keeping intact the current rate rebate scheme, but as can be noted in later questions many had issues around which reliefs were being targeted for removal. Only one organisation, Fair Rates Campaign, stated that any funding cut should be applied to all those in receipt of housing benefit rates.

#### **Views on removal of low income rate relief**

19. Only one organisation, Save the Children, explicitly agreed with the removal of the Low Income Rate Relief. In doing so they recommended the design of a more progressive scheme; one that would reduce the need for many of the other reliefs and discounts that are available to domestic ratepayers, though they did not outline how this could be done. They did however recommend that the disabled person's allowance should remain.
20. Understandably some organisations found it difficult to state that any means tested form of support should be removed, even if it is a top up measure. However it is clear from the general tone of their responses that they do not disagree in the sense of having to decide priorities in order to continue to protect those households most in need through the main rate rebate scheme and doing so within reduced and cash limited funding.
21. For example IRRV stated that "The proposal is a reflection of the stark realities faced by both the devolved administration and local authorities throughout England". It goes on to say that there will need to be an effective evaluation of the consequences of the removal of the low income rate relief and the possibility of a "one off" transitional protection scheme for certain cases.
22. The Law Centre in commenting on the shortfall in funding states "The proposed phase one timetable envisages the Northern Ireland Executive making up the shortfall in funding for rates beyond March 2015" and goes on to say: "This shortfall will be ameliorated in part by the removal of the low income rate relief scheme".
23. Six organisations either explicitly or implicitly disagreed with the proposal to remove low income rate relief. CAB and ICTU raised concerns about the impact this would have on working age claimants. CAB is concerned about the impact on working age home owners, particularly those with mortgages, while ICTU is concerned about the impact on "those who are in low pay and precarious work".

24. One respondent, Ballymena Borough Council, suggested it should be lowered.
25. The Commissioner for Older People, although disagreeing with the proposal to remove low income rate relief, pointed out that older people should be made aware of any changes to rate support through direct communication clearly stating the changes and how individuals may be affected.
26. Northern Ireland Federation of Housing Associations raised concerns that the removal of the scheme would raise financial and regulatory implications for housing associations but recognised that having one core rates support scheme could reduce bureaucracy for tenants and housing associations.

#### **Views on retention of other forms of domestic rate support**

27. Seven respondents stated they were not in favour of retaining the other forms of rate support, many stated that these support measures should be reviewed. Those reliefs receiving mention were the maximum capital value, early payment discount, clergy residence, lone pensioner allowance, disabled person's allowance and exclusions from empty homes. Four of those expressing the need to review these reliefs and discounts did support the retention of the disabled person's allowance.
28. Three organisations are in favour of retaining the other forms of rate relief, specifically Newtownabbey Borough Council, NIACRO, but only if low income rate relief is removed and Fair Rates Campaign, who stated they are keen to retain the maximum capital value currently set at £400,000.

#### **Views on treatment of UC within current means test**

29. Not all respondents commented specifically on the treatment of universal credit within the current means test. Of those that did comment (six), the majority stated that not all universal credit should be taken into account as income and some specifically stated that universal credit should be taken into account minus the rent element. Concerns were raised about the numbers that would lose out if the whole universal credit was taken into account.

#### **Views on interaction of models for UC income with wider benefits system**

30. In relation to the interaction of the models for universal credit income with the wider benefit system, Housing Rights Service suggested that the use of passporting should be retained as much as possible as undertaking a means test is onerous. Newtownabbey Borough Council stated that it believed that fewer people would be entitled to rate support if universal credit is treated as income. NIACRO stated it would like to see more examples showing comparisons for rate payers under the current system and under universal credit. NILGA stated that leaving rates outside universal credit has the potential to undermine the simplification that universal credit offers. It also stated that the current scheme should be replaced with a scheme that has the same taper as universal credit.

#### **Preference for any models outlined**

31. The consultation paper contained 7 models on how universal credit could be treated as an income source within the current housing benefit rate rebate rules.



These range at one end of the scale from a crude model that would allow all universal credit awards to passport householders on to rate rebate, through to better targeted solutions with various adjustments being made in the calculations. The models presented were:

- **Model 1** – Taking universal credit into account in full as unearned income
  - **Model 2** – Taking universal credit into account minus the rent element.
  - **Model 3** – Passport cases with zero earnings taken into account in the universal credit calculation; for those not passported, take universal credit into account in full.
  - **Model 4** – Passport cases with zero earnings taken into account in the calculation of universal credit, for those not passported, take universal credit into account minus the rent element.
  - **Model 5** – Passport cases with zero income taken into account in the calculation of universal credit. This is similar to models 3 and 4 but it refers to cases with zero income from any source (earned income, unearned income, or benefit income). For those not passported, take universal credit into account minus the rent element.
  - **Model 6** – Passport all those entitled to universal credit.
  - **Model 7** – Passport all those who have their full eligible rent met in the housing element of universal credit.
32. Each of the models produces different outcomes. Details of the impact of each model is contained in the consultation paper. This part of the consultation is very technical due to the complex nature of means testing. It is not surprising, therefore, that the responses received on this issue were from experts in this area, mostly from the advice sector.
33. There was no consensus on any particular model but model 7 attracted the most favourable comments. This model was on the basis of passporting those who have their full eligible rent met in their universal credit assessment. As there was only limited information available on this model, most of the comments suggested exploring this further and that more detailed modelling should be carried out.
34. Figures produced on model 6, which would passport all those in receipt of universal credit show that it would cost an additional £70million. Despite this Housing Rights Service said that it would be worth carrying out a further examination of this model as it would obviously be much easier to administer. Advice NI made similar comments.
35. The majority of other respondents favoured either model 4 or 5. These models provided data on passporting those with zero earnings or zero income and excluding the rent element of universal credit from the calculation of those not passported.
36. There were other comments on the lack of work incentives in the models. The Law Centre commented that the consultation paper does not provide the necessary detail to assess the marginal tax rate and recommends that further work is undertaken on this. NILGA suggests that universal credit and rate

rebates should be administered by the Department for Social Development (DSD) or alternatively, information from universal credit claims could be transferred from DSD to the Housing Executive or Land and Property Services in order to avoid claimants having to provide the same information twice.

### **Views on need for hardship fund**

37. There were mixed views on the need for a hardship fund. Seven respondents are in favour of a fund but some only saw the need for it if the low income rate relief was removed, whereas some, such as Newtownabbey Borough Council stated that a hardship fund was essential. IRRV stated that by reducing the amount of support for ratepayers, there is a case for a hardship fund but any such scheme should be delivered independently of the current rate rebate providers.
38. Some respondents, in addition to agreeing that there is a need for a hardship scheme suggested this should be linked to financial advice and a benefit entitlement check. NIACRO opposed the introduction of a hardship scheme but suggested that those who lose out on any new scheme should receive transitional protection for a limited period in order to allow time to adjust to the new situation. Although lending support to a hardship scheme Housing Rights Service did suggest this should be a transitional arrangement and that independent money advice should be made available.
39. The Law Centre indicated they have practical difficulties with a hardship scheme. Although they would not rule out such a scheme they suggested that other ways should be found to provide support or alternatively combine the scheme into the DSD discretionary support scheme with monies ring-fenced for support for rate rebates.

### **Other suggested approaches**

40. Aside from some respondents wanting additional modelling carried out on models contained in the consultation paper, the vast majority of respondents did not offer new ideas for the Department to model. NILGA did however suggest that the Department should explore a more comprehensive model; *“the adjustment of the allowances within the applicable amount that reflects the amalgamation of social security benefits within the Universal Credit payment and therefore increasing a specific person’s level of income could be used as a calculation”*.

### **Views on how rate rebates should be paid**

41. There was a mixture of suggestions regarding the payment of rate rebates, falling broadly into three categories i.e. paid direct to Land and Property Services; credited off the rate account or discounting the rates bill. No one suggested that rates should be paid direct to the claimant. In suggesting that the rates bill should be discounted, the Law Centre (NI) pointed out that this would produce savings to the current landlord discount and said they would welcome details of the sums involved and how they might be recycled into rate rebate support.

## **Views on Initial Integrated Impact Assessments**

42. Most respondents had no views on the Initial Integrated Impact Assessments carried out by the Department. NILGA commented that it would like to see more detail and interpretation of the impact assessment.

## **Qualitative or practical issues to supplement analysis for Initial Impact Assessment**

43. Rural Community Network commented that while they accept the “rural proofing” rationale put forward by the Department, they would like to have seen more detailed analysis on the numbers of households affected in urban, mixed urban/rural and rural groups. They recommended that the Department liaise with the Maximising Access to Grants and Services in Rural Areas Project in order to obtain information on the level of under claiming of rate rebate. They also suggested that the Department should take account of lower levels of Broadband if there is a move towards electronic claims.
44. The Irish Congress of Trade Unions stated that the Equality Impact Assessment is not adequate as it does not assess the impact of the proposals on two of the nine grounds i.e. sexual orientation and political opinion. They have asked the Department to reconsider and ensure its Equality Impact Assessment is assessed against all groups listed under section 75.

## **Other views**

45. The following are other views submitted as part of the consultation response:
- the lack of passporting results in costly administration;
  - more effective rate collection methods should be employed;
  - having rate rebates outside universal credit has the potential to undermine work incentives;
  - landlord discount should be removed;
  - the recovery of overpayments is important and that, in equity, recovery of overpayments should distinguish between those caused by Departmental error and those attributable to claimant error;
  - there is a need for effective communication of proposed changes;
  - liability for rates should be transferred from Housing Associations to tenants;
  - the need for two administration agencies (the Housing Executive and Land and Property Services) should be reviewed and cost savings identified;
  - welfare reform changes will increase child poverty, Belfast is impacted more than any other major UK city;
  - free prescriptions should be abolished for all apart from the sick and the elderly;
  - only one winter fuel allowance should be given per household where individuals are not part of a couple;
  - Introduce Real Time Information as part of the process.

## **Section 4: Next Steps**

46. During the consultation new suggestions were made on how rate rebates should take account of universal credit. Other comments submitted in consultation responses referred to the lack of work incentives.
47. In light of these comments the Department is having further modelling carried out using information from the Family Resources Survey with the help of the Policy Simulation Model recently developed by DSD.
48. The Department has received some preliminary information on the above modelling but more information is needed before this can be fully analysed. The Department is also endeavouring to obtain the additional information requested by respondents. The Department therefore plans to run a seminar inviting all key stakeholders to look at the outcomes and provide feedback to the Department. It is hoped that following this a clearer picture will emerge on a new DFP rate rebate scheme that copes effectively with universal credit.
49. As stated earlier, rate rebates will remain in social security until April 2015 after which there will be a phased migration to the DFP scheme. This means that the majority of individuals will see no change in the way that rate rebates are awarded until at least April 2015. The details of the migration have to be agreed between officials, however there is sufficient time to ensure that any new rate rebate provides appropriate support for those least able to pay rates.
50. Following the Department's planned seminar for all key stakeholders all issues arising from the consultation will be placed before the Executive for a decision on the way forward. This will include proposals on the treatment of universal credit in the assessment of rate rebates, the future removal of the low income rate relief and whether there should be any alteration or removal of any of the other rate reliefs or discounts.
51. Further information on next steps and any decisions taken by the Executive will be made available on [Rating Policy Division's website](#).