Department of Finance and Personnel

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# Department of Finance and Personnel

# Rate Rebate Replacement Scheme

## Public Consultation Paper

**November 2014**

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## SECTION 1: INTRODUCTION

1. The Department of Finance and Personnel (DFP) is responsible for the policy development of a new rate rebate scheme. This consultation by DFP is about long term options for rate rebate for domestic ratepayers of working age[1] and concerned with devising a new form of assessment due to a phasing out of Housing Benefit as Universal Credit is rolled out under welfare reform. The Welfare Reform Bill will make provision for the eventual abolition of certain income related benefits, including housing benefit. Thereafter the policy and legislative responsibility for all rates support will rest with DFP. The Department for Social Development (DSD) has agreed to continue with the current rate rebate arrangements for tenants who are pensioners or non universal credit claimants of working age. DFP will also continue to pay housing benefit rate rebate for owner occupiers who are pensioners and non universal credit claimants of working age.

2. Current entitlement to one of the other income related benefits[1] provides automatic entitlement to Housing Benefit applicants for rate rebates. This is known as "passporting". Universal Credit will encompass a much wider group than the previous passporting benefits, for example it will include many of those on tax credits who would not qualify for rate rebate under Housing Benefit. Therefore it is unaffordable and unnecessary to fund relief to all Universal Credit claimants. This is why a new form of assessment to rates support is needed.

3. There are three principles the Department considers should underpin a long term rate rebate replacement scheme. These are, to:

    - target those least able to pay rates in conjunction with welfare reform principles;
    - simplify the rules; **and**

[1] Working age applies to those under state pension credit age. State pension credit age (for men and women) is the age that women reach state pension age which is increasing in stages and currently stands at around age 62.
[1] Income support, income based jobseekers allowance, income related employment and support allowance and State Pension Credit (Guarantee Credit).
.

- provide value for money.

4. Under welfare reform rate rebate will be removed from the social security system. Although the Northern Ireland Welfare Reform Bill has not yet received Royal Assent, funding for rate rebate has been fully devolved to the NI Executive since April 2013. Additionally, funding has been reduced by 10% and changed from Annually Managed Expenditure (AME) to Departmental Expenditure Limit (DEL), also known as the Block Grant. This means that spending on rates support has to be considered alongside other priorities as part of the Northern Ireland budget process. The Executive has agreed to cover the shortfall in funding up until the end of March 2015.

5. The Department of Finance and Personnel has already undertaken two consultation exercises to inform how an interim rate rebate replacement scheme might be quickly developed to accommodate the early introduction of Universal Credit. It had been envisaged that Universal Credit would be introduced in Northern Ireland during 2014 or 2015; it is now expected to roll out during 2016 at the earliest. The previous consultations focussed on retaining the current rate rebate rules that operate under Housing Benefit but with modifications to take account of Universal Credit.

6. The new timetable for Universal Credit means that it should be possible to go directly to a long term solution for assessing entitlement to rate rebate; one which will be more efficient and provides value for money in the future. The work completed on the previous two consultations on an interim scheme has helped inform the options for a long term rate rebate scheme. The Department has proposed two models for consideration.

7. Although Universal Credit is not expected to roll out in Northern Ireland until 2016 at the earliest, it is necessary to consult on long term options at this early stage in order to allow time for the scheme to be finalised and the necessary processes including IT procurement, to be completed. The process includes clearance through Minister, the Committee of Finance and Personnel and the Executive.

8. As noted above the main purpose of this consultation is to inform development of a new method of determining entitlement to rate rebate. However, it also proposes a new approach to some of the other entitlement conditions and for streamlined administrative processes.

9. Unlike the earlier consultations it is not about finding ways to reduce support, although depending on the preferred model, administration savings will accrue in due course; model A being less costly than model B, particularly if there is an electronic interface. A principal aim of the new scheme is to help those who are least able to pay rates; however, this is not the only aim. The recent Northern Ireland Omnibus Survey[2] found that almost three quarters of those surveyed considered the current welfare system in Northern Ireland is not effective in encouraging people into work. While the new rate rebate scheme will not be a social security benefit it is an integral part of the financial support available to those on low incomes and is as a direct consequence of welfare reform and the introduction of Universal Credit. Therefore the principles of fairness and making work pay, which underpin Universal Credit, should also be present in the rate rebate scheme.

10. The consultation is seeking views on proposed options for the new rate rebate scheme, including views on the rules of entitlement and whether there is a need for a hardship scheme. The Department proposes to simplify the rules on decision making and appeals and as a consequence reduce administration costs and the incidences of fraud and error.

11. This paper will be subject to a 12 week consultation process. A number of questions that may be helpful in responding to the issues raised in the consultation paper are set out in **Annex A**.

[2] NI Omnibus Survey May 2014, available through: http://www.dsdni.gov.uk/index/stats_and_research/asu-other-research.htm

12. The Department will be engaging with representative organisations in the advice sector many of which have contributed to the previous consultations on the issue of rate rebates. DFP also wants to hear from other organisations and individuals who may be affected by or are interested in the changes to rate rebates. Representatives from the Department are available to explain the proposals in more detail if required. This can be by telephone or meeting, depending on what best suits the individual/organisation. A contact number is provided in Section 9 of the paper (Next Steps).

## SECTION 2: BACKGROUND

13. Housing Benefit for Rates in Northern Ireland is the broad equivalent to the former Council Tax Benefit in Great Britain.

**Support for Council Tax in Great Britain**

14. Council Tax Benefit was replaced from April 2013 by various localised Council Tax Reduction schemes and funding was reduced by 10% as part of welfare reform. As explained earlier the funding reduction was also applied to its Northern Ireland equivalent, Housing Benefit for rates.

15. Council tax benefit was a social security benefit with the same national rules covering every council area in GB. The council tax reduction schemes in GB are not social security benefits; local authorities had to develop their own schemes so there is no longer national standardisation. Many local authorities have managed the funding cut by applying an across the board cut to the rate of the previous Council Tax Benefit awards. It should be noted that in England many of the Local Authorities require that everyone, however low their income, should pay something. As HM Government decided that pensioners should be protected from the 10% reduction in funding, this had a disproportionate impact on those of working age.

**Rate Rebates in Northern Ireland**

16. Rate rebates are currently paid through the Housing Benefit scheme which is a social security income related benefit, in other words it is means tested. As and when Universal Credit is introduced in Northern Ireland, Housing Benefit will be abolished for working age claimants. The rent element will become part of Universal Credit for those of working age but the rates element will not.

17. It is also worth noting that changes to the rent element for pensioners are likely to be brought about through a housing credit element of state pension credit. Currently ratepayers who receive the guarantee credit of state pension credit are

entitled to full Housing Benefit including rates. As plans to introduce a housing credit element to state pension credit in Northern Ireland are some way off, current arrangements for those on state pension credit will continue. A further consultation on how to provide rate rebate to claimants of state pension credit age may be necessary when this progresses.

18. Although the 10% cut in funding of Housing Benefit rate rebate in Northern Ireland was imposed by HM Government from April 2013; the Executive agreed to make up the shortfall in funding until the end of March 2015. This means that there has been no change either to the cohort receiving help to pay rates or to the amount they are receiving. Housing Benefit for rates remains part of the social security system but it cannot continue in its current form if Universal Credit is introduced in Northern Ireland. It is likely to be phased out for working age as Universal Credit is rolled out here. Consequently Ministers in DSD and DFP have agreed that the new DFP rate support scheme will be aligned with the implementation of Universal Credit in Northern Ireland.

**Passporting**

19. As pointed out earlier, currently Housing Benefit rate rebate scheme applicants who are entitled to another income-related benefit[3] are "passported" onto Housing Benefit with automatic entitlement to a full rate rebate (with a few exceptions). Around 70% of rate rebate recipients on Housing Benefit are passported. As discussed in the previous consultations, when Universal Credit[4] is introduced the main passporting benefits will no longer exist. Universal Credit will be a new source of income and this consultation considers its impact in the development of the new scheme for all working age claimants whether currently passported or not. Therefore a new way needs to be found to allocate rate rebates so as to protect those least able to pay rates which adheres to the general principles of welfare reform.

[3] Income Support; Income Based Jobseekers Allowance; Income-related Employment and Support Allowance and State Pension Credit (Guarantee Credit)
[4] Universal Credit if introduced will replace Tax Credits and all current income related benefits except Housing Benefit for rates.

20. The previous consultations covered passporting in great detail and it became evident that when Universal Credit is introduced passporting will be more difficult to achieve. With this in mind this consultation looks again at the preferred model emerging from the previous consultations and introduces a new model that would use Universal Credit data to simplify the determination of entitlement to a rate rebate for **all** working age claimants.

21. Whatever solution is decided upon the current arrangements can continue for those who remain on one of the income-related (legacy) benefits or for those on the lowest incomes pending the implementation of Universal Credit. This allows Housing Benefit rate rebates to continue without disruption, subject to funding and DSD agreement (DSD are currently responsible for Housing Benefit policy and legislation).

## SECTION 3: PREVIOUS CONSULTATIONS

### Previous Consultations

22. This is the third consultation about domestic rate rebates in the past 2 years. The Department published a report on the Northern Ireland Executive's preliminary consultation exercise in April 2013. The report can be accessed through the following link:

    Report on preliminary consultation

23. The Department also published a report on its second consultation exercise in December 2013; that report is available through the following link:

    Report on second consultation

24. The focus of these consultations was on modifications to the existing Housing Benefit rate rebate rules to take account of Universal Credit.

25. During the second consultation exercise the Department presented a number of models on the treatment of Universal Credit in the assessment of rate rebates. In that context the Department recommended an interim means of taking account of Universal Credit, this model would continue to support those least able to pay rates while providing a work incentive. This model is preserved as a long term option in this paper but renamed Model B (previously Model 8) and views are sought on whether this is sustainable, affordable and predictable as a long term solution for assessing entitlement to rate rebate.

### Committee for Finance and Personnel

26. The Department of Finance and Personnel has engaged closely with the Committee for Finance and Personnel through evidence sessions and written correspondence during the previous consultation processes and this continues.

27. The interim model was scrutinised by the Committee of Finance and Personnel and they commented favourably on the Department's preferred approach, model 8 (renamed Model B), at that time.

## SECTION 4: AIMS OF RATE REBATE SCHEME

**The Rate Rebate Scheme**

28. This consultation is focused on the mechanics of a new scheme rather than the administration costs. However it is important that administration is efficient and costs are proportionate to the overall scheme cost. This should be achieved by simplification. It is also important to ensure that the assessment process is proportionate to a form of support which has an average award of just over £500 annually.

29. The rate rebate replacement scheme is a product of welfare reform and therefore needs to align with those wider reforms. The principles underlying welfare reform cannot be ignored. The main drivers for welfare reform and in particular Universal Credit are that it should be fair and work should pay. Although the new rate rebate will be outside the social security benefit system, it should not negatively impact the overarching principles of welfare reform.

30. The three principles that the Department considers should adhere to a long term rate rebate replacement scheme are, to:

    - target those least able to pay rates in harmony with welfare reform principles;
    - simplify the rules **and**
    - provide value for money**.**

31. Given that the main intention of welfare reform is to create a fairer system that makes work pay this principle must carry through to the rate rebate scheme in an environment where there is less money available to fund the rate rebate scheme and it is therefore vital that we identify those least able to pay rates and target them accurately. The Department is committed to finding a means test that targets those who need it most. While these will not be exactly the same group of people that are helped under the current scheme, many of these will continue to receive help (almost 90% and 77% will receive the same or increased award in the Department's preferred model, Model A - see annex B)), much work has been

carried out on behalf of DFP using the policy simulation model[5], to ensure the long term cohort is comprised of those least able to afford to pay their rates.

32. The second principle recognises that although the new rate rebate scheme will continue to be assessed with reference to rules that reflect the circumstances of individual households, its level of complexity should reflect the relatively small amounts it will be paying compared to the current Housing Benefit scheme, which was primarily developed as a means of assisting with the much larger rental element. However, the Department recognises that the help that rate rebate provides is vital for many and is committed to helping those most in need. Universal Credit will become the main support and it is intended that the new rate rebate scheme will take advantage of the complex means test already carried out for Universal Credit and avoid the need for claimants to provide the information they provided for it again and it will be easier to understand. It is proposed that once an award is made the vast majority of changes of circumstances will only be taken into account at certain times thus avoiding the cumbersome and expensive administrative task of adjusting benefit throughout the life of an award every time there is a change. This feeds into the third principle of providing value for money, since simplified entitlement rules will reduce the amount of administration needed, particularly for Model A.

33. The third principle also reflects the Department's intention to ensure that the relatively small amounts being awarded should not require a large administrative effort. An assessment will have already been carried out for Universal Credit and the Department proposes to use this so that there is no need to gather further information or perform a separate means test; for that reason the Department supports Model A. These proposals will mean that the customer journey is more straightforward.

34. The ultimate aim is to have a data flow between the Universal Credit and rate rebate IT systems so that entitlement to rate rebates can be calculated automatically. The data flow is unlikely to be available from the outset but the data can be obtained by a variety of methods. These include remote access

5 A statistical model that draws on data from the family resources survey, all impacts are provided on steady state i.e. once universal credit is fully implemented

terminals[6] and Universal Credit award notices. Until full IT functionality is available, this information will need to be manually inputted into the new rate rebate system. Obviously such manual inputting will be a more costly solution than one which employs a direct electronic feed from the universal credit system. Dealing with changes of circumstances is time consuming and therefore costly. Reducing how changes affect awards will help prevent overpayments and reduce administrative errors and costs. It will also mean that claimants will have more certainty about the amount of rate rebate they are entitled to, rather than having to deal with numerous changes throughout the year, as is the current position. There will also be a reduction in the number of changes claimants will have to report.

6 Read only access to universal credit computer screens

## SECTION 5: ASSESSMENT MODELS

**Modelling**

35. In keeping with the aims of the rate rebate scheme outlined above, detailed analysis has been undertaken using a policy simulation model to help develop long term options for rate rebate. The following paragraphs provide detail on the two options that the modelling identified as viable. **Annex D** contains some information on other options that were discounted because they were not feasible.

**Model A**

36. Model A uses the Universal Credit maximum amount[7] as the threshold against which entitlement to rate rebate is determined.

37. The rules for this model are as follows:

- receipt of Universal Credit is a condition of entitlement to rate rebate;
- the household's Universal Credit maximum amount is the income threshold;
- Universal Credit is taken into account as income;
- half of the Universal Credit work allowance[8] is allowed as an earnings disregard;
- anyone whose income (as assessed for Universal Credit but with the adjusted earnings disregard) exceeds the income threshold has a taper applied to the excess;.
- no separate means test necessary.

All information required for rate rebate award will be available from Universal Credit allowing the calculation to be automated.

[7] The amount the Government has determined a household needs to live.
[8] Work allowance is the amount individuals can earn before UC is affected.

38. A 10% taper works as follows:

<u>Rates liability less 10% of the excess income equals the rate rebate award</u>

**Example**

Income exceeds threshold by £6 (excess income)

| | |
|---|---|
| Rates Liability: | £12.00 |
| Less 10% excess income: | £0.60 |
| **Rate Rebate:** | **£11.40** |

**Note**: the analysis provided is based on 50% of the Universal Credit earnings disregard and a 10% taper being applied; these can both be adjusted depending on affordability. Some further analysis was carried out with a 15% taper to show the difference adjusting the taper can make to the number of people helped and the cost; see Annex B.

39. As this model is linked to Universal Credit it makes the customer journey much easier. All the main conditions and rules associated with means testing, such as income and earnings, capital, non-dependants, etc. have already been determined for Universal Credit. Claimants will not need to provide this information again in order to apply for a rate rebate and only minimal data will be needed from Universal Credit. The determining authority will make a simple calculation of entitlement based on Universal Credit data and applying a taper.

40. Analysis of **Model A** shows that there are approximately 16,000 people currently entitled to Housing Benefit rate rebate who will **potentially** not qualify for Universal Credit and as a consequence will not be eligible for a rate rebate. The Department was concerned that this might leave out some people whose circumstances warrant payment of rate rebate. The Department requested extensive modelling to discover who will be omitted from the new scheme. Further analysis of this group shows that the people who will no longer be entitled can be broadly grouped into 3 categories. Although the total potentially affected is 16,000, it should be noted that as the numbers in each of the categories are less than 10,000, the detail cannot be reported due to small sample size and

confidence in the data. These categories are set out in **Annex B** however the main reasons for not being entitled are:

- those whose income (including earnings) as assessed under Universal Credit is too high;
- those who do not comply with the Universal Credit claimant commitment; and
- those who are excluded from Universal Credit because they have capital in excess of the limit.

**Model A - Excess Income/Earnings**

41. The modelling shows that the majority of the 16,000 fall into this category and most of them are self employed earners who are gainfully employed. This is because those who are self employed are expected to earn a certain amount, if they do not the Universal Credit rules apply a “minimum income floor” (MIF) to their earnings meaning they are treated as earning the amount determined by the MIF. Generally this is set at around 35 hours at the minimum wage but it can vary. There are exceptions to the MIF being applied, for instance it will not generally apply during the first 12 months of trading or for the first 6 months of Universal Credit when you transfer from one of the legacy benefits. The policy behind the MIF is so that those who are self employed cannot continue to work for a small amount of earnings that is subsidised through benefit.

42. Others in this group are excluded because their actual income exceeds the level at which Universal Credit is paid. The rules on the treatment of income other than earnings are more favourable under the current Housing Benefit scheme which applies a taper to all income over the threshold. In Universal Credit all income other than earnings is taken into account with no taper applied.

43. Mixed age couples (one under and one over state pension credit age) also fall within this cohort because the income thresholds are less generous than pension credit. Under current rules mixed age couples can choose to claim state pension credit, this option will no longer be available under Universal Credit. It is important to note however that those in receipt of Housing Benefit under the

pension age rules will not be affected but new claims from mixed age couples will have the Universal Credit rules applied.

44. Finally, under this category, the modelling shows that some claimants who are only in receipt of a contributory benefit will have no entitlement to Universal Credit. However as the current contributory benefit rates are less than the Universal Credit rates it means that these individuals will in fact be entitled to a small amount of Universal Credit and therefore a rate rebate.

**Model A - UC Claimant Commitment**

45. Under the modelling it is assumed that a number of individuals will not sign up to the Universal Credit conditions. These include mixed age couples and singles that have retired early. Those falling within this category would be entitled to Universal Credit if they chose to apply and adhere to the related conditionality.

**Model A - Capital**

46. The modelling shows that some will not be entitled to Universal Credit as their capital is in excess of the limit. This is because those who are mixed age couples (one over and one under state pension age) will fall under Universal Credit rules. Currently these couples can choose to claim state pension credit and enjoy the more generous capital rules where there is no upper limit to the amount of capital a claimant can have, whereas the upper limit for those claiming Universal Credit is £16,000.

**Model A - General comments on those not entitled to Universal Credit**

47. It should be noted that nobody is precluded from claiming Universal Credit, it is a means tested benefit designed around the ethos of “fairness and making work pay”.

48. If claimants choose not to claim or comply with Universal Credit rules because of claimant commitment requirements then in line with the work incentives to be incorporated into the rate rebate replacement scheme it would not be appropriate to provide help with rates. The Department is satisfied that the new claimant base under this model consists of those who merit help the most. It is notable

that while 18,000 will no longer be entitled to rate rebate, an additional 45,000 will become entitled.

49. Although the Department is satisfied that those who will not be entitled to Universal Credit should not qualify for a rate rebate, the issue of safeguarding rules and/or hardship provisions need to be considered and are discussed later in the paper.

**Model A - Universal Credit transitional protection and sanctions/deductions**

50. Universal Credit awards may include an amount for transitional protection for claimants who migrate from a legacy benefit so that they will be no worse off financially. It is proposed that the Department ignores the amount of the transitional protection. This means that it will not be taken into account as income and those whose Universal Credit award consists solely of a transitional addition will be treated as if they are not entitled to Universal Credit.

51. Where the award of Universal Credit is reduced due for example to sanctions or deductions for overpayments or third party payments, the Department will take account of the Universal Credit award prior to deduction.

### Model B

52. Model B was developed with a view to modifying the current Housing Benefit scheme to take account of Universal Credit. It was the Department's preferred interim solution following the 2013 consultations and was designed along similar lines to the DWP default scheme for council tax support[9] though with improvements to help provide a more secure level of support. It developed into a combination of Housing Benefit and Universal Credit rules as follows:

- Universal Credit maximum amount[10] is used as the rate rebate income threshold:
- unearned income to be taken into account as per current Housing Benefit rules:
- Housing Benefit earnings disregards increased by 50% ( this will require obtaining information from the claimant and others and a calculation to determine appropriate disregard);
- Universal Credit is taken into account as income;
- non earners entitled to Universal Credit will be passported to rate rebate.

53. Those not passported to rate rebate will need to provide detailed information and have a full means test calculation carried out in order to determine entitlement.

54. In the main, this model does not exclude any particular type of claimant. If followed then those on Universal Credit would be easier to assess as the information from the Universal Credit award could be used. Those who are not on Universal Credit will need to have a full assessment carried out by the authority administering rate rebate and all current decision making and appeals provisions would have to be followed, something that will be avoided in Model A.

55. Model B keeps many of the features of Housing Benefit although adapted to take account of Universal Credit. This model needs its own means test and complex

[9] See http://www.legislation.gov.uk/uksi/2012/2886/contents/made
[10] The amount the Government has determined a household needs to live.

conditions of entitlement, which would be substantially the same as those now in Housing Benefit, including rules on residence, capital, income, earnings and non-dependants. The same level of complexity needed to assess a claim for the current housing benefit scheme will be required for this scheme and less people will be passported. For those on Universal Credit, most of the information should be available from DSD, although at this stage there is uncertainty over the extent of data and the ease with which it will be accessible. The complex decision making and appeals rules will be retained under this model. This is explained further in Section 6 (Decisions and Appeals).

**Model B - Universal Credit transitional protection and sanctions/deductions**

56. As Model B is not reliant on Universal Credit and is open to all claimants, it is proposed that any amount of transitional protection included in the award for claimants who migrate from a legacy benefit is taken into account as income.

57. Like Model A where the award of Universal Credit is reduced due for example to sanctions or deductions for overpayments or third party payments, the Department will take account of the Universal Credit award prior to deduction.

58. Statistics on the outcome of each model is available in **Annex B**, it should be noted that the statistics are based on steady state Universal Credit i.e. when Universal Credit if fully implemented.

**Both models - Safeguarding/Hardship Provisions**

59. The Department is satisfied that each of the models proposed targets those least able to pay rates. Model A relies on entitlement to Universal Credit which will become the main benefit for those of working age. This will ensure that those on Universal Credit whose income is below the threshold for rate rebate will receive some form of rate rebate. Although Model B has different rules attached to it, by using the Universal Credit “maximum amount” as the threshold to measure entitlement to a rate rebate, it too targets those least able to pay rates. It does not however incentivise work to the same extent as Model A. The Department is therefore satisfied that the need for a safeguard is minimal. However the

Department accepts that whichever model is adopted there may be some hardship cases that slip through the net. In order to avoid such a situation it may be appropriate to set up a hardship scheme. As with all schemes of this nature it will be necessary for the provision to operate within available funding.

60. Alternatively in Model A Universal Credit will be the sole means tested benefit for all those of working age, either in or out of work. Although there have been difficulties with various aspects of welfare reform, there is widespread support for the view that the benefit system, in addition to helping those on low income, should incentivise work. By closely aligning itself to Universal Credit, Model A incorporates the principles of fairness and making work pay. As pointed out earlier in this consultation, making entitlement to Universal Credit a condition of receiving rate rebate means some of those who would qualify now for a rate rebate will not be entitled under Model A. The Policy Simulation Model indicates this could be around 16,000 people. However, it should be noted that many of those disqualified might bring themselves on to Universal Credit, and thus rate rebate, by altering their behaviours.

61. For example, some may decide to accept the conditionality provisions or those who are self-employed may alter their hours or take an employed job that better rewards their work. However, the Department is concerned that the link to receipt of Universal Credit may unintentionally produce an unfair outcome for some. Although no discrete group has been identified, the Department is considering how these people could be safeguarded without the need to introduce a new form of means testing. For example, the Department could require a person to claim Universal Credit, even if it results in a disallowance. The information from the disallowance on income, capital etc. would allow a simple calculation to be performed so that those who would otherwise be unfairly disallowed may be brought within the scheme. The Department's thinking on this is at an early stage and would welcome the views of interested parties in relation to what would constitute unfairness, what groups would be adversely affected and how the main scheme might incorporate rules to cater for affected individuals.

**Low Income Rate Relief**

62. It should be noted that whichever model is adopted low income rate relief cannot operate in its present form.  It is inextricably linked to Housing Benefit which will no longer exist for claimants who fall under the new rate rebate scheme.

## 1. DECISION MAKING AND APPEALS

### Claim Start Dates

63. As a general rule, whichever model is adopted, the Department considers that the prescribed time for claiming should be extended to 3 months and discretionary backdating abolished. This is currently the case for Housing Benefit rate rebates for pension age claimants. In the case of Model A, this would be dependent upon entitlement to Universal Credit. In the case of Model B it will be necessary for the administering authority to establish all details for the full 3 months, including family details and income.

### Changes of circumstances

64. Similarly, whichever model is chosen, it is proposed that relevant changes of circumstances are kept to a minimum and restricted to changes in the claimant's rates liability i.e. an increase, decrease or cessation in the liability e.g. because of a change of address, death of a claimant, or changes to the number of people sharing liability. In each of these events it is proposed that the effective date of change of the rate rebate award will be the actual date the liability changed.

65. It is simply not sensible or affordable to have a support scheme where the costs of administration are disproportionate to the amounts being paid. The current rules that operate under Housing Benefit mean that there are large numbers of changes in circumstances that lead to recalculation of rate rebate and this leads to frequent adjustments in-year for an average annual award of just over £500. The Department proposes to only take account of changes once each rating year with the exceptions of the changes mentioned above. This would simply be a matter of applying the facts that exist at the annual review date (relevant date) to the new rate rebate award. The Department proposes to stagger reviews over the year in order to effectively manage the workload.

66. One method that could be used is to stagger the review dates coinciding with the last number in a claimant's national insurance number. i.e. the national insurance number would determine which month your review date occurs.

67. For Model A the award of Universal Credit used in the calculation of rate rebate will be the award that is in place at the relevant date of claim. . At the review date, likely to be one year later, the rate rebate will be calculated based on the Universal Credit award in place at that relevant date. This means that any changes (other than those mentioned at paragraph 64) whether advantageous or otherwise that occur between the relevant dates will not affect the award of rate rebate. The only exception to this will be if the Universal Credit award that is in place at the relevant dates is changed and the change affects the award on the relevant date for whatever reason e.g. on appeal. In that event the rate rebate award would be revised accordingly. This ensures that any advantage gained by a claimant on a Universal Credit appeal is carried through to rate rebate. It will of course not always be to the claimant's advantage but ensures a fairer outcome.

68. For Model B a new assessment would be carried out at each review date, similar to the timings used in Model A. This would be like assessing a fresh claim so all relevant information would have to be provided as at fresh claim stage. Where there have been a number of changes throughout the year, only that which is relevant at the review date will be taken account of. As with Model A, the impact may be advantageous or disadvantageous. As this model is not tied to Universal Credit it will mean that it will be necessary to have some sort of review completed each year, possibly a review form and in some cases claimants may not have any changes to report. For those on Universal Credit it would be an option to use the information from Universal Credit as in Model A. This would mean that it will be necessary to carry out a full review on those who are not in receipt of Universal Credit.

**Appeals**

69. The model chosen will determine the appeal procedures.

**Model A**

70. Model A is premised upon Universal Credit and should see its appeals infrastructure limited to any outcome of a wider Universal Credit appeal.

71. If Model A is chosen, rate rebate awards will be made by a simple calculation based on data received from Universal Credit. Most changes of circumstances will only be taken into account annually by an up to date calculation applying the latest Universal Credit data at the relevant review date. The only changes of circumstances that will be taken into account independently of Universal Credit are those listed earlier in the paper. A change to who is liable for the rates on a property is relevant to the rate rebate award as a rate rebate can only be made to the claimant who is liable for the rates. This will be established by the relevant section in Land and Property Services.

72. The Department has also proposed to remove discretionary backdating therefore there will be no discretionary decisions or fact finding functions in this scheme. Consequently the Department does not consider it necessary to have an appeal system separate from judicial review. The Department will have a reconsideration process to enable it to consider if any errors have been made e.g. with data inputs.

73. The rate rebate award will be calculated on the basis of the Universal Credit award that is in place at a relevant date. However if the Universal Credit decision on which the rate rebate award is based is changed on appeal, then the new Universal Credit award in place will result in a new rate rebate calculation.

**Model B**

74. Model B is more likely to resemble the more detailed appeals process that exists for Housing Benefit rate rebate.

75. Model B will require self-contained means test conditions and the decision making and appeals environment will have to remain largely as it is now. This is because the determinations and decisions will replicate those undertaken at present in Housing Benefit for those not entitled to Universal Credit on matters such as income and capital, non-dependants, child care costs etc. A complex decision making process requires a commensurate system of redress to deal with

the questions that will arise under it. It must also provide assurance that it is unbiased and independent and enshrines a person's human rights. The decision making rules in social security provide such a system and the Department will, should Model B be chosen, seek to use those decision making mechanisms, including reconsiderations, revisions, 1st tier tribunals and social security commissioners.

76. It is worth noting that while the Department is suggesting that the current appeal system for Housing Benefit rate rebate continues the social security appeals system is currently being reviewed and any changes made are likely to be adapted for the new rate rebate scheme if Model B is chosen.

**2. FRAUD and ERROR**

77. The Department accepts that whichever model is adopted there will inevitably be some level of fraud and error. The Department is however of the view that the levels can be reduced if Model A is adopted.

**Model A**

78. As Model A does not have its own complex conditions of entitlement the potential for fraud and error is significantly reduced.

**Model B**

79. If Model B is adopted, the complexity in the conditions of entitlement will mean that the potential for fraud and error remains high. Therefore the same processes for identifying and dealing with fraud and error will need to continue.

80. Whichever model is adopted DFP will need to work closely with DSD to ensure that there is a clear policy on how potential fraud is handled, including provision to share information with DSD as appropriate. Additionally, the Department will have its own internal checks to detect and rectify errors at the earliest opportunity.

## 3. OVERPAYMENTS

81. The Department has an obligation to safeguard public money and in cases where overpayments have arisen will seek to recover overpayments in accordance with Managing Public Money Northern Ireland.

82. Overpayments of any new rebate could undermine public confidence in the rate rebate scheme and negatively affect the funds available to claimants.

83. It is however generally accepted that organisations which make payments will inevitably have some level of overpayments.

84. There are circumstances when a person will not be expected to repay an overpayment or excess award of rate rebate. The Department considers as a simplification, and in common with the universal credit legislation, all overpayments or excess awards of rate rebate should be recoverable in legislation. This does not mean that every overpayment will be recovered; Land and Property Services will devise a written policy on the circumstances when overpayments will not be recovered. This approach allows for greater flexibility in deciding whether or not to recover in particular circumstances, rather than trying to cater for every eventuality in legislation.

## SECTION 7: PAYMENTS AND CLAIM ADMINISTRATION

### 1. CONTACT STRATEGY

85. Underlying many of the Department's reform initiatives is the increased use of technology. This is often referred to as digital interaction. What this means is making better and increased use of new technology to make government services easier to access for everyone; citizens and government. It does not just mean computers; it includes everything from mobile phones, devices and telephone services to social media.

86. In designing a new Rate Rebate Scheme, the Department will wish to develop a digital online service; not only allowing automatic exchange of claimant information between departments and agencies to reduce bureaucracy and needless form filling but also allowing people to claim online. These are longer term aims to simplify matters, to improve access to support and to save money in administration; notwithstanding that there will be additional but unavoidable costs in setting up and establishing the new scheme in the early stages.

87. This consultation provides an early opportunity for people to raise any concerns with the development of a scheme that aims at full digital online service delivery in the long term. Its success, however, is dependent on convenience and ease of use, so that everyone who can make use of the online service would choose to do so. The Department recognises that there will be vulnerable individuals for whom such an approach will be difficult or inappropriate. A vulnerable customer policy will be put in place to ensure dedicated assistance provided for anyone who cannot get online either in person or via the telephone.

88. Services will be made available through appropriate and cost effective contact channels designed with the needs and preferences of the citizen in mind.

## 2. METHODS AND FREQUENCY OF PAYING/CREDITING

89. Another important part of the consultation process is to look at the mechanism for paying/crediting the new rebate, including both the methodology and the frequency of the rebate process.

90. Under the provisions of the current Housing Benefit scheme an owner occupier's Housing Benefit is credited directly to the rate account i.e. no monies are paid out.

91. Tenant claimants on the other hand, can generally choose how to have their Housing Benefit paid; it may be paid directly to them, to their landlord or to Land & Property Services. There is evidence to suggest that the majority of claimants elect to have their Housing Benefit paid directly to their landlord.

92. In keeping with the aims of the rate rebate scheme, to reduce the potential for rate debt to accumulate and to reduce the administrative burden, the Department is proposing to introduce a system to credit the rate account for all claimants, or if the landlord is responsible for rates to the landlord's rate account on the claimant's behalf. This would mean that the option for direct payment of rate rebate to claimants or landlords would no longer be offered.

93. It is proposed that the rate account for owner occupiers will be credited on an annual basis as now and rate rebate for the tenanted sector will be credited, to the appropriate rate account, monthly in arrears (Universal Credit is calculated on a monthly basis); this is due to the more transient nature of the rental sector.

## 3. ADMINISTRATIVE COST

94. The current process for claiming Housing Benefit for rates involves claimants completing a 16 page claim form with the need to provide verification of their identity and details such as earnings and other income. The majority of this information will already have been collected for Universal Credit. Under Model A the claim form will be reduced to one page as the means test will have been

completed by Universal Credit and only minimal award information will be needed to calculate the rate rebate, this will be obtained through Universal Credit information. Model A avoids a lot of duplication of effort.

95. Under Model A the claim form only requires the name and address of the claimant and a declaration to the effect that the individual agrees to the information held by the Social Security Agency on their Universal Credit claim to be used to determine entitlement to rate rebate. The information required from Universal Credit is

- date of Universal Credit entitlement
- Universal Credit maximum amount (the income threshold)
- Universal Credit work allowance amount
- claimant's income assessed by Universal Credit
- Universal Credit award amount

## SECTION 8: IMPACT ASSESSMENTS

96. The Integrated Impact Assessment (IIA) is a structured way of informing the policy-making process, by identifying the likely impact of a policy change.

97. An initial Integrated Impact Assessment (iIIA) includes:

    a. an assessment of the potential impact on persons of different Section 75 groups;
    b. an examination of the impact on urban and rural areas; and
    c. an examination of the impact on deprived communities.

98. This consultation focuses on the mechanics of a new rate rebate scheme and presents two models for consideration. Further detail on the initial Section 75 analysis is contained within Annex C of this paper.

99. Further detail on the approach taken is outlined in Section 5 (Assessment Models) of this paper. The initial Integrated Assessments conducted for the previous consultation exercises may be helpful and are available at:

**http://www.dfpni.gov.uk/rating-review/index/rate_rebate-replacement_arrangements.htm**

100. It should be noted that typically such assessments are based on spatial analysis using data from electoral wards and therefore can only provide an indication of the likely characteristics of individual households. The Department recognises that such an approach to social policy analysis has its limitations. It is very important therefore that the consultation enhances the Department's broadly based assessment.

101. At the time of writing there are limitations placed on Departmental analysis in respect of rural impacts of the proposed policy. Northern Ireland Statistics and Research Agency (NISRA) have advised that they are currently re-designating

wards as a result of the re-organisation of local government into rural, urban and mixed and that this information will be available for the Department in 2015.

102. NISRA have also advised that an update is required of their spatial deprivation designations, the last time ward status was updated in this regard was 2010; they are also not revised to take into account the new ward areas. The Department will publish its quantitative analysis at the earliest opportunity when the relevant indicators are available. In the meantime, however, the Department would welcome views on likely rural impacts and/or impacts on deprived areas.

103. Previous analysis undertaken by the Department had indicated that there was a proportionately higher level of rate rebate awards going to ratepayers from rural areas. Conversely the level of awards under the rate relief scheme (which enhances the standard rate rebate), was lower in rural areas. This is not surprising as the latter scheme was designed for those who just miss out on rate rebate or who only receive a partial award.

## SECTION 9 NEXT STEPS

104. Consultation on the issues set out in this paper will last for 12 weeks, ending on **16 February 2015.** We would welcome your comments on the questions asked in Annex A as well as any issues that you think have not been dealt with and which you consider should be taken account of in bringing forward the new policy.

105. You may submit your response in a variety of ways including written correspondence, by fax or e-mail. Written responses should be sent to:

**Rating Policy Division**
**Department of Finance and Personnel**
**3rd Floor**
**Longbridge House**
**20-24 Waring Street**
**Belfast**
**BT1 2EB**

Comments may also be faxed to
**Fax: 028 9034 7435**

Should you wish to contact us by e-mail, any queries and consultation responses should be sent to:

ratingpolicy.cfg@dfpni.gov.uk

106. Should you require any further information about this consultation exercise you should contact Rating Policy Division on **028 9127 7606**. The consultation paper may be made available in alternative languages and formats on request.

107. On completion of the consultation process it is intended to publish a summary of the views expressed during consultation. This along with individual consultation submissions will be placed on the Rating Review website

http://www.ratingreviewni.gov.uk.

It should be noted that your response and all other consultation responses, may be disclosed on request.  **The Department can only refuse to disclose information in exceptional circumstances.**

108. The results of the consultation exercise will be analysed and used to inform the development of the new rate rebate scheme.

109. It is anticipated that any new scheme will need new primary and subordinate legislation.  The necessary legislation will be brought forward once final decisions have been reached.

## QUESTIONS FOR CONSULTEES ANNEX A

**We welcome views on the information and options outlined in this paper.**

**We also welcome any other views, suggestions or evidence you may have.**

**Questions on Models**

**Model A – This is the Department's preferred long term model. It uses entitlement to universal credit as a condition of entitlement; what views do you have on this model being taken forward as a long term option?**

**Model B – This is a modified version of what was the Department's preferred interim model in the previous consultation; what views do you have on this model being taken forward as a long term option?**

**Questions on Policy**

1. Do you agree with the alignment of rate rebate with universal credit and the policy objectives of fairness and making work pay?

2. What views do you have on passing up on an interim scheme and moving straight to a long term solution?

3. What views do you have on the proposed treatment of universal credit transitional protection?

4. What views do you have on introducing safeguards/hardship scheme and do you have any views on the length of time such schemes should exist?

5. Do you agree with the proposal to extend the time for claiming to 3 months and that there should be no provision to allow discretionary backdating?

6. What views do you have on limiting the effect of changes of circumstances on a rate rebate award?

7. What are your views on the Department’s proposal to make all overpayments recoverable legislatively but introduce greater flexibility on whether to pursue recovery?

8. What views do you have on crediting the rate rebate to the appropriate rate account rather than paying claimants or landlords?

9. What views do you have on the frequency in which rate accounts should be credited?

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

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

Comparison of households under each model by number helped and cost. A 15% taper is included to demonstrate how a change in the taper would affect awards. Some figures do not sum due to rounding.

| | No. Households | Annual Cost |
|---|---|---|
| **Current Scheme** | 149,000 | £79,165,000 |
| **Model A 10% taper** | 175,000 | £81,812,000 |
| **Model A 15% taper** | 144,000 | £69,577,000 |
| **Model B 20% taper** | 146,000 | £77,923,000 |

**Table 1**

| **Model A- New Rate Rebate Scheme** | | | | | | |
|---|---|---|---|---|---|---|
| **Taper** | **Gain Award** | **Increased Award** | **Reduced Award** | **Lose Award** | **Excluded as no UC** | **No Change** |
| 10% | 45,000 | 18,000 | 15,000 | 2,000 | 16,000 | 97,000 |
| 15% | 18,000 | 10,000 | 18,000 | 7,000 | 16,000 | 97,000 |

**Table 2**

| **Model B - New Rate Rebate Scheme** | | | | | | |
|---|---|---|---|---|---|---|
| **Taper** | **Gain Award** | **Increased Award** | **Reduced Award** | **Lose Award** | **Excluded as no UC** | **No Change** |
| 20% | 9,000 | 10,000 | 9,000 | 8,000 | N/A | 118,000 |

**Table 3**

**Model A - breakdown of those excluded because of no entitlement to UC**

| Reason | Cohort |
|---|---|
| **Excess Income/Earnings** | The majority of this group are self-employed and are excluded from UC because the Minimum Income Floor means their earnings exceed the level at which UC can be paid.<br><br>Others are excluded because they are in receipt of income which is not earnings; the UC taper only applies to earnings whereas the Housing Benefit taper applies to all income.<br><br>Some mixed age couples are excluded because the income thresholds in UC are not as generous as in Pension Credit<br><br>Those in receipt of a contributory benefit, however latest information shows that these would actually receive UC as things now stand. |
| **UC Claimant Commitment** | These are people who decide not to sign up to the claimant commitment. |
| **Capital** | These are mixed age couples excluded because the UC rules on capital are not as generous as in Pension Credit |

| **Model A – Average rate rebate gains and losses** | | | | |
|---|---|---|---|---|
| **Taper and those Excluded** | **Worse off** | | **Better off** | |
| | **Number** | **Average loss** | **Number** | **Average Gain** |
| **10%** | 17,000 | -£4.00 | 63,000 | £4.70 |
| **15%** | 25,000 | -£5.10 | 28,000 | £4.00 |
| **Excluded no UC** | 16,000 | -£11.00 | N/A | N/A |

**Table 4**

| **Model B – Average rate rebate gains and losses** | | | | |
|---|---|---|---|---|
| **Taper** | **Worse off** | | **Better off** | |
| | **Number** | **Average loss** | **Number** | **Average Gain** |
| **20%** | 17,000 | -£6.46 | 19,000 | £4.20 |

**Table 5**

It should be noted that the percentages within the assessments for Model A cannot be directly compared to the assessments of Model B. This is because the reference to the whole population refers to those who are currently entitled to Housing Benefit rates and those who will become entitled to rate rebate under each of the models. As more people become entitled under Model A the overall population figures for each model are not the same.

**Rate Rebate – Using Universal Credit as a Proxy - Model A**

The following are the findings of the Equality Impact Assessment on the Department's option to use the Universal Credit means test as a proxy to determine rate rebate entitlement.

The basis of Model A is:

- it does not have its own means test – uses Universal Credit;
- the Universal Credit maximum amount is the rate rebate income threshold;
- half of the Universal Credit work allowance as an earnings disregard;
- minimal information needed from Universal Credit;
- simple award calculation; and

**Findings on Section 75 groups for Model A**

The greatest weekly average loss of £11.10 per week applies to those households who will not be entitled to rate rebate because they are not entitled to universal credit. At the same time there will be 45,000 households who will become entitled to rate rebate at an average gain of £4.80 per week.

The tables below show comparisons for each of the section 75 categories for which there is data available. These are: gender, age, dependants, and disability. Because of limitations in the data, approximations had to be made for some of the groups. Data is not yet available for marital status. Data is not available on the remaining section 75 groups of religion/community background, political opinion, ethnicity/race or sexual orientation. It should also be noted that numbers under 10,000 have been suppressed due to small sample size and confidence in the data.

Comparisons are made between; those experiencing a reduction, those with no change, and those who have an increase. Under the Model A 10% taper, 17% of the whole population[11] would experience a reduction, 50% would experience no change, and 32% would benefit from an increase. This means over 80% would see either an increase or no reduction in their rate rebate.

**The following tables show modelling for 10% taper; this can be adjusted depending on the available budget.**

## Section 75 Group: Gender*

Males and females within couples were excluded from the analysis.

| Subgroup | Reduction | No Change | Increase |
|---|---|---|---|
| **Female** | 7% | 65% | 28% |
| **Male** | 9% | 79% | 11% |
| **All** | 8% | 70% | 22% |

**Table 1**

*Couples have been removed from analysis and the total figure is a combination of all other males and females.

## Section 75 Group: Ethnicity/Race -

The figure for non-white households is under 10,000 and accordingly no statistically valid conclusions can be drawn. It is therefore not included in the analysis.

## Section 75 group: Age

The variable used was the age of the head of household.

| Subgroup | Reduction | No Change | Increase |
|---|---|---|---|
| **<25** | 9% | 62% | 29% |
| **25-49** | 13% | 49% | 38% |
| **50+** | 27% | 50% | 23% |
| **All** | 17% | 50% | 32% |

**Table 2**

[11] This refers to those who are currently entitled to Housing Benefit rates and those who will become entitled under the model.

## Section 75 group: Dependants Status

| Subgroup | Reduction | No Change | Increase |
|---|---|---|---|
| **No Children** | 20% | 58% | 23% |
| **Children** | 15% | 43% | 42% |
| **All** | 17% | 50% | 32% |

**Table 3**

## Section 75 group: Disability-

| Subgroup | Reduction | No Change | Increase |
|---|---|---|---|
| **No disability** | **20%** | **41%** | **39%** |
| **Disabled** | **13%** | **63%** | **24%** |
| **All** | **17%** | **50%** | **32%** |

**Table 4**

### Conclusion Model A

The group seeing the biggest proportion with a reduced entitlement is in the aged over 50 cohort. It is likely that because this group is comprised of greater numbers of people who are non-earners, for example early retirees, that they are negatively impacted by the bias in model A towards making work pay. However, for all other section 75 groups for which data is available, model A sees greater proportions experiencing increases than reductions and even in the over 50 age group, 73% see either no change or an increase in entitlement.

**Rate Rebate Modification for Universal Credit - Model B**

The following are the findings of the Equality Impact Assessment on the Department's alternative option on the treatment of Universal Credit in the assessment of Rate Rebates.

The following is the basis of Model B:

- Passport those with zero income taken into account in Universal Credit (not earners).
- The Universal Credit maximum amount is the rate rebate applicable amount/income threshold.
- Childcare charges – no disregard as included in Universal Credit maximum amount.
- Unearned income as per Housing Benefit rules.
- Universal Credit taken into account as income.
- Housing Benefit earnings disregards increased by 50%.

| Current | Enhanced (earnings disregards) |
|---|---|
| £5.00 | £7.50 |
| £10.00 | £15.00 |
| £20.00 | £30.00 |
| £25.00 | £37.50 |
| *£17.10 | £25.65 |

*additional disregard that applies in certain circumstances

## Findings on Section 75 groups for Model B

As with model A, in all section 75 groups considered in this analysis, there were no individuals experiencing 'significant' or 'major' reductions in rate rebate (that, is, those who lost, respectively, £40 or more, or £20-£40). Any reductions were all in the 'minor' group. Likewise, there were no 'significant' or 'major' gainers – any gains were 'minor'.

Comparisons were made of the proportions of each subgroup within the following Section 75 definitions: gender, age, dependant status, disability, as available within the data provided. Given limitations in the data, approximations had to be made for some of the groups. Data is not yet available for marital status. Data is not available on the remaining section 75 groups of religion/community background, political opinion, ethnicity/race or sexual orientation. It should also be noted that numbers under 10,000 have been suppressed due to small sample size and confidence in the data.

The proportions compared were those experiencing a reduction, those with no change, and those with an increase. Under Model B, 10.5% of the population, taken as a whole, would experience a reduction, 77.1% would experience no change, and 12.4% would benefit from an increase.

## Section 75 Group: Gender

Males and females within couples were excluded from the analysis.

| Subgroup | Reduction | No change | Increase |
|---|---|---|---|
| **Male** | 2.9% | 93.0% | 4.1% |
| **Female** | 6.6% | 77.2% | 16.1% |
| **All** | 10.5% | 77.1% | 12.4% |

**Table 5**

*Couples have been removed from analysis and the total figure is a combination of all other males and females.

## Section 75 Group: Ethnicity/Race

The figure for non-white households is under 10,000 and accordingly no statistically valid conclusions can be drawn. It is therefore not included in the analysis.

## Section 75 group: Age

The variable used was the age of the head of household.

| Subgroup | Reduction | No change | Increase |
|---|---|---|---|
| **<25** | 12.4% | 74.9% | 12.8% |
| **25-49** | 13.2% | 72.9% | 13.9% |
| **50+** | 7.1% | 82.4% | 10.5% |
| **All** | 10.5% | 77.1% | 12.4% |

**Table 6**

## Section 75 group: Dependants Status

| Subgroup | Reduction | No change | Increase |
|---|---|---|---|
| **No Children** | 6.3% | 83.3% | 10.4% |
| **Children** | 16.8% | 67.8% | 15.4% |
| **All** | 10.5% | 77.1% | 12.4% |

**Table 7**

## Section 75 group: Disability

| Subgroup | Reduction | No change | Increase |
|---|---|---|---|
| **With disability** | 7.3% | 88.9% | 3.8% |
| **Without disability** | 13.9% | 64.8% | 21.3% |
| **All** | 10.5% | 77.1% | 12.4% |

**Table 8**

## Conclusion Model B

Those likely to be more adversely affected by Model B are those in the under 25 and 25-49 age groups, those households with children and those without a disability. This is based on data which provides a proxy for each of these factors, rather than a measurement of the actual number of people in those categories, as described throughout. Any reductions experienced are considered to be 'minor' rather than major or significant.

## Discounted Options

In looking at longer term options for rate rebates the Department had some analysis completed on other options but aside from the new one presented in the paper, none were considered viable as the results demonstrated either unfairness or an inordinate amount of administration in the collection of information making the customer journey more cumbersome. Nevertheless the Department has set out some information on options considered and gives reasons why it considers these unsuitable for use as long term rate rebates.

## Annual Income Thresholds

An example of one of these was adopted from a proposal that DWP offered to Government Departments to deal with passport benefits i.e. using earnings bands as a means of determining entitlement to passport benefits. In using the principles of the DWP proposal DFP used a threshold for four family types (single, couple, small family and large family), set at annual income levels of less than £6,000, £6,000 - £10,000, £10,000 - £15,860 and £15,860 - £16,190. Within these bands the Department had some analysis carried out on awarding full and partial rate rebates. The one glaring outcome of the analysis showed that couples and couples with children would lose out, to the extent that aside from other groups 47,000 families currently in receipt of rate rebates would be worse off under this model; this is clearly a model the Department would not wish to endorse.

## Recognised Poverty Levels

This model sets income thresholds for each household type using equivalised incomes. DSD calculated the median incomes of all working age households in the Policy Simulation Model. The equivalised income thresholds for each household type were determined by applying the ratios produced by the Organisation for Economic Cooperation and Development (OECD) to each household type (The ratios take into account that 3 people living together do not need 3 times the income a single person would need to achieve the same living standard. It also takes account of the fact that children of different ages have different requirements). DSD then calculated the poverty income level for each household type i.e. the UK government accepted 60% of the median income. In this model all those with income up to that level would get 100% of their rates liability met, this would be 36% of claimants and there would be no passporting.

Those over the threshold have a taper applied to their excess income.  The award of rate rebate would depend on their rates liability less a proportion of their excess income. This model would be much more labour intensive than any other model and would require much more work than the current Housing Benefit scheme as there would be no passporting.  The threshold information could not be transferred from Universal Credit and more information would be needed to calculate rate rebate.

**MODEL A - PROS**

**1.** It is consistent with DSD's means test for benefit and helps those deemed most in need of help under Universal Credit (remember the new rate rebate scheme will only apply if Universal Credit is introduced).

**2.** The claim form will not require any information in relation to household make-up, income or capital.

**3.** All required information will have been calculated and then obtained from Universal Credit.

**4.** The IT system will automatically calculate the award based on the acquired information from Universal Credit. No expert knowledge will be needed.

**5.** Revising awards will be much simpler than the current Housing Benefit rules.

**6.** The scheme will be radically simplified.

**7.** Due to this simplification there will be no need for appeals.

**8.** It is consistent with "making work pay".

**9.** An additional 43,000 people will be entitled.

**MODEL A - CONS**

**1.** There are a significant number of people who currently receive Housing Benefit for rates who will not be entitled under the new scheme.

**MODEL B - PROS**

**1.** More of those who currently receive Housing Benefit rate rebate will continue to receive rate rebate under this model.

**2.** There are work incentives but they are not as generous as in Model A.

**MODEL B - CONS**

**1.** A separate means test will have to be carried out for those not entitled to Universal Credit and earners in receipt of Universal Credit, - the earnings disregard needs to be calculated and will depend on the claimant's circumstances; this will not be a direct lift from Universal Credit.

**2.** Claimants will have to provide full assessment information.

**3.** Only 51% can be passported and the calculation for the rest will not be fully automated as in Model A.

**4.** The same complex rules that apply to Housing Benefit will still have to be administered.

**5.** The current appeals system will have to remain.