



Draft NILGA response to the DFPNI Review of Rate Liability in the Domestic Rental Sector

Introduction

NILGA, the Northern Ireland Local Government Association, is the representative body for district councils in Northern Ireland. The membership is comprised of the 11 local authorities and the organisation is supported by all main political parties. We consider rating reviews to be of great importance to the local economy and to local councils and have been working closely with the Department of Finance and Personnel for a number of years in relation to developing a modernised rating policy.

NILGA believes that the need for transparency, simplicity and increased accountability is the key to any policy regarding rates. The public should be able to understand all charges levied upon them and know how the money raised is used.

Context

The context for such a review has also changed significantly over the last few years, further to:

- a marked reduction in home ownership and an increase in the private rented sector;
- ongoing and forthcoming changes in the way social housing is provided;
- recent Welfare Reforms and new arrangements for payment of housing costs; and
- the development of major new purpose-built student housing in Belfast for Queens University, with private operators fulfilling demand for the relocation of the University of Ulster.

All of these transformational changes have resulted in the need for the continued relevance, affordability and last but not least, fairness of the current arrangements under the rating system, to be questioned. This is a system that has worked reasonably well, but there are some misunderstandings and inconsistencies; not only in terms of the respective responsibilities of landlords and tenants but also the operation of the various rating allowances, reliefs and exemptions.

The Department has therefore issued this consultation with the aim of ensuring that arrangements:

- are fair, not simply to those in the sectors concerned but to the wider body of ratepayers;

- are workable and affordable (and that any allowances that are provided are no more and no less than they need to be);
- support the effective and efficient collection of rates;
- ensure clarity of responsibilities for rate liability for both landlords and tenants; and
- are consistent, so that one type of landlord is not placed at a disadvantage compared to another type of landlord.

NILGA was invited to participate in initial discussions with the Department, prior to the publication of this consultation, and, with local government Finance Officers, fed a number of ideas into the development of policy proposals. The following comments build on this early work.

General Comments

NILGA acknowledges the difficulties involved in collecting rates from the domestic rented sector, should the responsibility for payment fall solely on the occupier, as it the policy for payment of rates from other properties. In conversations with departmental officials we have highlighted developing policy and legislation in relation to private rented accommodation, including requirements for landlords to register and for registration and licensing of houses in multiple occupation. NILGA has also highlighted the benefits of cross-departmental central-local government sharing of information to provide better, more efficient services to the citizen.

NILGA would be keen to see the early formation of a special working group between councils, the Department for Communities, the Housing Executive and the Department for Finance and Personnel to explore issues of mutual concern in relation to the domestic rented sector, to ensure synergy between parallel policies, and to prevent government systems over-benefitting some parts of this sector. Particular attention must be paid to student accommodation and reliefs and exemptions attracted by universities in relation to student accommodation. This is essential if one of the aims of this consultation - to ensure consistent treatment of landlords – is to be achieved.

Comments in response to Consultation Questions

- 1. Who should be liable for the payment of rates to LPS, the landlord or the tenant?**
- 2. Which, if any, of the policy options proposed in Section 4, reflects your preference?**
- 3. In relation to the answer(s) provided for Question 1 and 2 above, please detail your reasons.**

It would seem that the current system should continue, i.e. where the tenant is usually liable but that the owner is liable in certain circumstances. Continuation of the status quo (i.e. Option 1) will enable the development of some stability further to the April 2015 changes to the system, and should prevent excessive confusion due to the simultaneous introduction of complex changes to the welfare system.

- 4. If landlords are to continue to be subject to a category of compulsory liability (as is currently the case under Article 20) should there be a capital value threshold?**

From examination of the reasons given in the consultation for the capital value threshold, it would seem that a threshold should remain. It is preferable to maintain regular payments, and a liability on landlords of lower value properties will assist in ensuring continuity of this funding stream, given the high turnover of tenants in this part of the sector.

5. If you think that there should be a capital value threshold, is the present level of £150,000 too low or too high?

The current threshold was set at the time of the introduction of the capital value system for setting domestic rates, and since then there has been a 'boom and bust' in domestic property values. Properties have begun to climb in value again, but this seems to be a more sustainable increase. £150,000 is likely to be appropriate at the current time, but the department should consider reviews of this value on a regular basis, and consider what intervals for review would be appropriate.

6. If the valuation threshold for compulsory liability in Article 20 were to be removed then what implications do you think this would have for the voluntary arrangement mechanism provided by Article 21?

There is potential for a downturn in rates collected, as the tenants in the sector affected are more mobile and accurate records would be difficult and costly to maintain.

7. Should landlords be paid a collection allowance?

A cost benefit analysis of this allowance would be helpful but an accurate analysis might be difficult to achieve. It is likely that transferring the responsibility for payment to the tenant would heavily increase costs for the Department, but it is difficult to ascertain if those costs would outweigh the 10% currently paid to landlords.

The implication of the views from landlords is that they would not provide this service for free, and if the landlords did not provide this service, then the likelihood would be that rates payments would decrease.

NILGA would concur with the Department that clear and easily understandable tenancy agreements will improve understanding of responsibilities, amounts paid and the split between rent and rates.

8. Should social sector landlords be paid an allowance?

The £4m paid to the NIHE and £1.7m to Housing Associations in the form of allowances requires consideration, and in particular, a robust conversation between the DFP and the NIHE.

What is essentially a transfer of money from a government department, to an agency of another department, will require internal government negotiation. There is no indication in the consultation of what NIHE uses the £4m for, but removal is likely to leave a sizeable hole in the NIHE budget which could negatively impact on the quality and maintenance of the housing stock.

NILGA would emphasise the benefits of the setting up of a small inter-departmental and central-local working group to consider relevant issues, and it is content to participate.

NIHE may also be able to assist in consideration of payments to the Housing Associations. NILGA would encourage the department to seek views from NIFHA on this issue.

9. Should any housing body be paid an allowance?

See comments above. It is noted that the consultation document has identified that there are some housing associations with a more transient population than that usually experienced in the social rented sector.

10. Does the Department provide clear guidance on liability in the landlord sector?

The DFP document notes that a 2013 consultation identified that most tenants did not know the breakdown between rent and rates and that confusion still existed in relation to liability for rates. This would indicate that information provided may be insufficiently clear.

11. Do third parties, such as letting agents provide landlords and tenants with an accurate view of the legislation in this area?

Again, the consultation document is quite open in highlighting the confusion that exists in the sector, which would indicate that letting agents are not providing sufficient information either.

12. What further methods could the Department employ to ensure that there are clear lines of responsibility for rates payments in this sector?

The Department should work with councils to better inform landlords and to provide good practice advice on this issue. The Department could also require landlords to provide payment advice to tenants in a specific format, either in the tenancy agreement or in regular receipt format.

13. How can the method outlined be both fair and contribute to effective collection?

Sharing of good practice and requiring the provision of clear payment information is not likely to be costly, would be fair in application and will assist in developing more effective collection.

14. How can the Department best deal with private contractual agreements made between landlords and tenants that go against rating law?

Again, the Department may wish to work with councils in their registration of landlords, and requirement to ensure the landlord of an HMO is a 'fit and proper' person.

NILGA would again emphasise the benefits of the setting up of a small inter-departmental and central-local working group to consider relevant issues.

QUESTIONS HALLS OF RESIDENCE

15. Do you consider that University run Halls of Residence should continue to get special treatment (full exemption) under the rating system?

This issue must be considered in the wider context of universities attracting rates exemptions as charities, exemptions from HMO licensing requirements and exemption of halls of residence under the rating system. Attention must be paid to the cumulative impact of these exemptions and the drain on the public purse in relation to provision of services, in addition to the inequity issues in comparison to other landlords. It is noted that in the Republic of Ireland, both private sector and university managed Halls of residence pay comparable rates.

Conclusion

NILGA thanks the Department for ensuring continuing local government involvement in the development of new rates policy. We trust that the views of NILGA and of our member councils will be taken on board within the consideration of the way forward following the closure of this consultation.

We are particularly pleased to see the presentation of new ideas in the consultation paper, and NILGA seeks further involvement in the development of the ideas which the Department decides to take forward.

Disclaimer

The Northern Ireland Local Government Association (NILGA) endeavours to ensure that the information contained within our Website, Policies and other communications is up to date and correct.

We do not, however, make any representation that the information will be accurate, current, complete, uninterrupted or error free or that any information or other material accessible from or related to NILGA is free of viruses or other harmful components.

NILGA accepts no responsibility for any erroneous information placed by or on behalf of any user or any loss by any

person or user resulting from such information.