DEPARTMENT OF FINANCE AND PERSONNEL RATE REBATE REPLACEMENT SCHEME

Consultation Response from the Chartered Institute of Housing in Northern Ireland

February 2015

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple – to provide housing professionals with the advice, support and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world. Further information is available at: www.cih.org

Our priorities for a housing system that works for everyone in Northern Ireland are:

**Housing supply.** We want there to be enough good quality homes to meet the needs of our growing population and to support economic growth.

**Welfare, access and affordability.** Everyone should have access to and be able to afford a home which meets their needs.

**More than bricks and mortar.** Good housing helps people live well, enjoy better health and achieve their full potential.
Summary

- Model A is CIH’s preferred long term model
- Passing up on an interim scheme and moving straight to a long term solution is our preferred option
- CIH strongly agrees with the alignment of rates rebate with universal credit (UC)
- As such the scheme should be broadly targeted at those least able to pay, with a priority to provide generous earnings disregards and lower withdrawals over a safeguards scheme/transitional protection that we expect will otherwise be provided by the Department for Social Development (DSD). With a wider scope DSD can better target support for people who are adversely impacted financially by welfare reform changes more broadly, such as lone parents with child care, and certain households with a disabled member where there is no equivalent allowance in UC
- Given that the rates are an annual tax it would seem sensible to allow backdating for up to one year – unlike backdating for general living expenses which might occur if UC could be backdated for a lengthy period, backdating for a rates rebate simply represents a reduction in the amount of rates/tax the person has to pay, and better value for money than enforcing a bill that may not be able to be paid
- We recommend a review takes place after information is available on how changes of circumstances are reflected in UC awards in Northern Ireland, in order to ensure that an annual rates rebate award (as opposed to a shorter frequency) strikes the right balance between a rebate proportionate to UC that reflects claimants’ needs, and the cost of administration
- The proposal to make all overpayments recoverable legislatively is in line with UC legislation and hence welcome as an enabling mechanism, while a live policy that can be altered to reflect changing circumstances as UC is rolled out makes sense
- We are strongly in favour of the proposal to credit the rate rebate to the appropriate rate account rather than paying claimants or landlords
- We support rate accounts being credited on a monthly or twice-monthly basis, with an opt-out available to credit annually
- Our limited modelling for working age claimants shows a more generous rates rebate in the dependents category which is otherwise adversely impacted by linking the rates rebate replacement scheme to UC
Questions on models

Model A is CIH’s preferred long term model. While UC creates a complex web of winners and losers, broadly at lower incomes it irons out the poverty trap, provides a more generous entitlement and allows claimants to increase their earnings with less financial penalty than the current system affords. Therefore while simplifying the current benefits system, in these cases UC can also be said to target those least able to pay and remove barriers to working more hours, where the option is available. So where DFP’s underpinning principles of a rates rebate replacement scheme are targeting those least able to pay, simplifying the rules and providing value for money, the ‘cleanest’ way to achieve these is to use entitlement to UC as a condition for a rates rebate, which removes double means-testing and the need for an appeals process. It’s worthwhile noting also from a value for money perspective that the administration of any scheme should be proportionate to the benefit paid – rates rebate is small in the context of wider UC.

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?

As outlined above CIH strongly agrees with the alignment of rates rebate with UC. In broad terms, for most basic family types, the work incentives in UC are stronger (largely due to there being a more generous earnings disregard and shallower withdrawal taper). By aligning rates rebate with UC, the rebate can be considered in the context of the broader benefits system. In scenarios where the rebate is less generous than the current one, an analysis can show that the claimant will receive a more generous overall benefit with fewer penalties for additional earnings, which is commensurate to the policy objective of making work pay. Conversely where UC falls down for a given household type, a rates rebate could serve to close the benefits gap and better retain affordability so people can continue to maintain a home that meets their needs. For example, our modelling shows that lone parents under 25 with child care costs are especially worse off under UC – worrying considering the high UK child care costs by European standards and the barriers it already represents to workforce participation. Assuming 50 per cent of UC work allowance as an earnings
disregard and a 10 per cent taper, the rates rebate replacement is around £1-3 per week more generous that the current rebate, which goes a small way to closing the gap that is opened:

| Household type (assume social tenant with housing costs of NI housing association average weekly rent less average rates - £75.29; average annual rates - £800) | Hourly wage (min wage) | Weekly hours worked (NI part-time average) | Gross weekly pay | Childcare costs (assume 32% gross pay) | Rates rebate - current | Rates rebate - new | Earnings plus basic benefits including rates rebate - current | Earnings plus basic benefits including rates rebate - new | How much better off (weekly)? |
|---|---|---|---|---|---|---|---|---|---|---|
| Single aged 18+ but under 21 | £5.13 | 17.5 | £89.78 | N/A | £12.54 | £159.43 | £11.81 | £192.13 | £32.70 |
| Single aged 21+ but under 25 | £6.50 | 17.5 | £113.75 | N/A | £10.15 | £165.42 | £10.97 | £199.68 | £34.26 |
| Single aged 25+ | £6.50 | 17.5 | £113.75 | N/A | £11.64 | £176.59 | £10.97 | £214.62 | £38.03 |
| Lone parent aged 18+ but under 21 | £5.13 | 17.5 | £89.78 | £28.73 | £10.31 | £339.18 | £11.28 | £317.60 | -£21.58 |
| Lone parent aged 21+ but under 25 | £6.50 | 17.5 | £113.75 | £36.40 | £7.38 | £351.49 | £10.44 | £330.52 | -£20.97 |
| Lone parent aged 25+ | £6.50 | 17.5 | £113.75 | £36.40 | £7.38 | £351.49 | £10.44 | £345.46 | -£6.03 |
| Couple at least one aged 21+ both under 25, one unemployed | £6.50 | 17.5 | £113.75 | £36.40 | £7.38 | £204.38 | £10.97 | £232.13 | £27.75 |
| Couple at least one aged 25+, one unemployed | £6.50 | 17.5 | £113.75 | £36.40 | £7.38 | £204.38 | £10.97 | £255.59 | £51.21 |
| Couple at least one aged 25+, both working, one child | £6.50 | 35 | £227.50 | £72.80 | £0.00 | £423.72 | £6.60 | £441.73 | £18.01 |

Where households lose the rates rebate due to non-entitlement to UC, in many cases there will be policy reasons for this, for example higher income levels. There will be cases where a claimant loses a benefit due to there being no equivalent allowance in UC, and where that allowance currently enables a rates rebate they may be worse off, for example there being no equivalent allowance of the disability premium in UC. We would be concerned about these people who are on lower incomes, though we acknowledge that DSD will shortly consult on schemes designed to provide support for people who are adversely impacted financially by welfare reform changes.

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

Given the current timetable of UC introduction enables this as a more realistic option, this is our preferred option.
3. What views do you have on the proposed treatment of universal credit transitional protection?

As mentioned above, in many cases there will be policy reasons for non-entitlement to UC, for example higher income levels. In the circumstance where a UC award includes transitional protection so the claimant will be no worse off financially, which we support, and in the context of a finite budget for rates rebate the option is available either for a more generous earnings disregard and lower withdrawals, or less generous earnings disregards and higher withdrawals but for transitional protection to be taken into account in calculating the rates rebate entitlement, we would prefer the former option. This would ensure this scheme is broadly targeted at those least able to pay, and those who are adversely impacted within the UC framework e.g. lone parents with child care costs.

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?

We feel safeguards/hardship schemes are better placed in the remit of DSD, as with a wider scope, support can be better targeted to people who are adversely impacted financially by welfare reform changes more broadly. As per question 1, two groups of losers under UC that we are concerned about are lone parents with child care, and certain households with a disabled member where there is no equivalent allowance in UC. These groups experience a high level of worklessness and so support can be justified in terms of overall objectives, and they would otherwise be easy targets to identify and protect. We acknowledge that DSD will shortly consult on such schemes. If in the context of a finite budget for rates rebate the option is available either for a more generous earnings disregard and lower withdrawals, or less generous earnings disregards and higher withdrawals but for a safeguards scheme, we would prefer the former option. This would ensure this scheme is broadly targeted at those least able to pay. Additionally the administration of any scheme should be proportionate to the benefit paid.
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?

CIH is concerned about the restrictions on backdating being introduced arising from the changeover from existing benefits to UC, though we understand the financial constraints under which UC is being introduced. Unlike backdating for general living expenses which might occur if UC could be backdated for a lengthy period, backdating for a rates rebate doesn’t mean the claimant receives a ‘cash bonanza’. It would simply represent a reduction in the amount of rates/tax the person has to pay. In England and Wales although backdating of council tax rebate is often limited to three months, there at least exists a discretionary power to remit all or part of the council tax. We understand the need to limit backdating for reasons of administrative efficiency (for example difficulty of proving continuous ‘good cause’ if it was unlimited). Given that the rates are an annual tax it would seem sensible to allow backdating for up to one year. Otherwise, imposing a tax that someone cannot pay and then expending state resources to enforce a bill that cannot be paid doesn’t represent value for money. There is almost seventy years of unbroken case law concerning ‘good cause’ so the rules are well understood by administrators and should cause no great difficulty. Furthermore the ultimate sanctions available for someone who cannot pay their rates (as opposed to won’t pay) are disproportionate and threaten people’s access to an affordable home.

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

Given that rates fall due on an annual basis, prima facie it makes sense to determine entitlement annually. However if the rates rebate replacement scheme is to be designed to have as much in common with UC as possible, UC is calculated on a monthly basis and will be paid twice-monthly in Northern Ireland. We would have concerns where an annual rates rebate award is made but then paid monthly in the rental sector, and an adverse change of circumstances is reflected in UC but is not reflected in rates rebate which leaves the tenant liable. We would suggest a review takes place after information is available on how changes of circumstances are reflected in UC awards in Northern Ireland, in order to ensure the right balance between a rates rebate proportionate to UC that reflects claimants’ needs, and the cost of administration.
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?

As per above this would be in line with UC legislation and hence welcome as an enabling mechanism, while a live policy that can be altered to reflect changing circumstances as UC is rolled out makes sense. The principle of costs of administration being proportionate to the amounts of rates rebate paid should also carry through to overpayment recovery.

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

We are strongly in favour of this proposal. We welcomed the DSD Minister’s package of proposals which includes payment of the UC housing costs element direct to landlords to avoid arrears and revenue issues, and we believe the same principle should apply in the case of rates rebate. Furthermore given the nature of rates as a tax, it makes sense that the liability is paid directly to the state.

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

Given UC will be calculated on a monthly basis and paid twice-monthly we support rate accounts being credited on a monthly or twice-monthly basis, in consideration of scenarios where a full award is not afforded and top-up payments are required which will aid to ensure affordability. This should apply on a cross-tenure basis with an opt-out available to credit annually – people on UC and hence rates rebate may not be in the financial position to top-up an annual rates bill.

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

Comments under question 11.
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?

Our limited modelling for working age claimants shows a more generous rates rebate in the dependents category which is otherwise adversely impacted by linking the rates rebate replacement scheme to UC. This would be seem to be reflected in the Department’s modelling which shows a 42 per cent increase in entitlement under the proposed Model A compared with a 15 per cent reduction.

For more information please contact

**Justin Cartwright**

*Policy and Public Affairs Officer*

Chartered Institute of Housing in Northern Ireland

P: 028 9077 8222  
DD: 028 9078 7733  
M: 07824 304 351  
E: justin.cartwright@cih.org