

Date: 22 October 10
Consultation: Review of Domestic Rating
Review of Landlord (Article 21) Rating Allowance

Introduction

The Northern Ireland Federation of Housing Associations (NIFHA) represents registered and non-registered housing associations in Northern Ireland. Collectively, our members provide 34,000 good quality, affordable homes for renting or equity sharing. Further information is available at www.nifha.org

Background

Housing Associations have, for a number of years, collected rates charges from their tenants rent along with their rent charges. In the majority of cases this is a seamless service with Housing Association tenants only having to make payment to one organisation. Rates collected in this way are normally by mutual agreement between the Department of Finance and Personnel and individual Housing Associations.

General Comments

The present arrangement whereby all landlords (social and private) can opt to collect rates on behalf of the government in return for an allowance works well and should continue. It represents good value for the government as in the case of social housing they do not have the administrative burden and the associated difficulties of collecting in excess of 120,000 individual rates account charges. This means that over the preceding years the payment of discount to social landlords to compensate them for collecting rates charges from their tenants has been beneficial to both government and social landlords.

Specific Comments

Section 1: Overview of Consultation and Policy Proposals

The proposals indicate that Housing Associations will have to pay rates on all their properties whether they are lived in or not i.e. that their rating liability will increase from 85% to 100% as they will no longer be able to claim for vacant properties. The amount of rates to be paid by Housing Associations will increase as they will have to pay the rateable amounts for all their properties. The reduction in the level of the allowance to be paid for all Housing Association properties from 15% to 10% has further cost implications for Housing Associations.

It seems equitable that Housing Associations will have to pay more on both strands i.e. they were given a 15% allowance to compensate them because they could not claim a vacancy for empty homes but from April 2011 their allowance will be reduced as empty homes can no longer be claimed for. The proposals seem to be very much in favour of DFP raising additional income from the rates payments to be made. They will increase their revenue by

increasing the number of dwellings, where rates have to be paid, by including empty homes and also by reducing the landlord allowance on Housing Association properties to 10%.

Section 6: The Way Forward

NIFHA notes with interest that the private landlords allowance will be set at 12.5% and the reason given that there is a greater collection burden in the private rented sector. A significant number of Housing Association properties are hostels where there may be higher turnover than in other property types. Housing Associations also carry the majority of the administrative burden for collecting the rates on behalf of DFP and in many cases may have to go through the legal process to recover not only rent to be paid but also rates if a tenant falls into arrears.

Section 7: Financial Impact

The proposals suggest that there would be a 33% reduction in the allowance paid to both NIHE and Housing Associations. The statistics suggest that there would be around £700, 000 less paid to Registered Housing Associations. In applying the cost per property as indicated by the proposals to an Association with a stock level of around 5000 it may be determined that the loss of revenue to the Association would be around £115, 000: an extremely large amount of revenue for any organisation to lose in these cost conscious times.

This part of the proposal does not include any information regarding the cost implications for the amount of any additional money to be paid out by Housing Associations for empty homes.

Section 9: Conclusion

1. In light of the issues discussed in this paper the Department would welcome your views on the following questions:

(i) Do you have any comments on the Department's position that the level of Article 21 allowance awarded on all NIHE properties should be reduced to 10%?

NIFHA does not agree that the allowance awarded for NIHE properties should be reduced to 10%. Payment of rates directly to social landlords by tenants relieves DFP of a substantial administrative burden and this should be reflected in the amount of allowance paid.

(ii) Do you agree that the level of Article 21 allowance for all Housing Association properties should also be set at 10%?

NIFHA does not agree that the allowance awarded for Housing Association properties should be reduced to 10%. Payment of rates directly to social landlords by tenants relieves DFP of a substantial administrative burden and this should be reflected in the amount of allowance paid.

(iii) Do you agree that the level of Article 21 allowance awarded to landlords in the private rented sector should be higher than that given to NIHE and Housing Associations, given the higher levels of transiency?

NIFHA does not agree that the level should be higher for properties in the private rented sector. They should all be treated equally as they each have difficulties appropriate to each of their sectors.

(iv) Do you agree that the level of Article 21 allowance for private rented sector properties should be set at 12.5%?

The allowance should be set at 15% for all domestic rented sectors.

(v) Do you agree that the level of Article 21 allowance for the non-domestic sector should mirror that in the domestic sector (i.e. 12.5 % on private rented sector properties and 10% for NIHE and Housing Association properties)?

NIFHA has no comment on this.

(vi) Do you agree that the range of current Article 21 agreements in the nondomestic sector should be reviewed, so that the award of the allowance is as effective as possible and directed towards transient tenancies?

NIFHA has no comment on this.

NIFHA hopes you find these comments useful.

Submitted on behalf of NIFHA by:

Maire Kerr

Housing Policy and Research Manager