NIfHA
NORTHERN IRELAND
FEDERATION OF HOUSING ASSOCIATIONS

Response to the consultation on
Rate Rebate Replacement Arrangements: The Way Forward

Introduction

The Northern Ireland Federation of Housing Associations (NIFHA) represents registered and non-registered housing associations in Northern Ireland. Collectively, our members provide around 38,000 good quality, affordable homes for renting or equity sharing. Further information is available at www.nifha.org.

General comments

NIFHA welcomes the opportunity to respond to this consultation as the new rate rebate replacement arrangements will have a significant impact on our members. Housing associations in Northern Ireland currently collect rates from their tenants included in their rent payment and are liable for the total rateable value of their properties. Changes to the administration of rate rebate could therefore have a significant impact on associations.

Housing associations are working closely with tenants, often in partnership with advice agencies and other support networks, to help them prepare for the impact of welfare reform. NIFHA and our members would be concerned about any changes to the rate rebate arrangements that could potentially place additional stress and financial pressure on housing association tenants at a time when they are already under considerable strain.

NIFHA recognises, however, that the Department for Finance and Personnel (DFP) is required develop a devolved system that incorporates a 10% cut to the overall budget and that the availability of funding for rate rebate will no longer respond to demand through AME.

We are broadly supportive of the approach outlined in this consultation paper and DFP's assurance that any new arrangements will continue to protect those least able to pay rates.

Specific comments

1. Views on preferred approach put forward in Section 4

NIFHA is broadly supportive of the approach outlined in this consultation paper and welcome DFP's assurance that any new arrangements will continue to protect those least able to pay rates.

2. Views on the retention of the broad infrastructure for rates support until April 2016

Given the current levels of confusion and uncertainty around the full implementation of universal credit, and its introduction in Northern Ireland, NIFHA would fully support the retention of the existing infrastructure for rates support until there is greater clarity on and familiarity with universal credit structures.

3. Views on the removal of these low income rate relief scheme

We do have some concerns about the removal of the low income rate relief scheme. According to data collected from our members, just over 3,000 tenants living in housing association properties currently receive additional support through the low income rate relief scheme. Across the housing association movement this equates to £42,000 per month and £500,000 per annum.

The removal of this scheme could see housing associations taking on liability for the collection of small amounts of rates from tenants and, if they are unable to pay, associations will be liable for the debt and forced to write it off. This has financial and regulatory implications for the association.

The majority of the tenants receiving support through the low income rate relief scheme live in the five largest housing associations in Northern Ireland. These associations could end up assuming liabilities of up to £7,000 per month and between £55,000 and £84,000 per annum. These are not huge sums but when added to the cumulative impacts of other welfare reforms and financial pressures on housing associations they must be taken into consideration.

NIFHA does recognise, however, that having one core rates support scheme could reduce bureaucracy for tenants and housing associations.

4. Views on the retention of other forms of domestic rates support

NIFHA has already stated that we would support the removal of non-tested supports. In particular we would question the value of the Maximum Capital Value scheme which costs £6.9m per annum. In a new system focused on supporting those least able to pay it seems counterintuitive to cap the rateable value of a property at £400,000, thus limiting the rates that are required to be paid on the property.

Housing associations do benefit from a 10% discount on their total rates bill. NIFHA would argue that this should continue given the significant additional work generated through the collection of rates from tenants. The difficulties in collecting rates and workloads for housing association staff are only likely to increase under the new arrangements and as welfare reforms are fully implemented.

One alternative would be to remove liability for rates from housing associations to the tenants themselves. This would make administrative sense in relation to universal credit, as housing benefit and rates support will no longer be claimed together via the Northern Ireland Housing Executive. The administrative separation of housing-related benefits from housing providers and ideological emphasis on personal responsibility through universal credit suggests that there is limited rationale for social landlords to continue to collect rates on behalf of LPS.

5. Views on the treatment of universal credit as income within the current means tested structure

NIFHA does not believe that the entire universal credit payment should be treated as income when assessing entitlement under the current means tested structures. If this was to be the case it would almost certainly mean that nearly 120,000 of the poorest and most vulnerable households would lose all or some entitlement to rates support.

6 & 7. Views and preferences on models outlined in Section 6

Of the options and information presented, NIFHA would view model 4 as providing the fairest and most efficient option. Model 3 is also a reasonable option, although by including the housing benefit/payment as income it is likely to have a more detrimental effect on low-income households. It is worth noting that for social housing tenants, model 7 would present the most attractive and straightforward option as it relates ability to pay rates support to ability to pay rent; however, we accept that this does not correspond with the circumstances for homeowners and would require the development of two separate models.

Options 1 and 2 seem to suggest that no universal credit claimants would be passported to rates support creating an overly bureaucratic and resource intensive system which would impact negatively on both tenants and housing associations alike.

8 & 9. Views and suggested approaches on the development of a hardship fund

NIFHA would agree that a hardship fund may be necessary to support households both in the transition to new rate rebate arrangements and if rates support reduces in the future.

We would suggest that consideration is given to including this funding within another funding pot, e.g. Discretionary Housing Payments, in order to reduce confusion and make it easier to signpost households in need of support to the appropriate agency.

There is a risk that with so many different government departments and agencies involved alongside housing providers, advice agencies and other voluntary sector bodies that guiding people to the right advice and financial support could become a complex rather than straightforward process.

10. Views on how rate rebates should be paid

While NIFHA understands DFP's preference for a consistent approach through the discounting of rates bill, this will add an extra layer of administration for housing associations if they continue to be liable for the collection of rates across their properties.

Housing associations provide stock information to LPS who then determine the total rateable value minus discount. This total rateable value is then provided to housing associations who allocate a sum per household in a proportionate manner (i.e. a tenant of a two bedroom house in Belfast pays the same amount of rates as a tenant in a two bedroom house in Derry); however, this calculation would be significantly more complex for housing associations if rates rebate was 'paid' by discounting rates bills on an individual household basis.

Conclusion

NIFHA appreciates the significant level of modelling work and additional information that has been provided through this consultation. This is a complex policy area and we hope that these comments help to clarify some of the potential administrative difficulties/concerns if certain approaches are followed.   Any new rate rebate arrangement, coupled with the introduction of universal credit, will provide housing associations with administrative and financial challenges, thus it will be important to ensure that these operational factors are taken into consideration when policy is being developed.

We are more than happy to discuss any of the above comments further and to work with DFP to coordinate more detailed investigation of any of the points raised with our members.

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