



RESPONSE TO THE REVIEW OF RATING REFORM

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1.0 Introduction – Help the Aged and Age Concern

As organisations working for and with older people, Age Concern Northern Ireland and Help the Aged Northern Ireland welcome the opportunity to respond to the review of domestic rating reform. As separate organisations, both charities campaign and lobby on a range of issues such as combating poverty, improving the quality of life of all older people and promoting their rights as active, involved and equal citizens. Older people are directly involved in this work.

1.1 Help the Aged and Age Concern both participated in the Pensioner Rates Relief Working Group (convened by the Department of Finance and Personnel) set up to examine the options for extending the relief available through the rate relief scheme for pensioners. We were satisfied with the outcome of this working group, given the terms of reference, and its final decision to increase the personal allowance as a measure to enhance rate relief. Both organisations jointly submitted written and oral evidence to the Transitional Assembly's Sub-Group on the Comprehensive Spending Review and Programme for Government; Rates Charges; And Water Reform in December 2006.

Our primary concerns are outlined as follows:

2.0 We believe a rates charging system should be based on ability to pay and not on the capital value of a property. Pensioners are usually on a fixed income situation that does not increase with the value of their property. We remain concerned that increased outgoings (rates bill, water charges and increased energy costs) will push pensioner households further towards or below the poverty line. Research by Eileen Evason and others suggests that over a third of single pensioners and over a quarter of pensioner couples have struggle financially. Single female pensioners present the second highest risk (lone parents are highest risk) of living in poverty.

2.1 We strongly believe that single occupancy pensioner households should receive a 25 per cent discount: it is within the authority of an incoming Executive to extend the current discount available to other low income groups.

2.2 In terms of a Deferral Scheme for pensioners we recommend that the age sector is formally consulted on any draft proposals on this matter. There are several issues which would need a full discussion, such as who would be eligible for such a scheme, and how it would affect other benefits that would need to be fully explored. Furthermore the impact upon inheritance tax and other demands on property equity need to be examined. Deferral should not be a substitute for a fair and sustainable rating policy.

3.0 Re-examination of measures

3.1 Introduction of graduated tax rates

ACNI and HtA are aware that work has been carried out that highlights the effect of introducing graduated tax rates, which leads to an increased tax burden on the lowest three quarters of properties when compared to a discrete capital value (uniform rate) system and makes the property tax system more complicated to understand. These factors seem to discourage this option from being carried forward.

3.2 Single person discount

The review team would need to make a clear case that single person households are more likely to fall into poverty. ACNI and HtA understand that any reduction in rates must be made up in some other way. From research emanating from new Targeting Social Need, we are aware that pensioners and lone parents are most at risk of poverty; therefore we maintain our view that relief should be targeted to those groups who are most at risk of poverty and low income. It is known that 50% of single person households are more likely to suffer fuel poverty. The same Fuel Poverty report shows that 54% households headed by over 75s are living in fuel poverty, while 42% of households headed by 60-74

year olds live in fuel poverty. A single person discount is likely to have a positive impact on single women pensioners, so for this reason, we would support this measure, particularly if other measures which target pensioners are not implemented.

3.3 Single pensioner discount

ACNI and HtA would support this proposal, as single pensioners are one of the groups most at risk of poverty. Research by Eileen Evason¹ in 2004 showed that 65% of single pensioners were described as struggling financially, with 9% saying they were unable to manage. 37% of pensioner women live alone, compared to 11.9% of pensioner men. The older the pensioner, the more likely they are to live alone. The Department for Social Development has recognised that a vast amount of benefit to pensioners remains unclaimed, in part due to a confusing and onerous process, particularly with regard to means-testing; additional discount or rate relief must be easy to understand and easy to access.

3.4 Automatic pensioner discount

ACNI and HtA support the principle that rate relief should be targeted at those in most need. As not all pensioners are on low incomes, introducing an automatic pensioner discount could have a negative impact on others on low incomes. However, linking entitlement to additional discount with existing benefits would be a way of circumventing long processes and ensuring that those most in need are able to benefit. However there is still a concern that that not all older people are claiming the benefits they are entitled to, for example, up to £134 million in pensioner benefits was left unclaimed between 2003 and 2005²

3.5 Broadening the disabled persons allowance scheme

¹ Evason et al. *Older People in Northern Ireland* (2004)

² Department of Social Development press release, 26 November 2006 *Income Related Estimates of Takeup in Northern Ireland 2003-2005*

In principle HtA and ACNI would support broadening the allowance scheme in much the same way the personal allowance was increased for pensioners.

3.6 Provide discount for owner occupiers

ACNI and HtA would support a discount in principle for owner occupiers. A re-examination of rate relief for landlords of student-occupied properties may figure into these negotiations. The level of possible discount for owner occupiers would be dependent on the number of second properties and how much additional revenue that may incur.

4.0 Longer term options

4.1 Banding of house values

Recent research³ carried out for the Lyons Inquiry found that council tax may be one of the worst options for funding local services. In light of the numerous difficulties, we would propose that a more creative and less onerous system be developed for Northern Ireland. Large numbers of older people in Great Britain do not receive the council tax benefit to which they are entitled; such a system is likely to be beset with the same type of problem if implemented in Northern Ireland.

4.2 Local income tax

The Lyons Inquiry examines the potential for a local income tax (LIT) for England in great detail as a progressive alternative, or supplement, to Council tax. The Lyons report asserts that it would be possible to implement a locally based income tax in England, although it stopped short of recommending as part of the review of local government. ACNI and HtA in Northern Ireland would like to see this option explored more fully to determine how LIT could usefully operate in Northern Ireland, either solely, or in conjunction with other taxes, including water charges.

³ *Options for Reforming Local Government Funding to Increase Local Streams of Funding: International Comparisons*. Loughlin and Martin. (YEAR)

4.3 Local sales tax

Research published by the Joseph Rowntree Foundation⁴, suggests that such a tax would hit the poorest hardest. The study, also found that cross-border shopping, which in this instance means across local authority boundaries, could present significant problems.

4.4 Poll tax

ACNI and HtA are opposed to poll tax as inherently unfair. We do not consider this to be an option for serious consideration.

4.5 Other options

HtA and ACNI have not developed formal positions on the other options raised, including tourist tax and road charging.

Both organisations would be interested in commenting on any further proposals

⁴ Joseph Rowntree Foundation: *The feasibility of a local sales tax*. Hall and Smith, 1995

