



Consultation Response to The Executive Review of Domestic Rating Reform

by

Citizens Advice, Northern Ireland

Citizens Advice
Regional Office
46 Donegall Pass
Belfast
BT7 1BS

Tel: 028 9023 1120
Fax: 028 9023 6522

www.citizensadvice.co.uk

INTRODUCTION

Citizens Advice is the largest advice charity in Northern Ireland working against poverty, meeting the information and advice needs of some 260,000 people per year. Citizens Advice has formal links to National Citizens Advice in England and Wales and close working relationships with Citizens Advice Scotland (CAS). Together the

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three Associations constitute the biggest advice network in Europe, with 60 years experience of providing advice and information to the public.

The Citizens Advice Bureau (CAB) network is very finely tuned to the targeting of social need and, with its regional spread, modern integrated IT infrastructure and skilled staff, represents an efficient and cost effective arena for the delivery of information and advice to the most socially vulnerable people in Northern Ireland.

ACCESS, INCLUSIVENESS AND PRINCIPLES

Advice is provided on a huge range of issues by trained, specialist advisers across both main communities and to minority groupings, from 30 main offices and from some 120 other outlets within the framework of 4 principles. The advice given is:-

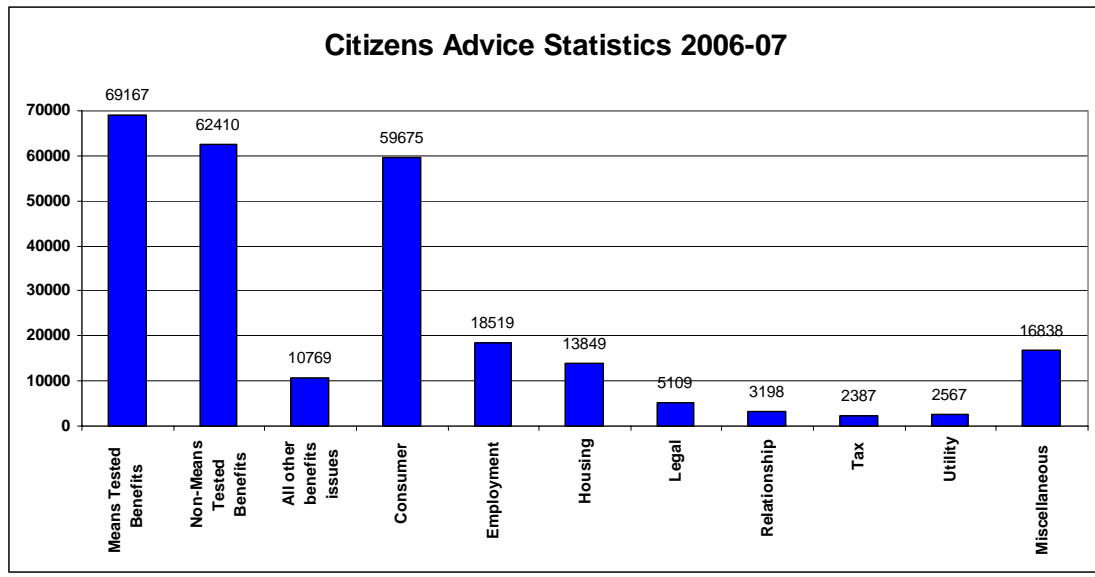
- Free;
- Impartial;
- Confidential; and
- Independent.

COMMITMENT TO EQUALITY

Citizens Advice has been actively involved in the promotion of equality in Northern Ireland for many years and is an active member of the Equality Coalition. Numerous responses on behalf of CAB have been made to a variety of Equality Impact Assessments, Draft Equality Schemes, Screening documents and proposed legislative reform. Citizens Advice strives to ensure that individuals do not suffer through lack of knowledge of their rights and responsibilities or of the services available to them, or through an inability to express their needs effectively and equally. Citizens Advice endeavours to exercise a responsible influence on the development of social policies and services, both locally and nationally for the good of all of society. Citizens Advice has also built up a number of partnerships with other organisations also working towards the promotion of equality of opportunity.

This Citizens Advice submission is based on the experience and evidence gained in from CAB advisers dealing with 264,743 enquiries between April 2006 and March 2007. CAB provided information, advice and advocacy to clients experiencing problems in the following areas:

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Response

Response

Citizens Advice welcomes this opportunity to respond to the Executive Review of Domestic rating reform

Capital Value System

We appreciate that the previous rating system was outdated and in many cases had a negative impact on people on low incomes particularly if they fell just outside the qualifying conditions for housing benefit for rates. One of the most obvious inequalities about the old rating system is that those on higher incomes paid a smaller percentage of their income on rates than those on lower incomes.

Citizens Advice believes that in order for the capital value system of rating to be fair and affordable for ratepayers it must be accompanied by an ample and comprehensive relief package available for those who have difficulties paying their rates bills. It is vital that the relief package is clearly outlined, publicised widely and targeted to those who need it most in order that take-up is maximised. There are many lessons to be learned from the low uptake of housing benefit for rates in the past.

Many high earners have benefited in recent years with the inevitable rise in house prices so it is therefore fair for them to be taxed accordingly. However, there are many individuals who are living in high equity properties but living on relatively modest incomes. Some of the bills received by ratepayers have more than doubled their proposed annual bill. We consider the new capital value system as having a negative impact on those ratepayers who have experienced a dramatic increase in their annual bill and who are not able to benefit from the new rate relief scheme or the transitional relief scheme.

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Northern Ireland Statistics

- Approximately half of Northern Ireland's population has incomes less than £300 per week. More than a fifth earn less than £213 which represents half of the UK average income. Earned income is the main source of income generally but not in the poorest 20% of households where benefits and tax credits count for most of the gross income. (Households Below Average Income, Northern Ireland 2004/05)
- 350,000 people are living in income poverty in Northern Ireland. A household is defined as being in income poverty if its income is less than 60% of the GB median household income. (Monitoring Poverty and Social Exclusion in Northern Ireland, Joseph Rowntree Foundation, 2006)
- Northern Ireland not only has higher poverty rates but considerably higher levels of income inequality than Britain. (Bare Necessities Report OFMDFM, Northern Ireland, 2003)
- Households in Northern Ireland earn on average 20% less than those in the rest of the UK. (HMSO, Regional Trends, 2000)
- Families in Northern Ireland spend £213 more a year on food than the UK average. In Northern Ireland we spend 26% more on bread, rice and cereals and £431.60 more on clothing and footwear. While clothing and footwear cost 37% more than the UK average, children's clothes are even more expensive. The amount spent on clothes for girls (5-15 years old) is 50% higher than the UK average and for boys (5-15) is 87% higher. Footwear is also considerably more expensive – some 51% dearer than the UK average. (The Family Spending Survey 2003-04).
- By the end of the decade Northern Ireland electricity consumers will have paid £1billion more for their electricity than the rest of the UK - overall that equates to around £1,600 per household (Northern Ireland Authority for Energy Regulation, July 2005).
- Phoenix Natural Gas (Phoenix) has recently announced a number of increases in its prices meaning that an average bill will have soared by 52% or £200 in only four months. Phoenix customers will now pay nearly two thirds more than gas customers in Great Britain and more than a fifth more than those in the Republic of Ireland (General Consumer Council, January 2006)
- Personal insolvencies have hit a record high with a more pronounced increase in Northern Ireland than in other regions – bankruptcies are up by 45% overall up no less than two-thirds over the same period in 2003 and the number of people entering into IVAs was up 26% on the same quarter in 2003. The particularly high increase in self-declaration of bankruptcy, together with the increase in IVAs may be explained by the fact that spending in Northern Ireland households tends to exceed disposable income. Credit cards are being used to a greater extent than elsewhere in the UK to finance, for example, weekly food shopping and purchases of clothing and footwear (Grant Thornton, 2006).

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25% discount for single person households

The new rating system based on capital values has moved closer to the system that exists in Great Britain, yet the single person discount which exists in England was not introduced in April 2007. This is automatically unfair as a household consisting of four income earning adults would pay the same rates bill as a single person household in the same area.

Citizens Advice believes that the introduction of the 25% reduction for single person households would help many of those households in more affluent areas where the person lives alone on a relatively modest income.

Affordability Issues

In 2001 the number of repossession judgements passed to the EJO for enforcement was 425. By 2005 this figure had increased to 973 an increase of almost 130%. The latest Northern Ireland Housing Bulletin shows that 566 properties were taken back into lenders hands in January, February and March of this year alone. Households presenting to the Housing Executive and citing mortgage arrears as the reason for homelessness showed an increase of 44% on the previous year.

Citizens Advice dealt with over 54,000 debt enquiries for 2006/2007 showing an 18% increase on the previous year. A recent money advice project showed the average amount of debt for a CAB client in Northern Ireland was £13,362.

An OFMDFM report into Personal Over-indebtedness in Northern Ireland published in February 2006 showed that 9% of people were using more than a quarter of their gross monthly income on consumer credit repayments (25% measure) and 11% used more than half of their gross monthly income to service consumer debts and mortgage repayments (50% measure). 5% were in arrears with at least one credit commitment or domestic bill. The OFMDFM research was based on the population of people aged 16 and over which stands at 1,343,174 million. Therefore there are potentially almost 148,000 people in Northern Ireland who are over-indebted at the 50% measure. In addition there are potentially over 67,000 people already in arrears with at least one credit commitment or domestic bill.

The increased prevalence of debt and house repossessions due to mortgage arrears, coupled with the introduction of household water and sewerage charges, gives serious cause for concern and again shows how vital it is that the relief packages available are adequate and well communicated to the ratepayers of Northern Ireland.

Transitional Relief

We initially welcomed the idea of a safety net via transitional relief, however this scheme is still only available to households whose rates have increased by 33% or more. There is no sliding scale for those who receive an increase of, for example, 20%. An increase of 20% in annual rates bill can be a substantial amount for a householder particularly if that person lives alone and is elderly. Transitional relief only lasts for a three year period and the value of the relief available decreases each year meaning that in year three only a minimal amount of help is available and in year four the full amount of the bill must be paid.

The transitional relief scheme only allows for limited relief in a short period which may well make it difficult for people to adjust financially to the new system of rates. Citizens Advice would propose the extension of this scheme to four years with a tapered system of 100%, 75%, 50% and 25% in the four years of the relief scheme. This would mean that ratepayers would only have to pay their full rates bill in year five which would prepare them for the next capital revaluation.

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The next capital revaluation is scheduled to be carried out in 2010 and we recommend that meaningful consultation is carried out on the effects that this re-valuation will have on ratepayers' ability to pay a revised rates bill given the recent levels of house price inflation.

Housing Benefit for Rates and Rate Relief Scheme

The new relief for people on low incomes was welcomed as many people who face difficulties in paying their rates bills were just outside the qualifying conditions for housing benefit. The new relief scheme has only been operational since April 2007 and it is difficult for us to comment at this stage on how successful it is.

Householders on low incomes can apply for both the housing benefit for rates and the new rates relief scheme to help with their bills. However, there is still an issue about under-claiming of this benefit and evidence from Citizens Advice Bureaux clients suggests that many owner-occupiers still do not know about this benefit or if they do they think they will not be eligible as they own their own home. There is still a considerable job to be done to ensure the maximum possible take-up for the existing housing benefit for rates scheme and the new rate relief scheme otherwise they will fail to help those they were specifically designed to help.

Currently there are huge problems with the Information Technology system used by the Land and Property Services agency (Rating Division). This has resulted in many householders waiting considerable periods of time for their housing benefit and/or rate relief to be processed. Many other householders who are entitled to full or partial housing benefit have paid their bills in full and are experiencing delays obtaining refunds for this. The IT system is now envisaged to be in full operation in January 2008, however we feel that this is unacceptable given the current levels of outstanding cases and delays.

There needs to be more effective communication between the rating division and their customers. The volume of calls in April and May understandably increases when the rates bills are issued and new claims are subsequently made. The LPS should have a robust call handling system in place in order to cope with this increase in demand. CAB advisers are also being kept on hold for considerable periods of time then contacting rating offices throughout Northern Ireland, which in turn is a drain on CAB staff resources and finances.

More effective communication needs to be put in place between the Rating division, the Social Security Agency and the Housing Executive. There are still problems with Pension credit claimants having to provide the same data twice when they initially make a claim for housing benefit. In addition to this, Private tenants applying for housing benefit for rates via the Housing executive are also experiencing delays and in some cases are being pursued for rates that they are not liable to pay.

Clients have expressed that they have difficulties understanding the housing benefit award letters which have become more complicated, and in some cases individuals have received 16 pages in a single correspondence. To date, some clients have found the rate relief scheme award letters much easier to decipher than the housing benefit award letters, however this may be as a result of the relief letters being produced manually and are not automatically generated by computer. More confusion has been created due to the fact that housing benefit and the rate relief scheme generate separate letters. The Rating division should therefore strive to ensure that the two awards are explained comprehensively on one award letter. It is necessary that ratepayers know about and feel able to apply for all the benefits they are entitled to.

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In March 2007 the Minister announced a further amendment to the Rates Northern Ireland order based on a proposal to enhance the relief for people who had reached pensionable age. This created a higher amount of housing benefit for people over 60 through the introduction of a higher personal allowance when calculating their applicable amounts and this has served to increase benefit for some of the most socially deprived in Northern Ireland. Citizens Advice was given very little notice to this sudden change in legislation and had limited time to digest and amend our information system in time for the changes. It is hoped that all future legislative changes will be more effectively planned and managed with the objective of keeping the advice sector, and the clients we represent, well informed in advance.

Rates arrears

There has been further evidence from Bureaux of clients receiving letters from the LPS seeking payment in full, including those clients waiting for their housing benefit or rate relief to be processed. Anyone in these circumstances should have all action suspended on further recovery of rates.

The LPS should consider reforming the current process of arrears recovery. Currently the system appears to be non-negotiable and 42% of EJO judgements are in relation to rates arrears. Citizens Advice welcomes any move to provide householders with reasonable arrangements to pay rates arrears before formal recovery proceedings take place.

Full relief from rates

We welcome the full relief from rates available to properties occupied solely by those in full time training and education, 16/17 year olds and young people leaving care. The proviso that full relief is only available to properties occupied solely by these groups gives rise for some concern as it is likely to be more difficult for 16/17 year olds and young people leaving care to meet this requirement. We believe entitlement to help under these categories should be based on the circumstances of the individual rather than the circumstances of the household.

Disabled Persons Allowance

We initially welcomed the continued provision of help for those people with disabilities but recommended that help for people with disabilities should be extended to all those in receipt of disability related benefits rather than simply those who have had an adaptation made to their home.

We also queried why the allowance criteria had been amended to no longer provide a rebate to people with disabilities who have had a garage or central heating provided as a result of their disabilities. We would like to reiterate that this is preventing many claimants from obtaining the Disabled Person's Allowance.

Private rented accommodation

There is no standard protocol for the charging of rates within the private rented sector. Some landlords charge a fixed amount while paying the rates bill themselves while other tenants pay the entire rates bill as an occupier. Greater clarity is needed in this area so as to protect both the landlord and tenant.

Citizens Advice has received social policy evidence that some landlords have been increasing rents due to the increase in their rates bill and the forthcoming introduction of water charges. It is imperative that protection is put in place for private tenants to ensure they are not paying excessive amounts for rates.

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Recommendations:

- **The 25% discount for single householders which exists in England should also be introduced in Northern Ireland**
- **Increases in the number of house repossessions, the level of debt in general in Northern Ireland and the imminent introduction of household and water charges shows the priority which must be placed on communicating clearly the relief packages available**
- **The transitional relief scheme should be extended for a further year to allow people to adjust financially to the new system of rates and prepare for the next capital revaluation**
- **More detailed information on the rates relief scheme is required and information on this scheme which is to be provided to ratepayers must be clear and unambiguous**
- **Full relief from rates should be based on the circumstances of the individual rather than the household circumstances**
- **Help for people with disabilities should be extended to all those in receipt of disability related benefits rather than simply those who have had an adaptation made to their home**
- **More clarity is needed on liability for rates in the private rented sector**
- **Householders should be given more flexibility around arrangements to pay arrears before formal proceedings take place**
- **In line with the Compact with the Voluntary and Community Sector, discussions should take place between Government and organisations like Citizens Advice to ensure that resources are made available to provide the necessary advice and information to the public as a result of the implementation of rates reform in Northern Ireland.**