

CRAIGAVON BOROUGH COUNCIL

REVIEW OF DOMESTIC RATING

RATES DEFERMENT SCHEME FOR HOME OWNING PENSIONERS

PUBLIC CONSULTATION – JUNE 2008

QUESTIONS IN DOCUMENT

	QUESTIONS	PROPOSED ANSWERS
	<u>Section 2 Background</u>	
1.	Do you have any comments on the deferment schemes that operate internationally?	As these are relatively common, a voluntary scheme implemented in NI seems rational. Also, the minimum equity level of 40% proposed for NI is high compared to the other international schemes.
2.	Are there any elements of the international schemes that you feel should be considered for a scheme here?	The proposed scheme from the Scottish Executive recommends that local authorities should not be adversely affected by the shortfall in revenue arising from the scheme. Also a maximum annual income level for the household will ensure that those who can afford to pay do so.
	<u>Section 3 Specific Policy Issues</u>	
	<u>Subsection 1 Eligible person and applicable age threshold</u>	
1.	Do you have any views on how pensionable age should be defined for determining eligibility to defer rates?	It would seem appropriate to use the state pension age for the scheme also.
2.	Do you agree that this should be set at 65?	At present, yes, rising after 2024 in line with state pension age.
3.	Have you any comments on deferment being available where only one owner is of pension age?	As the agreement is with the pensioner solely this seems fair as long as it is clearly explained in advance to a surviving spouse , under pensionable age, that following death of the pensioner, the deferment of the rates for future years would not be possible and rates would be due for payment for the years until the spouse reaches pension age (as detailed in paragraph 60 of the consultation document)
4.	Do you have any views on the handling of a deferment agreement, where there is joint ownership, following the death of a pensioner?	Paragraph 60 seems reasonable provided it is fully explained to those who would become responsible for the rates bills for the house prior to entering the agreement.

	<u>Subsection 2 Eligible property – sole or main residence, value, equity and debt security</u>	
5.	Do you agree that rates deferral should only be allowed on a person's sole or main residence?	Yes – providing Government assistance to finance a second home, which is likely to be an investment property, does not meet the requirements of the policy to assist those with financial difficulties.
6.	What criteria should be used to determine sole or main residence of a property?	As detailed in paragraph 65, in particular the use of the electoral roll. Also the length of residency may provide evidence of main residence as pensioners tend to have been in the same house for a considerable period of time.
7.	Do you have any comments on the proposal that deferment should not be available where savings and capital exceed a certain limit?	The proposal is aimed at those with modest fixed incomes who have financial difficulty in paying. A limit should be set for savings and capital above which deferment should not be available.
8.	What are your views on the proposed equity conditions – minimum equity levels and deferred rates not exceeding a proportion of the equity in the property?	Applying both conditions appears to have merit in order to reduce the risk of loss of revenue to Government.
9.	What processes should be used to verify title of a property?	Through a solicitor as noted in paragraph 77.
10.	What processes should be used to determine whether any charges or debt are already secured on the property?	Through a solicitor as noted in paragraph 77.
11.	Do you have any views on deferment being subject to adequate property insurance?	Would be necessary in order to reduce risk of loss to Government.
	<u>Subsection 3 Statutory charge on the property</u>	
12.	Do you have any comments on the intention that the deferred sum will take the form of a statutory charge against the property?	Would be necessary in order to reduce risk of loss to Government
	<u>Subsection 4 Sum deferred and interest charges</u>	
13.	Have you any comments on the interest levied and how this is determined?	The lower the interest rate charged, the more attractive the scheme becomes and the higher the take up will be.
	<u>Subsection 5 Termination and repayment</u>	
14.	Have you any comments on the factors that would trigger repayment of a deferred agreement?	The issue of sole residence if the eligible person has to move into a nursing home should be treated as an exception as detailed in paragraph 119 of the consultation.

15.	On completion of a deferment agreement when should the deferred debt be repaid?	Repayment should be made in installments as agreed with the Department, unless the property was jointly owned and the other owner continues to live in the property. If the other owner is ineligible for deferment in their own right, no repayment of the outstanding debt should be requested as detailed in paragraph 60 of the consultation. The requirement to pay future rates as detailed in paragraph 101 of the consultation should be clearly explained to the joint owners prior to entering the deferment agreement.
16.	What factors should determine whether a deferred sum should be paid back in a lump sum or an installment?	Installments may be considered where there is no risk of loss to Government e.g. where the owner continues to live in the property following termination of the agreement and the terms of the agreement have not been breached.
17.	Do you agree that different repayment arrangements should operate where the department has terminated the deferment agreement?	If the termination is due to an increased risk of loss to Government, full repayment should be sought, however, the option to pay back in installments should be considered in other circumstances.
18.	Should the deferment agreement be extended to a surviving spouse or civic partner after the death of the eligible person?	Yes – provided the individual continues to reside in the property as his/her sole residence.
19.	If not, or the deferred debt is put on hold, what arrangements should be made for repayment of the outstanding amount?	Installments may be appropriate until the property is sold.
Subsection 6 Deferment awareness for pensioners		
20.	What information should be provided to deferment applicants both generally and in terms of the financial implications?	As in paragraph 110, the methods of charging interest and right of cancellation. The need to seek independent financial advice should be stressed. An annual indication of the debt outstanding is essential.
21.	Do you agree that participants need to be made aware of the financial implications of deferment?	Yes , ideally from an independent financial advisor
22.	Do you agree that financial advice should be provided independently?	Yes
23.	If so, who do you consider would be best placed to provide this advice?	Someone independent of Government

24.	Should there be a requirement to have obtained independent financial advice prior to entering into a deferment agreement?	Not essential but strongly advised.
25.	If a charge is imposed for the provision of independent advice what level should this be set at?	Unknown, but should be a standard rate across all solicitors.
<u>Subsection 7 Interaction with rating reliefs and the rating of empty homes?</u>		
26.	Do you have any views on rates being deferred after the award of housing benefit, rate relief and other rating allowances?	Other benefits should not be affected by this deferment.
27.	What are your views on the proposal that rates may not be deferred where the property is empty (unoccupied & unfurnished), except where residential care / medical treatment is being provided?	As the individual has not chosen to leave it empty but has been forced to move out for medical reasons or to a nursing home then deferral should still be available, as detailed in paragraph 119 of the consultation.
<u>Subsection 8 Information gathering and offences</u>		
28.	Have you any comments on the range of information that will be required in applying for a deferment agreement?	Covered adequately at paragraph 120.
29.	What are your views on the onus being placed on the applicant to provide the necessary information?	Seems reasonable as it is a voluntary scheme.
30.	Have you any comments on the offences associated with the provision of false information and possible termination of the deferment agreement?	Fines will help to prevent false applications.
31.	Should the current penalties, for giving false information, be strengthened?	Excessive fines for genuine mistakes will reduce uptake so a balance must be agreed.
<u>Subsection 9 Review of the Department's decisions on deferment</u>		
32.	Do you have any comments on the proposed arrangements to review the department's decisions relating to a deferment application or termination of an agreement?	Appears fair and reasonable

<u>Section 4 Financial Impact – impact on deferment participants</u>		
1.	Do you have any views on the impact of a deferment scheme on revenues raised at a Northern Ireland level?	While in the initial year the loss to NI revenue is likely to around £5,000,000 assuming a 5% take-up, after a period of years the overall effect will be neutral as repayments kick in. There is no indication in the consultation of how long it would be before the scheme became revenue neutral and perhaps could be financed by Government borrowing over the short to medium term to allow the scheme to become fully functional.
2.	Do you agree that the burden of deferment should rest with regional rather than local government?	Yes - Local Government could not finance the losses projected without increasing rates in the short term
3.	Do you have any comments on the indicative financial examples of deferment, which use various assumptions?	Assumptions used seem reasonable
<u>Section 5 Preferred approach</u>		
1.	Do you have any comments on the preferred approach that has been adopted?	As included above
<u>Section 6 Summary of Impact assessments</u>		
2.	Do you have any views on the socio-economic impact of the deferment scheme?	As the expected take up is likely to be low , any effect is likely to be minimal
3.	Do you have any views on the impact of the deferment scheme on rural areas?	There does not appear to be any significant differential impact
4.	Do you have any views of the impact of the deferment scheme on persons from different section 75 groups?	None to add
5.	Do you have any additional evidence that could be used to inform the impact assessment?	None to add