

shelter

N O R T H E R N I R E L A N D

**Response to Public Consultation Paper
on
Review of Domestic Rating
Rates Deferment Scheme for Home
Owning Pensioners**

15 September 2008

Introduction

1. Shelter Northern Ireland welcomes the opportunity to comment on the Department for Finance and Personnel's proposals for deferment of rates for home owning pensioners
2. Comments will follow in the pre defined format.

Background to a deferment scheme for pensioners

3. The proposals appear to take the best aspects of scheme from around the world avoiding the significant penalties that some operate.
4. A number of principles were established from the New Zealand process including a view from the General Public that pensioners should be a favoured group for this process; that unlike the requirements for rates assistance, the rates deferment process should not require pensioners to reveal all the details of their financial circumstances; and that the process should be simple and target those who fail to qualify for the benefits system but who would be in hardship if they otherwise had to pay.
5. Another issue that concerned many New Zealanders was the possibility that Councils would increase the level of rate return to compensate for the "loss" of deferred rates. Shelter NI would support the principle that the "loss" of deferred income should not be levied on the rest of the households.
6. The concept of investing a proportion of the deferred rates (once received) into a top up fund to meet the difference between selling the property and what is due from the deferred rates is worthy of consideration.

Specific policy issues

Eligible person and applicable age threshold

7. In response to the question of age, Section 75 of the NI Act (1998) requires any policy to explain why it should discriminate. The policy proposal seems to have developed from the earlier consultation in 2004. Shelter NI is uncertain whether the General Public supports or even has been asked to endorse favoured treatment for pensioners. Shelter NI supports the principle that people on low incomes but ineligible for state benefits should be eligible to be considered for a voluntary rates deferment scheme. In that respect, there are many home owners on low incomes and ineligible for state benefits who might wish to have the opportunity to defer their rates for a period other than pensioners.
8. Shelter NI supports the idea that the voluntary rates deferment policy should be based on need and therefore should not be subject to an age restriction. The policy provides no option for households in similar financial circumstances in the rental sector to get assistance. Shelter NI is concerned that the policy is yet another which supports home

ownership at the expense of people who choose to or are obliged to rent. Shelter NI calls upon the department to look at exploring methods to assist households who would qualify for the scheme on income levels but who presently rent.

Eligible property - sole or main residence, value, equity and debt security

9. Shelter NI supports the proposal that rates deferral should only be allowed on a person's sole or main residence. Sole or main residence should be along the lines of the "habitual residence" i.e. it is the place where the individual ordinarily resides and routinely returns to after visiting other places. It is the place he or she would consider to be "home".
10. Comments on the proposal that deferment should not be available where savings and capital exceed a certain limit: - In supporting the principle that the process should be kept simple and that qualification should not involve a lengthy investigation of means; Shelter NI would support using available income as the determining qualifying factor. Thus the amount of savings or capital held by a household would not be relevant. In addition, older people (not exclusively) may become or may be ill and expected to meet some or all of the cost of their treatment from releasing equity in their home.
11. Views on the proposed equity conditions. This is Public money that is being set aside for a period. Shelter NI believes that it is prudent to ensure that there is sufficient equity in the property to redeem the value of the deferment.
 - The proposal to have a minimum equity of 40-50% to qualify appears prudent. However, because of the affordability crisis, setting the minimum equity at this level may exclude households and pensioner households in particular who might wish to use some of their equity to support their children or other family members to place a deposit or otherwise assist in the purchase of a house particularly because of the housing crisis here during the past 2-3 years.
 - Setting a maximum equity at 80% of the property value again appears prudent. With people living longer they may be required to use some of their equity to pay for health and social care services, this could affect the level of equity such that it never obtains to the 80% maximum. Perhaps an annual valuation would assist in pinpointing the timing of when the maximum or maximum available equity would be reached so that the household could prepare for the return of rates expenditure. Where the maximum available equity is reached, the household would have to begin to pay their rates even though they may still be otherwise eligible for deferment. A period of payment of rates might give sufficient time for the equity in the property to allow the household to access the deferment scheme again. The department (or its agent) should monitor this potential revolving door carefully so that the household continues to have the opportunity to continue the deferment if he/she wishes.

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- A pooled emergency fund should be established to meet any differential between the final sale price of the property and the deferred rate debt, to protect the household and public funds where the property value is not realised on sale.
12. Shelter NI in one of its services, currently requests confirmation from the agent which holds the title deed to verify its legitimacy. A solicitor, or the mortgagor or a lending agent if known may be used to determine whether any charges or debt are already secured on the property. The use of a solicitor may be an unnecessary expense for this service. An agent assisting the household through this process may be able to provide this service.
 13. Shelter NI would encourage the Government to require the property to have adequate insurance.
 14. Statutory charge on the property: - Shelter NI believes that placing a statutory charge on the property is the safest protection for Public funds. Shelter NI would urge Government to set the levy for managing the deferred payment at cost, with interest charges set as low as possible, below commercial levels, i.e. aim not to make a profit.
 15. Comments on the factors that would trigger repayment of a deferment agreement.
 - There are many factors to be considered. The financial situation of the household (if extant), the protection and release of public funds, the expected future for the property. Shelter NI supports the principles that underpin the original premise for this policy and that where the eligible person is extant or a surviving spouse or civil partner lives in the eligible property and the income criteria continue to support eligibility for the deferment, the choice to begin the payback (in instalments) of the deferment should be left to the surviving resident(s).
 - Where the department has terminated the deferment agreement, different arrangements may need to be considered. The priority should be to prevent homelessness.

Deferment awareness for pensioners

16. There is an underlying issue in that property is or may be becoming unaffordable for the household. Government should be offering advice across the range of existing measures to ensure that households are availing of all options to reduce household costs e.g. the Warm Homes Scheme. Taking a comprehensive approach should help the household to make a more informed choice.
17. Shelter NI believes that applicants must be fully informed of the implications of the rates deferment and should have a thorough understanding of the choices open to them and the implications of each choice. This should be a comprehensive briefing covering the legal financial and contractual obligations on all parties. Where possible the information should be provided by independent advisors. This advice should be

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sought in advance and proof of understanding should be included in the application seeking deferment or it should be made by an agent acting for the household and the agent should signify that the household is fully cognisant of the implications of any deferment.

18. The existing advice networks CAB, Advice NI, Housing Rights Service inter alia could be supported to provide specialist advice. However, if the households are older and in some situations vulnerable, good independent advice alone may not be sufficient.
19. For example, Shelter NI through its GABLE project has the experience of helping older and disabled people through the process of applying for Disabled Facilities and other Grants administered by the Housing Executive. In our service, households agree to allow GABLE to act on their behalf. We assist people to obtain and gather the various professional drawings, legal or statutory documents to support their application for a grant and help them throughout the contractor selection process and the contract itself. In all of this process Shelter NI is there to act with or on behalf of the client. Shelter NI therefore would support the development of such a specialist service for the rates deferment process, particularly if the decision is made to make it available to pensioners only. The cost of this advice should be met by the State.

Interaction with rating reliefs and the rating of empty homes

20. Shelter NI believes that the department should re-examine carefully whether both households on benefit/ rebate (and those who would qualify except they have sufficient savings to exclude them from state support) on the one hand and those who are not able to qualify for state benefit on the other should have access to the deferment proposal. While some households on partial relief might benefit from a deferment of the balance of their rates, the purpose of the state relief is to ensure that residual income levels are sufficient to live on. The basis for the rates deferment is to assist people who do not qualify for relief based on their income, yet their expenditure marginalises their ability to live on their residual income. Shelter NI believes that where households qualify for relief, Government should ensure that their residual income allows them to lead a good quality of life. That would allow the proposal to deal with those household caught in the so called "Poverty Trap". The potential for even accidental double funding is high and will create a set of rules to deal with repayment etc. This will also require a more complex means test which goes against the principle of simplicity.
21. If households on partial relief should be excluded, it follows that where a household qualifies for rates being deferred and subsequently is awarded housing benefit, rate relief and other rating allowances, the deferred scheme should cease and the amount of the deferment should be held until a trigger factor activates the payment.
22. Where the property is empty (unoccupied & unfurnished), the qualification for the voluntary deferment policy should comply with the general policy of charging rates

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on empty properties currently under consideration by DFP. Where the property is not the habitual residence, it is expected that rates will be chargeable. Shelter NI believes that there should be few exceptions to the non payment of rates; even though the department suggests the exception where residential care/medical treatment is being provided to the owner away from home.

Information gathering and offences

23. Comments on the range of information that will be required in applying for a deferment agreement? Shelter NI agrees with the approach adopted elsewhere that this voluntary process should be simple or at least the initial access to the process should be simple. The process of applying for benefits or relief it can be argued is to justify a decision to reduce or eliminate any tax charge. The voluntary scheme merely postpones the payment of rates.
24. Views on the onus being placed on the applicant to provide the necessary information? Shelter NI believes that the primary onus lies with the applicant to indicate whether they meet the access criteria. The proof of ownership and habitual residence, the status of charges on the property, the current property valuation, estimated equity and so on must be carried out by professionals and brought together by a solicitor or other recognised agent.
25. Shelter NI has no specific comments on the offences associated with the provision of false information and possible termination of the deferment agreement or the current penalties, other than that they should reflect the penalties for similar offences.

Review of the department's decisions on deferment

26. Comments on the proposed arrangements to review the department's decisions relating to a deferment application or termination of an agreement:- Shelter NI believes
 - The department should obtain a current property valuation before taking action if this is relevant
 - The department should advise the household as early as possible of its intentions so that the household can appeal
 - The department should not apply its decision until the household has time to put forward its appeal, this should be a time limited period

Financial impact on deferment participants

27. Views on the impact of a deferment scheme on revenues raised at a Northern Ireland level: - Shelter NI agrees that the burden of deferment should rest with regional rather than local government.
28. Comments on the indicative financial examples of deferment, which use various assumptions: - The valuations used in the indicative examples are as at January 2005.

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The deferment process will apply a current valuation. The “lost” revenue from the deferred rates (as of January 2005 until all properties are revalued) could well be much less than the actual deferred sum. This will compensate Central Government for its “loss” once the revenue begins to flow back from encashed deferments.

29. As the number of home owning pensioners will increase for some time forward, the revenue neutral situation will not be found in the near future, but the growth of the deferment sum will slow down.
30. The process is acceptable subject to comments already made.

Summary of impact assessments

31. The impact of the scheme on the socio-economics of each area, on rural areas and other key factors should be monitored carefully. Shelter NI has already commented on Section 75 groups above.
32. Additional evidence that could be used to inform the impact assessment: - in its work with older people, Shelter NI has found that many older people need supported to understand and succeed with bureaucracy. To monitor the impact of our service we ask each client to complete a service review form and we use that to improve the delivery and impact of the service.
33. In addition, the department should consider asking a regional body to undertake to obtain and to represent the views of people who are using the deferment process along with their peers who are not.

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