Department for Finance consultation paper on Domestic Rating Measures

8th February 2024

Summary of NIFHA View

- We are strongly against the removal of the 10% landlord allowance.
- The early payment discount should not be removed.
- The maximum value cap should be removed but consideration to those deemed asset rich but cash poor.

About NIFHA

The Northern Ireland Federation of Housing Associations (NIFHA), formed in 1977, is the representative body for Northern Ireland's 20 registered housing associations.

Our members are all not-for-profit organisations. Together, supported by the Department for Communities and the Housing Executive, they provide over 59,000 social and affordable homes.

Housing associations access private finance to effectively double the number of homes they could build with government housing association grant alone.

Housing associations also deliver high quality care and support to help people stay as independent as possible.

Working in partnership with other organisations, they also invest millions each year in community services and facilities.

Our sector employs more than 3,300 people and manages housing assets worth £4.4 bn.

NIFHA welcomes the opportunity to comment on this Department of Finance Consultation on Domestic Rating Measures.

Response to consultation

Domestic Rating Measures

Part 1 – Removal of the maximum capital value ("the cap" or "max cap") from the rating system.

1. Should the maximum capital value cap be removed?

   Yes – Housing Associations agreed that it should be removed.

2. What, in your view would be the impact of removing this support?

   It should provide more revenue to fund public services however a critically important impact that must be considered and managed is the impact on those people who are asset rich but cash poor. Transitional arrangements would need to be implemented for such affected people and any ongoing rebates or support would need to be compared with any additional revenue as a consequence of removing the cap. We would also add that if the cap is removed which is an additional source of taxation linked to property, any removal of cap should be linked to providing additional funding for the Social Housing Development Programme in Northern Ireland.

3. Should the early payment discount be removed?

   The unanimous response of our sector is No.

4. What, in your view, would be the impact of removing this support?

   Customers would then phase payments over 10 months rather than pay in May as there is no incentive to pay early. The result is councils would get their income later in the year than currently thus impacting cashflow. Additionally, removing the discount delays cash inflow to LPS and the Executive thus increasing short term local government borrowing requirements. Removal also increases administration and bad debts in LPS as may people due to current cost of living pressures, will pay as slowly as permitted to LPS.

5. Should the landlord allowance of 10% be removed?

   The unanimous and unyielding response from our sector is a firm No.

6. What, in your view, would be the impact of removing this support?

   The landlord discount is for collecting the rates as required by law on behalf of LPS. There is no void discount and the LPS receives all the due funds by 30th September annually. Elsewhere in the UK, residents are individually responsible for council tax and landlord liability does not exist. Not only do housing associations act as collection agents incurring significant administration costs, but housing associations also incur the risk of bad debt, void costs and are required to make payment halfway through the financial year.
   Its also important to highlight that tenants who are in arrears, part of their arrears include rates and therefore landlords are having to manage this at considerable staff time and cost.
   If the discount was removed there would no longer be an incentive for landlords and housing associations to collect rates and responsibility for this would be expected and called upon to fall upon LPS to collect rates directly from tenants.
   The Department for Finance must also consider what additional costs would be incurred by LPS and local councils in collecting rates payments, especially those in the social housing sector were many tenants are facing severe cost of living challenges. At present housing associations spend time and resources helping those tenants' source and claim benefits to which they are entitled. This situation is exacerbated by the current transition for tenants from Housing Benefit to Universal Credit (UC). This is already a serious challenge for many tenants in updating their UC account, often with help from their housing association landlord, to ensure they get their rates paid as part of benefit. Due to increased risk of non-recovery or delayed payment with this move to UC, coupled with increased cost in assisting tenants to apply, housing associations would lose this allowance that covers the administration of getting payments set up and to offset arrears and bad debt from non-recovery.
   Finally, and what would have potentially serious consequences for social housing tenants, the removal of this allowance would have a detrimental impact on the cost base of housing associations that would lead to a reduction in support for vulnerable tenants, the ability to maintain and repair properties, the provision of finance to build new homes during a housing crisis and potentially an increase in rents.
   Housing associations have already reduced budgets that have failed to stay in line with inflation and as a consequence, are delivering services under severer financial strain, the loss of this allowance would simply exacerbate the problems for a sector already under significant financial pressures and make some services financially unviable.

Non-Domestic Rating Measures

Part 2 – Non-domestic consultation

Housing Associations are primarily concerned with the management of domestic properties hence Part 1 of this consultation is our primary focus. Therefore, most of the questions in Part 2 regarding Non-Domestic is not relevant to the social housing sector, however we do have responses for two of the questions that we have outlined as below.

3. Should Non-Domestic Vacant Rating relief be removed?

   No.

4. What, in your view, would be the impact of removing this support?

   In some circumstances, planning requirement for social housing schemes have included the requirement to include retail units. Finding tenants for these units can take time and the removal of relief for such properties would then reduce funding available to that housing association to fund other support services for tenants.

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