



Northern Ireland  
Assembly

Committee for Finance and Personnel

# OFFICIAL REPORT (Hansard)

Welfare Reform, Rate Rebate Replacement  
Arrangements Consultation Outcome: DFP  
Briefing

17 April 2013



are all umbrella groups. We are reasonably satisfied that that is an OK level of response to the preliminary consultation.

**The Chairperson:** Is there an emerging consensus around the options?

**Mr McClure:** There is, and I will go into that. The responses were kind of in two camps. The majority of the organisations, particularly those from the advice sector, many of whom were at the table earlier, could be said broadly to fall under option 1/sub-option 1.1 in the report. That would see the retention of the broad infrastructure for rate rebate, with the removal or reduction in scale of either the low-income rate relief scheme or one or all of the targeted forms of non-means-tested support, about which there was a lot of discussion, including maximum capital value, lone pensioner allowance, disabled persons allowance, and so on.

The other camp, which includes two organisations, one of which is Ards Borough Council, and five individual responses, was, I would say, reluctantly in favour of the least worst option, as they viewed it, of a flat-rate cash cut that would see a 10% reduction in funding for everyone's level of support. Many in the advice sector took the view that trying to take small amounts of money from people either not very able to pay, not used to paying or paying rates for the first time could be counterproductive and that it could be a false economy. That was a view put forward in particular by the Law Centre (NI).

I could go on and tell you a little about the lessons to be learned from the experience in GB. However, to be honest with you, I do not think that there is any policy development happening in GB from which we can learn an awful lot. Schemes tend to be very hurriedly put together to deal with the particular issue of a cut, rather than looking at the future of the scheme beyond the immediate future. Therefore, I will not go into that in any great detail.

Most of the groups that responded to us, particularly from the advice sector, were umbrella groups. We also got responses from what I call sectoral interests. Age NI responded, as the umbrella group, and the Commissioner for Older People's office put forward views on retaining all existing support measures for pensioners, which is not surprising. The Rural Community Network's response highlighted rural poverty, which can sometimes occur in areas of relative affluence.

That is just a quick flavour of the responses received. I will perhaps talk about the next steps later, after I have talked through some of the issues that were raised earlier when the consultees gave evidence.

**The Chairperson:** The briefing paper also referred to a £100 million transitional fund. Did the Executive receive a Barnett consequential for that?

**Mr McClure:** No. We pressed Treasury on that. It is a reallocation of internal funding for the Department for Communities and Local Government. We have asked and been told that there are no Barnett consequentials, unfortunately.

**The Chairperson:** There have been discussions around the landlords allowance. Do you have any concerns about going down that route?

**Mr McClure:** By coincidence, I will talk about that later. The discount given to landlords is almost a handling allowance. It is driven by the need to maximise revenues, particularly for those areas of the housing market where tenants move in and out all the time. Land and Property Services (LPS) would simply spend all its time chasing those people to no great effect, so, providing an allowance to persuade landlords to collect rates on behalf of LPS is a means of maximising revenues. We want to make changes.

**The Chairperson:** How long has that been in place?

**Mr McClure:** There has been some form of landlord discount since 1929, so it has been a feature of the Northern Ireland rates system for many years. It is not currently a feature of the council tax system in GB, but the council tax system in GB had different origins. It was a hurriedly put together policy that came out of the whole poll tax debacle, but we have had landlord liability in the rates system since 1929.

**The Chairperson:** Is there a similar incentive in other jurisdictions? If that incentive is lacking, is there a different behaviour or response in general?

**Mr McClure:** We have not looked beyond the British Isles for discounts for landlords.

**Mr Andrew McAvoy (Department of Finance and Personnel):** There is, however, a hierarchy of liability in GB. It works slightly differently from the liability structure here. If landlords cannot get the money from the occupier, they move down that hierarchy until they get the rates or the council tax paid.

**Mr McClure:** This is something to do with the landlord. It is not affecting households, because they will just pay the rates that are due. It is the landlords who will take the discount. It is not intended to be passed through to the residents. It is an issue around handling revenues and the most effective way of collecting rates from tenants who tend to change quite frequently.

**The Chairperson:** There were a couple of different views on the early payment discount around cost saving and what would be made if that were taken away altogether, but it also ensures that you get the revenues in sooner.

**Mr McClure:** That is an interesting one. I would say that the Minister is in Mr Cree's camp, considering the views that he put forward on some of the hard cases. The analysis that we undertook when we last looked at this around two or three years ago was from the continuous household survey, which showed that a higher proportion of those availing themselves of early payment discount were of pensioner age. It was for that reason that the Minister wanted to keep it at its existing level rather than look at the issue of public revenues, because, as somebody said earlier, the preferred method of payment for LPS is direct debit. In an age of resource accounting, providing a discount does not make a big difference to public finances. Our Minister has been in favour of retaining it, for, I think, the reasons that Mr Cree outlined.

**The Chairperson:** On modelling and the different options, can you provide estimated savings from, for example, reducing rather than removing some of the other forms of current support, including the non-means-tested schemes?

**Mr McClure:** The early payment discount is £4 million. If you take that down to 2%, it will be £2 million, so that would be pro rata. There has been a lot of discussion around the maximum cap, and it is interesting. People are asking how many older people are in those high-value houses. The analysis that we have undertaken so far reveals that there are around 5,000 above the cap, of which around 10% avail themselves of the lone pensioner allowance as well. Therefore, it is quite an interesting statistic. Around 10%, or 500 households, in Northern Ireland get both the lone pensioner allowance and the maximum cap.

**Mr Cree:** Perhaps I can put the same question to Brian about the Institute for Fiscal Studies' idea that they should all be treated the same; in other words, that universal credit be treated as income. What is your view on that?

**Mr McClure:** We have had a lot of discussion with the Institute for Fiscal Studies. We did not work on its report, but we took an active interest as the report was developing. Certainly that is a view that we could share. As regards doing something fairly straightforward for the immediate future, we could treat universal credit as unearned income and maintain the existing system of assessment under rate rebate. We think that that would work only for a while, because when universal credit starts to be introduced, it will become unmanageable. It might be a solution that would work in the short to medium term.

That is effectively how the default schemes, as they are called, that some local authorities in GB will adopt will be treated.

**Mr Cree:** That is frowned on here really, is it not? I have not heard anyone argue for that yet.

**Mr McClure:** In some ways, it might be the only solution that is available to us in the short term because of IT considerations and the very short time that is available to us. I agree with Les Allamby when he says that we will probably have to take a phased approach to that. I think that one of those early phases would be when universal credit is introduced in April 2014, or whenever it is introduced.

We would have to make do for a short period while we develop systems more fully to have a more radical solution that will use universal credit in a better way.

**Mr McAvoy:** We have been looking, along with Citizens Advice, at a slightly more refined version of that treatment of universal credit as unearned income and at the possibility of balancing housing costs with that in universal credit calculations. That work is ongoing. We are fairly positive about it. We want Citizens Advice to have a look at it with us to see whether there is any merit in that approach.

*(The Deputy Chairperson [Mr D Bradley] in the Chair)*

**Mr McClure:** We are arranging meetings with it to take that a bit further in order to take us to the next stage.

**Mr McAvoy:** It had raised that idea as part of that process in the consultee meetings.

**Mr Cree:** Does that mean that it is too optimistic to expect us to get it right first time?

**Mr McClure:** That is one of the reasons that we are having two consultations. I think that someone asked why we do not just have one big consultation. One fear of ours was that we do not have the information to make all the right decisions. Therefore, what we wanted to do was to have one consultation to give us a better sense of direction and, with that direction, be able to produce options for developing a workable scheme. That is the approach that we intend to take, and we have just completed the first phase.

Out of that consultation, we have actually got a lot of quite good ideas. Some of the big choices as to how to deal with cuts will perhaps be more difficult. It is for the Executive to make decisions on whether they want to make up the shortfall through cutting some of the other non-means-tested benefits, cutting back on the rate-relief scheme, making up the shortfall through public expenditure or slimming down the scheme by targeting certain groups or top-slicing. All those options will be presented to the Executive, informed by the views that we have received so far.

No final decisions have been taken. They will have to follow the second consultation. We will have to turn this around fairly quickly.

**Mr Cree:** What sort of time frame are you talking about, Brian?

**Mr McClure:** We hope to get a preliminary report to the Executive next month. All the modelling that everybody spoke of has been going on for the past few months, and it will continue to go on. We will publish that — we have to publish it. We have to do an equality impact assessment and an integrated-impact assessment. We will do all those initial assessments by the time that the next consultation goes out. We hope to do that if not next month, the month after.

**The Deputy Chairperson:** I will ask you a question similar to the one that I asked the community and advice sector earlier. If, for example, we go for sub-option 1.1 and those other rate-relief schemes are removed, there may be some vulnerable people in those categories. How can we reintegrate them into sub-option 1.1?

**Mr McClure:** If we are starting to consolidate some of those support measures, we need to make sure that we do not leave some very vulnerable people behind. We have not shared all our thinking with the Minister yet, but we have been giving some thought to a hardship scheme that could deal with exceptional cases. There are issues around developing a discretionary scheme, but we think that it might be necessary to deal with any rough edges that occur. Some difficult choices will have to be made, but we do not want to make choices that create really hard cases. Therefore, in line with more consolidated support, we might have to develop more of a safety net through having a hardship scheme.

**The Deputy Chairperson:** Would that be some form of an appeal mechanism?

**Mr McClure:** No. We would still retain the existing rights of appeal that exist under rate rebate. We might call it something different, but we would maintain the basic right of appeal. That is more to deal with cases that have inadvertently fallen outside the net.

**The Deputy Chairperson:** Have you any more detail on it at the moment, apart from the general concept?

**Mr McClure:** No. We are going to develop it in the coming weeks. It was something that we looked at back in around 2005. Under direct rule, consideration was given to a hardship scheme, so we are not starting exactly from square one. However, I have not shared that thinking with the Minister yet, so I will need to have a conversation with him about that. At the moment, we are in listening mode, but we are going to have to turn that very quickly into recommendation mode for the Minister, who will then have to put recommendations to the Executive.

**The Deputy Chairperson:** In the responses that you have to date on the proposals, what sort of reaction did you get from the representatives of the age sector?

**Mr McClure:** Not surprisingly, they said that we should retain all the support measures for pensioners, and lone pensioner allowance in particular. There was a lot of discussion this morning about the lone pensioner allowance and the merits and demerits of changing it. It was introduced by this Administration because it was recognised that older pensioners living alone are more vulnerable, and they are also less likely to claim. One of the pros for retaining the lone pensioner allowance is the fact that it is very easy to apply for it: it is a one-page form. However, there are issues around whether all those who avail themselves of it need to do so. It was introduced because it was recognised that there was a lower take-up among pensioners living alone, and they tended to be more socially isolated.

**Mr McQuillan:** I was just going to ask that question. Do you think that the scheme is big enough for you to be able to split it and to identify those who can afford to pay? I am talking about older pensioners.

**Mr McClure:** I think that we are going to struggle with the analysis.

**Mr McAvoy:** We would not gather that information because it is not means-tested as part of the application process. However, we can chart some of the recipients of lone pensioner allowance, locate them against wards and use that analysis against ward deprivation listings. That would give an indication of whether it is section 75 wards or not.

**Mr McClure:** Clearly there are limitations to doing that on a location basis. You can get poor people in affluent areas.

**Mr McQuillan:** Yes, and especially in rural areas, which was touched on.

**Mr McClure:** It is particularly so in rural areas.

**Mr McQuillan:** How many people avail themselves of the 4% discount that you get for paying your rates up front? Do you have any figures for that?

**Mr McClure:** It is 19% of all ratepayers.

**Mr McQuillan:** Is there an age profile for that?

**Mr McClure:** It is probably just under 100,000 people.

**Mr McAvoy:** Yes, of the people paying.

**Mr McQuillan:** Do you think that the 4% is the incentive to pay, or is it just that some people normally pay a bill once it comes through the door?

**Mr McClure:** The last time that we looked at this in some detail, which was two or three years ago, the analysis that we got from the continuous household survey suggested that a much higher proportion of those who availed themselves of the discount were of pensioner age. That is the only analysis and the only breakdown that we have. The Executive were putting through a number of pensioner-friendly

policies at that time, and one of the reasons that the discount was retained was because a higher proportion of pensioners took it up, as opposed to the general public.

**Mr McQuillan:** Is there any merit in doing a bit more work on that to see whether —

**Mr McClure:** Yes, we will be doing more work on it.

**Mr McQuillan:** I suppose that we will hear about it.

**Mr McClure:** It will be published and consulted on. We have to do it as part of the equality impact assessment anyway, because older people are a section 75 group.

**The Deputy Chairperson:** Thank you for your responses.