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CIH Northern Ireland response to the Department of Finance consultation paper on domestic rating measures

General comments

We welcome the consultation on domestic rating measures. In the pursuit of improving the sustainability of public finances, it is imperative to recognise that revenue generation is not just a choice but a critical imperative. Identifying avenues to enhance the sustainability of public services and finances is crucial, facilitating the long-anticipated transformations of service delivery. This is particularly vital to enable the appropriate financing of much-needed housing and services upon which people rely.

Q1. Should the maximum capital value cap be removed?

Yes. The current cap, introduced to prevent ratepayers in Northern Ireland from surpassing the highest Council Tax bill in England, lacks relevance. The highest domestic rate bill in Northern Ireland (£4,219) is below the maximum Council Tax bill in Great Britain (£5,090). Removing the cap aligns with the original policy intent, indicating an uplift is warranted. A new ceiling should be implemented that ensures ratepayers do not exceed the equivalent maximum Council Tax bill.

Q2. What, in your view, would be the impact of removing this support?

While property value often correlates with household income, concerns arise about affordability, especially for 'asset rich, cash poor' low-income households. Some relief may be provided through existing schemes, such as the rate rebate scheme for working age universal credit recipients, and low-income rate relief for low-income pensioners receiving housing benefit. However, further consideration is warranted, particularly for mortgage payees under universal credit. Discrepancies in support for rents versus mortgages highlight the need for additional measures to address this disparity, given the three-month requirement for Support for Mortgage Interest (SMI) claims.

Q3. Should the early payment discount be removed?

Yes. The diminishing popularity of the early payment discount, used by only around 20 per cent in 2022/23, suggests its removal would be financially prudent. The revenue saved (£7.9m) could be redirected to strategic programmes in the challenging spending environment, providing more value to the Northern Ireland Executive. Considering the increased efficiency of direct debit payments, the early payment discount's cost may outweigh its administrative benefits. Although, the department should first satisfy itself of this fact. Other regions in the UK that have Council Tax do not provide for early payment incentives.

Q4. What, in your view, would be the impact of removing this support?

Affordability concerns, especially given the current high cost of living, are paramount. While those able to make lump sum payments may be less affected, the general impact would be a four per cent increase for those opting for full payments.

The revenue saved from removing the early payment discount could be better utilised in programmes of strategic importance amid the tough spending environment.

Q5. Should the landlord allowance of 10% be removed?

No. The allowance for landlords should be retained. This recognises that landlords act as collection agents in a system where the occupier pays, which maximises revenue collection. For example, the private rented sector accounts for around 132,000 households and most private tenancies last for less than two years. This would lead to challenges in reclaiming outstanding rates from some tenants who move around. Social landlords acting as collection agents grants LPS access to rates for around 120,000 households. Furthermore, landlords incur associated costs in acting as agents, and it is fair that they be remunerated if compulsory landlord liability persists.

In contrast to other parts of the UK with Council Tax, where there is no comparable discount or landlord allowance, the distinction arises from the fact that residents in Great Britain are individually responsible for council tax, and the concept of landlord liability does not exist in that system.

Q6. What, in your view, would be the impact of removing this support?

Removing this support would further impact landlords' finances, who currently face budgetary constraints amid growing demand for social and privately rented homes. For private landlords, this would further disincentivise leasing, exacerbating supply and affordability issues. A holistic approach to housing policy is crucial to avoid unintended consequences. Maintaining the landlord allowance is justified, ensuring compensation for costs incurred by landlords and maintaining financial viability. This approach represents a better overall financial return to the Land and Property

Services (LPS) than compulsory tenant liability with no allowances, considering the associated costs and administrative complexities.

About CIH

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple – to provide housing professionals and their organisations with the advice, support, and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world. Further information is available at: www.cih.org.

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