Consumer Council Response to the Department of Finance and Personnel's consultation on the Review of the Landlord (Article 21) Rating Allowance

Our reference: PD20010604
October 2010

The Consumer Council welcomes the opportunity to respond to the Department of Finance and Personnel's (the Department) consultation on the review of the Landlord (Article 21) Rating Allowance.

In our response to the Department's consultation in August 2008 we supported both the rating of empty homes and the continuation of the allowance to landlords in both the private and social sectors who enter a voluntary agreement to recover rates on behalf of the Department. With the introduction of empty home liability at 100 per cent from 1 October 2010 we understand the need to review the level of allowance.

We continue to support the principle of the allowance and the amended allowance levels as set out in the consultation document. Given the scale of rates arrears in Northern Ireland the fair, effective and efficient collection of rates is to be encouraged.

Our support is not unconditional and we would make the following comments.

Additional revenue

The Department estimate that the net benefit of the reduced allowance will be c£6m per annum (c£3m reduction in total allowance paid and an increase in collected rates of c£3m).

The Department estimated that the rating of empty homes at 100 per cent could raise a maximum of £31m[1].

The Department should explicitly state what it will do with this potential additional revenue. The consultation states vaguely that the increased revenue will be available to spend on public services.

We have previously stated that a cap must be set on the total to be generated through domestic rating. With the CSR announcement on 20 October 2010 reducing revenue by 8 per cent and capital by 40 per cent over four years[2] we understand that the NI Executive may need to review the total revenue cap. Any such review must also look at how the tax requirement is distributed fairly across the tax-base.

[1] DFP consultation on the rating of empty homes: May 2008
[2] Figures from DFP analysis of the CSR announcement

Additional revenue from sources such as the rating of empty homes and the reduced landlord allowance, and reduced allowance payments, must be used to reach the defined cap and reduce the tax burden on households. Revenues should not be allowed to increase unreservedly.

The Department should explain how the predicted c£6m benefits of this policy will be assessed to ensure the benefits are being realised and publicly reported.

Communication

The Department should communicate clearly the reasons for and changes in allowance levels before they are implemented. We have previously commented on how there needs to be a direct, clear and well defined correlation between tax and service provision. It is a duty on Government to clearly explain to consumers the rating system and how rates are spent, including demonstrable value for money and performance.

This should be coupled with a public education campaign to raise awareness of the rates assistance available and to promote the uptake of benefits.

Potential Loophole

In our response to the rating of empty homes consultation we had concerns that a loophole may be inadvertently created as owners of empty properties not intending to sell or occupy the properties provide potentially substandard properties to the rental market, saying their intention is to seek tenants without ever doing so, and enter a voluntary agreement in order to receive the allowed discount.

While recognising that the proposals in this consultation would reduce the size of the incentive we would repeat our request for further information from the Department on how this potential loophole may be closed or instances of this practice be dealt with.