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Rate Rebate Replacement Arrangements

Rating Policy Division
Brian McClure

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Welcome

- The third in a series.
- This presentation will explain the Department's proposals for a new long term rate rebate scheme.
- All available team from RPD here and some LPS staff.
- Bilateral meetings can follow.

Background

- Previous consultations were about an interim scheme to cope with the early introduction of Universal Credit (UC).
- Delays in UC should allow time to go straight to a long term rate rebate scheme.
- Stakeholder engagement helped shape interim scheme.

Background

- We are subject to wider welfare reform changes in particular UC.
- We cannot control what will happen in relation to UC, housing costs etc therefore despite the uncertain policy environment we cannot take a “wait and see” approach if we are to maintain help with domestic rates for those who need it.
- Early policy development is needed to allow time for procuring a new computer system, staff training etc.

Background

- The main issues that stakeholders raised in earlier consultations were:
  - targeting those least able to pay
  - avoiding top slicing
  - including a work incentive

- We used Analytical Services Unit in DSD to model the effects of both options.

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The Consultation

- Consultation applies to working age only.
- Claimants of state pension credit age will be subject to a further consultation when appropriate.
- This Consultation is NOT about reducing support for rates.
- It seeks views on proposed new methods of determining entitlement to rate rebate.

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Consultation Process

- 12 week consultation process ending on 16th February 2015.
- The Department will take stakeholders views into account and bring forward firm proposals for the new scheme.
- The new proposals will of course be subject to political agreement.

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CONTEXT

- Welfare reform: Housing Benefit will gradually be abolished.
- Rate Rebate will no longer be a social security benefit.
- Cost of administration of scheme should be proportionate to the amount of the award.
- UC will be the main working age benefit; as far as possible the Department would like to use the information from UC for rate rebate for ease of administration and for customer convenience.

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AIMS

1. Target those least able to pay rates in harmony with welfare reform principles – making work pay.
2. Simplify the rules.
3. Provide value for money.

The Models

Two Models for consideration: both developed with no top slicing using the current cost of HB rates for comparison purposes– tapers and earnings disregards can be adjusted to take account of available budget:

Model A: relies on UC which is a condition of entitlement to rate rebate and no separate means test is needed. This is the Department's preferred model.

Model B: this model is an adaptation of a model put forward previously as the interim rate rebate replacement scheme (previously known as Model 8). It requires the same complex means test as the current Housing Benefit scheme.

Passporting

Currently around 80% of cases are passported from other income related benefits to housing benefit rate rebate i.e. automatic entitlement to full award when claimed.

The current passporting benefits will no longer exist. UC cannot be used as a passport because it will have a much larger client base than the current income related benefits and is not affordable.

Both the Department and stakeholders recognise that passporting is the ideal solution but as it is too costly, other options need to be considered as an alternative e.g. simplified rules.

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Rate Rebate interaction with UC

Universal credit

- It is means tested to help low income or out of work families.
- Its main aim is to have a fair system that “makes work pay”.
- Claimants must accept a claimant commitment.
- It is open to everyone of working age to claim.

As the aims of the Rate Rebate scheme for working age are similar, it is practical to use the data from UC to determine the Rate Rebate award.

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Model A

- UC maximum amount is the income threshold.
- UC is taken into account as income.
- Earnings disregard = half of UC work allowance figure.
- Taper applied to excess income (as assessed for UC but with the adjusted earnings disregard).

All information will be available from UC allowing a straightforward calculation of rate rebate entitlement.

Model A

- All the assessment information required is available through UC award notice.

- 5 pieces of data required from UC:

1. date of UC entitlement;
2. UC maximum amount (the income threshold);
3. UC work allowance amount;
4. claimant's income assessed by UC; and
5. UC award amount.

Model A Calculation

Compare UC MAXIMUM AMOUNT to claimant's INCOME (as assessed for UC).

INCOME: UC award amount +
earnings less ½ of work allowance +
unearned income

If total INCOME does not exceed the UC MAXIMUM AMOUNT then full rate rebate is awarded.

If total INCOME EXCEEDS the UC MAXIMUM AMOUNT, take 10% of the excess income figure and deduct it from the rates liability to determine partial rate rebate award amount.

MODEL A – example rate rebate calculation

Example 1: single claimant unemployed, > 25 years old, rates liability £45 per month.

UC maximum amount £314.67

Income:	UC award amount:	£314.67
	Earnings	NIL
	Other income:	NIL
TOTAL INCOME		£314.67

Income (£314.67) does NOT exceed UC maximum amount (£314.67) therefore FULL RATE REBATE of £45 per month awarded.

MODEL A – example rate rebate calculation

Example 2: single claimant, > 25 years old, net earnings £200 per month, rates liability £45 per month.

UC maximum amount £314.67

Income: UC award amount:	£256.82
Earnings (£200) LESS ½ of work allowance (£55.50):	£144.50
Other income:	NIL
TOTAL INCOME	£401.32

Income (£401.32) exceeds UC maximum amount (£314.67) by £86.65.
10% of excess income (£86.65) = £8.66

RATE REBATE AWARD: rates liability (£45) LESS 10% of excess income (£8.66) = £36.34 per month.

Model A - Modelled Gainers/ Losers

Gained Award	Increased Award	Reduced Award	Lost Award	Excluded – No UC	No Change
45,000	18,000	15,000	2,000	16,000	97,000

Model A – reasons for non-entitlement to UC

1. Excess income/earnings.

2. Claimant commitment.

3. Excess capital.

Excess Income

- Majority self employed and Minimum Income Floor applied by UC – policy is that if self-employment does not pay, UC will not subsidise.

- Others not entitled to UC as actual income exceeds UC threshold – UC taper only applies to earnings.

- Mixed aged couples obliged to claim UC rather than SPC – UC thresholds less generous than SPC thresholds – those already claiming SPC will remain on SPC.

Claimant commitment

- UC requires individuals to sign up to a claimant commitment .
- Under the modelling it is assumed that some will not agree to claimant commitment – consequently not entitled to UC these are:
    - early retired;
    - mixed age couples.

Excess capital

- Claimants not entitled to UC due to excess capital:
    - Mixed age couples (UC has less generous capital limits than SPC).

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Model B

- UC maximum amount is the income threshold.
- Unearned income taken into account per current housing benefit rules.
- Earnings disregards = One and a half times the current HB earnings disregard.
- UC taken into account as income.
- Non earners entitled to UC passported.

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Model B

- Keeps many features of HB – adapted to take account of UC but with less passporting.
- Needs its own means test and complex conditions of entitlement e.g. residence, capital, income, earnings, non-dependants*.
- Claimants will need to provide full assessment information*.

* not needed for Model A.

MODEL B – example rate rebate calculation

Example 1: single claimant unemployed, > 25 years old, rates liability £45 per month.

UC maximum amount £314.67

Income:	UC award amount:	£314.67
	Earnings	NIL
	Other income:	NIL
TOTAL INCOME		£314.67

Income (£314.67) does NOT exceed UC maximum amount (£314.67) therefore FULL RATE REBATE of £45 per month awarded.

MODEL B – example rate rebate calculation

Example 2: single claimant, > 25 years, net earnings £200 per month, rates liability £45 per month.

UC maximum amount £314.67

Income: UC award amount:	£256.82
Earnings (£200) LESS enhanced HB disregard (£7.50):	£192.50
Other income:	NIL
TOTAL INCOME	£449.32

Income (£449.32) exceeds UC maximum amount (£314.67) by £134.65.
20% of excess income (£134.65) = £26.93

RATE REBATE AWARD: rates liability (£45) LESS 20% of excess income (£26.93) = £18.07 per month.

Model B – Modelled Gainers/ Losers

Gained Award	Increased Award	Reduced Award	Lost Award	No Change
9,000	10,000	9,000	8,000	118,000

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Other Policy Changes

- Start Dates
- Changes of Circumstances
- Overpayments
- Appeals
- Payment Methods and frequency

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Proposals - Start Dates

- Models A and B - Prescribed time for claiming extended to 3 months e.g. rate rebate claim received 28 July 2016 can be treated as made as early as 29 April 2016.
- No discretionary backdating.
- For Model A it is only a matter of establishing that the claimant was entitled to UC during the 3 months.
- For Model B it will be necessary to establish all details for the full 3 months.

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Proposals - Changes of Circumstances

- Rate rebate awards reviewed annually except for changes in amount of liability e.g. on change of address, death of a claimant.
- This is a more proportionate use of resources - average award of just over £500 per annum.
- It gives the vast majority of claimants certainty on the level of their rate rebate.

Changes of Circumstances cont.

Number of changes in current scheme:

Year	NIHE	LPS	Total
2013/14	948,440	52,619	1,001,059

Number of changes of address in current scheme:

Year	NIHE	LPS	Total
2013/14	11,419	3,676	15,095

The average weekly rate rebate award across both the tenant and owner occupied sectors in 2013/14 was £10.06.

Proposals - Overpayments

- Overpayments will be recoverable.

Model A

A Rate Rebate award is in effect an extension of the UC award. Therefore if it is decided to recover an excess payment of Rate Rebate the person from whom it is recovered will be the same as UC has determined.

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Overpayments – Model B

- Overpayments arising from Model B (particularly non UC cases) require their own overpayment adjudication using similar rules currently required for HB/UC.

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Proposals - Appeals Model A

- All complex determinations are made by UC. Rate Rebate decision is based on UC dates and amounts with a simple calculation to determine entitlement.
- No discretionary backdating or fact finding functions.
- Overpayments follow the UC determination.
- No appeal mechanism warranted but UC can be appealed. Redress via a 2nd tier internal review and Judicial Review for administrative issues.

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Proposals - Appeals Model B

- Model B will require the more detailed appeals system that currently exists for Housing Benefit (and other social security benefits).
- Determinations will replicate those undertaken for HB e.g. income, capital, non-dependants, overpayments etc.
- There will need to be appeals that use the same mechanism as social security benefits.

Crediting of Rate Rebate Award

Proposal

- Rate Rebate Award will be ‘credited’ to the appropriate Ratepayer Account in line with the Current Operation Model for Owner Occupiers.

Crediting Frequency

Proposals

- Owner occupiers – credited annually as is the current position.

- Tenants – monthly in arrears in keeping with UC assessment.

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Hardship/Safeguarding

The Department is satisfied that it will capture those most in need however will consider whether any safeguarding is required.

- Is there a need for hardship/safeguarding provisions?
- If so nature of these provisions e.g. discretionary?
- Would a benefit uptake initiative, as suggested in earlier consultations be better?
- Should it be time bound?
- Is this the best use of funding?

Discussion

Open Discussion