

Review of Rates Liability in the Domestic Rental Sector – Draft Response to consultation	17 May 2016
Corporate, Policy and Resources Committee – For decision	

Linkage to Council Strategy (2015-19)	
Strategic Theme	Leader and Champion
Outcome	
Lead Officer	David Wright
Cost: (If applicable)	

1.1 Background

Causeway Coast and Glens Borough Council has been invited to respond to the Department of Finance and Personnel issued Consultation on the Review of Rates Liability in the Domestic Rental Sector

1.2 Detail

Attached is a draft response to the above consultation, a response is required to the Department by 3rd June 2016.

Please feel free to comment on the attached draft.

1.3 Recommendation

It is recommended that the draft response is approved and submitted to the Department in line with the specified deadline.

Causeway Coast and Glens Borough Council response to the DFPNI Consultation on the review of rate liability in the domestic rental sector

17th May 2016

The following paper is written in response to the DFPNI consultation on the Review of rate liability in the domestic rental sector. This draft will be considered by Corporate, Policy and Resources Committee Committee, prior to submission to the Department. The official closing date for this consultation is 3rd June 2016.

Introduction

Causeway Coast and Glens Borough Council consider rating reviews to be of great importance and have been working closely with the Department of Finance and Personnel in relation to its ongoing work on rating policy.

Council believes that the need for transparency, simplicity and increased accountability is the key to any policy regarding rates. The public should be able to understand all charges levied upon them and know what they are used for.

Comments in response to DFP Consultation Questions

1 Who should be liable for the payment of rates to LPS, the landlord or the tenant?

Council believes that from a financial risk perspective the liability for rates in the domestic rental sector should lie with the landlord despite the fact that this does appear to go against the general rule regarding rates that the occupier pays. By making the landlord liable Land and Property Services (LPS), who collect rates on behalf of Councils have a more informed position from which to recover any outstanding rates.

2 Which, if any, of the policy options proposed in Section 4, reflects your preference?

Option 4, Remove £150,000 threshold from Article 20, would be closest to the views of Council on the matter. However Council is also of the opinion that the levels of allowance granted to landlords under current arrangements are also examined with the possibility of their reduction from to a lower level, option 3 discusses their removal completely

however Council believes given the timing of when rates are collected from landlords there still needs to be some incentive given to landlords for collecting rates from tenants on LPS's behalf. As an alternative Council believes making the payment of rates in this sector by direct debit on a monthly basis mandatory, or at least encouraging landlords to pay rates to LPS via this method, thereby aligning the payment of rates with their collection from tenants could pave the way for the complete removal of the landlord's allowance. If direct debit is not mandatory and an allowance remains for payment under current regulations then there will be no incentive for landlords to make the change to direct debit.

Council would be strongly against changes of the nature described in option 5 where there is a risk that such moves could result in additional burden being passed onto the tenant by landlords. Typically tenants in this sector include a large proportion of the more vulnerable in our society and those who are on lower incomes therefore extreme care must be taken to ensure that these individuals and families are not potentially further disadvantaged by changes to legislation.

3 In relation to the answer(s) provided for Question 1 and 2 above, please detail your reasons.

See answers to q1 and q2.

4 If landlords are to continue to be subject to a category of compulsory liability (as is currently the case under Article 20) should there be a capital value threshold?

As indicated in the response to question 2 above Council are of the opinion that the threshold is removed.

5 If you think that there should be a capital value threshold, is the present level of £150,000 too low or too high?

Council are of the opinion that the current threshold is too low.

6 If the valuation threshold for compulsory liability in Article 20 were to be removed then what implications do you think this would have for the voluntary arrangement mechanism provided by Article 21?

Council believes that removal of the threshold almost renders Article 21 redundant however also recognises the requirement for article 21 to be retained covering times of vacancy. Removal of landlord's allowances by way of a mechanism such as the direct debit method described in the response to question 2 would make Article 21 totally unnecessary.

7 Should landlords be paid a collection allowance?

Council are of the opinion that should the current collection mechanism be retained then some form of allowance should be paid to landlords to compensate them for effectively paying an element of rates in advance of having received the money. Council believes the current level of allowance should be reviewed with a view to possibly reducing it but not removing it completely unless the collection mechanism changes.

8 Should social sector landlords be paid an allowance?

Council are of the opinion that should the current collection mechanism be retained then some form of allowance should be paid to social sector landlords to compensate them for effectively paying an element of rates in advance of having received the money. Council believes the current level of allowance should be reviewed with a view to possibly reducing it but not removing it completely unless the collection mechanism changes. Council takes the view that this sector typically deals with the more vulnerable in our society therefore any adverse impact of changes to the regulations in this area in particular must be clearly thought through and such changes should not be implemented if any adverse impacts cannot be avoided.

9 Should any housing body be paid an allowance?

Council are of the opinion that should the current collection mechanism be retained then some form of allowance should be paid to housing body landlords to compensate them for effectively paying an element of rates in advance of having received the money. Council believes the current level of allowance should be reviewed with a view to possibly reducing it but not removing it completely unless the collection mechanism changes. Council takes the view that this sector also typically deals with the more vulnerable in our society therefore any adverse impact of changes to the regulations in this area in particular must be clearly thought through and such changes should not be implemented if any adverse impacts cannot be avoided.

10 Does the Department provide clear guidance on liability in the landlord sector?

Council believes the current guidance is quite straight forward and clear however the various arrangements and options are not well enough publicised meaning that not everyone who could avail of for example an article 21 agreement is doing so because they are not aware of it's existence.

11 Do third parties, such as letting agents provide landlords and tenants with an accurate view of the legislation in this area?

Council believes third parties such as letting agent are generally a very good source of advice and information on legislative areas such as this, however not everyone will want to use that particular mechanism to either rent or let a property therefore it is vital that the information is made as widely available as possible and is drafted so as to make it easily understood by any member of the public.

12 What further methods could the Department employ to ensure that there are clear lines of responsibility for rates payments in this sector?

The best way to ensure clear line of responsibility is to firstly ensure that the regulations are as simple and straightforward as possible thereby removing any ambiguity from their interpretation and implementation. As was suggested above if the need for article 21 can be removed by other means then this can only assist to create those clear responsibilities. Secondly the publication of the regulations should be made as widely as possible and be drafted in clear concise language for any member of the public to easily understand.

13 How can the method outlined be both fair and contribute to effective collection?

Clearly established lines of responsibility will enhance the fairness of the methodology since everyone should be fully aware of their own areas of responsibility and liability with regards the payment of rates. The current arrangements are actually quite effective on both regards therefore it is vitally important that any amendments to the regulations are not a backward step.

14 How can the Department best deal with private contractual agreements made between landlords and tenants that go against rating law?

The major difficulty for the Department in dealing with such arrangements is knowing about their existence in the first place. Council believes that by keeping the regulations as simple as possible and establishing a clear unambiguous line of responsibility with regards rates then it may be possible to remove the need for some or all of these arrangements to be put in place. Further making the regulations and guidance as widely and publicly available as possible to ensure as many sectors of society have access to this information will allow landlords and tenants to better informed and potentially not enter into any such agreements.

15 Do you consider that University run Halls of Residence should continue to get special treatment (full exemption) under the rating system?

At first glance this would appear to give an unfair advantage to the operator of the halls of residence however it must be taken into account that halls of residence do generally supply a higher level of service than that of private rental with the inclusion of services such as heating, security, cleaning, etc. The removal of the exemption could have an adverse impact of the already higher pricing with regards halls of residence or the downgrading of services provided. Whilst it is accepted that students do place a burden on public services Council recognises that the cost of third level education has increased quite dramatically in recent years therefore Council believes that any changes which could add to the cost of education should be avoided if possible, Council does not want to see cost becoming a barrier to university education meaning that only the better off in society would be able to avail of it education should be an opportunity for all. Were this exemption to be removed and the cost of halls of residence be increased as a result then it is reasonable to predict a possible increase in some of the private rental sector prices as well making third level education more expensive to everyone involved.

Conclusion

Council thanks the Department for ensuring continuing local government involvement in the development of new rating policies. We trust that the views of Causeway Coast and Glens Borough Council and of all councils will be taken on board within the consideration of the way forward following the closure of this consultation.

We are particularly pleased to see the presentation of radical ideas in the consultation paper, and Council seeks further involvement in the development of these ideas which the Department decides to take forward.

Any queries in relation to this response should be addressed to David Wright, Chief Finance Officer at Causeway Coast and Glens Borough Council - email: david.wright@causewaycoastandglens.gov.uk tel: (028) 70347152.