

NI Anti-Poverty Network



Position paper

Review of NI Domestic Rating System

with reference to Water & Sewerage Reform

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NI Anti-Poverty Network
58 Howard Street, Belfast,
BT1 6PJ
T: 028 9024 4525
F: 028 9024 4553
Email: info@niapn.org
Web: www.niapn.org

The Northern Ireland Anti-Poverty Network was established in 1991 to create a focus on poverty, we work to strengthen the NI Anti-Poverty lobby. The Network is a Company with Limited status and over 330 members drawn mostly from the community and voluntary sectors across Northern Ireland. The Network provides newsletters, organises seminars, meetings and conferences, undertakes research and disseminates information on poverty and social exclusion. .

Our vision is *‘a poverty free society’*

Our mission is *‘to end poverty by empowering communities and influencing government through research, education and campaigning.’*

Values

- **Eradication of Poverty**
NIAPN believes poverty can be eradicated and that the fundamental causes of poverty, not just the consequences, should be highlighted
- **Equality and Participation**
Everyone has an equal right to full participation in society and to benefit from its resources
- **Experience of Poverty**
People experiencing poverty are best placed to define the impact of poverty in their lives and to inform the priorities of NIAPN’s work
- **Collective action**
Change can only be brought about by collective action by those experiencing, and fighting, poverty
- **Respect**
Everyone has the right to be treated with dignity and respect
- **Equity, Diversity and Interdependence**
NIAPN believes in diversity, good community relations and a society that is free from all forms of discrimination. We recognise commonalities and obligations to others
- **Human Rights**
Economic and social rights are fundamental human rights which should be promoted and protected
- **Independent**
NIAPN is independent of Government and any political party or organisation, and is committed to working in partnership with its members and all those concerned with tackling the issue of poverty
- **Integrity**
NIAPN will have the highest standards of honesty, openness, integrity and accountability in all aspects of its work

Fairness

Northern Ireland needs a local revenue system that is fair, and takes account of wider economic, environmental and social policies. The Network accepts the need to modernise the domestic and non-domestic valuation systems as a source of revenue for the provision of services across NI. The Northern Ireland Anti-Poverty Network believes that the fairest domestic rates system for NI householders would be a system that is based on ability to pay. Such a system and its relief's must take into consideration, groups at greatest risk of poverty and those households existing on the edges of poverty.

Impact of rising housing costs on poverty levels

The inequitable increase in rates and the current Capital Valuation system is already impacting significantly on households across NI. Recent research from the New Policy Institute has demonstrated that a £5. per week increase in housing costs in NI would result in a rise in poverty levels of 1.5-2%. These figures are based on 2005-6 figures, pre our massive increase in house prices and rising rates bills. With these figures in mind it is apparent that the recent 55% increase in house prices will massively impact on all households come 2010 revaluation. We can conclude that many more households are being and will continue to be pushed further into poverty unless a more equitable system of payment is implemented as a matter of urgency.

This regressive rates policy contravenes the Northern Ireland Assembly's commitment to reducing poverty within NI. The outcome is increasing debt, resettlement to 'poorer or lower rates areas', the loss of neighbours known for a lifetime and the disintegration of diverse mixed income communities. There is also a negative impact on existing community infrastructures which is resulting in increased isolation for the more vulnerable sections of our community as family and community networks disintegrate.

Rates Cap

The Network is totally opposed to the existing capital valuation systems' cap on rates, as it protects the most affluent and spreads the burden of costs for rates revenue downward. In our opinion the percentage of an individual's income that goes to rates should be steady or rise as wealth or income increases

No exceptions for Landlords- Regulate Private Rents

The Network welcomes the rating of vacant properties. We are however concerned that private landlords are protected from paying a fair share of the NI rates bill via the relief's available to student tenants. We accept it would cause hardship and be unfair to place additional costs on the renting student and would call for the regulation of all private rents so that rates become a part of a reasonable and regulated rental cost.

Asset rich, Income poor

The current Capital Valuation system takes no account of households that are asset rich and income poor, or of the groups identified as at greatest risk of poverty such as lone parents and single low income households. Recent research on poverty in NI has identified families living on less than £300 per week are deemed to be living in poverty and recent statistics have indicated that over half of Northern Ireland's population have incomes of less than £300 per week. (Households Below Average Income 2005-6). 'Incomes in NI are lower than the rest of the UK... last year NI median incomes were £40 per week less than the UK.' It is common knowledge that NI is no longer the lowest earning region of GB, however the difference in earnings is marginal. 'The average weekly pay in 2006 was £1 per week less in the North East of England than in NI.' (P.McGill - Income Inequality, NI Anti-Poverty Network Anti-Poverty News September 2007). When we place this against our higher cost of living a more realistic picture of poverty in NI emerges.

Relief & thresholds for entitlements

The Network welcomes the introduction of a Rate Relief Scheme that will provide targeted assistance to those ratepayers who are on low incomes. We would call for the threshold for receipt of relief's to be based on 60% of the UK median measurement of poverty as defined by the UK Government. We would call for additional relief's for low income single households (in line with existing 25% relief's for single occupier households in England) and for larger families, particularly those with caring responsibilities of adults or children with a disability or long term illness. NI research tells us that households where the respondent is separated have the highest rate of poverty 54%, followed by divorced households 46% and of all persons in poor households 57% were female. (Bare Necessities, 2003)

Passports to relief

NIAPN also recommends that there should be an automatic relief for those in receipt of working tax & child tax credits as such benefits are intended to lift families out of poverty. The main concerns of NIAPN are that vulnerable members of Northern Ireland's community will suffer most: low income families, lone parents, larger families or families with caring duties for children.

Addressing Inequality

Debates on rates and water charges have gripped the minds of the NI public over the last five years because they go to the heart of growing levels of income inequality across NI. It is now commonly acknowledged that 'Northern Ireland is one of the most unequal societies in the developed world.' (Hillyard et al, 2003:43) Recent studies have clearly demonstrated that inequality is on the increase within NI, as increases in earnings are skewed toward the wealthy. 'The unequal distribution of financial resources within the population is now a marked feature of the socio-economic structure of the UK....over the last 20 years, a large and enduring majority of people (73% 2004) considered the gap between high and low incomes too large.' (Joseph Rowntree Foundation (JRF) article on Public Attitudes to Economic Inequality, August 2007)

Such a context places a significant burden on the NI Executive to produce and implement policies that do not further exacerbate the levels of poverty in Northern Ireland. Indeed there is an onus on our political leaders to implement progressive rates and water policies that protect and cushion the poor and those at greatest risk of poverty.

Water & Sewerage Reform

Water Charges

The Network is extremely concerned about the potential impact the introduction of separate water and sewerage charges will have on families living on low incomes across NI. We have no doubt that these proposed charges will cause significant hardship and result in a previously unknown phenomenon in NI, water poverty.

NIAPN Key Recommendations:

- 1 It is the Networks recommendation that the proposal for separate water and sewerage charges for NI householders should be abolished.
- 2 That the transfer of the water service to the Go Co, NI Water should be reversed. This service must be kept in public hands in order to make major savings on future operating costs.
- 3 That metering is not considered an option for NI householders.
- 4 That there is no separate billing for water & sewerage provision for NI householders: Domestic rates bills should be itemised to specify the amount of money paid from rates towards water and sewerage provision. There is no need for a separate billing system.
- 5 That the capital programme must be made subject to a specific public review.
- 6 That there should be an immediate review of liabilities for PPP's.
- 7 That there should be no retrospective attempt to charge for previous expenditure.

Additional concern: A separate water and sewerage charge based on the value of your property takes no account of income/ability to pay or family makeup - lone parent households, number of children, additional caring needs for elderly relatives or family members with a disability etc. The proposals as they stand are disproportionately discriminatory and favour the wealthy at the expense of the poor. The reliefs proposed for those living on benefits under the current proposed charging regime are inadequate: paying £2-3 per week out of a weekly income of £45 will cause significant hardship for many.

Cost of providing water and sewerage services

(data sourced from 'Financing Water in NI – A Critique and an Alternative' August 2007' Mr David Hall, Director of Public Services International Research Unit, University of Greenwich on behalf of NI Public Service Alliance NIPSA)

- The costs of the GoCo, billing system etc will add £50 million per year to operating costs for the next 7 years and will account for 27% of all operating costs for this period.
- NI Water plan efficiency savings, mainly by cutting over 500 staff, any proposed financial savings will be consumed by reorganisation costs.
- PPP/PFI costs increase from £2 million to £40 million per year by 2013/14 with costs being unalterable for the lifetime of the contract (25 years).
- PPP costs are to be treated as operating costs even though the bulk of the costs are capital costs.
- Projected capital expenditure has been increased to £250 million per year – the cost audits, and the Regulators assessments to justify this expenditure should be published for public debate.
- Projected capital expenditure is double the expenditure in England and Wales before taking account of the differential treatment of PPP costs.

- NIW is burdened with £150 million loan debt from the outset (unlike English and Welsh Water Companies at privatisation) with projected debt interest bills of £55.0 million by 2013/14.
- NIW is burdened with a Government demand for dividend payments which will increase to £48 million per year by 2013/14.
- The costs of the service increase by £144 million or 65% in 3 years.
- The GoCo regime and water charges were designed to switch the burden of financing of water and sewerage services from the Government to users.
- There is no compelling reason to introduce a full cost recovery water charging system and it is **not** a requirement of the EU Water Framework Directive.
- There is no requirement to operate a GoCo structure on the lines of a private company.
- The form of water privatisation in England and Wales is abnormal and not adopted by any other country in the world.

The real costs of providing water and sewerage services

- According to Mr Halls' report the total costs in 2013 (excluding capital charges) will be £367 million. However this is reducible to £282 million by eliminating reorganisation costs, debt and dividend payments and by a fair and justifiable allocation of a 'Green Dowry' of £400 million, spread over 7 years.
- The Network agrees with the Hall and NIPSA recommendations that the GoCo reform structures should be dismantled which will result in savings of £50 million per year. The future capital investment strategy for water and

sewerage services should be determined publicly and with a contribution from the UK Government to the NI Bloc Grant that reflects fairly:

- The Green Dowry for Water and Sewerage services in England and Wales funded by the tax payer at the time of privatisation (£400 million).
- The Governments past negligence in failing to invest in water and sewerage services infrastructure.

How these costs can be met

NI households were and are contributing to the cost of water and sewerage services through the Domestic Regional Rate. In 1999 each household was contributing, through the regional rate an average of £127 per annum. Domestic rates have continued to increase significantly since 1999: e.g. 2001-2006/7 the domestic regional rate poundage increased by some 85%. It is possible to calculate that NI households have been contributing on average £235 toward the cost of water and sewerage services prior to the regional rate switch to the capital value system in April 2007. (In 1999 it was estimated that an additional £35 per household, within the regional rate, would provide for an extra £50 million expenditure on water and sewerage services.)

- Mr Hall has calculated that in order to meet the 2013/14 projected costs of the services the required average household contribution in the regional rate would be £184 per annum.

Need for transparency and accountability

There is an obvious need for the current bureaucracy surrounding the GoCo structures, PPP/PFI contracts and the Departments shareholding and financial arrangements to be removed so that clear public scrutiny can be enabled. The NI public need to be able to scrutinise the proposed infrastructure investment costs and the role of Government to date in relation to investment and underinvestment in NI water and sewerage infrastructure. According to the Economic Research Institute for NI Dec 2004, the people of NI contributed over £1 billion towards investment in

water and sewerage services but the Government diverted this funding to other programmes.

The Network finally recommends that no more public money be spent on engaging external consultants - £18.5 million of tax payers' money has already been wasted on consultants for this reform process.

Additional data for the DFP to take into consideration:

According to UK research:

The Monitoring Poverty and Social Exclusion Survey (MOPSE 2006) carried out by the New Policy Institute emphasised the significant potential impact such charges would have on people experiencing poverty across NI.

- 20 per cent of households lack money-related essentials because they cannot afford them, including the capacity to pay utility bills (MOPSE, 2006, 15)
- There are higher costs for childcare in Northern Ireland than anywhere else in the UK (MOPSE, 2006, 20)
- Prices of individual fuels are higher in Northern Ireland than in GB (the most recent UK government estimate showing prices for fuel and light to be 13% higher than the GB average. This is then compounded by the fact that many households in Northern Ireland face a restricted choice of fuels and are not therefore able to use the cheapest. As a result, the problem of fuel poverty (household spend more than 10% of its income on fuel to heat its home) is more widespread in Northern Ireland than in England: in 2004, 24% of homes in Northern Ireland suffering from this condition compared with 9% in the North East of England and Yorkshire, the worst of the English regions. (MOPSE, 2006 20)

According to NI research: Bare Necessities 2003:

- ‘There are 185,500 poor households in Northern Ireland*. There are 502,200 people living in these poor households and 148,900 of these are children.’ (Hilyard et al, 2003:39) *total population of 1.7 million 2006
- ‘Northern Ireland also has lower income levels and higher deprivation than the rest of Britain.’ (Hillyard et al, 2003:54)

Frances Dowds
Director
NI Anti-Poverty Network
58 Howard Street
Belfast
BT1 6PJ
Tel: 028 9024 4555
Email: frances@niapn.org
Web: www.niapn.org