



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Local Government Finance Bill: Legislative
Consent Motion

20 June 2012

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Conor Murphy (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Mr Roy Beggs
Mrs Judith Cochrane
Mr Paul Girvan
Mr David Hilditch
Mr William Humphrey
Mr Paul Maskey
Mr Mitchel McLaughlin
Mr Adrian McQuillan

Witnesses:

Dr Veronica Holland	Department of Finance and Personnel
Mr Brian McClure	Department of Finance and Personnel

The Chairperson: I welcome Brian McClure and Dr Veronica Holland, who are here to give evidence. I invite you to make some opening remarks.

Mr Brian McClure (Department of Finance and Personnel): Thank you, Chairperson. There were many policy issues discussed in the last session. If there are any issues that you want to raise with us, as the departmental policy unit or particular points that were discussed in the previous session that you want to raise with us, we are more than happy to deal with them.

Mr McQuillan: Paul used the phrase "constructive destruction" —

Mr McClure: Constructive vandalism?

Mr McQuillan: Aye. Is there a better way of collecting rates on such properties? By charging rates on such properties, we seem to be giving people the push to take the roof off a building. That wrecks a town: if you have two or three such buildings in a town, you are snookered.

Mr McClure: We have an enabling power in the legislation so that if there are avoidance measures that we want to stamp out, we can take powers through the Assembly to do so. That begs the question: would you want to do that? Someone who does that is cutting off their nose to spite their face. It strikes us from a policy perspective that if somebody goes to those lengths to avoid paying rates, the building is probably at the end of its economic life and that might be a prelude to its being demolished. Implementing anti-avoidance measures can be quite harsh to some people, particularly if

they are stuck with a building that is past its economic life and there has not been a revaluation for a while, because then they are stuck with the previous valuation levels. There are issues there for us to look at. We undertook a policy evaluation in 2009, which looked at whether rate payers were deliberately damaging their properties to render them incapable of being used or lived in, but we did not find that. However, perhaps the decisions could be different now.

Mr McQuillan: Could some way not be found whereby they can knock the property down but have to develop the site within five years or something so that the rates go back onto it? It would give them a push to rebuild on the site, at least.

Mr McClure: That would be quite a serious power to take. It is not something that we have looked at; it would be something for the next evaluation that we undertake. The previous one, in 2009, found no evidence of that. We worry that imposing anti-avoidance measures would be harsh on some people.

Mr McQuillan: Public money is being used. Village renewal was one of the things that RDPs use, and it is coming from the Department of Agriculture and Rural Development. Public money is being used to regenerate villages and towns, but there will always be two or three properties that will never be redeveloped because they have no roofs. Public money is going in, but it is not having the required impact because there are developers who have property but who cannot afford to do anything with it. They cannot afford to pay the rates, so they leave it lying, hoping that things will get better.

Mr McClure: We could look at that, although it has not been looked at in any other part of the UK. They looked at introducing anti-avoidance measures in England about four or five years ago, but they decided that it would be too difficult to administer, and the issue was dropped. If there were a groundswell of opinion that we should look at it again, we could do so.

Mr McQuillan: There is no easy answer.

Mr McClure: I agree; there is no easy answer.

Mr Mitchel McLaughlin: Should we look at it not just as a consequence of the downturn? Not long ago speculators were buying properties in a rising market and then wilfully neglecting them to blight the market value of the adjoining properties. Whole streetscapes were bought up. There are two elements of this at a policy level that we should look at. We should remain confident that there will be a recovery from downturn. However, that brings its own difficulties at an individual level.

Mr McClure: It does. Often, whole blocks of property end up in the ownership of one individual, who, in effect, disappears. Even if everyone knows who it is, it is very difficult to do anything or to interfere with private property rights. It may be difficult to do something through the rating system, as it is based on properties being capable of being used; it has its foundations in a taxation system based on occupation.

With that comes the need for the property to be capable of being used. Even empty properties have to be considered on that basis. In order to rate an empty home, it has to be reasonably capable of being lived in, and the same goes for non-domestic properties. It is very difficult to change the rating system to make it an economic incentive for people to fix up their properties and stop them becoming derelict.

Mr Mitchel McLaughlin: Although that is exactly what the rating of empty properties was designed to address.

Mr McClure: The rating of empty properties was for properties that were capable of being lived in; that is all that we could ever deal with. The intention was that people would make those available from the market to sell or to let and, therefore, increase the supply of homes. That goes back to the Semple review of 2006, which looked at the very serious issues of housing affordability. That policy had its genesis in the 2006 review for the Department for Social Development (DSD).

Mr Mitchel McLaughlin: I want to complete the loop because this is what originally sparked my interest. Paul referred to returning properties to habitable use that are at present, perhaps, in the private sector but which could be used to meet social housing demand. Of course, if we can bring them into occupation, we can regenerate rates revenues and so on. Have you looked at that in the

round? That approach may have its problems — I can see some immediately — but has anyone looked at it to see whether it is a way of addressing social housing demand?

Mr McClure: Before the introduction of the policy, we wrote to DSD to advise it that the policy was in place. We suggested that it could contact the Housing Executive or the housing associations to see whether those properties were in areas of housing need and could be offloaded to the housing authorities and put to proper and productive use. I do not think that there was any success with that, but we did write to all the housing associations and the Housing Executive before the introduction of the policy. We did that for the very reason that you gave: to encourage houses back into occupation. If they could not be sold or let, we felt that they should be used for social housing.

Mr Mitchel McLaughlin: The housing authorities were not too fussed.

Mr McClure: We can point that out again. If the Committee wants us to write, I have no problem asking the Minister whether he would be prepared to write to his counterpart in DSD.

Mr Mitchel McLaughlin: I do not know the scale of the issues that we are dealing with or the cost of renovation versus, say, newbuilds. I do not have that information. It would probably require a detailed survey and a great deal of information to be pulled together.

Mr McClure: I expect that it would. This policy is pretty new; it came in last October, so it is almost too early to undertake an evaluation. However, when we do undertake an evaluation, that is exactly the sort of thing that we would want to look at.

Mr Mitchel McLaughlin: It might give us the opportunity to do a pilot project to evaluate the benefits — or otherwise.

Mr McClure: I think that it would be best left until the policy has bedded in for a bit more than a year, although we would want to look at it after that.

The Chairperson: Can I ask you to address the legislative consent motion?

Mr McClure: From my earlier briefing, members will be aware of the data sharing issue; I also wrote to the Committee to provide an update on the finalisation of the amendment to the Local Government Finance Bill. Members were given a copy of the draft amendment last month, and the Department had hoped to have that tabled following the Second Reading of the Bill in the House of Lords. Unfortunately, a UK-wide issue — it is not a big issue, but it is a technical one — has arisen around legislative cover for the sharing of information for appeal purposes. For that reason, the Northern Ireland amendment cannot be finalised until the Department for Communities and Local Government's (DCLG) amendment has been finalised and considered in a Northern Ireland context.

We advised Legislative Counsel in Westminster on the timing issues that we face, and have been told that the current Northern Ireland amendment cannot be tabled at this point. We do not expect the current context of the draft clause to change materially; however, it might be tweaked to include the late issue around its use for appeals purposes. In light of that, the legislative consent motion seeks agreement in principle to Westminster's considering amendments to the Local Government Finance Bill rather than to the specific clause. If we were to wait for the clause to be finalised, it would not be possible to have a legislative consent motion before recess, as Royal Assent of the UK Bill is expected over the summer.

It is an unfortunate issue of sequencing. The issue has materialised throughout the UK and is not of our making. We think that we have to go with the legislative consent motion in principle.

Veronica, you have dealt directly with the GB authorities. Is there anything that you want to add?

Dr Veronica Holland (Department of Finance and Personnel): I do not think that there is anything over and above what you said. As Brian mentioned, the timing is unfortunate. We asked Legislative Counsel whether we could table the amendment as we provided it to the Committee and deal with the appeals issue separately. However, they said that they would not allow the amendment to be tabled in its current form and that the appeals issue had to be settled at a UK-wide level and then looked at in a Northern Ireland context.

Unfortunately, we cannot table a finalised Northern Ireland amendment prior to the legislative consent motion being considered by the Assembly. We appreciate that that is not normally how things are done. However, as Brian said, the timing and the issues that have arisen are outside our control.

Mr McClure: It is far from ideal. The general purpose is a benign one in that rate payers require support. It is not of the Department's making; it is something that we have to deal with as a consequence of welfare reform. It does not give us significant new powers that we do not have, but it changes those powers because of the impact of welfare reform. Unfortunately, we are in reactive mode. It has thrown us out of sequence, and we believe that we have to seek approval for a legislative consent motion in principle rather than specifically, which is what we would normally do.

Dr Holland: If we waited until the clause was finalised, the Assembly would be in recess; GB would have its Bill finalised, and it would be too late to complete the process. Our understanding is that if consent is not given before the Bill is finalised, the amendment would be withdrawn. Normally, if consent is not given, the clause would be taken out of the Bill, but it has not been tabled at this point and our understanding is that DCLG would say that the Assembly has not given consent, so the provision cannot be included. It is for that reason that we are seeking consent in principle.

As Brian said, you have already seen the draft Northern Ireland amendment. Its content will not change; it will reflect the appeals issue. I imagine that, if anything, another paragraph will be added to the amendment to reflect that issue, so the content of the amendment that you have can be taken as given and should not alter.

The Chairperson: Your view is that there is nothing substantial in this, because it would mean that, in essence, we would approve something in principle slightly blind to what may emerge. In your view, there is nothing substantial.

Mr McClure: We are confident that the character of the clause will not change. The issue is that it may not apply to the appeals processes as currently drafted. We think that it is a bit of a non-issue, because if somebody chooses to appeal, they have implied consent that the data that was used in the original assessment could also be used for appeals. From a Northern Ireland perspective, we would not bother with it, but we are at the mercy of Whitehall officials.

Dr Holland: I imagine that the addition to the clause, although it will not be worded like this, would simply say that information that has been shared for rates purposes can be used where someone brings forward an appeal to an evaluation tribunal or social security commissioner. It will be something relatively short. I imagine no more than two or three lines being added to the version of the amendment that the Committee already has.

The Chairperson: OK. Thank you very much.