



Northern Ireland  
Assembly

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**COMMITTEE FOR  
FINANCE AND PERSONNEL**

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**OFFICIAL REPORT  
(Hansard)**

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**Rating Issues**

25 November 2009

**NORTHERN IRELAND ASSEMBLY**

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FINANCE AND PERSONNEL**

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**Members present for all or part of the proceedings:**

Mr Peter Weir (Deputy Chairperson)  
Mr Simon Hamilton  
Mr Fra McCann  
Mr Mitchel McLaughlin  
Mr David McNarry  
Mr Declan O'Loan  
Mr Ian Paisley Jnr  
Ms Dawn Purvis

**Witnesses:**

Mr Brian McClure ) Rating Policy Division, Central Finance Group  
Mr Patrick Neeson )

**The Acting Chairperson (Mr McLaughlin):**

The next item on the agenda is rating issues. I refer Members to the Department of Finance and Personnel (DFP) briefing paper, update on the implementation of access to benefits (A2B) recommendations, policy evaluation of rates exemption for automated teller machines (ATMs) in rural areas, and update on the small business rate relief scheme

I welcome Brian McClure, the head of the rating policy division, and Patrick Neeson of the rating policy division in central finance group. When you are comfortable and ready, perhaps you will make some opening comments.

**Mr Brian McClure (Department of Finance and Personnel):**

Thank you. I will begin with the rural ATM issue, if members wish, and then we will take you through the take-up analysis. I noted that in your introduction you referred to an update on the A2B recommendations. We have made preparations to talk you through the analysis that we have done, but I am more than happy to give you an update on that issue as well.

Finally, when I reported to the Committee on 9 September 2009 on the Rates (Amendment) Bill, I referred, in response to a question from Mr O'Loan, to a list of exclusions that we were working on. I will update the Committee on that and on our thinking on the issue, so that, when members begin to consider the regulations, there will be no surprises.

The first issue is that of rural ATMs. In 2007, under direct rule, the Department introduced a package of rate relief measures that were aimed at businesses in rural areas. That included relief for farm diversification, environmentally friendly plant machinery in quarries and rural ATMs. That arose following a wider consultation on relief for businesses, which was carried out in 2005.

Among the rate reliefs that were introduced by direct rule Ministers was a rates exemption for cash machines in rural areas that was based on a list of designated rural wards. The aim of that policy was to encourage and sustain the provision of ATMs in rural areas. At that time, however, direct rule Ministers decided, as they did with some other reliefs, that the relief would be time-limited. The then Minister, Jeff Rooker, put a limit of three years on the scheme. Under the current rates legislation, the default position is to close the scheme. That is why we have undertaken the evaluation. We can extend or change the scheme by a subordinate Order if necessary.

The Minister has agreed that the views of the Committee should be sought before any decision is made on the way forward, so he has an open mind and wants to hear what the Committee has to say on the issue.

The evaluation has been carried out by the Department, and it has looked at all the ATMs that are subject to that benefit. The relief is for stand-alone ATMs, not those that are situated in the walls of banks or in supermarkets. When the policy was first introduced, 37 ATMs were eligible for the exemption, and 47 ATMs are now eligible, so there has been a small increase.

We consulted with a number of stakeholders, including the Consumer Council, which supported the measure. It felt that there was some merit in extending the scheme to include deprived urban wards, and it pointed to a scheme that is run by the banks and supported by the Treasury, under which a financial inclusion premium is paid.

Banks were also consultees, and they were honest in their responses. They said that the rates exemption did not make much difference to them when making decisions on the provision of new ATMs. However, they felt that it was a consideration in deciding whether to retain existing ATMs. That was an interesting piece of feedback from the banking sector on the effectiveness of the policy.

The report has been sent to the Committee, and I am more than happy to answer any questions. I am conscious that the Committee does not have much time, so I do not want to take members through everything in the report.

**Mr F McCann:**

As I am from the city, I know how important ATMs can be, especially in areas of deprivation where people might have to walk for miles. More importantly, ATMs are a lifeline to many rural communities. Are the banks saying that they might discontinue that service if the rates relief scheme does not continue?

**Mr McClure:**

No; the banks are not putting it quite so strongly. They are saying that rates exemption is a consideration as regards the retention of existing ATMs. However, the banks are also saying that availability of the exemption is not a factor in the decision about the provision of new ATMs.

**Mr F McCann:**

Was the social impact of not having ATMs in some areas taken into account during the review?

**Mr McClure:**

We did not go much further than asking how many new ATMs were provided during the life of the scheme. An interesting backdrop to the issue is the fact that the number of ATMs nationally has almost peaked and remains fairly static. There has been a small, but significant, increase in the number of ATMs in rural areas since the policy was introduced.

**Mr Hamilton:**

I thought that Fra was going to ask a question about rural areas; that would have surprised me.

**Mr F McCann:**

As I have told you before, 27% of west Belfast is rural.

**Mr Hamilton:**

Is that not a mountain?

**Mr McNarry:**

Is it allotments?

**Mr Hamilton:**

The policy is strange because it has led to a small increase in the number of ATMs, and that makes people think that it must be kept in place. However, consideration of the statistics and the locations would lead one to wonder about the scheme's effectiveness. What are the eligibility criteria if an ATM is positioned in the wall of a shop or garage rather than at a bank?

**Mr McClure:**

If an ATM is positioned on the outside of a shop, it is likely to be listed as a separate entry on the valuation list. If an ATM is inside a shop, it will be reflected in that shop's rental assessment.

**Mr Hamilton:**

Consideration of all the facts would lead one to wonder about the policy's effectiveness. However, my fear is that taking the policy away would lead to some reversal, and that fosters the feeling that it would be better for it to continue. All politics is local, and all members know their own areas best. Some of the wards in Ards might have one exempt ATM, but other wards have two or three ATMs at banks or in other properties. Annex 1 to the Department's paper does not list any of those areas. Ards is not the only area; other areas are in the same situation. I sometimes wonder how effective the policy has been, but its effectiveness might only be measured if it was discontinued. In my view, the policy should continue. It sounds pejorative to say that it should be "stuck with", but the unintended consequences of its removal could be negative.

**The Acting Chairperson:**

People who have access to ATMs appreciate them. If a change brought about only a minimal benefit, the consequence at local level would be quite negative. The Committee should formulate a response, because the Department is anxious to hear its views.

**Mr O'Loan:**

The provision of ATMs in rural areas is terribly important, but I have not received feedback to the effect that there is a problem with their provision. A significant initiative has been undertaken to identify locations where there were problems, and councillors have been consulted heavily in that process. Good proactive work has been done to ensure that people have access to ATMs. The retention of ATMs is also very important. To add balance to the discussion, I will say that the amount of money involved in the relief scheme is small; it is about £60,000.

If I were sure that it would make any difference, then I would be saying that we must retain the exemption. However, I suspect that it would not make a great deal of difference, because the banks are saying that it does not affect their decision to locate ATMs in the first instance. It might have some bearing if they were considering retention; however, the trend does not appear to be about retention, because the number of ATMs has increased only slightly. It is not as though the banks are pulling them out. I doubt whether it would make much difference if the exemption were removed. Nevertheless, on balance, and given that the money involved is pretty small, I would be inclined to retain the policy.

**Mr McClure:**

The financial inclusion premium, which I mentioned earlier, is of more significance to the banking sector when making decisions to locate or retain ATMs. That scheme is run between the banks with the support of the Treasury. It seems to provide quite an incentive for banks to locate ATMs in deprived areas where they are free to the customer. This policy is blind to whether the ATM is fee paying or non-fee paying.

**The Acting Chairperson:**

That was exercising me, and I was looking for the reference, because it was a particular point that was made to us.

**Mr McClure:**

When the Department consulted on this in 2005, the suggestion was that it should apply only to free-to-use ATMs. However, the Rural Development Council took the view that even a fee-paying ATM is better than no ATM. It made a plea to the Minister, which he accepted, that it should apply to all ATMs, whether they were fee-paying or free.

**Ms Purvis:**

I am aware of a programme run by the Consumer Council and LINK to identify deprived areas that do not have free-to use ATMs, and that programme is ongoing. I know that they have contacted MLAs to try to identify areas where there are free-to-use ATMs. Therefore, whether this scheme is extended or not, there is a programme already in place to put ATMs into urban deprived areas.

**Mr McClure:**

Yes.

**Ms Purvis:**

Therefore, I am happy for the scheme to stay as it is, as there is an ongoing programme to look at urban deprived areas.

**Mr McClure:**

The Minister is meeting the Consumer Council next Thursday, and the initiative that you are talking about is one item on the agenda.

**The Acting Chairperson:**

By way of reflecting the discussion and the question back to the Department, could we indicate that the Committee is content for the current policy to continue?

*Members indicated assent.*

**Mr McClure:**

As regards the take-up of rate relief, the Committee will be aware of the outcome of the Housing Executive review, which identified that take-up of existing rate reliefs by pensioners, particularly

in the owner-occupied sector, were very poor. Estimates that we briefed the Committee on classified the term “poor” as being less than 50%. Members will know that the Department took steps to address that issue through employing Help the Aged, Age Concern and Access to Benefits to identify why that is occurring and what might be done to improve things.

A report came before the Committee, and members will be aware of it and all of its recommendations. Many of those recommendations are being taken forward through the LPS’s new dedicated take-up scheme, which is being very proactive. I will give members more details about that in a moment. Alongside that work, and in order to help inform the take-up activities of the LPS, the Department’s rating policy division also undertook to carry out its own analysis into the geographical distribution of take-up in Northern Ireland. The aim of that analysis was to examine whether there were any patterns regarding the locations in which take-up of rate reliefs was poor or regarding the characteristics of residents in those electoral wards.

The first part of the analysis looked at a model that could predict the proportion of households in a ward that should be in receipt of housing benefit; and, therefore, develop some sort of gap analysis to help inform where improvements could be targeted. This predictive model was compared to actual numbers in order to provide an estimate of take-up or latent demand. The next stage involved looking for take-up patterns across electoral wards in Northern Ireland. The worst performing council areas were Coleraine, Antrim, Moyle and Larne. The analysis looked at the characteristics of each ward to see whether there were patterns emerging. The most notable outcome related to community background. As the take-up in a ward tended to become poorer, the proportions of people from a Protestant background in the ward increased.

We have shared the results of the analysis with the LPS, given that the original aim of the study was to help it better target its take-up activity. We have also shared the results with several organisations in the voluntary sector, such as Citizens Advice and Advice NI, who worked to try to establish why the outcome is as it is. We are also using this as a peer review with which to check the reliability of the analysis. The results have also been shown to Access to Benefits.

We want to carry out further work using more recent data to see whether the pattern continues. We hope to repeat the analysis using data on housing benefit recipients in the rented sector, because this analysis is confined to the owner-occupied sector, which is where we originally saw the major problem with take-up.



**The Acting Chairperson:**

That is quite important work, and the feedback is helpful. There may have been a view, anecdotally, that that is what you would find. I open the floor for discussion.

**Mr Hamilton:**

You mentioned community background, which concurs with previous assessments. Your assessment is consistent with past figures and is not new in that respect. You mentioned Coleraine, Moyle, Larne and Antrim. What was the take-up of rate relief in those areas? Am I correct in saying that you were talking about rate relief?

**Mr McClure:**

We looked at rate rebates through housing benefit. That provided us with a bigger and, therefore, more reliable sample.

**Mr Hamilton:**

Is that the only sample?

**Mr McClure:**

Yes.

**Mr P Neeson:**

We do not have an actual take-up figure, but we looked at each ward in those council areas and at the difference between actual and expected take-up. I will use Coleraine as an example. The average shortfall between actual and predicted take-up was around 50%. The average difference in Antrim, Moyle and Larne was about 30%. That is lower than we expected.

**Mr Hamilton:**

You are talking about rate rebate through housing benefit: therefore, the individuals are already in receipt of housing benefit. What do those individuals have to do to —

**Mr McClure:**

That is one side of the equation; the question of who is actually getting housing benefit: the other side of the equation, which is more interesting, relates to how many people should be entitled to

housing benefit, given the social characteristics of the areas and using a number of indicators.

**The Acting Chairperson:**

The passport benefit might not be entirely accurate.

**Mr P Neeson:**

The main indicator that we used was similar to the multiple-deprivation measure, known as the Noble measure. It is a small area income estimate, which NISRA recently developed. That was one of the main variables. Other variables included the average age of people in the ward, and the level of car ownership, which gave an indicator of the type of wealth that existed among households in the ward. We also looked at education levels, which were identified in other studies as a determinant of take-up. I looked at those variables to see what produced the best mix.

**Mr McClure:**

We readily accept that this analysis is ward-wide and that, therefore, there will be pockets in affluent wards that will have the same data limitations as those that existed in the past. The analysis is at a reasonably high level. It is not at street level; it is at ward level, and that raises issues. Nevertheless, given the results, they are reasonably reliable.

**Mr Hamilton:**

You said that you raised the issue with the LPS.

**Mr McClure:**

We raised the issue with the LPS with regard to its targeting and its outreach programme to ensure that it is directing that programme to places where it can make the most difference. That was our initial thought, but we also wanted to send the results to the advice sector for its views on quality and analysis and its thoughts on the reasons for the results.

**Mr Hamilton:**

We could get into all sorts of analysis.

**Mr McClure:**

Yes. However, this is straight analytical work. We are not jumping to any conclusions.

**Mr Hamilton:**

That is the best way to do it. A problem has been identified, so we have to find out how to resolve it. It is not as if the LPS does not have the means with which to do so, for example through literature.

**Mr McClure:**

We did not want the exercise to be an academic one. We wanted to help inform what happens on the ground with the outreach work of the LPS.

**The Acting Chairperson:**

Presumably, there is some kind of modelling to show us how to validate the analysis and respond, or road test, the conclusions offered.

**Mr P Neeson:**

We shared the results with NISRA, which has a team of social researchers who do such work on a daily basis. They tested the model to see if it was robust, and they were reasonably satisfied with it. We have also shared the results with Access to Benefits, which has a benefits calculator that produces similar output to find the best and worst areas. One of our next steps will be to match up with that.

As Brian said, we also intend to use more recent data on housing benefit levels from 2007. Some of the data that we used was a bit older, so we will be able to see if the pattern has continued. We will also look at the social-rented and private-rented sectors to see if there are similar patterns. We need to do a bit more monitoring work to see if it was a one-off or if it is part of a long-term trend.

**The Acting Chairperson:**

I suspect that it is the latter.

**Ms Purvis:**

Recommendation 3.8 states that pre-populated forms, apart from housing benefit forms, are a wider policy matter beyond the control of the LPS.

**Mr McClure:**

An interdepartmental group has been established to look at that issue and all the other cross-departmental issues. I am more than happy to provide the Committee with the minutes of that group's meetings. The last meeting was a couple of weeks ago. It deals with every recommendation that has a cross-departmental dimension.

**The Acting Chairperson:**

Do you mean cross-departmental here? Can it identify solutions?

**Mr McClure:**

The group includes representatives from HM Revenue and Customs, because there are issues relating to pension credit. It also includes representatives from the Housing Executive, the LPS, rating policy division, DSD and the Social Security Agency. Therefore, every benefit-related organisation is represented. We also co-opt people on to the group from the voluntary sector. For example, representatives from Access to Benefits attended the last meeting, and representatives from Disability Action were supposed to attend but could not make it at the last minute. The group is quite active, and I am more than happy to provide the detailed minutes to the Committee.

**The Acting Chairperson:**

That would be good.

**Ms Purvis:**

Some of my other questions relate to that issue, so I will not ask them until we get the minutes.

Recommendation 3.22 states:

“Websites should focus on take-up as well as fraud.”

One of the objectives of that recommendation is to “Remove stigma attached to benefits.” Has that objective been included because some of your work has shown that the stigma attached to benefits stops people from claiming them?

**Mr McClure:**

Yes, very much so. There is a stigma issue associated with benefits. That has been clear in focus

groups that I have attended and in consultations that we have undertaken. All the work started with pensioners in the owner-occupied sector. There is an issue with pensioners and the stigma associated with claiming benefits.

**Ms Purvis:**

Finally, in the review of rates there was confusion around the disabled persons allowance scheme, and a recommendation was made to rename that relief. However, I see that that has been considered but ruled out. Why was that?

**Mr McClure:**

From memory, the view was that another name change could cause further confusion. The recommendation was considered, and we struggled with it. We consulted the Institute of Revenues, Rating and Valuation to see if it had any ideas in relation to renaming the relief. Indeed, if the Committee has any ideas as to how we could better label the allowance to help entitlement, we will certainly consider them. However, I will get back to you in writing with an explanation as to why the name was not changed.

**Ms Purvis:**

My recollection is that the disabled persons allowance relates to a property that has had work done to it.

**Mr McClure:**

Yes; or a house that has had special features installed.

**Ms Purvis:**

Some people who were receiving DLA thought that the scheme related to any person who was disabled, even if that person had had no adjustments made to their property. Perhaps it should be labelled the disabled adjustment scheme in order to remove that confusion.

**Mr McClure:**

I will come back to you on that. A line has not been drawn under the issue and if there are better ideas for renaming the scheme, and if that helps provide an understanding and awareness of the allowance, we are more than happy to look at that.

**Ms Purvis:**

Thank you.

**The Acting Chairperson:**

The debate about whether to label rate relief as an entitlement rather than a benefit or allowance is a clue to the stigma and chill factor that exists around the issue.

**Mr O’Loan:**

Is it an oversimplification to say that the take-up of rate relief is worse in poorer Protestant areas?

**Mr McClure:**

The analysis indicates a tendency towards that.

**Mr O’Loan:**

That is very concerning. Do you have any thoughts about the underlying reasons for that? Is there a weak social fabric in those areas or is there just not the same level of organised community groups and advice?

**Mr McClure:**

As regards poorer Protestant areas, two or three years ago, the label used was “poor community infrastructure”. However, we are not simply making that analysis. We are not equipped to give a view as to some of the reasons for that, which is why we have gone out to the voluntary sector to take its views on the reliability of the analysis and the possible reasons for the results.

**Mr P Neeson:**

I spoke to Advice NI to get its reaction to the results, which was that the types of areas named, such as Moyle and Coleraine, had a poor level of independent advice centres. Advice NI is an umbrella organisation of independent advice centres around Northern Ireland, and it is highlighting something which is perhaps a part of the weak infrastructure.

**Mr McClure:**

Such areas might be poorly served by advice centres.

**Mr O’Loan:**

Can you name again the list of council areas that you felt were weak?

**Mr McClure:**

Coleraine, Antrim, Moyle and Larne were particularly weak.

**Mr O’Loan:**

Moyle has a different community background to the others in that the majority of its population is Catholic. However, it too may have a lack of advice centres. Can you say anything about what works best in improving take-up, or is a broad range of measures required?

**Mr McClure:**

As regards rate relief, the LPS’s outreach programme is beginning to work. A dedicated team visits community groups, religious groups, leisure groups and so on, and spreads the word about the availability of rate relief and the lone pensioner allowance. There are also new powers around data sharing, which the Committee considered and approved as part of the Rates (Amendment) Act.

Those greater powers should help increase take-up through better information for targeting certain groups and making it easier for people to claim, which is another issue.

**The Acting Chairperson:**

I accept that low take-up in particular locations is an issue, and we could have a long conversation among ourselves about why that is the case. I think that there are cultural reasons for it. For instance, I think that the lack of independent advice centres is another aspect of cultural resistance to accessing benefits or the stigma that people may attach to that. Projects such as Access to Benefits, which provide benefit calculators that people can access by computer in the privacy of their homes, should be considered as one of the icebreakers in that respect.

You should seriously consider putting out promotional material and advice on how people can calculate benefit entitlements on their computers in the privacy of their homes. I know that not everyone has access to a computer, but a lot of people do, and many of them have family members such as sons and daughters who can take them through it. That might help us break down some of the barriers.

**Mr McClure:**

I agree entirely. One of the reasons that people do not claim benefits is because they do not think it worthwhile or worth the hassle. However, if they use the Access to Benefits calculator or other calculators such as the Social Security Agency's — I sound like somebody from the BBC who would say: "There are other calculators available" — they might get a very pleasant surprise about their entitlement.

**The Acting Chairperson:**

If people think that it is worthwhile, they will go to the trouble of meeting an adviser or someone from one of the voluntary organisations for help with their application.

**Mr McClure:**

There are a lot of misconceptions about entitlement. People think that because they own their own home that they are not entitled to benefits. It does not work that way, but many people do know that.

**Mr McNarry:**

What happens if pockets of deprivation in affluent areas are missed? Could a mechanism be put in place to ensure that those are recognised?

**Mr McClure:**

I am sure that that is done on the ground. However, we cannot take our analysis below a certain level. You are right about it being an issue, when one considers the classic example of the Taughmonagh estate in the Malone ward.

**Mr McNarry:**

Can that be written into the recommendations? I am anxious that things will be missed and forgotten about. It would not be too complicated to include a note in the recommendations to say that that is likely to happen, because it has happened in the past and is likely to continue.

**Mr McClure:**

Any analysis is only as good as the data available. The problem is that a lot of our data are ward based, and we cannot, therefore, make meaningful analysis below that level. However, we have



been working with DSD statisticians who hope to add some data to ours, and that may allow us to take our analysis down to the lower level. We have had discussions about this only in the last week or so, but I will certainly look at that.

**Mr McNarry:**

It would minimise the argument after the event. From previous experience, obstacles are put up, and people may wonder whether they are caught up in this or not.

**Mr McClure:**

It is certainly something that we want to look at in our ongoing analysis. What we have presented to the Committee today is our stage one analysis. We need to update and enlarge that analysis to see whether we can take it down another level.

**Mr McNarry:**

Moving on; have your assessments shown that there has been an increase or decrease in the take-up of rate relief?

**Mr McClure:**

Take-up levels are increasing. That is due to take-up success and the economic downturn, because more people are finding themselves in difficulty, and entitlement has extended. It is too early to put a figure on what the various recommendations are doing. However, we will have to do so soon.

**Mr McNarry:**

I am looking further down the line. There is potential for an increase in take-up to reduce income. Sometimes, we are not good at sums. If it were possible, could it be flagged up, on the basis of that evidence — provided it is serious enough — that the increase in take-up will equate to, and is likely to mean, a reduction in the income that you said that you would use for other things?

**Mr McClure:**

Some of it could have that impact. If the take-up of rate relief increased, that would have a cost to the Northern Ireland Budget. However, if the take-up of housing benefit increased, that would have no cost to the Budget. Sometimes, when we target people for rate relief and they find out

their entitlements, those are mopped up by housing benefit rather than rate relief, which is a win-win situation for Northern Ireland.

**Mr McNarry:**

The LPS told the Committee that it has 23,000 ongoing court cases trying to retrieve rate arrears. That sum of money amounts to between, say, £100 million and £140 million. When you know that that is bound to be pencilled in somewhere, it is important to highlight what else could affect income and budgets.

**Mr McClure:**

I would be careful to separate people who cannot pay from those who will not pay. With respect to the take-up of rate relief, we are talking about people who cannot pay.

If there were a major increase in the cost of rate relief, that would affect Northern Ireland's revenue levels. I do not believe that we have reached that point yet. All that I am trying to say is that there has been an increase in the take-up of rate relief and lone pensioner allowance. Some of that is down to the good efforts of the LPS, now that it has a dedicated team. Some of it is down to the economic context in which we find ourselves.

*(The Deputy Chairperson [Mr Weir] in the Chair.)*

**Mr McNarry:**

I plead ignorance in asking this question: do current factors, such as the significant drop in house prices, affect rates?

**Mr McClure:**

Domestic revaluation has been discussed previously in the Committee. Because rates are struck on the market values that are fixed on a particular date, the rate burden is distributed among households on that basis. If there were a revaluation, rates would be redistributed based on up-to-date market values. However, the tax rate would adjust. Some people would be better off; some would be less well off, and some would remain the same.

**Mr McNarry:**

How do you make that call? House prices have reduced significantly.

**Mr McClure:**

You are absolutely right.

**Mr McNarry:**

They are not likely to improve for, perhaps, a couple of years; maybe, five — depending on who you listen to.

**Mr McClure:**

If house prices reduced by the same percentage universally and there was a revaluation in which all house prices were adjusted down by that amount, the tax rate would adjust accordingly.

**Mr McNarry:**

Eighteen months ago, houses were on the market at, say, £200,000. The same houses, on the same sites, are now valued at, say, £120,000.

**Mr McClure:**

That is correct.

**Mr McNarry:**

Is there justification in asking for a revaluation?

**Mr McClure:**

The Department is not considering that. However, if the Committee felt that the Department should look at the need for a domestic revaluation, it would be open to that suggestion. We would certainly consider it seriously.

**Mr McNarry:**

Would it be too dangerous to do that, area-by-area, on a percentage basis?

**Mr McClure:**

I believe that to try to index areas in some sort of way would be too dangerous. That would be open to challenge and difficult to sustain.

**Mr McNarry:**

Welcome back, Deputy Chairperson. Maybe, without going overboard, you might allow us to re-examine that issue. Finally, Brian, dare I ask about carers?

**Mr McClure:**

Yes. We have sent our report on our inquiry to the Minister, and when he approves it, he will submit it to the Committee. As you know, we have been talking to LPS, the Housing Executive and Carers NI, and we have undertaken some analysis that I have tried to keep the Committee up to date with.

**Mr McNarry:**

Yes, you have been very kind. Thank you.

**Mr McClure:**

We have sent a formal paper on the issue to the Minister. There are difficulties in the administrative cost that would fall to the Housing Executive. If an increase in the carers' premium was to be administered under the rate relief scheme, it would cost more to administer than it would to deliver.

**Mr McNarry:**

I know that you have the wherewithal to answer this question, but it is unfair to ask it. However, I will have a go anyway. Like me and others, you thought that something would be doable, and then you found an unexpected obstacle. I realise that this might not relate to your area of work, and if you cannot answer, that is OK. If the carers allowance was not categorised as a benefit, would that improve the carers' lot? The carers' lot seems to be to fill in forms; it is worse than trying to get a bank loan. The allowance comes up against benefit after benefit, yet the carers that I speak to resent the fact that the allowance is a benefit. If it was not a benefit, it might ease some of the obstacles that we are encountering.

**Mr McClure:**

It would, but it is tied up with the national benefits policy.

**Mr McNarry:**

I understand that. We are still a devolved institution. If Ministers were to recognise that

sometimes, they might be able to do something.

**Mr McClure:**

My small area of influence, if I have any, is on rating policy and the advice that I would give to Ministers who make policy. It would not extend to giving views on whether breaking parity with GB on national benefits policy is a good or bad thing.

**Mr McNarry:**

We might be able to lead the way in GB and show that this can be done.

**The Deputy Chairperson:**

I am not unsympathetic to the point. I am somewhat wary about anything that breaks parity. The mileage is in the fact that we should be lobbying for a national change on that issue.

**Mr McNarry:**

I am coming to that conclusion.

**The Deputy Chairperson:**

It is difficult even to classify benefits.

**Mr McNarry:**

The separation of the allowance from benefits would be a great test for a devolved Minister who has the power to do it, even though it may tread on the parity issue. That would be well received elsewhere, but most notably by the carers. Maybe it is something that we can look at. You have gone as far as I expected you to go, Brian, thank you very much. I await the Minister's reply.

**The Deputy Chairperson:**

I apologise for being late, and please stop me if someone else has touched on this point, but the small business rates relief scheme is based upon a net annual value (NAV). There will be at some stage, possibly next year, a re-evaluation of some businesses. Will any consideration be given to the adjustment of the levels of NAV when re-evaluation takes place?

**Mr McClure:**

Yes. It will be adjusted. It is a feature of the schemes that exist in the rest of the UK, and it will

be a feature of the Northern Ireland scheme. We will upgrade the valuations accordingly. We may even put in saving provisions, so that a small business will not find itself entitled one year, but not entitled in the next. We will have to have discussions with Land and Property Services about that, but we are aware that that could be a potential issue.

**Mr McNarry:**

I am grateful to you for raising that.

**Mr McClure:**

Rate relief for small businesses is the final issue that I will address.

**The Deputy Chairperson:**

In that case, please continue and questions can be asked later.

**Mr McClure:**

Mr O'Loan raised an issue at the session on 9 September, when we talked about what was in the Bill, which has now become the Rates (Amendment) Act (Northern Ireland) 2009.

One of the key selling points for small business rate relief scheme is that the award will be automatic. Businesses will not have to apply for it; rates bills will be adjusted. As a consequence of that, we have had to work up a list of exclusions, which I mentioned at the last session. I want to update the Committee on that.

There are a number of considerations. The first is that we were directed by Ministers to try to emulate, as far as we could, the width of the scheme that applies in Wales, which is applied automatically, unlike those in England and Scotland. We have done that, and we have got to the stage where we are getting down to the fine policy detail. We are looking at the list of exclusions that apply under the Welsh scheme and whether they are appropriate for Northern Ireland. Many of them are appropriate, but some are not.

I will explain those that are appropriate first to get them out of the way, and I will take the views of the Committee on them. Unoccupied or partly-occupied properties are excluded. Beach huts are excluded under the Welsh scheme, but we do not have any valued beach huts in Northern Ireland. I do not know whether there are any out there.

**Mr McNarry:**

Do you not have one, Mr Paisley?

**Mr Paisley Jnr:**

It could not possibly be described as a hut.

**The Deputy Chairperson:**

I think you will find that Mr Paisley would not settle for a beach hut.

**Mr McClure:**

Electronic communications apparatus — better known as masts, such as telecoms masts — are excluded, as are ATMs, sewerage works, car parks and properties used for the display of advertisements. We exclude those because they are excluded in Wales, and they present no difficulty legally or operationally; they can be easily identified.

We are, however, unable to emulate the Welsh scheme in relation to clubs. The Welsh have excluded what are known as “registered clubs”, but the Welsh registration is different to that in Northern Ireland, and we have come to the conclusion that we will have to include them in the scheme. LPS is incapable of identifying a club, because some are in the name of the secretary of the club, and some are not described as clubs and could range from an office to a theatre. The list of clubs that we could get from either the courts or other Departments would be incomplete. Therefore we propose to include them within the scope of the scheme. Because of the rateable value limits that are applied to the scheme, we think that they will be few and far between. That adjustment is necessary to allow the scheme to be easily administered.

**The Deputy Chairperson:**

By definition, that will have a fairly minimum or negligible cost.

**Mr McClure:**

Absolutely. Clubs will be very few and far between because of the rateable value limits.

The Welsh also exclude from their small business rate relief scheme council, police authority and Crown property. We will use a slightly different definition, but we can and intend to do

likewise.

Another interesting case is that of charities and not-for-profit bodies. Most of those pay no rates under the Northern Ireland system, but there are certain categories of such bodies that pay partial rates. For example, some community halls and some charity shops pay partial rates. We have come to the conclusion that to seek to exclude them could disadvantage them, because they could end up getting more relief under small business rate relief than that to which they are entitled under existing provisions. Therefore, it would also be our intention not to make a difference and to include those categories of premises that are within the scope of the small business rate relief scheme although they are clearly not businesses. However, that is necessary to allow the scheme to be easily administered.

Those are the main categories. I am more than happy to listen to and take account of any issues that the Committee might have and to report them back to the Minister.

**Mr McNarry:**

I reiterate that I am grateful for what you said. Businesses are under immense pressure. We spoke about the value of domestic property. There could be justification for a similar revaluation exercise for commercial property.

At present, it is vital to get information out to businesses. That would be particularly helpful to businesses when they were talking to their shareholders, workers or banks. The more fluid that communication is, the better. There can be even a certain relief in that, because I am sure that all constituency offices are like mine and experience a constant stream of people, in particular manufacturers, who are feeling the pressure and looking for reliefs. What you said in response to Peter's question was constructive and very useful.

The situation with the 30% cap —

**Mr McClure:**

In relation to manufacturers?

**Mr McNarry:**

Yes. They are now looking for further reductions.



**Mr McClure:**

The Minister was approached by Northern Ireland Manufacturing — previously the Northern Ireland Manufacturing Focus Group — and met them on 30 July. They had a proposal for a rates holiday for manufacturing firms.

**Mr McNarry:**

Was it for two years?

**Mr McClure:**

Initially, it was for one year. We reckoned that the cost in revenue foregone would have been about £20 million. The Minister concluded that that was unaffordable, given that manufacturing rates are to be capped, the small business rate relief scheme is coming in and the regional non-domestic rate was frozen.

**Mr McNarry:**

I can see the reasoning behind that. Although many manufacturing businesses are under pressure, many are, thankfully, doing reasonably well and are not subject to the same pressures. Did the Department consider that it had to be very careful because of the sensitivities of businesses not wanting their finances or the fact that they are under pressure to be in the public domain in any way? Did the Department consider addressing individual requests, or was that suggestion just thrown out of the window and the view taken that businesses that were finding things tight just had to live with it? Is there any additional relief for such businesses?

**Mr McClure:**

The only relief for firms in extreme payment difficulty is to talk to LPS about a repayment plan. There is nothing in the legislation that could help. There is provision on the statute books for hardship relief, which was intended to address exceptional risk beyond normal business risk, such as an outbreak of foot-and-mouth disease or something similar. However, to my knowledge, very few awards have been made under it. That is the only potential area, and the criteria are quite strict.

**Mr McNarry:**

I do not know how many companies we are talking about. Although it may be tough and painful,

if that is the answer, and if we can verify and support it, we, as an institution, need to say that. It is part of the further communication with businesses.

**The Deputy Chairperson:**

The Committee Clerk has informed me that Northern Ireland Manufacturing will write to us; we are due to receive some information from them.

**Mr McNarry:**

Brian said that he has had a meeting with the Minister and has told us what the Minister has said. People have a habit of coming to the back door — I am not suggesting that they are in this case — to talk to us about the same matters when they already know the ministerial decision.

**The Deputy Chairperson:**

I appreciate that. My understanding of the manufacturing rates is that the European rules are such that we have the scope to be able to hold the level at a certain percentage but that we are not allowed to reduce it once it has risen. That is a major concern. Was there a legal concern? I realise that it is a different issue, but could a rates holiday be construed as using a device, effectively, to bring it down to zero?

**Mr McNarry:**

During discussions on other matters — I am not looking at anybody in particular — the point has been raised that other European countries seem to bend those rules, whereas we seem to adhere to them.

**The Deputy Chairperson:**

I am asking whether there are legal considerations.

**Mr McClure:**

There is a potential issue around state aid. There has been a recent easement of the state aid rules around de minimis levels, which greatly increased for a period throughout Europe during the economic downturn. We could possibly introduce a scheme under the umbrella of de minimis aid. However, that would probably require LPS to write to every recipient of a rates holiday to ask whether they receive any aid other than rate relief that would bring them above that level. There are some legal considerations. There might be a way to do that, but affordability is the

major factor. There are also operational considerations where, unlike many taxes, people pay rates in advance. Many people will have paid their entire rate bill for the year. That would give rise to the operational complexity of having to provide refunds for people who are on different payment plans.

**Mr Paisley Jnr:**

I welcome the general thrust of what you have said about the small business rate relief scheme. It shows that devolution is working and that we can adjust and calibrate things to the nature of the economy — *[Inaudible due to mobile phone interference.]*

You mentioned notification and indicated that the relief will be made by an automatic calculation. When notification is issued just before the payment is due, will a letter or a notice be included with the rates bill to tell people why they have received that relief? It should promote the fact that the calculation has been made as a result of the Government and the Assembly recognising that need for assistance.

Will you explain again the differential that you made about churches, church groups and church halls? Will there be a facility for a reduction for them?

**Mr McClure:**

Churches are wholly exempt from rates in any case.

**Mr Paisley Jnr:**

What about associated buildings, such as church halls or youth clubs?

**Mr McClure:**

They are normally fully exempt from rates. I would be most surprised if any are not. Church halls and churches are fully exempt; that has been the case for many years. Therefore, they will not be excluded. Any such buildings that, because of some quirk in the law, pay rates will be entitled to relief. They are not on the list of exclusions.

**Mr Paisley Jnr:**

Some churches run milk bars and youth clubs. I do not know whether they are exempt.

**Mr McClure:**

They normally would be exempt, but any that, because of some quirk, are not exempt will not be excluded from eligibility for small-business rate relief.

In relation to the letters, we can identify the 20,000 business ratepayers who will be entitled, and each of those will be sent a letter notifying them of their entitlement. They will not have to do anything, because the bills will be adjusted accordingly.

**The Deputy Chairperson:**

What will be the timescale for those letters going out?

**Mr McClure:**

I am not sure, but I presume that it will be in the new year, either corresponding with the issuing of the bills or before that. If you like, I can come back to you on that.

**The Deputy Chairperson:**

That is OK; perhaps you will send us some correspondence on that.

**Mr McClure:**

One another important thing is that I have been in discussions with the Federation of Small Businesses (FSB) and the Northern Ireland Retail Traders Association (NIRTA). The FSB has a huge membership of around 72,000 in Northern Ireland. Both those organisations will distribute the factsheet, which I forwarded to you, to their memberships. In that way, we are hoping to spread the word that there will be an automatic award of a rate relief and to give a list of the kinds of businesses that will be entitled to it.

**The Deputy Chairperson:**

It is clearly important that, whatever is distributed, the information must be very clear, because, given that the FSB has around 72,000 members, we are talking about an estimated 16,000 businesses.

**Mr McClure:**

We think it will affect 16,000 to 20,000 businesses.

**The Deputy Chairperson:**

That is roughly a quarter of its members. There may be others who are not members, but probably around a quarter of the membership of the FSB would benefit on that basis.

**Mr O’Loan:**

I will give a view on your list of exclusions and inclusions. From what I was able to take in of what you said, I think that you are on the right track. There are one or two organisations that I would have been concerned about had you excluded them, but you are including them. There are some clubs that have a social function, but you are right that few significant clubs would be captured on the evaluation anyway. I would also have been concerned had you excluded charities and not-for-profit enterprises that may be paying part rates, but it is absolutely right that you are including them.

**Mr McClure:**

In an ideal world we would want a small business rate relief scheme to apply only to businesses, but LPS does not hold that information. It does not have sufficiently reliable data, so we have arrived at that fairly broad list from a negative point of view. We could attempt to try to exclude some clubs, but some clubs would, quite legitimately, name the secretary of the club as the ratepayer, rather than the club itself, and there would be no way of telling that it was a club. Even if we wanted to exclude them, we think that it would be wide open to fraud.

**Mr O’Loan:**

You are quite right that it is a small business rate relief scheme, but we have a social economy sector. Broadly, we want the social economy sector to benefit in just the same way as standard businesses.

**Mr Hamilton:**

I am sorry that I missed the beginning of the meeting. I do not want to repeat anything, and I apologise if I expose my ignorance of the rating system. The eligibility for the scheme is determined by the square footage size of —

**Mr McClure:**

It is determined by rateable value.

**Mr Hamilton:**

That is based on size and so on. The relief is targeted at businesses, but, as you said to Declan, it is impossible for LPS to identify whether an organisation is a business or not, as it just takes account of the property. So it is a small property rate relief scheme.

**Mr McClure:**

That is a feature of all the schemes in the rest of the UK.

**Mr Hamilton:**

This is where I may expose my ignorance, but what about public sector organisations?

**Mr McClure:**

We are going to specifically exclude all council buildings, Crown Estate and so on. All government buildings will be excluded.

**Mr Hamilton:**

So it would not be a case of paying money, through administration, to benefit one arm of the public sector?

**Mr McClure:**

No. We have tried to copy the Welsh exclusions as much as we can, and that is one of them. Because of different legalities we have adopted different wording, but it has the same effect. All government buildings and statutory undertakers will be excluded because they are not small businesses. They can be readily identified.

**The Deputy Chairperson:**

As there are no further questions, I thank Brian and Patrick for their evidence. It has been very helpful. I understand that the Committee dealt with the issue of ATMs in my absence, so I will draw this session about rates to a close.