



Department for

Communities

From: The Minister

Private Office

Level 9

Causeway Exchange

1 – 7 Bedford Street

Belfast

BT2 7EG

e-mail:

private.office@communities-ni.gov.uk

Tel: (028) 90823 327

NI Assembly Business Office

business.office@niassembly.gov.uk

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SAVINGS (GOVERNMENT CONTRTIBUTIONS) BILL: LEGISLATIVE CONSENT MOTION.

I am writing to table a Legislative Consent Motion as outlined at Annex A. This is in relation to the Savings (Government Contributions) Bill, as introduced in the House of Commons on 6 September.

PAUL GIVAN MLA
Minister for Communities

LEGISLATIVE CONSENT MEMORANDUM

SAVINGS (GOVERNMENT CONTRIBUTIONS) BILL

Draft Legislative Consent Motion

1. The draft motion, which will be tabled by the Minister for Communities, is:

“That this Assembly endorses the principle of the extension to Northern Ireland of the Savings (Government Contributions) Bill as introduced in the House of Commons on 6 September 2016, including the provision in clause 5(2) making bonuses under the Bill an excepted matter under the Northern Ireland Act 1998 and the provision in paragraph 16(8) of Schedule 2 dealing with information sharing.”

Background

2. This memorandum has been laid before the Assembly by the Minister for Communities under Standing Order 42A(2). The Savings (Government Contributions) Bill was introduced in the House of Commons on 6 September. The latest version of the Bill can be found at:

<http://services.parliament.uk/bills/2016-17/savingsgovernmentcontributions.html>

Summary of the Bill and its policy objectives

3. The Savings (Government Contributions) Bill, which extends to Northern Ireland, contains measures to provide savers with a bonus on savings that can be used for a first home, or retirement, or both. The Lifetime ISA will be open to adults under 40 who will be able to contribute up to £4,000 in each tax year. The government will then provide a 25% bonus on these contributions at the end of the tax year. This means that people who save the maximum each year will receive a £1,000 bonus each year from the government. Savers will be able to make Lifetime ISA contributions and receive a bonus from the age of 18 up to age 50.
4. Over their lifetime, savers will be able to have contributions of £128,000 matched by the government to a maximum bonus of £32,000, with investment growth on both their contributions and the government bonus. Tax-free funds, including the government bonus, can be used to buy a first home worth up to £450,000 at any time from 12 months after opening the account. The funds,

including the government bonus, can be withdrawn from the Lifetime ISA from age 60 for any other purpose.

5. Whilst the Lifetime ISA is aimed at encouraging saving for the long term, it is recognised that circumstances change. While ensuring that people can access their money but also still have an incentive to leave funds invested for the long term, it is proposed that savers can make withdrawals at any time for other purposes, but with the government bonus element of the fund (including any interest or growth on that bonus) returned to government, and a 5% charge applied. The individual will still have access to their savings and any interest earned on those savings minus the small charge.
6. The Bill also contains measures to provide a financial incentive to support working families on low incomes to build up a rainy day fund through the Help-to-Save scheme. This scheme will be open to all adults in receipt of Universal Credit with minimum weekly household earnings equivalent to 16 hours at the National Living Wage (£6,325 in 2016-17) or above, and those in receipt of Working Tax Credits.
7. Help-to-Save will work by providing a 50% government bonus of up to £50 of monthly savings into a Help-to-Save account. The bonus will be paid after two years, with savers able to continue saving for a further two years, meaning that people can save up to £2,400 and benefit from total government bonuses worth up to £1,200. Help-to-Save accounts will be available no later than April 2018.
8. Account providers will claim the Help-to-Save bonus from HMRC and pay this to the account holder. Account holders will be able to use the government bonus in any way they wish, and can withdraw their savings, including any bonus paid, at any time.

Provisions of the Bill for which consent is sought

9. The Savings (Government Contributions) Bill extends to Northern Ireland and the government bonuses under the Lifetime ISA and Help-to-Save scheme will be a benefit not unlike welfare, which is devolved to Northern Ireland and therefore requires the consent of the Assembly.
10. This includes the requirement for Assembly consent for bonuses under the Bill to be made an excepted matter by their addition to Schedule 2 to the Northern Ireland Act 1998 (clause 5(2)). This is to reflect the fact that they will be administered and funded by the UK Government. It also includes consent for the extension of an existing data gateway in the Welfare Reform Act 2012 to allow the Department for Communities to provide HM Revenue and Customs with information on Universal Credit to assist in determining an individual's eligibility for a Help-to-Save account (paragraph 16(8) of Schedule 2).

Reasons for Making the Provisions

11. The Government is committed to supporting people at all income levels and all stages of life to save, recognising the important role savings can play in promoting aspiration and supporting households' standards of living. It also recognises the need for targeted incentives to promote savings among particular groups.
12. The Lifetime ISA will help young people save flexibly for the long-term throughout their lives. It will help them to simultaneously save for a first home and for their retirement, without having to choose one over the other.
13. The provisions, in the Bill, which extends to the whole of the United Kingdom, will enable people between the ages of 18 and 40 to open a Lifetime ISA and contribute up to £4,000 in each tax year. The government will then provide a 25% bonus on these contributions at the end of the tax year. This means that people who save the maximum each year will receive a £1,000 bonus each year from the government. Over their lifetime, savers will be able to have contributions of £128,000 matched by the government for a maximum bonus of £32,000. Tax-free funds, including the government bonus, can be used to buy a first home worth up to £450,000 at any time from 12 months after opening the account. The funds, including the government bonus, can be withdrawn from the Lifetime ISA from age 60 for any other purpose.
14. The provisions in the Bill will also enable working families on low incomes who save £50 a month and stay in the scheme for 4 years to build up a savings pot worth £3,600 (£2,400 in savings and £1,200 in government bonuses). DfC supports this incentive as it will also enable an estimated 125,000 people in Northern Ireland to benefit from the Help-to-Save scheme.
15. Almost half of adults in the UK have less than an average week's wages (£500) in savings according to Money Advice Service research. StepChange Debt Charity (formerly the Consumer Credit Counselling Service (CCCS)) says that having access to sufficient savings can help prevent families from sliding into problem debt if they experience sudden and unexpected income shocks or costs. The aim of the Help-to-Save scheme is to promote financial resilience among working families on low incomes by incentivising a regular savings habit and the development of a savings buffer against income shocks and unforeseen costs. Account holders will be able to withdraw all or part of their savings at any point during the lifetime of the account. The scheme is an integral part of the government's wider strategy to tackle poverty and promote life chances.

Reasons for utilising the Bill rather than an Act of the Assembly

16. The Westminster Bill puts in place a UK-wide power to support young people to save and to support working families on low incomes to build up a rainy day fund. It is helpful that these provisions and the bonuses payable extend to Northern Ireland and that the bonuses be made an excepted matter; this

means that responsibility for the Lifetime ISA and the Help-to-Save scheme, including the funding, will be the responsibility of the UK Parliament.

17. In the circumstances it is considered to be more efficient and less complex to deal with the provisions in the Westminster Bill than to promote a specific Assembly Bill.

Consultation

18. There was no formal consultation on the Lifetime ISA. HM Treasury published a document "*Design of the Lifetime ISA: technical note*" on 16 March 2016. The document was updated on 15 September following discussions with potential providers and other interested parties.
19. The Financial Conduct Authority will publish a consultation this autumn on the regulatory framework for the Lifetime ISA.
20. HM Treasury consulted on the framework for implementing the Help-to-Save scheme and detailed policy design issues from 26 May to 21 July, "*Help-to-Save: consultation on implementation*". On 17 October HM Treasury published the "*Help to Save: response to the consultation on implementation*". The response summarises the comments received and sets out the government's decisions on how to proceed with implementation and detailed policy design of the scheme.

Financial Implications

21. HM Treasury is funding the Lifetime ISA and Help-to-Save scheme. The cost of the Lifetime ISA is estimated to reach £830 million in 2020-2021. It is expected that the Help-to-Save scheme will cost £20 million in 2019-20 rising to £70 million in 2020-2021. There are no financial implications for the Executive's budget.

Equality Impact Assessment

22. HM Treasury considered the potential equality impacts of this policy and identified no different impact on any equality group. DfC agrees that the extension to Northern Ireland of the relevant provisions contained in the Bill has no implications for equality of opportunity or good relations.
23. Following a screening of the proposals, DfC considers that an equality impact assessment is not necessary. With the exception of age, the Lifetime ISA will be open to people in all the categories of entitlement that are UK residents, Crown Employees and their spouses or civil partners and are aged between 18 and 40. The government recognises the need for more targeted incentives to promote saving among particular groups. During the last Parliament the government helped over a million pensioners save through NS&I's market leading 65+ guaranteed growth bond. The Lifetime ISA is to encourage younger savers to put money aside for their first home purchase and for retirement.

24. The Help-to-Save scheme will apply equally to people in the nine categories of entitlement who meet the eligibility criteria of receipt of Universal Credit with minimum weekly household earnings equivalent to 16 hours at the National Living wage (£6,325 in 2016-17) or above, and those in receipt of Working Tax Credits.

Regulatory Impact Assessment

25. The Financial Conduct Authority will publish a consultation this autumn on the regulatory framework for the Lifetime ISA.
26. ISA managers (such as banks, building societies or investment managers) will be able to offer the Lifetime ISA from April 2017, subject to HM Revenue and Customs approval. Managers will be responsible for ensuring that ISA legislation and account rules are applied correctly. The ISA manager will claim the bonus from HM Revenue and Customs and pay this into the individual's Lifetime ISA. ISA managers will submit any claims for 2017-18 to HM Revenue and Customs after the end of that tax year. From 2018-19 the bonus will be claimed and paid on a monthly basis.
27. In relation to Help-to-Save accounts, the government has announced that these will be provided by National Savings and Investments at the outset, but the primary legislation does not preclude more people providing the product in future, for example, a person approved by HM revenue and Customs or a person or body with whom HM Revenue and Customs or HM Treasury have made arrangements.

Human Rights Act 1998

28. The government considers that the provisions of the Savings (Government Contributions) Bill are compatible with the Convention Rights.
29. The articles which are engaged or potentially interfered with by the Bill are Article 1 of Protocol 1 (peaceful enjoyment of possessions) and Article 14 (prohibition on discrimination) when taken with Article 1 of Protocol 1.
30. Applying a charge of 25% when certain withdrawals are made from a Lifetime ISA engages Article 1 of Protocol 1 as it recoups sums from the individual's own contributions in addition to the government payments. The government considers the 25% charge to be necessary, proportionate and justified.
31. The result of the restriction on opening a Lifetime ISA to those between the age of 18 and 40 could lead to possible claims of age discrimination and in the receipt of "benefit" of government bonus payments. However, even if Article 14 is engaged in conjunction with Article 1 of Protocol 1 the departments consider that the differential treatment on grounds of age would be justified and proportionate. The Lifetime ISA is intended to be a long term savings product, either for retirement or for first-time home purchase. The

targeted group are those who are most able, if incentivised, to build up retirement savings. They are also more likely to be first-time buyers.

32. No convention rights are engaged in relation to the Help-to-Save scheme.

Engagement to date with the Committee for Communities

33. The Minister for Communities wrote to the Chair of the Committee for Communities on 14 October to alert the Committee to the extension of the Savings (Government Contributions) Bill to Northern Ireland, that bonuses paid under the Bill be made an excepted matter and the extension of an existing gateway to the Welfare Reform Act 2012.

Conclusion

29. The view of the Minister for Communities is that, in the interests of enabling people in Northern Ireland to take full advantage of the new Lifetime ISA and Help-to-Save scheme, the Assembly should support a Legislative Consent Motion in the terms of the draft set out in paragraph one of this Memorandum.

Department for Communities

2016

