



Committee for Finance and Personnel

Report on the Legislative Consent Motion: Local Government Finance Bill (the power for HM Revenue and Customs to supply information for purposes of rates in Northern Ireland)

Wednesday 20 June 2012

NIA 61/11-15

Background

1. The Department of Finance and Personnel (DFP) wrote to the Committee on 11 May 2012 (Appendix 1) to outline forthcoming changes in respect of the rates element of Housing Benefit. DFP advised that council tax benefit will be abolished with effect from 1 April 2013; the rates element of Housing Benefit will also be abolished. In addition, funding will be cut by 10% and moved from Annually Managed Expenditure to Departmental Expenditure Limits.
2. Schemes to provide support with council tax will be localised and provided by Devolved Administrations and relevant English local authorities. In the short term, the Executive has agreed to continue with the current rates support system and make up the funding shortfall through public expenditure. It is anticipated that a replacement scheme will be developed at a later stage.
3. To facilitate these changes, the Local Government Finance Bill¹, introduced in the House of Commons on 10 May 2012, will allow local authorities in GB to have direct and indirect access to data from HM Revenue and Customs (HMRC) for council tax purposes. An amendment to the Bill will be tabled to make similar provision for Northern Ireland for rates purposes. This will enable HMRC to provide relevant information to Land and Property Service (LPS) and the Northern Ireland Housing Executive (NIHE) for rates purposes.

Committee Consideration

4. Subsequent to the DFP correspondence of 11 May, the Minister of Finance and Personnel wrote on 17 May to notify the Committee of the requirement for a Legislative Consent Motion (LCM) (Appendix 2). The Minister advised that it would be necessary to obtain consent for the LCM by the end of the current session of the Assembly, in advance of the Final Stage of the Bill in the House of Lords. Failure to provide consent would result in problems with verification processes, and
“The upshot would be that the most vulnerable in society would face lengthy delays in their claims for help, which could also adversely affect the numbers of people claiming support.”
5. The Committee’s consideration of the LCM was therefore undertaken before the memorandum was laid and referred to it under Standing Order 42A(6).
6. The Committee noted that, in view of the role of NIHE, these provisions may be of interest to the Department for Social Development; comments on both the DFP

¹ <http://services.parliament.uk/bills/2012-13/localgovernmentfinance.html>

correspondence of 11 May and the Minister's correspondence of 17 May were therefore sought from that Committee. The response is provided at Appendix 3.

7. On 6 June 2012, the Committee took evidence from DFP officials on the proposed LCM². Briefing papers for the evidence session are provided at Appendix 4. Departmental officials advised that the LCM will address a legislative shortcoming as the provisions were not included in the Welfare Reform Bill. Members heard that the Department considers the changes to be non-controversial, and that

“the change is being sought for benign purposes: to ensure the smooth running of a support scheme; to ensure that claimants are not required to fill in new forms; and to ensure that there is a free flow of information from HMRC.”

It was also confirmed that the Assembly cannot pass legislation that affects HMRC.

8. Members heard that the types of data required will include income, savings and other information such as entitlement to tax credits. While both LPS and NIHE currently have access to some forms of information, the welfare reform changes mean that these sources will be incomplete, and it will be necessary to source information direct from HMRC.
9. In response to Committee queries on data protection for personal information, the Departmental officials advised that information will only be able to be used for prescribed purposes, and that strong information handling protocols will be put in place.
10. The Department subsequently wrote to the Committee on 19 June to advise that HMRC and Westminster Parliamentary Counsel consider that it is also necessary to provide for the sharing of HMRC information for appeal purposes within the legislation (Appendix 5). In light of this, the draft amendment to the Local Government Finance Bill, which had previously been provided to the Committee, would be reconsidered.
11. The Committee took further evidence on this issue at its meeting on 20 June³. Members heard that, in the Department's view, the clause would not be materially changed, save to include the appeals issue if necessary. The Committee was also advised that the memorandum and the motion for the Assembly debate on the LCM will be laid in advance of the amendment to the Local Government Finance Bill being tabled in Westminster. While this is not the normal procedure, it is necessary in this instance to ensure that the necessary Assembly consent is received in advance of the summer recess.

² The transcript of the evidence session is available at http://www.niassembly.gov.uk/Documents/Official-Reports/Finance_Personnel/120606_LocalGovernmentFinanceBillLegislativeConsentMotion.pdf

³ The transcript of the evidence session on 20 June will be made available on the Committee's website.

12. The Committee notes the tight timeframe for obtaining the Assembly's endorsement for the LCM, and that this is outside DFP's control. Having considered the evidence and the response from the Committee for Social Development, **the Committee for Finance and Personnel agreed to support the Department of Finance and Personnel in seeking the Assembly's endorsement of the LCM:**

"That this Assembly agrees, in principle, that the UK Parliament should consider amendments to the Local Government Finance Bill, as introduced in the House of Lords on 22 May 2012, to make provision for HM Revenue and Customs to supply information for purposes of rates in Northern Ireland".

13. **This agreement is subject to the memorandum being laid, finalised details being provided to the Committee and no concerns being raised by Committee members subsequently⁴. The report will be issued to all MLAs thereafter.**
14. **The Committee notes that its decision relating to this matter will not prejudice future consideration of options for a replacement rates support scheme.**

⁴ A copy of the memorandum as laid in the Business Office is provided at Appendix 6.

APPENDICES

Appendix 1: DFP correspondence – 11 May 2012

<http://www.niassembly.gov.uk/Documents/Finance/Local-Govt-Finance-Bill/Appendix1-DFP-11-May-2012.pdf>

Appendix 2: Minister of Finance and Personnel correspondence – 17 May 2012

<http://www.niassembly.gov.uk/Documents/Finance/Local-Govt-Finance-Bill/Appendix2-Minister-of-Finance-and-Personnel-17-May-2012.pdf>

Appendix 3: Committee for Social Development – 31 May 2012

<http://www.niassembly.gov.uk/Documents/Finance/Local-Govt-Finance-Bill/Appendix3-Committee-for-Social-Development.pdf>

Appendix 4: DFP briefing paper – 25 May 2012

<http://www.niassembly.gov.uk/Documents/Finance/Local-Govt-Finance-Bill/Appendix4-DFP-briefing-paper.pdf>

Annex A: <http://www.niassembly.gov.uk/Documents/Finance/Local-Govt-Finance-Bill/Appendix4-AnnexA.pdf>

Annex B: <http://www.niassembly.gov.uk/Documents/Finance/Local-Govt-Finance-Bill/Appendix4-AnnexB.pdf>

Appendix 5: DFP correspondence – 20 June 2012

<http://www.niassembly.gov.uk/Documents/Finance/Local-Govt-Finance-Bill/Appendix5-DFP-correspondence-20-June-2012.pdf>

Appendix 6: Legislative Consent Memorandum – Local Government Finance Bill

<http://www.niassembly.gov.uk/Documents/Finance/Local-Govt-Finance-Bill/Appendix6-Legislative-Consent-Memorandum-Local-Government-Finance-Bill.pdf>