



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Rating Issues:
Department of Finance and Personnel

18 June 2014

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Daithí McKay (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Ms Michaela Boyle
Mr Leslie Cree
Mr Paul Girvan
Mr John McCallister
Mr Ian McCrea
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Peter Weir

Witnesses:

Ms Tracey Ayre	Department of Finance and Personnel
Mr Brian McClure	Department of Finance and Personnel
Mr Alan Brontë	Land and Property Services

[Proceedings from 10.08 am until 10.12 am were not recorded due to technical difficulties.]

Mr Brian McClure (Department of Finance and Personnel) (continuing): ... It was with the very best intentions. We do not want the Minister saying things about revaluation that the Committee has not been alerted to. Those three particular aspects are not yet in the public domain, so the Committee has heard them first. Nevertheless, I apologise for the fact that the paper was delivered late.

The Chairperson: It is very noble of you to fall on your sword in this instance, but when was it sent to the Minister?

Mr McClure: It depends on what version you are talking about; there was a whole series of versions. There was the earlier briefing paper, and then changes. The Minister has an input to these papers, and he wanted some aspects of the papers — it is a very important subject to do with local taxation. It is not a tick-and-turn issue, and the Minister wanted some of the briefing to be sharpened up. The final version went to the Minister last week.

The Chairperson: On what date exactly?

Mr McClure: I cannot recall; it was late last week.

The Chairperson: Late last week. OK. What steps will you take to ensure that that situation does not reoccur?

Mr McClure: I will try to keep to the deadline. It was a genuine effort to get the best possible briefing to the Committee. As I said, I could have played safe and simply dusted off the previous briefing that was ready for the meeting on 28 May, but I did not think that that was right for the Committee. It is such an important issue. We are reporting on a programme that is coming to a head. As Alan will report shortly, things are changing on a weekly basis, and I really wanted the Committee to get the very latest information on it.

The Chairperson: Moving on to the briefing, Brian, there are a lot of areas to cover. Do you want to break it down by area and we will then take questions at each stage?

Mr McClure: At this point I will pass over to Alan, who will report on some of the process issues. I will then talk about some of the policy issues.

Mr Alan Brontë (Land and Property Services): Thanks very much. I will maybe give you an overview of where we are. Some of the detail is in the paper. Again, apologies that you will not have had time to have read it, but it is maybe important to outline where we are with the programme or project.

By the end of March, we had completed the first pass of all the valuations for offices, shops, warehouses and factories. Those are what we would normally describe as "bulk properties". Since the end of March, we have been QA-ing those extensively and looking at them across the Province. As well as that, we are valuing all the other types of properties: schools, hospitals, golf clubs and sports clubs — everything else, really. That work is more or less on target. We expect to have most of the valuations completed towards the end of June, but we will spend quite a bit of time in July on things like utilities. Through July and August, we will finalise all the values.

The significant stages in the process will be that, by the end of September, all the values will go in their bulk form — in other words, the 11 new council areas. We will do the work with our council colleagues to produce the first draft of the estimated penny product (EPP) for each district council. That is a very important date, and I have no concerns at this stage that we will not make it. Everything else is running, and a lot of trialling is going on with those figures. By early October, we will have figures with each district council, and they will go through the normal iterative process of looking at their penny product as they move through the rate-setting process.

Significantly, through October, we will start to provide information at a high level on the movement across Northern Ireland and between districts and property types. That will culminate in the release — an early release in comparison to previous revaluations — of a schedule of the individual values on the website at the beginning of November. Each ratepayer will see their new valuation on the website at the beginning of November.

The period in February when the rates are struck is also quite significant, because it will be very difficult for ratepayers to know their liabilities. They will know their new valuations, but because of the 11 new councils and because of revaluation, the rate poundages will change. Therefore, it will be quite difficult to understand whether liabilities will have increased or decreased. The rate poundages will be struck by the district councils and by DFP in the regional rate.

Formal valuations will be published in late February, and there will be no further changes at that stage. By 1 April, the bills will be issued using the new values for the first time. That rate bill will contain information for ratepayers about their new valuation and how they can challenge it if they wish to do so. There is no statutory authority to challenge the valuation until it comes into effect on 1 April. We are publishing early in November. We think that it is a good idea to do that to let people have a view of their valuations.

That is the high-level plan that we are engaged in at the minute. Hopefully, that will be helpful to the Committee.

Mr Weir: My question is on the revaluation, but it might be more on the policy side, so I will maybe leave it for the moment. Broadly speaking, when you were looking at the revaluation and the notifications, have you worked out the anticipated level of challenge in connection with that? How will you deal with the issue of expectation? With any sort of rejigging or revaluation, people always make an assumption — there is a false thinking out there that prices have gone down, values have gone down and, consequently, their rates bill should be going down. With any revaluation, whether it is domestic or non-domestic, there is an issue of expectation. Particularly as there has been that level of

change, what do you anticipate the level of challenge to be? Has anything been set aside to cover that? Even as a minimum, I could see there being a cash flow situation for people. I appreciate that legally, once you have been revalued that is your bill and you are legally entitled to pay it, but I can see that people will drag their feet with payments if they want to challenge them and feel that they have been unfairly done. From a mechanical point of view, how do you see that going?

Mr Brontë: Historically, Northern Ireland has had a low challenge rate in non-domestic revaluations. In 1997, the challenge rate was around 11%, and, in 2003, the challenge rate was around 6%. I expect the figure to be higher than those two figures. It really is a difficult one to call. People may not believe that their valuation is correct, but if their liability is changed in a way that is lower, they may not challenge the valuation. There are a number of things in play. It just depends — as we have talked about in the past — where the average sits and whether people are above or below the average. Certainly, communication with the ratepayer and the business community is very important. In a sense, we are not being active in the communication field at the minute, because there really is not a lot to communicate. I think that, come September, we will see a significant ramping up of our communication to try to explain it. By that stage, we will have a full picture of what has happened. Through that September/October period, we will communicate with councils and ratepayers to explain what is happening and try to help them understand the position. Publishing those values, which is really around, "Could I have rented my property for this figure in November?", will be important.

Mr Weir: I am wondering whether there will be a window of opportunity between the November situation kicking in and the valuations taking effect in April. You indicated that, from a mechanical point of view, somebody cannot challenge it until April. Are there any measures that could be put in place that, from a practical point of view, would minimise those challenges? Obviously, the information is there, but could there be some sort of much more formal mechanism to say, "Are you seeking of explanation of why there has been a change in yours?" A lot of times, people will challenge either through some direct sense of grievance or, alternatively, simply chancing their arm in the hope that they might win the challenge. However, a certain amount of it will be purely down to a level of ignorance — not realising what way it is — and it would be good to get the message across.

Mr McClure: The early release of values in early November — much earlier than ever before — will help, because that will allow Alan and his team to sort out some of the factual or data errors that they have and make some corrective action before the bills issue. Nevertheless I expect, after the bills issue, the number of appeals to be significantly higher than any revaluation ever in Northern Ireland, first because it has been undertaken in a downturn and expectations are that everybody is going to be a winner and, secondly, because the market evidence itself is not consistent. Therefore, there are issues around the consistency in that evidence, and people will choose to exploit that. There are two things at work here that lead us to be concerned about the level of appeals.

Mr Weir: It also comes down a little bit to what will happen directly in November in terms of relaying that information. While it would create additional work, it would be helpful if it were done proactively to encourage people to contact the Department. You would probably get a large volume at that stage. That might help to create a filter system on the thing, where people have a fairly hopeless case.

Mr Brontë: I am actively considering precisely what you are asking, which is how we deal with the ratepayer, how we can take the heat out of the situation, and how we can allay genuine concerns and misunderstandings. From November right through to the end of March, the first line will be our telephone helplines. A lot of information will be available on the web, and there will be a lot of frequently asked questions. We will be very active and happy to address business groups. In the past, we have dealt with the Federation of Small Businesses (FSB), the Northern Ireland Independent Retail Trade Association (NIIRTA), the British Retail Consortium — all of the business groups — and Pubs of Ulster. We have communicated through working with those particular interest groups and explaining to them what has happened, what it means, what the situation is and what ratepayers can do.

The communications will be general and non-specific to ratepayers in Northern Ireland, but also through the various business groups and websites and by telephone. No, we will not be able to deal with every person who says that they do not like their valuation. If there is a significant piece of work to be done to try as best as possible to deal with the business-as-usual rating work — to make sure that new properties are on the list — that is important for councils to keep some growth coming into this. So, we cannot be facing entirely two ways at the one time.

Mr Weir: I appreciate that there is sometimes a bit of a grey area between the process and the policy side which may stray much more towards the policy end of things. Just when we are talking about revaluation; obviously, when revaluation was done in England with regard to the council tax stuff, they had transitional schemes. However, I gather that there may well have been some problems with them. Is that something that is being considered, or is it potentially, shall we say, likely to be more trouble than it is worth?

Mr McClure: It is something that is being considered. I will talk about the small business rate relief consultation later on this morning. Interestingly enough, one of the questions that we are posing is whether, instead of having a transition scheme for the revaluation, the money would be better spent in a better small business rate relief scheme. The transition schemes that we had for the last two non-domestic revaluations in Northern Ireland were directed at small properties with a rateable value of £12,500 and less, which is actually quite tiny. They are mostly small shops in small towns and, more often than not, offices above those shops. That is what it was directed at in the past. Since then, we have had the small business rate relief. It begs the question as to whether public expenditure should be used to ease in rate bills for those who otherwise face major increases.

There are some philosophical arguments as well. Many sectors benefited from the absence of a revaluation in 2010. I would say that the large shops sector — certainly, the out-of-town shopping centres and large out-of-town superstores — has probably benefited from the absence of a revaluation. Are we now saying that we should provide relief to those sectors because we are now having a revaluation? All of those points have to be drawn out. We have posed the question in the small business rate relief public consultation paper. We will see what we get back on that. Certainly, the last time that the Welsh had a revaluation, in 2010, they made a conscious decision not to put public expenditure into a transition scheme and, instead, to put the money into small business rate relief.

Mr D Bradley: I notice that your aim is to reduce, if not eliminate, manual input into bills and have an end system where, from the building of the property to the collection of rates, that is done through computers. Is that a fair description of it?

Mr Brontë: There is some use of automated computer systems in the non-domestic revaluation. However, there is nothing to the extent that we use for domestic properties, because there is such a variety of non-domestic properties. There is a limited use. Certainly, we can use it for what I earlier described as bulk properties — offices, shops, warehouses and factories. Our use of a computer system is about trying to get a consistent approach. Every valuation is individually reviewed by a chartered surveyor. It takes some of the initial drudgery out of it to get a first-pass valuation. It is then manually checked. We can then use a computer system to tell us which properties are three times the previous net annual value (NAV), multipliers, movements and percentages. We can do a lot of that, which helps us to spot some of the outliers. It begs the question as to whether something needs a further look. Each individual property is then looked at by an individual valuer.

Mr D Bradley: In the annex to the paper, under "Customer", you state:

"Computer system workflows should leverage MI and predefined rules to present the next collection action for collectors to remove any potential personal bias."

It is about the third paragraph down.

Mr McClure: I am sorry, Mr Bradley, but we do not have those papers in front of us. I am not sure which paper you are referring to. I do not think it is in the briefing paper we sent. I am happy to try and answer it, but I am not sure what the —

Mr D Bradley: I was just going to ask you what form of personal bias — what would that refer to?

Mr McClure: It is the behavioural bias issue around valuers having different views. It is about consistency. That is a good question, actually.

Mr Brontë: We are not dealing with a huge number of properties; we are dealing with 72,000. When you break them down into types and locations, it is then straightforward to compare, across a sector, offices in Belfast to offices in Lisburn. By looking, comparing and reviewing, and by people in more senior levels reviewing and looking for, as I said earlier, the outliers, there is a straightforward process

of review, counter-review and peer review, which will take that away. We will also look at the rental evidence. It is clearly based on rental evidence, and rental evidence versus the new rateable value versus the old rateable value.

Doing all that comparative work will, as far as I am concerned, eliminate any bias that anyone has. For example, some valuer may wish to play safe, while another may wish to play a little bit more progressively. That is really the process that we have been going through from the end of March to date, and we will continue to do that until I am satisfied that we have got the values as accurate as we can.

Mr McQuillan: How do we keep the expectations of small business owners down, and how do we dampen them, because there is a big expectation out there?

Mr McClure: In relation to the impact of the revaluation? Yes, that is our concern. Everybody is thinking, "How can I lose out of this exercise?"

Mr McQuillan: People think they cannot lose.

Mr McClure: Because rents are down since the boom in 2007 and 2008; my rent is down, so, therefore, if rates are based on rents — well, of course, as you know, and as the Committee knows, we are raising the same amount of money from the same number of people. We are just shuffling the pack. The issue is how we manage expectations, and Land and Property Services (LPS) has a communications strategy. Perhaps Alan will explain what is being done there.

Mr Brontë: We have been dealing with the ratepayer in a number of ways: primarily, it was through the business groups. We have had extensive discussions with the FSB, NIIRTA and others. Through discussions with those particular groups we can explain the revaluation. We will be writing out to many businesses shortly, and we are continuing to upgrade the information on the website and trying to point people to that website. In that way, we can refresh.

I think that our strategy will kick in, really, in September and October, through briefings with the media and business groups. There is no doubt that we will have to seek to manage expectations, but it is important that, when the rateable value comes out, people look at it and say, if it is £12,000, "Does that represent what I could have rented this shop or office for on 1 April 2013?" That is the best question to be discussing in the November/December/January period because, at that stage, liability is not introduced. So, first, have we got the right basis on which to base someone's rates liability? Does that represent what I could have rented the shop for on 1 April? If I could have rented it for more, and the rent is higher than that, well, if it is a lot less, then perhaps a challenge could be considered.

Mr McQuillan: What is the Department putting in place for those challenges? You said that you reckon there are going to be more, and I reckon that you are right in saying that. How are you going to deal with them?

Mr Brontë: The statutory process is exactly the same as the one that exists at the minute except that, after revaluation, when a new valuation is produced, there is an opportunity for the ratepayer to ask the district valuer to review the valuation. After that is reviewed, and if the ratepayer is not content with the decision of the district valuer, there can be a challenge to the commissioner of valuation. If, after that, you are not satisfied with the commissioner of valuation's decision, you then have a further right of challenge to the Lands Tribunal, so there is a process there by which we can deal with those queries.

There are other times when we can perhaps fast-step that process if there are significant cases that I believe should be heard by the tribunal, but there is a process. It does not cost the ratepayer anything to make an application to the district valuer or the commissioner of valuation, unless they wish to be professionally represented.

Mr McQuillan: Is that not going to put more pressure on to LPS?

Mr Brontë: It certainly will, and, at this point in time, we are looking at a business case with the permanent secretary to adjust our staffing to be able to deal with appeals.

Mr McQuillan: When will you know what the permanent secretary is going to say? When will you know that there will be more staff to deal with that? What we as MLAs are going to get is a lot of people coming into our offices saying that they have put in an appeal to LPS and that they have not heard tell of it for three months, and we are going to be chasing around after LPS.

Mr Brontë: Again, we may need to deal with the expectations in that area as well. There is no jurisdiction that I am aware of in the world that would be able to deal with all of its challenges after a revaluation in three or six months; that is not practical.

Mr McQuillan: I think that people should know that before they enter into the process.

Mr Brontë: Yes, that is a fair point.

Mr Girvan: Before we move off that point about the expectations that people have, if there is an increase in the number of people who challenge, cover has always been given to those people by the courts in relation to paying rates while they are in an appeal position. What mechanism is in place to ensure that they pay a reasonable rate so that, when a settlement is achieved, there is neither a big amount owed nor, conversely, a refund due from the Department?

Mr Brontë: The legislation says that it is up to the ratepayer to pay their rates in full until the valuation list is changed. Now, some magistrates may take a slightly different approach or interpretation of that, but the legislation is straight. You have a liability based on the valuation that is currently on the valuation list until the contrary is the case, so people should pay in full. Some people may have a great expectation that it will be reduced, only to find that it will not, and then they may have serious financial issues. The interest will be paid on a refund, but the legislation is straight: people should pay.

Mr McClure: You have raised another very important issue about backdating, which is the impact on district councils as well. If you have some long-outstanding appeals and major reductions that result from that appeal, that would directly impact on a council in one year. That is a big driver for us in trying to improve the appeals process.

Mr Girvan: I think that we ran into this difficulty with a fairly large store in the Antrim area, where, because it had been dragged out over a number of years, there was a big hit to the finalisation of the rates and the council had to pay back quite a sizeable amount of money inside the one financial year after it was all settled. That ran on for a number of years.

Mr McClure: We agree. There are very serious consequences if we do not handle these appeals properly and deal with them as promptly as we can.

Mr Cree: Alan is getting close to answering my question, but, obviously, to avoid a lot of this difficulty, I guess that the aim is to get it right first time. Therefore, the criteria that you are going to use to do the revaluation have to be crystal clear and, as far as is possible, unequivocal. Is it purely based on the estimated rental value?

Mr Brontë: Yes.

Mr Cree: How, then, do you adjust for the different rents in different parts of the country?

Mr Brontë: As you will remember, we put out what we call a "form of return" to each non-domestic property in Northern Ireland — well, virtually all of them — asking for evidence of their current rent. Many are owner-occupied, so there are no rents there. When we look at a street, we see two, three or four rents —

Mr Cree: So you have already developed a profile.

Mr Brontë: Yes. As valuers, we understand the relationship between high street and main street and the relationship between those and a little neighbourhood store. We build up a picture of, for example, neighbourhood zones and delineate an area in which the rents behave, more or less, in the same way. We are valuers, so we understand what rent we will have from a corner property in a good trading position and that, as we come out of the town towards the country, the values will fall. So we are able to have evidence of rental levels and adjust and apply those across every property. Not all properties

are rented, but that is a different issue. We use the rental evidence that we have gleaned for shops and offices that are owner occupied, set a fairly standard approach and, as we move to a shop that is not in as good a position, adjust accordingly. As valuers, we are assessing what we could have rented that shop, office or factory for on 1 April 2013. It is a valuation exercise.

Mr Cree: It is good that you have an existing profile. In past valuations, the turnover or profit of a business was a factor. That will not be a feature in this revaluation.

Mr Brontë: No, this is an assessment of rent.

Mr Cree: Is it of rent only?

Mr Brontë: Yes. Turnover is taken into account only if it is a pub or other licensed premises. We also look at the throughput of petrol stations, for example, but, quite often, that is because of their location. A large filling station that has many pumps and is adjacent to a large supermarket is in a better trading position, so the throughput is an indication of the rent that would be paid, if it were being rented.

Mr McClure: The same applies to market rents for shops in particular trading locations. High rents mean a successful trading location; low rates mean a less successful trading location.

Mr Cree: So a normal commercial stick is used.

Mr McClure: Yes. Alan's job is not to estimate figures; his job is to interpret the market and then apply those figures. That is all that LPS is doing.

Mr Cree: That is helpful.

Ms Boyle: My question is along the same lines as Adrian's. I have a concern about the expectation of a significant number of appeals, what the appeal process will be and how it will be managed. Your paper mentions the "enhanced telephone handoff to warm", which will ensure that customers are put through to the operator and get through to the person whom they need to speak to. Alan, you said that not everybody who has an issue with their new rate will be spoken to personally. Customers will see their new evaluation on the website in November, but they do not have the right to appeal until April, when it comes into force. I would like clarity on that.

Mr McClure: They can request an informal appeal. They can contact LPS and say that their valuation does not appear to be right. Alan will look at it to see whether LPS has got the wrong information about a property, or something like that, and corrections can be made.

Ms Boyle: So there is that recourse between November and April.

Mr McClure: There is an interim process that can go on in that period, but that is not to say that Alan will satisfy everybody who phones. However, there will be some instances in which there will be data issues to deal with.

Mr Brontë: Two or three things are going on at the one time, so I have to strike a balance. We will be putting in a major effort on the revaluations up to July/August, so other more normal rating business and non-domestic rating business will fall slightly behind. I want to be able to catch up by September/October. So September/October and into November will be very busy months. I have to balance getting new properties on the list for the sake of the councils, getting altered properties valued and dealing with other challenges against the current list. I cannot take all my resources and immediately switch them to 1 November to deal with ratepayers' queries about their new valuation. However, I totally understand your point because I have been through situations like this before. We will seek to put in place telephone helplines and email systems. As Brian said, we will seek to review as much as we possibly can.

I certainly hope that all the valuations with too many noughts on the end of them have been well cleared by now. We will seek to try to help people as much as we possibly can, but there is no point in my saying to the Committee that I can deal with every single person. I do not know what the number of people seeking help will be. Some people might be reluctant to say or ask anything until they understand whether their liability has increased or decreased. It is, at this point, quite difficult to know

the number. We will seek to be able to answer phones and emails and, where possible, deal with people one to one. It is quite a tricky area at the minute.

Ms Boyle: We expect that there may well be a significant number of appeals. How are you engaging with your staff and communicating that concern to them? Will you be able to put in more resources if you have to?

Mr Brontë: The current business case is for some restructuring of the valuation part of LPS. The profile of staff will be in a position to review the valuations expertly. We are looking at our staffing profile to make sure that we do not get into the position that Mr Girvan talked about earlier. However, we were in a very different situation then because we came out of a non-domestic revaluation and went immediately into a domestic revaluation, so the pressures were immense. We will look at the whole area of communications: how we call-handle and how we deal with correspondence. We are in a non-statutory, no-protocols world at the minute. We will seek to agree and set out clearly the protocols to the public and elected representatives to show how we will deal with the situation during the period from November to March.

Our staff are carrying out the revaluations, so they understand them. Many of the staff who have been valuing property will be in a position to review the valuations expertly. We are looking at our staffing profile to make sure that we do not get into the position that Mr Girvan talked about earlier. However, we were in a very different situation then because we came out of a non-domestic revaluation and went immediately into a domestic revaluation, so the pressures were immense. We will look at the whole area of communications: how we call-handle and how we deal with correspondence. We are in a non-statutory, no-protocols world at the minute. We will seek to agree and set out clearly the protocols to the public and elected representatives to show how we will deal with the situation during the period from November to March.

The Chairperson: OK. Brian, do you want to move on to small business rate relief?

Mr McClure: Yes. I think that the Committee has a copy of the consultation paper, which is part of the evaluation process. As the Committee will know, we have engaged the services of the Northern Ireland Centre for Economic Policy (NICEP) at the University of Ulster. The project is on track. There were significant delays, however, in getting access to some of the LPS data. That held us back a bit, but, having spoken to NICEP within the last 24 hours, I understand that that is recoverable. Its business survey is under way. I got a report on it at 9.50 am, just before this meeting. It has now surveyed over 300 of its target total of 500 businesses. That is well under way and producing results.

(The Deputy Chairperson [Mr D Bradley] in the Chair) The Committee might be interested in some of the views expressed in that survey. Some businesses felt that the small business rate relief was very helpful for cash flow. Others felt that it helped them to recover or at least sustain the business through difficult times. Businesses have found it very hard to identify additional investment as a consequence of the small business rate relief. However, the benefit they got from it was improved cash flow during the downturn.

One of the questions we asked was about how it should be paid for in the future. As you know, the current scheme is part paid through a large shops levy. The views expressed so far are that it should come out of public expenditure. We are early on in this process, so I am just giving you some emerging findings.

The public consultation is open until 1 July, and, as is fairly typical with public consultations, nobody responds until the last week or maybe even the week after. At the moment, there is only one response, from MGM Marine, which is a private business. NICEP has taken calls from other business support organisations and district councils that plan to respond to the consultation, so there is active engagement on that.

We are planning 20 targeted consultation meetings with representative organisations in August. They include the Federation of Small Businesses and other business groups, councils and third-sector organisations. The Northern Ireland Independent Retail Trade Association has already had a face-to-face consultation with staff from NICEP. We are arranging those meetings and will issue letters of invitation in the next couple of weeks.

We are on track to have a draft report at the end of the summer to help to inform policy decisions in September. You have the consultation paper. If you have any questions arising from that or the process, I am more than happy to answer them.

The Deputy Chairperson: OK, thanks very much. How confident is DFP that the evaluation of the small business rate relief will establish firm evidence for or against the continuation of the policy — for

example, facts and figures rather than stakeholder opinion on the contribution of the relief to business survival or the level of reinvestment by the beneficiary businesses?

Mr McClure: The objective of this evaluation is to get a firm evidence base for making decisions. Whether that will lead to a different small business rate relief scheme, a similar scheme or no scheme, it is too early to say, but you have identified exactly the objective. It is not just gathering opinions; it is gathering evidence of the effectiveness of the current scheme.

The Deputy Chairperson: If we were to get a positive decision on corporation tax, would that impact on the small business rate relief scheme?

Mr McClure: I would be surprised if it did. Nobody has ever had a conversation with me about that, and it has never occurred to me. Somebody did mention to me last week that, at the launch of a book by Manufacturing Northern Ireland in one of the rooms on the first floor in Stormont, somebody expressed concern that industrial derating could change if there was a change in corporation tax, but nobody in government has mentioned that. That is the only time that anybody made that connection.

Mr Girvan: I am looking at a table showing the small business rate relief awarded since 2010. The total is £44,042,774. You mentioned a number of models that we might have to look at. That outlay has, obviously, been absorbed by the Executive.

Mr McClure: Yes, it is, effectively, revenue forgone. It is keeping money in the pockets of business rather than the pockets of government.

Mr Girvan: Have any surveys been carried out of the 25,000 businesses that can take advantage of this? It was almost 32,000 previously, but the new figure is 25,000, so some that were receiving it have gone to the wall. Has there ever been a body of work to identify the net value to those businesses?

Mr McClure: Yes, that is exactly what the business survey seeks to do. It will survey 500 businesses in receipt of small business rate relief to determine what difference it made to them.

Mr Girvan: Will the businesses put a financial figure on that or just say that, if we had not got it, we would —

Mr McClure: We know how much the relief is worth to each business because we have that analysis.

Mr Girvan: Yes, but it is about what it is worth to them.

Mr McClure: Yes, the difference that it made to a business. That is exactly the question put to businesses. NICEP has developed a very detailed questionnaire to try to see how business behaviour changed as a consequence of small business rate relief. Most businesses reported that it greatly helped their cash flow during the downturn. Others felt that it was useful in sustaining or helping to recover their business. However, businesses have struggled to identify any particular investments made as a consequence of it. As of 9.50 this morning, NICEP had surveyed over 300 businesses of the 500 that it intends to survey, so that work is very well advanced.

Mr McQuillan: Will it take into account what the big businesses that pay for the rate relief are saying?

Mr McClure: The Minister and his predecessor have already announced that the large shops levy will not continue after March 2015 because the revaluation will take effect. So that option is not being considered, but we are asking people how effective the scheme has been and how we should pay for it in the future. It is too early to report back on that. Of those surveyed to date, most feel that it should come out of public expenditure, but we have not had any other views back yet.

Mr McQuillan: It would be interesting to know what other ratepayers think of public expenditure paying for small businesses, but I understand the need for it.

Mr McClure: It is a very good point.

Mr Cree: The table that we were talking about shows the number of properties that have benefited from the small business relief scheme. The large shop levy comes in there, too, does it not?

Mr McClure: Yes, the large shop levy contributes about £6 million a year.

Mr Cree: Of the £44 million?

Mr McClure: No, the £44 million is a cumulative figure. The figure is about £18 million a year currently. It has been in place for three years and increased year on year. So you cannot just multiply the £18 million.

Mr Cree: The other interesting thing, Brian — again, I am looking at a cumulative figure — is that we have gone from 31,000 businesses, as Paul pointed out, to 25,000. Those 6,000 businesses represent 20% of the original 2010 figure. Has any exercise been done to see what happened to them? Did they grow to such a size that they no longer qualified, or did they simply cease trading?

Mr McClure: It is hard to tell. Businesses come and go. Businesses evolve, they grow and some move. We have not undertaken any analysis to explain that.

Mr Cree: It would be interesting to know. It could be a success indicator.

Mr McClure: We should get NICEP to look at that.

Mr Mitchel McLaughlin: That is an interesting point. It would be a practical exercise. I take it that you can identify these businesses should you decide that the information would be useful. Is there a unique identifier or something on the registry?

Mr McClure: We know the address of every one of those 31,000 and of the current 25,000. So we can certainly do a sampling exercise to find out why 6,000 dropped out of the scheme.

Mr Mitchel McLaughlin: Other agencies or enterprises clearly have an interest in the changing profile of the economy. Is there not any cross-cutting operation?

Mr McClure: Once NICEP has undertaken its analysis, it will be of great interest, I imagine, to Invest NI and various other government agencies.

Mr Mitchel McLaughlin: It would be of interest in planning.

Mr McClure: Yes, and to the new district councils, of course, given their new improved economic development powers.

Mr Mitchel McLaughlin: There is a final point that intrigued me. Did any of the responses from the consultation surprise you? Some of it is fairly predictable.

Mr McClure: So far, there is only one response to the formal consultation. The business survey is going on in parallel with that. NICEP uses an agency to phone people and go through a very detailed questionnaire. The results so far, as I have explained, are from that survey. You are right in saying that there is nothing terribly surprising coming out of that.

Mr Mitchel McLaughlin: I suspect that an inordinate workload could come back to you, Alan, as Michaela pointed out. Do people have unrealistic expectations? Perhaps, in anticipation of the questions — the explanatory information would defray quite a bit of that — we could provide them with some answers.

Mr McClure: This survey is focused solely on small business rate relief. We have not asked any questions about the revaluation, nor have we taken the opportunity to communicate information. It is a scientific sample of 500 that we are using to inform future policy developments on small business rate relief.

Mr Mitchel McLaughlin: OK. I was thinking more about carrying out this exercise in its entirety and, maybe, anticipating some of the logjams ahead of us.

Mr McClure: Alan needs to consider that as part of the telecoms policy of LPS.

The Deputy Chairperson: Tracey, Brian and Alan, thank you very much. No doubt you will keep us up to date on any developments.

Mr McClure: There are a number of other issues that the Committee wanted to be updated on.

The Deputy Chairperson: Did you want to say a few words about rates convergence, perhaps?

Mr McClure: Yes, if time permits.

The Deputy Chairperson: Just the headlines, as it were.

Mr McClure: The consultation on rates convergence has begun and extends to 19 August. I have already undertaken some work on that, and NILGA has been very helpful in the process. On 30 May, I addressed 50 or 60 new councillors at a meeting in the Lough Neagh centre off the M1, and a major consultation event is planned for 30 June through NILGA. I am arranging bilateral meetings with particular local government officials, and we are available to talk to ratepayer groups. We have also had quite a number of hits on our website: the number of people accessing the consultation paper is beyond the 300 mark. It is of great interest to everybody. We will not please everybody with this rates convergence scheme: where you live will determine what answer you give. The Department wants to try to get the right balance in delivering an effective convergence scheme.

Mr Weir: I appreciate that the consultation document is out, so there is a limit to what can be said. Has any consideration been given to areas with a wide divergence? The envelope of £30 million was mentioned, and I presume that it has, effectively, been ring-fenced. It is a question of how, ultimately, that is distributed. Has any consideration been given to phasing it in over a longer period in certain areas?

You said that not everyone will be happy. Is there any examination of the balance? I can see some areas where there is a wide divergence and that you are trying to close that gap for those ratepayers. Some council areas, however, will express a little annoyance should everything simply go to the areas where there is a wide divergence. If two or three councils have worked closely together to ensure that their rates are fairly similar, they might feel that they are being penalised for what might be described as good behaviour, in that, potentially, no money will come in their direction. Is there a balance to be struck?

Mr McClure: Yes, and that is what this consultation is all about. The £30 million will deliver a three-year scheme and help everybody, even if it is only a few pence. Alternatively, it could be cut and diced in other ways. More money could be focused on areas facing larger district rate increases, such as the domestic and non-domestic ratepayers in Castlereagh or Fermanagh. You could decide to have a longer scheme for them. However, having a longer scheme for some would mean a shorter scheme for others or the application of some sort of threshold. That is exactly what the consultation is about. It is about how the relief should be distributed. That is the question that we are asking. As I said, we will not please everybody. The answers that people give will depend on where they live and —

Mr Weir: Given that the consultation is due to go on until August, you will need to ensure that councils have an idea of the impact. I suppose that they will set the rate anyway, but the ratepayers —

Mr McClure: That is exactly the point: they will be setting the rate anyway. The councils will not get the money; ratepayers who would otherwise face sudden increases will get a discounted bill.

Mr Weir: Are we looking at final decisions at some stage in the autumn?

Mr McClure: Yes. From an operational point of view, LPS will have to apply 22 district rate discounts: 11 domestic and 11 non-domestic for the new councils.

Mr Girvan: I appreciate that there is £30 million and that this is out for consultation. Is it necessary to go down the route of consultation when you have made the decision? Are we wasting time doing that?

Mr McClure: I do not think so. The sort of scheme has been decided. It is a district rate discount for ratepayers, domestic and non-domestic, and we will not exclude any categories of property or any type of ratepayer. It is an edging up of the district rate in areas that would otherwise face sudden and excessive increases.

Mr Girvan: It is just a matter of levelling the playing field for everybody.

Mr McClure: In the consultation, we ask about the detail of the scheme: how the £30 million should be distributed, how best we should distribute it and what the fairest way of distributing it is. You are quite right: the main framework of the scheme was decided a long time ago, agreed with Ministers and so on. We are talking about the detail, but it is important detail. It is important to ratepayers in Fermanagh, Castlereagh and throughout Northern Ireland.

Mr Girvan: On the back of what Peter said, I think that some areas, knowing that RPA would kick in at some stage, used the opportunity to try to minimise the hike so that there was more of a level playing field between the two rates. Those councils will probably not benefit from a subsidised rate.

Mr McClure: It will not be the councils themselves; ratepayers will get a discounted Bill.

Mr Girvan: The achievements of councils are reflected in the rate that they set. Councils that, for want of a better way of putting it, have tried their best to level this out will get no reward for doing so.

Mr McClure: There are councils in which the disparity has been so great that that has not been possible. There are issues with that, too. However, the point is well made.

Mr Girvan: The table clearly demonstrates that some areas will have big difficulties.

Mr McQuillan: I have a few wee quick questions. Will the revaluation that we were talking about earlier complicate the whole system, especially the non-domestic rates?

Mr McClure: That is a very good point. We talked earlier about a transition scheme for revaluation. We will have a very widespread transition scheme for the review of public administration and the reorganisation of local government. If you then want to bolt a transition scheme for the revaluation on top of that, it will make bills very difficult to understand. I would struggle to understand them — and I do rates. There is an issue of public comprehension with having two transition schemes running at the same time. That is why we have posed the question in the small business rate relief consultation of whether we would be better putting more money into a possible small business rate relief scheme than having a transition scheme for revaluation.

Mr McQuillan: It has been agreed that £30 million will be put into the scheme. Is that the total? Is there any chance of getting more?

Mr McClure: That was the decision of the Executive. We are working within the cost envelope of £30 million, and all of our analysis has been pinned on that. In the Local Government Act, there is provision for a mid-term review on the effectiveness of the scheme, although I am not saying that more funding would result from that. The Executive were pretty clear at the outset that that was the limit, and, given the current level of overcommitment in public expenditure, I would be very surprised if more money was available. That is a political decision for Ministers. It is not for me, as an official, to give a view on.

The Deputy Chairperson: Brian, are there any other issues that you would like to outline to us?

Mr McClure: I am looking for the agenda, Chair, because there were a number of issues. Did you want to talk about the sport and recreation relief? What about the private Member's Bill, or is that for another occasion?

The Deputy Chairperson: That is for later.

Mr McClure: I realise that we are running behind time, so I will be very brief. As I mentioned at the last session, we are looking at longer-term options for completely redesigning rate rebate because of the delay in the delivery of universal credit throughout the UK, never mind Northern Ireland. The policy options that we presented to the Committee before were for an interim solution, but we are now looking beyond that. We may still need an interim solution, but we are looking at long-term solutions, and the analytical services unit in DSD is undertaking some policy analysis for us. When we have some clarity on that, I will come back to the Committee.

Mr Mitchel McLaughlin: Are you asking for more time? *[Laughter.]*

The Deputy Chairperson: Thanks very much, Tracey, Brian and Alan.