



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Managing Convergence of District Rates:
Department of Finance and Personnel

10 September 2014

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Daithí McKay (Chairperson)
Ms Michaela Boyle
Mrs Judith Cochrane
Mr Leslie Cree
Mr Paul Girvan
Mr John McCallister
Mr Ian McCrea
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Peter Weir

Witnesses:

Mr Andrew McAvoy	Department of Finance and Personnel
Mr Brian McClure	Department of Finance and Personnel

The Chairperson: Brian, do you want to give us a brief overview of where we are with managing the convergence of district rates?

Mr Brian McClure (Department of Finance and Personnel): We have had a total of 15 responses to the consultation, which ended on 19 August. We had a very active consultation period. We had a series of meetings, particularly with the local government sector. It is no surprise that that sector was the main respondent to our consultation, but we also got responses from the Fair Rates Campaign and Manufacturing NI, so it was not simply local government.

The purpose of the consultation was to decide the distribution of the £30 million that the Executive have set aside to fund district rates convergence. The message we are getting back is that people want just one scheme. They want the same rules to apply to everybody. Those affected most would get the most relief, and those affected least would get the least relief. They want one scheme of similar duration.

Another interesting point from the consultation is that people think that the duration of the scheme should be at least the length of the term of the new councils, which is four years. We will take that factor on board.

We have looked at the consultation and undertaken our own analysis. We have recommendations, which we are running past Land and Property Services (LPS), to check the whole issue of deliverability. We will put recommendations to the Minister this month.

Mr Weir: You mentioned the duration. At this early stage, we are getting the feedback. When you talk about the duration — it could be longer — is that just to see how optimistic or otherwise people are? Are people saying that the £30 million should be spent and that we should then go beyond those years? Was it a question of accepting the block but the jam being spread a bit thinner?

Mr McClure: It should be spread to everybody. I think that that was a key message that we got from the consultation. It was no surprise that Fermanagh wanted a much longer scheme.

Mr Weir: Were the responses on duration on the basis of people saying that it should go beyond the £30 million, or was it that the £30 million should be spread over a longer period?

Mr McAvoy: The key thing was that it should tie in with the first term of the new councils.

Mr Weir: Was that on the basis of the envelope of £30 million?

Mr McClure: No. Those who expressed a view for a longer scheme wanted more money. A key consideration is the legislative review period in the Local Government Finance Act. The Act has an amendment to put a statutory responsibility on the Department to do a midterm review of the effectiveness of the scheme. We will do that. That could be very helpful in dealing with the issue of whether it is adequate and affords enough protection to ratepayers. It could also be useful in looking at the cost and to find out how much this will cost after two years.

Mr Weir: In the previous evidence session, you mentioned that there was maybe an indication that people were broadly happy with the small business rate relief scheme. What level of response did you get?

Mr McClure: We got 15 responses from representative groups. We were very happy with the degree of engagement. A lot of meetings and discussions took place. There was quite an iterative process. A lot of councils and the Northern Ireland Local Government Association (NILGA) asked for more information, which we provided. It was not simply a matter that people wrote to us; we met people and provided them with more information. We asked them if it was enough, and sometimes they asked for more information. It was very useful and positive.

Mr Weir: That is good to hear, Brian, because the trap that a lot of us tend to fall into is to do with the volume of responses rather than their quality. It is good that there was a quality level of engagement.

Mr McAvoy: Responses were very high quality. NILGA also wrote in on behalf of the council body as a whole. Its response was of a very high quality.

Mr McCallister: Rates convergence could be a huge problem. In answer to Peter, you are basically saying that councils wanted this to be spread evenly, but you have probably identified that there are more problems in certain areas.

Mr McClure: Absolutely.

Mr McCallister: Do you want to name any of them? I suppose that you did name Fermanagh.

Mr McClure: Castlereagh is another one. There are also pockets around Dungannon. What I meant by that comment is that people want one scheme for everybody. So, those who were affected very slightly would get a slight amount of relief. Those who were affected considerably would get a considerable amount of relief. They would apply the same rules. Instead of having a two-tier scheme — a special scheme for Castlereagh and a scheme for Fermanagh — we should have one scheme for everybody so that even those who were affected only to a small extent would still get some relief.

Mr McCallister: Are you confident, Brian, that the rules that you introduce are tight enough? Will they take in things like asset disposal? There are bound to be some cases of the new councils getting rid of properties. Will that be taken into account?

Mr McClure: No, it will not. We will strip all that out with the discounts that will apply, so particular decisions around councils with different starting points will not be taken into account. It will be the

pure effect of councils coming together or particular wards coming into larger councils such as in Lisburn.

Mr McAvoy: It is purely set aside for convergence effects.

Mr Weir: I just want clarification. I presume that not a penny will go to any individual council. It is actually a question of —

Mr McClure: It will go to ratepayers. It will be a discount on the bills.

Mr McAvoy: That was also a key issue. Simplicity is what came out of it. People want it to be easily understood by ratepayers.

Mr McCallister: It will still be very difficult for councils to move or inflate rates when the new councils are striking them.

Mr McClure: They are free to strike whatever rate they have. We will set the discount at the start. We will do that using this year's figures. We have worked out what councils would have to strike this year in the current set-up and in the 11-council set-up. We are working out a discount based on this year, which is the one stable year that we have. It is the one year in which we can ignore all those other things that you mentioned. That will be established at the outset. The safeguard in that is the mid-year review that was tabled in the Assembly during the passage of the Local Government Finance Bill. That is the approach that we intend to take.

Mr McCallister: That will happen so there will be an absolute safeguard for ratepayers that no councils will try to get round the system, as it were.

Mr McClure: Yes, exactly. That will allow us to evaluate. We would have done that anyway, but it now has the added protection of statute. Whether we like it or not — we would want to do it — it is in the Local Government Finance Bill.

Mr McAvoy: Sorry, it is the Local Government Act (Northern Ireland) 2014. I told you the wrong thing.

Mr McClure: Sorry, it is the Local Government Act 2014.

Mr Girvan: On the basis that councils will receive their finalised figures and will be trying to pull all that together, will the window be met to give them adequate warning of where exactly they are with their finalisation? We are aware that many councils are already engaging in their budget process for 2015-16. On the basis of that, it is probably vital that they get that figure as early in the process as possible. Will that meet the October window?

Mr McClure: This, to my mind, is the issue of non-domestic revaluation and about making sure that councils get the new tax base figures. We want councils to strike whatever rate they think is right to meet their expenditure. The Department will then intervene at a bill level and give a discount to edge up those who would otherwise face sudden increases in their rates bill because of the councils coming together. We would like that to be taken out of rate striking, but we do not think that councils need to know that in order to strike their rates. However, they do need to get an early indication of the outcome of the revaluation. As Alan said, Land and Property Services is on track to provide that information in the first week of October, which is earlier than they have ever got it.

Mr Girvan: It is usually November, or even up to Christmas.

Mr McClure: I am not saying that in any smug way. I appreciate that councils have a very difficult challenge to meet in striking rates for next year, because of the issues.

Mr Girvan: Some ratepayers will not get any money to help them, because their council has taken what I would call a mature approach to convergence. Councils have used the realisation that they will be joining another council to work to harmonise their rates over a period so that the differential is minimal. As a consequence, there is no need for intervention, but moneys have been set aside to deal with convergence. We could find that a number of the new councils will not have to have an

intervention. On that basis, is there a possibility for those that have such a big difference to extend the programme?

Mr McClure: The scheme will help most those areas in which there is a big disparity in district rates. It will help least those that have come together, regardless of whether that was a planned coming together or simply the way in which it worked out. The scheme will apply proportionately. So, those areas in which there is a significant disparity in the district rate level currently will get the most relief. That is not me, as a departmental official, telling you that but what the consultation has told us. That is what people want. They want a uniform scheme that applies proportionately to the amount of disparity that exists currently.

Mr Girvan: I am thinking of wards such as Castlereagh, which historically has had a low rate.

Mr McClure: Yes, about it coming into Belfast.

Mr Girvan: Yes, which has probably mismanaged its budget to end up with such a high rate. I am not point scoring or anything like that, but what I am saying is on the basis that an area has such a high rate in comparison with a neighbouring borough or ward. That ward could get help for a couple of years and, then, in the following year, it is still, because it has had that help.

Mr McClure: There is no question of the scheme being as short as two years. It is likely to be more than that. I have to be very careful in what I say, because the Minister has to make a decision on that. It is likely that the scheme will be for three years plus.

Mr Girvan: OK. That should leave enough time to make some adjustments.