



Northern Ireland  
Assembly

Committee for Finance and Personnel

# OFFICIAL REPORT (Hansard)

Rating Issues — Non-domestic Revaluation:  
Department of Finance and Personnel, Land  
and Property Services

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through the allocations in-year and through the various monitoring rounds. So, provision has been made. Revaluation, in a sense, has required additional funding, because the staff who are carrying out the revaluation are already in LPS. The additional funding was in many ways required to backfill others to keep normal work going while the more specialist people were doing revaluations. We have worked that through over the past couple of years. However, there is a shortfall in the current year, which we are working through, and paragraph 4 talks about that. We received the additional funding of £1.1 million against the requirement of £1.7 million, and we are working through that at the minute. That is putting a pressure on funding, but the work is virtually done now on the revaluation, although the valuation work is now about checking what is there. We have work to do through the year as we move towards publication, but that is the funding position, Chair.

**The Chairperson:** To tease this out a bit, Alan, why was it not in the 2010 agreement? Was it not something that the Department viewed as a priority at the time? Was it the case of the Minister post-2010 seeing it as a priority that needed to be addressed? Surely there was some planning foresight.

**Mr Brontë:** You will recall that the revaluation of Northern Ireland was to be done in 2010 originally, and we did considerable work leading up then, but the revaluation was postponed and then cancelled. At that stage, we needed to look ahead. However, I do not think that the decision would have been taken then. To be honest, funding is something that we have coped fine with, but the difficulty arises now because of the budget shortfall at this stage.

**Mr McClure:** I do not think that there is any planning issue here; rather, the issue is the sequence of decision-making from the Executive in getting the go-ahead for the revaluation in 2015. It fell outside the discussions on and the settlement of the 2010 Budget. I am more than happy to write to the Committee with the full timelines, if you would find that helpful. However, this is not a project that has suddenly popped up that we have not planned for. It is simply the case that, back in 2010, when all the Budget negotiations were going on, the decision had not yet been made to proceed with the 2015 revaluation.

**The Chairperson:** So, will you outline what funding is required to complete the process?

**Mr Brontë:** The previous time that I was before the Committee, I said that we had a business case with the Department, and I think that the permanent secretary actually followed me on that occasion on another matter. We have been filling some vacant posts through the current year, despite the funding issues, because we are prioritising. We have a business case for rolling forward to take us through from 1 April 2015 onwards. We obviously have a valuation list and need to deal with the challenges arising from that. So, we have a business case with the Department, which is looking at forward staffing and funding for that. That is still an active discussion with the permanent secretary.

**Mr McClure:** The funding has not finally been confirmed. The issue is LPS having sufficient resources to deal with the release of individual values in the first week in November. The values are done — that is not the issue. This is about LPS being equipped to handle all the inevitable enquiries that it will get. The second issue concerns funding for next year to deal with all the ratepayer challenges that, again, will inevitably come once the new valuation list is active and bills have issued.

**The Chairperson:** So, what kind of money are we talking about? Do you foresee a bid in the October monitoring round to meet that pressure?

**Mr Brontë:** No. It is something that we have put to the Department as a one-off business case, where the issue is around affordability. It is something that we are actively in discussion about.

We have to manage the situation. We have set out in paragraph 5 the three pressure areas. Those are areas in which we will need to ensure that, when the values go out in November, as Brian said, we are able to deal with the first line of enquiries. It will be about enquiries, giving people information about their new values and explaining those values. There is no challenge system at that point. We would like to satisfy as many customers as possible by giving them an explanation and a response. If there is something unusual about the valuation, we will look at it. The real issue will be from April onwards, when there will be a formal challenge system. It is about trying to deal with the challenges within a reasonable period. The fewer resources that are available to us, the longer the period will be before those appeals are dealt with and the less non-normal work we can deal with. It will be a balancing exercise, but, in many ways, I suppose that that is no different from what we do every day. However, the pressures will be more intense come April.

**Mr Weir:** To some extent, you have touched on a couple of aspects that I want to talk about. I will pick up on the point that Brian made at the start. I appreciate that he said that he was somewhat constrained in what he could say, because the Minister will be speaking on this tomorrow. Given what you are suggesting about the global impact of the effect of the revaluation, do you expect that, after tomorrow, you will have that information, or at least will be able to give that information reasonably soon after that?

**Mr McClure:** Yes, we do. The Northern Ireland-wide analysis is already completed. LPS has a milestone for the first week in October to provide the councils with the old council breakdown and the new council breakdown. That milestone will be achieved — that is not in doubt. A lot of the analysis is done. The Minister will touch on the analysis at a Northern Ireland level tomorrow, and, from here on in, we will be rolling that out.

**Mr Brontë:** We said in the paper that there is modest growth, and we have analysed that. At a Northern Ireland level, I am content that that is the picture. As you will recall, Brian and I, on quite a number of occasions in talking to the Committee, said that there might not even be growth at all. Indeed, we talked about the total value possibly being less. The Committee knows well that revaluation is about redistribution and not about the actual level of value. However, it is probably a little bit easier to work with a little bit of growth there, and we see that now. Nevertheless, when you look at it across Northern Ireland and at all the various sectors, you see that there is going to be a considerable amount of redistribution of the burden of rates, which is what a revaluation is designed to do. Given that we have been working since 2001, that redistribution will be considerable.

**Mr Weir:** It is good that you are having that relatively early engagement with councils. Previously, one of the criticisms was that the information was received so late in the day, especially when councils were trying to set rates. At least you are proactively pursuing that. It is good to see that, with the green shoots of recovery in the economy, it is showing some growth, albeit that should not be overemphasised.

The communication effort is critical. How successful have you been? The key thing is to embed in people the idea that this is redistribution rather than wholesale cuts across the board. The concern was that a lot of people would not necessarily grasp the idea that, because they were paying less rent than they were three or four ago as a result of the broader economic situation, they would not automatically after the revaluation be a winner, whereas this is about redistribution.

The figures will be published in November. However, given that there are potentially as many winners as there are losers, or whatever, how well do you think that pre-preparation and telling people that they will not necessarily be a winner has been structured so far?

**Mr Brontë:** We had quite an intensive communications effort when we were looking for people to return the forms detailing the rents of their property. After that, there really was not that much to communicate, and, at that stage, it had been quite a long exercise. To be honest, from a communications position, we purposely went quiet, because there really was not a lot to communicate during the period.

We are now in a position in which we will be ramping up our communication considerably to stakeholders — ratepayers. As Brian has already said, the Minister will, in many ways, start that process tomorrow. By the beginning of October, the figures will be available to council finance officers. I will have a number of meetings with council finance officers in a few weeks' time at which I will explain the revaluation, so we will be trying to explain it to the council finance officers. Throughout October, I expect to meet quite a number of the business groups, such as the Northern Ireland Independent Retail Trade Association (NIIRTA), the Federation of Small Businesses (FSB) and various special interest groups, including the Pubs of Ulster. We met those groups, which also includes the Hotels Federation and similar groups, at the start of the process to explain it. I and other staff will be explaining to people in advance where we see the effects particular to their group or speciality. Through that period, and through a number of other communications, I hope that, when the values come out in November, people will have a reasonable understanding of what they mean. From November to February, there is a period in which the values are there, but, with the rate of the pound unknown and a very different position, it will be quite difficult for people to understand their liability. In many ways, it is a good thing that they concentrate on questions such as, "Could I have rented my shop for £10,000?", which is the assessment. That is what we will have to try to get minds on, because, at that time, it is about getting the value correct. Only in February, when the rates are struck

against the 11 new councils and the regional rate, will people be able to have an understanding of to where their liability has shifted.

**Mr Weir:** You are obviously facing a crunch period. You indicated that the draft values will be published in November. Then, obviously, there is the issue of when the actual challenges come in. I wonder to what extent, from the point of view of resource allocation and the level of response that you require on any challenges, you can estimate the number of complaints that you are likely to get. From your experience, how many will seek revaluation? Or is that something that will simply have to be demand-led? You will have to marry the level of resources available to the level of appeals. It will then really be a question of how quickly you can do those. Can you anticipate a ballpark figure?

**Mr Brontë:** In a business case for resources, I have to make assumptions about the level of challenge that we would expect to get in the first year. I must also put in some expectation of how quickly we could be seen to deal with challenges. There are various scenarios in the business case, and they are not figures that I wish to go public with at this stage.

**Mr Weir:** I understand that.

**Mr Brontë:** But, yes, those assumptions are made. Without giving anything away, I assume that the level of appeals will be much greater than in 1997 or 2003. Those are assumptions that we have made. We have also made the assumption that it could take upwards of two years to clear the bulk of the challenges. That would not be unreasonable when compared with similar assessment authorities in the world. Everyone expects and hopes that things can be done very quickly, but when you are doing a revaluation and have 70,000-odd cases, you cannot expect to do them all in three months.

**Mr Weir:** You have given us a ballpark figure of 70,000 cases. Let us take that example. How do you decide on prioritisation if you are talking about that number of cases? Presumably, you will want to be working on some as quickly as possible, but to get through every one of them may take two years. I sense that, if your business ends up at the tail end of the queue, there will be a lot of frustration. Concerns may well be raised about the length of time taken.

**Mr Brontë:** Sure.

**Mr Weir:** People need to see a rationale for why certain things are getting done quicker than others. Have you worked out a general rationale for how you will prioritise, or is it simply a case of whoever complains first will be first in the queue? In what way will you work?

**Mr Brontë:** You are aware that there are various stages and levels of challenge. We will try to stand back and look at all the appeals, where they are and what type of properties they are against. For example, if you have a challenge from a business in a prominent shopping centre, you will want to try to get it agreed, or else into court and a decision made, as that will then affect all the other challenges from that shopping centre. So, you will certainly want to stand back and look at some of the key challenges to see where a challenge would be repercussive and relevant to many other appeals. We will certainly have a look at that and at the key properties and locations. If there are hardship situations, where we are aware of them, we always try to deal with them. We will be looking at the key properties so that we can then tackle other issues and deal with other appeals.

To be honest, at this stage, it is difficult to know until we know how many properties we get. Providing the list in November, and providing as much explanation and help as we can between then and the end of March, is always, from experience, the best way of avoiding appeals that do not need to happen. We try to explain the situation as best we can.

**Mr McClure:** May I pick up on a couple of points that you mentioned earlier? You mentioned the potential growth on the list — the value on this new list being slightly higher than on the old list being a sign of green shoots. That is not really the case. The evaluation date is April 2013, so that is the economic circumstance that is taken into account. The growth has been because of the passage of time from the previous valuation date of the current list, which was 2001, so it is what has happened over the past 12 years.

**Mr Weir:** Over the past 18 months, roughly speaking, we have had a fairly good —

**Mr McClure:** That is not a factor. Clearly, commercial fortunes have been up and down significantly over the past 12 years, and the revaluation is a snapshot of a particular period. It is the 12 years that have caused the slight growth; it is not a green shoots effect. That is not a conclusion that you could draw from that.

The other issue is to do with councils. Alan has described a process by which we are trying to provide councils with the earliest possible information. That is the case. We are not complacent about this. This is very, very difficult stuff for councils, because, over the past 12 years, they have been used to a relatively stable tax base, but now we are shaking it up. That goes back to the point about there perhaps being more challenges than ever before. The tax base is not going to be as stable as councils have been used to, so there needs to be a lot of good forecasting and predictive work done by councils particularly, although LPS is there to help with that process. It is difficult and, of course, it comes at the same time as the implementation of the review of public administration (RPA), which is a significant added complication.

**Mr Weir:** At one level, I can see certain advantages to that, because, if you are striking a rate that is independent of what has happened before, because it is a new council, it is almost an easier change to get around conceptually than the idea of Aughtamuckley district council suddenly having large changes.

**Mr McClure:** Striking their rates is quite a challenge for councils to get right, because of those two changes happening at the one time and because this tax base will be less stable than the tax base that they have been used to. That is the point that I am making.

**Mr Weir:** I was tempted to say Strabane council. From what I heard earlier, we might be swearing at you on that basis.

**Ms Boyle:** Leave Strabane alone. We stand alone.

**Mr Girvan:** Your last comment may have helped us to deal with this. We ran into a perverse issue, where the people who assessed what rent we as MLAs should be paying for our premises were sometimes the same people who set the rent in the first place and then came back saying that they needed £3,000 a year less after revaluing it through the Assembly. A number of landlords have adjusted the rent for property dramatically. Some have adjusted it simply to allow them to save paying rates on the property, and they have said that that is because certain towns have been worse affected during the period of crisis. Can and will that be taken into account in some way in your calculation of what the rent will be in those areas and of what a reference rent base will be?

**Mr Brontë:** The basis for the revaluation, which is set in statute in the Rates Order, is an assessment of the rental value of the property at 1 April 2013. It defines even much more detail than that, which we can take into account, but it is an assessment of the rental value of that property. Take, for instance, a parade of three or four shops. They could be identical shops, but, as you have described, if the landlords are different, they can come at it in a different way. Their own financial situation could mean that one person could give it for a pound and the other person could be getting a reasonable level of rent. In our assessment of those four shops for revaluation, you take into account the market. You do not necessarily go to a pound, because that shop is let for a pound. I know that that is a very simplistic answer, but we are standing back and saying, "If this property were vacant and available to let, what would it be rented for? What is our assessment of rent?" It is a general market assessment; it is about looking at the street, town and neighbourhood as a whole. That is why we ask people to respond and provide us with the rental information. Some of that information could have been from four years before 2013. To be honest, it was good of them to provide it, but it was not all that relevant to the situation in 2013, because it was from before the recession. We are in a very different ball game. We are looking for the rents of the deals that were made around 2013. We selected those very carefully. We will not have a rent in every street, but we will have rents that we can look at, and, using our experience and skill, we can assess each individual property.

**Mr Girvan:** Just on that point, I want to come back to the idea that many of the businesses were well aware that this process of non-domestic revaluation was going on. I appreciate that you have done everything in your power to engage. Has there been the same commitment of engagement with LPS in this process by coming forward with a positive and what I call a full picture of what is actually going on in the whole market in Northern Ireland?

**Mr Brontë:** As a valuer, you always look for more information if you can get it. We were reasonably content with the level of response that we got. We also engaged, as I said, with the business community and sectors. I am pleased with the level of interaction that we have had. We have also established a working forum with the Royal Institution of Chartered Surveyors, and we meet regularly with that forum. We discuss with the major agents in Northern Ireland their interpretation of the market, and we have kept them informed as we have gone through the process. I think that people generally understand the importance of responding. There will always be those who want to play their cards very close to their chest. That will no doubt happen, and they will pop up with the rent after publication. So, we are reasonably content with the level of response. We have access to a lot of information, but there will no doubt be information that will be surprising to us at some stage. We will deal with that as it comes along.

**Mr McClure:** In April 2013, the commercial property market was peppered with distressed deals on both sides. Some landlords forced a rent for very little money. Some tenants were unable to pay anything but very little money. So, it is the most difficult market to read that LPS has ever faced in a revaluation.

**Mr Girvan:** The other point is the probable decapitalisation in more of our state facilities, such as schools, hospitals and things like that. There was a change to how that was being calculated; that was a policy issue. In what way has that been done? I appreciate that we were all supposed to have received some paper on that in July, but is there some reference to how it has been changed?

**Mr McClure:** There has been a change. We had a consultation running from, I think, very early this year. We wanted to see how the revaluation was panning out before the Minister made a final decision on that. We are glad that we did. We took into account a lot of the responses. We changed our proposals quite significantly and struck the decapitalisation rates 20% lower than we had originally proposed. Our original proposal was to align with the rest of the UK — or certainly with Scotland and England. However, we decided to go lower than that because of the cost:rent equation.

This is to do with the specialised properties. Most of those are in the public sector, but some, such as airports and so on, are in the private sector. Most of the cost-based ones have faced cost inflation over the past 12 years, whereas there has not been the same level of rental growth over that period. So, that had to be moderated. We took account of all the views in that consultation. The Minister decided to strike those rates 20% lower than we had proposed because of that very effect that you are describing, which is the impact on the public sector.

**Mr Girvan:** I want to just clarify this point in my own mind. Is that just an accounting process between Departments, whereby we would actually be removing money that would have been used for front line delivery to pay towards LPS, which is going in one hand, but still coming back in the other, if you can appreciate that?

**Mr Brontë:** It is really just a balance.

**Mr McClure:** You will see from the consultation and the 'Way Forward' report that it was becoming a bit of an issue of circular money. We really needed to ensure that we did not cause a whole issue over something that is, in essence, an accounting treatment.

**Mr Mitchel McLaughlin:** At what point in the process will the old list expire and the new list take effect?

**Mr Brontë:** The old list expires on 31 March 2015. The bills that go out on 1 April 2015 will be based on the new values. Obviously, there is still a bit of work based on the old values for people with appeals and challenges to work through, but —

**Mr Mitchel McLaughlin:** Is the standard in that just the financial year?

**Mr Brontë:** Yes, it is the standard financial year. The new bills in April will contain a lot of information about the revaluation, and the rates leaflet will be expanded. The bills that go out in April for the non-domestics will be based on the new values. The domestics will continue on the existing values.

**Mr Mitchel McLaughlin:** In your note, you talk about the pressures on the departmental baseline and the shortfall in the allocation that you require. Does that indicate that there is some risk of slippage in the November web release? Is that definitely going to happen?

**Mr Brontë:** The values are already completed. There is a value against every single property in Northern Ireland as I sit here now. So, we have brought that project in more or less on time. Our next milestone, as Brian said, is to have all the values at 11-council level and 26-council level. So, this month, we are quality assuring, and we are going through the process. We are making a number of changes, but, in my mind, they will not be material to the whole of Northern Ireland level. Any changes that we do this month will be material right down at local level, but that is the process we are moving through. By the beginning of October, councils will have that information to start the iterative process —

**Mr Mitchel McLaughlin:** It kick-starts a lot of processes, including the individual appeals and disputes, as well as allowing the councils to start their processes.

**Mr Brontë:** In a way, when the values go on the web in November, there is no challenge system at that point in time. It is —

**Mr Mitchel McLaughlin:** No, but at least people will then know that they have to go and get some homework done and get a case prepared if they intend to challenge.

**Mr Brontë:** Exactly. As I said, it will be more difficult to call the liability in the particular circumstances of this year because of RPA.

**Mr Mitchel McLaughlin:** Yes. I think that it is complicated because of RPA, even though it might become a much more streamlined process over a period of time.

**Mr Brontë:** And a more stable process.

**Mr Mitchel McLaughlin:** Yes. I am thinking that there is an imponderable in the extent of challenge this time. I suspect that it is going to be quite vigorous and substantially higher than previously, and the sooner, the better. I think that it is important that we can state with some confidence that the web release will go ahead, because you will immediately start to get queries, even if it is not a formal process at this stage, and you will get some gauge of the extent to which people are disappointed. I think that there is maybe an unrealistic expectation out there. I suspect that there is going to be a lot of knee-jerking initially.

**Mr McClure:** I agree entirely.

**Mr Brontë:** Having said that there is growth in the list, I can also say that that is the totality of the list. Without giving figures, there are prime retail areas that will see considerable reduction in their relative value compared with other areas. However, that is what the market and the business community were telling us. That is reflected in any assessments. There are other areas where there is still considerable real increase. Again, that will not be any surprise. The redistribution that the business community said was necessary will be shown, but I agree with you. Brian's point was that it is relative to 2001. There are many other shops where the value has increased since 2001, but the relativity has changed between that shop and perhaps one of the prime shops in Belfast.

**Mr McClure:** There are many shops that have increased since 2001 but that are a third of the value that they were in 2008. That leads to a natural expectation, but it is unrealistic in what the revaluation can deliver.

**Mr Mitchel McLaughlin:** People's memories will go back only to the high point, whatever it was.

**Mr McClure:** Exactly.

**Mr Brontë:** Certainly, in a number of markets, particularly in retail, I think that there is a flattening out of the values, so the high values in particular retail sectors will have been depressed. There is less height in the market.



**Mr Mitchel McLaughlin:** This is just a detail, but to follow up on the point that the Chair made at the start, was the £1.7 million resource figure the one that was submitted at the time of the Budget discussion? The approach was to deal with it as a £1.1 million expenditure line in the Budget, with a shortfall to be made up over time. Has that changed since the Budget?

**Mr Brontë:** Last year, we set out the additional costs of revaluations through the period of the project. Our estimate was that it would be £1.7 million for this financial year.

**Mr Mitchel McLaughlin:** Was that at the time of the Budget discussion?

**Mr Brontë:** No, it was just within the period of the project in this Budget period.

**Mr Mitchel McLaughlin:** What I am getting at is this: did that change over the past year? Was it growing and was not allocated because it had not been —

**Mr Brontë:** It was always going to be dealt with in June monitoring. The Department decided that our additional requirements for this year would be dealt with as an in-year monitoring bid. It was known fairly early that it would be of the order of £1.7 million. There was no provision in our baseline for revaluation.

**Mr Mitchel McLaughlin:** What is the de minimis limit? Could it have been done in one fell swoop?

**Mr Brontë:** Are you asking whether the funding could have been made available at the beginning of the project?

**Mr Mitchel McLaughlin:** No. Even in the monitoring round, could it have been dealt with in de minimis, or did it have to be done piecemeal and incrementally?

**Mr Brontë:** At a departmental level, I am not skilled to deal with that one. From the perspective of LPS, however, we required £1.7 million, and, presumably, there were other June monitoring bids from within the Department. As you know, few of them were met. We got £1.1 million in advance of that formal round, so there is still a shortfall.

**Mr McClure:** To answer your question, yes, there was permitted redeployment of resources from other areas in the Department to allow that funding to go to revaluation through the monitoring process.

**Mr Mitchel McLaughlin:** What I am getting at is that, realistically, June monitoring was your only best chance, because October is already late and February is far too late to impact on your project. Was that £0.6 million an available option at that stage, or did this problem emerge in striking the Budget and June monitoring?

**Mr Brontë:** I understand that the £0.6 million was not a surprise to us or the Department, and the need for £1.7 million was known. The cost of the revaluation was in a business case at the start. There would have been some adjustments as we moved through, but our only available means of getting that additionality was through monitoring rounds.

**Mr Mitchel McLaughlin:** OK. You are now looking at other options. I will leave it at that, but I will return to it if we hear that the money that you need to complete this project could not be made available. In its own way, it has taken far too long to address this, but at least you are now up to speed, and we intend to ensure that this is done on a standard basis going forward.

**Mr Brontë:** There are pressures on us. There are pressures in LPS, as there are pressures in the Department. We have to reprioritise, because the £0.6 million cannot be committed, and it is committed to services and resources that we require to deliver as we continue right through. The £1.7 million was to go up to the 31 March next year.

**Mr Mitchel McLaughlin:** Given what is already on the slate, whether it is agreed at October monitoring, you must face the prospect of not getting your £0.6 million.

**Mr McClure:** The unexpected pressure is the 4.4% cut to DFP across the board. The outworkings of that have not been settled yet. So, that is probably the unexpected part of the equation.

**Mr Brontë:** Yes, so the money is committed to revaluation, and we will deliver right through to the end of March. We have to prioritise, as we do every year, but the pressures are just greater. If you are not doing one thing, you need to do something else, but you cannot do both. As we said, there is pressure on us over existing work. We are trying to pick that up as quickly as we can, but —

**Mr McClure:** That picks up on your question about when the current list expires. That is quite significant, because, if you do not get new properties on to the current list, you cannot backdate beyond when the new list occurs. So, it is a very important point.

**Mr Mitchel McLaughlin:** Let me acknowledge the work that was done to get it this far. I think that you have faced that challenge, particularly when there was such a backlog.

**Mr McClure:** The Department is undergoing a zero-based review of all its priorities at the moment to deal with the 4.4% cut. LPS is part of that.

**Mr Cree:** My question was on the issue that Mitchel just discussed. That is a big problem that I see on the horizon. I think that October monitoring is going to be a bit of problem anyway. However, I will not go over that again.

I just want to establish two simple points. First, you referred to growth. You are really talking about widening the base, are you not?

**Mr McClure:** We are talking about the total amount of value in the current list versus the total amount of value in the new list. The figures that Alan's team has produced indicate that the value in the new list is going to be a bit higher than that of the current list. That is all that the growth represents. However, that is a healthy state of affairs.

**Mr Cree:** It could be worse, yes.

**Mr McClure:** It could be worse. If the value was lower, you would still be raising the same amount of money from everybody but would then have the political issue of the poundage having to be increased correspondingly to consider. That is a very difficult message to convey to ratepayers, non-domestic or otherwise, to say to them, "Please don't complain about the poundage going up because the values are lower". People might not get that. I do not think that that is an easy message to convey.

**Mr Cree:** It is the same difference. To get back to the growth, the base has widened slightly, but there is also higher value in it in a lot of cases.

**Mr McClure:** It has not really widened. It is the same amount of property. There are no additional properties or additional tax base in there. The same properties have just been revalued.

**Mr Brontë:** There will be significant growth in certain areas, significant increases in the value in certain sectors and certain locations, and significant decrease in the value in certain locations and certain sectors. As we all know, it is the deviation of the new base level that is important. So, wherever that new level is, there is modest growth to that new level, and it is then about whether you are greater than average or less than average against that line.

**Mr McClure:** Say, for example, that the value of the new list is 5% more than the current list. Those who have experienced increases of less than 5% will see a reduction, as a broad rule, and those who have experienced an increase above 5% will be correspondingly higher.

**Mr Brontë:** In other words, if the shop property that you own has gone up by the average figure of the growth — the figure that we have been talking about — even though that shop has a rateable value of £10,500 instead of £10,000, it will pay exactly the same amount of money, all other things being equal. However, if the shop has a rateable value of £11,000 or £12,000, the owner will pay more. That is putting it very simply; it may be an oversimplification.

**Mr Cree:** You mentioned establishing a rental value as a benchmark for other areas. Is it, in fact, as simple as that? If you have, for example, a rate per square foot, in old money, if you like, can you simply extrapolate that into any other shop in that particular mall?

**Mr Brontë:** That is, in a sense, the role of the valuer in any situation, whatever the valuation is. They go on evidence from comparable properties. The same value will not be applied throughout a shopping mall if it does not require that. Some units in the shopping centre will be in a better trading position than others. We will know how the market has responded. We follow the market. If the market says that those large units are let at that price, we can then look at the smaller unit next door and, using the experience of the valuers, say, "That shop is letting for x, but this one is not as good a shop". We look at zone A, as we describe it, to analyse the first so-many metres back, which is how the market looks at it. However, if you are looking at a supermarket, you analyse it in a different way. We follow how the market operates and analyses. We can then, as valuers, take the evidence from locations A and B for property types A and B and use that to value property C.

**Mr Cree:** That gives you a wee bit of quibble room.

**Mr Brontë:** That is the way that the court will look at it. When we bring a case to the Lands Tribunal, which is the final arbiter on evaluation matters, it will look at the comparable evidence that we provide and at the comparable properties, and it will make an assessment, as it will have received the information from the appellant's valuer. That is essentially the way that the system works.

**Mr Cree:** Are there any peculiar sections? I am thinking of, for example, the licence trade, which used to be done on a different basis, did it not? It was done on turnover or something at one time.

**Mr Brontë:** In every single property in Northern Ireland, we get to a rent. There are different ways of getting to a rent. So, in other words, the way that the market looks at the valuation of a pub is to look at the potential turnover of that pub. That is the basis of getting to the rent. So, to get to a rent for a quarry, we will look at the potential throughput of quarrying stone, and, to establish the rent for a pub, we will look at the potential turnover, which is split between food, drink and off-sales. So, we have worked with the Pubs of Ulster, we have looked at accounts, and we have talked with them in detail. In that way, we will assess a rateable value.

**The Chairperson:** A couple of points arose from representation to the Committee. The Omagh chamber of commerce was before the Committee just before the summer break, and it called for the rating of online retail companies and for an alternative to the rate and support that is currently offered to charities, which it sees as an issue for many of our town centres. Does the Department have any views on those points, or is it something that you can look at?

**Mr McClure:** The online retail one is very difficult. Under the Northern Ireland Act, we cannot replicate taxes that would correspond to national taxes like VAT. So, it is difficult. I know that a number of people have been looking at it, including the Treasury in London. I am not sure whether we, as a regional Administration, can do it. It is a big, big issue. I know that policy officials in Whitehall and perhaps in Scotland have been looking at it, but I do not know how you would do it. I do not know how you would be able to successfully impose a tax on online retail that would not be a sales tax. So, I do not know whether the representations that you have had have made any proposals on that, because we will certainly look at them and the Minister will be happy to give a view on it, but we need a bit more detail. I do not think that it is something that can be readily done, but I am not dismissing it out of hand. As a Department, we are open to ideas from all quarters.

**The Chairperson:** It just suggested it. It did not have any detail on how that would shake down. Are there any other examples out there in the States or elsewhere where they have tried to tackle the problem, or is it something that is common?

**Mr McClure:** I know that the British Retail Consortium did some work on it recently. I can forward that to the Committee if you would find that helpful. I am not sure that there is a practical way of doing that, but we are not dismissing it. As a Department, we are always open to ideas from all quarters, but it strikes me as a very difficult thing to do, and we may not have the legislative competence to do it, because if you did it as a transaction charge, VAT issues would be associated with it.

**The Chairperson:** Has the Department looked at any alternatives to the rating support that is currently offered to charities?

**Mr McClure:** Is this in connection with charities generally or charity shops?

**The Chairperson:** Charity shops.

**Mr McClure:** With charity shops, our system is different from the rest of the UK. We charge rates in proportion to the amount of non-donated goods sold through a shop. LPS has been engaged recently in a review exercise. It has written out to every single charity and to every single charity shop in Northern Ireland to ask them what their turnover is and the proportion of it that relates to non-donated goods. It is a better policy than they have in the rest of the UK, where, if goods are wholly or mainly donated, they will get their 80% exemption. That is not the case here. It is done on a case-by-case basis.

Maybe Alan has something to say on that.

**Mr Brontë:** We are in the midst of that review. We looked at all the exemptions, and we worked it down to those that we had not reviewed in the past year or 18 months — I cannot remember. So, we concentrated our efforts in areas where we had no contact for a considerable period of time, and we branched into major areas. Interestingly, more offices than shops are exempt. That was quite a surprise to me when I looked at the figures, but there are lots of small charities with small one-room offices in a number of multi-occupied buildings. We have been working through and writing out, as Brian said, to every property that gets that exemption. It does not include churches at this stage, but we have looked at the charitable shops, offices and warehouses, and we have got responses from quite a few. We are just about to chase up other responses, and some that we have got saying, "The tenant has gone away" is excellent because we can now move to change the exemption on that property and remove the exemption if there has been an occupier change. That is because it is up to the new occupier, if they were a charity, to apply for exemption. It is pertaining to the individual charity and not to the property. So, that review is ongoing, and I am pleased to say that progress has been made in that area.

**Mr McClure:** I am sure that we could devote a whole morning to future policy, because it is a huge issue. On the one hand, you have charity shops and unfair competitive advantage with adjoining commercial traders, and, on the other hand, you have charities moving into large retail units in city centres and town centres and occupying them as an avoidance measure to avoid paying the empty property rates. That is another huge issue.

I know that the Welsh have been looking at capping the amount of charitable relief that charity shops in town centres can get so that you do not get charities moving into large retail units simply as a ruse to save a landlord having to pay empty property rates. It is not something that we have on our radar to deal with at the moment. We get a fair amount of correspondence on it. I am not sure that the Minister has any great enthusiasm for trying to do something radical on charity shops, but we would be interested if you could send us any proposals that people have on the matter. We are open to ideas from all quarters. If there are positive policies that we can consider, we are more than happy to do that.

**The Chairperson:** OK. Thank you very much for your contribution.