



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Small Business Rate Relief Scheme:
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: Andrew, you are very welcome to the Committee. Do you want to give us a briefing on where things are with the review and where things are going?

Mr Brian McClure (Department of Finance and Personnel): OK. As the Committee will know, the Department has engaged the Northern Ireland Centre for Economic Policy (NICEP) at the University of Ulster and its team, which is headed by Professor Neil Gibson, to undertake a full policy evaluation of the effectiveness, value for money and relevance moving forward of small business rate relief. There are various strands to that evaluation. It is still not complete, but we expect to get the report from NICEP by 23 September. We and NICEP have engaged in a public consultation. A business survey and considerable research and analysis has been undertaken by NICEP, and, informed by the findings of that evaluation, the Department will put forward recommendations to the Minister who, in due course, will put recommendations to the Executive. I sent you the consultation report to give you a flavour of the consultation responses. The Committee got an advance copy of that before publication earlier this week. We were disappointed with the numbers who responded. Maybe, or maybe not, that is an indication of contentment with the existing scheme. Maybe we should have suggested that we were going to take it away — I do not know — but the numbers were very low. How many were there in total? It was certainly in single figures.

Mr Andrew McAvoy (Department of Finance and Personnel): There were 12 responses.

Mr McClure: Sorry, there were 12 responses in total, which is astounding, given the importance that many businesses attach to small business rate relief.

It is worth making a few points about what people have been saying. The existing scheme reaches a lot of businesses across Northern Ireland. This has been a very welcome intervention by the Executive and the Assembly, given the economic conditions that businesses have had to work through during the downturn. There is also a recognition that conditions are starting to move on and that the scheme is fairly crude. However, the good thing about it is that it is very easy to administer. A lot of responses to the consultation highlighted the fact that they liked its automatic nature and the fact that they did not have to apply for it. There were some very positive messages about the effectiveness of the scheme's administration. A lot of people said that they were not quite sure what it did but thought that it would be unhelpful to remove it unless a better use of the money could be identified to help small businesses.

I think that there was a certain amount of naivety about who should pay for it. NICEP was certainly disappointed with some of the suggestions that were made for paying for it. Almost universally, businesses said that they thought that it should come out of public expenditure. The current scheme has a hefty price tag of £18 million a year.

Mr McAvoy: For its response, the Federation of Small Businesses (FSB) surveyed quite a lot of its members, so its response also took on board the views of its members. NICEP is undertaking a survey of around 500 businesses. Although the consultation response was relatively small, quite a pool of businesses fed into the process in some way or other.

Mr McClure: Businesses have businesses to run, and we do not expect them to have an intricate knowledge of rate reliefs. It was interesting that, in response to the survey, one or two people said that they were not sure what it did but that they liked it: somebody else pays, but they do not know who pays. Businesses appreciate that for cash flow purposes. We have to await the outcome of NICEP's research, but I think that businesses were struggling to tell us exactly what they used the money for. Nevertheless, it was very helpful for cash flow and getting firms through the downturn over the past few years.

The Chairperson: Is any evidence emerging of the wider impact — that is, if there is a wider impact? There is a view out there that it is just the public purse taking £700 from your pocket. I think that it would be useful if we could see evidence that this money is going towards reinvestment and having some economic impact, such as job creation. I have not seen any evidence of that to date.

Mr McClure: I agree entirely, and that is what the Department hopes to get from NICEP's research. We hope to get some indication of its effectiveness in changing behaviours on investment, job creation or whatever.

Mr McAvoy: When NICEP surveyed the businesses, it asked them what they used the money for.

The Chairperson: Is there any indication of reinvestment?

Mr McClure: We have not even received a first findings report yet, but we expect it within the next few days, so I do not want to pre-empt that. However, it is a question that we would like to be answered.

The Chairperson: As for the timetable, what are the next steps after the report is published, and when can we expect to see an indication of what policy direction the Minister will take?

Mr McClure: We will carry out our own assessment of the recommendations and will put a report to the Minister at some point. The Minister will then make recommendations to the Executive. I am interested in the Committee's views as to when it would like to get involved in that process. It may be a matter of an evidence session with NICEP. I have already asked NICEP whether it would be prepared to come along to the Committee, and it would be delighted to do that. Maybe, in a few weeks' time, the Committee might like to take evidence directly from Professor Gibson and his team. They would be more than happy to appear before the Committee.

Mr Girvan: I am amazed at the small number of people who engaged in the consultation exercise.

Mr McClure: Yes, we are surprised as well.

Mr Girvan: Maybe it indicates that people are quite happy. If they were not happy with what was there in the past, I think that everybody would hear about it, and people would say that the Assembly

is doing absolutely nothing. This is a good scheme that we put in place to benefit some businesses that were struggling. Those business people whom I have spoken to told me that, had the scheme not been put in place, some of them might not be here today. That has been demonstrated to me by a number of small businesses in the town centre. However, I have some concern about the funding of the scheme. You mentioned £18 million; I appreciate that about £6 million of that was raised from the large retail levy. That will probably be phased out over the next stage, and, if that is the case, how do we deal with matching up and ensuring that it will go forward? Everybody seems to be happy with what is there. The problem is how we fund its continuation. Is there an indication of anything along those lines?

Mr McClure: We asked that question in the evaluation: how should it be paid for? Should it be paid for out of public expenditure, by other ratepayers paying more or by particular levies? The one position that the Minister and his predecessor were very clear on is that the large retail levy will finish on 31 March 2015, because there will be a redistribution of the rates burden through the revaluation. The Minister has been very clear on that and has given a commitment that the levy will not continue beyond that. However, that is not to rule out other means of raising revenue from others to pay for it. At the moment, the indications are that there is very little coming out of the public consultation to help us with that aspect.

Mr Girvan: The review of public administration (RPA) will probably deal with the other aspect. Does it have the capacity to take on a new scheme?

Mr McClure: LPS? It depends on how complex it is. I do not want to pre-empt NICEP's findings. It will be talking to LPS about deliverability issues, but, if it is a straightforward scheme along the lines of the current one, I am confident that LPS can administer that.

Mr Girvan: The feedback that we get is very similar to what you have stated. Either you qualify or you do not, and, if your property is valued at that level, that is what you will gain. A lot of retailers and those who take advantage of the scheme have said that its simplicity means that it is straightforward.

Mr McClure: The simplicity is that it is automatic. However, it seems to have come out of the consultation that —

Mr Girvan: That also —

Mr McClure: The Federation of Small Businesses is certainly keen on that.

Mr Girvan: Would any change to that increase the workload?

Mr McClure: It would significantly increase the workload. If you apply other rules to it, that requires an application process, and information will probably need to be provided, which puts a burden on businesses.

Mr Girvan: It also puts a burden on LPS to evaluate it.

Mr McClure: It absolutely does.

Mr Girvan: So there is a resource aspect on both sides.

Mr McClure: Yes. That is pertinent to our discussions on the pressures on non-domestic revaluation. Something has to give.

Mr Girvan: I appreciate that.

Mr Cree: Paul has pinched my question, but I have a follow-on question. In the consultation, did you approach, or were you approached by, large businesses for them to give their tuppence worth on their contributions?

Mr McClure: The British Retail Consortium was invited to participate in the public consultation. It was also invited to engage in bilateral meetings directly with NICEP at the University of Ulster.

Mr McAvoy: The Confederation of British Industry (CBI) has also met it.

Mr McClure: It has already engaged with NICEP. That occurred — I spoke to Aodhán Connolly —

Mr McAvoy: At the end of August.

Mr McClure: He phoned me from his mobile before the end of August. He was en route to the university and wanted to know exactly where to go. That meeting took place, so —

Mr Cree: That is encouraging.

Mr McClure: The views of larger businesses have been represented as part of the process.

Mr Cree: We were concerned. We took evidence from several large businesses, and they warned us that it was affecting their profitability level.

Mr McClure: In relation to the large retail levy?

Mr Cree: Yes, and —

Mr McClure: That was not consulted on because the Minister decided, as a prerequisite to the whole process, that the levy would not continue beyond 31 March 2015.

Mr Cree: I am glad about that. I think that all those businesses are still in operation.

Mr McClure: Yes, and, to their great credit, they all pay.

Mr Cree: Good.

Mr McCallister: We know that the large retail levy will definitely end on 31 March. At the minute, the small business rate relief scheme will also end then

Mr McClure: That is correct.

Mr McCallister: Will that be phased out over time, or will it just end?

Mr McClure: The large retail levy?

Mr McCallister: No, the small business —

Mr McClure: We are asking whether the small business rate relief scheme should continue beyond 31 March. That is at the nub of the whole evaluation. I suspect that there will be some form of scheme beyond that, but I do not want to pre-empt the NICEP findings. Once we get those, we will be in a much clearer position because we will be able to look at the evidence of the effectiveness of the current scheme and, in particular, its relevance. We are in different times from the scheme being introduced in 2009, when we were in the depths of a serious and prolonged downturn. We are now coming out of that, and we are asking whether that is the best way to support business going forward. We are asking NICEP all those questions. I do not want to pre-empt anything, but I would have thought it unlikely that there would not be some sort of replacement beyond —

Mr McCallister: Possibly not at £18 million.

Mr McClure: I am not sure; I could not tell you that yet.

Mr McCallister: We are definitely ending the large retail levy, and a date has been set. You are going to lose that.

Mr McClure: Yes. Another interesting aspect is the impact of revaluation. In the public consultation on the small business rate relief scheme, we asked whether people would rather have a more generous small business rate relief scheme for a period after the revaluation than a transitional relief

scheme for the revaluation. The responses indicated that people would rather have a more generous small business rate relief scheme for a period following the revaluation than a specific transition scheme, which would have to be grafted onto the rates convergence scheme for RPA. It would be complex and difficult for people to understand. That finding has been very useful for us. I do not know whether that has answered your question exactly. What I am really trying to say is that we are keeping an open mind. Until we see the evidence —

Mr McCallister: It will hinge on the research or the evaluation that comes back.

Mr McClure: Yes. We will turn that round very quickly and provide recommendations to the Minister. The Committee would benefit from getting it directly from NICEP in the coming weeks.

The Chairperson: Is NICEP looking at the distinct scheme in place for post offices? If it is, is it looking at the changing role of post offices? I am very conscious — MLAs from rural areas are also conscious of this — that post offices are increasingly being seen as places to do your banking in the countryside.

Mr McClure: NICEP is certainly looking at the whole scheme. I have not been engaging closely on that issue; my focus has been on the main scheme. NICEP has been asked to do that, and there were questions in the survey about post office relief. It has canvassed views on the special post office relief, which is part of that scheme. Certainly, as a Department, we think that that has been quite effective. Your point is valid. The role of the post office is changing. Is it still relevant? Is it still good enough? Hopefully, the NICEP report will cover that.