



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

District Rates Convergence Final
Consultation Report: Department of Finance
and Personnel Briefing

8 October 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

Mrs Judith Cochrane

Mr Paul Girvan

Mr John McCallister

Mr Raymond McCartney

Mr Ian McCrea

Mr Adrian McQuillan

Mr Peter Weir

Witnesses:

Mr Brian McClure

Department of Finance and Personnel

The Chairperson (Mr McKay): Brian, we were down for another session, and we will now discuss the managing convergence of district rates report that has been presented. Will you take us through the report?

Mr Brian McClure (Department of Finance and Personnel): Of course, Chair. I apologise that we are not ready to talk to you about small business rate relief; we are still getting the Northern Ireland Centre for Economic Policy (NICEP) to finalise its report. There were some omissions from the report in relation to the terms of reference that we wanted it to complete before it is finalised and presented to the Minister and before it briefs the Minister. After the Minister has been briefed, I want to come back to the Committee and have a session with NICEP and talk you through its findings in some detail. I would have thought that that would be about three weeks away. I apologise for this, but the work is progressing very well, and we should be able to deliver it very shortly.

On the consultation report on local government reform and the issue of managing rates convergence, we have sent the Committee a copy of the consultation report, which was published on our website yesterday, I think. It outlines and summarises some of the views. Although there were only 15 responses to the consultation, eight were from the new councils. I think that there were four from legacy councils and three from organisations. No individual ratepayers responded. The responses that we did get were very detailed. There was extensive engagement with the local government sector, facilitated by the Northern Ireland Local Government Association (NILGA). A series of events and bilateral meetings were held during the consultation period. I have already advised the Committee about the consultation process. I do not know whether you want me to read through the report.

The Chairperson (Mr McKay): I think that that would be useful.

Mr McClure: I will give you a flavour of the views expressed. We had a series of questions set out in the consultation paper that we published in June, and the responses are summarised there. Some of the responses were not what we had expected. We expected quite a body of opinion in favour of a two-tier scheme, with one type of scheme perhaps of longer duration for the council areas likely to be affected most. However, the very clear message that we got from the consultation was that people wanted a single scheme with the same rules applying for all ratepayers and for the relief to be distributed proportionately, depending on the extent of the divergence in district rates. We have taken heed of that, and we have proposals to put to the Minister. At the moment, we are completing our analysis. We have had to await the outcome of the non-domestic revaluation. We got a good data set last week from Land and Property Services (LPS) that is sufficient to allow us to do the financial modelling. As the Committee is aware, the Executive have committed up to £30 million for the scheme, and we cannot exceed that. So we want to make sure that the proposals that we put to the Minister stay within that cost envelope. This week, we have had economists working flat out to try to cost the proposals that we will put to the Minister in the next week or two.

Looking beyond that, the Minister will be liaising with his counterpart in DOE, and, hopefully, we will be coming to announce the detail of the scheme next month. At that point, we will also have to present legislation. That will have to be done through subordinate legislation, so we will present the regulations to the Committee some time in November. Clearly, we will want to have sessions associated with that. I have to say that it will be quite a complex set of regulations. Some of our recent sets of regulations have been fairly straightforward, but that will be quite complex because of the nature of the scheme. Having said that, we are trying to keep it as simple as possible. It is a scheme to help ratepayers; it is not providing extra financing to local government. It is a direct discount on the rates bills to those ratepayers who would otherwise be affected by the boundary changes and councils coming together.

Another learning point that we took from the consultation, apart from the fact that we should have one scheme, is that many thought that we should extend the scheme to coincide with the new council term. That is certainly something that we will put to the Minister shortly. There is also the issue of whether there should be a threshold. There was some support for applying a threshold if that would allow more of the support to be provided to those most affected, although I think that the majority felt that there should not be a threshold.

Those are the key messages that we have taken from the consultation. We think that we can provide a reasonable level of support within the available funding. Our previous analysis has shown that, but we have to check that in relation to the new non-domestic revaluation data, because the non-domestic revaluation will redistribute the tax base throughout Northern Ireland in relation to councils, so we simply have to rework our figures. That is where we are at the moment.

The Chairperson (Mr McKay): What modelling has the Department undertaken to estimate the protection that will go to each council area? Do you have a good sense of what districts will need it most?

Mr McClure: The non-domestic ratepayers who need it most are in Newtownabbey, Craigavon, Coleraine, Castlereagh, Lisburn, Strabane, Fermanagh, Larne, Dungannon, Magherafelt, Newry and Mourne, and North Down. In relation to domestic ratepayers, it is Newtownabbey, Banbridge, Ballymoney, Coleraine, Castlereagh, Lisburn, Strabane, Fermanagh, Ballymena, Dungannon, Newry and Mourne, and Ards. Of course, some of those are not significant. The significant ones are Castlereagh coming into Belfast, Lisburn and Fermanagh. For example, we have an allowable funding level of £30 million. We think that the Lisburn and Castlereagh domestics on their own will take up to £3 million of that support. As I said, if we apply it proportionally with one scheme, that is the level of support that would need to be provided.

The Chairperson (Mr McKay): How complex will the regulations be? Can you perhaps elaborate on that?

Mr McClure: We will have to set out a series of district rate discounts that will apply to ratepayers in each of the new council areas. We will have to provide the methodology and the discount levels.

The Chairperson (Mr McKay): Will there be a certain formula?

Mr McClure: There will be a formula applied to that, and the figures will be shown in the regulations.

Mr McCallister: I am keen to know, Brian, whether the £30 million that you have set aside is safe from cuts and budget pressures.

Mr McClure: Nobody has been knocking at our door looking for it back.

Mr Girvan: Yet.

Mr McClure: We are working on the assumption that it is secure. There was an Executive decision taken in February 2012, I think, in relation to that, because we presented our analysis at that time, and the Executive agreed to set aside £30 million for the scheme, so that is our working assumption. Nobody has told us otherwise.

Mr McCallister: Fair enough. I hope that your optimism is well placed.

The Chairperson (Mr McKay): And you are still optimistic that £30 million will be enough.

Mr McClure: The analysis that we presented to the Executive then was that it would certainly provide a three-year scheme for everybody. There are steps that we are taking to try to make it go further. One of the changes that we are proposing is to exclude all public sector property and exclude some —

Mr Weir: I think that somebody is looking for a discount for farmers. *[Laughter.]*

Mr McCallister: Let us hope so.

Mr McClure: They already get a 20% discount.

Mr McCallister: Keep that information to yourself. *[Laughter.]*

Mr McClure: We are looking to make the £30 million go as far as possible. The Minister still has to make a final decision, but we intend to exclude public sector property. That could be a reasonable saving of up to £3 million. There is also social sector standardisation, where the rate is already standardised across Northern Ireland, so we can discount that as well. Therefore we think that we can get the scheme to go a bit further.

Mr Weir: In one of the consultation responses, there was a suggestion that it should fit in with the council term, ie spread over four years. Presumably, as it would be of depreciating nature in terms of the reduction, if that was the case, year 4 would be a relatively small figure out of the £30 million. Presumably, that would shift the balance a little bit so that the £30 million would not all be used up in the three years.

Mr McClure: That is a consideration in deciding on the steps, and the Minister will be mindful of that in making a decision. He has not made the decision yet.

Mr Weir: John mentioned about the insecurity of the £30 million. In certain regards one of the issues to some extent is that the £30 million is part of the overall budgetary pressure that is leading to the certain level of black hole. The commitment to that means that overall there is about £200 million when you take into account welfare and the other pressures. However, there is a clear commitment to the security of the £30 million.

Mr McClure: Absolutely, and it is a commitment that has been there for a couple of years.

Mr Weir: In terms of the level of detail that the regulations will go into, they will have, on the face of it, a specific impact side of it rather than simply just the formula in that regard as the nature of it. You mentioned the Castlereagh/Lisburn situation being, if adopted, £3 million out of the £30 million. On the flip side of the coin, in terms of the breakdown between domestic and non-domestic sort of help, what would be the breakdown?

Mr McClure: There would be more provided to domestic ratepayers. We are applying it equally. However, if you are asking me where it will fall, more will go to the domestic side than the non-domestic side. Going back to what I was saying earlier, if we are to exclude the public sector, that will be an exclusion from non-domestic, which in itself will create a saving.

Mr Weir: That effectively starts shifting a little bit of the balance.

A final question. There is reference to a 1% threshold, presumably on the basis that it would not kick in unless there was a 1% difference. By definition, whether that is adopted or not, is pretty minimal, because if the difference is less than 1% you are talking about 80% of —

Mr McClure: You are exactly right, because you are dealing with the marginals anyway. That marginal funding would not go a long way.

Mr Weir: Say, for the sake of argument, that that was adopted as the threshold, I would not say that it would be a pointless gesture, but it would be relatively minimalist.

Mr McClure: It needs to be more than 1% or 2% to be significant. The consultation was about how you distribute the support. That was one issue that we raised. Some quite liked it: NILGA commented favourably on it on the basis that it would help. I am not sure that it helps much, which is the point that you are making.

Mr Weir: I note the two issues of the convergence between councils and the boundary changes within that. The other point is, to put on the record obviously, that, whereas the focus of the boundary changes is on Castlereagh/Lisburn, the only other area where there is a geographically small impact in terms of population is in —

Mr McClure: Is it Dungannon?

Mr Weir: No. I was going to say from north Down into Belfast.

Mr McClure: There is that, and there is also a pocket of ratepayers in Dungannon. They will get proportionately more support because they would otherwise be more affected by the boundary changes.

The Chairperson (Mr McKay): What safeguards, if any, could be put in place to help to ensure that those most in need get the relief? If you are trying to accommodate a wide range of people in this scheme, how do you ensure that it does not take away from those most in need of relief?

Mr McClure: We will apply it proportionately. Another significant point is that there is a statutory review period in relation to the effectiveness of the scheme, which is written into the Local Government Act. That requires the Department, after two years or mid-term or whenever it may be, to see how effective it is. If there are people significantly affected and it is not doing the job, the Department has to do something about it.

The Chairperson (Mr McKay): Is there anything that you need the Committee to do in the period leading up to the regulations being presented?

Mr McClure: I do not think so. I am happy to appear again once the Minister has made a policy decision. That might be helpful before we present the regulations. I can talk you through the policy decision or how the Minister wants to deal with that before we go to regulations. We can do it in a two-stage way, if that is helpful to the Committee.

The Chairperson (Mr McKay): OK, Brian, thanks very much.