



Northern Ireland  
Assembly

---

**COMMITTEE FOR  
FINANCE AND PERSONNEL**

---

**OFFICIAL REPORT  
(Hansard)**

---

**Rating of Empty Homes: Consultation on  
the Landlord Allowance**

17 November 2010

**NORTHERN IRELAND ASSEMBLY**

---

**COMMITTEE FOR  
FINANCE AND PERSONNEL**

---

**Rating of Empty Homes: Consultation on the Landlord  
Allowance**

---

17 November 2010

**Members present for all or part of the proceedings:**

Ms Jennifer McCann (Chairperson)  
Dr Stephen Farry  
Mr Paul Girvan  
Mr Mitchel McLaughlin  
Mr Declan O'Loan  
Ms Dawn Purvis

**Witnesses:**

Ms Veronica Holland ) Department of Finance and Personnel  
Mr Brian McClure ) Department of Finance and Personnel  
Mr Andrew McAvoy ) Department of Finance and Personnel

**The Chairperson (Ms J McCann):**

We move to the rating of empty homes. I apologise to the witnesses for keeping them waiting so long. Brian McClure is the head of DFP's rating policy division; Veronica Holland and Andrew

McAvoy are also from the rating policy division. Given the time constraints, we will move straight to questions, if you do not mind. Brian, do you have anything pressing that you want to say first?

**Mr Brian McClure (Department of Finance and Personnel):**

Chairperson, there is no need to apologise; I enjoyed the previous evidence session. However, it raised certain issues around revenue raising, which was mentioned in nearly every sentence. We are more than happy to answer any questions that the Committee may have about the rating system that might have arisen from that session.

**Ms Purvis:**

What about the rates cap?

**Mr McClure:**

The rates cap is at £400,000 capital value. If we were to remove the cap altogether and leave it

open-ended, the revenue implications would be about £5 million. A return to the old cap of £500,000 would raise another couple of million pounds in total rates.

**Mr McLaughlin:**

My question may be tangential, but it relates to the previous evidence: do we have about 700,000 rateable domestic properties?

**Mr McClure:**

Yes. Just under 500,000 households pay rates; the remainder is on full housing benefit or rate relief. Five hundred thousand is a good, round estimate of the number of rate-paying households.

In total, there are about 700,000 households.

**Mr McLaughlin:**

I ask because that figure is important when it comes to revenue-raising ideas, and, specifically, retro-fitting in looking at the rates collection process as the most effective way of reaching

owner-occupiers, the private rented sector, housing associations and the Housing Executive.

Although there may also be vacant properties, those are the four main housing sectors. Were we to look at an Executive programme of retro-fitting to address some component elements of the green new deal, would one way of creating a budget for that — a budget that does not exist at present — be by increasing the rates?

**Mr McClure:**

We could do that. If there is a will, there is a way. However, primary legislation would be needed to impose a levy associated with a particular initiative or service.

**Mr McLaughlin:**

Explain that to me. Is that an issue over which the Executive have devolved authority?

**Mr McClure:**

Yes, absolutely.

**Mr McLaughlin:**

Do you mean primary legislation in the Assembly?

**Mr McClure:**

Yes. It is a fully devolved matter on which it is entirely up to the local Administration to make decisions.

**Mr McLaughlin:**

If we were to talk about creating a £70 million-a-year budget to address the green new deal obligations, would that be a £100 increment on the rates if that were the collection mechanism chosen?

**Mr McClure:**

Yes.

**Mr McLaughlin:**

Of course, none of that is agreed with anybody at present. Would such an agreement be entirely within the Assembly's power?

**Mr McClure:**

Absolutely.

**Mr Mc Laughlin:**

Whether it goes back to the water rates discussion it would be reflected as a component of the annual rates bill and ring-fenced so that people could see what it was used for.

**Mr McClure:**

Certain operational issues would be involved in identifying it separately in a Bill, and there would be a legislative implication. Primary legislation would have to be taken through the Assembly; however, it is entirely a devolved matter.

**Mr McLaughlin:**

I have not got my head round that. Why do we need primary legislation?

**Mr McClure:**

It would be needed to earmark a particular element of the rates. Rates are unhypothecated; they are not linked to particular services. To link rates to a particular initiative or scheme would require primary legislation.

**Mr McLaughlin:**

OK. Thank you.



**Mr O'Loan:**

Is the outcome of your paper that the landlord discount be reduced from 15% to 12.5%? Is that taken from the consultation responses that you got?

**Mr McClure:**

No compelling arguments came out of the consultation. The responses were a little bit sporadic, but there was certainly no consensus of opinion against it. Therefore the Minister thinks that the consultation has been sufficient to allow him to make a proposal to reduce it.

**Mr O'Loan:**

From what I have read, I am not uncomfortable with that.

**The Chairperson:**

Why is there a 7.5% allowance for landlords, given that they are legally obliged to pay rates?

**Mr McClure:**

The 7.5% applies to certain categories of landlord property below certain capital value limits and to houses in multiple occupation. However, it does not cover voids. Therefore when a house becomes empty, the person is no longer entitled to that.

**Mr Andrew McEvoy (Department of Finance and Personnel):**

Part of it is in recognition of the fact that the 7.5% takes into account the cost to the landlord of administering and collecting on behalf of the Department.

**Mr McClure:**

There is a 7.5% compulsory rate and the current 15% voluntary rate. If a person opts for the voluntary rate, he or she pays rates whether the property is occupied or unoccupied. Given that empty homes will be subject to rating from October 2011, there will be a differential treatment.

In the Department's view, that makes it far too generous, and that is why the Minister wants to

reduce it.

**The Chairperson:**

The student rate relief was abolished because it seemed that landlords were benefiting more than students. The moneys that were saved when that relief was abolished were supposed to go to DEL to help students from disadvantaged backgrounds. However, there is concern that that has not happened to the expected degree, and we have received queries from some student organisations that the student support funds cannot pay out to students who need the money because that is not coming from DEL. However, DEL says that the hold-up is in DFP. Could you give us a sense of where that money is?

**Mr McClure:**

The Executive agreed that, as and when savings materialise from the closure of the rates scheme, they will be redirected to the hardship schemes that are administered by the universities. That remains the policy and the Department's position. A large number of people have fallen out of

the scheme in recent months, and Land and Property Services wrote to every claimant to make sure that their circumstances had not changed and that they were still eligible. A large number of people have now dropped out, and, in the coming months, the savings will be directed to those schemes. As far as we are concerned, there is no issue. DEL has lodged a business case with the Department, and the supply division is considering that at the moment. Therefore, the process is moving, and we expect that commitment to be honoured.

**The Chairperson:**

You say that the process is moving, but that is what the students have been told. Is there an exact timeline for when they will get the money?

**Mr McClure:**

DEL has lodged the business case with DFP. The amount of savings has recently been estimated, and therefore that money will flow through. I have written about that in detail, but I can provide a follow-up if the Committee wishes.

**Ms Purvis:**

An estimate was given that a payment would go out in April and a second in September. The problem seems to be that the second part of the payment was not made. That has affected universities' student hardship funds and their ability to pay out, because they had expected that money.

**Mr McClure:**

The figure of, I think, £600,000 is identified. That was always an estimate that was used between DFP and the Department for Employment and Learning. The policy is that whatever saving materialises will be transferred. The figure will not be far from the estimate. The money has not flowed because the business case has not been approved, but we do not see any difficulty with it.

**The Chairperson:**

Some people have told the Committee that because the rates relief for students was abolished,

landlords simply put the extra cost on to students by increasing rents. What safeguards will there be to ensure that landlords do not simply add the increased costs to rents?

**Mr McAvoy:**

The relationship between landlord and tenant is largely a matter that a tenancy agreement puts in place between them, and each individual case would need to be looked at to see what it provides. Some tenancy agreements provide it inclusive of rates and others state that it is exclusive of rates. It depends on the individual agreement.

**Dr Veronica Holland (Department of Finance and Personnel):**

It is important to recognise that, at the moment, the allowance is given to facilitate the landlord to undertake the collection of rates. The full rates and the appropriate amount of rent should be charged to tenants. It should not be the case that a lower amount of rates is being charged to the tenant because the allowance has been awarded to the landlord. On that basis, in practice, the tenant should not see any difference in the amount of rent incorporating rates that is charged to

them, although some unscrupulous landlords may take advantage of the situation.

**The Chairperson:**

It seems that several landlords have upped students' rents to get back the allowance that they no longer receive from the rate relief. Will that happen here as well?

**Mr McClure:**

We certainly do not expect that from reputable landlords; we do not expect it in the social rented sector, in which a very high proportion of people will avail themselves of the allowance. We will keep an eye on it. It is not something that we expect to be widespread, but the point is noted and we will monitor it. Notwithstanding the concerns, we still feel that 15% in the context of the rating of empty homes is too generous an allowance.

Timing is an issue. The rating of empty homes will be introduced in the middle of the next rating year, in October 2011, so all the landlord allowances will have to be struck at the beginning

of the rating year. Therefore there is a sequencing issue. We propose to introduce a lower allowance for the Housing Executive — there are other reasons for reducing that now that are not related to the rating of empty homes — and leave the introduction of the lower allowance until April 2012, so it would follow six months after the introduction of the rating of empty homes. Introducing it six months in advance would create difficulties, and there would be issues over sequencing.

In the unlikely event that the rating of empty homes does not proceed as planned — I am not giving any hints on that; we believe that it will go ahead and the Minister is determined that it should — we would be caught by reducing the allowance in advance of the measure that gave rise to the reduction. We propose to introduce it in April 2012

**Dr Holland:**

With the Northern Ireland Housing Executive allowance in 2011.



**Mr McClure:**

It is already prepared for that and we wrote to the Department for Social Development about that last year, so that could go ahead.

**Mr O'Loan:**

I support those courses of action.

**The Chairperson:**

Sorry to keep you waiting so long. Thank you. I want to take members' views about the outcome of the consultation. Are members content with the consultation?

*Members indicated assent.*