



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Financial Provisions Bill:
Department of Finance and Personnel

22 January 2014

The Chairperson: Concerning the rationale behind going for specific amounts rather than percentages, is it fair to say that the Minister is minded to go in that direction?

Mr McClure: No, not at all. The Minister is of a completely open mind, but he wants to make sure that he has the freedom to implement whatever recommendations come out of the policy evaluation.

The Chairperson: But he will be seriously considering that option.

Mr McClure: As I said, he has an open mind on the matter. He wants to see what the analysis shows. There will certainly be a consultation and research done, but, because of its importance, we would also like a little bit of independence in the evaluation. We are looking at involving NICEP at the University of Ulster in some of the work.

The Chairperson: Why is the amendment only coming in at the Bill's Consideration Stage? The Bill has been through the Committee, and it would have been best practice for the Department to include the provision in the Bill before now, instead of throwing it in from left field.

Mr McClure: We have only recently been looking at the evaluation and having discussions on it with NICEP. Had we realised earlier, we would have put it in earlier, but we had not, so I put my hand up for that.

Mr Girvan: I am not totally clear about the rationale behind the amendment. Percentages are quite straightforward for people to work out, because they know what their bill is, what it has been historically and whether they fall inside the ceiling for availing themselves of the rate relief programme for small businesses.

Is the reason for the amendment to ensure that there is a maximum amount of reduction that a business can receive?

Mr McClure: No, it is not. It is to allow a reduction to be done by either a percentage or a specified amount. It is not to do with capping. It is about adding flexibility to whatever outcome there is from the small business rate relief evaluation.

Putting this into the enabling power will require regulations, which would be scrutinised and challenged by the Committee and would be subject to the will of the Assembly.

Mr Girvan: However, a specified amount — say, £200 — would have to be applied fairly across the board. That would give you the opportunity not to deal with people who are falling within the rate bands. Is that the reason?

Mr McClure: There is no suggestion that there is any will on the part of the Department of Finance and Personnel (DFP) to be less generous. It is not a restricting power that we are after but a widening power. We just want to allow for a wider range of eventualities. It is nothing more than that.

Mr Girvan: The percentage method seems to work for me. I appreciate the rationale for bringing forward the amendment, where a prescribed amount could be identified. I do not see how that would work fairly, because a prescribed amount would be universal. At the moment, people can avail themselves of rate relief if their property is valued at up to £15,000, and if the rateable value is below that, they can get their 20% reduction. If someone has a rateable valuation of £10,000 and someone else has a rateable valuation of £15,000, how do you work out the reduction? If you specify an amount, there is unfairness.

Mr McClure: The pros and cons of whatever approach is taken will be presented to Ministers for them to make a decision. This is only a small tweak to an enabling power. We are not trying to limit a scheme by the back door. We are just trying to give the Minister maximum flexibility in what is available through amending existing legislation.

Mr Girvan: I am still not totally clear about this, but perhaps I can have a wider discussion with you at another stage.

Mr McClure: I am more than happy to do that.

Mr Girvan: I do not quite grasp why the amendment is being brought forward, because, with a percentage, people know exactly what they are talking about, and it is fairly fair. I am not convinced, but that is beside the point.

Mr Mitchel McLaughlin: I have the same confusion as Paul identified. There would be a decision made at particular points in the overall Budget process or in the evaluation process as to which option was being applied.

Mr McClure: Yes.

Mr Mitchel McLaughlin: Ideally when would that be?

Mr McClure: We would probably have to make regulations in the autumn.

Mr Andrew McAvoy (Department of Finance and Personnel): Prior to 2015, when the scheme runs out.

Mr Mitchel McLaughlin: And thereafter?

Mr McClure: The existing small business rate relief scheme will finish on 31 March —

Mr Mitchel McLaughlin: I am talking about the operating of the new scheme.

Mr McClure: To enable the continuation of the scheme or for a new scheme to come along, we have to make regulations. That will be done in the autumn of this year.

Mr Mitchel McLaughlin: And thereafter?

Mr McClure: That scheme could operate for one or two years, or whatever — whatever is decided by Ministers.

Mr Mitchel McLaughlin: We are talking about flexibility. If we were considering a more flexible approach from one year to another, when would that be? Say that we opt for the percentage basis but an argument emerges at some stage that there may be a better way in which to deal with it, and you have given yourself this inbuilt flexibility, what is the process of calculating or crossing that out and taking it through the Assembly? I am particularly interested in at what stage in the financial year we would be dealing with it.

Mr McClure: The evaluation will begin in April and will take a couple of months to do. It will probably take around three months to do. As part of that, there will be a consultation. Then, informed by the consultation and whatever additional research we commission or do ourselves, we will present a range of options to the Minister. The Minister will go to the Executive with those options, which will be fully costed, and decide on a way forward. It will also be informed by the outcome of the non-domestic revaluation, because the results of the revaluation should be known by that stage. We cannot start it any earlier because of the ongoing revaluation.

Mr Mitchel McLaughlin: OK. Having gone through and gathered all those different kinds of processes — input and outcome — and you know what the district rate and everything else is, you then decide the way in which you are going to go. For illustrative purposes, we will discuss the percentage approach. At what point would that be reviewed? Would it be reviewed in the next valuation cycle?

Mr McClure: Yes, although it could be reviewed at any time. It cannot last for longer than the life of the valuation list, so the maximum that it can last is until the next non-domestic revaluation, because it uses —

Mr Mitchel McLaughlin: We are full of good intentions about doing that on a regular cycle.

Mr McClure: Put it this way: we introduced this in April 2010, and it has been supplemented on two occasions since. We had the original scheme, a changed scheme, which was a more generous

scheme, and then a more generous scheme again. It has already been reviewed twice. We can make regulations that will exist for the life of the valuation list.

Mr McAvoy: Or the Budget.

Mr McClure: Yes, or the Budget. If there is a need to change the scheme, it can be easily changed, and we have done it twice before.

Mr Mitchel McLaughlin: It sounds like "Taste it and see". I look forward to that discussion.

The Chairperson: Brian and Andrew, thank you very much again.