Title of Report:	**Consultation paper – Non-Domestic rating measures**
Committee Report Submitted To:	**Finance Committee**
Date of Meeting:	**11 January 2024**
For Decision or For Information	**For decision**
To be discussed In Committee YES/NO	**No**

Linkage to Council Strategy (2021-25)	
Strategic Theme	Cohesive Leadership
Outcome	Council has agreed policies and procedures and decision making is consistent with them.
Lead Officer	Chief Finance Officer

Budgetary Considerations	
Cost of Proposal	
Included in Current Year Estimates	~~**YES**~~/**NO**
Capital/Revenue	Revenue
Code	
Staffing Costs	

Legal Considerations	
Input of Legal Services Required	~~**YES**~~/**NO**
Legal Opinion Obtained	~~**YES**~~/**NO**

Screening Requirements	Required for new or revised Policies, Plans, Strategies or Service Delivery Proposals.		
Section 75 Screening	Screening Completed:	~~Yes~~/No	Date:
	EQIA Required and Completed:	~~Yes~~/No	Date:
Rural Needs Assessment (RNA)	Screening Completed	~~Yes~~/No	Date:
	RNA Required and Completed:	~~Yes~~/No	Date:
Data Protection Impact Assessment (DPIA)	Screening Completed:	~~Yes~~/No	Date:
	DPIA Required and Completed:	~~Yes~~/No	Date:

1.0 Background

In November 2023 Land and Property Service and Department of Finance issued a consultation paper on four aspects of non-domestic rating policy. The consultation closes on 13 February 2024. This report allows Council to consider its response to that consultation. The consultation was discussed at the December Finance Working Group to facilitate drafting this report.

2.0 Detail

There are four areas covered by the consultation;

1. Removal of industrial derating from the rating system
2. Removal of Non-Domestic Vacant Rate (NVDR) relief of 50% from the rating system
3. Removal of freight transport relief from the rating system
4. Removal of the student halls of residence exemption from the rating system

2.1 Removal of the industrial derating from the rating system

Currently this is set 70% for property deemed to be for manufacturing purposes. The cost of this relief is approximately £71.5m which is met by the NI Executive, Councils being compensated for any loss due to the policy via Derating Grant. The removal of this relief therefore will also remove the need for derating grant meaning the cost of this proposal will eventually be borne entirely by Councils. This may come about by loss of manufacturing businesses to other jurisdictions when Northern Ireland becomes a less beneficial location from which to operate as a result of this change.

2.1.1 – Should the industrial derating be removed – ~~Yes~~/No

2.1.2 – What in your view would be the impact of removing this support

Causeway Coast and Glens Borough Council believe the total removal of this measure would be a form of taxation transfer to the Local Government sector. Central government will benefit from additional rates income and in addition no longer having to pay out derating grant to Local Government whilst for Local Government the situation at best is neutral assuming all businesses remain in operation within the Boroughs and Districts, any loss of these businesses will have an immediate detrimental impact on the local Council through loss of rate income whilst Central Government will have the advantage of the saved derating grant revenue to act as a substantial buffer to its revenue streams. Furthermore any loss of manufacturing business will have an immediate knock on impact on the local economy with job losses and lost income to the local economy.

2.2 Removal of Non-Domestic Vacant Rate (NVDR) relief of 50% from the rating sytem

Currently owners of non-domestic properties which become vacant receive a 3 month 100% rate relief and thereafter a 50% rate relief whilst the property remains vacant.

This is at odds with the domestic sector where vacant rate relief was removed previously. The relief, as was the case in the domestic sector previously, creates a disincentive on the owner to do anything with the property and could be a contributing factor to increasing dereliction of non-domestic properties around the country, as was the case with domestic properties.

2.2.1 – Should the early payment discount be removed – Yes/~~No~~

2.2.2 – What, in your view would be the impact of removing this support?

Council believes the allowance contributes to increasing property dereliction around the country and its removal is also necessary to bring the non-domestic sector into line with the domestic sector.

2.3 Removal of the freight transport allowance from the rating system

Freight Transport relief is a long-standing measure within the Northern Ireland rating system. It provides 75% rate relief to premises that are occupied for the purpose of handling and shipment of goods that are neither owned by, nor intended for the use of, the operator.
Freight Transport relief is awarded to 17 properties that are mainly associated with harbours and ferry terminals. It has a projected 2023/24 cost of £2.32M. It is paid for entirely by the NI Executive, through revenue foregone from the Regional Rate loss and annual Derating Grant payments to compensate district councils for the loss to their district rate revenue.

2.3.1 – Should the freight transport allowance be removed – ~~Yes~~/No

2.3.2 – What, in your opinion, would be the impact of removing this support?

Causeway Coast and Glens Borough Council believe the total removal of this measure would be a form of taxation transfer to the Local Government sector. Central government will benefit from additional rates income and in addition no longer having to pay out derating grant to Local Government whilst for Local Government the situation at best is neutral assuming all businesses remain in operation within the Boroughs and Districts, any loss of these businesses will have an immediate detrimental impact on the local Council through loss of rate income whilst Central Government will have the advantage of the saved derating grant revenue to act as a substantial buffer to its revenue streams. Furthermore any loss of business will have an immediate knock on impact on the local economy with job losses and lost income to the local economy.

2.4 Removal of the student halls of residence exemption from the rating system

Under current NI rating law properties occupied by the two universities here are fully rateable. Although the universities themselves are fully rateable, the 17 halls of residence connected with the universities are currently fully exempt from rates.

14 are owned or managed by eligible institutions (i.e., a university or higher education institution).

3 are privately operated under appointment by an eligible institution.

There are also Purpose Built Student Accommodation (PBSA) buildings which are occupied by private organisations but these are not eligible for exemption. In recent years there have been calls from the operators of those buildings for parity with those that are exempt.

The proposal to remove exemption would ensure consistency of treatment between university and college-owned halls of residence (which currently receive an exemption) and new Purpose Built Student Accommodation (which is not eligible for exemption).

The exemption has a cost of just over £2M in revenue foregone. The cost is shared by the Northern Ireland Executive and district councils.

2.4.1 - Should the student halls of residence exemption be removed – Yes/~~No~~

2.4.2 – What, in your opinion, would be the impact of removing this support?

Council is of the opinion that there is an inequality as a result of this exemption between operators of student residences and that the removal of this exemption will address that inequality.

3.0 Recommendation

It is recommended that Council consider the draft responses above to the consultation and approve a response to be submitted to consultation process before the 13 February 2024 deadline.

Land & Property Services
Seirbhísí Talún agus Maoine

Department of Finance
An Roinn Airgeadais
www.finance-ni.gov.uk

Consultation Paper

Non-Domestic Rating Measures

November 2023

Contents

Foreword

Overview of the current non-domestic rating system

The rating system in Northern Ireland is a devolved tax with no direct links to similar taxation systems in England, Scotland or Wales. There are two different rates levied in Northern Ireland: a domestic rate for residential properties and a non-domestic rate for businesses.

The total revenue raised last year through both domestic and non-domestic rates within Northern Ireland is approximately £1.37 billion, with about 55% of this being funded by non-domestic rating. This is used to pay for both local district council services as well as regional services delivered by the Northern Ireland Executive such as education, health and roads.

Regional Rate revenue alone provides approximately 4% of the Northern Ireland Executive's public spending. A high level breakdown of total rating revenue raised in 2022/23 is provided in the following table:

Source	Revenue
Non-domestic sector	£773M
Domestic sector	£603M
Total	£1.37Bn

Non-domestic rates are a property tax that is usually levied on the occupier, in direct proportion to a property's assessed rental value (also known as Net Annual Value or "NAV"). From 1 April 2023 the NAV reflects the rental value of the property as at 1 October 2021.

Land & Property Services (LPS), within the Department of Finance, administers the rates system and has little discretion in doing so as everything is governed by legislation or case law, some of which goes back over 100 years. Rates paid by households and businesses make a vital contribution to funding the public services delivered by the Executive and District Councils in Northern Ireland.

There is harmonisation across the UK in relation to valuation procedure and practice, as far as legislation permits. The systems of reliefs and exemptions are similar in their policy intent, but different in the specifics of how they operate in practice. Reliefs, allowances, and exemptions are the main means through which the rating system can be used as a tool of social, economic and environmental policy. Those differences have developed over many years because of different policies and priorities set by the Northern Ireland Executive at various points in time.

Providing any rate relief to the business sector means either foregoing revenue or charging other ratepayers more. An exemption or relief is often viewed from the perspective of who it benefits, but there is a cost, as every pound raised through the rating system in Northern Ireland is a resource to help pay for hospitals, schools, and other essential regional services.

There have been detailed policy reviews of the rating system in Northern Ireland, most recently in 2016 and 2019. These reviews consulted on the options for changing the various reliefs, exemptions, and allowances for both domestic and non-domestic rates, but have not resulted in any substantive changes to the rating system other than to implement more frequent non-domestic General Revaluations. The most recent comprehensive review of Business Rating, the report for which was completed just prior to the Covid-19 pandemic, can be accessed at the following link.

Business Rates Public Consultation | Department of Finance (finance-ni.gov.uk)

Executive summary

In September 2023 the Secretary of State, Rt Hon Chris Heaton-Harris, directed Northern Ireland Departments to undertake a consultation exercise on revenue raising measures.

The Department of Finance is seeking views on 7 rates proposals: 4 in the non-domestic sector, and 3 in the domestic sector. It will be a matter for an incoming Executive to decide on which, if any, measures are taken forward.

The proposals are presented in such a way as to highlight a means of identifying and maximising revenue through the removal of rate support, discounts and allowances. As such they highlight the fastest and quickest means of realising the revenue gain to address the budget shortfalls facing central government. It is recognised within the Department of Finance that further consultative and policy work will need to be done should such measures proceed to implementation, particularly in relation to the further analysis of any impacts and mitigation measures that may accompany that implementation or that have been brought to the Department's attention during the consultation process.

It is important therefore that the Department garners as wide a range of stakeholder views as possible, including views on the wider impact of the proposals, so that future policy development in this area is fully informed.

Consultations on rating policy tend to be dominated by those who may be directly affected but it is also important to gather the views and opinions of the wider body of ratepayers. For this reason, the Department welcomes views from organisations and individuals on the package of revenue raising proposals taken as a whole. Views are also invited in relation to additional revenue raising proposals, which may include the removal or reduction of any other rate support measures.

The financial context of this exercise is presented in the following link.

Financial context for revenue raising consultations | Department of Finance (finance-ni.gov.uk)

The key stages and target completion dates are:

Key stage	Date
Direction from SoS	20 Sept 2023
Launch consultation	7 November 2023
Stakeholder engagement	7 November + 14 weeks
Close consultation	13 February 2024
Publish consultation report	w/c 18 March 2024

Structure of the consultation

There are FOUR NON-DOMESTIC rating measures being consulted on:

Part 1
Removal of Industrial Derating from the rating system.

Part 2
Removal of Non-Domestic Vacant Rate (NDVR) relief of 50% from the rating system.

Part 3
Removal of Freight Transport relief from the rating system.

Part 4
Removal of the student Halls of Residence exemption from the rating system.

Further resources

For more general information about the rating system in Northern Ireland, the following document may be useful:

A guide to rates
[A guide to rates | Department of Finance (finance-ni.gov.uk)]

About this consultation

Who can respond to this consultation?

The Department of Finance, acting on direction from the Northern Ireland Office, is seeking views on these proposals from all interested parties, individuals and groups from across Northern Ireland on the matters covered by this consultation.

Purpose of this consultation

The proposals set out here will have a direct impact on many peoples' lives. The Department of Finance recognises the need to keep the public informed on such important matters and to allow people the opportunity to comment on the policy proposals.

This consultation therefore invites people to answer a number of questions in relation to these revenue raising measures. The questions are posed throughout the document. A complete list of questions can also be found at the end of the consultation document at page 21.

Scope of the consultation

The consultation applies to all of Northern Ireland whether a member of the public, a business, organisations or professional bodies.

Duration of the consultation

The consultation will run for 14 weeks, it closes to responses on 13 February 2024.

How to respond to this consultation

You can respond to this consultation online through the link to Citizen Space.
NI Direct - Citizen Space

You can also send your consultation responses to:

Revenue Raising Consultation
Land & Property Services
Department of Finance
Lanyon Plaza
7 Lanyon Place
Belfast, BT1 3LP

When responding, please state whether you are doing so as an individual, or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled. We will acknowledge your response.

The consultation document will be available in other formats upon request. You can email any queries to: **revenueraising@finance-ni.gov.uk**

Associated documents

There are two DoF consultation documents available to you, one on domestic rating measures, and this one on non-domestic measures. Also, associated draft impact screening assessments have been made available on the consultation website.

See **Department of Finance (finance-ni.gov.uk)** for all related papers, which can also be obtained in hardcopy on request, using the contact details above.

How we consult

Consultation principles

- consultation must be at a time when proposals are still at a formative stage;
- the proposer must give sufficient reasons for any proposal to permit intelligent consideration and response;
- consultation is only part of a process of engagement;
- adequate time must be given for consideration and response; and
- government responses should be published in a timely fashion.

Confidentiality

Your rights

Under the Data Protection legislation, you have the right:

- to be informed of the personal data held about you and to access it;
- to require us to rectify inaccuracies in that data;
- to (in certain circumstances) object to or restrict processing;
- for (in certain circumstances) your data to be 'erased';
- to (in certain circumstances) data portability; and
- to lodge a complaint with the Information Commissioner's Office (ICO) who is our independent regulator for data protection.

Responses to consultations are likely to be made public, on the internet or in a report. If you would prefer your response to remain anonymous, please tell us.

DoF Privacy Notice

The DoF Privacy Notice, explaining how we use your personal data, can be viewed at:
Department of Finance Privacy Notice | Department of Finance (finance-ni.gov.uk)

CONSULTATION

Part One

Removal of Industrial Derating from the rating system

Industrial Derating awards a 70% reduction to the normal rate liability for property deemed to be used for manufacturing purposes. Areas within a factory which are not used for manufacturing (such as offices) do not benefit from the relief. The application of Industrial Derating is subject to strict interpretation of the Rates (Northern Ireland) Order 1977 and caselaw established by the Lands Tribunal.

The relief is awarded to around 4,500 manufacturing properties, half of which are located in four council areas: Armagh City, Banbridge and Craigavon, Belfast, Mid Ulster and Newry, Mourne & Down.

The relief has a projected cost in 2023/24 of £71.5M. The cost of the relief is paid for entirely by the NI Executive, through revenue foregone from the Regional Rate, and annual Derating Grant payments to compensate district councils for the loss to their district rate revenue.

Parity

Removal of Industrial Derating will bring the position in Northern Ireland into line with rating policy in all other parts of the UK, where Industrial Derating was phased out in 1963 (in England and Wales) and 1995 (in Scotland).

Further information

Industrial Derating | nibusinessinfo.co.uk

Interaction with other support measures

If the policy were introduced, then there would be a corresponding reduction in the Derating Grant for district councils to reflect removal of the relief. The Derating Grant is paid to councils by the Department for Communities.

In non-domestic rating, a property may not benefit from both Derating and Small Business Rates Relief. If this measure were implemented, properties with a rateable value of up to £15,000, in respect of which Industrial Derating currently applies, would become eligible for Small Business Rate Relief. This would increase the cost of the Small Business Rates Relief by approximately £2 million.

CONSULTATION QUESTIONS

Q1 **Should Industrial Derating be removed?**

Q2 **What, in your view, would be the impact of removing this support?**

Click to answer questions

Impact screening

The Departmental initial Draft Impact Assessment screening exercises have determined that there will be further impact assessment requirements in relation to two areas for this proposal, namely economic assessment and regulatory impact assessment. Evidence from consultees is sought on these two areas, and impacts more generally, to fully inform Policy making in this area.

Part Two

Removal of Non-Domestic Vacant Rate (NDVR) relief of 50% from the rating system

When non-domestic property belonging to a prescribed class becomes vacant, rates are not payable for three months from either the date it becomes vacant or the date LPS determines as a 'Completion Day'.

After that, rates liability is set at 50% of the normal "occupied" rate. The 50% level is set out in primary legislation. This proposal is to remove the 50% reduction so that the full occupied rate is charged for these properties, as it is for vacant domestic property. There are currently around 4,700 non-domestic properties in receipt of the relief, 45% of which are located within three council areas: Armagh City, Banbridge and Craigavon, Belfast and Newry, Mourne & Down.

This relief has a projected cost of £19.7M in 2023/24. The cost is shared, approx 50/50, by the Northern Ireland Executive and district councils.

Parity

Removal of 50% NDVR relief, to increase liability to 100% of the occupied rate, will bring the position in Northern Ireland into line with rating policy in all other parts of the UK.

Further information

Non-Domestic Vacant Rating | nibusinessinfo.co.uk

Interaction with other support measures

If the policy was introduced then there would be a corresponding notional increase in the level of revenue associated with the excluded NDVR categories of property / ratepayer, e.g. listed buildings, insolvency, etc. This is because rather than receiving an exclusion from a 50% liability, they would instead receive an exclusion from a 100% liability. This does not affect the estimated increased level of revenue assessed.

CONSULTATION QUESTIONS

Q3 **Should Non-Domestic Vacant Rating relief be removed?**

Q4 **What, in your view, would be the impact of removing this support?**

Click to answer questions

Impact screening

The Departmental initial Draft Impact Assessment screening exercises have determined that there will be further impact assessment requirements in relation to two areas for this proposal, namely economic assessment and regulatory impact assessment. Evidence from consultees is sought on these two areas, and impacts more generally, to fully inform policy making in this area.

Part Three

Removal of Freight Transport relief from the rating system

Freight Transport relief is a long-standing measure within the Northern Ireland rating system. It provides 75% rate relief to premises that are occupied for the purpose of handling and shipment of goods that are neither owned by, nor intended for the use of, the operator.

Freight Transport relief is awarded to 17 properties that are mainly associated with harbours and ferry terminals. It has a projected 2023/24 cost of £2.32M. It is paid for entirely by the NI Executive, through revenue foregone from the Regional Rate loss and annual Derating Grant payments to compensate district councils for the loss to their district rate revenue.

Parity

Removal of Freight Transport Relief will bring the position in Northern Ireland into line with rating policy in all other parts of the UK where Freight Transport relief is not available.

Interaction with other support measures

If the policy was introduced, then there would be a corresponding reduction in the Derating Grant for councils to reflect removal of the relief. The Derating Grant is paid to councils by the Department for Communities.

CONSULTATION QUESTIONS

Q5 **Should Freight Transport relief be removed?**

Q6 **What, in your view, would be the impact of removing this support?**

Click to answer questions

Impact screening

The Departmental initial Draft Impact Assessment screening exercises have determined that there will be further impact assessment requirements in relation to two areas for this proposal, namely economic assessment and regulatory impact assessment. Evidence from consultees is sought on these two areas and impacts more generally to fully inform policy making in this area.

Part Four

Removal of the student Halls of Residence exemption from the rating system

Under current NI rating law properties occupied by the two universities here are fully rateable. Although the universities themselves are fully rateable, the 17 halls of residence connected with the universities are currently fully exempt from rates.

- 14 are owned or managed by eligible institutions (i.e., a university or higher education institution).
- 3 are privately operated under appointment by an eligible institution.

There are also Purpose Built Student Accommodation (PBSA) buildings which are occupied by private organisations but these are not eligible for exemption. In recent years there have been calls from the operators of those buildings for parity with those that are exempt.

The proposal to remove exemption would ensure consistency of treatment between university and college-owned halls of residence (which currently receive an exemption) and new Purpose Built Student Accommodation (which is not eligible for exemption).

The exemption has a cost of just over £2M in revenue foregone. The cost is shared by the Northern Ireland Executive and district councils.

Parity

Because our rating systems are different the arrangements in Northern Ireland and Great Britain cannot be directly compared. In England, Scotland and Wales, full-time students are exempt from paying Council Tax whilst living away from home, including in halls of residence and purpose-built student accommodation.

Interaction with other support measures

If the policy was introduced there may be merit in considering if some or all of the savings were used to increase other forms of support within the domestic or non-domestic rating systems.

CONSULTATION QUESTIONS

Q7 **Should exemption for Halls of Residence owned or managed by universities and colleges be removed?**

Q8 **What, in your view, would be the impact of removing this support?**

Click to answer questions

Impact screening

The Departmental initial Draft Impact Assessment screening exercise has been conducted in respect of this proposal and has currently screened this proposal out in respect of any further Impact Assessment requirements. Evidence of any wider impacts will however be assessed should consultees wish to provide this to the Department to inform policy making in this area.

List of consultation questions

Removal of Industrial Derating from the rating system

Q1 Should Industrial Derating be removed?

Q2 What, in your view, would be the impact of removing this support?

Removal of Non-Domestic Vacant Rate (NDVR) relief of 50% from the rating system

Q3 Should Non-Domestic Vacant Rating relief be removed?

Q4 What, in your view, would be the impact of removing this support?

Removal of Freight Transport relief from the rating system

Q5 Should Freight Transport relief be removed?

Q6 What, in your view, would be the impact of removing this support?

Removal of the student Halls of Residence exemption from the rating system

Q7 Should exemption for Halls of Residence owned or managed by universities and colleges be removed?

Q8 What, in your view, would be the impact of removing this support?

Click to answer questions

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Department of Finance
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www.finance-ni.gov.uk

Department of Finance consultation

Rates revenue raising measures

NILGA engagement event

14 December 2023

Background

14 June 2023: Secretary of State wrote to NICS Permanent Secretaries

Options for raising more public revenue and improving sustainability of Northern Irelands public finances.

Two stages

- ‘Part A’ – initial suggestions were to be submitted by end of June 2023
- ‘Part B’ – more detailed options by end of July 2023

Secretary of State's instruction

20 September 2023: Secretary of State wrote again to Permanent Secretaries

Instruction to undertake public consultations on revenue raising options

DoF instructed to consult on 7 proposals, all relating to rate reliefs and allowances

- Four measures in the non-domestic sector
- Three measures in the domestic sector

7 November 2023 14 week consultation was launched

Financial Context

10 October 2023 DoF launched a separate consultation setting financial context and seeking views on four other questions.

Financial context for revenue raising consultations | Department of Finance (finance-ni.gov.uk)

Financial Context – 4 questions

1. Are there other revenue raising measures that should be considered?

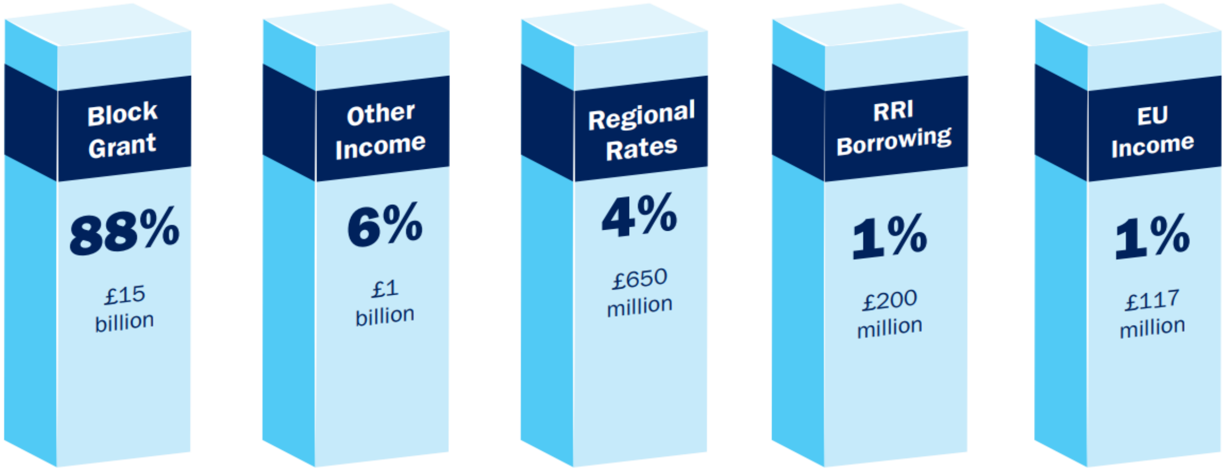
2. Are there any services/programmes that should be stopped or reduced to divert funding to more critical services?

3. Are there public services that could be delivered in a different way?

4. Are there public services that could be delivered by others (e.g. local government, voluntary & community sector or private sector) or are there are other areas in which greater collaboration could deliver better outcomes?

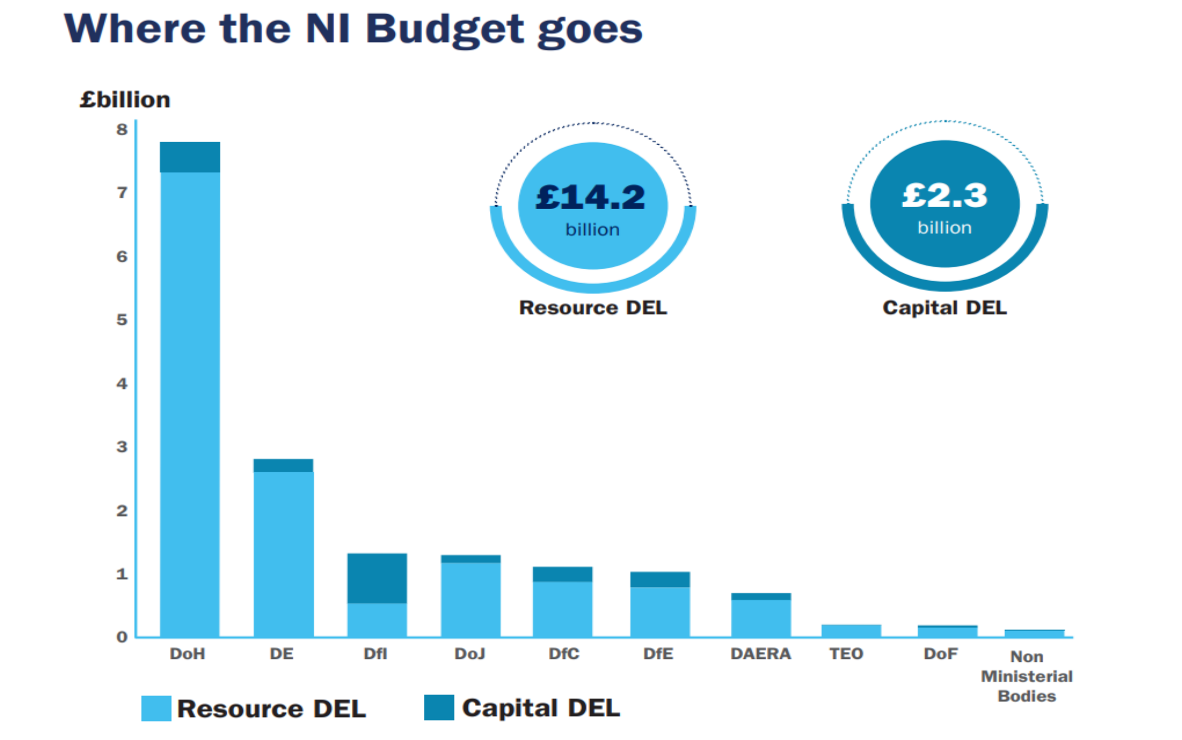
Financial Context - NI Budget - sources

Where the NI Budget comes from



*The chart includes Resource DEL and Capital DEL

Financial Context – NI budget - allocations



Financial Context - forecast

2023-24 - Resource DEL Forecast

£980m
Decisions Taken by Permanent Secretaries

£450m
Departmental Resource DEL Overspend

£590m
Unaffordable Non Contractual Pay Award

£1,040m
Total Potential Overspend

Reflects financial position as at end October 2023

DoF CONSULTATION

7 REVENUE RAISING MEASURES

Consultation links

Consultation on Non-domestic and Domestic rating measures to support budget sustainability by raising additional revenue | Department of Finance (finance-ni.gov.uk)

Citizen Space Consultation on Domestic and Non-Domestic rating measures to support budget sustainability by raising additional revenue - NI Direct - Citizen Space

Guide to rates A guide to rates | Department of Finance (finance-ni.gov.uk)

Non- domestic sector

Industrial Derating

70% derating awarded to manufacturing premises

Only available in Northern Ireland – was phased out in GB by 1995

Awarded to around 4,500 properties

2023/24 projected cost £71.5 million

Full cost is paid by the NI Executive in the form of:

- revenue loss from the regional rate
- the Derating Grant which compensates district councils for lost revenue

Non-Domestic Vacant Rating

50% relief awarded to vacant non-domestic property

Awarded to around 4,700 properties

2023/24 projected cost £19.7 million

The cost is shared by the NI Executive and district councils

There are some exclusions, which would not be affected by this proposal

Freight Transport Relief

75% relief awarded to property occupied for handling and shipment of goods.

Awarded to 17 properties, mostly at ports and harbours

2023/24 projected cost £2.3 million

Full cost is paid by the NI Executive in the form of:

- revenue loss from the regional rate
- the Derating Grant which compensates district councils for lost revenue

Halls of Residence Exemption

100% relief awarded to property owned or managed, or under appointment, by 'eligible institutions' – universities and higher education institutions

Awarded to 17 properties:

- 14 owned by the universities
- 3 operated under appointment by them

2023/24 projected cost £2million

The cost is shared by the NI Executive and district councils

Privately owned purpose-built student accommodation already pay rates

Domestic sector

Landlord Allowance

Landlords who pay the rates on properties they rent can receive a 10% allowance if the total rate bill is paid in full by 30th September

Awarded to landlords of over 210,000 properties last year. This includes the properties rented by the NIHE and Housing Associations.

2023/24 projected cost £14.2 million

The cost is shared between the NI Executive (in regional rate revenue foregone) and district councils (as part of the cost of collection charge payable to LPS

Maximum Capital Value Cap

Occupiers of domestic property with an assessed Capital Value of more than £400,000 pay rates as if the property's value is £400,000

7,900 properties benefit from the cap

2023/24 projected cost £11 million

65% of the properties and 74% of the cost are in two council areas – Belfast and Ards & North Down

The cost falls on the NI Executive and district councils in revenue foregone

Early Payment Discount

- 4% Discount is applied to a domestic rate bill if it is paid in full by a specified date – usually in mid-May.
- 158,000 ratepayers took advantage of the discount last year
- 2023/24 projected cost £7.9 million
- The full cost of the discount is met by the NI Executive

Summary: consultation measures

Relief	Cost £M	Sector	Paid by	Recipients
Industrial Derating	71.5	Non-Domestic	NI Executive	4,500
NDVR	19.7	Non-Domestic	NI Executive & councils	4,700
Landlord's Allowance	14.2	Domestic	NI Executive & councils	210,000
Max Cap	11.0	Domestic	NI Executive & councils	7,900
Early Payment Discount	7.9	Domestic	NI Executive	158,000
Freight Transport Relief	2.3	Non-Domestic	NI Executive	17
Halls of Residence Exemption	2.0	Non-Domestic	NI Executive & councils	17

Breakdown by council area

Data as at 30 April 2023

	A&N		A&ND		ABC	
	No. Ratepayers	Cost of support	No. Ratepayers	Cost of support	No. Ratepayers	Cost of support
Industrial Derating	328	£ 6,475,773	269	£3,078,128	582	£ 9,407,429
Freight Transport			3	£14,018		
NDVR	262	£ 1,122,842	289	£1,142,430	474	£1,384,040
Halls of Residence	3	£ 316,152				
Max CV	176	£135,669	2180	£ 3,351,982	335	£339,469
EPD	11390	£496,461	14513	£795,988	17771	£ 810,150
LLA	13623	£ 680,585	15804	£ 1,039,239	19658	£ 1,153,279
Total	**25782**	**£ 9,227,482**	**33058**	**£ 9,421,785**	**38820**	**£13,094,367**

	Belfast		CCG		DC&S	
	No. Ratepayers	Cost of support	No. Ratepayers	Cost of support	No. Ratepayers	Cost of support
Industrial Derating	459	£ 9,290,672	307	£ 3,430,866	316	£ 5,165,183
Freight Transport	5	£1,902,492	2	£7,539	1	£ 118,755
NDVR	1212	£ 8,420,305	361	£ 953,984	367	£ 1,559,990
Halls of Residence	8	£ 1,368,324	3	£ 171,373	3	£ 224,844
Max CV	2978	£ 4,345,977	260	£ 272,499	111	£ 151,984
EPD	22437	£ 1,073,243	15809	£ 745,489	9,439	£ 418,806
LLA	62966	£ 4,133,597	14472	£ 975,815	21,396	£ 1,443,391
Total	**90065**	**£ 30,534,609**	**31214**	**£ 6,557,565**	**31633**	**£ 9,082,954**

	F&O		LCC&C		M&EA	
	No. Ratepayers	Cost of support	No. Ratepayers	Cost of support	No. Ratepayers	Cost of support
Industrial Derating	341	£ 4,666,494	403	£ 7,011,266	304	£ 6,413,557
Freight Transport					1	£ 126,389
NDVR	367	£ 797,393	246	£ 782,376	341	£ 1,223,572
Halls of Residence						
Max CV	109	£ 112,886	981	£ 855,586	142	£ 165,272
EPD	12,135	£ 492,725	13,570	£ 699,610	12,865	£ 589,432
LLA	10,016	£ 631,078	12,593	£ 753,429	14,416	£ 820,577
Total	**22968**	**£ 6,700,576**	**27793**	**£ 10,102,267**	**28069**	**£ 9,338,799**

	MU		NM&D	
	No. Ratepayers	Cost of support	No. Ratepayers	Cost of support
Industrial Derating	706	£11,482,305	459	£ 5,134,210
Freight Transport			5	£ 152,889
NDVR	364	£ 908,287	480	£ 1,442,494
Halls of Residence				
Max CV	174	£ 184,111	448	£ 523,343
EPD	12,996	£ 553,488	15,263	£ 761,659
LLA	11,123	£ 747,845	14,294	£ 1,027,401
Total	**25363**	**£ 13,876,036**	**30949**	**£ 9,041,995**

Summary: Cost of non-domestic rate support

Policy	Cost £M
Industrial Derating	71.5
NDVR (total includes 50% empty premises relief, 3-month grace period allowance and cost of exclusions)	31
Freight Transport	2.3
Halls of Residence Exemption	2
Statutory Exemptions (Charitable, Community Halls, Churches etc)	102
Small Business Rate Relief	20.7
Sport and Recreation Relief	4.6
Residential Care Establishment	8.1

Summary: Cost of domestic rate support

Policy	Cost £M
Landlords allowance	14.2
Max Cap	11
Ealy Payment Discount	7.9
Vacant Rate Exclusions	1.6
Low Income Rate Relief	5.8
Disabled Persons Allowance	4.2
Lone Pensioners Allowance	8.5

Consultation timetable

Launch 14 week consultation exercise	7 November
Stakeholder engagement events. Details will be posted on consultation Events page Commencing December.	7 November + 14 weeks
❖ Domestic sector - in person events	
❖ Non-domestic sector - in person events	
❖ Online events	
Close consultation	13 February 2024

NILGA Finance Consultations Event
14th December 2023

Alison Allen
Karen Smyth
NILGA

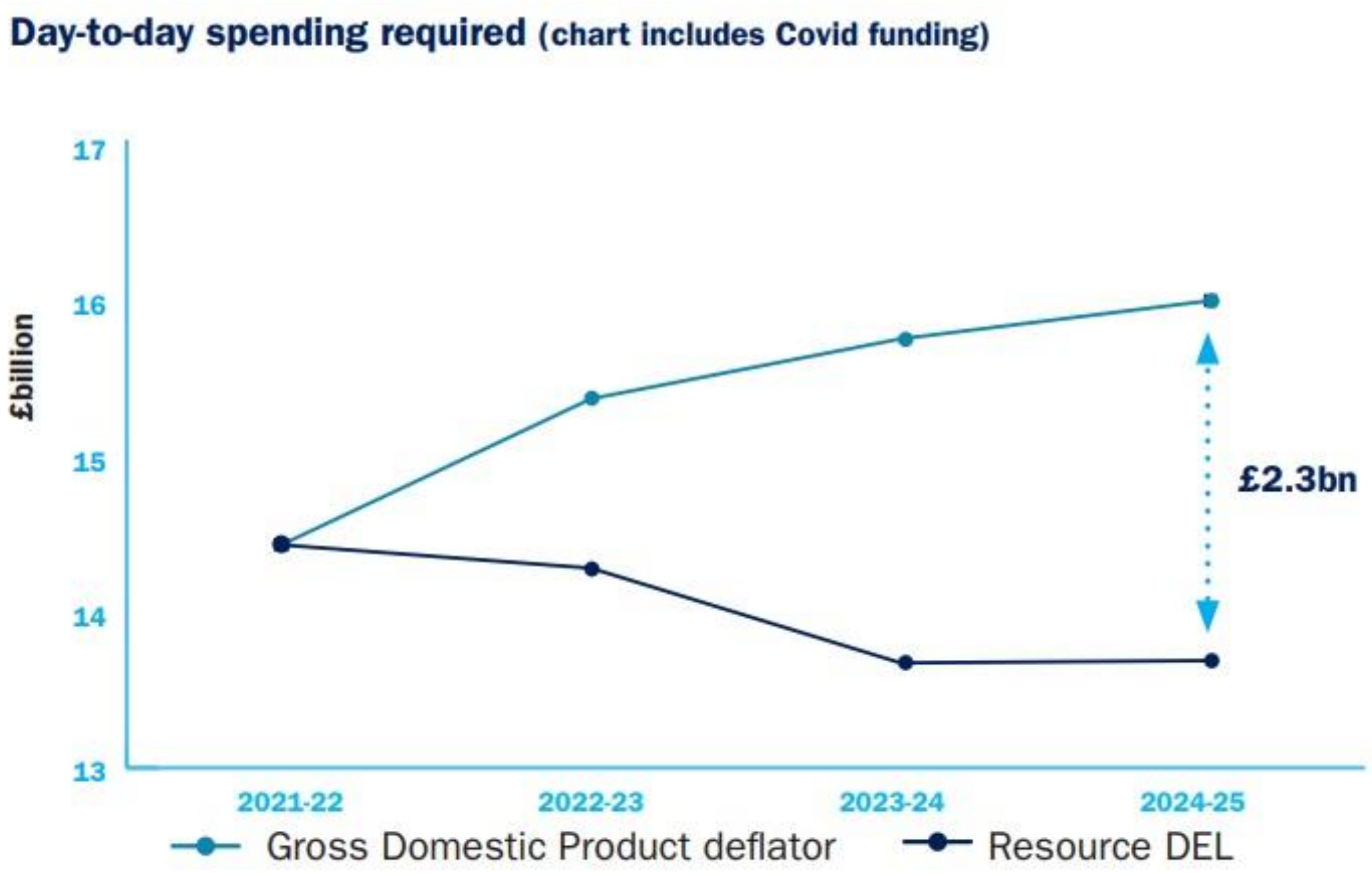
Rates Measures Consultation

northern ireland
local government association

Sharon Magee

Land & Property Services

Revenue Raising Consultation



Alison Allen
Karen Smyth
NILGA

Context

- ‘New’ history
- Independent Fiscal Commission established 2021 to *‘carry out research and put forward recommendations on powers to enhance the NI Assembly’s fiscal responsibilities and increase its ability to raise revenues to sustainably fund public services.’*
- NI Fiscal Council established 2021
- Barnett Squeeze
- Consultations on revenue raising
- Needs based approach, Barnett ‘fiscal’ floor, ‘Welsh Model’

Issues to be covered

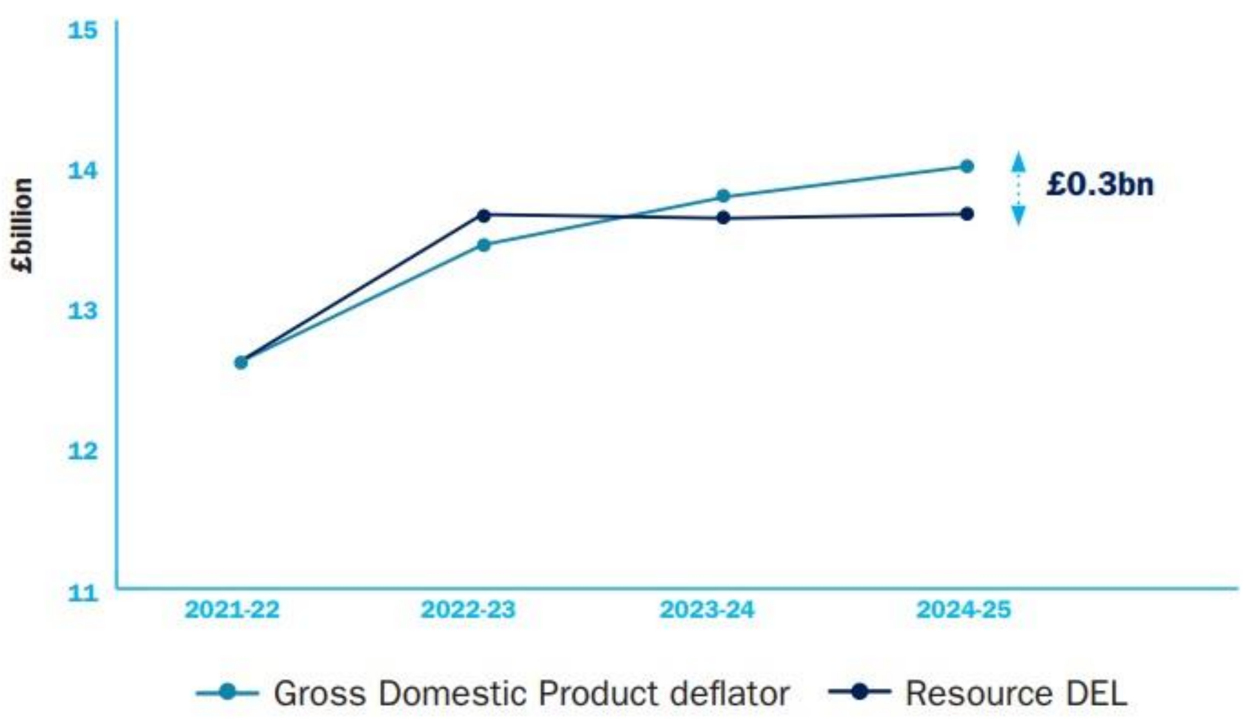
- A look at the challenges we're facing
- Potential solutions identified by Department of Finance
- A look at the Fiscal Council recommendations
- What is being discussed in Hillsborough at the moment?
- A critique of proposed solutions
- Why is Wales important and what can we learn from there?
- What questions are being asked and how should we answer them?

Challenges

- Sustainability and the funding gap
- The Barnett Formula – inadequate and long past its use-by date
- Challenge of inflation – driven by global and national issues

    - A DoF document outlining other measures of inflation and illustrations of growing cost of delivery is provided on tables for 'in person' attendees, and in the Zoom chat for online attendees.

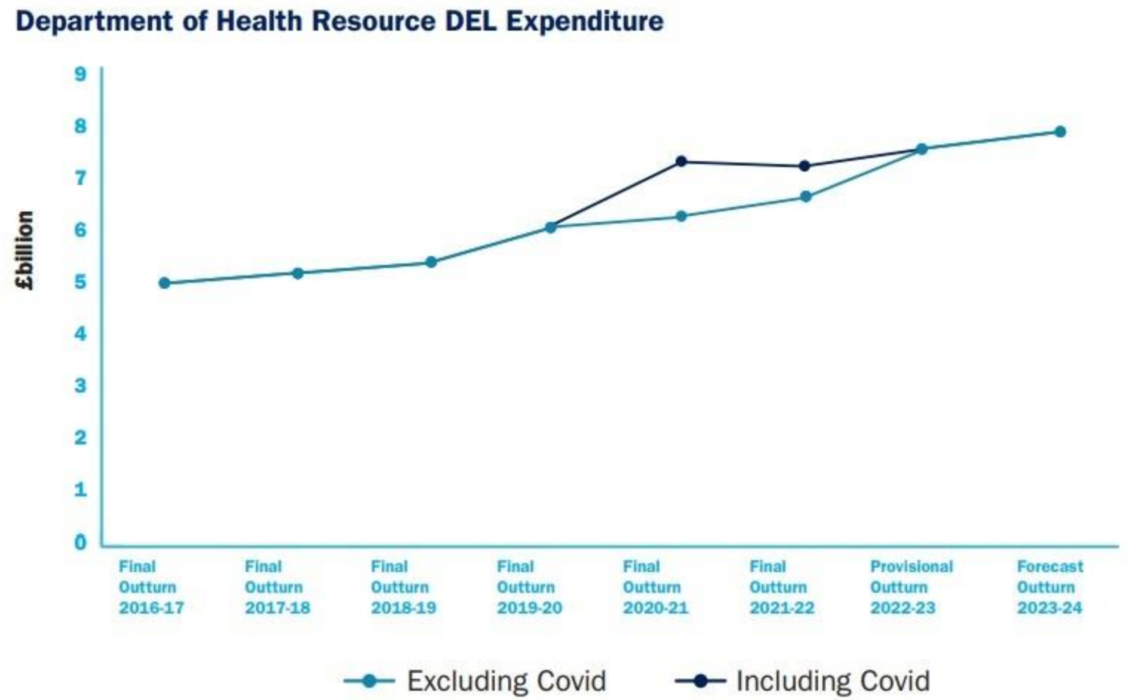
Day-to-day spending required (chart excludes all identifiable Covid funding from 2021-22 onwards)



Challenges

- Identifiable productivity gap in NI
- Public sector pay pressures are growing and unaffordable within current funding levels
- Departmental spending has been outstripping income since 2016-7

  - Increased Health expenditure a particular concern – spending has not returned to pre-Covid levels. This graph includes projected pay awards.



Challenges - overview

- Over the longer term, NI spends more than it raises, which leads to a narrative that we are neither fiscally responsible, nor fiscally sustainable.

Current financial position

2023-24 - Resource DEL Forecast

£980m
Decisions Taken by Permanent Secretaries

£450m
Departmental Resource DEL Overspend

£590m
Unaffordable Non Contractual Pay Award

£1,040m
Total Potential Overspend

Reflects financial position as at end October 2023

Potential Solutions (DoF)

What can we do?

- Efficiency
- Additional funding
- Transformation
- Reducing/stopping services
- Raising more revenue

Revenue raising consultations

Under the instruction of the Secretary of State, departments identified a series of revenue raising options that could be considered. The Secretary of State has now directed departments to consult on the following:

Department of Agriculture, Environment and Rural Affairs www.daera-ni.gov.uk	1. Reducing compensation rate on bovine tuberculosis programme. 2. Increasing College of Agriculture, Food and Rural Enterprise (CAFRE) tuition fees to the same level as in England.
Department for the Economy www.economy-ni.gov.uk	1. Increasing university tuition fees and aligning the student loan repayment period to the same level as in England.
Department of Finance An Roinn Airgeadais www.finance-ni.gov.uk	1. The review of non-domestic rating support schemes, including non-domestic vacant property relief, industrial de-rating, freight transport relief, and the exemption for student halls of residence. 2. The removal of domestic ratings allowances, including the early payment discount, the maximum capital value cap and the landlords' allowance.
Department of Health www.health-ni.gov.uk	1. The introduction of prescription charges. 2. The introduction of domiciliary care charges. 3. The retention of hospital car parking charges.
Department for Infrastructure www.infrastructure-ni.gov.uk	1. The introduction of domestic water and associated charges (this should also include the removal of non-domestic water allowances and charging for septic tank desludging). 2. The increase of private street fees.

The Secretary of State will also review the level of the domestic and non-domestic regional rate, and if no Executive is in place before the end of March 2024, will have to legislate to set the regional rate for 2024-25.

Discussed this morning

Also out for consultation

Also out for consultation

Proposed 15% rise

Fiscal Council Calculations

from "Updated Estimate of Relative Need in Northern Ireland"

A small proportion of the funding under the 27 per cent needs adjustment would be in respect of the District Council element of Domestic Rates leaving up to around £340 million in additional funding for NI departments. This is broadly of the same scale as the Reserve claim made last financial year (£297 million) to avoid an overspend against the NI Executive Block Grant. The Reserve claim remains to be repaid in 2023-24 when the financial position is expected to be more challenging than last year.

Table 5.1 - Impact on 2021 Spending Review Barnett consequentials of additional needs adjustment

£ million	2022-23	2023-24	2024-25	Total
Barnett consequentials (actual)	1,341	1,796	1,907	5,044
Additional consequentials from needs adjustment				
10 per cent	134	180	191	504
20 per cent	268	359	381	1,009
24 per cent	322	431	458	1,211
27 per cent	362	485	515	1,362

Source: NIFC calculations

Current package in discussion - Hillsborough

Package has 5 elements:

1) Short term infusion of cash to cover pay claims. Dept of Finance says there are ‘pay pressures’ of nearly £600m. Not clear if UK govt will fully fund this.

2) Overspends from last year (& this year) could be paid off over five years.

3) A four year ‘stabilisation fund’ - new money but unclear how much.

4) A ‘transformation fund’ for public sector reform - mix of reallocations & new money. Unclear how much.

5) A Welsh-style ‘funding floor’ which would see block grant topped up to meets agreed needs-based spending per person.

Incoming Exec would be encouraged but not obliged to continue with process to do more local revenue raising. While not obligated to introduce novel measures the parties would need to commit to raising rates by a minimum of 15% from 2024/25.

Critique of Suggested solutions

From NERI

- The UK government is responsible for the sustainability of UK public finances, to which NI and devolved government contributes its part.
- Current discussions have started from the premise that NI is to blame for lack of sustainability of its public finances
- The biggest threat to the sustainability of the Executive's finances in terms of its ability to deliver services comparable to those in the rest of the UK is the **Barnett Squeeze**
- Too much credence being given to the idea that NI's public finance woes can be fixed by further devolution of tax raising powers/revenue raising for 'super-parity'/move to a needs-based system based on replication of Welsh model.
- Should move to a **needs-based system** but need to explore what relative need means in NI context

Learning from Wales

a) Need to build in regular review to ensure ‘need’ is met over time – major flaw in Welsh system.
b) The Welsh have never received 115% nor are they likely to for many years to come – transitional arrangement in place without definite end.
c) Biggest impact in Welsh system– uplift in council taxes – may mirror the proposed 15% regional rate uplift here but more information needed
d) 124% isn’t enough. We need at least 127% to bring us back to 2015 levels.

Learning from Wales

e) Wales has effectively had to put an ‘emergency budget’ in place this year to counter the impact of inflation

f) Wales is yet to diverge from England in terms of income tax and is still tied to England in terms of block grant allocation. Council tax has instead increased, which is a less progressive lever of raising revenues than income tax.

g) Welsh council funding is on an unsustainable path, with the funding gap growing each year (even after inflation and pay pressures diminish)

Consultation Questions (DoF)

DoF context consultation

Q1 Are there other revenue raising measures that should be considered?

Q2 Are there any services/programmes that should be stopped or reduced to divert funding to more critical services?

Q3 Are there public services that could be delivered in a different way?

Q4 Are there public services that could be delivered by others (e.g. local government, voluntary & community sector or private sector) or are there are other areas in which greater collaboration could deliver better outcomes?

Questions from the Floor

Any Questions?

Slide 12

The Holtham Commission in Wales conducted its analysis of need in 2009, and included an estimate of need for Northern Ireland.

NIFC evidence suggests that while the values for individual need indicators will have changed since the Holtham Commission conducted this analysis, the overall result for NI is a small reduction in the need indicator from 121 to 120. However, the Holtham Commission analysis **did not** include policing and justice which would increase the need indicator to 124.

NIFC indicate that this seems the most relevant comparator for our purposes, but if taxable capacity is included (as Holtham suggested), this would result in a further uplift to 127.

Taking all this into account suggests that the relative need for spending by NI departments is 20-25 per cent higher than England. The 24 per cent figure is in line with the current Block Grant premium, including temporary non-Barnett allocations. However, the Block Grant funding premium has fallen rapidly in recent years from 40 per cent higher than UK Government equivalent spending in 2018-19, partly due to the expiry of previous funding packages linked to political agreements.

Although the estimate of relative need implies that the funding premium was previously higher than required, the pace of the decline has contributed to the funding pressures experienced by NI departments in 2022-23 which are expected to continue in 2023-24 and 2024-25 as set out in the 2022-25 Council's Budget report.

To avoid this situation in Wales, the Treasury agreed in 2015 that a transitional rate would be applied to allow the Welsh Government funding premium to fall to the level of relative need, but in a phased way that could be better managed.

It could therefore be argued that a needs adjustment would ideally have been put in place already for NI Executive funding, starting as part of the 2021 Spending Review. On that argument, the higher level of relative need for NI compared with Wales suggests that either a higher transitional rate or the full needs adjustment should have been applied.

The table on this slide shows that this would have resulted in roughly £500-1,400 million in additional Block Grant funding over the 2021 Spending Review period depending on the needs adjustment, including £134-362 million in 2022-23. The table illustrates four scenarios:

• A needs adjustment of 10 per cent (Wales has a 5 per cent adjustment and NI's need is higher than that in Wales).

• 20 per cent, reflecting the NIFC update of Holtham (i.e. excluding policing and justice).

• 24 per cent, which includes our update of Holtham plus policing and justice.

• 27 per cent, which includes the update of Holtham, policing and justice, and taxable capacity (a recommendation of the Holtham Commission).

Please note the highlighted section on the slide. I've contacted the NI Fiscal Commission to assess what this could mean for council budgets.

Slide 13

Overall – the five measures are all things that have been requested BUT the total value looks much less than the amount needed

Not clear at present what '£2.5 billion package' means. Sounds like a big number but it is made up of several years' funding added up. Also it may be existing funding re-packaged. **Need to see the detail.**

Lots of recent campaigning for a fiscal floor, but setting it at 124% is right at the lower end of what might be justified by need compared to England (but probably also at the higher end of what UK Govt is likely to agree), also, it is only just above what Northern Ireland gets now (123% in 2024-25 according to figures from @nifiscalcouncil). So this would halt the 'Barnett squeeze' but it wouldn't cover this year's forecast overspend

Immediate lump sum to cover pay pressures this year sounds like very good news, but need to see the actual number to judge if it's sufficient. Pay pressures are around £550m this year. AND what about next year (and after that)? This funding needs to be recurrent, not one-off

Paying back overspends over five years - again this would be welcome flexibility. But if total overspends come out around £800m, that would still be £160m off NI's budget each year for five years
Stabilisation fund for next 4 years – this is definitely needed to get public services and budgets on to a stable platform. Again it depends how much is on offer and whether it is new funding
Transformation fund – again this is needed to enable long-overdue reform in public services. Independent experts to be on new service transformation board. But very similar to previous commitments which haven't happened in practice....
Revenue raising – UK Govt will be responding to local taxes on households being much lower in NI than GB, so requirement to raise rates by 15% is steep but not surprising. Also wider revenue raising plan required but no obligation on specific measures