Causeway Coast & Glens Borough Council

Title of Report:	**Consultation paper – 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 three aspects of 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 three areas covered by the consultation;

1 Removal of the maximum capital value
2 Removal of the early payment discount
3 Removal of landlord allowance

2.1 Removal of the maximum capital value

Currently this is set at £400k per property, any property with a capital value in excess of that will pay rates as if it has a capital value of £400k. This relief affects approximately 7,900 properties in Northern Ireland however 65% of those are in two Council areas, Belfast and Ards and North Down, historic data would suggest there are around 4% of these in this Borough. The removal of the cap would mean the highest value property in NI would face a rates bill of around £27k. It is recognised that some higher value properties may have been inherited and therefore removal of the cap could be detrimental in those cases. Historic data would indicate that raising the cap to £500k would include just under 50% of the properties and raising to £600k would include approximately another 25%.

2.1.1 – Should the maximum capital value 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 the cap could impact on rate payers who have inherited high value properties and could lead to the dereliction of those properties many of which may be of historic interest. Council would be in favour of raising the cap by £100k or possibly £200k, at this level the largest proportion of properties would be included, the returns from further increases diminishing very quickly.

2.2 Removal of the early payment discount from the rating system

Currently ratepayers who pay their rates bill in full by a specified date receive a 4% discount. LPS state that approximately 158,000 (20%) of ratepayers take advantage of this discount. They also state that the discount is a disincentive to the uptake of direct debit as a payment method which is claimed is the most efficient method. This advice is somewhat contradictory to their stance on the landlord allowance which, despite being available until a later date and at a higher level, LPS are in favour of citing that it means there are a large number of customers requiring little or no action from LPS and very low risk of bad debt, surely the same can be said for the early payment discount. The early payment discount means approximately 20% of accounts are settled in full at an early stage requiring no action or administration from LPS from that point forward, it is hard to argue that direct debit which requires 10 monthly administrative processes as opposed to one is more efficient.

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 finds it difficult to reconcile the contradictory position taken by LPS over this discount when compared to the Landlord allowance and is not convinced by the argument that a multiple process direct debit solution is more efficient than a single payment process. There is also the need to carry out some additional analysis on the users of the discount since they may tend to be from an older generation therefore the removal of the policy may be ageist in nature. There is no guarantee that all customers will move to direct debit and the removal of the discount which means 20% of ratepayers who are of zero risk in terms of bad debt may become more difficult to deal with and could potentially lead to an increase in bad debt processing, which is LPS's argument for retaining the Landlord allowance.

2.3 Removal of the landlord allowance from the rating system

Currently Landlords who pay in full by 30 September annually receive a 10% discount, this allowance is utilised by 210,000 properties. LPS have, in contradiction to their position on the early payment discount, supported the continuation of this allowance as it means there is no risk of bad debt from a significant number of properties. Council notes that this allowance was reduced previously from 12.5% to the current level in 2015.

2.3.1 – Should the landlord allowance of 10% be removed – ~~Yes~~/No

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

Council supports LPS's position on this allowance that it means a significant number of properties are at zero risk of bad debt and therefore removes any administrative burden from LPS in that regard. Removal of the allowance could lead to an increase in bad debt and result in increased costs to LPS and to Councils in terms of the cost of collection.

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

Domestic Rating Measures

November 2023

Contents

Foreword

Overview of the current 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 through both domestic and non-domestic rates within Northern Ireland is approximately £1.37 billion, with approximately 45% of this being funded by 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

In Northern Ireland each domestic property has an individual capital value (CV) assessed, and ratepayers are charged rates based on these assessed values. The CV reflects the value of the property as at 1 January 2005, that is, the valuation date. To ensure the rate burden is distributed fairly, new property being valued for rates purposes is also valued at 1 January 2005 levels.

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 practice and procedure for business rates, as far as legislation permits. However, the domestic rating system in Northern Ireland is unique compared to the rest of the United Kingdom where Council Tax, a banded valuation system of property taxation, is used and where households also pay additional, separate charges for water and sewerage.

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 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 real cost, as every pound raised through the rating system in Northern Ireland stays here as 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 September 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 THREE DOMESTIC rating measures being consulted on:

Part 1
Removal of the maximum capital value cap (“the cap” or “max cap”) from the rating system.

Part 2
Removal of the early payment discount from the rating system.

Part 3
Removal of the landlord allowance 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 17.

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, this one on domestic rating measures and one on non-domestic rating 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)

Part One

Removal of the maximum capital value cap ("the cap" or "max cap") from the rating system

Domestic rate bills are calculated based on, among other things, the capital value of the property. LPS assesses capital values at a given date, currently 1 January 2005. Occupiers of domestic property with an assessed capital value of more than £400,000 are billed for rates as if the property was valued at £400,000.

The cap has a projected 2023/24 cost – in terms of revenue foregone – of approximately £11M, of which £5.4M is a cost to the NI Executive. It applies to around 7,900 domestic properties in Northern Ireland.

The majority (65%) of the domestic properties which benefit from the cap are located in the Ards & North Down and Belfast council areas. The properties in these two council areas account for 74% of the cost of the relief.

Parity

There is no direct parity with the position in other parts of the UK as they have Council Tax rather than domestic rates. Council Tax uses a banded value system: with 8 bands in England and Scotland, and 9 bands in Wales. In Northern Ireland domestic rates are assessed on individual discrete property values. The Council Tax banding system has the effect of putting in place a cap as every property in the highest band, regardless of what it is worth, pays the same amount of Council Tax.

When it was introduced, the rationale for the cap was to ensure that no ratepayer in Northern Ireland would pay more than the average highest band Council Tax bill in England. Currently, the highest domestic rate bill in Northern Ireland is a maximum £4,219; the highest Council Tax bill in Great Britain is a maximum £5,090[1].

Further information

Valuation of domestic properties for rates | nidirect

How rate bills are calculated | nidirect

[1]Band I Council Tax bill in Blaenau Gwent, Wales.

Interaction with other support measures

There may be an increase in lone pensioner allowances, or disabled persons allowances, as well as means tested support for those ratepayers in the “asset rich, income poor” cohort of ratepayers. The Low-Income Rate Relief scheme was implemented as a top-up to Housing Benefit in anticipation of a capital value system of rating with no maximum capital value. Housing Benefit and Low-Income Rate Relief are being phased out for working age welfare claimants and replaced by Universal Credit and a new Rate Rebate scheme.

Housing Benefit and Low-Income Rate Relief are still available to pensioners who are not in receipt of Universal Credit.

CONSULTATION QUESTIONS

Q1 **Should the maximum capital value cap be removed?**

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

Click to answer questions

Impact screening

A Departmental initial Draft Impact Assessment screening exercise has determined that there will be further impact assessment requirements in relation to one area for this proposal, namely rural impact assessment. Evidence from consultees is sought on this area to inform this work.

Part Two

Removal of early payment discount from the rating system

If domestic ratepayers make payment in full, in a single amount, by a date specified on the rate bill, then a discount of 4% is applied to the rate bill.

This is a longstanding feature of the domestic rating system which was put in place to encourage ratepayers to pay in a single amount early in the rating year as this was administratively less complex and less expensive than managing installments. Over the years, payment by Direct Debit, which is the most efficient method of collection, has become a more popular payment method among ratepayers. In 2022/23, over 158,000 ratepayers (approximately 20%) availed of the early payment discount.

The projected cost in 2023/24 is £7.9M. It is paid for entirely by the NI Executive. The cost of this discount fluctuates from year to year, depending on how many ratepayers take advantage of it.

Parity

There is no equivalent discount in the other parts of the UK which have Council Tax and do not offer early payment discounts.

Further information

Rates discount deadline approaching | nidirect

Interaction with other support measures

There is no interaction with other support measures. The early payment discount is applied after any other allowances which the ratepayer may be entitled to. The early payment discount has no bearing on the underlying tax regime.

CONSULTATION QUESTIONS

Q3 **Should the early payment discount be removed?**

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

Click to answer questions

Impact screening

A 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.

Part Three

Removal of landlord allowance from the rating system

Landlords who are either responsible, or volunteer, for rates liability for property they rent out can receive an allowance if the full amount is paid by 30th September each year.

Since 2015, this allowance has been 10% for both voluntary and compulsory landlord liability. Landlords who pay rates in respect of more than 210,000 properties received the allowance in 2022/23. In this context 'landlords' includes those organisations which manage the entire social housing sector.

The landlord allowance has a projected 2023/24 cost of approximately £14.2M, of which £7.5M is funded by the NI Executive. The remainder is paid for by district councils. The cost of this allowance fluctuates year to year.

Parity

There is no equivalent discount in the other parts of the UK which have Council Tax and there is no landlord allowance within that system.

Further information

Request Landlord Article 21 rating allowance | nidirect

Interaction with other support measures

There is no interaction with other support measures. The landlord allowance has no bearing on the underlying tax regime.

CONSULTATION QUESTIONS

Q5 **Should the landlord allowance of 10% be removed?**

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

Click to answer questions

Impact screening

A 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 the maximum capital value cap ("the cap" or "max cap") from the rating system

Q1 Should the maximum capital value cap be removed?

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

Removal of early payment discount from the rating system

Q3 Should the early payment discount be removed?

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

Removal of landlord allowance from the rating system

Q5 Should the landlord allowance of 10% be removed?

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

Click to answer questions

Land & Property Services
Seirbhísí Talún agus Maoine

Department of Finance
An Roinn Airgeadais
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.

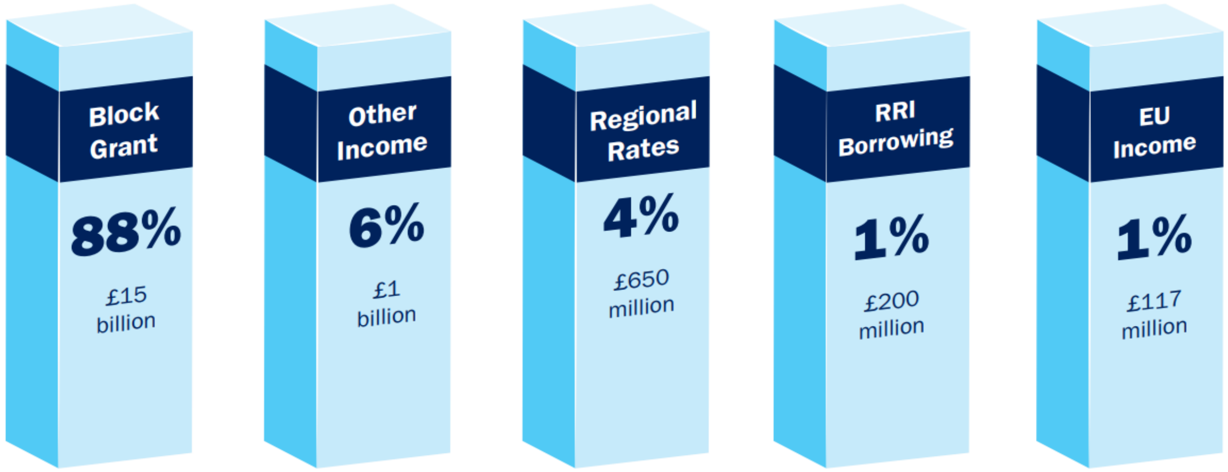
Financial context for revenue raising consultations | Department of Finance (finance-ni.gov.uk)

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?

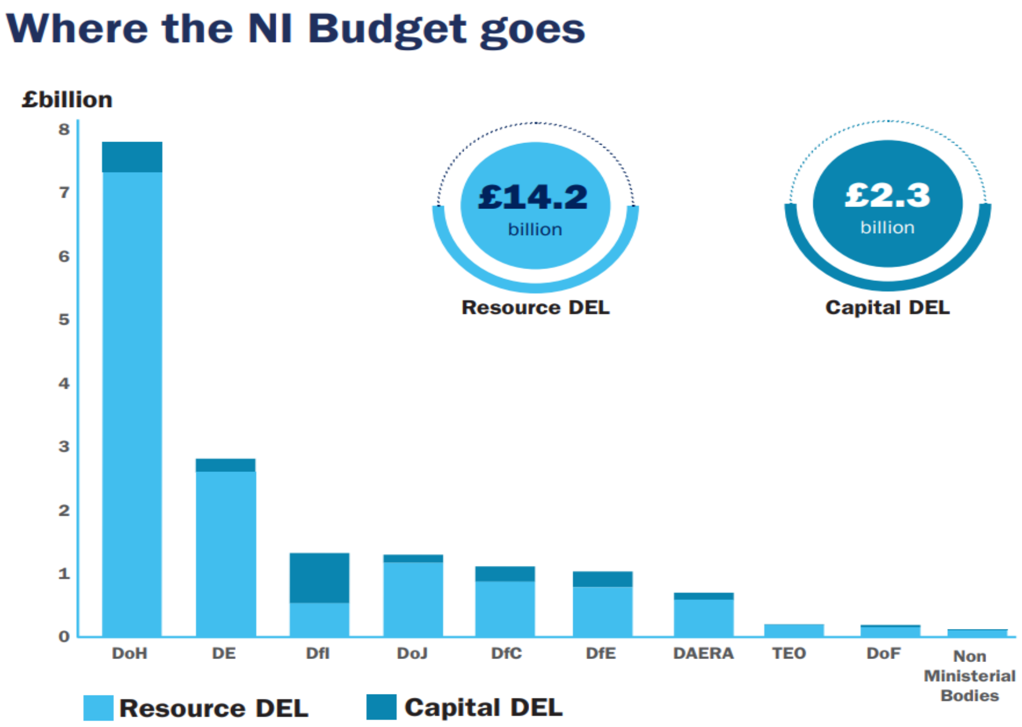
Financial Context - NI Budget - sources

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	£450m	£590m	£1,040m
Decisions Taken by Permanent Secretaries	Departmental Resource DEL Overspend	Unaffordable Non Contractual Pay Award	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

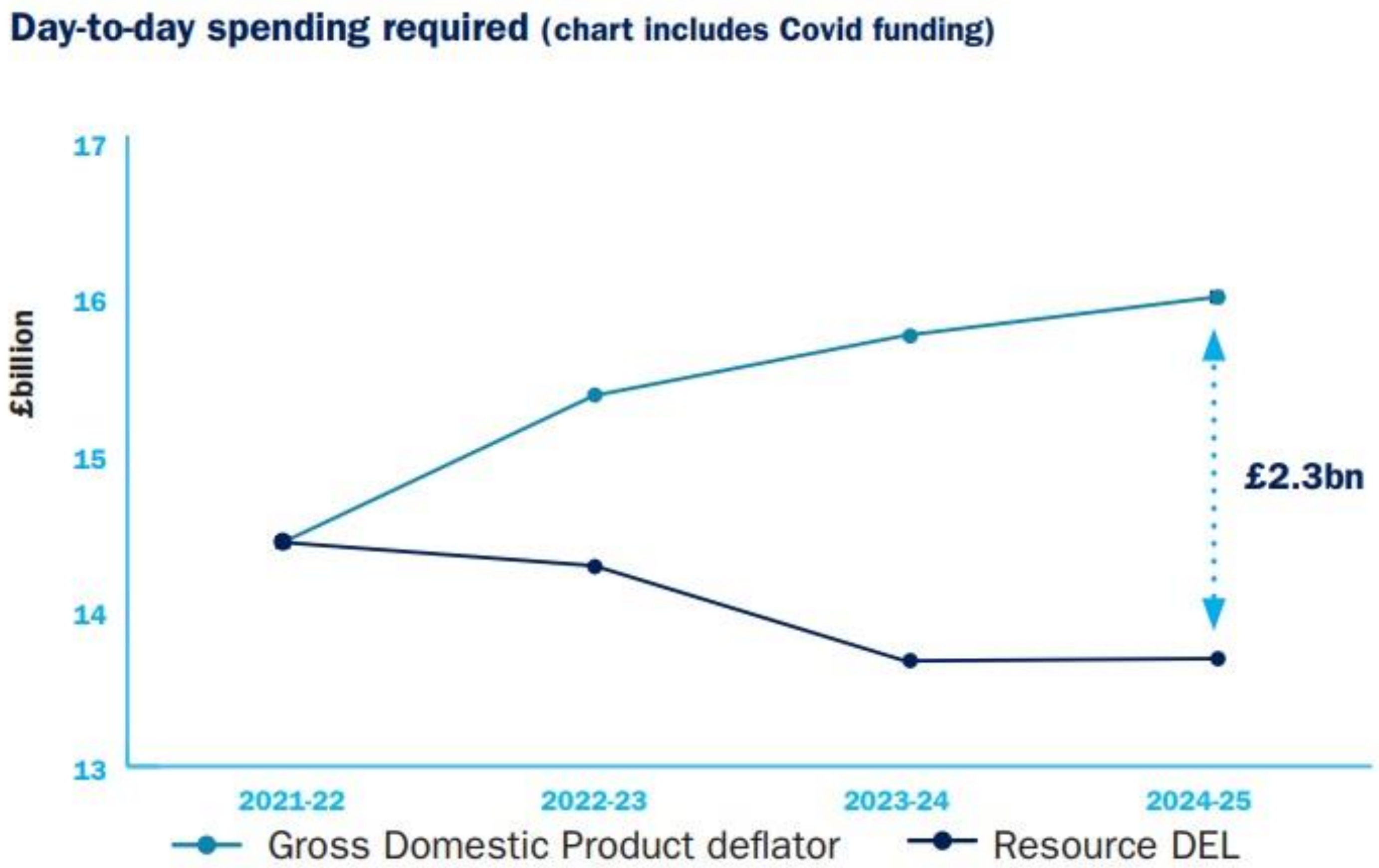
Alison Allen
Karen Smyth
NILGA

Rates Measures Consultation

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

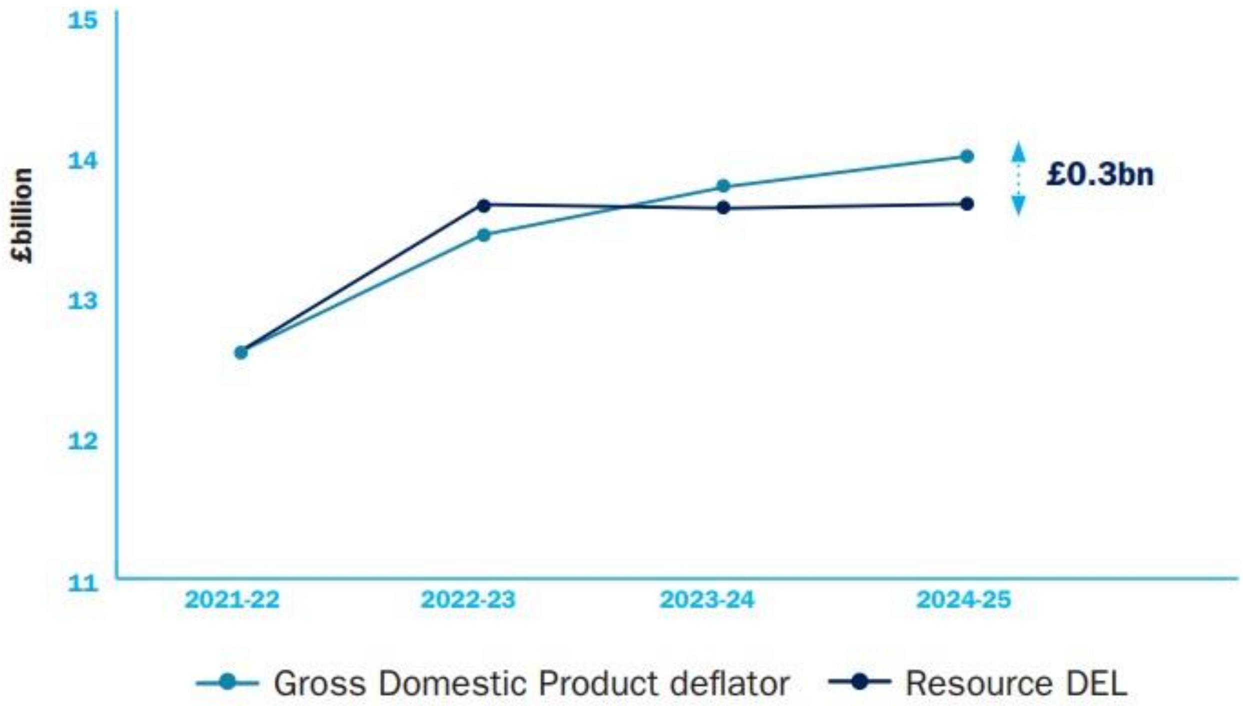
- A look at the challenges we're facing
- Potential solutions identified by Department of Finance
- A look at the Fiscal Council recommendations
- What is being discussed in Hillsborough at the moment?
- A critique of proposed solutions
- Why is Wales important and what can we learn from there?
- What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

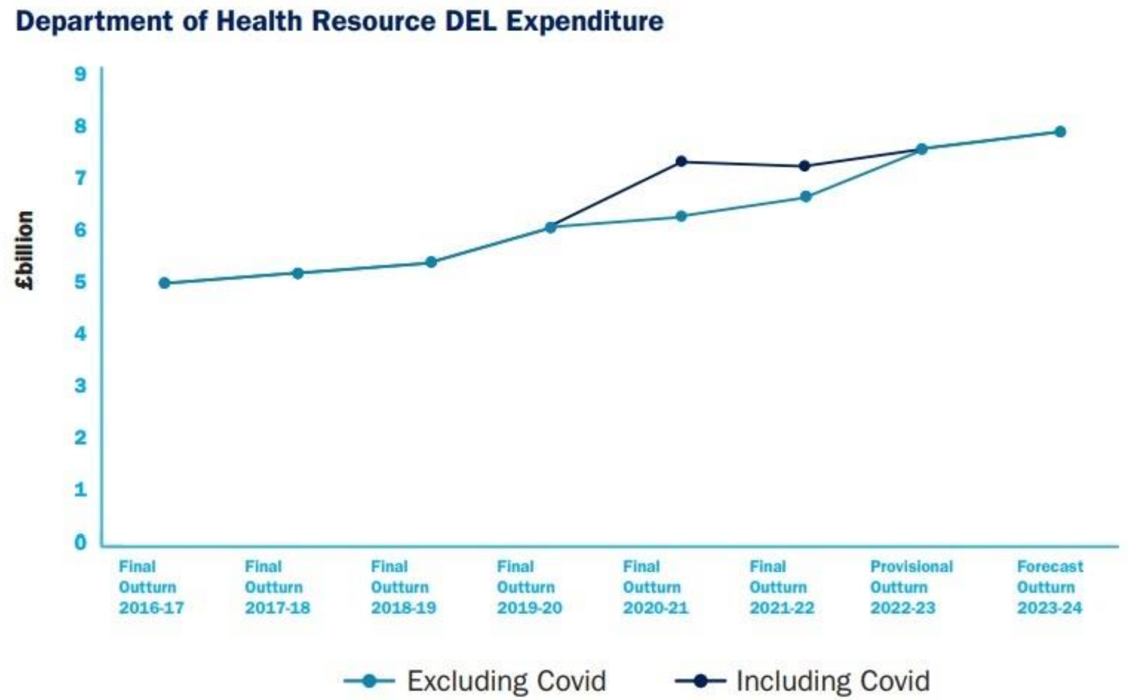
    - A DoF document outlining other measures of inflation and illustrations of growing cost of delivery is provided on tables for 'in person' attendees, and in the Zoom chat for online attendees.

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	£450m	£590m	£1,040m
Decisions Taken by Permanent Secretaries	Departmental Resource DEL Overspend	Unaffordable Non Contractual Pay Award	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

nilga northern ireland local government association

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.

Discussed this morning

Also out for consultation

Also out for consultation

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.

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