

## **NILGA Draft Response to the Rates Rethink Consultation**

### **Introduction**

The Northern Ireland Local Government Association, NILGA, welcomes the opportunity to comment on the Rates Rethink consultation paper. Rates are not only the most important source of income for our 11 District councils, but also form a significant part of the tax base in Northern Ireland. It is therefore opportune to review the system from time to time to ensure that the tax is fairly applied across business and domestic sectors.

NILGA welcomes the opportunity to input formally into the Department's Rates Rethink consultation paper. Rates are the most important source of income (circa 75%) for our 11 District councils and form a significant part of the tax and public sector investment base in Northern Ireland, it is very opportune to review the system in 2016 and develop a fair and radical overhaul across the entire business, voluntary, community and domestic sectors.

NILGA wishes to thank the Department of Finance for its ongoing constructive approach to assisting the Association and its 11 member councils including attending Executive meetings.

NILGA would respond to the various consultation topics as outlined below.

### **Small Business Relief**

#### **Questions for Consultees**

- **Do you agree that retail should be the subject of any SBRR Replacement scheme?**
- **Do you agree that hospitality should be the subject of any SBRR Replacement scheme?**
- **Will the policy proposal address the issue of helping to regenerate our towns and cities?**
- **What uses should be considered retail and hospitality (and what should be excluded)?**
- **Do you agree with the proposed conditions for entitlement?**
- **Should the balance of available relief be targeted at lower value or higher value properties?**

The consultation paper makes a strong argument, based upon an earlier discussion paper and responses, for hospitality and retail to be the area for small business support going forward. Annex A outlines the types of businesses to be supported, and the proposal is to increase the amount of money provided by £2m pa to a total of £22m.

NILGA would support this proposal. The current SBRR scheme has been applied automatically and hence has not been subjected to "ability to pay" criteria. NILGA supports the targeting of retail and hospitality sectors for this relief given their importance overall to our economy and in terms of forming core, key, aspects of town centres. The definition of retail and hospitality would, however, need to be closely examined to ensure that the maximum amount of businesses would be eligible.

NILGA supports the requirement to specifically apply for relief, provided that the amount and type of information needed is not excessive.

The options for the scheme, over a 5 year period before a further review, suggest targeting more relief at higher value premises (likely to be those on High Streets) or lower value. NILGA would suggest that further work be carried out on these options to ensure fair application, but there may well be greater benefit to targeting a little more relief to higher value properties.

NILGA understands that should the issuance of rate bills be delayed this year, the Department would extend the current scheme in the short term. NILGA would support this position as an interim measure, but would seek confirmation from the Department that appropriate communication will be carried out with all affected ratepayers.

### **Small Business Empowerment zones**

#### **Questions for Consultees**

- **Do you agree with piloting empowerment zones in these two areas?**
- **Do you agree with the special measures proposed for the zones?**
- **Are there other ways in which the rating system should be used to help businesses in these areas?**
- **What partnership arrangements should be put in place in order to maximise the potential benefits of this proposal?**
- **What criteria should be used to judge the success of this proposal?**

NILGA is broadly supportive of this proposal. The Department currently proposes a pilot in two areas of Belfast – Falls and Newtownards Roads. Whilst it is certainly worth carrying out a pilot exercise in these areas of the city, NILGA strongly feels that it is important to carry out pilots in regional towns at the same time. There may be a lot of competition for any such additional pilot areas; NILGA suggests that they should be done now as the two areas in Belfast may not be fully representative of more rural towns.

NILGA supports the special requirements for such zones, but also believes that the Department should work together with each relevant local council to ensure a proper partnership approach to such area in order to maximise potential benefits.

### **Revitalising our High Streets**

#### **Questions for Consultees**

- **Do you agree that the rating system should be used to incentivise behaviour?**
- **Do you agree that this proposal will help demand for these properties?**
- **Do you agree with limiting the incentive to the first occupier?**
- **What criteria should be used to judge the success of this proposal?**

The Department proposes a three year 100% rate exemption for the first occupier of a property converted from commercial to domestic use in town centres (mainly applicable to space over shops converted to residential accommodation).

NILGA would support this proposal but would suggest that the relief be applied for a three year period to a property regardless of ownership during that time. This would hence ensure the continuation of the relief for a sufficient period with the aim of ensuring continuation of occupancy for the longer terms.

## **Charity Shops**

### **Questions for Consultees**

- **Should charity shops be asked to pay a relatively small contribution to rates revenue?**
- **Should exemption be capped for charity shops at £25,000 NAV? Do you agree with proposal to make commercial landlords liable for rates on short term lettings to charities?**

The paper proposes making charity shops pay rates at 20% of the full value from 2019. This equates to the position in GB and is in line with the strong views expressed in previous consultation exercises that everyone should pay something. NILGA strongly supports the principle that everyone should pay something, and believes that the Department's proposal is reasonable in the circumstances. Whereby many charity shops compete to some extent with normal retail properties. NILGA does, however, suggest that the Department look into the feasibility of limiting the rates charge to larger charities (ie with income above a defined level) to avoid reducing income of small charities disproportionately.

The proposal to cap relief to aim to stop charity shops occupying prime retail locations is also welcomed, as is the idea of making landlords liable on short term charitable lettings.

## **Empty Property Rates**

### **Questions for Consultees**

- **Are there reasons as to why vacant property locally should be treated differently to other regions?**
- **Should a 75% charge apply here?**
- **Are there other reasons why empty factories should not incur a vacant rating charge?**

The Department argues that the current relief was applicable during recession but, as in GB, it is no longer fully appropriate. Hence they propose removing the current setup of 100% relief for 3 months and 50% thereafter with a single 25% relief.

NILGA recognises that the extent of empty properties, on high streets and elsewhere, has been a cause of concern for some time. NILGA hence supports the proposal as it will both provide additional income for councils and encourage owners to do something proactively with vacant commercial property. NILGA would, however, encourage the Department to take particular notice of such properties which happen to be in conservation areas.

## **Mines**

NILGA supports the Department's proposals in this area.

## **Halls of Residence**

## Questions for Consultees

- **Do you agree that the current Halls of Residence exemption currently treats some students more favourably than others?**
- **Do you agree with the Department's assessment of this issue, following the earlier consultation this year?**

The earlier consultation showed firm backing for removing the anomaly that Halls do not pay rates whilst private student accommodation was liable. This is a strong moral argument and is endorsed by NILGA. However, NILGA is somewhat concerned that the additional costs incurred by universities would merely be passed on to students, thereby making it more expensive for those unable to afford the extra costs.

## Hardship Relief

### Questions for Consultees

- **Do you consider that hardship relief is necessary?**
- **If so, what changes are needed?**
- **What criteria should be used?**
- **Please provide views on how this can be done without duplicating the coverage provided by insurance?**
- **Do you think hardship support should be administered differently?**

NILGA would suggest that the paper seems to take a contradictory approach in that it admits that hardship relief has been a failure but also suggests it should be kept on with a change in administration. NILGA can see no valid reason for this relief to continue, save for, perhaps, circumstances such as major disruption to trade as a result of long term roadworks (eg Bangor Environmental Scheme or A26 roadworks). NILGA would suggest that an arrangement should be created to provide relief in these circumstances.

## Sport & Recreation Relief

### Questions for Consultees

- **Do you agree that spectator stands that do not generate income should be treated as part of the sport and recreation assessment?**
- **Do you think that the present "de minimis" criteria creates an unfair advantage to some clubs?**

NILGA agrees with the Department's assertion regarding the anomalies surrounding social areas which are of a commercial nature and non-profit making stands. Hence the proposals in these areas are fully supported.

## Domestic Rates Cap

## Questions for Consultees

- **Do you agree that the capped system of domestic rates is unfair to the vast majority of ratepayers?**
- **Do respondents consider that sufficient mitigations are in place to assist low income households (particularly asset rich income poor pensioners) that will be affected by this policy?**
- **Do you think that additional safeguards need to be implemented in order to mitigate hardship caused by the proposal to lift the cap in respect of the regional rate element of the bill?**

NILGA is broadly supportive of the easing of the domestic cap. In principle, rates are a tax based upon property valuation, and it is not appropriate for such a generous restriction to be placed upon higher value properties. NILGA agrees that this relief penalises other ratepayers in more modest properties.

Current reliefs, as outlined in the consultation paper, should prove adequate to cover “asset rich cash poor” occupiers.

However, NILGA does not fully support the Department’s proposal to merely levy the current regional rate to such properties. NILGA would prefer an easily understandable fixed amount, such as 50% of the rateable value above the current \$400,000 cap, instead of a strange annually variable figure.

## Early Payment Discount

### Questions for Consultees

- **Do you agree with the Department’s assessment that the Early Payment Discount is unnecessary and unaffordable?**
- **Do you agree that the policy should be phased out, before its removal?**

The early payment discount has been in place for many years at its current level of 4%. In the current economic climate, however, it is increasingly difficult to justify its continuation at this level.

NILGA hence supports the Department’s proposal to reduce the discount to 2% in the first instance. NILGA does, however, recognise that the Department does benefit if money is paid in full early, and hence would support the retention of the discount at the new lower level for a period pending a further evaluation. In addition the full removal of the discount over such a short period would add 4% to domestic rate bills of those affected, which can be up to 20% of ratepayers in some areas. Some areas still have to experience the full unwinding of the current rate convergence relief and NILGA feels that it would be better to avoid too many reasons for domestic rate rises in the short term.

Keeping the revised discount at 2% could well provide a sufficient incentive for many ratepayers to pay monthly by direct debit in any case, as the incentive to pay early is reduced. This further supports the desirability of making any further reduction in the discount beyond 2% subject to a

further review in due course.

## **Landlord Allowance**

### **Questions for Consultees**

- **Do you agree with the proposal to reduce landlord allowances to 5%?**
- **What impact do you think this will have?**
- **Do you agree that the cut in allowance should be applied universally across all sectors?**

NILGA accepts the principle of providing landlords who collect rates from tenants with a small discount for so doing. However, the current level of 10% seems generous, particularly when the Department proposes to reduce the discount available to domestic ratepayers for early payment. NILGA hence supports the Department's proposal to reduce this discount to 5%. As there will be no change in the landlord's overall responsibility; NILGA does not believe that this change should have a significant impact. It should also be applied universally across all sectors.

## **Energy Efficient new homes**

The Department wishes to reintroduce a scheme to encourage such new properties. NILGA would support this proposal as outlined in the consultation paper.

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