

NORTHERN IRELAND REGIONAL RATES 2004/2005

1. The spending plans in the Northern Ireland budget are funded by allocations received in the Spending Review announced by the Chancellor of the Exchequer and also by revenues raised through the Regional Rates. The Regional Rates are decided annually and during Direct Rule are brought through Westminster. The current rate increases reflect the budget decisions made in the draft budget and contribute towards services provided by the Government departments.
2. Rates are a property tax based on the rental value of properties occupied by households and businesses. In Northern Ireland the ratepayer receives a combined rate bill consisting of the Regional Rate and the District Rate, which is set by each District Council. The Regional and District Rates are both collected by the Rate Collection Agency. The product of the District Rates is paid over to each Council while the product of the Regional Rate supports expenditure by the Government departments.
3. Individual rate bills are calculated by multiplying the property's Net Annual Value (NAV) by the Regional and District Rate poundages respectively. The Regional Rate poundages take into account the amount of Regional Rate revenue required as a contribution to those public services provided by Government departments. The District Rate poundages take into account the amount of District Rate revenue required to fund those services provided by District Councils. The rate poundages are shown in the table below.

Regional and District Rate Poundages 2004/2005

	2003/2004	2004/2005	% Change
Regional Rate Poundages			
Non-Domestic Regional Rate	25.56p	26.40p	3.3%
Domestic Regional Rate	140.42p	152.78p	8.8%
Average District Council Rate Poundages			
Average Non-Domestic District Rate	16.50p	17.54p	6.3%
Average Domestic District Rate	132.88p	141.24p	6.3%
Overall Average Rate Poundages			
Overall Average Non-Domestic Rate	42.06p	43.94p	4.5%
Overall Average Domestic Rate (After DRAG)	273.30p	294.02p	7.6%

Explanatory Notes

1. Under devolution the Regional Rates are decided annually by the Executive, brought forward into legislation by the Department of Finance and Personnel for approval by the Assembly. During Direct Rule the Regional Rates Order is approved by Westminster. Both the Domestic and Non-Domestic Regional Rates are uniform throughout Northern Ireland.
2. The setting of the Regional Rates is a balance between raising an adequate amount of revenue to contribute to funding public expenditure and increasing Regional Rate poundages (and hence rate bills) by an appropriate amount, which is commensurate with the local tax burden in Great Britain, taking into account social and economic circumstances in Northern Ireland.
3. The Net Annual Values (NAVs) of Non-Domestic properties are now based on 2001 rental values, however the NAVs of Domestic properties continue to be based on 1976 rental values.
4. For the purpose of funding public expenditure, it is estimated that the Regional Rate will raise approximately £398m in 2004/2005. This is the **Net Regional Rate Burden**. The Net Regional Rate Burden is the amount of Regional Rate revenue to be raised after allowing for the reduction to Domestic ratepayers in the form of the Domestic Rate Aid Grant (DRAG). The Gross Regional Rate burden is the amount to be raised plus the amount for DRAG and is used to derive the Non-Domestic rate poundage, as Non-Domestic ratepayers do not receive DRAG.

Gross Regional Rate Burden	£458.13m
Less Domestic Rate Aid Grant	£59.88m
Net Regional Rate Burden	£398.25m

The **Non-Domestic Regional Rate poundage** is calculated by dividing the Gross Regional Rate Burden by the overall adjusted NAV at 2001 rental values (£1735.13). The overall NAV at 2001 values is the net of adjustment for losses in collection due to derating policy, vacancies, rate reliefs, discounts and irrecoverables.

The **Domestic Regional Rate poundage** is calculated by factoring up the Regional Non-Domestic Rate poundage and subtracting the Domestic Rate Aid Grant poundage. DRAG determines the balance between the Non-Domestic and Domestic Rate poundages. In order to raise the required rate revenue and stay in line with the percentage Domestic Regional Rate increases agreed it is necessary to set DRAG at 59.85p for 2004/2005.

5. The overall NAV adjusted to a 2001 valuation base is £2160.81m. This is made up of £1157.49m for the Non-Domestic NAV and £1003.32m for the Domestic NAV, both at 2001 valuation. The Domestic NAV at 2001 valuation is calculated by multiplying the 1976 valuation of £124.59m by a factor of 8.053, which is the ratio of the Non-Domestic NAVs at 2001 rental values to 1976 rental values.
6. The District Rate is fixed by each District Council to meet its own net expenditure on such functions as leisure facilities, economic development and environmental matters. District Rates vary from district to district reflecting the rateable resources and spending policies of individual councils.

Issued by: Department of Finance and Personnel
Rating Policy Division
Rathgael House
Bangor BT19 7NA.

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