

NON DOMESTIC
VACANT PROPERTY
RATING – POLICY
EVALUATION

RATING POLICY DIVISION

DECEMBER 2009

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i. EXECUTIVE SUMMARY

i.i Background

The policy of rating vacant non domestic properties was introduced under Direct Rule in Northern Ireland in April 2004, as part of the wider reforms to the rating system that were taking place around that time. All other parts of the UK have had the measure for a number of years.

The policy means that when a non domestic property becomes vacant, it is liable for 50% rates, after an initial 3 month free period. Some types of property are excluded from vacant property rating, including industrial properties.

Given that 5 years have passed since its introduction an evaluation of the policy is necessary to gauge its effectiveness and impact.

i.ii Aims of the Evaluation

The aims of this evaluation were as follows:

- Assess the extent to which the objectives set for the policy have been achieved;
- Compare actual costs of implementation and administration against estimated costs;
- Compare the actual benefits of the policy against predicted benefits, taking account of the counterfactual scenario;
- Review the impact assessments and consider the extent to which the projected impacts have arisen;
- Consider any further mitigating measures which are required;
- Identify any unexpected costs or benefits that have arisen;
- Assess the impact of other external factors, such as changes in GB policy and the current economic downturn;
- Identify any improvements that could be made to the administration or the operation of the policy;

- Use the results of the evaluation to make recommendations as to whether:
 - The policy should continue in its current form
 - The policy should continue but with changes
 - The policy should be ended.

i.iii Comparison against Objectives

The evaluation attempted to assess the extent to which the objectives set for the policy had been met. While no objectives were explicitly specified in the original policy documents, the broad objectives for the policy were taken to be as follows:

- “to widen the tax base and to increase the level of rate revenue available for provision of services by both central and local government”;
- “to reduce the number of vacant holdings and so increase the supply of available commercial premises for sale or let”;
- “to make commercial rents more competitive”;
- “to reduce the negative impacts associated with vacant and derelict properties on local communities”.

In the case of some objectives, it was clear that these have been met. For example, there has been a widening of the tax base as a result of the policy, which has resulted in additional revenue being raised for both local and central government. Over the life of the policy to date, the amount raised has been approximately £61m, which is higher than what was anticipated at the time the policy was being conceived. On average, around 9,900 properties per year have been liable for vacant property rates. This is also higher than the original estimate of 7,000 properties.

The policy was also intended to have broader consequences for the economy. That is, it was intended that rating vacant commercial properties would act as an incentive to encourage property owners to make their premises available for use more quickly and in greater numbers, increasing the supply of commercial premises and, other things being equal, reducing the rents charged.

These broader outcomes were more difficult to measure. It appears though that any differential impact the policy may have had has been overshadowed by wider forces in the economy. It may therefore need the return of more stable market conditions before the additional impact of the policy can be properly examined.

i.iv Distributional Impact

The evaluation reviewed the various impact assessments that were undertaken prior to the policy being introduced in order to determine if the expected impacts had arisen.

Section 75

When the impact on Section 75 groups was examined, the evaluation found that the findings in terms of Marital Status, Community Background and Race were different from that of the original EQIA, which had suggested that there would be no differential impact in these groups. In all cases, the representation of these groups is significantly higher in the most affected district councils than in the remaining councils.

This differential impact, however, is considered to be beneficial to the groups concerned, given that the benefits that were expected from the policy would arise in those areas in which the vacant properties are located.

Impact on Deprived Areas

The assessment of the policy's impact on deprived areas found that non domestic vacant properties are more likely to be located in more deprived

areas. This outcome is viewed as meaning that the policy has a positive impact for deprived areas.

Impact on Urban and Rural Areas

The original assessment had been that the policy would also impact more on urban locations. This outcome was confirmed by the evaluation. As with the assessment of the impact on deprived areas, if the policy is being effective, then it will bring benefits for these areas. Although, in this context it is more difficult to determine in what type of location the costs arising from the policy will fall. That is, in the absence of ownership information, it is impossible to know where the additional costs will fall. On balance, however, our view is that as long as the policy is meeting its objectives of reducing vacancies, decreasing commercial rents, and so on, then the impact for urban locations will be a positive one.

Impact across Councils

The evaluation also examined how vacant properties were distributed across the 26 councils. This found that the highest proportion was in Belfast (typically around 25-27% of all properties liable for NDVR each year). While Belfast's share would be expected to be highest, the evaluation did find that the level of vacant properties in Belfast was higher than its share of all non domestic properties as a whole would suggest. While several other councils were also disproportionately affected (including Craigavon, Derry and Antrim), the difference was not as significant as that recorded for Belfast.

Impact on Ratepayers

A further issue the evaluation sought to examine was whether the policy tended to have a greater impact on a smaller number of ratepayers who had large portfolios of vacant properties or, alternatively, the burden was being shared around a large number of property owners owning single or perhaps a few properties. The analysis found that the latter was more likely to be true. While there were a number of owners of multiple properties, these tended to be institutional or governmental landlords (such as the Northern Ireland Housing Executive, government departments and local authorities, library

boards, the universities, and so on). However, the number of vacant properties owned by any individual landlord was never higher than 0.3% of the total number of vacant cases.

Impact by Property Type

Finally, the evaluation examined what type of property was more likely to be liable for vacant property rates. The property types which made up the highest proportion of NDVR properties were shops and offices. In addition, both were slightly over-represented compared to their share of all non domestic properties as a whole.

i.v Unexpected Costs and Benefits

The evaluation attempted to identify whether there had been any unexpected costs or benefits arising as a result of the policy. Several came to light, mainly through the consultation element of the evaluation. These included a concern that the policy was forcing landlords to lower rents beneath the market value in order to avoid having to pay rates, particularly in the current recession and within prime retail locations. It was claimed that this could impact on rental tone and ultimately be reflected through lower valuations in the next non domestic revaluation.

A further cost raised by stakeholders was that the policy was acting as a disincentive to new developments and to redevelopments of existing properties. There was no evidence though to suggest that property owners were carrying out acts of 'constructive vandalism' or demolishing their properties as a rates avoidance measure.

The impact of these unexpected costs is expected to reduce as the economy improves.

i.vi Implementation and Administration

The effectiveness with which the scheme was being administered was also examined. Analysis of rates collected showed that collections levels had increased steadily each year since 2004 and now stood at just over 60%. A lot of the reason for this improvement came as a result of a significant reduction in the number of properties where owners' details were unknown. That is, this fell from over 10,000 at the time the policy was introduced to just 78 by February this year.

The consultation with stakeholders identified a number of concerns around administrative issues, as well as putting forward some suggestions for improvements that might be made. Improved communication both within LPS and between LPS and its customers seemed to be a critical issue for them and the suggestion of a forum between the Agency and stakeholders appears to be one worth considering.

i.vii Stakeholder Consultation

As part of the evaluation process, the Department consulted a number of stakeholders to get their views on the impact and effectiveness of the policy. This took the form of a series of semi-structured meetings, although several written submissions were also received. A key issue that arose from this consultation, particularly among the business community was that, while there an acceptance of the merits of the policy when it was first introduced, there is now a widely held view that the current difficulties necessitate some form of mitigating measure be introduced, at least on a temporary basis, until the economy improve. Those from the local government sector, on the other hand, have also made it clear that, while there may be some difficulties with the scheme (in terms of backdating and so on), they would not wish to see any measures which would mean a further revenue leakage from the scheme.

i.viii Exclusions

A number of property types are excluded from non domestic vacant property rating. The evaluation therefore wanted to look at the impact these are having and whether there is any merit in amending the list.

The evaluation highlighted the financial impact that exclusions have. In 2009, for instance, the total value of these exclusions was round £9m. The vacant rate revenue foregone would have therefore been around half of this total. The biggest contributor to this is the exclusion given to qualifying industrial hereditaments, which accounts for around £4m of the total value in 2009. Belfast accounts for around 30% of all excluded properties, while the Derry council area also contains around 12% of all such properties.

i.ix UK Policy and Wider Economic Context

The evaluation looked at changes that have occurred in GB policy around vacant business rates to review how these might impact on policy here. The main change to have taken place in England and Wales was been the extension of the level of liability to 100% as well as the inclusion of industrial properties among properties liable. Northern Ireland has not replicated these measures to date which obviously benefits property owners here compared to elsewhere in the UK.

A further change which has occurred in GB is the addition of companies in administration to the list of exclusions in England and Wales. Some stakeholders believed that this move should be repeated in Northern Ireland.

The other significant change to policy in GB is one which was introduced as part of the UK Government's response to the recession. That is, the increase in minimum NAV threshold to £15,000 on a temporary basis, which was expected to benefit around 70% of companies in England and Wales. Again, many of those consulted thought that this should be extended to Northern Ireland, as a similar temporary mitigating measure.

i.x Options for Change

A final element of the evaluation was to consider what options existed for amending the scheme, if this was what was decided to do. Most of these options related to amending the exclusions, such as increasing the minimum NAV threshold, adding companies in administration to the list or, working in the opposite way, removing the exclusion for industrial properties.

The evaluation highlighted the financial impact of each option both for the regional rate and for local government, which should not be underestimated. For example, increasing the minimum NAV threshold to £15,000, to match the temporary measure put in place in England and Wales, would be expected to cost in the region of £6m in lost revenue. Any change would also require legislative change and the timetable for achieving this in time for billing in April 2010 would be short, although for some of the options only subordinate legislation would be required. There are more significant risks, though, in relation to the operational implementation of any policy change in time for April 2010 billing. That is, there are a number of IT, administrative and other system changes that would be required within LPS in order to allow this to happen. Again, this might not be achievable in the short space of time available.

i.xi Overall Conclusion

In many ways this does appear to be a policy which represents good value for money and which has been effective in meeting a number of objectives. It is clear also that this is a policy with sound economic motives. That is, it was aimed at helping to bring under-used property resources back into productive use, improving the availability of commercial premises and thus making commercial rents more competitive. Achieving these outcomes would be good for business and good for the economy.

It has proved difficult to measure the impact of the policy in terms of these wider objectives. Part of the reason for this has been the unprecedented shifts

that have occurred in the property market in recent years. It will be important therefore to continue monitoring the policy when we return to more stable market conditions.

The effect of the current recession cannot be ignored when considering the impact of the policy, of course. It is clear that many commercial landlords view the presence of vacant property rating as placing an additional unwelcome burden at a time when they are struggling to place tenants in their premises. Commercial property owners within prime retail locations appear to be hardest hit by the impact of the recession.

The following options for amending the scheme, particularly in the light of the continuing economic downturn, have been considered as part of this evaluation:

- 1: Extend the Initial 3 month free period
- 2: Increase the Minimum NAV Threshold to £15,000
- 3: Increase the Minimum NAV Threshold to £5,000 (to align with the Small Business Rate Relief scheme)
- 4: Suspend the Scheme for a Limited Period
- 5: Add Companies in Administration to the Exclusions
- 6: End the Exclusion for Industrial Properties
- 7: Exclude Properties where Planning Permission is being sought
- 8: Reduce the level of liability below 50%

None of these are without cost and most would have a significant impact on the finances available particularly for local government. Any changes made to the policy will directly affect the revenue raising capability of District Councils and there is currently no legal cover to provide councils with compensation for any consequential loss of income. For instance, the impact on Belfast City Council alone of suspending or removing the scheme would be a loss of revenue amounting to around £3m per year in district rates, a sum that would

either have to recovered from other ratepayers or through programme cuts or savings. Other councils would be affected too, though to varying degrees.

It is also worth remembering that property owners here still retain what was known in England and Wales as empty property relief and do so at 50%. In other words, liability in NI is 50% rates on vacant premises, compared to 100% in England and Wales. Industrial properties are also excluded. Some specific and temporary measures have been put in place in GB to provide further relief to owners of vacant property in response to the recession. However, these should be considered in the context of these differences in policy which already exist and which confer an advantage to vacant property owners in Northern Ireland.

It will be noted that the evaluation stops short of making a specific recommendation. It simply presents what appear to be the most realistic choices available, based on the evidence gathered and taking into account the views of stakeholders gathered during the consultation. It does find, however, that the policy works well in the sense that it raises significant amounts of revenue (£61m during life of the scheme) at relatively modest cost to government. This is all money that stays within Northern Ireland and which represents additional revenue (over and above Northern Ireland's share of UK public expenditure) to pay for public services at a regional level (helping fund our hospitals, schools, roads etc). It also provides an important source of income to help fund councils.

The cost to the ratepayers who pay this charge is an important consideration, however and particularly so during this economic downturn.

If concessions are being contemplated as a response to the recession then it should be noted that amending the policy in time for April 2010 billing will be difficult to achieve in the short timescale remaining.

Most of the options considered in the evaluation relate to changes which could be made in the short term, with a view to mitigating the impact of the

policy in light of the ongoing recession. More far reaching options would be difficult to deliver in the time available.

The long term future of the policy also needs to be considered, not simply in terms of what concessions should be provided to relevant ratepayers. There is a case for considering the widening of the policy, either to raise more money or to lessen the rates burden on others. The evaluation did not uncover any real evidence of abnormal behaviour (such as the widespread demolition of lettable premises) and this does suggest that extending the measure is at least worth contemplating in the future, when a more stable economic environment returns.

This could include more structural changes such as increasing liability to 100% or the option of ending the exclusion for industrial properties.

Both of these measures would align with the position in England and Wales. The former would also match the intended policy on vacant homes in NI, which are to be rated at 100%, with no initial free period, from April 2011. The latter measure (ending the exclusion for industrial properties) was resisted here in the past because it was felt that such a move would erode Northern Ireland's industrial base. It might be argued, though, that were demolitions of older empty factories to occur because of the imposition of rates, this would not necessarily be a bad thing for the economy. That is, given the impetus it would give to redevelopment or sub division and renovation of often specialised industrial buildings for other purposes, this would result in an industrial property base which is more in keeping with the needs of a modern and responsive economy.

1. BACKGROUND AND INTRODUCTION

1.1 Background

The policy of rating non domestic properties when they became vacant was introduced in Northern Ireland in April 2004. As a result of the introduction of the policy, if a property remains vacant after a three month free period, it becomes liable for rates, although at 50%. There were some types of property excluded including, among others:

- Properties with an NAV of less than £2,000;
- Factories;
- Empty properties owned by charities;

The number of vacant properties will vary from day to day – on any one day, around 7,000 properties will be liable for vacant property rates. Over the course of a year, 13,000 properties will have been liable for vacant property rates at some stage during that year.

Given the time that has passed since the introduction of non domestic vacant property rating, it is considered appropriate to undertake an evaluation of the policy. The aims of this evaluation, as set out in the terms of reference, are as follows:

- Assess the extent to which the objectives set for the policy have been achieved;
- Compare actual costs of implementation and administration against estimated costs;
- Compare the actual benefits of the policy against predicted benefits, taking account of the counterfactual scenario;
- Review the impact assessments and consider the extent to which the projected impacts have arisen;
- Consider any further mitigating measures which are required;
- Identify any unexpected costs or benefits that have arisen;

- Assess the impact of other external factors, such as changes in GB policy and the current economic downturn;
- Identify any improvements that could be made to the administration or the operation of the policy;
- Use the results of the evaluation to make recommendations as to whether:
 - The policy should continue in its current form
 - The policy should continue but with changes
 - The policy should be ended.

1.2 Methodology

The approach used to gather evidence for carrying out the evaluation has been twofold: firstly, to analyse data supplied by Land Property Services (LPS) on non-domestic vacant properties, as well as other external data; and, secondly, to gather evidence from various stakeholders, through a series of meetings held over a period of three months from June to August 2009. Issues emerging from these meetings are summarised in the *Stakeholder Consultation* section of the report.

1.3 Data on Non-domestic Vacant Properties.

A list has been provided by the LPS of all the non-domestic properties that were vacant in each year, from the introduction of the policy in 2004, up to mid-year 2009. This data has been supplemented, where necessary, with data from external sources in the evaluation.

1.4 Rationale for policy

The view that rates were a tax on occupation of property was held for many years in the UK. However, in the mid-1960's, following a change in government in the UK, opinion around the taxation of land and property shifted. That is, it was then believed that leaving property unoccupied was not in the best interests of society and that some attempt should be made to

make owners contribute financially to the local services they were obtaining even though the property was empty. In addition, it was believed that local authorities were losing rate revenue where property was unoccupied, which meant that other ratepayers were facing a higher rate as a result. In 1966, therefore, the Local Government Act was introduced which gave local authorities in GB the ability to decide whether they wished to charge rates on unoccupied property.

The rating of unoccupied non domestic properties was introduced in 2004, as an early outcome of the Review of Rating Policy. There were a number of objectives set for the policy at the time. Aside from widening the tax base and thereby generating additional revenue for both central and local government, the policy was also intended at encouraging a more effective use of property assets by bringing vacant, underutilised property back into productive use and/or back on to the market. It was also hoped that this would bring about wider, social benefits for those areas with high numbers of vacant properties.

2. IMPACT OF THE POLICY IN MEETING OBJECTIVES

2.1 Background

This section of the evaluation examines the extent to which the objectives set for the policy have been met and, if so, to what extent. This is obviously a key aspect of the overall evaluative exercise. If a policy is failing to meet its objectives, then clearly there would be a need to consider whether it should continue in its current form or whether the objectives could best be met in a different way.

While no objectives were explicitly specified in the original policy documents, the broad objectives can be taken to be as follows:

- “to widen the tax base and to increase the level of rate revenue available for provision of services by both central and local government”;
- “to reduce the number of vacant holdings and so increase the supply of available commercial premises for sale or let”;
- “to make commercial rents more competitive”;
- “to reduce the negative impacts associated with vacant and derelict properties on local communities”.

2.2 The Need for a Counterfactual

One of the first steps in evaluating any policy is to establish a Counterfactual. The Counterfactual is an estimation of what would have happened if the intervention had not occurred – in this case, if the policy to rate vacant non domestic property had not been introduced. The outcome under this scenario is estimated and compared both with the expected outcome and actual outcome of introducing vacant property rating. Producing a counterfactual therefore allows an assessment to be made of the differential impact the

policy has had and to isolate the effect of the policy from other, wider economic factors. In examining each of the objectives in the following analysis, where appropriate a counterfactual scenario has been considered.

The policy was intended to impact on the property market and the local economy in a number of ways. In order to determine what the counterfactual is, we will need to estimate what would have happened to these variables in the absence of the policy. One way we might do this is by examining trends prior to the policy was introduced or in other geographical areas where the policy does not exist.

Unfortunately, such information has been difficult to source. Data on these variables for Northern Ireland prior to the introduction of the policy is very limited and, given that the policy also exists in the rest of the UK, there is no similar comparator region to act as a control group. We have taken the view, though, that because the policy has been in place in the rest of the UK for a much longer period, then the impact of vacant business rates in GB will have already been factored in to variables such as average rents, the supply of premises, and so on. In other words, we have assumed that the trends which appear in relation to these variables in GB can be used to at least provide an indication of what would have happened had the policy not been in place. Although, the changed to policy on vacant business rates in GB that occurred in 2008 may have had some differential impact.

2.3 Consideration of Objectives

Widening of the tax base.

Introducing vacant property rating increases the number of properties liable to pay rates. Over the course of the year preceding the commencement of the policy, it was estimated that approximately 12,800 non-domestic properties would have been vacant at some stage. Around 5,800 of those properties would have been excluded from rates (for example, due to an NAV of less than £2,000), leaving approximately 7,000 properties liable to pay vacant

property rates. In the years following the introduction of the policy, were these properties effectively added to the tax base, or was there a high level of avoidance and/or inability to collect rates on them? Has the success rate for collection of vacant property rates improved since then, or declined?

Outcome:

Clearly, this objective has been achieved in that the number of properties liable for rates has increased, compared to the situation prior to the policy being introduced. Compared to the estimate of 7,000, the number of properties being billed for vacant property rates has actually been higher. In the first year of the scheme, over 12,000 properties were billed. While the number billed since then has steadily declined, it has been over 9,000 in each year up to 2008 and is over 7,000 so far in 2009 (see Annex 1).

If rates are to be collected on a vacant property, the owner must be billed, so it is necessary to have details of the owner of that property, which is not always possible, given that they are not located at the premises. Therefore, one of the first steps towards raising the full amount of revenue due is to obtain details of as many owners as possible. Previous to the introduction of the policy, it was not a priority to maintain records of vacant property owners. Once the policy was introduced, the task was to obtain details on as many properties as possible.

Table 1: NDVR Properties with Owner's Details Outstanding

Pre-April 2004	10,297
March 2005	4,945
March 2006	2,433
March 2007	1,122
March 2008	595
February 2009	78

Before the introduction of the policy (pre-April 2004), owners' details were outstanding on 10,297 vacant properties. One year after the policy had commenced, this figure was down to 4,945. It has steadily decreased since then, to 78 properties at February 2009.

The difficulties in obtaining information on property owners sufficient to allow Land and Property Services to bill for vacant property rates should be noted. Title registers, for example, are only of limited help and therefore additional information often needs to be gathered before billing can occur.

Additional Rates Revenue

At the time of introduction, vacant property rating was predicted to raise about £8m per annum in revenue – approximately £24m over three years, This was based on an increase in the non-domestic poundage of 3.3% per annum, and an estimated 7,000 vacant non-domestic properties at the time of introduction. It has since been established that in April 2004, there were nearer 12,000 vacant properties, so potential income in the first year, and the following years, was actually underestimated.

Outcome

Table 2: Total Payment Received from NDVR Per Year

NDVR Year	Total Payment Received	(cumulative)
2004	£5,158,228	£5,158,228
2005	£11,201,877	£16,360,105
2006	£9,063,519	£25,423,624
2007	£11,931,751	£37,355,375
2008	£14,298,906	£51,654,281
2009	£9,408,997 ¹	£61,063,278
	£61,063,278	

¹ To date

In 2004/2005, income would only have been expected on nine months of the year, given that all vacant properties were allowed a three month free from April 1st 2004 (the start of the policy). In the first year of the policy, £5.1m rates revenue was raised. By the end of three years, £25m had been raised, compared to the £24m predicted revenue. Over the life of the policy, £61m rates revenue has been raised, with a further £36.4m uncollected to date.

With the exception of 2006, the amount of revenue collected each year has steadily increased (2009 is a mid-year figure), although it might be expected that vacant property rating revenue streams would actually decrease in the years following the introduction of vacant property rates, because the number of vacant properties should reduce over time. A reduction in revenues would be evidence of the objective being achieved, provided the decrease is for the right reasons (as opposed to reasons of inefficiency etc.).

Number of Vacant Holdings

It was assumed that, if vacant property rating had not been introduced, there would have been less incentive to bring vacant property back into use to earn income on it. One aim of the scheme was to encourage commercial property owners to make their premises available for purchase or rent, which would result in turn in an increase in supply of premises and a moderating of rents.

Outcome:

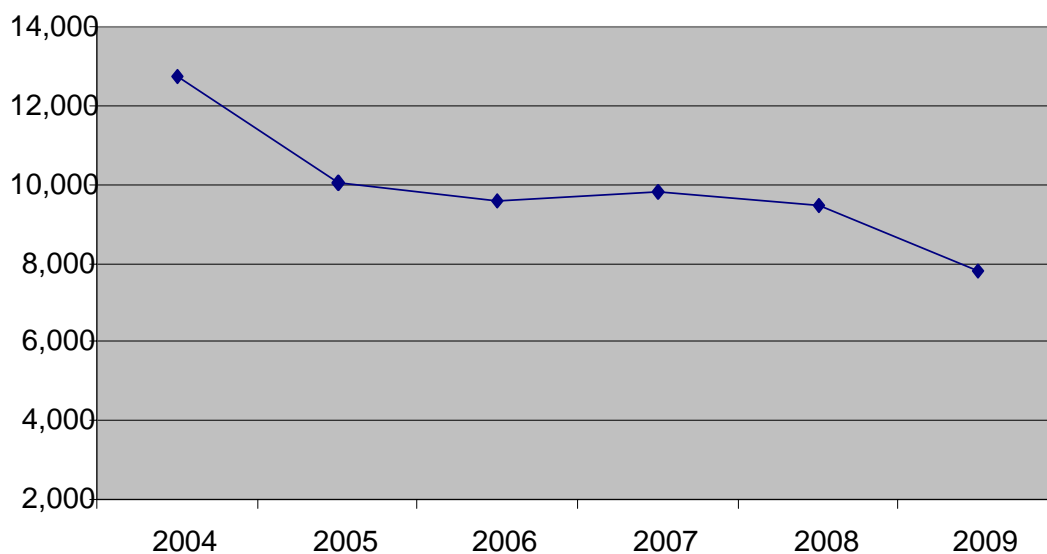
In 2004, there were 12,710 vacant properties that would be liable to pay vacant property rates, after the initial three month free period. The total number of vacant properties liable to pay rates in the following years was as follows:

Table 3: Total Number of Vacant Properties

	2004	2005	2006	2007	2008	2009
Total number of vacant properties	12,710	10,048	9,593	9,795	9,466	7,801

This information is displayed in Chart 1 below. Following the introduction of the policy, there was a drop in the numbers of liable vacant properties, to 10,000 in 2005. This figure decreased again in 2006, rose slightly in 2007, but fell again in the two following years, to under 8,000 properties in 2009. There has been a 40% reduction in the number of vacant properties since the policy was introduced or 25% ignoring 2009, which is not yet complete (see Annex 1 for a breakdown by District Council).

Chart 1: Number of Vacant Properties



Comparison with the counterfactual

The reduction in the number of vacant holdings might suggest that the policy has been successful in meeting this objective. However, it is important to establish what might have happened in the absence of the policy, in order to determine if it is the policy that has had this impact or other, wider factors. That is, the outcome needs to be compared with a counterfactual scenario.

Evidence of the number of vacant properties in Northern Ireland prior to the introduction of the policy is limited. Land and Property Services (LPS) previously produced 'Belfast Market Reports', which provided summaries of the retail and office markets in Belfast city centre. While these therefore cannot present a picture of conditions across the whole of Northern Ireland, they are useful in providing an indication of trends in these markets both before and during the operation of the policy. Table 4 below for example shows how the proportion of office and retail premises which were vacant changed prior to and after the introduction of NDVR.

Table 4: Percentage Vacancies in Belfast 1997 - 2006

YEAR	VACANT OFFICE STOCK (%)²	VACANT RETAIL STOCK (%)
1997	13.35	1.61
1998	13.61	2.98
1999	11.96	3.29
2002	-	1.27
2003	19.13	4.08
2004	16.80	6.24
2005	18.22	
2006	14	7.15

It is important that we do not read too much into this limited information, given the cyclical nature of the property market and the potential for development spikes to occur at different times. However, if it is evidence of a trend then it would suggest that the level of vacancy in the retail sector is consistently lower than within offices. In addition, vacancy levels within retail appear to have grown steadily from 2002, whereas the pattern within the office market was more variable.

² As a percentage of floorspace

Looking wider, statistics available for England show that the estimated vacancy rate among commercial premises remained fairly stable between 1998/99 and 2004/05, although there was a gradual upward trend from 7% early on to 9% by 2004/05. Unfortunately, data is not available beyond this point. This makes it difficult therefore to say whether this upward trend in the level of vacancies would have continued.

Therefore, we cannot be conclusive as to whether the policy has met the objective of reducing the number of vacancies, although the available evidence suggests that it does.

Supply of Commercial Premises

Linked to the above objective, a further aim of the policy was to provide a disincentive to keeping property vacant and thereby increase the supply of commercial premises on to the market, either to rent or buy. This would have been because property owners would have been encouraged to make their premises available as a result of the policy.

Determining whether the policy has had any impact in improving the supply of commercial premises in the market is a difficult task. We know from earlier analysis that the number of vacant properties has reduced. This will have therefore led to an increase in supply. However, it would be useful to know whether the presence of the policy has encouraged others to make properties available for let or to do so in a shorter period of time, so as to avoid the imposition of vacant property rates.

Outcome

Unfortunately, data on the availability of commercial floorspace is limited for the period under question. The LPS data referred to earlier includes information on the number of units available in the Belfast city centre market and the total amount of floorspace provided. This does show that the supply

of available floorspace appears to have peaked in 2004 and reduced after. This occurs in both retail and office markets.

Chart 1, for example, highlights the change that occurred in the office market within Belfast between 1996 and 2006. The total number of units fell, from 1,506 in 2004 to 1,440 in 2006. This pattern has also been repeated in relation to retail floorspace (chart 2).

Chart 2: Total Office Floorspace in Belfast

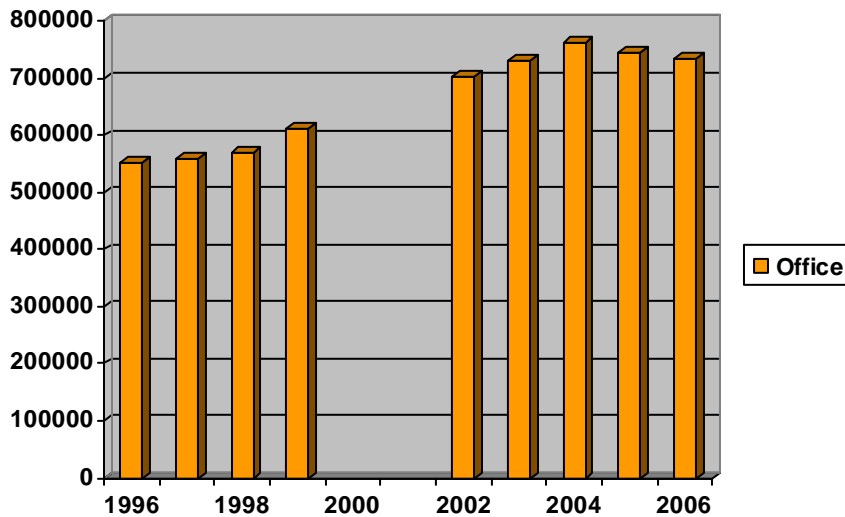
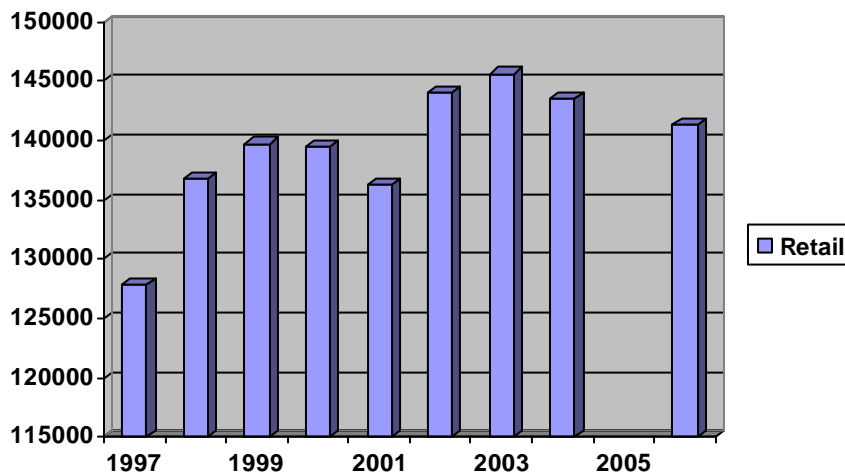


Chart 3: Total Retail Floorspace in Belfast



A decline in commercial floorspace after the introduction of the policy would appear to indicate that the policy has not been successful in increasing the supply of commercial premises. Once again, it is important to consider the counterfactual scenario in order to get a picture of the differential impact of the policy.

Comparison with the Counterfactual

Elsewhere in the UK, the supply of available floorspace in these sectors has been behaving in diverse ways. That is, the available retail floorspace in England and Wales fell from 574,796,000 m² in 1998 to 547,870,000 m² in 2008 (a drop of 5% in 10 years). Available office floorspace, on the other hand, increased over the same period from 295,451,000 to 350,202,000, an increase of 16%.

While this only provides us with very limited evidence, it does suggest that, in the absence of the policy, we would have expected in Northern Ireland the supply of office floorspace to have increased after 2004 to 2006 and retail to have continued to fall.

Further evidence beyond 2006 is available from the Royal Institution of Chartered Surveyors (RICS). The RICS Commercial Market Survey provides an indication of the views of members as to their expectations around the commercial property market. The results of this survey are then produced across the different UK regions and between different sectors.

One of the variables on which members are surveyed is their expectations around the level of available floorspace in the market. The survey can score anywhere between -100 and 100. Thus, -100 would mean that all those surveyed expect available floorspace to fall; 100 means that everyone expects available floorspace to increase. The survey therefore provides a useful indication of supply of commercial premises. A low or negative score

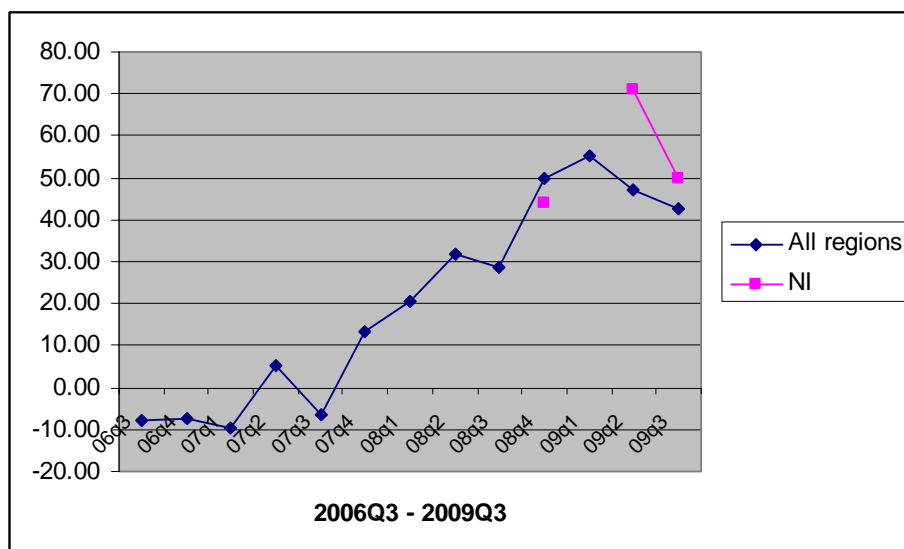
indicates that there is a lack of supply, while a high positive score (close to 100) suggests that there is excess supply.

While this therefore only presents a picture of expectations in the market, it nonetheless provides a useful proxy for market behaviour, certainly in terms of broad trends.

The chart below shows the net score over time for the availability of floorspace measure, in the office sector, between 2006 Q3 and 2009 Q3. The chart gives the average for all UK regions as well as the net score for Northern Ireland. Unfortunately, NI figures are only available from 2008 Q4. More importantly, however, the UK data is useful in showing the trends in the supply of commercial premises over this time.

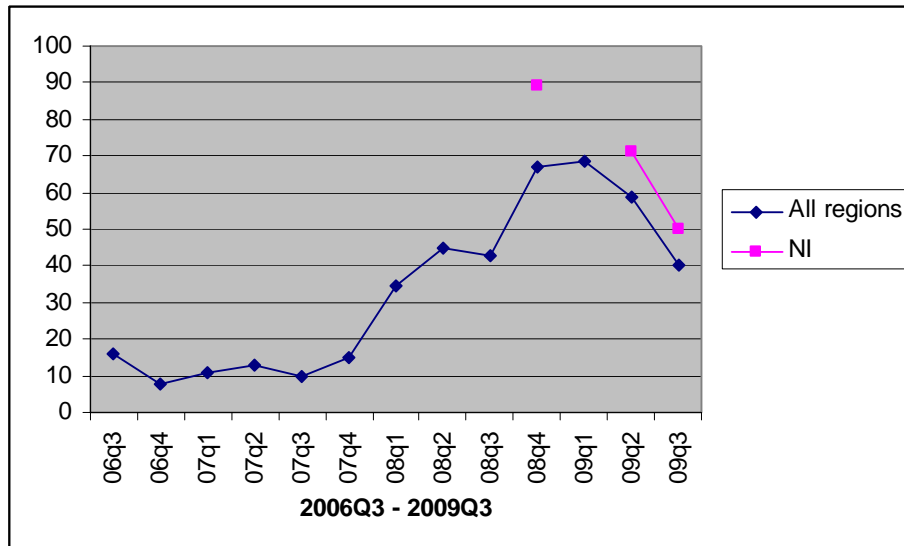
As the chart shows the supply of office premises increased dramatically from around mid-2007 and is still expected to be high, although there is some sign of this having peaked in the first quarter of 2009. Expectations in Northern Ireland are currently running higher in NI compared to the UK as a whole. That is, this suggests that supply is even higher in NI, although again it appears to be falling.

Chart 4: RICS Survey – Supply of Office Floorspace



As chart 5 below also shows, there has been a similar pattern in relation to retail premises.

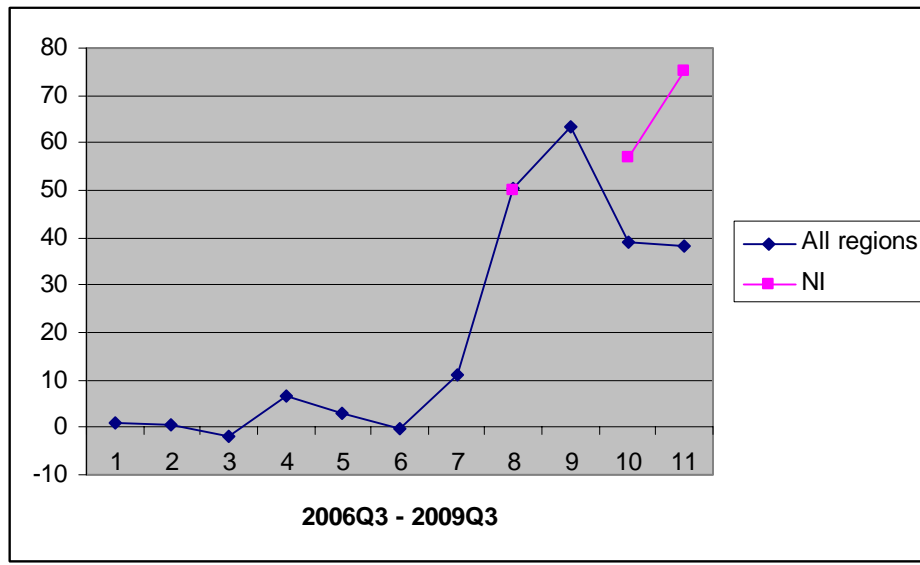
Chart 5: RICS Survey – Supply of Retail Floorspace



The chart in relation to available floorspace in the industrial sector is interesting (see chart 6 below). Once more, there has been a significant increase in supply, which has tailed off in recent months. The results are interesting from a Northern Ireland perspective because industrial properties are excluded from vacant property rates in Northern Ireland, while this is not the case elsewhere in the UK. This therefore allows us to get a better perspective of a true counterfactual.

As the chart shows, the trend in terms of supply of industrial properties in NI has been increasing in recent months while falling in the UK as a whole. With such limited data, it is difficult to identify whether this trend is a significant one. However, this would suggest that wider, economic forces are having a much greater impact on supply considerations at this time than this policy measure. That is, given that owners of vacant industrial premises in Northern Ireland are not liable for rates, while those in GB are, you would expect supply to be more constrained in GB, when the opposite is in fact the case.

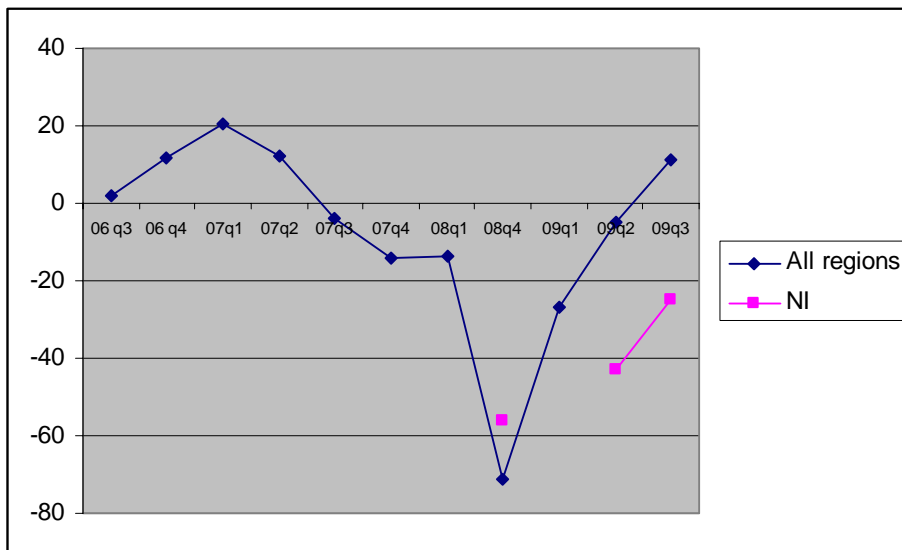
Chart 6: RICS Survey – Supply of Industrial Floorspace



The RICS data is also useful in providing us with an indication of the demand for floorspace over the time. That is, an excess availability of premises on the market might be down to a lack of demand rather than an increase in supply per se, with the market taking time to react to a changing demand pattern.

Chart 7 below is again taken from the RICS Survey. As the chart shows, demand for space from 2007 reduced sharply, which helps explain why there was such an increase in the supply of floorspace around this time. It is also notable from the chart that, very recently at least, demand in NI is running somewhat below that for the UK. In broader economic terms, this would suggest that Northern Ireland is emerging more slowly from the recession, in terms of the impact this is having on the commercial property market anyway.

Chart 7: RICS Survey – Demand for Floorspace



What does all this evidence therefore tell us about what would have been expected to have happened in terms of the supply of commercial premises in the absence of the policy?

Again, the evidence is not entirely conclusive. From the LPS data, there does not seem to have been any dramatic increase in supply of commercial premises in the immediate aftermath of the policy being introduced. Over time, however, the RICS survey data does show demand for commercial premises reducing, particularly from 2007 onwards, as would have been expected given the downturn. While the availability of floorspace also increased dramatically over the corresponding period, as you would expect, the number of properties paying vacant property rates continued to fall (aside from a modest increase in 2007). The fact that the number paying vacant property rates did not increase sharply, despite demand falling and availability increasing, might be interpreted as meaning that the policy was effective in encouraging owners to let premises, rather than become liable for rates. However, this can only be a tentative conclusion, in the absence of more detailed evidence. Other factors such as a lag between properties becoming vacant and becoming liable and paying rates, might also be important. There is evidence that the vacant property market may have been polarised between properties which are vacant for a long term and which are proving

difficult to let (the numbers of which remain fairly stable) and more lettable premises which are coming in and out of vacancy more often. The fact that the average length of vacancy is increasing over time (see analysis below) would support this.

Average Length of Vacancy

One of the corollaries of the aim of encouraging property owners to make premises available would have been that the length that properties lay vacant would have been expected to fall over time. Table 5 below shows the average length of vacancy for those properties paying vacant property rates. Clearly, this outcome has not occurred.

Table 5: Average Length of Vacancy

	Average number of days vacant
2005	258
2006	251
2007	252
2008	265

The average number of days a property remains vacant has increased since the commencement of the policy, from 258 days in 2005 to 265 days in 2008 (figures for 2009 are incomplete and have therefore not been included in this analysis). The proportion of properties that have been vacant for more than 3 months, relative to those that have been vacant for less than three months, has remained steady, as can be seen in the following table:

Table 6: Proportion of vacancies lasting more and less than three months

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
No. of vacancies lasting more than 3 months*	58.9%	81.0%	79.3%	79.6%	81.9%
No. of vacancies lasting less than 3 months	41.1%	19.0%	20.7%	20.4%	18.1%
	100.0%	100.0%	100.0%	100.0%	100.0%

Chart 8: Properties Vacant for Less than and More than 3 Months

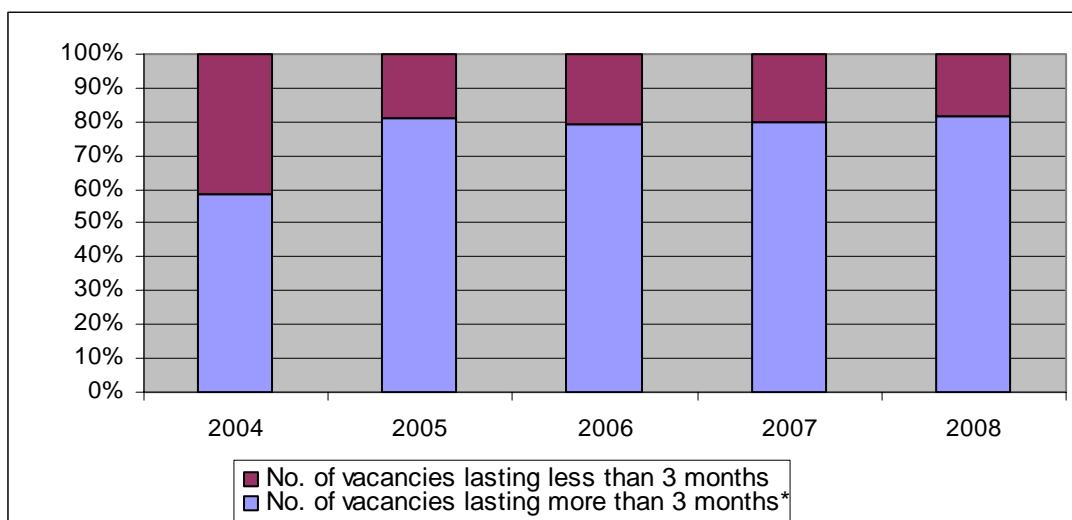


Table 7: Vacant for less than three months

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
number of vacancies lasting less than 3 months	7537	10173	8181	7833	7879

The number of vacancies lasting for less than three months has increased over time from 7,537 in 2004 to 7,879 in 2008 (this number includes some vacant properties more than once, as they will have gone in and out of vacancy several times during the year).

Table 8: Vacancies lasting more than three months

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
No. of vacancies lasting more than 3 months*	5269	2382	2142	2009	1743

The number of vacancies lasting for more than three months has decreased from 5,269 such vacancies in 2004, to 1,743 by 2008. (It is likely that this figure is an underestimation - some of the properties that are recorded as vacant for less than three months in any one year may actually be a vacancy that carries over in to the next year, or was carried on from the previous year,

and so should be recorded as lasting more than three months. However, this does not affect the clear trend towards a decrease in numbers of these vacancies).

As discussed earlier, one explanation for this outcome is that it may be that the number of long term vacancies, which are proving difficult to let, is remaining fairly stable over time while more lettable premises are moving in and out of vacancy more quickly. Another explanation, of course, might be that the recession is simply reducing the demand for commercial premises (which we know from other evidence is happening) and that this is leading to properties staying vacant for longer.

One way to examine whether this is the outcome is to look at the number of properties paying vacant property rates in any given year, which were also liable the previous year. This will provide an indication of the number of long term vacant premises. Table 9 below shows the percentage of properties paying vacant property rates in the year shown which were also paying rates in the previous year. As this suggests, this proportion is very high, over 90% in 2009, for example. This would therefore tend to support the proposition discussed above.

Table 9: Proportion of Properties Liable in Previous Year

YEAR	2005	2006	2007	2008	2009
PERCENTAGE LIABLE THE PREVIOUS YEAR	83%	81%	77%	81%	94%

Make Commercial Rents More Competitive

Increasing the availability of commercial premises onto the market place would have been expected, other things being equal, to have reduced the rent being sought for such properties. This was therefore a further expected

outcome of the policy. Again, though, it is necessary to attempt to estimate what may have happened to rents had the policy not been in place.

Outcome

There is little direct evidence available around commercial rents in Northern Ireland over the life of the policy. Again, it is possible though to examine some external sources for evidence around commercial rents. CBRE, the commercial real estate advisor, for example, have tracked commercial rents in Northern Ireland over the period of the policy. In the office sector, their research reports a steady increase in rents in prime locations from 2003 to 2007, with levels remaining static since then. In the prime retail sector, there appears to have been a gradual increase dating back to the start of the decade and peaking around 2006. What this research also shows, however, is that unlike rents in the office sector, prime retail rents have reduced significantly in the past year. That is, CBRE are reporting a fall of around 40% in a year³.

This result is reflected also in the RICS commercial market survey reports, with expected changes in rents in all sectors for Northern Ireland being very negative in Q2 and Q3 for 2009.

Comparison with the Counterfactual

Again, data to provide a counterfactual scenario is limited it is evidence from the rest of the UK which provides the best comparison available. Once more, data from CBRE is useful in showing trends in rents over time in the UK. Their Prime Rental Index shows changes in rents in prime locations over time for the whole of the UK. Figures from the 2009 Q3 report⁴ are presented below. These show the average change in rents per annum over the past 5 years.

³ CBRE Market View Northern Ireland 2009 Q3

⁴ CBRE Market View UK Prime Rent and Yield Monitor 2009 Q3

Table 10: Change in Rents UK - Retail

Region	Rental Shift year on year (%)	Rental Shift 5 year p.a. (%)
Central London	-5.9	2.8
Suburban London	-3.6	3.9
South East	-7.2	2.2
Eastern	-8.2	1.2
South West	-14.9	-0.5
East Midlands	-13.0	-1.1
West Midlands	-13.3	-2.1
Wales	-17.6	-1.4
North West	-21.0	-3.7
Yorkshire & Humberside	-18.3	-1.4
North East	-16.0	-2.3
Scotland	-16.7	-2.0
All Shops	-11.5	0.2

Table 11: Change in Rents UK - Office

Region	Rental Shift year on year (%)	Rental Shift 5 year p.a. (%)
London (City)	-28.3	-2.5
London (Midtown)	-23.5	1.5
London (Central Fringe)	-11.7	1.0
Suburban London	-7.1	1.8
South East	-4.6	1.3
Eastern	-4.2	2.0
South West	-2.0	3.3
East Midlands	0.0	1.4
West Midlands	-7.2	0.2
Wales	0.6	1.6
North West	-2.1	1.6
Yorkshire & Humberside	-3.6	2.5
North East	-8.1	2.4
Scotland	-1.9	3.4
All Offices	-19.6	-0.6

Table 12: Change in Rents UK - industrial

Region	Rental Shift year on year (%)	Rental Shift 5 year p.a. (%)
London	-1.9	1.9
South East	-2.7	-0.1
Eastern	-3.6	0.5
South West	0.9	2.2
East Midlands	-6.8	0.0
West Midlands	-8.2	-0.7
Wales	-6.8	1.0
North West	-4.1	1.1
Yorkshire & Humberside	-3.2	1.2
North East	-3.8	2.4
Scotland	-2.5	3.2
All Offices	-3.5	0.8

The main points which emerge from this data are:

- in the retail sector, average rents have fallen in all areas in the past year. However, the further away from London and the South East you travel, the higher the decrease;
- similarly, over the past 5 years, rental growth in London and the South East in the retail sector has been positive on average, with other areas experiencing negative growth;
- the picture in the office sector has been largely the reverse of this, with rents in London being worst affected in the past year, with reductions in other areas not as significant.
- over the last five years, average rental growth in the office sector has been positive in most areas, with the exception of the City of London;
- the industrial sector has not suffered as significant a decline in rents in the past year, although the Midlands region appears to have been affected most;
- over the past five years, rental growth in industrial properties has been positive in most regions.

These results therefore indicate that the decline in rents which has been experienced in Northern Ireland in the retail sector is similar to that which has

been experienced in other regions in the UK in the past year, outside of London and the South East. While the average change over the five years in this sector has been negative in these regions, this is obviously being heavily weighted by the rapid decline in 2009. Given therefore that vacant retail premises in GB are likely to be liable for 100% rates compared to 50% in Northern Ireland, this suggests that the policy differential is having no noticeable impact on rents in Northern Ireland, particularly in the context of the current downturn.

Similarly in the office sector, the results from the CBRE index suggest that rents elsewhere in the UK have behaved like those in Northern Ireland. That is, rents have remained fairly stable over the life of the policy, if not increasing gradually. While some regions have experienced a significant decline in office rents over the past year, this has tended to be focused around London and the South East of England.

The industrial sector is also interesting to examine. While data is not available for Northern Ireland to allow a comparison to be made, the evidence of the CBRE rental index is that rents in this sector have remained fairly flat in all regions and that the recent decline since the recession has been less pronounced than in other sectors.

Negative impacts associated with vacant and derelict properties

This aim of the policy is one that has proved difficult to measure. As part of the consultative stage of the evaluation, some stakeholders were asked for their views on whether there had been any noticeable impact in this manner. Some expressed the view that, although this may have been the intention of the policy, in recent times in particular the policy was preventing landlords from carrying out improvements to their properties, with the result that their premises were becoming less and less visually appealing. In other words, the policy was being counter-productive. Others, though, did recognize that the policy was likely to lead to the intended outcome of reducing dereliction and

bringing about the associated community benefits. Again, though, it was difficult to provide concrete evidence for this having been achieved.

2.4 Conclusion

This section of the evaluation has attempted to assess to what extent the objectives set for the policy have been met to date. Where these objectives can be easily measured, it is clear that they have been achieved. That is, there has been a widening of the tax base as a result of the policy. This has resulted in the policy meeting another of its objectives, which was to raise additional revenue for both local and central government. This in turn has provided the councils and the Assembly increased expenditure to provide public services or provided them with the flexibility to restrain rate increases. It is probably true to say that the revenues raised are higher than what was anticipated at the time the policy was being conceived and this is not linked to the recent downturn having an impact on the number of empty commercial properties.

The policy was also intended to have broader consequences for the economy. That is, it was hoped that it would act as an incentive to encourage property owners to make their premises available for use more quickly and in greater numbers. The laws of the market would then dictate so that an increased supply of commercial premises would, other things being equal, reduce the rents being sought.

Such outcomes are, unfortunately, more difficult to measure. The starting point is to isolate the differential impact of the policy, compared to what would have happened had it not been in place. This was made difficult in this case because of the presence of vacant business rates elsewhere in the UK over the same period, although there were some notable differences in policy. What also made this task even more difficult was the fact that, during the time under review, the economy and property market was subject to a dramatic cycle ranging from rapid rises in output, employment and property values, to the recent and ongoing recession. The effects of this cycle have generally

overshadowed any differential affect that the policy may have had. It may take more stable market conditions to return any impact can be revealed. There were some reports from the consultation that the policy was proving effective when first introduced. Based on the data available and examined in this evaluation, though, there is no conclusive evidence other than these qualitative findings that the policy has having a discernible impact in terms of these wider objectives.

3. DISTRIBUTIONAL IMPACT ANALYSIS

3.1 Background

Prior to the introduction of the policy, various impact assessments were carried out to determine what the impact would be on various groups and sectors. As part of the policy evaluation process, the impacts that were identified at that time have been examined to find out to what extent these predicted impacts occurred.

The initial assessments indicated that the policy would have the following impacts:

1. No differential impacts for gender, age, religion, marital status, dependants and race.
2. Persons with a disability are more likely to reside in areas with greater concentrations of non-domestic vacant property. As the impact of the policy on these areas is considered to be beneficial, persons with a disability will therefore benefit more from the policy than other Section 75 groups.
3. Deprived areas would be highly impacted by the policy. As the nature of this impact was expected to be beneficial, the policy was considered to be New TSN positive.

Updated Equality Impact and New TSN Analyses have been conducted, using data from June 2009, to consider the extent to which Section 75 groups and deprived areas have been affected. This has been compared to the predicted impact, to confirm the accuracy or otherwise of the findings of the original EQIA and New TSN analysis. Further mitigating measures that are required as a result of this analysis have been identified.

3.2 Equality Impact Assessment

The nature of this impact, both on deprived areas and section 75 groups is likely to be beneficial – i.e. the locality of the vacant property will benefit from aesthetic improvements through increased occupation and possible regeneration. However, the groups least impacted will not suffer serious adverse effects. At worst, they will be unaffected by any benefits to be gained.

Limitations of Analysis

The analysis is based on the location of vacant properties, rather than where the owners live, as there is no comprehensive ownership database available. Owners and landlords of vacant property are the ones who are most likely to feel the detrimental impact of vacant property rating, according to the anecdotal evidence presented by stakeholders (as discussed later in the evaluation), and by the fact they will bear the burden of liability. But these owners are not necessarily located in the same area as the property for which the tax must be paid, and so the negative impact of the tax will be felt outside the area.

The impact within the area will be positive if vacant property rating has worked, as intended, to incentivise landlords to bring vacant, underutilised property back into productive use and/or back on to the market. If this is the case, those living in the areas with the greatest number of vacant properties, which is the basis of this EQIA, will feel the positive impact of the policy.

The evidence presented above, of reductions in the number of vacant properties overall, and the number of vacancies lasting for more than three months, would indicate this has happened, although there is anecdotal evidence to suggest otherwise, that some areas have become more rundown and derelict.

Therefore, because of the underlying assumption within the EQIA that the impact of vacant property rating will be felt in the area in which the vacant property is located, it is difficult to assess the nature of this impact on Section 75 groups within a locality, and whether it is positive or negative.

Assessment Approach

Those District Councils with the highest proportions of non-domestic properties that are vacant will be the ones that will be most impacted by the policy. In 2009, Belfast, Lisburn, Craigavon, Newry & Mourne, Limavady and Omagh are the six district councils which have an above average proportion of vacant non-domestic properties, compared to the Northern Ireland average.

Table 13: Non-Domestic Vacant Property by District Council- 2009

District Council	Number of vacant properties	Proportion of ND properties that are vacant	Share of Total NI population of vacant properties
Antrim	209	11.5%	2.6%
Ards	258	10.1%	3.2%
Armagh	241	10.0%	2.9%
Ballymena	249	9.9%	3.0%
Ballymoney	78	7.3%	1.0%
Banbridge	168	9.7%	2.1%
Belfast	2146	13.5%	26.2%
Carrickfergus	140	13.5%	1.7%
Castlereagh	155	10.5%	1.9%
Coleraine	280	10.7%	3.4%
Cookstown	160	9.8%	2.0%
Craigavon	468	13.8%	5.7%
Derry	495	12.8%	6.0%
Down	247	9.3%	3.0%
Dungannon	246	9.5%	3.0%
Fermanagh	284	9.1%	3.5%
Larne	133	10.9%	1.6%
Limavady	139	12.2%	1.7%
Lisburn	443	12.5%	5.4%
Magherafelt	173	9.3%	2.1%
Moyle	49	6.0%	0.6%
Newry & Mourne	481	12.3%	5.9%
Newtownabbey	277	11.5%	3.4%
North Down	251	10.8%	3.1%
Omagh	257	11.2%	3.1%
Strabane	158	10.4%	1.9%
NI	8185	11.5%	100.0%

53% of vacant properties are located in these seven district councils. The remaining 19 district council areas will suffer minimal impact.

If a Section 75 group has a significantly greater representation in these seven district council areas than elsewhere, then that group would be disproportionately affected compared to other groups.

A comparison of the percentage breakdowns of the Section 75 sub groups between the two groups of 'Most affected' and 'Remaining' district council areas are displayed below. Such information is available for gender, age, marital status, dependents, race, religious belief and disability. The differences in the percentages were tested to see if they were significant.

Table 14: EQIA Analysis

<u>2009</u>	<u>Most Affected District Council Areas</u>	<u>Remaining District Council Areas</u>
<u>Gender</u>		
Males	48.2%	49.1%
Females	51.8%	50.9%
<u>Age</u>		
0-16	24.0%	23.3%
16-59	58.9%	58.7%
60+	17.1%	18.0%
<u>Marital Status</u>		
Single (never married)	36.1%	30.9%
Married/remarried	46.9%	54.3%
separated/divorced	9.1%	7.1%
Widowed	7.9%	7.7%
<u>Race</u>		
White	99.0%	99.3%
Irish Traveller	0.12%	0.09%
other ethnic group	0.9%	0.6%
<u>Community Background</u>		
Catholic	51.3%	38.0%
Protestant	45.5%	58.9%
Other religions and philosophies	0.5%	0.3%
None	2.7%	2.8%

<u>Dependents Status</u>		
One or more non dependents, no dependents	44.0%	43.2%
Dependents with no non-dependents	19.8%	20.2%
Dependents with non-dependents	36.3%	36.6%
<u>Disability</u>		
DLA Claimants	14.3%	7.85%

No differential impact was detected for the Section 75 groups of gender, age, or dependents status. However, several sub-groups within the other Section 75 groups of Marital Status, Community Background and Race, were likely to be disproportionately impacted: in particular, those with a 'Catholic' or 'Other' community background; those who were separated/divorced; and, within the Race Section 75 group, those classified as Irish Travellers, or 'other Ethnic Groups'.

There was a significantly higher percentage of those with a disability (measured as those claiming DLA) in the most affected areas. This is in line with the findings of the original EQIA.

Equality Impact Assessments were also carried out for each of the intervening years between the commencement of the policy and the present, for 2005, 2006, 2007 and 2008. The detailed results for these are provided in annex 2. The following groups were all significantly overrepresented in the most affected district councils, compared to the remaining district councils, during these four years: separated/divorced (in the Marital Status group), 'other' ethnic groups (in the Race group), and in the Community Background group, 'other religions and philosophies' and 'none'. Unlike 2009, Irish Travellers and Catholics were not over-represented.

In conclusion, since the commencement of the policy, the findings for several sub-groups within marital status, community background and race Section 75 groups are different from that of the original EQIA, which found there would be no differential impact in these groups. In all cases, the representation of

these groups is significantly higher, rather than lower, in the most affected district councils than in the remaining councils, so these groups will be more affected by the policy than other section 75 groups.

This differential impact is considered to be beneficial to the groups concerned, given that one of the impacts of the policy has been to reduce the number of vacant properties, to the benefit of the areas in which the vacant properties are located.

The number of vacant properties has decreased by at least a third from 2004 to 2009, in all of the district councils most affected over the five years, and by as much as 44% in Belfast (see Annex 1). This decrease is to the benefit of those areas, and to the Section 75 groups who are most represented within them.

3.3 New TSN Impact Assessment

The initial impact assessment that was carried out when the policy was first introduced showed that vacant non domestic properties were more likely to be located in more deprived areas. The impact assessment therefore concluded that the policy was 'New TSN positive', as the beneficial impact of the policy was more likely to accrue in these areas.

The impact of the policy on deprived areas has once again been examined in order to determine whether this expected effect was what was experienced. Again, the approach used has been to look at the wards in which properties liable for NDVR have been located and to consider the level of deprivation exhibited by these wards. The indicator of deprivation used in the Northern Ireland Multiple Deprivation Measure (NIMDM)⁵.

The table below shows the average NIMDM score of those wards in which vacant properties were located for each of the years since the policy has been introduced, as well as an overall figure. As the table shows, the average score has been consistently around 28 – 29. When one compares this with the average NIMDM score for all wards in Northern Ireland, which is 21.37, it is clear that the actual impact of the policy has matched the expected outcome. **That is, non domestic vacant properties are more likely to be located in more deprived areas.**

Table 15: Average NIMDM Score of Wards in which vacant properties are located

Year	2004	2005	2006	2007	2008	2009
NIMDM score	29.74	28.95	29.05	29.31	29.15	28.54

As the paper has reported, this outcome is viewed as meaning that the policy has a positive impact for deprived areas. Clearly, a higher level of vacant

⁵ The NIMDM is a measure produced by NISRA and is the official measure of area based multiple deprivation, recommended for use by Northern Ireland Departments.

commercial premises in these areas does not, in itself, bring about a positive impact. However, if the policy is being successful in meeting its objectives (reducing the number of vacant premises, reducing commercial rents, improving visual character, and so on), then the impact will be more keenly felt in those areas which have experienced higher levels of vacancies. While there will be additional costs involved, in the form of increased rates, it can be assumed that these are less likely to be faced by those who are resident in the locality. In other words, any benefits are internalised in a ward, while costs will be external.

The evaluation also discusses some of the unintended consequences of the policy, which could result in additional costs. For example, if the imposition of the policy resulted in either buildings being demolished or vacant properties becoming more derelict, then of course these would not be beneficial for these communities. While there is some anecdotal evidence to suggest that this may be happening, particularly as a result of the economic downturn, there is no definitive evidence that this is a long term consequence of the policy and one that is occurring extensively. In the absence of this information, our view is that the policy can be said to have had a positive impact on deprived areas.

3.4 Rural Proofing

No rural proofing had been carried out as part of the initial impact assessment. However, the policy document had suggested that the proportion of vacant non domestic properties in rural areas would be 22%, with 77% in urban areas. Based on NISRA's Urban/Rural classification, 36.4% of wards in Northern Ireland are rural in nature, 52.6% are urban and a further 11% are of mixed urban/rural status. **The initial assessment indicated therefore that the policy was expected to impact more on urban locations.**

This outcome is not unexpected, given a broad assumption that commercial premises are more likely to locate in urban areas and the absence of much service provision in rural areas. For example, 79% of all employee jobs in Northern Ireland are located in urban areas and 84% of service sectors jobs⁶,

The impact of the policy since its introduction was therefore re-examined. Again, detailed results from this analysis are provided in annex 3. As these show, properties liable for vacant property rates have been more likely to be located in urban areas. That is, typically around 70% of liable properties are located in urban wards. This supports the original projection.

The impact of this outcome was not commented on in the original analysis. As with the New TSN impact assessment, if the policy is being effective, then it will have a beneficial impact on those wards in which non domestic vacant properties are more likely to be located. This would therefore suggest that the policy is more beneficial for urban areas. Although, on this occasion it is more difficult to determine in what type of location the costs arising from the policy will fall. That is, in the absence of ownership information, it is impossible to know where the additional costs will fall. On balance, however, our view is that as long as the policy is meeting its objectives of reducing vacancies,

⁶ DARD: Rural Statistics: A Compendium of Data to Support Rural Development Policy Formulation in Northern Ireland

decreasing commercial rents, and so on, then the positive impact for urban locations will continue.

3.5 Impact by Council

This section of the evaluation examines the distribution of vacant non domestic properties across the different district councils. Detailed results are again recorded in Annex 1.

Belfast City Council contains the highest number of vacant properties paying rates. As table A1 in Annex 1 shows, between 25 and 30% of all vacant properties each year are located in this council district. Clearly, however, Belfast contains a large proportion of all non domestic hereditaments and would therefore be expected to carry the highest proportion of vacant premises.

A key indicator in terms of the relative impact across councils is whether the proportion of vacant properties is higher or lower than the overall proportion of all non domestic properties in that council area. That is, if the share of vacant properties in a district is higher than its share of non domestic properties overall, then it could be said to be more than proportionally affected by the policy. This issue is addressed in Tables A2 to A7.

Tables A2 through to A7 compare the distribution of vacant properties among the council areas each year with the distribution of all non domestic properties. These tables show that, while Belfast does have the highest proportion of non domestic properties, the proportion of vacant premises in this council area is actually *higher* each year than their share would suggest. That is, Belfast is disproportionately affected by the policy (the difference runs between 3.2 and 5.7 percentage points).

While several other councils also appear to be disproportionately affected (including Craigavon, Derry and Antrim), the difference is not as significant as that recorded for Belfast.

For all councils, the increased revenue from NDVR will have allowed them either to set a lower rate than would otherwise have been the case without the

policy or it would mean a higher level of expenditure available for service provision. The effect of having a higher than expected proportion of vacancies in a particular council area depends on perceptions around the positive and negative impacts associated with the policy. The rating of vacant non domestic properties generates revenue for councils, which can then be spent on services within the district. Therefore, councils which have disproportionately higher numbers of vacant properties will benefit more from the policy, in terms of this outcome. Thus, Belfast is a clear beneficiary in this regard, as well as in terms of the other expected benefits that the policy is aiming to achieve.

There are costs to the policy too, of course. For example, ratepayers in councils with a disproportionate share of vacant properties will pay a greater portion of the overall regional rate burden. Unlike some of the other analysis that has been carried out at ward level, at a council level it is more likely to be the case that costs as well as benefits will be shared within the bounds of the district.

3.6 Impact by Ratepayer Type

The evaluation considered properties that were liable for NDVR in terms of the person or organisation liable for payment. This analysis was carried out in order to examine whether the policy was having a greater effect on a smaller number of landlords who owned a large number of properties or whether the burden was distributed more widely.

Examining the list of vacant properties by ratepayer revealed that liability was fairly widely distributed among a range of different property owners. While there were a number of owners of multiple properties finding themselves liable for vacant property rates, these tended in most cases to be institutional or governmental landlords (such as the NIHE, NITHCo, the councils and library boards, the universities, government departments, and so on). However, on no occasion did any of these bodies have a significant number of properties which were liable during any one year. That is, the number of vacant properties owned by any individual landlord was never higher than 0.3% of the total number of vacant cases.

3.7 Impact by Property Type

Analysis was also carried out to examine whether there were any types of property which were more likely to become liable for non domestic vacant property rates than others. The detailed results, showing the main property types each year, with their proportions, is given in Annex 4.

A number of points are notable from this analysis. Firstly, the list of property types which are most likely to be liable for vacant property rates is very similar each year. For example, the top five property types remain the same in each of the five years. The property type which makes up the highest proportion of NDVR properties is 'Shop', with 'Office' following closely. In fact, these two types of property normally make up around half of all properties which are vacant in any one year. In general terms, 'Shops' make up around 25% of all non domestic properties and 'Offices' approximately 17%. This would

therefore suggest that both are slightly over-represented among vacant properties.

The other types of property which appear most often include 'Stores', 'Workshops' and 'Warehouses'. Again, comparing the results for vacant properties with the overall non domestic valuation list, around 10% of all non domestic properties are Stores, 5% are Workshops and 2% Warehouses, implying that these property types are also over-represented among those paying NDVR.

One point which is also noted from this analysis is the presence, even among the most occurring properties, of 'Factories', despite the fact that qualifying industrial hereditaments⁷ are excluded from vacant property rates. This could be a result of properties being inappropriately recorded on the valuation list or the list not responding immediately to changes in property functions. However, it is more likely to be a reflection of the fact that a qualifying industrial property is only excluded if it is expected to retain this function 'when next in use'. That is, if an assessment is made that the property will still be used as a factory if and when re-opened, then it will be granted an exclusion.

On a similar note, also apparent among the list of most popular property types in some of the years is 'House'. Clearly, a domestic property should not be liable for non domestic vacant property rates. In this case, this probably refers either to mixed hereditaments, which are partially domestic and partially non domestic, or else are these are former domestic properties which have been converted (for example to offices) but which are still recorded primarily as domestic residences.

⁷ For a definition of a 'qualifying industrial hereditament', see annex x.

4. UNEXPECTED COSTS AND BENEFITS

4.1 Background

The evaluation has dealt so far with the costs and benefits that were expected to arise as a result of the policy. However, it is also important to recognise that there will often be unintended consequences associated with a new policy. In this section of the evaluation, therefore, we will attempt to identify these and assess what impact they have had on the overall success of the policy. As shown below, the analysis around these impacts is primarily qualitative in nature.

4.2 Impact on Rents

One unexpected outcome that could be regarded as a cost of the policy is the impact the policy is having on rents. While one of objectives set for the policy was to make commercial rents more competitive, some have claimed that the policy is having an effect on the 'rental tone' of properties. This was a cost identified during the meetings with some stakeholders, who claimed rents had fallen as a consequence of landlords becoming increasingly desperate to fill a growing number of vacant properties, to avoid large vacant property rate bills, which they can ill afford during a time of recession. While there is no data to assess the extent to which this is occurring, there is at least anecdotal evidence of cases where the rent has been reduced significantly, in some cases down to zero, so as to avoid paying vacant property rates. This is most prevalent in the retail sector.

Some stakeholders have warned that a potential long term effect of this outcome, if it persisted, is that the 'rental tone' of a property or group of properties could be lowered. This would then be reflected in future revaluations, with the result that valuations and rate revenues would be reduced. Although, future tax rates can adjust in light of falling values so as to maintain revenues.

4.3 Evidence of Constructive Vandalism

Constructive vandalism refers to the decision by property owners to modify their property in some way (e.g. removing part of roof, fire escape, etc) that would render it unsafe and not capable of being made liable for vacant property rates. There have been claims that the policy of rating vacant commercial properties is forcing some property owners to demolish their properties rather than have to pay vacant property rates. During the consultative process, stakeholders were asked for their view as to whether this was something that was happening in Northern Ireland. However, none of those consulted had any evidence that this was occurring to any significant degree. The Federation of Small Business (FSB), among others, did not feel that there was significant evidence of constructive vandalism occurring, as a result of the policy. Others, such as the RICS were aware of some anecdotal evidence that it was happening, although not extensively. It was pointed out (by FSB) that empty properties would be more vulnerable to fire etc. anyway, given that they are sitting empty often without security measures in place to protect them (in times of difficulty, security costs are among the first to be cut).

Where properties are in a very poor condition, then the owner may be entitled to a NDVR exclusion under the category "occupation prohibited by law". In these cases, the onus is on the applicant to provide enough evidence to substantiate their claim.

It is interesting to note the outcome of the DCLG consultation around modernising empty property rates, which was carried out in 2007. Among the issues examined in the consultation was whether the government should take additional steps to address rates avoidance behaviour, such as deliberately vandalising empty buildings in order to avoid having to pay rates. It is notable that the Department concluded, after consulting widely on the matter, that *"There was no substantive evidence submitted as part of the responses to the consultation document to suggest that the risk of avoidance activity would be*

anything more than low. Accordingly, the government has decided that it would be sensible to defer making anti-avoidance regulations to a later date.”

4.4 Disincentive to Development

While there was no evidence of widespread constructive vandalism in order to achieve rates avoidance, some of those consulted did suggest that one impact of vacant property rates was that landlords were being discouraged from investing to improve their properties in order to let them, because of the cost they faced in vacant property rates. Similarly, there was also a view that the policy was discouraging new commercial developments because of the risk that properties would lie vacant and be liable for rates. Again, it is difficult to isolate the impact the presence of vacant property rates might be having on the supply of new developments from wider, economic factors.

4.5 Impact on Councils of Appeals

Properties made liable for vacant property rates can be subject to appeal. Changes in liability that may arise as a result can then sometimes mean that rates are refunded, with a resultant loss in revenue for both regional and local government.

While this is an outcome that is not unique to non domestic vacant rates, some of the local government representatives did highlight as a difficulty for them. That is, some councils have found themselves in the position of having to refund revenue as a result, for example, of a property being excluded which had been previously liable for vacant rates. These exclusions may be backdated to previous years and subsequently, vacant property rate payments accumulated over that time must be returned to the ratepayer. This could have a significant impact on some councils and their budgeting processes, even with relatively small amounts of revenue involved. Some went on to call for the councils to be compensated for this, which would increase the costs associated with the scheme.

4.6 Conclusion

It is important to examine the unintended consequences of a policy because these give an indication of how economically efficient a policy is. That is, to determine the extent to which the policy is disturbing other aspects of the economy. The issues identified in the report were all identified as a result of the consultation process. The evidence provided for them is therefore mainly anecdotal, with limited data to show that they are arising directly as a result of the policy itself.

Some of the costs identified by stakeholders have become more significant since the onset of the recession. The policy was always intended, of course, to lower rents and make the property market more competitive, thus lowering costs for business. However, some consultees expressed concern that the policy is being punitive for landlords and forcing them to lower rents to beneath their market value in order to avoid having the burden of vacant rates. If this persisted, in the long term, some have claimed that could lead to the rental tone of a location being reduced, which would be reflected in future revaluations. This appears to be confined to prime retail locations, although the extent to which this is occurring is difficult to estimate. It is also not clear how quickly the market will recover if any when the economy exits the recession.

A similar cost which has been identified is that the policy acts as a disincentive both to new developments and to redevelopments of existing properties. As with the impact on rents, though, this is a cost which whose significance is likely to dissipate as the economy improves. There was no evidence either to suggest that property owners are taking the most radical step of destroying their premises in order to avoid a vacant property rates bill. Even in GB, where reports of this occurring were appearing in greater numbers, the Department there decided that there was no need to introduce additional powers to combat avoidance activity.

In summary, therefore, the most significant unexpected costs that have been identified through the evaluation are those that have come into prominence as a result of the recession. These should therefore reduce in impact as the recovery takes hold. This supports the case though for some form of short term mitigating measure until the situation improves.

5. IMPLEMENTATION AND ADMINISTRATION OF THE POLICY

5.1 Background

The evaluation was not intended to be an operational or process review of how the scheme is being administered but rather an evaluation of the effectiveness of the policy in meeting its objectives. However, it is useful as part of the assessment of the overall efficiency and effectiveness of the policy to consider the scheme's administration, including the cost of administration, to help determine whether the policy has represented value for money.

5.2 Costs of Implementation

A key issue in the overall value for money consideration is the cost of implementation and administration. The initial costs of implementing the policy of vacant property rating have been estimated to be £2m. Actual costs associated of vacant property rating have been estimated to be around £1.3m.

While many of the costs and benefits from the scheme cannot be monetised or even quantified, given the revenue collected since the policy was introduced (upwards of £60m), an administration cost of £1.3m would appear to suggest that the policy has a high benefit to cost ratio.

5.3 Collection Rates

A further indicator of the effectiveness of administration is the ratio of rates collected to rates liable. The table below shows the total Rates Assessment on vacant non-domestic property for each year since the policy was introduced. The Amount Due is this figure minus exclusions, which include the 50% relief for vacant properties, the three month free period for properties when they first become vacant, and any other exclusions (such as for listed buildings, industrial hereditaments etc.). The collection rate is the total payments received as a percentage of total payments due.

Table 16: Collection Rates

NDVR Year	Total payment due	Total Payment Received*	Cumulative % collected
2004	£14,590,593	£5,158,228	35.4%
2005	£23,980,992	£11,201,877	42.4%
2006	£15,345,154	£9,063,519	47.2%
2007	£12,469,696	£11,931,751	56.3%
2008	£14,013,862	£14,298,906	64.2%
2009	£17,092,004	£9,408,997**	62.6%
2004-2009	£97,492,301	£61,063,278	62.6%

* This figure includes include arrears from previous years, therefore could be higher than total payments due for that year

** mid -year figure - will increase towards year end

In the first year of the policy being introduced, rates were successfully collected on 22.5% of payments due. Although this figure is low, it perhaps reflects the difficulty that was experienced in the early stages of the policy in identifying who should be billed. At March 2005, or example, details were still outstanding on nearly 5,000 vacant properties.

Since 2004, there has been a steady increase each year in the percentage of rates collected. In 2005, 42% of total payments due were collected; in 2006, 47% were collected; in 2007, 56%; and in 2008, 64%. Collection figures will include arrears, so some of the payments each year will be for liability in previous years (this is especially the case for 2007, with payments received equalling 25% more than was actually due in that year).

Over the course of the five years since the introduction of the policy, including the first half of 2009, 63% of rates due (both for the current year and as arrears) have been collected.

5.4 Completion Notices

Another aspect of the administration of the policy is the use of completion notices. A completion notice can be served on a building during construction

when it is clear that the building is nearing the point at which it can be inhabited. That is, a date will be set at which point the property will then become liable for rates.

While completion notices are not used uniquely for NDVR, clearly they have an important implication in terms of determining when new buildings, if vacant, should become liable.

Some concerns were expressed during the consultation that the completion notice process was not working as efficiently as it could. For example, the RICS referred to instances of notices being given in error, not given at all or served to the wrong person or company. They felt there was a lack of understanding about how to correctly serve a completion notice, how they should be filled in, and what information is needed. This type of experience was repeated by others.

It was suggested that part of the problem in relation to the completion notice process was due to the fact that, when the policy was first implemented, responsibility for issuing of completion notices was not clearly established. More recently, an agreement has been reached with CPD for staff there to carry out completion notice visits but this was a temporary arrangement and there was no guarantee that it would continue in the longer term. LPS have been considering options for the future provision of this service. One option, for example, could be to make use of the building control officers in the councils to carry out this work.

5.5 Exclusions

Some difficulties have been expressed around the interpretation of legislation in relation to properties which are excluded from NDVR. For example, the use of the term 'prohibited by law' with regards to exclusions was considered too vague by some, leaving it open to different interpretations and, potentially, to abuse. If a property is prohibited by law from habitation, for example on health and safety grounds, it will get an exclusion. There is a view that this can be used as a loophole to avoid rates, and needs to be tightened up,

although LPS have stated that this exclusion is now robustly scrutinised before a decision is made.

Other examples of situations where there was a suggestion that the appropriateness, or otherwise, of applying vacant property rating needs to be examined include listed buildings, MOD sites, wind turbines, communication stations, ATMs.

5.6 Stakeholder Views

Stakeholders were asked for their views on the administration of the scheme. Some stakeholders did have concerns, with several feeling that the administration of the scheme by LPS was slightly cumbersome. It was acknowledged, though, that the scheme is a difficult one to administer and that LPS might have been understaffed in the past. A list of the main concerns expressed is given below. It is difficult to know how recurrent any issues identified might be or if they relate to the period immediately following implementation. However, it is worth noting what the issues were:

- a feeling that there may be a lack of detailed understanding of the policy within parts of LPS.
- a view that there was sometimes a lack of co-ordination or communication within LPS, in particular between the valuation side and the collection side.
- stakeholders were not clear of the respective roles within LPS, again, between the valuation and collection sides.
- stakeholders have reported problems finding the right person to talk to. There were also claims that contact numbers provided can sometimes be wrong.
- some raised a concern that it is difficult to get LPS to remove derelict properties from the Valuation List, although, clearly, this is not an issue related to the policy of rating vacant non domestic properties per se.
- efficiency issues around exclusions were reported. Again, some consulted suggested that properties are sometimes billed before having been properly checked for exclusion. Although, it should be recognised that

there are occasions where an NDVR bill will issue pending the outcome of the applicants' exclusion application. This process often entails the applicant or their managing agent being contacted by LPS staff to provide supporting evidence to supplement their application. It should be noted that LPS will pursue recovery action on the basis of the current valuation and that an exclusion application pending may not stop such action continuing.

The stakeholders also put forward several suggestions of how they felt the administration of the scheme might be improved, which are again worth reporting:

- it would be useful to have some form of acknowledgment of receipt of applications and a paper trail to support these
- a single point of contact would be useful and it would be preferable to deal with the same individual around a particular case - having to deal with someone different each time leads to difficulties.
- It was also suggested that cases should be assigned a reference number in order to improve case handling within LPS
- the information contained on the website could be improved.

Many of the issues raised by stakeholders perhaps reflected a general frustration with LPS as a whole, rather than with the administration of the NDVR policy per se. For example, some of the criticisms relate to difficulties in having valuations of properties changed, which is clearly a valuation rather than a collection issue.

While there may be a lack of understanding of the policy within the wider organisation, this is not apparent within the NDVR team itself. It is also true to say that the scheme is a complex one. In terms of the exclusions, for example, it is not always a simple 'yes or no' decision as to whether a property qualifies for an exclusion or not. Often, it is a matter of interpreting the legislation in order to make a judgement as to whether a particular property should be excluded. There does appear to be a feeling, though, that

knowledge and understanding of the scheme has improved over the life of the policy, as experience has developed.

As listed above, stakeholders also put forward several suggestions where they thought the system could work better for them. One issue that emerged from the consultation was that it might be useful to create a forum consisting of representatives of both LPS and other stakeholders, in order to address issues such as those that have been identified above and this might be something which might be considered going forward.

LPS have already taken to steps to address some of the issue identified. For example, meetings have taken place between the Agency, RICS and other professional bodies to address some of their concerns. Meetings also take place around individual cases with various agents. The content of the LPS website in relation to NDVR is also currently under review, with a view to it being updated.

5.7 Conclusion

LPS, on behalf of government and local councils, have a statutory obligation to bill and collect rates on vacant commercial premises. The fact that the amount of vacant property rates collected has increased steadily over the life of the policy is perhaps indicative of a general improvement in the administration of the scheme as the policy has progressed. The agency, LPS, faced considerable difficulties in identifying owners liable for vacant property rates in the early stage of the scheme. However, the number of cases in which owners' details are outstanding has reduced considerably since then. This points to an improving efficiency in the collection side.

The consultation with stakeholders did identify a number of concerns that they had with NDVR. They have also put forward some suggestions of ways in which they feel the administration of the scheme might be improved. Several of these suggestions related to various aspects of communication, both within the Agency and between LPS and ratepayers. While some of these issues

might be more historic and will have already been addressed by LPS, the suggestion of a forum between the Agency and stakeholders appears to be one worth considering.

6. STAKEHOLDER CONSULTATION

6.1 Background

A key element of the evaluation was the consultation process with stakeholders. Because this was an evaluation rather than a consideration of a new policy, a different approach was adopted to the consultation process. That is, rather than issuing a consultation document and seeking views on it, the Department chose to engage in a series of face to face meetings with stakeholders in order to generate a dialogue around the key issues. A series of meetings were held with various stakeholders over a period of three months from June to August 2009. In addition, some organisations, including the Northern Ireland Independent Retailers Association (NIIRTA), put forward a written submission.

Stakeholders were asked what they perceived the impact, costs and benefits of the policy to have been, potential and actual, both to themselves or those they represent, and to others such as local government. They were asked for their views on the administration of the policy, which has been covered in the previous section. The consultees were also asked whether or not they felt any changes were needed to the policy, to make it more equitable or to make it more suitable to achieving its objectives.

6.2 Impact of policy

All those consulted were asked for their views on the impact of the policy. NIIRTA believed that NDVR had received widespread acceptance at the time of introduction in 2004. That is, it was introduced when the Northern Ireland economy was thriving, and was seen by many as a means of ensuring high streets and town centres continued to attract investment. However in the current economic climate, NIIRTA felt NDVR was having a serious detrimental effect on retailing activity. The view of many was reflected in the contribution from the Larne Traders Forum, which stated that:

“The Regulations ... were introduced at a time when the N. Ireland economy was thriving and many supported it as a means of ensuring High Streets and Town Centres continued to attract investment. However, in the current economic climate charging rates on vacant commercial properties is having a serious detrimental effect on retailing activity.”

The original objective was to try and encourage landlords to let property rather than leaving it empty. However, The Federation of Small Businesses (FSB) had no evidence from clients that properties had actually been put on the market to avoid vacant property rates, so they felt maybe this impact had not been realised.

RICS claimed that the impact would be felt in lower rents, as vacant property rates would focus minds on getting in tenants by lowering rents, especially in lower quality properties.

Belfast City Council, DTZ McCombe Pierce and the Fair Rates Campaign (FRC) expressed the view that NDVR was a further deterrent to speculative development, at a time when such development is already almost non-existent. The view was that many developers are not completing developments and leaving the sites with minimal development completed, often to avoid vacant property rates.

For individual property owners, some, such as the Lisburn City Centre Management group (LCCM) felt that money that could go into improving an empty property, to increase the chances of letting it, is instead being paid as rates. This goes against one of the original objectives of the policy – to prevent derelict properties from sitting undeveloped for long periods of time. LCCM were concerned about the detrimental impact this was having on the visual character of town centres, with shops sitting empty and derelict. NIIRTA agreed that there were numerous Town Centre examples of ‘eyesore sites’ giving an impression of retailing inactivity and Towns in decline. This was

because landlords were incentivised to demolish buildings to avoid vacant property rates, to the detriment of the local economy.

The LCCM and BCC claimed that landlords don't need further encouragement to avoid vacancy – it is always their intention to let property as soon as they can, rather than to deliberately maintain them as vacant, with a view to making a capital gains. If a property is sitting vacant, it is because they are unable to let the property, not because they are choosing not to. Therefore, a scheme such as vacant property rating would have little or no impact.

The FRC and RICS agreed that, at the time of introduction of the policy, when the property market was doing well, few properties were empty for long periods of time anyway. This was especially the case in the prime property market. So the policy was unnecessary in times of growth (while penalising owners further when the market was in decline).

6.3 Benefits

The benefits of the policy would mainly be felt by local and central government in terms of new revenue streams, although ALGFO (the Association of Local Government Finance Officers) claimed that the revenue gathered by councils from the rating of non domestic vacant properties was not as high as had been initially anticipated when the policy was being introduced.

None of the stakeholders mentioned improvements to the visual character of run down areas as a benefit that had arisen from vacant property rating. While this was not one of the primary objectives of the policy, it was anticipated as an additional benefit that might arise. During discussions with a group of the council Local Economic Development officers, there was a recognition that properties which remain vacant tend to lead to crime and anti-social activity and, if the policy was intended to address this, then this should be welcomed.

6.4 Costs

The policy was seen as exacerbating the current difficulties faced by many commercial property owners, placing an added strain on businesses when they were in difficulty, and burdening them with an ongoing cost even after they had gone out of business (FSB, FRC). The FRC felt that it was inequitable for landlords of commercial premises to have to pay vacant property rates as a result of a tenant having to close their business.

Both the FSB and RICS stressed that a key issue for small businesses now was the lack of availability of finance. This was currently the big problem for businesses, and in itself, was preventing speculative development. Vacant property rates further compounded this, because it increases the level of risk the bank has to accept in providing finance, acting as a deterrent for them to do so.

The risk is twofold, particularly for shopping centres and the retail sector in general: There is a risk in keeping a property vacant, as it increases ongoing costs at a time when no income is being earned on the property. However, there is also a risk in trying to avoid vacancy. There is the risk that the 'rental tone' of a property may be lowered, as landlords are forced into low quality lettings, just to keep business units occupied and avoid large vacant property rate bills. This compromises the asset and undermines its value, both to the landlord and the bank. RICS felt there was evidence that this had occurred as a result of the policy.

Some stakeholders reported that rents on commercial premises had already dropped considerably. The RICS felt that it will take five years or more to get back up to where they were before the recession began. Because letting is not very price sensitive, lowering rents does not necessarily make a unit easier to let, so they may remain vacant anyhow, allowing vacant property rating to continue adding downward pressure on rental tones. Paul Martin, of Trinity Estate Agents, went further, describing vacant property rates in his

correspondence as “*draconian*” and suggesting that it was “*having a serious detrimental impact on businesses who are the lifeblood of this economy.*”

It is worth noting, though, that in some cases where the tenant has ceased trading they, by contractual lease, will be subject to NDVR and not the owner of the premises. Furthermore, the tenant could be an individual who is bankrupt or a company in liquidation and, in these circumstances, will be entitled to an NDVR exclusion. These circumstances are common and apply across the board including shopping centres where commercial units are vacant for significant periods of time.

Finally, ALGFO suggested that councils should be compensated for the cost they incur where properties which were liable for vacant property rates subsequently become excluded, and they must pay back accumulated vacant property rate payments to the ratepayer. These can be significant amounts of money for councils, and ALGFO felt they shouldn't have to bear the full cost of it.

6.5 Suggestions for Changes to the Existing Scheme

Stakeholders were asked whether or not they felt any changes were needed to the policy, to make it more equitable or to make it more suitable to achieving its objectives. Some of the options which were suggested included:

- Increasing the minimum NAV threshold

The FRC, FSB, RICS and LCCM all agreed the £2,000 NAV exclusion was too low, and was not a significant benefit to property owners, given that most properties have a higher NAV than £2000. They supported a temporary increase in the limit to £15,000, as announced by the Chancellor for properties in England. This was also supported by Banbridge District Council. During the meetings with stakeholders, some had assumed that the increase

in the minimum NAV threshold to £15,000 would apply to Northern Ireland and there was some disappointment that this hadn't happened.

- Amend the range of exclusions

FRC and FSB wanted an extension to the current 3 month free period, preferably to one year.

FRC and RICS wanted to extend the exclusions to include companies in administration, not just those in liquidation. This would match the change that had occurred in GB. LCCM, though, were unsure about the benefits of such a change.

RICS suggested that empty properties going through the planning process could be excluded from vacant property rates, as is the case in the Republic of Ireland. Also, regeneration areas should be considered for exclusion. There was also a view that, if further exclusions were being considered, then these should be focused on small businesses.

Both RICS and ALGFO agreed that the exclusion for partially listed buildings should be re-examined, but they disagreed over the exclusion of industrial properties. ALGFO questioned the rationale for excluding any industrial properties at all; RICS felt it should be extended to include non-manufacturing as well as manufacturing, in particular warehousing and storage facilities.

According to RICS, in the case of warehouse redevelopments for commercial use, an exclusion should be available, as there is always 'poor space' in these redevelopments that will never be let - this is in the very nature of redeveloping old warehouses for commercial use. Yet landlords cannot avail of exclusion for these spaces, even though they know there are no prospects of ever getting them occupied.

ALGFO also felt that those properties that are subject to an exclusion from NDVR should be policed and monitored so that the rationale for exclusion is

seen to be still valid. One suggestion was that any properties subject to an exclusion should be automatically reviewed on an annual basis or that the exclusion should end after 3 years. LPS did point out, though, that they do monitor exclusions and that each one has to be approved by a senior manager within the Agency. LPS also conduct a periodical review of these exclusions, the most recent being 2008/09.

Finally, the view was expressed by some that while changes to the policy would help, essentially, the policy was flawed and unfair, and should be abolished, preferably completely, but failing that, certainly until market conditions improved. It was NIIRTA's opinion that, given the current economic climate and need to regenerate town centres, the rating system needed to be amended to; a) provide immediate relief for landlords via a temporary rates 'holiday'; and b) give landlords an incentive to invest in town centre properties rather than demolish them, for example, through offsetting rates against expenditure on properties. The suggestion of freezing the scheme was also put forward by Lisburn City Council, in their correspondence on the issue.

6.6 Conclusion

It is clear from the stakeholders' input to the consultation that many in the business community view the presence of vacant commercial rates as placing an additional burden on many that are already struggling as a result of the downturn. While there appears to be some acceptance of the merits and aims of the policy when it was first introduced, there is now a widely held view that the current difficulties necessitate some form of mitigating measure being introduced, at least on a temporary basis, until conditions improve. Those from the local government sector, on the other hand, have also made it clear that, while there may be some difficulties with the scheme (in terms of backdating changes and so on), they would not wish to see the exclusions widened to allow more properties to be excluded from the rate.

In the following stages of the evaluation, the impact of the exclusions is examined and then the potential for amending these, as well as other options for changing the scheme, are examined.

7. EXCLUSIONS FROM NDVR

7.1 Background

The previous section has highlighted the importance that those who have an interest in the policy place on the list of property types that are excluded from NDVR. There are a number of reasons why properties might be excluded. A full list is provided in Annex 6.

Table 17 below shows the reasons why properties were excluded during each year of the policy. There have been around 14,000 cases of properties being excluded from paying vacant property rates in total over the five years. The greatest majority of these cases have been because the property had an NAV of less than £2000. It is notable, however, that the number of properties being excluded because of this has decreased significantly since the policy first began. A reason why properties below the NAV of £2,000 have decreased could be that a significant number of these are now (or have been) occupied. Similarly, properties may have been removed from the valuation list but without specific analysis on these issues it is inappropriate to speculate as there could be more plausible explanations.,

Table 17: Main Reasons for Exclusion

	2004	2005	2006	2007	2008	2009	Total
NAV less than 2000	4363	1816	1822	1246	1073	398	10718
Building preservation notice	190	206	183	56	63	64	762
Exclusion from NDVR (miscellaneous)	129	61	81	96	102	76	545
Industrial	119	195	225	235	234	219	1227
Occupation prohibited by law/crown/public authority	68	72	65	57	53	48	363
Listed Building	18	25	39	169	128	122	501
Personal representative to deceased person	17	14	8	13	12	12	76
Historic monument	15	16	18	10	25	26	110
Liquidation	7		11	11	16	9	54
Bankrupt		13	1		1		15
Exemption when next in use	2						2
Total (excluding NAV < £2000)	565	602	631	647	634	576	3655

While the number of properties being excluded because of the NAV has meant that the number of exclusions in total has decreased over the period, the total number of exclusions, excluding those with an NAV less than £2000, has remained fairly stable since 2004.

The number of exclusions as a proportion of the number of properties paying NDVR has also reduced over the life of the policy. In 2004, 28% of all vacant properties were excluded. By 2009, this had fallen to just 7%.

Aside from the NAV threshold, the highest number of exclusions occurs in relation to industrial hereditaments. Exclusions because the building is listed or because a building preservation notice applies are also important reasons. It is notable, though, that the number of properties excluded from NDVR because the company has went into liquidation is quite small, even in more recent times when the economy has been performing poorly. In 2009, for example less than 2% of those excluded (not counting those with an NAV less than £2000) were for liquidations.

7.2 Cost of Exclusions

Information was available on the financial impact of the exclusions. However, this information was in terms of the rates assessed for each property that was excluded, rather than how much would have been raised from it through vacant rates. That is, the figures provided are how much could have been raised from a property had no reliefs been granted (including the 3 month free period and 50% rating).

Thus, while this information is useful in demonstrating the relative importance of one exclusion over another, the figures should not be taken as showing the amount of revenue which will have been given up by excluding these properties. It is not possible to calculate what the actual revenue-loss will have been on each property, since we can not say for certain how long the property would have been vacant for had it not been granted an exclusion. As

a rough guide, though, the total revenue that could have been collected is around half of the values shown in the table.

Annex 7 provides the assessment information in detail for each year (again excluding the NAV threshold), showing the impact of each exclusion type . As this shows, the most costly exclusion relates to industrial properties, which makes up over £4m of the total in 2009. The listed building exclusion also costs over £2m in 2009. The cost relating to companies being liquidated has also risen over time but still remains relatively modest at around £260,000.

As table 18 below shows, the value of exclusions has increased from £6.1m in 2004 to £9.2m by 2009. As mentioned, these assessments for properties excluded are not the same as the rate revenue foregone had the property been liable for vacant rates. Nonetheless, based on these assessments, the significant revenue implications of the exclusions can be understood. The corresponding actual revenue collected each year is given in the table for comparison. This indicates that in some years the revenue foregone as a result of exclusions could have been 25% - 30% of the actual revenue collected.

Table 18: Cost of Exclusions Compared to Revenue Collected

NDVR Year	<i>Total Payment Received</i>	Total value of exclusions
2004	£5,158,228	£6,175,742
2005	£11,201,877	£6,116,953
2006	£9,063,519	£7,569,311
2007	£11,931,751	£7,135,811
2008	£14,298,906	£9,114,408
2009	£9,408,997	£9,237,333
	£61,063,278	£45,349,558

7.3 Exclusions by Property Type

Table 19 below illustrates what types of property are most likely to be excluded. As this table shows, those most likely to be liable for payment of vacant property rates are also most likely to be awarded an exclusion. For example, offices have the highest number of exclusions, as well as stores and shops.

Table 19: Exclusions by Property Type

	2004	2005	2006	2007	2008	2009
Office	176	189	223	338	325	349
Store	193	179	203	262	252	249
Shop	139	120	140	155	133	171
Workshop	66	87	115	126	162	151
Factory	38	62	89	138	140	125
Warehouse	30	29	42	82	86	78
Yard	21	25	29	32	19	17
Showroom	13	9	15	22	14	20

7.4 Exclusions by Council

To get an indication of the relative impact of these exclusions across the different councils, table 20 shows the distribution of exclusions by council, in terms of both the number of properties and the value of the exclusions, in 2009. The table also includes for comparison a breakdown of the proportion of NDVR properties in each council area in the same year. Comparing the two sets of figures allows us to examine whether any council area is disproportionately affected by exclusions.

Among the most notable results from this comparative analysis are those for Belfast, Derry and Omagh. That is, while Belfast would be expected to have the highest proportion of exclusions, the percentage in terms of number and value, is higher than the overall proportion of properties paying NDVR. That is, around 30% of exclusions are in the Belfast council area, despite it having 25% of liable properties. This implies that the Belfast council is giving up a greater than proportionate share of revenue through exclusions. Derry is being similarly affected. While just under 6% of properties liable for NDVR are located in this council area, it contains around 12% of exclusions. The result for Omagh stands out because its share of exclusions (by value) is almost twice the proportion of all liable properties, despite the proportion of exclusions by number being a much smaller share. Clearly there are a small number of fairly valuable non domestic properties excluded in Omagh in 2009. A similar result is produced when 2008 data is examined.

The value of all exclusions within each council area is also shown in table 20. As discussed above, this does not represent the actual rate revenue foregone as a result of exclusions in each area. It also shows total rates, including both district and regional. Again, as a rough guide to try and understand the actual revenue consequences of exclusions on each council, the district rate revenue foregone is around one quarter of the figures shown in the table.

Table 20: Distribution of Exclusions by Council 2009

Council	Proportion of All NDVR Properties	Proportion of Exclusions by Number	Proportion of Exclusions by Value	Value of Exclusions
Antrim	2.62%	3.47%	2.83%	£261,833
Ards	3.22%	1.22%	1.07%	£98,487
Armagh	3.12%	2.78%	4.42%	£408,067
Ballymena	3.12%	3.13%	1.48%	£136,840
Ballymoney	0.93%	1.22%	1.58%	£145,601
Banbridge	1.94%	2.08%	0.71%	£65,482
Belfast	25.43%	31.20%	30.43%	£2,810,751
Carrickfergus	1.77%	1.74%	4.06%	£375,033
Castlereagh	1.88%	0.87%	4.37%	£403,340

Coleraine	3.50%	3.82%	1.45%	£134,139
Cookstown	2.04%	1.91%	0.70%	£64,328
Craigavon	6.04%	6.77%	5.17%	£477,587
Derry	5.89%	11.98%	12.31%	£1,137,449
Down	3.18%	1.04%	0.97%	£89,445
Dungannon & S.Tyrone	3.12%	2.78%	2.50%	£231,186
Fermanagh	3.43%	2.78%	1.15%	£106,023
Larne	1.61%	2.60%	1.28%	£117,824
Limavady	1.61%	1.39%	0.18%	£16,898
Lisburn	5.19%	4.34%	6.49%	£599,439
Magherafelt	2.21%	1.74%	1.34%	£123,973
Moyle	0.65%	0.52%	0.54%	£50,240
Newry & Mourne	5.82%	3.65%	2.35%	£217,109
Newtownabbey	3.31%	1.30%	2.23%	£205,955
North Down	3.31%	1.39%	1.67%	£154,685
Omagh	3.09%	1.74%	6.33%	£584,475
Strabane	1.98%	2.43%	2.39%	£221,134

7.5 Conclusion

This section of the evaluation has highlighted the impact that excluding certain properties from vacant property rating liability has on the revenue generating potential of the scheme. For example, the exclusions are worth around £9m in 2009. In other words, had these properties not been excluded, around an additional £4m - £4.5m could have been collected in vacant property rates this year.

The biggest contributor to this is the exclusion given to qualifying industrial hereditaments, which accounts for around £4m of this total in 2009. The exclusion awarded to companies in liquidation is a relatively minor contributor to the total and there is no evidence to date that this is growing in significance as the recession has taken hold.

The analysis also demonstrates which councils carry the largest share of this loss due to exclusions. Belfast accounts for around 30% of all excluded properties, while the Derry council area also contains around 12% of all such properties.

8. WIDER POLICY AND ECONOMIC CONTEXT

8.1 UK Policy Context

This section of the report summarises the main changes which have occurred in relation to the policy of non domestic vacant property rating in other parts of the UK, since the policy was introduced in Northern Ireland.

The rating of vacant commercial premises was first introduced in Britain in 1966. A change was made to the policy in the 1980's to allow owners of industrial properties to be excluded from vacant property rates. This regime stayed largely the same until 2007, when the Chancellor announced that he intended to put forward proposals to amend the rules governing non domestic vacant property rates.

These proposals, which were first set out in detail in a consultation document issued in July 2007, have since been put into effect in April 2008. They involved some fairly significant changes to the policy. That is, up until that time, businesses by and large became liable for rates at a 50% level, after a property was vacant for 3 months. In addition, as noted, industrial properties were excluded from NDVR.

However, as a result of these amendments, property owners would now be liable for 100% rates on vacant premises, after 3 months. In addition, rates would once again become liable in the case of industrial properties, although the initial free period for these properties was to be 6 months instead of 3.

These proposals were broadly aimed at further bringing empty premises back into use and putting downward pressure on commercial rents, which, according to the consultation document, were among the highest in the world. They also came following the publication of two reports (the Barker review⁸ of

⁸ Barker Review of Land Use Planning (2006)

land use planning and the Lyons inquiry⁹ into local government) both of which called for reform of the system of reliefs awarded to empty properties in order to encourage more efficient land use.

A further change that was made as a result of this new legislation was the creation of a new exclusion, to include companies in administration. This was intended to strengthen the incentive for companies to remain viable, as part of the UK Government's desire to promote a rescue culture within business.

The most recent change to policy in relation to NDVR is one which was announced as part of the 2008 Pre-Budget Report. This change was viewed as part of the Government's response to the economic downturn. As a result of the amendment, the minimum NAV threshold below which businesses would be excluded from NDVR was increased from £2,200 to £15,000. At the time it was intended that this will only apply to the 2009/10 rating year, after which the threshold will revert back to the previous levels.

This policy was also viewed as being aimed at small businesses, given that the upper threshold to qualify for small business rate relief in England is £15,000. It was estimated that this change would benefit around 70% of all non domestic properties.

⁹ Lyons Inquiry into Local Government (2007)

8.2 NI Economic Context

Clearly, the economic climate within which the policy has operated in Northern Ireland has shifted considerably since it was first introduced. Northern Ireland had experienced a long period of economic growth and declining unemployment since the start of the decade. However, it has not been immune to the effects of the recent global economic recession, with sharp falls in output being recorded in the past 12 to 18 months. Unemployment too has risen over this time and is likely to continue to increase even after economic output returns to positive.

The tables below provide an illustration of how the economy has changed since 2004. Chart 9 shows the Northern Ireland Index of Production, which gives an indication of output from manufacturing in the economy. As this table demonstrates, following a lengthy period of sustained growth, Northern Ireland's manufacturing sector has recently experienced a rapid decline in output.

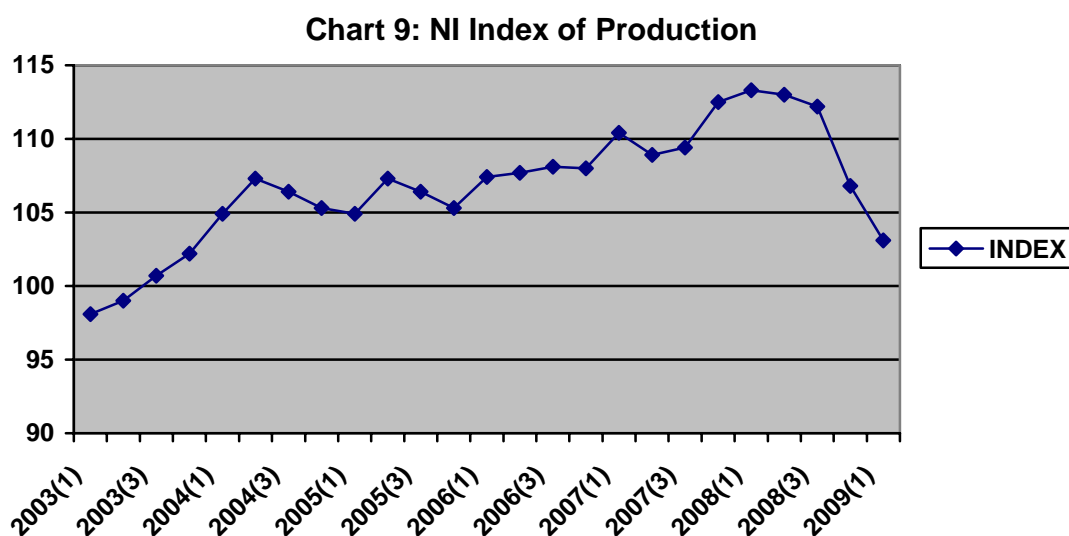
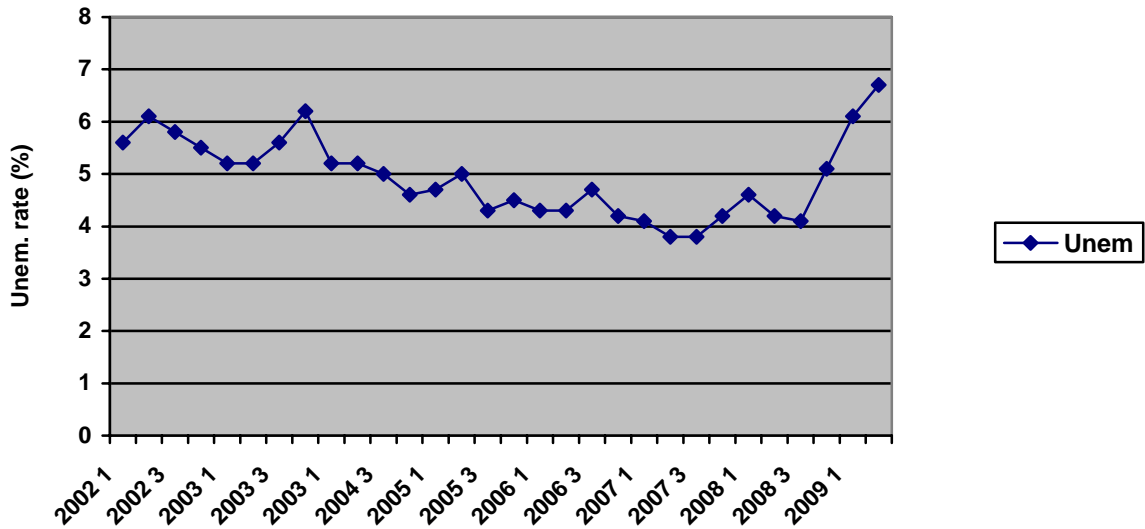


Chart 10 below demonstrates what changes have occurred in unemployment levels since 2002. Again, this shows that this has been on a gradual downward trend until very recently. Unemployment levels, though, have risen sharply since the middle of 2008, with much of this rise due to job losses in construction and in manufacturing.

Chart 10: NI Unemployment



A further indicator of the health of the local economy comes from the Inter-departmental business register. This provides statistics on the number of businesses registered and paying VAT in the UK. This is useful in the context of this evaluation in that it shows the level of business creation and failure occurring, which is obviously a crucial factor in determining the demand for commercial premises.

The figures for Wales, Scotland and the UK as a whole are included alongside those for Northern Ireland for comparative purposes. As this table shows, N. Ireland experienced a steady growth in the level of business start ups during this period. While the level of business failures has also increased, a higher degree of 'churn' of businesses is to be expected and is something which is often associated with a more vibrant economy.

Unfortunately, figures are not yet available beyond 2007, meaning that the impact of the recent decline cannot be identified. The relatively high level of de-registration in Northern Ireland recorded for 2007 does, though, perhaps point to the impending difficulties.

Table 21:Registration and De-Registrations UK

	N. Ireland		Wales		Scotland		UK	
	Reg.	De-reg.	Reg.	De-reg.	Reg.	De-reg.	Reg.	De-reg.
2000	27	22	27	24	27	25	38	31
2001	28	21	26	22	27	25	36	31
2002	28	20	27	26	27	25	37	32
2003	29	21	31	26	29	24	40	32
2004	32	22	30	23	29	24	38	31
2005	33	24	28	22	28	23	37	29
2006	33	26	27	22	28	22	37	29
2007	32	27	28	24	35	23	42	30

8.3 Conclusion

Policy around the rating of vacant commercial properties Great Britain, particularly England and Wales, has changed in several ways since the policy was introduced into Northern Ireland. The main changes have been the extension of the level of liability to 100% and the inclusion within liability of industrial properties. The fact that both these measures have not been repeated in Northern Ireland clearly means that owners of commercial premises here are already at an advantage compared to elsewhere in the UK.

These changes were made following a review aimed at modernising vacant business rates in 2007. The review also resulted in companies in administration being added to the list of exclusions in England and Wales, a move which was also not repeated in Northern Ireland.

The other significant change to policy in GB is one which was signalled as part of the Government's response to the economic downturn. That is, the increase in minimum NAV threshold to £15,000 on a temporary basis, which is expected to benefit around 70% of profits. As reported earlier, many

stakeholders have called for this move to be replicated in Northern Ireland, although it the fact that 100% liability applies in England and Wales compared to 50% in Northern Ireland is worth remembering.

Finally, the evaluation has provided a brief summary of the behaviour of the local economy since the policy was first introduced in 2004. Little needs to be said about the effect of the current recession. While there are indications that a recovery has started, the effects of the recesion on the labour and property markets are likely to be continued to felt for some time.

9. OPTIONS FOR CHANGE

9.1 Background

This section of the evaluation examines the options which are available for amending the policy. Based on the analysis carried out during the evaluation and taking into account the views gathered through the stakeholder consultation exercise, the following is a list of options which might be examined if consideration were to be given to amending the policy. The evaluation does not put forward a preferred option but rather identifies the financial, legislative and administrative implications of each, in order to allow a properly informed decision to be reached.

9.2 Options

Option 1: Extend the Initial 3 month free period

Under this option, the initial free period that applies to all properties when they first become vacant would be increased to, say, 6 months. This could be seen as a move which would recognise the difficulties that property owners are having in letting premises as a result of the economic downturn. Of course, this option would only benefit those properties that will become vacant after such a change was made.

The cost of the 3 month period in rate revenue foregone in 2008 has been estimated at around £450,000. Therefore, doubling the period could, in a worst case scenario, double the cost of this exclusion. The actual cost would depend on the length of time that properties remained vacant.

This additional cost would be shared between regional rate and district rate. Local councils, therefore, could see their rate revenues declining, by somewhere in the region of £200,000, which could have an effect on some council areas, unless it was agreed that the regional rate should take the entire effect of the reduction. This would require new legislation.

Amending the list of exclusions can be done using subordinate legislation. This could be achieved in time for April 2010, although the timescale would be tight. However, from an operational perspective, there is a risk that any change to the list of exclusions would not be achievable by April 2010. There would be a number of system changes required to enable the amendment to be made in time for bills issuing. These would have to be addressed as a matter of urgency, if this change to policy was an outcome of this evaluation.

One further point to note about this option is that it could only be applied to properties that became vacant after the change was put in place. While it would no doubt be helpful for these property owners, the measure would be of no benefit to the vast majority of properties which are currently vacant.

Option 2: Increase the Minimum NAV Threshold to £15,000

This change would mirror the temporary measure which has been put in place in England and Wales for 2009/10. It would benefit around 75% of those who are currently liable for NDVR. As in England and Wales, this increase could be put in place on a temporary basis, as a response to the downturn. Although, it should of course be remembered that 100% liability exists in England and Wales, compared to 50% in Northern Ireland.

The cost of this option, based on 2008 vacancies, has been estimated at between £5.5m and £6m in total lost revenue, again shared between regional and district rates (note, this figure is based on actual revenues collected in that year, so the cost could potentially be higher in other years).

Some analysis has been carried out to assess what council areas would be affected most by this change. The biggest impact, in money terms, would be in the Belfast council area. Approximately £1.5m of the total revenue would be lost from properties located in this area. In district rate terms, the loss to Belfast City Council would be approximately half of this total, or around £700,000 - £800,000. Other councils that would be impacted most in financial

terms include Derry (district rate loss of £150,000 - £200,000); Newry (£125,000 - £175,000 loss) and Craigavon (£100,000 - £150,000 loss). As noted above option, of course, could be to allow the regional rate to take the entire loss of the reduction.

In percentage terms, the council areas where the impact is greatest include Ballymoney, Ards and Moyle, although the financial loss in each is not significant in overall terms.

As with option 1, this option would also mean an amendment to the list of exclusions, which could therefore be put in place through subordinate legislation. There may be a possibility of introducing this option mid-year, although this would result in refunds having to be paid to those below the new limit who had paid in full, which only add to the operational difficulties. As with option 1, there would be a risk around the implementation of this option operationally, given the timescale involved, if the change was required for April 2010.

Option 3: Increase the Minimum NAV Threshold to £5,000

This option is similar to option 2, except the threshold would be raised to £5,000. This would align the policy with the Small Business Rate Relief scheme which is due to commence in April 2010. In other words, it would offer further support to small businesses.

This option would benefit just under 50% of those businesses currently liable for vacant property rates. The total cost in lost revenue is estimated at £2m, which is clearly more modest than extending the limit to £15,000. Again, the council areas affected most would be Belfast (£175,000 - £200,000 estimated loss in district rate revenue); Newry (£50 - £75,000); Craigavon (£40 - £60,000); and also Down (£40 - £50,000).

Option 4: Suspend the Scheme for a Limited Period

Under this option, the policy would be suspended for a specific period, again as a temporary measure in response to the economic downturn.

Suspending the scheme would mean that any revenues that were expected for both regional and local government were being foregone. This is likely to result in a total loss of around £15m, which could potentially increase the tax burden on other businesses and domestic ratepayers. A decision would have to be taken as to whether the suspension should apply only to new vacancies and that any arrears would continue to be sought, or if all collection activity should stop.

Implementing this option would be relatively straightforward, in that bills would simply not issue as normal. However, one potential problem is the impact the break would have when the policy recommences after the suspension. That is, many of the difficulties faced when the policy was first introduced, particularly around establishing ownership of properties, are likely to return, leading to inefficiencies in the administration of the policy. It is also not clear what the legislative implications would be of seeking to suspend the scheme for a fixed period. These would need to be examined in more detail if this option was to be taken forward. It may be that primary legislation would be required either to repeal the current legislation or to re-enact it at some later point.

Option 5: Add Companies in Administration to the Exclusions

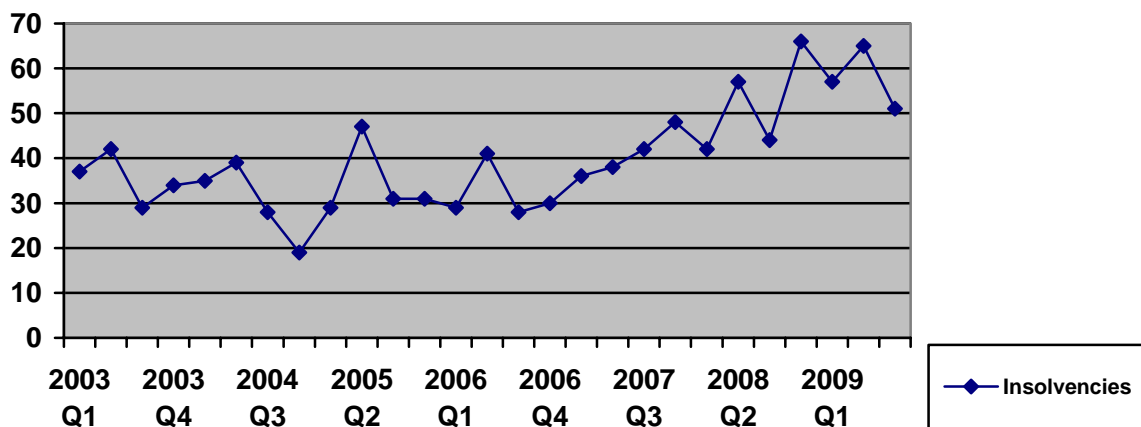
This option would again mirror a change that has occurred in GB policy, which arose out of the review of vacant business rates carried out by DCLG in 2007. Given the current economic climate, companies seeking administration are becoming more prevalent, including a number of high profile names in recent months (such as Woolworths, MFI and Zavvi).

It is difficult to estimate the cost of this option, as information has not been gathered on the number of companies in administration that are liable for NDVR. However, it is estimated that this option would lead to a total revenue loss of around £1.5 to £2m.

Because of the nature of companies in administration, in many case the rates due on these properties are not collected and so often end up being written off. In other words, much of the revenue lost through proceeding with this option would not have been collected anyway. Write offs will ultimately affect the revenues available for central and local government and so the ultimate impact might largely be the same.

Specific information is not available on the number of administrations occurring in Northern Ireland. However, as the chart below demonstrates, the number of insolvencies continues to remain at high levels, indicating that there would be an ongoing demand for this measure to be implemented:

Chart 11: Insolvencies Northern Ireland¹⁰



¹⁰ DETI

Option 6: End the Exclusion for Industrial Properties

As with option 4, this option would reflect the change in policy direction that has occurred in GB, where industrial properties are now liable for vacant property rates after a 6 month free period.

Ending the exclusion completely would generate an additional £4.6m in revenue. The council that would benefit most from this policy would be Derry, with around an additional £400,000 in district rates. Other councils that would benefit most include Belfast, Lisburn and Carrickfergus.

Clearly, placing NDVR on to industrial properties would place an added burden on to the manufacturing sector, which would be unwelcome in the current climate. Although, the greatest difficulty in terms of letting properties appears to be within the retail sector, particularly in prime locations. In addition, the evidence presented earlier does not suggest that the policy has had any significant differential impact on the demand for industrial premises in Northern Ireland, compared to elsewhere in the UK, where vacant industrial units are liable.

Option 7: Exclude Properties where Planning Permission is being sought

This option is one that has emerged out of the consultation process. It is along the lines of policy which exists in the Republic of Ireland.

It is difficult to estimate with any accuracy what the cost of such an option would be. To date, only one application has been made for an NDVR exclusion on these grounds. More detailed analysis would be required around this, if the option was chosen.

The obvious risk with this option is the possibility that property owners would simply make use of the planning application process as a means of avoiding having to pay NDVR. Not only would this threaten the viability of the scheme

but it could also damage the planning system itself, with the increased demand for unnecessary applications leading to delays for genuine applications. The legislative implications of this option also require further consideration.

The need for more detailed examination of a number of issues in relation to this option probably precludes it as a realistic option in the short term (i.e. for April 2010 implementation) and one that should be considered instead as a longer term option.

Option 8: Reduce the Level of Liability

One final option to consider would be to reduce the level of liability below 50%, perhaps as a temporary measure in light of the recession. This would benefit owners of those properties that are currently paying vacant property rates, as well as those who would become liable.

The financial impact would depend on the new level at which liability would be set. A reduction in liability to 25%, for example, would cut the expected revenue in half, costing an estimated £4.5m - £5m in overall rate revenues. Again, the impact on council revenues is clear.

Under the legislation, it is possible to reduce the level of liability at which vacant properties pay rates below the current 50%. Therefore, such a change could be introduced through subordinate legislation.

9.3 Conclusion

The evaluation has considered several options for amending the scheme. These have related mainly to altering the range of property types which are excluded from vacant property rates. The aim has not been to recommend whether any of these options should be taken forward. Rather, it was simply to present what appear to be the most realistic choices available, based on

the evidence gathered and taking into account the views of stakeholders gathered during the consultation.

The majority of the options which have been identified in the evaluation would involve easing the burden of the scheme. They can therefore be viewed as options which are available for mitigating the impact of the policy, in response to the ongoing recession. The evaluation has not considered in any detail the potential for more structural changes such as, for example, increasing liability to 100% to match policy in GB. It might be decided that options such as this (or ending the exclusion for industrial properties) should be examined when a more stable economic environment returns and in the context of a wider review of the policy and in particular the range of exclusions which apply.

A number of points appear clear, though, regardless of what option, if any, is chosen. These include the fact that any option to extend the range of exclusions will impact on the revenues of both central government and the councils. Any loss of revenue means one of two things – either less money is available for services or else rates have to be increased elsewhere to make up the shortfall.

A further point to note is that any change to the list of exclusions will require a change in legislation. It does appear that this would be possible in most cases through subordinate legislation, with a negative resolution. These conditions are favourable if there is a desire to introduce any amendment to the scheme in time for bills issuing in April 2010. However, this is not to underestimate the difficulties in introducing any new legislation in such a short period of time. Any unforeseen delay would therefore jeopardise its introduction.

Finally, there are even more significant risks in relation to the operational implementation of any policy change in time for April 2010 billing. That is, there are a number of process, IT, administrative and other system changes that would be required in order to allow this to happen. Again, this might not be achievable in the short space of time available. Information is normally supplied to the councils around their penny products in advance to enable

them to set their district rates for the incoming year. Any change to policy would therefore need to be reflected in this.

10. OVERALL CONCLUSIONS

There were a number of aims carrying out any evaluation. These include identifying whether the policy has met the objectives which were set for it; whether the expected costs and benefits actually arose; whether there were any unexpected consequences; and, ultimately, to decide if the policy should continue in its current form or be amended. This evaluation of the policy of rating vacant non domestic properties has taken on added significance at this time due to the changing economic conditions that have occurred recently and the impact that this has had on the commercial property market. As a result, the evaluation has also had to take these wider conditions into account in judging the impact of the policy.

In terms of whether the policy has met its objectives, the evaluation has shown that some of these have been clearly met. That is, there has been a widening of the tax base, with some additional 10,000 properties per year now being liable for rates. There has also been added revenue for both the regional government and local councils. Both these outcome will have brought positive benefits in terms an increased provision of public services or allowing rate rises to be limited.

It is more difficult, however, to establish if the policy has been effective in meeting some of the other objectives which were set, particularly the wider objectives around influencing the property market, improving the supply of commercial properties for let, making rents more competitive, and so on. This judgement has been made more difficult as a result of the somewhat unprecedented economic climate that has existed during the life of the policy. That is, when the policy was first introduced, this was a period of strong economic growth coupled with a buoyant property market, which would have pushed up demand and encouraged new developments in any event. This period was then followed by the rapid economic decline, significant readjustment in the property market, and all the associated difficulties that are now being witnessed.

There is some evidence to suggest that, when the policy was first introduced, there was a sense that it would act as an influencing factor in encouraging landlords to make their premises available. However, it appears that any impact has been overshadowed by the wider economic forces that have taken hold. It may take a more stable economic environment to return before the impact of the policy can be determined.

As mentioned, the main benefit from the scheme is the additional revenue that has been generated for regional and local government. Over the course of the policy to date, over £60m has been collected in vacant property rates. Compared with an estimated administrative cost of around £1.3m, this suggests that the policy has a significant cost-benefit ratio, which makes the policy appear value for money. There are some wider, less quantifiable costs, particularly at this current time. These include the impact, especially it appears in the retail sector, of landlords having to reduce rents significantly to avoid paying vacant property rates and the secondary effect that this then could have on rental tone. In addition, many commercial landlords view the presence of vacant property rates as an unwelcome burden at a time when conditions are already extremely difficult. This has led some to call for a temporary respite from the policy, until normal conditions return to the market.

The impact of the policy appears to be being felt more in urban areas, with around one quarter of all vacant properties being located in Belfast for example. As the evaluation has discussed, however, this means that the benefits and costs are more likely to arise in the same locations too. The evaluation has also shown that it is a policy is most likely to fall on owners of shops and offices, with these two categories making up around half of all those liable for vacant property rates.

The evaluation has identified some concerns that stakeholders have around the administration of the scheme. Some of these concerns might be more historic in nature or may relate to wider frustrations around the rating system in general. However, there may be improvements in communications that

could be made and the idea of a forum between LPS and stakeholders is one that might be worth pursuing as a way of addressing this perceived deficiency.

As has been mentioned, the current economic difficulty is leading many to question whether the policy, in its current form, is proving punitive to owners of commercial premises. The data has not shown the downturn to have had a dramatic impact on the number of vacant properties and other indicators, such as the number of exclusions due to liquidation, have also not changed significantly. It may be that there is a lag between the impact of the downturn and this being reflected in the statistics around vacant property rates. Evidence from other sources is clear though that the recession has had an impact on the commercial property market throughout the UK, although there are tentative signs that the worst is behind us.

The evaluation has considered some options for amending the scheme, with some of these viewed as temporary measures, in light of the concerns expressed around the current impact of the recession. These have mainly focused around the range of exclusions and would involve extending these in various ways. None of these options are without cost and the impact that each would have on local councils would need to be considered carefully, unless it was decided that the total effect should be borne by the regional rate. This is not a cost-free alternative, of course, with a lower regional rate meaning less expenditure for government services or raising additional revenue elsewhere. The current extremely tight budgetary outlook for government also makes this a difficult choice to make, of course.

There are other issues to consider, if the choice was to make a change to the scheme in time for bills issuing in April 2010. Legislative change would be required. While in most cases this would be a fairly straightforward amendment using subordinate legislation, this would still leave a relatively short timeframe in which to achieve this by next April. Of greater concern, though, would be the risks that would LPS in being able to implement any change to operational procedures by that date. There are a number of factors to take into account, including new IT systems, system testing, new

administrative procedures, training, and so on. The impact on penny products would also have to be determined and communicated quickly to councils. The EPP information for councils to allow them to strike their rates for 2010/11 has already been provided.

The evaluation has not examined in any detail the potential for making more long term changes to the policy (for example, increasing liability to 100% to align with policy in England and Wales). It might be decided that these should be looked at again when more stable economic conditions allow and in the context of a review of all the exclusions and concessions which apply.

In summary, therefore, in many ways this does appear to be a policy which represents good value for money and which has been effective in meeting a number of objectives. It also appears to have had sound economic motives. The impact of the policy on the commercial property market has been difficult to determine because of the peaks and troughs that have been experienced in the local economy during the life of the policy. The impact should continue to be monitored and revisited when more stable conditions re-emerge.

The effect of the current recession also cannot be ignored when considering the impact of the policy. Many landlords view the tax as placing an additional unwelcome burden at a time when they are struggling to identify possible tenants for their premises. Options are available for amending the scheme to reduce the range of properties that would be liable for vacant property rates but none of these are without cost and would impact on the finances available for both central and local government, at a time when budgets are already facing constraints.

Annex 1: Impact by District Council

Table A1: Number of Vacant Properties by Council by Year

Council	Number of Properties						% change from 2004-2009
	2004	2005	2006	2007	2008	2009 ¹¹	
Antrim	305	280	282	276	260	200	-34%
Ards	406	337	306	298	294	244	-40%
Armagh	367	276	267	276	268	234	-36%
Ballymena	346	259	268	289	296	234	-32%
Ballymoney	157	110	114	127	81	70	-55%
Banbridge	265	175	183	164	187	164	-38%
Belfast	3677	2740	2672	2825	2602	2059	-44%
Carrickfergus	222	163	157	133	148	131	-41%
Castlereagh	205	164	152	169	174	147	-28%
Coleraine	421	370	356	337	320	260	-38%
Cookstown	244	214	210	201	191	154	-37%
Craigavon	696	570	507	549	535	456	-34%
Derry	744	655	566	578	588	470	-37%
Down	360	307	259	281	281	241	-33%
Dungannon & S.Tyrone	377	320	299	292	277	237	-37%
Fermanagh	393	325	333	387	348	271	-31%
Larne	203	165	153	142	159	126	-38%
Limavady	192	137	153	127	141	127	-34%
Lisburn	611	468	472	459	475	415	-32%
Magherafelt	235	212	173	182	166	165	-30%
Moyle	76	58	60	82	68	48	-37%
Newry & Mourne	680	520	496	491	519	450	-34%
Newtownabbey	498	369	348	341	336	260	-48%
North Down	423	335	317	320	293	246	-42%
Omagh	379	332	318	289	292	243	-36%
Strabane	228	187	172	180	167	149	-35%
Total	12710	10048	9593	9795	9466	7801	-39%

¹¹ 2009, to date

Table A2: Proportion of All Properties Paying NDVR by Council – 2004

Council	Proportion of All NDVR Properties	Proportion of All Non Domestic Properties	Difference
Antrim	2.48%	2.54%	-0.06%
Ards	3.43%	3.58%	-0.15%
Armagh	2.91%	3.39%	-0.48%
Ballymena	2.76%	3.53%	-0.77%
Ballymoney	1.07%	1.50%	-0.43%
Banbridge	2.11%	2.42%	-0.30%
Belfast	27.94%	22.23%	5.71%
Carrickfergus	1.82%	1.45%	0.37%
Castlereagh	1.48%	2.06%	-0.58%
Coleraine	3.33%	3.67%	-0.34%
Cookstown	1.88%	2.30%	-0.42%
Craigavon	5.74%	4.74%	0.99%
Derry	5.60%	5.40%	0.20%
Down	3.01%	3.70%	-0.68%
Dungannon & S.Tyrone	3.03%	3.63%	-0.60%
Fermanagh	3.08%	4.37%	-1.29%
Larne	1.70%	1.71%	-0.01%
Limavady	1.58%	1.60%	-0.02%
Lisburn	4.92%	4.97%	-0.06%
Magherafelt	1.93%	2.61%	-0.68%
Moyle	0.61%	1.15%	-0.54%
Newry & Mourne	5.49%	5.48%	0.01%
Newtownabbey	3.83%	3.37%	0.46%
North Down	3.46%	3.27%	0.20%
Omagh	2.96%	3.20%	-0.24%
Strabane	1.86%	2.14%	-0.28%

Table A3: Proportion of All Properties Paying NDVR by Council – 2005

Council	Proportion of All NDVR Properties	Proportion of All Non Domestic Properties	Difference
Antrim	2.85%	2.54%	0.31%
Ards	3.55%	3.58%	-0.03%
Armagh	2.90%	3.39%	-0.48%
Ballymena	2.57%	3.53%	-0.96%
Ballymoney	1.01%	1.50%	-0.49%
Banbridge	1.79%	2.42%	-0.63%
Belfast	26.17%	22.23%	3.94%
Carrickfergus	1.75%	1.45%	0.30%
Castlereagh	1.66%	2.06%	-0.40%
Coleraine	3.79%	3.67%	0.12%
Cookstown	2.06%	2.30%	-0.24%
Craigavon	5.83%	4.74%	1.09%
Derry	6.12%	5.40%	0.72%
Down	3.24%	3.70%	-0.46%
Dungannon & S.Tyrone	3.20%	3.63%	-0.43%
Fermanagh	3.23%	4.37%	-1.14%
Larne	1.66%	1.71%	-0.05%
Limavady	1.40%	1.60%	-0.20%
Lisburn	4.77%	4.97%	-0.20%
Magherafelt	2.06%	2.61%	-0.55%
Moyle	0.61%	1.15%	-0.54%
Newry & Mourne	5.33%	5.48%	-0.15%
Newtownabbey	3.75%	3.37%	0.38%
North Down	3.47%	3.27%	0.20%
Omagh	3.23%	3.20%	0.02%
Strabane	1.99%	2.14%	-0.14%

Table A4: Proportion of All Properties Paying NDVR by Council – 2006

Council	Proportion of All NDVR Properties	Proportion of All Non Domestic Properties	Difference
Antrim	2.97%	2.54%	0.43%
Ards	3.35%	3.58%	-0.23%
Armagh	2.89%	3.39%	-0.50%
Ballymena	2.86%	3.53%	-0.67%
Ballymoney	1.07%	1.50%	-0.43%
Banbridge	1.93%	2.42%	-0.49%
Belfast	26.63%	22.23%	4.40%
Carrickfergus	1.72%	1.45%	0.27%
Castlereagh	1.50%	2.06%	-0.56%
Coleraine	3.82%	3.67%	0.15%
Cookstown	2.16%	2.30%	-0.14%
Craigavon	5.48%	4.74%	0.74%
Derry	5.69%	5.40%	0.30%
Down	2.85%	3.70%	-0.85%
Dungannon & S.Tyrone	3.13%	3.63%	-0.50%
Fermanagh	3.52%	4.37%	-0.85%
Larne	1.65%	1.71%	-0.06%
Limavady	1.66%	1.60%	0.06%
Lisburn	4.99%	4.97%	0.02%
Magherafelt	1.86%	2.61%	-0.75%
Moyle	0.68%	1.15%	-0.47%
Newry & Mourne	5.26%	5.48%	-0.22%
Newtownabbey	3.69%	3.37%	0.32%
North Down	3.45%	3.27%	0.18%
Omagh	3.26%	3.20%	0.05%
Strabane	1.92%	2.14%	-0.22%

Table A5: Proportion of All Properties Paying NDVR by Council – 2007

Council	Proportion of All NDVR Properties	Proportion of All Non Domestic Properties	Difference
Antrim	2.86%	2.54%	0.32%
Ards	3.19%	3.58%	-0.39%
Armagh	2.94%	3.39%	-0.45%
Ballymena	3.12%	3.53%	-0.41%
Ballymoney	1.26%	1.50%	-0.24%
Banbridge	1.69%	2.42%	-0.73%
Belfast	27.33%	22.23%	5.09%
Carrickfergus	1.43%	1.45%	-0.02%
Castlereagh	1.75%	2.06%	-0.31%
Coleraine	3.54%	3.67%	-0.14%
Cookstown	2.07%	2.30%	-0.22%
Craigavon	5.87%	4.74%	1.13%
Derry	5.62%	5.40%	0.23%
Down	3.06%	3.70%	-0.63%
Dungannon & S.Tyrone	3.01%	3.63%	-0.62%
Fermanagh	3.96%	4.37%	-0.40%
Larne	1.46%	1.71%	-0.24%
Limavady	1.36%	1.60%	-0.24%
Lisburn	4.80%	4.97%	-0.17%
Magherafelt	1.94%	2.61%	-0.67%
Moyle	0.92%	1.15%	-0.23%
Newry & Mourne	5.10%	5.48%	-0.38%
Newtownabbey	3.46%	3.37%	0.09%
North Down	3.44%	3.27%	0.17%
Omagh	2.98%	3.20%	-0.22%
Strabane	1.84%	2.14%	-0.30%

Table A6: Proportion of All Properties Paying NDVR by Council – 2008

Council	Proportion of All NDVR Properties	Proportion of All Non Domestic Properties	Difference
Antrim	2.82%	2.54%	0.28%
Ards	3.24%	3.58%	-0.34%
Armagh	2.94%	3.39%	-0.45%
Ballymena	3.25%	3.53%	-0.28%
Ballymoney	0.88%	1.50%	-0.62%
Banbridge	1.82%	2.42%	-0.60%
Belfast	26.49%	22.23%	4.26%
Carrickfergus	1.60%	1.45%	0.14%
Castlereagh	1.85%	2.06%	-0.21%
Coleraine	3.49%	3.67%	-0.19%
Cookstown	2.10%	2.30%	-0.20%
Craigavon	5.85%	4.74%	1.10%
Derry	5.89%	5.40%	0.50%
Down	3.10%	3.70%	-0.60%
Dungannon & S.Tyrone	2.98%	3.63%	-0.66%
Fermanagh	3.74%	4.37%	-0.63%
Larne	1.69%	1.71%	-0.02%
Limavady	1.53%	1.60%	-0.07%
Lisburn	4.99%	4.97%	0.02%
Magherafelt	1.84%	2.61%	-0.77%
Moyle	0.78%	1.15%	-0.38%
Newry & Mourne	5.60%	5.48%	0.11%
Newtownabbey	3.47%	3.37%	0.10%
North Down	3.21%	3.27%	-0.05%
Omagh	3.08%	3.20%	-0.13%
Strabane	1.81%	2.14%	-0.32%

Table A7: Proportion of All Properties Paying NDVR by Council – 2009

Council	Proportion of All NDVR Properties	Proportion of All Non Domestic Properties	Difference
Antrim	2.62%	2.54%	0.08%
Ards	3.22%	3.58%	-0.36%
Armagh	3.12%	3.39%	-0.27%
Ballymena	3.12%	3.53%	-0.41%
Ballymoney	0.93%	1.50%	-0.57%
Banbridge	1.94%	2.42%	-0.48%
Belfast	25.43%	22.23%	3.20%
Carrickfergus	1.77%	1.45%	0.32%
Castlereagh	1.88%	2.06%	-0.18%
Coleraine	3.50%	3.67%	-0.17%
Cookstown	2.04%	2.30%	-0.25%
Craigavon	6.04%	4.74%	1.29%
Derry	5.89%	5.40%	0.49%
Down	3.18%	3.70%	-0.52%
Dungannon & S.Tyrone	3.12%	3.63%	-0.51%
Fermanagh	3.43%	4.37%	-0.93%
Larne	1.61%	1.71%	-0.10%
Limavady	1.61%	1.60%	0.01%
Lisburn	5.19%	4.97%	0.22%
Magherafelt	2.21%	2.61%	-0.40%
Moyle	0.65%	1.15%	-0.50%
Newry & Mourne	5.82%	5.48%	0.33%
Newtownabbey	3.31%	3.37%	-0.06%
North Down	3.31%	3.27%	0.04%
Omagh	3.09%	3.20%	-0.11%
Strabane	1.98%	2.14%	-0.16%

Annex 2: EQIA Analysis

2005

		<u>Most Affected District Council Areas</u>	<u>Remaining District Council Areas</u>
Gender	Males	48.11%	49.33%
	Females	51.89%	50.67%
Age	0-16	22.97%	24.22%
	16-59	59.03%	58.51%
	60+	18.00%	17.26%
Marital Status	Single (never married)	34.94%	31.39%
	Married/remarried	47.88%	54.17%
	separated/divorced	9.07%	6.91%
	Widowed	8.10%	7.53%
Ethnic Group	White	98.95%	99.34%
	Irish Traveller	0.09%	0.11%
	other ethnic group	0.96%	0.55%
Community Background	Catholic	42.19%	45.21%
	Protestant	53.96%	52.36%
	Other religions and philosophies	0.54%	0.25%
	None	3.31%	2.19%
Dependents	One or more non dependents, no dependents	44.59%	42.44%
	Dependents with no non- dependents	20.64%	19.43%
	Dependents with non- dependents	34.78%	38.13%

2006

		<u>Most Affected District Council Areas</u>	<u>Remaining District Council Areas</u>
Gender	Males	48.11%	49.33%
	Females	51.89%	50.67%
Age	0-16	22.97%	24.22%
	16-59	59.03%	58.51%
	60+	18.00%	17.26%
Marital Status	Single (never married)	34.94%	31.39%
	Married/remarried	47.88%	54.17%
	separated/divorced	9.07%	6.91%
	Widowed	8.10%	7.53%
Ethnic Group	White	98.95%	99.34%
	Irish Traveller	0.09%	0.11%
	other ethnic group	0.96%	0.55%
Community Background	Catholic	42.19%	45.21%
	Protestant	53.96%	52.36%
	Other religions and philosophies	0.54%	0.25%
	None	3.31%	2.19%
Dependents	One or more non dependents, no dependents	44.59%	42.44%
	Dependents with no non-dependents	20.64%	19.43%
	Dependents with non- dependents	34.78%	38.13%

2007

		<u>Most Affected District Council Areas</u>	<u>Remaining District Council Areas</u>
Gender	Males	47.94%	49.18%
	Females	52.06%	50.82%
Age	0-16	23.22%	23.84%
	16-59	59.06%	58.60%
	60+	17.72%	17.56%
Marital Status	Single (never married)	36.70%	31.15%
	Married/remarried	45.68%	54.09%
	separated/divorced	9.48%	7.13%
	Widowed	8.14%	7.63%
Ethnic Group	White	98.86%	99.31%
	Irish Traveller	0.10%	0.10%
	other ethnic group	1.04%	0.58%
Community Background	Catholic	47.39%	41.79%
	Protestant	49.06%	55.33%
	Other religions and philosophies	0.59%	0.28%
	None	2.96%	2.60%
Dependents	One or more non dependents, no dependents	45.01%	42.64%
	Dependents with no non-dependents	20.33%	19.86%
	Dependents with non-dependents	34.66%	37.50%

2008

		<u>Most Affected District Council Areas</u>	<u>Remaining District Council Areas</u>
Gender	Males	48.08%	49.26%
	Females	51.92%	50.74%
Age	0-16	23.38%	23.81%
	16-59	59.14%	58.47%
	60+	17.48%	17.72%
Marital Status	Single (never married)	35.31%	31.39%
	Married/remarried	47.37%	54.07%
	separated/divorced	9.36%	6.86%
	Widowed	7.96%	7.68%
Ethnic Group	White	98.94%	99.32%
	Irish Traveller	0.09%	0.11%
	other ethnic group	0.97%	0.57%
Community Background	Catholic	43.34%	44.08%
	Protestant	52.92%	53.29%
	Other religions and philosophies	0.54%	0.27%
	None	3.19%	2.36%
Dependents	One or more non dependents, no dependents	44.67%	42.54%
	Dependents with no non- dependents	20.05%	20.02%
	Dependents with non- dependents	35.28%	37.44%

Annex 3: Rural Proofing Analysis

2004

STATUS	PROPORTION OF NDVR PROPERTIES (%)
Mixed	11.09
Rural	17.35
Urban	71.55

2005

STATUS	PROPORTION OF NDVR PROPERTIES (%)
Mixed	11.41
Rural	18.09
Urban	70.50

2006

STATUS	PROPORTION OF NDVR PROPERTIES (%)
Mixed	11.13
Rural	18.39
Urban	70.48

2007

STATUS	PROPORTION OF NDVR PROPERTIES (%)
Mixed	10.54
Rural	18.59
Urban	70.87

2008

STATUS	PROPORTION OF NDVR PROPERTIES (%)
Mixed	10.84
Rural	18.14
Urban	71.02

2009

STATUS	PROPORTION OF NDVR PROPERTIES (%)
Mixed	11.09
Rural	18.68
Urban	70.22

Annex 4: NDVR by Property Type

2004

PROPERTY TYPE	PERCENTAGE OF PROPERTIES PAYING NDVR (%)
Shop	26.4
Office	19.0
Store	13.2
Workshop	5.2
Warehouse	3.5
Showroom	1.8
Car Park	1.2
Restaurant	1.0
Factory	1.0
Cafe	0.9

2005

PROPERTY TYPE	PERCENTAGE OF PROPERTIES PAYING NDVR (%)
Shop	28.1
Office	20.6
Store	14.5
Workshop	6.7
Warehouse	4.0
Showroom	2.0
House	1.3
Factory	1.3
Car Park	1.2
Licensed Shop	1.2

2006

PROPERTY TYPE	PERCENTAGE OF PROPERTIES PAYING NDVR (%)
Shop	28.6
Office	21.5
Store	14.9
Workshop	6.4
Warehouse	4.2
Showroom	2.0
Factory	1.5
House	1.5
Licensed Shop	1.2
Cafe	1.1

2007

PROPERTY TYPE	PERCENTAGE OF PROPERTIES PAYING NDVR (%)
Shop	28.7
Office	21.8
Store	14.3
Workshop	6.6
Warehouse	4.4
Showroom	2.2
Car Park	1.7
Factory	1.5
Licensed Shop	1.4
Cafe	1.1

2008

PROPERTY TYPE	PERCENTAGE OF PROPERTIES PAYING NDVR (%)
Shop	29.7
Office	21.3
Store	13.8
Workshop	6.3
Warehouse	4.4
Showroom	2.1
Car Park	1.9
Factory	1.8
Licensed Shop	1.5
Cafe	1.1

2009

PROPERTY TYPE	PERCENTAGE OF PROPERTIES PAYING NDVR (%)
Shop	30.2
Office	21.0
Store	13.9
Workshop	6.7
Warehouse	4.6
Factory	2.2
Showroom	2.2
Restaurant	1.0
Licensed Shop	0.8
Cafe	0.8

Annex 5: List of Stakeholders who contributed to the consultation

Association of Local Government Finance Officers (ALGFO)

Banbridge District Council

Federation of Small Businesses (FSB)

Kings Sturge

Land and Property Services (LPS)

Lisburn City Centre Management

Lisburn City Council

Local Government Local Economic Development Officers (LED) (with officials from Belfast City Council)

Northern Ireland Fair Rates Campaign (FRC)

Northern Ireland Independent Retail Trade Association (NIIRTA)

Royal Institution of Chartered Surveyors (RICS)

Trinity Estate Agents

Annex 6: List of Exclusions

The properties eligible for an exclusion are:

- A Qualifying Industrial Hereditament (see annex 8)
- A property where occupation is prohibited by law
- A property where occupation is prohibited by the crown, public authority, dock authority or district council
- The property is a listed building or is the subject of a building preservation notice
- The property is a historic monument (in whole or part)
- The property is the responsibility of the personal Representative of a deceased person
- The person entitled to possession is subject to a bankruptcy order
- The person entitled to possession is entitled to possession of the hereditament in their capacity as a trustee under a deed of arrangement
- The person entitled to possession is a company which is subject to a winding-up order.
- The person entitled to possession is entitled to possession of the hereditament in their capacity as liquidator
- A hereditament, other than a fishery, where the Foyle, Carlingford and Irish Lights Commission is entitled to possession.

Annex 7: Value of Exclusions by Year

Reason for Exclusion	2004	2005	2006	2007	2008	2009
Building preservation notice	£3,195,711	£1,874,016	£1,805,675	£392,737	£472,098	£513,967
Exclusion from NDVR	£111,818	£286,968	£683,063	£1,187,865	£1,610,502	£1,369,218
Industrial	£1414756	£2,706,492	£3,255,085	£1,778,531	£2,279,845	£2,498,399
Industrial Hereditament	£111279	£325,376	£605,416	£1,300,980	£2,207,656	£2,194,211
Listed Building	£127923	£186,459	£385,849	£1,810,363	£1,824,837	£1,798,753
Personal representative to deceased person	£87766	£27,989	£12,975	£16,907	£24,416	£23,196
Historic monument	£364935	£184,082	£131,147	£21,909	£71,038	£132,800
Occupation prohibited by law	£562698	£415,611	£436,655			
Occupation prohibited by public authority	£47919	£61,139	£67,999	£419,617	£27,496	£28,313
Occupation prohibited by Crown					£386,722	£411,548
Liquidation	£149994	£48,821	£184,590	£206,901	£206,344	£266,927
Bankrupt			£856		£3,454	
Exemption when next in use	£945					
TOTAL COST	£6175742	£6,116,953	£7,569,311	£7,135,811	£9,114,408	£9,237,333

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Annex 8: Definition of a ‘Qualifying Industrial Hereditament’

A qualifying industrial hereditament is described in the legislation as:

“any hereditament other than a retail hereditament in relation to which all buildings comprised in the hereditament are constructed or adapted –

(a) in the course of a trade or business; and

(b) for one or more of the following purposes, or one or more such purposes and one or more such purposes ancillary thereto:-

the manufacture, repair or adaptation of goods or materials;

the working or processing of minerals;

the generation of electricity”