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INVESTOR IN PEOPLE

Review of Domestic Rating

The Rating of Empty Homes

Public Consultation Document

May 2008

changing
for the
better

Index

Section 1: Introduction - Executive rating review

Background

1. A new domestic rating system, based on capital values, was introduced in April 2007. This followed the completion of a Review initiated by the previous Northern Ireland Executive and taken forward under direct rule. As part of this earlier Review of Rating Policy, consideration was given to introducing the rating of empty homes.[1] There were mixed views on this measure and it was decided (at that time) that the benefits were not sufficiently clear.

2. Historically, there were sound reasons for not rating empty homes:
   - low property values (resulting in low rates revenue);
   - a limited need for incentives to encourage an increase in the supply of affordable housing;
   - high levels of disrepair in some properties;
   - high administrative costs relative to possible revenue at that time;
   - the need for widespread exemptions to take account of civil unrest;
   - housing affordability and 'investor blight' were not such serious issues.

3. Nevertheless, the returning Executive was provided with a legislative enabling power that would allow such a measure to be brought forward at a later date, should circumstances change and a need arise.

The Executive Review of the new domestic rating system

4. Following the restoration of devolution in May 2007 the Minister of Finance and Personnel, the Rt Hon Peter D Robinson MP, MLA, announced the Executive's intention to review the new domestic rating system, due to concerns about its impact on ratepayers. He indicated that one of a number of options to be considered was the rating of empty homes.

5. The Executive Review was carried out during the second half of 2007, with views sought on a range of issues associated with the system introduced during direct rule. The views of the Finance and Personnel Committee were also sought on the best way forward.

Summary of consultation responses – 2004 and 2007

6. The earlier consultation in 2004 showed mixed support for the introduction of rates liability on empty homes. Two thirds of the organisations that commented during that consultation were in favour of change. Furthermore, a survey by the Northern Ireland Statistics and Research Agency showed 50% in favour of keeping the current arrangements and 47% favouring the introduction of rates on empty homes.

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[1] For the purpose of this paper the term 'empty homes' covers all domestic properties that are valued on a capital value basis. This includes private dwellings, private garages and private storage premises.

7. Another consultation exercise was undertaken in 2007, as part of the Executive's further review of the domestic rating system. This consultation showed widespread support for the rating of empty homes. Of those who commented on the issue, 21 responses were in favour of the rating of empty homes (17 organisations and 4 ratepayers) while five were opposed to it (3 organisations and 2 ratepayers). One organisation offered qualified support.

8. Those who supported the imposition of rates on empty homes included the General Consumer Council, the Northern Ireland Action Poverty Network and the Northern Ireland Local Government Association. Others supporting the measure included Antrim, Belfast, Fermanagh, Larne, North Down and Strabane district councils. Lisburn Council supports the measure subject to an initial 6 month exemption.

9. It was clear that support for the measure had grown since 2004, reflecting the changed political, economic and social situation, in particular the behaviour of the housing market with unprecedented house price inflation, consequential issues around housing affordability (as highlighted in the Semple report) and investors buying up properties which lie vacant, causing blight and decline in some areas. Although a broad package of solutions is required to alleviate these problems, the rating of empty homes was considered by many to be a helpful measure in terms of addressing some of these issues.

Outcomes of the Executive's Review of the domestic rating system

10. The Finance Minister announced the outcome of the Executive's Review to the Northern Ireland Assembly ('the Assembly') on 27 November 2007. As part of a range of measures the Executive agreed that the rating of empty homes should be introduced to assist with wider policy objectives related to housing affordability and supply and to raise additional revenue. The Minister subsequently announced that work would begin on taking forward the rating of empty homes, for introduction as soon as possible.

11. The Minister also gave a commitment that work undertaken by the University of Ulster on the rating of empty homes, the Northern Ireland Housing Executive (NIHE) and the Department for Social Development's working group on housing affordability would be taken into account.[1] He stated that relevant impact assessments would also be carried out, along with further consultation on issues such as exclusions and initial exemption periods. This paper addresses these matters.

12. It also recognises that the context in which this measure was first announced has already changed, in terms of the housing market, with a dramatic reversal and slowdown and some issues emerging around the viability of speculative house building in today's economic climate.

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[1] The University of Ulster report can be accessed at:
http://www.ratingreviewni.gov.uk/index/consultation-2007/outcomes_report/annex_d-_uuj_vacant_property_report_htm
The Semple report can be accessed at: http://www.dsdni.gov.uk/affordable_housing_final.pdf
Account has also been taken of the 2004 House Conditions Survey, preliminary findings from the 2006 House Conditions Survey and a recent Housing Bulletin.

Consultation on the rating of empty homes

13. The purpose of this paper is to seek views from ratepayers, and key stakeholders, on the Executive's intention to introduce the rating of empty homes.

14. Section 1 provides an overview of the Executive's plans to introduce the rating of empty homes.

15. Section 2 sets out the background to the rating of empty homes and the context behind the introduction of this measure.

16. Section 3 sets out some of the key issues that need to be addressed in finalising the policy detail, and on which views are sought. This includes:
    - the level of rates that should be levied on empty homes;
    - whether the rating of empty homes should be introduced on a phased basis;
    - whether properties below a certain capital value, or level of fitness, should be excluded;
    - whether there should be an initial exemption period;
    - the treatment of new properties;
    - how the social and private rented sector should be treated;
    - whether certain categories of homes should be excluded from rates when empty;
    - the interaction with other rating reliefs and exemptions; and
    - how to deal with attempts to deliberately avoid paying rates.

17. A number of questions, that may be helpful in responding to the issues raised in the consultation paper, are included in Section 3 and are also set out at Annex A.

18. Section 4 covers the financial impact of rating empty homes.

19. Section 5 sets out the preferred approach on introducing the rating of empty homes.

20. Section 6 provides a summary of the findings from the new TSN[1], rural proofing and equality impact assessment exercises. The detail of this analysis is included in the initial Integrated Impact Assessment (IIA). This is only available on the Rating Review website http://www.ratingreviewni.gov.uk. If you have any queries or wish to obtain a copy of these documents, you should contact Rating Policy Division.

21. Section 7 sets out the next steps following consultation and the expected timetable for introduction of the rating of empty homes.

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[1] New Targeting Social Need is a policy designed to tackle social need and exclusion by targeting resources towards those in greatest social need.

22. We would welcome your views and comments on the proposals, particularly if there are any issues that you think have not been dealt with and which you consider should be taken account of in bringing forward the new policy.

23. Consultation will last for 12 weeks, ending on 15 August 2008. You may submit your comments in a variety of ways including written correspondence, by fax or e-mail. Written responses should be sent to:

Rating Policy Division
Department of Finance and Personnel
Room D12
Rathgael House
Balloo Road
BANGOR
BT19 7NA

Comments may also be faxed to:
Fax: 028 9185 8008

24. Should you wish to contact us by e-mail, any queries and consultation responses should be sent to: ratingpolicy.cfg@dfpni.gov.uk

25. Should you require any further information about this consultation exercise you should contact Rating Policy Division on 028 9185 8094. The consultation paper may be made available, on request, in alternative languages and formats.

26. It is intended to publish a summary of the views expressed during consultation, following the completion of the consultation process. This, along with individual consultation submissions, will be placed on the Rating Review website http://www.ratingreviewni.gov.uk. It should be noted that your response, and all other consultation responses, may be disclosed on request. The Department can only refuse to disclose information in exceptional circumstances.

Section 2: Background to the rating of empty homes

What constitutes an empty home?

27. Rateable domestic property comprises homes (dwelling houses), private garages and private storage premises, all of which are valued on a capital value basis. The term 'homes' is used throughout this paper, but it is proposed that the measure includes private garages and private storage premises.

28. In the domestic sector rates liability is currently based on there being rateable occupation of the property. Aside from the obvious cases where people are living in a house week to week it also covers situations where a property may be lying empty for long periods but there is an intention to return. The presence of furniture is one indication of this. For this reason second homes are fully rateable, even if lying unused for most of the year. A property is generally only deemed empty where no one lives in it and it is unfurnished.

Position in GB and Northern Ireland

29. Unlike the council tax system in GB rates are not currently charged on empty homes in Northern Ireland. In GB domestic properties which are unoccupied on a long term basis (six months or greater) are liable to council tax, subject to a range of exemptions. The minimum level of charge is set at 50%. However, local authorities do have the discretion to reduce the associated discount from 50% to zero, that is increase the council tax levied. A number of local authorities in GB have introduced 100% liability for long term unoccupied properties.

30. Although rates are not currently levied locally on empty homes, an enabling power was provided for in recent rating legislation, allowing the Assembly to introduce the rating of empty homes should it so wish.[1] The Executive has decided that this measure should be brought forward as soon as possible, subject to this consultation and the necessary Assembly approval.

31. In the business sector in Northern Ireland empty property has been rated at 50%, subject to an initial three month exemption period, since April 2004. A similar provision had been in place in the rest of the UK until 1 April this year. From this date business rates in England have been levied on empty business properties at 100%. At this time the Executive is not considering changing the level of rating that applies locally to empty non-domestic property.

[1] the Rates (Amendment) (Northern Ireland) Order 2006 (S.I. 2006/2964) (NI 18)

Liable person

32. In terms of the liable person it is proposed that an approach similar to the business sector should be adopted for empty homes. That is, the person ‘entitled to possession’ of a property, which usually means the owner, would be liable to pay the rates on an empty property. For the purpose of this consultation paper, and for ease of reference, the person entitled to possession is subsequently referred to as the owner (though they may not always be the same person).

Rationale for the rating of empty homes

33. The key issues are set out briefly below.

Available housing

34. There are two main reasons for introducing the rating of empty homes. First, is the need to assist with wider policy objectives on improving housing affordability and availability. Indeed, the rating of empty homes should complement the work being taken forward by the Department for Social Development following the Semple Review. While the Executive would not wish to stifle property development, affect its viability, or make any changes that would decrease the supply of affordable homes, in recent years a large number of properties have been bought with the intention ‘to speculate’ rather than ‘to let’. This fundamental change in the rating system is intended to encourage owners to make productive use of property, by either selling or renting it. At best it may also stimulate further regeneration and should at least help with reducing blight in built up areas.

Budget constraints

35. The rating of empty homes will also enable additional revenue to be raised for local public services such as health, education and transport, if desired. This is particularly important given increasing budget constraints. Councils could of course take the decision, with an increased rating base, to maintain revenue at levels comparable to previous years and reduce the district rate levied on individual properties. All additional revenue raised through the rating of empty homes would be spent in Northern Ireland for the benefit of local households.

36. Higher revenue levels could also provide the means to enhance rate reliefs and allowances to lower income households or specific groups such as pensioners. This would of course be a future decision for the Executive, having taken account of the wider budgetary context and social need prevalent at that time.

37. As well as these key benefits the rating of empty homes also ensures that local taxes are levied on empty properties in both the domestic and business sectors. This will ensure that people who hold empty property, rather than occupy it, and who benefit from public services and local infrastructure make a contribution towards these. It will also close a loophole whereby owners seek to register business property as domestic in order to avoid paying rates.

General issues

38. While there are many benefits associated with the rating of empty homes there are also difficulties, particularly relating to the condition of some property and the scope for avoidance. A 2004 NIHE House Condition Survey highlighted that 5.3% dwellings (36,280) are empty, with slightly under two fifths of all empty properties deemed to be unfit. While unfitness can cover various factors such as inadequate heating, lighting, satisfactory food preparation facilities, etc. a major cause is serious disrepair.

39. As well as higher levels of unfitness in the stock of empty homes there are higher repair costs. The 2004 survey showed that the average basic repair cost for empty homes is around £12,500, compared to slightly under £2,200 in the private rented sector.

Repair costs and unfitness, 2004[1]

% Dwellings	Unfit on disrepair (£)	All unfits (£)	All dwellings (£)
50	21,780	16,530	45
95	53,280	53,280	6,850
Av Repair cost	26,760	22,130	1,695
Av Urgent repair cost	23,710	19,450	1,340

40. The above table shows that the average basic repair cost for unfit dwellings was £22,130, increasing to £26,760 for those deemed to be unfit on disrepair. For the 5% of properties most in need of repair this increased to £53,280. Despite this, of all unfit properties the surveyor recommended that almost two thirds should be retained, with just slightly more than a third replaced or demolished.

41. The level of unfitness and repair costs associated with empty homes could be an issue, when rating empty homes. It also begs the question as to whether properties below a certain level of fitness, and generally of a low value, should be excluded from the policy. However, this could further encourage people to avoid liability by reducing property value through rendering part of the property uninhabitable.

[1] Interim House Conditions Survey 2004, p.71

Levels of vacancies in Northern Ireland

42. Work has been undertaken by Land and Property Services (comprising pilot studies in four council areas), as well as the University of Ulster[1], on the level of empty homes in Northern Ireland. Data provided by Land and Property Services shows considerable variation in the level of vacancies at a district council level, ranging from 20% to just over 1% at the extremes. This suggests that there may be as many as 50,522 empty homes in Northern Ireland, representing 7% of all dwellings. Belfast is likely to have the highest level of empty homes, followed by Newry and Mourne. The lowest levels of empty properties are likely to be in Moyle, Ballymoney and Carrickfergus.

43. There is also considerable variation in the distribution of empty homes by sector and property type.

    - 85% empty homes are in the private sector;
    - The greatest proportion of empty homes (29%) are detached or terraced properties built prior to 1919;
    - 19.7% empty homes were built after 1990; and
    - Apartments account for 16% of empty homes.

44. These figures should be treated with caution, however, for a number of reasons. Firstly, the number of properties that are empty does change over time. Secondly, not all ratepayers declare when they take up occupation of a formerly empty house and the data may not be up to date. Last but not least, some of the properties that are in the Valuation List may be incapable of habitation at an economic cost and are virtually derelict, with little of no prospect of being reused. This is not an issue currently as empty homes are not yet rateable but substantial numbers may need to be removed from the Valuation List.

45. The further work undertaken by Land and Property Services, and the University of Ulster, indicates that, taking account of a range of factors, vacancy levels are likely to be much lower and may be closer to 10,000 – 20,000.

Do you have any views on the general issues raised in this section?

How best should unfit, low value properties be dealt with when rating empty homes?

How best can the rating of empty homes be introduced without stifling property development/impacting on housing affordability?

[1] This work was caveated in that the analysis does not reflect the state of repair of vacant properties, does not take account of the maximum capital value or an initial exemption period. As the analysis is at a specific point in time it is also reasonable to assume that some of the properties may now be occupied.

Section 3: Specific policy issues

46. While the concept of the rating of empty homes is relatively simple, the operational detail is complex in terms of its application, potential exclusions and interaction with other rating reliefs and exemptions. This section provides further information, and options, on some of the specific policy issues involved. This includes, among others:

- the level of rating that should be levied in the domestic sector;
- whether there should be an initial exemption period prior to liability being imposed;
- what properties should be excluded from the rating of empty homes;
- treatment of the social and private rented sector; and
- the interaction with other reliefs and allowances.

47. Further information on this, as well as a range of questions, is set out in the following subsections.

Subsection 1: Level of liability

48. The Executive have agreed that empty homes should be rated. The preferred level of rating is 100%, with no difference between the rates charged when a house is occupied or empty. Rating empty homes at a lower level would reduce the incentive to bring property back into occupation as quickly as possible. Given concerns about housing affordability and availability this is undesirable. It would also potentially raise less revenue for public services.

49. The Semple Review advocated 100% liability for homes that were vacant for six months or more, with 200% liability to apply after a year. It is considered that a doubling of the amount charged when occupied would be impractical, for a number of reasons, and may simply lead to owners not declaring properties vacant. Rating empty properties at 200% (or any amount above 100%) would result in higher rates bill when a property is empty, discouraging people from reporting this. Associated with this is the potential for an adverse impact on fraud levels. In addition, it is not known whether a 200% liability would necessarily provide an appreciable increase in housing affordability or the availability of good standard property.

What are your views on the rating of empty homes at 100%?

Do you think there should be any exceptions to this?

Subsection 2: Phasing the rating of empty homes

50. The rating of empty homes will be a major change to the current rating system, albeit that this measure has been in operation in the business sector for some time. One way to accommodate this change could be to phase its introduction. However, this could adversely affect the underlying policy aims, reducing the incentive to bring empty homes back into use as quickly as possible and also lowering revenue levels in the initial years. On this basis phasing is considered undesirable. Nevertheless, views are sought on this approach.

51. Phasing could be applied in a number of forms, for example, by capital value thresholds, age of property, level of liability or district council area. Using capital value thresholds could involve, for example, high value properties being rated in the first year of operation followed by lower value properties in subsequent years.[1] This approach was suggested by the Finance and Personnel Committee in the context of examining ways to ease the administrative burden on Land and Property Services in introducing the measure quickly.

52. Alternatively, phasing could apply at stepped liability levels, such as 50%, 75% and 100% over the first three years. A further option would be to zone the rating of empty homes by district council area or phase introduction by the age of the property. The latter could involve rating previously occupied, normally older, property in the first year of the scheme followed by newer properties, and those that have never been occupied, at a later date. There may, however, be operational difficulties with this in terms of obtaining the necessary information and verifying property age.

53. While these all employ a staggered approach, giving time to adjust, there are likely to be fairness and equity issues. Depending on the option chosen it may also adversely impact on some councils more than others.

Would there be merit in introducing rates on empty homes on a phased basis?

If this measure were introduced what type of phasing would be appropriate – capital value threshold, stepped liability, new versus occupied properties or district council area?

[1] This could take the form of, for example, properties above £300,000 being rated in year one, properties between £299,999 and £150,000 in year two and properties below £150,000 in year three.

Subsection 3: Application of a minimum capital value

54. Consideration has been given to whether certain empty homes should be excluded from rates due to their inherently low value or state of disrepair. The lower the value the more likely the property is to be in very poor order and incapable of economic repair. The proportion of empty homes that are low value, or in a poor state of repair, is much higher than in the occupied sector.

55. Low value properties could include garages and stand alone caravans. The revenue raised for around 1,500 of these properties could be as little as £36,532. While the aim is not to intentionally exclude these properties through a minimum capital value, it may be more efficient and proportionate to do so given the relatively high collection costs for a relatively small amount of revenue.

56. It may also be appropriate to exclude properties that are derelict or in a poor state of repair. These properties are more likely to be removed from the valuation list, where they are not readily capable of rateable occupation.

57. The 2004 House Condition Survey found that the highest levels of unfitness, disrepair and repair costs are found in the unoccupied sector.[1] While the number of unfit dwellings has more than halved over the last 10 years to 3.4% in 2006, a third of all empty homes are deemed unfit. Of these it is estimated that a significant proportion are partly demolished, derelict or in a poor state of repair. The majority are also older, with around half built prior to 1919. Indeed, it may not be economically viable to bring these properties back into occupation.

58. Given the increased likelihood of unoccupied properties being low value, combined with increased disrepair levels, there would be benefits from excluding properties below a certain capital value from the rating of empty homes. An alternative would be to exclude very low quality homes using a fitness test. However, this would be impractical in distinguishing between properties unfit to live in and those that could be occupied following repair. It may also encourage people to deliberately damage a property in order to evade rates.

59. It is considered that a capital value of £20,000 may be an appropriate minimum capital value threshold, for the purpose of rating empty properties. While this would cover just under 5% of empty homes, the level will vary from one area to another.

Should certain categories of empty low value homes be excluded from rating?

Should a minimum capital value be applied to the rating of empty homes?

Would a minimum capital value be an effective way to deal with low value properties that are in disrepair or derelict?

If a minimum capital value were introduced for empty homes what level should this be at?

[1] The 2004 survey showed that 5.3% of dwellings (36,280) are currently vacant.

Subsection 4: Initial exemption period

60. In the business sector, where rates are already payable on empty properties, a three month initial exemption period is granted. Only after this do rates become due. A similar position is adopted in GB (six months for the purpose of council tax). This is intended to provide owners with the opportunity to either let or sell their property before liability begins.

61. In the business sector it is not unusual for empty properties to be held for a period of time, especially where an unexpired lease cannot be transferred. In the housing market, however, people, usually move from one property to another in a single day or with minimal overlap. This suggests that a general initial exemption period may not be appropriate for empty homes. In addition, there are indications that this measure has been subject to some abuse in the non-domestic sector, through attempts to secure frequent exemption periods within a relatively short period of time.

62. Views are welcome on whether an initial exemption period should be adopted, whether rates should be due from the date that the property becomes empty and if there should be any exceptions or exclusions, for example, in terms of new homes.

63. Given current market conditions, there may be merit in making special provision for new speculatively built homes, thus ensuring the supply of new houses is not affected. For example, a substantial initial exemption period of 12 months could be applied to these new properties, once completed, subject to the condition that they have never been occupied. This particular exemption would only apply to the developer. If introduced there is an issue of whether such a substantial exemption period should apply to all types of new homes. For example, there is evidence that new apartments, in certain areas of Belfast, are being purchased simply for investment purposes without being lived in. It may be appropriate to exclude such properties from this initial exemption period.

64. Finally, it should be remembered that the greater the number of exemptions and exclusions the higher the administrative costs and the lower the level of revenue raised, thus reducing the viability of the tax.

What are your views on an initial exemption period not applying to the rating of empty homes?

If there is to be an initial exemption period how long should this last?

Should a different approach be adopted towards new developments, in order to encourage the supply of new homes?

Were a 12 month exemption period provided for new empty properties should there be any exclusions to this?

Subsection 5: Completion notices

65. On introducing the rating of empty property in the business sector provision was made for determining when a new building is deemed to have been completed for rating purposes. A completion notice system is used for this purpose. A notice is served on the owner, where it appears that the property is completed or can reasonably be expected to be completed within three months. It also proposes a “completion day”, when the property is deemed to become empty for the purpose of charging rates. This is subject to the various exemptions that apply.

66. In terms of the rating of empty homes it is necessary to consider whether a similar approach to the business sector should be adopted. This would involve serving a completion notice on new homes, when the property is complete or can reasonably be expected to be completed within three months. Following the completion date the empty home would become liable for rates. This would be subject to the application of any initial exemption period that may apply.

At which point should a new domestic property be deemed to be ‘complete’ for the purpose of an empty homes charge?

Should the approach be similar to that adopted for the rating of empty business property?

Subsection 6: Exclusions

67. In GB and the business sector locally certain classes of properties are excluded from rates when empty. This is intended to balance treating all taxpayers fairly and equally, while raising sufficient revenue, and not causing undue hardship or inequality. It is therefore appropriate to consider whether certain classes of empty homes should also be excluded from rates. It is, however, important to note the financial impact of this. A wider range of exclusions will lower, and make it more difficult to predict, the level of revenue collected in any given year. Ultimately the tax then becomes less viable over time. The following are suggested exclusions from the rating of empty homes.

68. **Prohibited from occupation:** In certain instances the owner of a property may be prevented by law from occupying or allowing a property to be occupied, for example due to environmental measures or on health and safety grounds, etc. This exclusion would only apply in exceptional circumstances. It would not include property built without, or in breach of, the necessary planning conditions.

69. **Empty subject to Government action:** Property may be kept unoccupied due to the action of the Crown or a district council, with a view to prohibiting occupation of the property or it being acquired. This could be based on limited health and safety grounds, the vesting of the property or the application of a compulsory purchase notice. This exclusion would ensure that the property owner is not penalised where they are legally prohibited from occupation.

70. **Need for long term care:** A property may be empty because the owner is receiving long term care or hospital treatment. This is likely to apply where the person is severely disabled, either mentally or physically, and may be more applicable to the elderly. In these circumstances it could be considered unfair to charge owners rates on the empty house.

71. **Probate:** It may be reasonable to exclude certain empty homes from rates where the owner has died and a person is entitled to possession of the property only by virtue of being a representative of the deceased. This could be limited to six months after the award of probate[1] or when the property is sold or becomes occupied, whichever occurs first.

72. **Miscellaneous:** It may be beneficial to exclude empty homes from rates under certain other conditions. These could include where the property has a building preservation notice placed on it, it is deemed to be a monument or it is a listed building. The cost of bringing such houses back into occupation may be prohibitive, due to imposed restrictions, and could unfairly penalise the owner. A further group that it may be beneficial to exclude are where the property is subject to bankruptcy proceedings, given the significant difficulties that are likely to be encountered in pursuing any debt under these conditions.

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[1] The probate letters of administration have been granted.

73. **Prison detainee:** Some properties may be empty where the owner is serving a prison term. While due to the actions of the individual it may be unfair to charge rates where they are incapable of re-occupying and making use of the property. Views are therefore sought on whether this group should be excluded from the rating of empty homes.

Should certain classes of domestic properties be excluded from rates when empty?

If so, what categories should be excluded?

Do you agree with, or have any views on, the suggested categories for exclusion?

Subsection 7: Social and private rented sector

74. Under the rating system properties within the social rented sector in Northern Ireland (NIHE and registered Housing Associations) enter into an agreement with the Department of Finance and Personnel to pay rates on their properties.[1] However, as vacancies are not claimed under the terms of the agreement the rating of empty homes already occurs to some extent in this sector. Under the agreement an allowance of 15% is awarded, which effectively places the level of liability during vacant periods at 85%.

75. Given that this sector operates outside the housing market, in order to meet social need, and that payment is made in respect of any periods of vacancy, it may be more appropriate to allow current arrangements to continue when the rating of empty homes is introduced. This would effectively exclude the social rented sector from the policy on the rating of empty homes.

76. It is also possible for private sector landlords to sign up to the same written agreement to pay rates on their properties, subject to the same terms and conditions. A separate assessment is needed for those private sector landlords who have agreed to pay rates, on behalf of their tenants, in return for a 15% allowance. This also effectively places liability at 85% during vacant periods. Consideration is needed as to whether the landlord's commitment to the written agreement should be enough to exclude them from the policy on the rating of empty homes. It may be feasible to exclude them, along with the social rented sector, from the standard policy and continue with the current arrangement. This would mean that the standard rating of empty homes would only be levied on those landlords who do not have an agreement with the Department and therefore do not currently pay rates at any point at which their properties are empty.

77. The current discount of 15% for both social and private rented landlords reflects, amongst other things, that rates are levied on their properties, irrespective of whether or not they are occupied, i.e. a vacancy cannot be claimed against property that is included in the voluntary arrangement. As a result, and unlike other domestic properties, vacant periods are charged for and included in landlords' rate bills. On the introduction of the rating of empty homes, consideration needs to be given to whether this discount should be lower. At the moment the 15% allowance is paid in part to compensate the owner for collecting rates on behalf of the Department, but also to take account of the fact that any vacant periods for the property cannot be claimed. On introducing the rating of empty homes it could be argued that part of the justification for the 15% allowance will be removed. Other owners paying rates on empty properties, who are not landlords, may argue that without an adjustment to the discount landlords would be afforded preferential treatment, because they would continue to receive an allowance for vacant stock which would otherwise become liable for 100% rates.

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[1] This is made under Article 21 of the Rates (Northern Ireland) Order 1977 (S.I. 1977/2157) (NI 28)

What are your views on applying the rating of empty homes to the social rented sector?

Should the social rented sector be excluded from the mainstream policy, with the current arrangements continuing to apply?

Should the private rented sector (subject to a written agreement) be excluded from the mainstream policy, with the current arrangements continuing to apply?

Have you any other suggestions as to how the social or private rented sector should be dealt with?

Should the 15% discount provided under the voluntary arrangements for landlords (in the social and private rented sector) be lower to reflect the introduction of the rating of empty homes?

Subsection 8: Interaction with other allowances, exemptions and reliefs

78. Under the current rating system a range of reliefs, allowances and some exemptions apply to occupied homes, such as housing benefit, rate relief, disabled persons allowance and lone pensioner allowance. Eligibility for the majority of these is tied to occupation of the property, subject to certain conditions being met. Views are sought on whether any of these reliefs and allowances should apply when a property is empty.

79. **Disabled persons allowance:** Where a property has been modified to meet the needs of a person with a disability those eligible receive a 25% reduction in their rate bill.[1] On introducing the rating of empty homes it would seem that this allowance should no longer apply, given that the property will no longer be occupied by the person with a disability.

80. There may, of course, be instances where a person with a disability has to leave their home to receive long term care or hospital treatment. These could be excluded from the rating of empty homes, where the person going into care is the property owner.

81. **Housing benefit, rate relief and lone pensioner allowances:** Housing benefit and rate relief are currently awarded to occupiers on low incomes, providing assistance with paying rates. The lone pensioner allowance provides a 20% reduction in rates liability for pensioners aged 70 or over who live alone. As all three are awarded based on occupation, it would seem appropriate that these measures should not apply where the rating of empty homes occurs. Consideration will, however, be given to whether there should be some very limited exceptions, where housing benefit is awarded for periods of temporary absence.

82. **Student relief, etc:** A new relief was introduced in April 2007, targeted towards those in full-time education and training, young people leaving care and those under the age of 18. No rates are payable where either the sole occupant, or everyone living there, belongs to one of these four groups. Where the property is empty there would be no qualifying occupants and the relief would no longer be awarded. It is proposed that the relief should not apply where empty homes are rated.

83. **Maximum capital value:** Following the introduction of the new rating system in April 2007, a maximum capital value (cap) applies for determining rates liability. This was set at £500,000, although consultation is underway on a proposal to reduce this to £400,000.[2] If the cap were not applied to, for example, a £750,000 property rates would be charged on the basis of a £500,000 capital value when occupied and a £750,000 capital value when empty. In order to avoid this it is proposed that the cap should apply to both occupied and empty properties.

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[1] Where a person was, and continues to be, in receipt of the allowance prior to 1 April 2007, and has not moved home, their previous reduction is awarded, or the standard 25% reduction if this would be more favourable.

[2] Consultation on reducing the maximum capital value is due to end on 27 June 2008. Copies of the consultation paper can be found at: http//www.ratingreviewni.gov.uk or by contacting Rating Policy Division (028 9127 7606).

84. **Transitional relief:** A transitional relief scheme was introduced to provide assistance to those most adversely affected by the move to the new capital value system. Similar to the cap, failing to award transitional relief on empty homes would mean that rates liability would be higher for an empty property than when occupied. It may therefore be appropriate to continue to award transitional relief where the owner remains the same as when the property was occupied and at the date of the revaluation (31 March 2007). This would only apply when the transitional relief scheme is active.

85. **Minister's houses:** Domestic properties occupied by full-time Ministers and clergy are partially exempt (50%) from rates where they carry out pastoral duties from their home. Due to the charitable nature of the work, it is proposed that this exemption should continue to apply when the property is empty. However, this would be subject to the property being owned by the church. When no longer to be used for church work the property would be fully rated at the appropriate level.

86. **Farmhouses:** Under the capital value system a house occupied in connection with agricultural land and used as the dwelling of a person whose primary occupation is the carrying out of agricultural operations, or a person employed for these purposes, is valued on the basis that it will always be used as such. Any enhanced value associated with being close to a major tourist or urban area is disregarded.

87. The allowance is awarded subject to both conditions being met, that is the property is occupied in connection with agricultural land and farming operations are the primary occupation of the occupier or an employee who lives there. These conditions would not be satisfied for an empty property. Therefore once a farmhouse becomes unoccupied, and will be subject to rates, it would be revalued on the same basis as all other houses. The valuation allowance awarded when occupied would cease.

Do you agree that disabled persons allowance, housing benefit, lone pensioner allowance, rate relief and the education, training and young person leaving care relief, all of which are based on a property being occupied, should not apply to empty homes?

Do you agree that transitional relief and a maximum capital value should apply when rates are due on empty homes?

What are your views on the treatment of Minister's houses continuing to be partially exempt from rates when empty, subject to being owned by the church and next being used for pastoral duties?

What are your views on the valuation of farmhouses when these properties become empty and liable to rates?

Have you any other comments on the interaction between the rating of empty homes and current rating allowances, exemptions and reliefs?

Subsection 9: Anti-avoidance measures

88. In introducing the rating of empty homes, some owners may attempt to circumvent the system and evade rates. This is more likely to be the case where properties are of a particularly low value or in a poor state of repair and where owners may deem such action to be financially beneficial. They may deliberately damage or structurally alter a property in an attempt to avoid rates – this is sometimes known as constructive vandalism. To ensure that the new system is as effective as possible consideration has been given to introducing anti-avoidance measures. These measures could be similar to the enabling power provided through the Rating (Empty Properties) Act 2007. Although this covers intentional avoidance in the business sector in GB, as opposed to the domestic sector, such a power could be beneficial in the context of the policy to rate empty homes locally.

89. Where an owner endeavours to avoid paying rates on an empty property, through deliberately making it incapable of occupation (for rating purposes) or structurally changing the property, it would be unfair on other ratepayers who meet their liability. Any such shortfall may have to be met by other ratepayers in future years, if revenue levels are to be maintained. In addition, such activity also reduces the scope for meeting the underpinning policy objective of bringing empty homes back into use.

90. It should be noted that by and large properties which are deemed to be incapable of beneficial occupation are not included in the valuation list. Properties which are permanently bricked up, and on which a demolition order has been served, may also, depending on the facts, fall into this category.

91. The owner of a property may allow or cause a property to deteriorate to the point where it is judged incapable of economic repair and beneficial occupation and is removed from the valuation list. Where this occurs it would be desirable to have powers providing that, if the damage is judged to be intentional, the state of the property will not be deemed to have changed. Rates could continue to be charged, possibly for a set period of time, on the basis of its previous condition, which may be before certain events or acts were undertaken. The measures would not apply where a property was damaged as a result of circumstances beyond the owner's control.

92. Anti-avoidance measures could be provided for through new primary legislation, with the detail contained in future subordinate legislation. The latter could be relatively easily changed at a later date to accommodate any new means of deliberately circumventing the imposition of rates on empty homes.

What are your views on the introduction of anti-avoidance measures?

Are there any specific circumstances that need to be taken account of?

Section 4: Financial impact

93. The rating of empty homes will raise additional revenue. It is worth pointing out, though, that instead of generating extra revenue, councils could of course simply raise the same level of revenue as originally intended but from a larger tax base, therefore reducing the district rate poundage for all ratepayers. The same could also be applied to the regional rate.

94. The analysis suggests that the maximum that could potentially be raised by rating those properties identified as empty, at 100% liability, would be £31 million. Table 1 breaks this down by district council area and is based on 2007/2008 poundages, for both district and regional rate. Were 50% liability applied the maximum potential revenue would be around £15.4 million.

95. However, these figures should be treated with caution for a number of reasons, primarily that the number of empty properties will change over time while not all ratepayers will declare when they move into an empty property. In addition, some properties may be derelict and incapable of beneficial occupation, requiring removal from the valuation list.

96. Emerging findings suggest that the number of empty homes that could be rated is likely to be closer to between 10 – 20,000, rather than the 50,000 on which the £31 million projection is based. This is set out in more detail after Table 1.

Table 1: Financial implications of rating empty homes by District Council area - Maximum revenue levels

District Council	No of vacants	Total no of props	Ave CV of vacant	Ave CV of all props	Empty property Rate liability
Antrim	968	18,825	£95,182	£105,117	£597,322
Ards	1,805	31,746	£113,641	£127.523	£1,234,221
Armagh	1,979	21,679	£88,982	£105,830	£1,194,279
Ballymena	1,250	24,497	£92,350	£106,809	£748,268
Ballymoney	670	11,033	£95,843	£103,244	£409,434
Banbridge	1,481	17,583	£84,484	£107,119	£827,175
Belfast	10,344	124,213	£102.373	£113,515	£6,386,517
Carrickfergus	738	16,524	£88,542	£100,401	£430,878
Castlereagh	1,052	28,638	£135,349	£130,729	£780,138
Coleraine	2,102	26,530	£120,618	£121,657	£1,550,136
Cookstown	1,178	12,522	£86,514	£110,896	£616,783
Craigavon	2,532	34,630	£82,224	£90,292	£1,457,964
Derry	2,559	40,817	£87,834	£95,344	£1,567,310
Down	1,909	26,187	£99,522	£117,982	£1,231,310
Dungannon	2,108	19,567	£83,910	£107,586	£1,042,188
Fermanagh	2,340	24,292	£84,026	£102,711	£1,108,946
Larne	875	13,956	£80,475	£91,076	£481,926
Limavady	838	11,554	£89,829	£98,337	£522,647
Lisburn	2,352	43,057	£122,612	£123,149	£1,696,562
Magherafelt	1,024	14,251	£94,844	£108,901	£565,434
Moyle	668	7,711	£104,041	£113,496	£476,278
Newry	2,944	34,136	£100,799	£117,016	£1,863,597
Newtownabbey	1,524	34,083	£99,616	£105,368	£977,684
North Down	1,928	33,340	£141,092	£149,688	£1,589,445
Omagh	1,727	18,432	£75,974	£96,177	£898,897
Strabane	1,264	14,687	£72,110	£84,830	£596,554
Northern Ireland	**50,159**	**704,490**			**£30,851,895**

Viable revenue levels

97. While Table 1 sets out the maximum revenue that could be obtained from the rating of empty homes, this is based on the assumption that:
    - all empty homes are capable of occupation;
    - there is a 100% collection level;
    - there are no exclusions from the rating of empty homes;
    - there is no initial exemption period;
    - none of the property identified as empty is currently occupied; and
    - all owner details can be secured for billing purposes.

98. It is unlikely that all, or indeed the majority, of these conditions would be met in their entirety. The likely impact of these on potential revenue levels (for both the regional and district rate) is set out below.

99. **Level of vacancies:** Preliminary work by Land and Property Services, and the University of Ulster, on a sample of ‘empty’ properties, suggests that a proportion may actually be occupied. While overall rate revenue would rise, through the identification of undeclared occupied homes, the additional revenue would not be attributed to the rating of empty homes.

100. **Collection levels:** Potential revenue levels may be reduced by difficulties in identifying and locating the owners of empty properties. This has certainly been the experience in the business sector, where collections levels on empty properties are lower than for occupied properties. Nevertheless, work will be undertaken to obtain as many owners’ details as possible.

101. **Unfitness levels:** As noted previously, unfitness levels of empty homes will be higher than in the occupied sector, with some properties uninhabitable and perhaps not rateable. This will ultimately impact on revenue levels.

102. **Exclusions:** A further factor affecting revenue levels will be the extent of any exclusions from the rating of empty homes. This, combined with the possible application of a minimum capital value threshold, will further reduce the revenue collected.

103. On the basis of work undertaken by Land and Property Services and the University of Ulster it is likely that the rateable stock of empty homes in Northern Ireland is somewhere between 10,000 and 20,000. Without significant exclusions, exemptions periods or the application of a minimum capital value the level of revenue raised, at 100% liability, is likely to be closer to £10 million per annum (district and regional rate revenue). This would reduce to around £5 million with a 50% liability. These estimated revenue levels are also dependant on Land and Property Services being adequately resourced to implement what is a radical departure from the existing system, which only bills homes that are occupied.

104. It should be noted were the rating of empty homes introduced on a phased basis, or with staged liability this, this could result in a likely revenue loss of up to £10 million in the first two years, assuming lower vacancy levels of between 10,000 and 20,000.

Do you have any views on the financial impact of introducing the rating of empty homes?

What are your views on the potential impact on revenue collection in district council areas from low value and low standard unoccupied property?

Do you have views on the factors affecting potential revenue levels?

Section 5: Preferred approach

105. The previous sections identified issues, and options, for introducing the rating of empty homes and how this could work in practice. This included the level of rating, phasing, exclusions, initial exemption periods and the application of a minimum capital value among others. These aspects are all inter-related and decisions taken will impact on the revenue raised and overall policy effectiveness. The desire is to proceed with a measure that is both balanced and achieves the underpinning objective of bringing properties back into use.

106. This section outlines the preferred policy approach, having taken account of research, analysis and operational issues. Final decisions will only be reached having taken account of the views expressed during consultation and by the Finance and Personnel Committee.

Liable person

107. In line with the position that has been adopted in the business sector it is proposed that the person liable to pay rates on empty homes should be the person entitled to possession of the property, which usually means the owner.

Level of rating for empty homes

108. The rating of empty homes at 100% liability is preferred. A lower liability, of say 50%, would not adequately meet the underpinning policy intention of bringing property back into use, in addition to which revenue levels would be lower. Setting liability at above 100%, while meeting the policy aims, may encourage fraudulent reporting of properties as occupied and may not significantly increase the supply of affordable housing.

Phasing

109. The preceding analysis highlighted that there could be equality implications associated with phasing, that it would adversely impact on revenue levels and could impact more on some district councils than others. It would also reduce the immediate incentive to bring property back into use as soon as possible. On this basis phasing is not considered appropriate.

Minimum capital value

110. A key concern in introducing the rating of empty homes is the treatment of low value and low quality properties. While this could be addressed through excluding unfit properties, the potential for tax evasion is high through owners deliberately making properties unfit. It is therefore proposed to exclude empty low quality properties from rating through a minimum capital value threshold. This could be set at, for example £20,000.

Initial exemption period

111. Given the need to encourage people to bring property back into use, the fact that most people now move house on a given day and the benefits of increased revenue, an initial exemption period is considered undesirable. However, to ensure that the development of new homes is not stifled it may be appropriate to provide an initial 12 month exemption period for this sector, covering newly built properties that are to be sold and have never been occupied. Consideration is being given to whether certain properties, such as apartments, should be excluded from this.

Completion notices

112. Completion notices are intended to ensure that rates liability is not evaded through continuing delays in finalising a property. Similar to the business sector, these should issue either when a property is completed or it appears that it will be completed within the next three months. Rates would be due from the completion date, subject to any initial exemption period.

Exclusions

113. In order to make the system as equitable as possible certain properties should be excluded from rates when empty. This would only apply in limited circumstances. Broadly speaking exclusions from the rating of empty homes would apply to these properties:

- legally prohibited from occupation;
- subject to government action prohibiting occupation;
- empty due to the occupant receiving care elsewhere;
- empty due to the death of the owner, subject perhaps to certain limits;
- unoccupied due to prison detention; and
- below a capital value of £20,000.

Rented sector

114. At present NIHE, Housing Associations and some other landlords chose to pay rates on their properties, whether they are occupied or not. Under existing voluntary arrangements, where an agreement is entered into, an allowance of 15% is awarded. As this already provides for the rating of empty homes, to a certain extent, it is considered that this arrangement should continue. This is particularly appropriate in relation to the social rented sector, which exists as a result of market failure and has relatively low levels of vacancies.[1]

[1] Just over 3% of Housing Executive properties were vacant at the end of 2007/2008.

Interaction with other allowances, exemptions and reliefs

115. A range of rating allowances, exemptions and reliefs are currently available. However, the majority are based on a property being occupied, with assistance with rates provided for that purpose. This includes **housing benefit, rate relief, disabled persons allowance**, the relief for those in **full time education and training, young people leaving care and those under 18**, as well as the **lone pensioner allowance**. It is proposed that these measures should not apply where the rating of empty homes occurs, and the parent relief is not available, given that they are awarded subject to a property being occupied.

116. A similar issue arises in relation to the treatment of **farmhouses**. A valuation allowance is awarded where the property is occupied in connection with agricultural land and farming is the primary occupation of the person living there. When empty the valuation allowance would be removed, and the property revalued on the same basis as all other homes.

117. It is considered that the 50% exemption from rates, which is conditional on a house being used for pastoral duties, should continue to apply to empty **Minister's homes** where they will next be used as such and are owned by the church.

118. Finally, measures such as **transitional relief** and the **maximum capital value** should continue to apply when the rating of empty homes occurs.

Rates avoidance

119. It is considered that new legislative powers should be introduced that would allow deliberate rates avoidance to be dealt with, if deemed necessary. This could provide that any intentional damage to a property, deemed to have been for the purpose of avoiding rate liability, would not be reflected in the value of the property and its subsequent rates liability.

Rating of empty homes - Preferred approach

- The liable person should be the person entitled to possession of the property, which usually means the owner.
- Rates on empty homes should be levied at 100%.
- The rating of empty homes should not be introduced on a phased basis.
- There should be no general initial exemption period. A 12 month exemption period should, however, apply to new property developments.
- Similar to the non-domestic sector, completion notices should be used to determine when rates liability begins for new empty homes.
- Certain properties should be excluded from the rating of empty homes, including where occupation is legally prohibited or by government action, where a person is receiving care, the property is empty due to imprisonment or the owner’s death and for properties below a capital value of £20,000.
- Properties in the rented sector, for which owners have agreed to pay rates, should be excluded from the standard rating of empty homes policy.
- The maximum capital value and transitional relief should apply to empty homes.
- Occupation based allowances and reliefs (disabled person’s allowance, housing benefit, rate relief, student relief for those in full time education and training and young people leaving care and lone pensioner allowance) should not apply where rates are levied on empty properties.
- The valuation allowance for farmhouses should not be awarded on empty property, due to occupancy conditions.
- The 50% exemption on Minister’s houses should apply when the property is empty, and owned by the church, subject to it being used for pastoral duties when next in use.
- New powers should be provided that would allow deliberate rates avoidance to be dealt with, if deemed necessary.

Do you have any comments on the preferred approach that has been adopted?

Section 6: Summary of impact assessments

New Targeting Social Need (New TSN)

120. New TSN is a policy designed to tackle social need and social exclusion by targeting efforts and available resources, within existing Departmental programmes towards people, groups and areas in greatest social need.

121. It is possible to consider the impact that the rating of empty properties will have on disadvantaged areas, by examining the incidence of empty property within the most deprived wards, as measured using the Northern Ireland Multiple Deprivation Measure (NIMDM).

122. All the wards are ranked accordingly by deprivation, and then grouped into deciles, from most to least deprived. The proportion of unoccupied properties to occupied properties in each decile is calculated, as an indicator of the impact that the rating of empty homes will have on each decile. It is assumed that the higher the proportion of empty properties, the greater will be the impact. The results of this analysis are set out in more detail in the Integrated Impact Assessment which is available at http://www.ratingreviewni.gov.uk. However, the following provides a summary:

Table 2: New TSN, Average percentage revenue loss by MDM Deciles (D10 = Most deprived; D1 = Least deprived)

	Ave MDM Score	Proportion of total properties that are unoccupied (%)
D10	50.94	7.8
D9	33.55	6.6
D8	28.06	8.3
D7	23.68	7.8
D6	20.40	8.9
D5	17.49	8.5
D4	14.73	6.5
D3	11.97	6.2
D2	8.56	5.7
D1	4.80	5.3

123. As deprivation falls, the proportion of empty properties also tends to fall (Table 2). This is supported by correlation analysis, which shows a positive correlation between the deprivation score for each ward, and the number of empty properties in it.

124. The findings suggest that the burden of the rating of empty homes is likely to fall more heavily on properties located in more deprived areas (though clearly property owners may not reside in those same areas). However, given that the measure is likely to lead to wider social benefits (helping to arrest physical decline in built up areas and encouraging properties back onto the market) the overall impact is expected to be a positive one in terms of the impact on deprived areas.

Is there any further evidence of how the proposals will impact on disadvantaged areas?

Rural proofing

125. The rural proofing exercise allows policies to be assessed for their impact on rural areas. Impact was measured in terms of how over - or under-represented empty homes were among urban or rural areas, compared to the Northern Ireland population as a whole. Over-representation of rural properties would suggest that the rating of empty homes will occur more in rural areas where there are more empty homes.

Table 3: Rural/Urban classification of all NI properties and all vacant properties

	Northern Ireland	Vacant properties
Urban	59%	55%
Rural	29%	35%
Mixed	12%	10%
	100%	100%

126. Empty homes are slightly under represented in urban areas compared to overall NI figures (55.2% compared to 59.7% respectively). There is also a higher proportion of empty properties in Rural areas (35%) compared with the overall Northern Ireland figures (29%).

127. It is important to note that, as with the New TSN analysis, property owners may not reside in the same area as the empty property that they own. In addition, the rating of empty homes may have the beneficial effect of freeing up rental markets and more local housing as well as increasing the revenue raised in district rates, which will be spent in the areas affected.

128. The overall impact is difficult to gauge as empty homes in rural areas would tend to be isolated and social benefits are less clear than in urban areas. However, increasing the supply of housing onto the market is expected to have a positive effect.

Is there any further evidence of the impact of the proposals on rural areas?

Initial equality impact assessment (EQIA)

129. In accordance with the statutory duties contained in Section 75 of the Northern Ireland Act (1988), the Department of Finance and Personnel has given an undertaking to carry out an equality impact assessment (EQIA) on each policy where screening has indicated that there may be significant equality implications. The aim of an EQIA is to determine whether any of the nine groups are significantly affected, either positively or negatively, by a change in policy.

130. The analysis has been carried out at a district council level. The extent to which a district council area is affected is measured according to the revenue raised from the rating of empty homes as a percentage of the overall rating revenue raised, for each district council.

131. The approach taken is to compare the five district councils that will be the most and least affected by this policy if it was implemented. Due to a lack of data on two Section 75 groups (political opinion and sexual orientation), the analysis will not investigate these groups. However it is possible to look at the seven remaining Section 75 groups with data from the 2001 Census.

132. Table 4 shows the average Section 75 breakdown of the top five most affected district councils, the five least affected district councils and the total population of Northern Ireland.

Table 4: Average Section 75 breakdown of the most and least affected district councils if the rating of empty homes were implemented

Section 75	Categories	Top 5 (most affected)	Bottom 5 (least affected)	Northern Ireland
Age	Under 60	82.4	82.3	82.7
	60 plus	17.6	17.7	17.3
Gender	Male	49.5	48.6	48.7
	Female	50.5	51.3	51.3
Dependents	No dependents	38.7	51.5	50.1
	With dependents	61.3	48.5	49.9
Ethnicity	Non white	0.6	0.9	0.8
	White	99.4	99.1	99.1
Disability	Without disability	80.2	81.4	79.6
	With disability	19.8	18.6	20.4
Marital status	Married	41.4	46.9	43.0
	Single	51.1	45.0	49.0
	Widowed/Divorced	7.5	8.1	7.9
Community background	Protestant/Other/Christian	40.8	59.0	42.8
	Catholic	44.9	15.9	38.8
	Other/None	14.2	24.9	18.8
Average vacant rate liability as % of total rate liability per council		**7.9**	**4.2**	**6.3**

Results of the analysis

133. Comparing the top five and the bottom five district councils to the overall Northern Ireland average, there is a minimal variation only in the Age, Gender, Ethnicity and Disability categories. For these Section 75 groups then, there appears to be no significant differential impact between subgroups.

134. In relation to the Dependents category, in the most affected council areas, on average, just under 39% of households have no dependents. This is below the Northern Ireland average of around 50%. Within the Marital status category, married persons are slightly under-represented among the top five most affected councils. Within the Religion category, when compared to the Northern Ireland average, Catholics tend to be over-represented in the top five most affected district councils.

135. In summary, the initial equality impact assessment indicates that the policy directly affects more properties located in areas where (compared to the general population) there is a greater proportion of people with dependents as well as those from a Catholic background. As with the New TSN and rural proofing analysis it should be remembered that the owners of empty homes may not reside in the same area. There will also be an increased level of district rate revenue available for a council to spend in that area. Furthermore, given that empty property can have an undesirable effect in an area, boarded up and derelict property can be unsightly and lower house prices in the area, introducing the rating of empty homes may have a beneficial impact.

136. Taking account of these considerations there is expected to be a positive impact for these groups.

Is there any further evidence on the impact of the proposals on different Section 75 groups?

Section 7: Next steps

137. Consultation on the issues set out in this paper will last for 12 weeks, ending on 15 August 2008. We would welcome comments on both the questions raised in the paper (see Annex A) and the key issues more generally. Individual responses to the consultation exercise will be made available on the Rating Policy website http://www.ratingreviewni.gov.uk. A report setting out the main issues raised during consultation will also be made available in due course. The results of this will be analysed and shared with both the Finance Minister and the Committee for Finance and Personnel. Having taken account of all these views a decision will then be reached on the way forward.

138. An enabling power exists in the current rating legislation that would allow the Northern Ireland Assembly to introduce the rating of empty homes. Further changes to the primary legislation may be required, depending on the outcome of consultation. This, along with the relevant secondary legislation, will be subject to Committee scrutiny and have to be approved by the Northern Ireland Assembly. It is intended to bring the relevant primary and subordinate legislation forward at the earliest possible date to have the rating of empty homes in place from April 2010.

Annex A: Questions for consultees

Section 2: Background to the rating of empty homes

- Do you have any views on the general issues raised in this section?
- How best should unfit, low value properties be dealt with when rating empty homes?
- How best can the rating of empty homes be introduced without stifling property development/impacting on housing affordability?

Section 3: Key issues

Subsection 1: Level of liability

- What are your views on the rating of empty homes at 100%?
- Do you think there should be any exceptions to this?

Subsection 2: Phasing the rating of empty homes

- Would there be merit in introducing rates on empty homes on a phased basis?
- If this measure were introduced what type of phasing would be appropriate – capital value threshold, stepped liability, new versus occupied properties or district council area?

Subsection 3: Application of a minimum capital value

- Should certain categories of empty low value homes be excluded from rating?
- Should a minimum capital value be applied to the rating of empty homes?
- Would a minimum capital value be an effective way to deal with low value properties that are in disrepair or derelict?
- If a minimum capital value were introduced for empty homes what level should this be at?

Subsection 4: Initial exemption period

- What are your views on an initial exemption period not applying to the rating of empty homes?
- If there is to be an initial exemption period how long should this last?
- Should a different approach be adopted towards new developments, in order to encourage the supply of new homes?
- Were a 12 month exemption period provided for new empty properties should there be any exclusions to this?

Subsection 5: Completion notices

- At which point should a new domestic property be deemed to be ‘complete’ for the purpose of an empty homes charge?
- Should the approach be similar to that adopted for the rating of empty business property?

Subsection 6: Exclusions

- Should certain classes of domestic properties be excluded from rates when empty?
- If so, what categories should be excluded?
- Do you agree with, or have any views on, the suggested categories for exclusion?

Subsection 7: Social and private rented sector

- What are your views on applying the rating of empty homes to the social rented sector?
- Should the social rented sector be excluded from the mainstream policy, with the current arrangements continuing to apply?
- Should the private rented sector (subject to a written agreement) be excluded from the mainstream policy with the current arrangements continuing to apply?
- Have you any other suggestions as to how the social or private rented sector should be dealt with?
- Should the 15% discount provided under the voluntary arrangements for landlords (in the social and private rented sector) be lower to reflect the introduction of the rating of empty homes?

Subsection 8: Interaction with other allowances, exemptions and reliefs

- Do you agree that disabled persons allowance, housing benefit, lone pensioner allowance, rate relief and the education, training and young person leaving care relief, all of which are based on a property being occupied, should not apply to empty homes?
- Do you agree that transitional relief and a maximum capital value should apply when rates are due on empty homes?
- What are your views on the treatment of Minister’s houses continuing to be partially exempt from rates when empty, subject to being owned by the church and next being used for pastoral duties?
- What are your views on the valuation of farmhouses when these properties become empty and liable to rates?
- Have you any other comments on the interaction between the rating of empty homes and current rating allowances, exemptions and reliefs?

Sub-section 9: Anti-avoidance measures

- What are your views on the introduction of anti-avoidance measures?
- Are there any specific circumstances that need to be taken account of?

Section 4: Financial Impact

- Do you have any views on the financial impact of introducing the rating of empty homes?
- What are your views on the potential impact on revenue collection from low value and low standard empty homes?
- Do you have any views on the factors affecting potential revenue levels?

Section 5: Preferred approach

- Do you have any comments on the preferred approach that has been adopted?

Section 6: Summary of impact assessments

- Is there any further evidence of how the proposals will impact on disadvantaged areas?
- Is there any further evidence of the impact of the proposals on rural areas?
- Is there any further evidence of the impact of the proposals on different Section 75 groups?