



Department of
**Finance and
Personnel**

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INVESTOR IN PEOPLE

Review of Domestic Rating A Consultation Report

January 2009

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Foreword by Nigel Dodds, Finance Minister

Reviewing the domestic rating system introduced by direct rule Ministers was one of the first decisions taken by the Executive on the return of devolution. It aimed to make the rating system more acceptable and above all responsive to local people's needs. A number of important changes have already been introduced including a lone pensioner allowance for those aged 70 or over living alone, with around £2.5m paid to date, as well as an increase in the savings limit that applies to pensioners under the rate relief scheme from £16,000 to £50,000. These were brought about after considering hard evidence and listening to those most affected by the new system.

I will be introducing further changes over the next 18 months, with a great many of these shaped by how local people want their taxation system to operate and what we have been told through public consultation. Together these reforms will show that devolution can make a real difference, to both policy direction, and more importantly, to individuals on a day to day basis. With a new capital value system only just introduced last year it would have been easy to do nothing. However, difficult decisions have been, and will continue to be, made. One early change made was to stop the double digit increases in the regional rate. Indeed, the domestic regional rate was frozen for three years and, given the recent period of economic turbulence and rising fuel bills, this has been to the benefit of all ratepaying households in Northern Ireland. I have also recently announced that the commercial regional rate should be frozen in 2009/10, representing a real saving for hard pressed businesses.

In recent months consultation has been undertaken on a range of policy decisions agreed to by the Executive. I would like to express my thanks for the detailed consideration that has been given by respondents, both organisations and individuals, to the various policy areas. This will prove beneficial in terms of implementing the final policies. I recently announced a range of decisions on rating policy matters. This consultation report provides further detail on this and the underpinning rationale.

Extending the previous focus on pensioners I intend to introduce a rates deferment scheme as a choice for home owning pensioners in April 2010. I will also bring forward legislation to lower the maximum bill that people will be asked to pay so that households locally pay no more than the average council tax bill in the highest band in Great Britain. As well as limiting the amount that people have to pay I want them to receive the benefits to which they are entitled. Too many people are missing out on crucial benefits. New data sharing powers will be introduced from April 2010 to improve rate relief take-up, an important step in addressing a massive problem.

Given the strong support for the rating of empty homes during consultation, it is planned to introduce this in April 2010 at 100% liability. This is intended to tackle housing supply and affordability, bringing properties back into productive use. As I recently announced, I also plan to introduce 'green' rate rebates at the same time for those who carry out energy efficient improvements to their homes, such as loft and cavity wall insulation. Initial rates

exemptions of two and five years will also be provided to the first residents of low and zero carbon homes respectively. Finally, this report provides an update on derelict land tax, the evaluation of the relief scheme for those in full time education and the take up of rate reliefs.

I hope that the decisions taken will reassure people that consultation works and policies are shaped by the views of ordinary people, be this individual ratepayers, representative organisations or councils. It is my aim that through these reforms the rating system will be seen as more acceptable and doing its job well, which is providing a sound basis for raising local revenues with appropriate safeguards to protect the vulnerable.

The next stage in the process will be the preparation of legislation to allow these further reforms to be introduced as soon as possible and I look forward to presenting the necessary legislation to the Assembly in the New Year.

A handwritten signature in black ink, appearing to read 'Nigel Dodds', with a horizontal line underneath the name.

NIGEL DODDS OBE, MP and MLA

Section 1: Executive summary

1. An Executive Review of the new capital value rating system, introduced by direct rule Ministers in April 2007, was commissioned in May 2007. This was intended to make the new system more acceptable, taking account of public and political concerns. A number of changes have already been introduced as part of the Review process including a new lone pensioner allowance and an increase in the savings limit for pensioners under the rate relief scheme.
2. The Executive agreed that further policy changes should be made, subject to consultation and impact assessment including:
 - the rating of empty homes at 100% liability;
 - a reduction in the maximum capital value from £500,000 to £400,000;
 - a rates deferment scheme for home owning pensioners;
 - rate rebates for energy efficiency improvements and new zero carbon rated homes;
 - data sharing powers to improve the take-up of rate reliefs;
 - a review of the effectiveness of the relief scheme for those in full time education, etc. with a view to abolishing it; and
 - consideration of derelict land taxation.
3. Policy papers were published for 12 weeks consultation on the issue of the rating of empty homes, reduced maximum capital value, deferment, green rebates and data sharing.¹ Integrated impact assessments were also undertaken on the rating of empty homes, maximum capital value reduction and deferment, with a privacy impact assessment undertaken on data sharing. An impact assessment has subsequently been completed for green rebates, with relevant data becoming available in September.² In addition, targeted consultation has been undertaken as part of the evaluation of the relief scheme for those in full time education, etc. The views of the Assembly's Finance and Personnel Committee have also been sought on the range of issues.³
4. This consultation report summarises the consultation responses and outlines the decisions of the Finance Minister, Nigel Dodds, on the detail of the various measures. The next steps in this reform process are also highlighted. This summary section sets out the broad thrust of the consultation responses, highlights those areas on which views were varied and explains the rationale for the way forward on each of the policies.

¹ All of the policy papers and impact assessments are available on the Review of Rating Policy website (<http://www.ratingreviewni.gov.uk>).

² The equality impact assessment has been limited due to the nature of the data in the house conditions survey, on which this was based.

³ A report was previously prepared by the Committee on the Executive's review of the rating system. This is available at http://www.niassembly.gov.uk/finance/2007mandate/reports/report06_07_08r.htm

5. The report also provides an update on recent announcements relating to a small business rate relief scheme and the freeze in the non-domestic regional rate in 2009/10.

The rating of empty homes

6. Rating empty homes is intended to encourage people to make more productive use of property, improving housing availability. Consultation showed strong support for 100% liability and the wider consultation proposals more generally. Those issues on which views were most mixed or there was substantive comment related to:
 - (i) phasing in the rating of empty homes;
 - (ii) the application of an initial exemption period;
 - (iii) the continuation of a farmhouse valuation allowance when the property is empty; and
 - iv) the proposed differential treatment for empty homes owned by the church and individual clergy.
7. The views expressed during consultation and also by the Finance and Personnel Committee have been carefully considered. In relation to these issues it has been decided that:
 - (i) phasing would run counter to the policy intention of bringing empty property back into use as soon as possible. Furthermore, by the time that the measure is introduced households will have had over two years to adjust to its planned introduction;
 - (ii) an initial exemption period is considered unnecessary given that most people move house on the same day. However, an exception will be made for new property developments for 12 months so that the supply of new housing is not adversely affected;
 - (iii) as the farmhouse valuation allowance is subject to occupancy requirements, the necessary conditions for the allowance to be awarded cannot be met. However, when next occupied in connection with agricultural land, and used as the home of a person whose primary occupation is farming, the allowance could be reinstated; and
 - (iv) in order to ensure a consistency of approach for all church related homes, the 50% exemption from rates will continue to apply when a property is empty if owned by either the church or individual clergy. This would be subject to the property, when next in use, being used for pastoral duties.

Rating of empty homes – Final policy position

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

Reduction in the maximum capital value

8. Reducing the maximum capital value from £500,000 will ensure that ratepayers locally pay no more than the average bill within the highest council tax band in England. While there was organisational opposition to the proposal the majority of consultation responses were in favour of a reduction in the maximum capital value. Those issues on which there was the most comment, or where particular concerns were expressed, related to:
 - (i) the potential impact of the reduced cap on other ratepayers, who would have to subsidise those on higher incomes;

- (ii) the need for transitional relief to be provided to councils adversely affected by the reduction in the maximum capital value;
 - (iii) the cap being reduced to less than £400,000, ideally £300,000; and
 - (iv) the application of a minimum charge for those properties valued at £50,000 or below to ensure that those in higher value properties do not pay significantly more for the same level of services.
9. While the majority of consultation responses were in favour of the position set out in the consultation report, a wide range of views were expressed on the level at which the maximum capital value should be set. Taking account of these it should be noted that:
- (i) the regional rate has been fixed at no increase until 31 March 2011. Beyond that, even if the revenue loss were to be recovered from other ratepayers, the impact of reducing the cap would, in theory, only add about 8p a week to the average rates bill;
 - (ii) subject to the Executive signing off the Rates (Amendment) Bill, the Minister will be asking the Assembly to approve legislation that will allow compensating payments to be made to district councils in respect of the 2009/10 and 2010/11 rating years. This will be set at 100% and 50% respectively. Retrospective compensation will not be provided for the current £500,000 cap.
 - (iii) there is a need to balance limiting the amount that those in high value properties pay with the impact that a reduction in the maximum capital value would have on other ratepayers. A £300,000 cap would cost a further £5.5m; and
 - (iv) a minimum rates charge would be regressive and most adversely impact on those on low incomes.

Reduction in the maximum capital value – Final policy position

- The maximum capital value is to be reduced from £500,000 to £400,000. Assembly approval of the necessary subordinate legislation will be required.
- Subject to the Executive signing off the Rates (Amendment) Bill the Assembly will be asked to approve legislation that will allow compensating payments to be provided to district councils in respect of the 2009/10 and 2010/11 rating years. This will apply to the reduction from £500,000 to £400,000. It is intended that it will be levied at 100% and 50% in the respective years.
- Retrospective relief will not be provided to district councils in relation to the introduction of the £500,000 maximum capital value in April 2007.

Deferment scheme for home owning pensioners

10. The choice of deferring rate payments could make a significant difference to better off pensioners who are not entitled to rate rebate or rate relief. While there was broad support for the proposals set out in the consultation paper issues of concern included:
 - (i) the proposed eligible age of 65, due to possible inequities between male and female pensioners;
 - (ii) the level of interest that would be charged under the scheme;
 - (iii) whether or not the provision of advice should be mandatory or advisable; and
 - (iv) the option of repayment flexibility when a deferment agreement is terminated.
11. Taking account of these concerns, it is now intended that:
 - (i) home owning pensioners aged 60 or above will be entitled to apply. This age threshold will change in line with planned alterations to the minimum state pension age (pensionable age) through to 2046.
 - (ii) the scheme will broadly operate on a cost recovery basis, with compound interest charged on the deferred amount (rates due plus set up costs) at the Bank of England base rate minus 1%. This would currently equate to 1%. The department will reserve the power to set a minimum interest rate level should this be deemed necessary. Applicants will be provided with deferral projections and participants will be provided with an annual statement.
 - (iii) in light of the mixed consultation views, and the difficulties in involving the voluntary sector in the provision of regulated financial advice, deferment applicants will be strongly recommended to (but not required to) receive independent financial advice prior to entering into a deferment agreement. This would equally apply to other parties affected by the deferment agreement.
 - (iv) the department will have a power that would allow it to accept payment by instalments, on the termination of a deferment agreement. This would apply in very limited circumstances, at the discretion of the department, where immediate repayment of the debt would lead to exceptional hardship to the ratepayer concerned.
12. Having considered the views expressed during consultation it has been decided to provide a scheme along the following lines:

Deferment scheme for home owning pensioners – Final policy position

- Deferment is voluntary and will be provided at the department's discretion.
- Deferment will only apply to a property owned and occupied by an applicant aged 60 or over, subsequently increasing in line with the minimum pensionable age.
- The department will have the discretion to enter into a deferment agreement with both the eligible person and a spouse/partner who also owns and occupies the property.
- Deferment will be limited to a person's main home. It will not be permitted on second homes or empty homes (with limited exceptions for residential care/medical treatment).
- There must be a minimum 40% equity in the property, with deferred rates not exceeding 80% of the property's equity.
- The deferred debt (including rates, interest and any fees) will take the form of a statutory charge on the property.
- Interest will be levied at the Bank of England base rate (currently 2%) minus 1%, calculated on a compound basis. The department will reserve the power to alter this or charge a minimum interest rate.
- Applicants will be strongly recommended, but not required, to have received independent financial advice, prior to entering into a deferment agreement.
- The deferred debt will be due and owing on the sale or transfer of the property, death of the agreement holder (unless a joint agreement has been entered into with a spouse or partner), eligibility conditions no longer being met or the terms of the agreement having been breached by the deferree.
- Repayment flexibility could be provided for in very limited circumstances, where immediate repayment would lead to exceptional hardship.
- Rates cannot be deferred on properties with a capital value below £50,000 (£300 rate bill). Partial deferment of rates will not be permitted. An exception may be made in the first year of the scheme operating.
- The onus will be on applicants to verify property title (ownership) and other necessary information, bearing any associated charges.
- An annual statement will be provided to participants showing the deferred debt, interest levels and any fees.
- Those aggrieved by a decision of the department not to enter a deferment agreement or terminate an agreement may ask for the decision to be reviewed.

Green rebates

13. It is intended that a 'green' rate rebate will be available to homeowners who bring their homes up to modern standards of insulation. Existing householders will be able to qualify for a rebate by investing in energy efficiency improvements to their homes, such as cavity wall and loft insulation.
14. Additionally another 'green' scheme will provide an exemption from rates for up to five years for the first residents of homes that meet the proposed new zero-carbon standards and an exemption for up to two years for the first residents of low-carbon homes that meet level four or greater, but less than level six (which is zero carbon), of the code for sustainable homes.
15. While there was broad support for the proposals set out in the consultation paper issues of concern included:

General issues

- (i) how the schemes are to be funded;
- (ii) whether the rating system is the best vehicle to provide green incentives; and
- (iii) whether energy performance certificates should be used as an alternative approach.

Energy efficiency scheme

- (i) whether it should be a 'stand alone' scheme or operated in partnership with the NIE cash-back scheme;
- (ii) what energy efficiency measures should attract a rebate;
- (iii) the level of the rebate; and
- (iv) who should receive the rebate, including whether it should be extended to the social sector.

Zero carbon homes

- (i) who should qualify for the scheme;
 - (ii) the definition of a zero carbon home; and
 - (iii) whether the scheme should be tapered.
16. Having considered the views expressed during consultation it has been decided to provide a scheme along the following lines:

Green rebates – Final policy position

- The rebate scheme will be funded centrally and will be administered as a stand alone energy efficiency scheme by the Energy Savings Trust.
- The rebate will be available to owner occupiers who carry out loft and cavity wall insulation.
- An enabling power will be taken in the primary legislation to allow the rebate scheme to be extended to the social sector should circumstances change and this be required.
- The level of the rebate is likely to be around £200.
- A five year rates exemption will be introduced for the first residents of zero carbon homes.
- The new definition to emerge from the UK Government’s consultation on “the definition of Zero Carbon” will be used.
- A two year rates exemption will be introduced for the first residents of low-carbon homes.
- Low-carbon homes will be defined as achieving level four or greater, but less than level six, of the code for sustainable homes.

Data sharing powers

17. The need for increased data sharing was one of a number of key findings from a recent study that the department commissioned Help the Aged and Age Concern to undertake, which addressed the issue of the low level of take-up of reliefs, particularly amongst pensioners.
18. Unfortunately no one organisation, inside or outside Government, holds sufficiently accurate data that would allow the automatic award of rating reliefs at this time. However, it is considered that with improved data sharing government and its agencies would be in a better position to inform people of their likely eligibility.
19. While there was broad support for the data sharing proposals set out in the consultation paper issues of concern included:
 - (i) the need to ensure that any data shared is secured;
 - (ii) that only relevant and trained staff have access to the data;
 - (iii) the need for the data controller to be clearly defined;
 - (iv) that there is an audit trail which is open and transparent to ratepayers, with some suggesting independent scrutiny; and
 - (v) that other methods of improving take-up are also pursued.
20. Having considered the views expressed during consultation and those of the Finance and Personnel Committee it has been decided to provide for data sharing along the following lines:

Data sharing – Final policy position

- New legislative powers will be introduced to allow the main delivery agencies to share information for the purposes of targeting likely recipients of the various rating reliefs and assessing housing benefit claims for owner occupiers.
- All staff involved should be made aware of and adhere to the departmental data sharing policy statement and action plan.
- Relevant staff should receive the necessary training and receive pro-active support from dedicated managers.
- Only authorised staff should have access to the data and there will be a requirement to adhere to the data protection principles and protocols.
- The Data Controller should be clearly identified.
- A transparent audit trail needs to be established.
- Data handling procedures will be subject to periodic independent review.
- Other methods of improving take-up, such as increased telephony and simplification of the application process, will be taken forward in tandem with enhanced data sharing.

Update on other rating issues

Take up of reliefs

21. As noted above, following the Executive's Review, Help the Aged and Age Concern were commissioned to carry out a study to examine why the take-up of rate reliefs among older people in Northern Ireland is so poor and what steps could be taken to improve this. Access to Benefits for Older People was engaged to undertake the research and consultation for this study.
22. The findings in the report are currently being considered and already plans have been drawn up for early implementation of those recommendations that have been assessed as the most effective and deliverable. However, it contains recommendations that go beyond rate relief take-up and are of relevance for other parts of Government involved in the delivery of benefits. An Interdepartmental group has been set up to take forward most of those recommendations.

Evaluation of the rate relief scheme for those in full-time education, etc.

23. The rate relief scheme for those in full-time education and training, young people leaving care and persons under 18 was introduced in April 2007. During the Executive's Review of domestic rating in 2007 a number of consultees, as well as the Finance and Personnel Committee, raised concerns about whether the benefit of the

relief was being passed to the intended recipients. The Executive agreed that further evaluation and consultation should be carried out, with a view to abolishing the scheme.

24. FGS McClure Watters have undertaken further work on this, evaluating the effectiveness of the scheme, assessing its impact on the intended beneficiaries and identifying possible alternatives to the scheme as it currently stands. A two phased consultation has been undertaken with relevant stakeholder groups.
25. On the basis of the evidence that emerged from their work FGS McClure Watters stated that it was their view that the existing scheme fell short of being fit for purpose. They also viewed it as unlikely that any adjustments to the scheme could overcome its weaknesses stating in the final report that they favoured closure with appropriate safe guards for those already participating in the scheme for the remainder of the current financial year.
26. As a replacement for the scheme the consultants had considered both a voucher scheme and the utilisation of Department for Employment and Learning support funds. The report stated that there would be significant problems of both incidence and scale of impact with a voucher scheme. Nevertheless, the consultants did state that if the Executive saw merit in providing additional support to students then the enhancement of the support funds could be worth further examination on the grounds that it is targeted at those who need the support the most.
27. The Minister is currently considering the findings of this evaluation, taking into account the views of the Finance and Personnel Committee, with a view to bringing forward recommendations to Executive colleagues early in 2009.

Derelict land tax

28. A further outcome of the Executive Review was to examine the scope for the introduction of a new tax on previously developed but now derelict land. The aim of this proposal, a 'derelict land tax', was to discourage excessive land banking, whereby developers and others held on to land with the aim of making capital gains. This measure was therefore intended to increase the availability of development land onto the market, thus increasing the supply of affordable housing, as well as having wider economic development and regeneration benefits.
29. An initial assessment of the potential for such a new tax had concluded that it was beyond the scope of the rating system, since this is based on current, rather than potential development, values.
30. Clearly, however, the ongoing adjustment in the local housing market has impacted significantly on the rationale for such a tax. Given the difficulties also currently facing the development and house building sectors, it does not appear to be the right time to be considering the imposition of a further tax on land holdings. The impact on the construction sector and the wider economy also need to be considered.

31. It has therefore been decided not to proceed with any further development around this proposal at this time. It may be necessary to return to the policy at some stage if conditions change and there is a clear need to do so. However, this will not be within the life of the current Assembly.

Executive's response to the economic downturn

32. As part of the Executive's response to the economic downturn, the Minister announced on 15 December 2008 that he intended to introduce further changes to the rating system by asking the Assembly to approve legislation to introduce a targeted small business rate relief scheme. This would be funded centrally and not by charging other ratepayers more. The process of bringing final proposals to the Executive and taking enabling legislation through the Assembly means that, if passed, this relief should be available in 2010.
33. However, in order to provide more immediate help to business rate payers and as an interim measure, non-domestic rates are to be frozen in cash terms for 2009/10, further enhancing the competitiveness of local firms, protecting jobs and incomes and representing a real saving for all hard pressed businesses operating in Northern Ireland during the economic downturn. This measure will be worth almost £8 million to Northern Ireland businesses in 2009/10.

Section 2: Introduction

Background to the Review of rating

34. In 2000 the Executive embarked on the Review of Rating Policy, given the inequities and anomalies in the system. Taking account of a wide range of research, analysis and impact assessments a new capital value system was introduced in the domestic sector, taken forward under direct rule, in April 2007.

Executive Review

35. Following the restoration of devolution in May 2007 the then Minister of Finance and Personnel, Peter Robinson, announced the Executive's intention to review the new domestic rating system. This was prompted by public and political opposition to the new capital value system and concern about its impact on ratepayers. The purpose of the accelerated Review was to make the new system more acceptable and ensure that changes could be introduced as soon as possible.

36. The Review was divided into two parallel strands involving a thorough examination of the options for change that could be delivered in time for April 2008 rate bills, as well as changes to further improve the system in the medium term. The latter included identifying longer term options for raising revenue through the local taxation system, either as alternatives or supplements to the domestic rating system.

37. To inform the Review, a 12 week consultation exercise was undertaken, to which 119 responses were received. In addition, earlier analysis was updated and reviewed and further research was commissioned on the impact of the various options using census data and the Family Resources Survey. A considerable body of national research was also examined, including material for the Lyons Inquiry in England and the Burt Report in Scotland. The Semple Review into Affordable Housing⁴ in Northern Ireland also informed this phase of the Review as well as a report from the Finance and Personnel Committee.⁵

Executive decisions

38. As a result of the Review the Executive agreed that a number of measures should be implemented in April 2008 and that there should be more detailed consideration of a range of policy changes.

April 2008 changes

39. The two key measures implemented in 2008 were targeted at providing additional assistance to pensioners, given their greater need. These were:

- a new lone pensioner allowance, which provides a 20% discount for those aged

⁴ http://www.dsdni.gov.uk/affordable_housing_final.pdf

⁵ http://www.niassembly.gov.uk/finance/2007mandate/reports/report06_07_08r.htm

70 and over who are living alone. This has proved to be a popular measure with around 20,000 applications and £2.5m awarded to date;

- an increase in the saving limit for pensioners, from £16,000 to £50,000, under the rate relief scheme.

Medium term changes

40. The Executive also agreed a number of high level policy changes, subject to further consultation and impact assessments being undertaken. This included:

- the rating of empty homes at 100% liability;
- a reduction in the maximum capital value from £500,000 to £400,000;
- a rates deferment scheme for home owning pensioners;
- the provision of rate rebates for energy efficiency improvements and new homes that are zero carbon rated;
- investigation into enhanced data sharing arrangements to improve the take-up of rate reliefs;
- an evaluation of the effectiveness of the relief scheme for those in full time education, etc. and possible alternatives, with a view to abolishing it; and
- consideration of derelict land taxation, in liaison with the Department for Social Development, with a view to implementation in the near future.

Consultation

41. Most of the measures have been subject to further consultation, with the necessary initial impact assessments undertaken. As the Executive had already agreed to the broad policy intention, consultation was on the detail of the policy proposals. In total there were 288 responses to the five public 12 week consultations that were undertaken. There were 130 organisational responses (representing 63 organisations, including 20 district councils) as well as one from a political party and an individual MLA. 156 responses were also received from individuals. A list of those who responded to the various public consultations is attached at **Annex A**. The responses received have been published on the Review of Rating Policy website.

42. In addition, officials from Rating Policy Division were involved in a range of supplementary meetings with key stakeholders and interested parties (both prior to and during consultation) to discuss the detail of the policy measures. This included *Access to Benefits, Advice NI, Age Concern, Ballymena Borough Council, Braintree District Council, the Consumer Council, the Energy Savings Trust, Help the Aged, the Information Commissioner, Northern Ireland Electricity, the Northern Ireland Fair Rates Campaign, the Royal Institution of Chartered Surveyors, the Rural Community Network, the Ulster Farmers Union and the Worldwide Fund for Nature*. The Minister also met with the *Chartered Institute of Housing* on the rating of empty homes.

43. On the evaluation of the relief scheme for those in full time education, etc. consultation was undertaken with a wide range of bodies by independent consultants. The data sharing measures were also informed by a consumer panel discussion arranged by the *Consumer Council*.

Consultation report

44. This report aims to provide a summary of the views expressed during consultation on each of the key proposals (**Section 3**). It also provides a summary of the final Integrated Impact Assessment (**Section 4**). **Section 5** sets out the Minister's response to this and decisions on the way forward. **Section 6** provides an overview of the next steps, including the legislation that will be introduced to give effect to the policy changes. **Annex A** provides a list of those organisations that responded to the consultation exercise. **Annex B**, which is only available on the Review of Rating Policy website, sets out the full integrated impact assessment.
45. This report will be sent to all organisations and individuals who responded to the consultation exercises, including stakeholders involved in pre-consultation and consultation meetings. It is also available on the Review of Rating Policy website (<http://www.ratingreviewni.gov.uk>), along with all the organisational and individual consultation responses.
46. Should you require any further information, or additional copies of the consultation report, please contact:
- Rating Policy Division
Department of Finance and Personnel
Room D12
Rathgael House
Balloo Road
Bangor
BT19 7NA
- E-mail: ratingpolicy.cfg@dfpni.gov.uk
- Fax: 028 9185 8008
- Telephone: 028 9127 7606
47. The consultation paper may be made available, on request, in alternative languages and formats.

Section 3: Overview of findings

Subsection 1: The rating of empty homes

Introduction

48. The rating of empty homes was first considered seriously as part of the Review of domestic rating completed under direct rule. The decision was made not to proceed with it at that time for a number of reasons. These included the potentially low level of yield compared to the cost of administration and the need for (and difficulty of having) widespread exemptions due to the large number of houses that were empty, as a consequence of the years of civil unrest.
49. The decision was therefore taken in the early days of that Review not to introduce it in 2004 when the rating of empty commercial property began. However, an enabling power was provided that would allow the returning Executive to rate empty homes should it so wish.
50. One of a number of options considered during the returning Executive's Review of the domestic rating system was rating empty homes, particularly as the context had changed in the interim, with issues of housing affordability emerging. Indeed the Simple Review into housing affordability which was completed in 2007 recommended, amongst many other measures, that empty homes should be rateable to encourage people to put houses onto the market for sale or letting.
51. Of those who commented on the issue during the 2007 consultation, 21 responses were in favour of the rating of empty homes (17 organisations and four ratepayers) while five were opposed to it (three organisations and two ratepayers). One organisation offered qualified support.
52. It was clear from the responses received that support for the measure had grown since 2004, reflecting the changed political, economic and social situation.
53. Taking account of consultation responses and the views of the Finance and Personnel Committee, the Executive agreed that the rating of empty homes should be introduced, as soon as possible, to assist with wider policy objectives related to housing affordability and supply. This decision was made subject to further consultation on both the detail of the scheme and the initial integrated impact assessment.
54. The views expressed during the recent consultation exercise are summarised below, categorised by the key issues raised.

Overview of responses

55. In total 50 responses were received, 36 from organisations (including 15 district councils) and 14 from individuals/ratepayers. A summary of the responses is set out in the text and table below.

Opposition: Six responses were against the rating of empty homes, two from organisations and four from ratepayers.

Support: 15 responses favoured the proposals as laid out in the consultation document, seven of which were from organisations (including two district councils) and eight from ratepayers. A further 29 responses were in favour of rating empty homes but made comments on, or suggested amendments to, some of the proposals. 27 of these were from organisations, including 13 from district councils, and two from ratepayers. Of these the need for some amendment of the proposals largely centred on the provision of an initial exemption period and/or phasing.

56. It should be noted that slightly under half of the consultation responses simply stated that they were broadly in favour (18) or opposed (five) to the proposals without commenting in much detail on the specific proposals. These largely constituted individuals/ratepayers as well as a number of district councils.

| | Total | Organisations (including District Councils) | Ratepayers |
|---|-------|---|------------|
| Against rating of empty homes | 6 | 2 | 4 |
| For rating of empty homes | 15 | 7 | 8 |
| For rating of empty homes with amendments | 29 | 27 | 2 |
| | 50 | 36 | 14 |

Level of liability

57. 30 of the consultation responses commented specifically on the level of liability that should apply. Of these 23 were in favour of 100% liability (21 organisations and two ratepayers), including six district councils. Seven responses (five organisations and two ratepayers) were opposed to a 100% levy.

58. *Ballymena* and *Banbridge Councils*, along with the *Northern Ireland Fair Rates Campaign* and one ratepayer suggested that rating should be levied at 50%. *Omagh District Council* was of the view that a reduced rate should be levied on empty dwellings due to the level of service provision received.

59. Of those that supported 100% liability *Northern Ireland Environment Link* commented that consideration should be given to increasing this for longer term vacancies. The *Housing Rights Service* felt that there would be some merit in increasing the 100% liability where a property is empty for over 12 months. In addition, the *Chartered Institute of Housing* stated that 100% liability should be reviewed after two years. If this has not been effective in meeting the policy aims then consideration should be given to increasing rate liability on empty homes to 200%.

Phasing the rating of empty homes

60. The majority of consultation responses were either against the phasing of empty homes or made no comment on the preferred approach. Just under half of the consultation responses (24) commented specifically on phasing the rating of empty homes. Of these there was greater support for the preferred approach set out in the consultation paper (16), that the rating of empty homes should not be introduced on a phased basis, than those favouring phasing (eight).
61. Those in favour of phasing the rating of empty homes included the *Northern Ireland Federation of Housing Associations* and *Down District Council* who requested phasing over two years. *Ballymena Borough Council* supported a three year phasing. *Omagh Borough Council* and the *Consumer Council* also agreed with a phased approach. Six organisations and two ratepayers favoured phasing.
62. The 16 organisations opposed to phasing the rating of empty homes included *Ards, Belfast City, Craigavon and Lisburn City Councils*, the *Chartered Institute of Housing*, the *Housing Rights Service*, the *Institute of Revenues, Rating and Valuation* and the *Northern Ireland Local Government Association*.

Application of a minimum capital value

63. Aside from those who agreed with the proposals or made no comment on the specifics of a minimum capital value just under half of the responses (22) addressed this proposal. Those opposed to properties under a minimum capital value being excluded from the rating of empty homes included *Strabane and Lisburn City Councils*, the *Communication Workers Union*, *Environment Link* and the *Northern Ireland Fair Rates Campaign*. The key concern raised was that the measure would encourage people to deliberately damage property in order to bring it within this threshold. A number of responses also noted that low value and derelict properties should be removed from the valuation list.
64. Of those that commented the majority (14) agreed with a minimum capital value. The *Chartered Institute of Housing*, *Craigavon Borough Council*, *Omagh District Council* and the *Royal Institution of Chartered Surveyors* agreed that low value properties should be excluded from rates with £20,000 an appropriate threshold. The *Historic Buildings Council* stated that the threshold should be set at £50,000.

65. Other organisations in favour of, or broadly supporting, a minimum capital value for low value properties included *Ards, Ballymena, Belfast City, Down and Fermanagh Councils* as well as the *Consumer Council* and the *Rural Community Network*. Support for this was on the basis that it would be costly to obtain rates on these properties, in addition to which the number of properties covered would be small.
66. More generally there was some concern that the application of a minimum capital value could lead to an increase in the number of properties being damaged in order to ensure that a property was exempted through this.

Initial exemption period

67. Comments made on this proposal were wide ranging. As with other proposals a number of responses agreed with the overall principle of rating empty homes whilst not commenting specifically on the initial exemption period. 23 responses (21 organisations and two ratepayers) commented specifically on the proposal. Of these 10 (nine organisations and one ratepayer) were opposed to an initial exemption period while 10 organisations were in favour. The others simply commented on the proposal.
68. Those in support of the preferred approach (no initial exemption period, but 12 months for new homes) included *Ards, Down and Fermanagh Councils* as well as the *Consumer Council*, the *Chartered Institute of Housing* and the *Northern Ireland Federation of Housing Associations*. While making no specific comment on the proposal the *Housing Rights Service* felt that a 12 month exemption period for property developers of newly built homes is unnecessarily generous.
69. The *Northern Ireland Fair Rates Campaign* stated that there should not be an initial exemption period unless an unfit property is being brought back to a habitable state. The *Royal Institution of Chartered Surveyors* felt that an initial exemption period would be burdensome and that any 12 month exemption for new properties should not be limited to a developer scheme. The *Historic Buildings Council* stated that if a 12 month exemption is to be applied to new builds then it should also apply to refurbishment projects. This issue was raised during evidence sessions of the *Finance and Personnel Committee*. Views were expressed that, due to the current state of the housing market, a 12 month initial exemption may not be sufficient for new housing developments.
70. Of those in favour of an initial exemption period a range of views were expressed on how long this should last and whether this should differ for new property developments. The *Institute of Revenues, Rating and Valuation* felt that an initial exemption period of three months should apply for existing properties, with six months for new homes. *Belfast City Council* stated that a generic six month initial exemption should apply. *Ballymena and Craigavon Borough Councils* and the *Northern Ireland Local Government Association* were of the view that the initial exemption period should be six months, with 12 months applying for new homes.

Lisburn City Council supported an initial six month exemption period but was opposed to a 12 month exemption for new homes.

71. One ratepayer stated that a 100% exemption should apply where properties are for sale.

Completion notices

72. 21 responses commented on when empty homes should be deemed to be completed for rating purposes and the use of a completion notice system. Overwhelmingly these were in favour of the use of the completion notice system that is currently in place in the non-domestic sector. This included the *Chartered Institute of Housing*, the *Institute of Revenues, Rating and Valuation*, the *Northern Ireland Federation of Housing Associations* and the *Northern Ireland Local Government Association* as well as eight district councils.

Exclusions

73. Around a third of the responses (23) commented on the exclusions from the rating of empty homes. Of these the majority (16 organisations) were broadly in favour of the position set out in the consultation document, two ratepayers were opposed while the others simply commented on the policy. While it was felt that exclusions were necessary in order to ensure that the rating system was not inequitable, and people were not penalised by factors outside their control, there was support for the level of any exclusions to be kept to a minimum.
74. Some responses also stated that additional categories should be considered. *Fermanagh District Council* was of the view that exclusions should apply to empty properties owned by a charity or where a person has moved to provide personal care for someone else. The *Chartered Institute of Housing* stated that registered accommodation for pensioners and people with a disability and halls of residence should be excluded from the rating of empty homes.
75. While *Strabane* and *Craigavon Councils* broadly supported the position that had been adopted they were opposed to the exclusion of convicted prison detainees from the rating of empty homes. The *Communication Workers Union* stated that long term prisoners should be dealt with through the litigation process. The *Northern Ireland Association for the Care and Resettlement of Offenders* supported the exclusion of prison detainees from the rating of empty homes.
76. The *Ulster Architectural Heritage Society* stated that occupants of listed buildings, in a good state of repair, should benefit from a rate rebate. They also stated that listed buildings should not be excluded from the rating of empty homes. On the other hand the *Historic Buildings Council* welcomed the proposed exclusion of listed buildings. It also felt that this should be extended to historical buildings.

77. The *Northern Ireland Fair Rates Campaign* stated that all listed buildings as well as derelict or vacant farmhouses should be excluded. The *Royal Institution of Chartered Surveyors* agreed with the proposed exclusions but expressed concern that excluding properties subject to a building preservation notice could delay the reuse of the building. The *Institute of Revenues, Rating and Valuation* was of the view that exemptions should be similar to those used in the Great Britain scheme but should also include properties that have had to be modified because of a person's disability.

Social and private rented sector

78. Just under a third of respondents (16 organisations and one ratepayer) commented on the treatment of the social and private rented sector when the rating of empty homes is introduced. The majority agreed that the current arrangements, which already provide for the rating of empty homes to a certain extent in this sector, should continue when the rating of empty homes is introduced. This included six district councils, the *Institute of Revenues, Rating and Valuation*, the *Northern Ireland Fair Rates Campaign*, the *Northern Ireland Local Government Association* and the *Royal Institution of Chartered Surveyors*.

79. *Strabane District Council* disagreed with the private rented sector being excluded from the standard rating of empty homes policy, while *Lisburn City Council* disagreed with the exclusion of the rented sector generally. *Portstewart Vision* was opposed to a 'discount' being provided to what were effectively businesses. The *Consumer Council* expressed concern that the allowance may be exploited by those wishing to reduce their rates liability, while *Derry City Council* requested a review of the allowance due to the amount awarded.

80. Only nine responses, all organisations, commented on the level of the allowance awarded. While the majority were content that this should continue at 15% when the rating of empty homes is introduced, *Belfast City Council* and the *Institute of Revenues, Rating and Valuation* stated that the allowance should be reduced to 10% for public sector properties on which the allowance is awarded. The *Northern Ireland Local Government Association* also supported a reduction in the allowance.

Interaction with other allowances, exemptions and reliefs

81. 26 of the responses commented, to varying extents, on the interaction between the rating of empty homes and other rating allowances, exemptions and reliefs. The majority of these agreed that where an allowance or relief is occupation based (lone pensioner allowance, disabled person allowance, rate relief, etc) that this should not continue when the property becomes empty. Similarly the majority of those that commented felt that transitional relief and the maximum capital value, which relate to the property rather than the ratepayer, should apply to the rating of empty homes.

82. Those in favour of the preferred approach, or in agreement with key elements of it, included seven district councils, the *Chartered Institute of Housing*, the *Consumer Council*, the *Housing Rights Service*, the *Northern Ireland Federation of Housing Associations*, the *Northern Ireland Local Government Association* and organisations representative of the elderly. Only two respondents opposed the preferred approach.
83. More generally some suggestions were made about extending the allowances that should apply when properties are empty, including properties that had been modified to meet the needs of people with a disability. *Help the Aged*, *Access to Benefits and Age Concern* all stated that unoccupied property should be exempt from rates where resident hospital or residential care is needed. *Lisburn City Council* stated that special circumstances should also be considered, for example where the property is empty due to the provision of care elsewhere.
84. While the majority of respondents were in favour of occupation based allowances not continuing when a property was empty the key issues over which concerns were expressed related to the valuation allowance applied to farmhouses and properties used for church duties.
85. **Farmhouse valuation allowance** - 16 respondents commented specifically on the issue of the valuation allowance awarded to farmhouses. A number of respondents stated that the valuation allowance for farmhouses should not be removed when the property becomes empty. This included *Banbridge District Council*, the *Ulster Farmers Union* and the *Northern Ireland Fair Rates Campaign*. Others such as *Belfast City Council* and the *Institute of Revenues, Rating and Valuation* stated that the valuation allowance should not be removed where the property, when next in use, will be used as a farmhouse.
86. Along with those who agreed with the proposals on reliefs and allowances more generally a number specifically agreed with the proposal that the valuation allowance should not apply to farmhouses when empty. These included, *Ards, Down and Lisburn City Councils*, the *Communications Worker's Union*, the *Northern Ireland Local Government Association* and one ratepayer. The *Rural Community Network* stated that there should be a grace period before the valuation allowance is removed. *Fermanagh District Council* stated that the valuation allowance should be reintroduced as soon as the property becomes occupied.
87. **Ministers' homes** - Aside from those who agreed with the preferred approach but made no direct reference to the treatment of religious Ministers' houses 13 responses commented specifically on this issue. Similar to the position on the farmhouse valuation allowance views were fairly mixed. The *Communication Workers Union* disagreed with the provision of any discounts or exemptions for Ministers' homes. *Strabane District Council* stated that the empty home should be fully rated when no longer used for church purposes.
88. Some responses, including *Belfast City, Ballymena, Craigavon and Down Councils* and the *Northern Ireland Local Government Association* agreed with the preferred

approach, where the partial exemption to Ministers' houses would continue to apply where the property was owned by the church. *Fermanagh District Council* stated that no rates should be payable where the home was owned by the church, with 50% applying where it was owned by an individual Minister. *Ards Borough Council* also stated that no rates should be payable on empty Ministers' houses. *Antrim Borough Council* had concerns regarding the rating of empty homes belonging to churches.

Anti-avoidance measures

89. 22 responses commented on the anti-avoidance measures. Of these 18 organisations supported the need to deal with anti-avoidance, while one ratepayer was opposed. *Armagh City Council* raised concerns that owners would deliberately make properties unfit for habitation to avoid rates and felt that controls should be in place to stop such deliberate action. Similar comments were made by others. *Portstewart Vision* contended that measures need to be put in place where property developers allow property to fall into disrepair. The *Housing Rights Service* agreed that it may be necessary to introduce anti-avoidance measures through legislation.
90. Others such as the *Historic Buildings Council*, the *Institute of Revenues, Rating and Valuation*, the *Northern Ireland Fair Rates Campaign*, the *Northern Ireland Local Government Association* and six district councils supported the proposals relating to anti-avoidance. One ratepayer felt that any rates avoidance measures are likely to be ineffective, while another stated that the Planning Service should have the power to force developers to rehabilitate areas that they have despoiled.

General organisational comments

91. Due to the nature of the consultation paper, comments on the rating of empty homes were wide and varied. The majority of responses were in support of the proposals set out in the paper. Those areas on which there was a divergence of opinion (in terms of those that commented) were phasing and the application of an initial exemption period. Views were relatively evenly split on the initial exemption period while more were against than in favour of phasing. Various other issues were also raised as follows.
92. **Resource implications:** A number of district councils, including *Belfast City*, *Ards and Ballymena*, as well as the *Institute of Revenues, Rating and Valuation* stated that the proposals would have significant resource implications for Land and Property Services, who will implement the measures, and that this would have to be properly resourced.
93. **Revenue levels:** Some comments were also made by *Ards and Belfast City Councils* and the *Institute of Revenues, Rating and Valuation* on the likely revenue levels from rating empty homes and that this may be substantially lower than envisaged. Both district councils also stated that care would have to be taken in calculating district councils' penny product, following the introduction of the rating of empty homes.

94. A number of district councils, as well as other organisations, stated that any increased revenue would provide greater political choice, through allowing a lower rate to be struck, improved public service provision or an increase in the level of rating reliefs and allowances. The *Consumer Council* stated that revenue levels should not be allowed to increase unreservedly and that there should be a cap on the level of revenue raised. *Northern Ireland Environment Link* stated that the revenue raised could be used to extend the rating green rebates.
95. **Housing:** Some respondents felt that the revenue raised from rating empty homes should be used to improve the supply of affordable housing or should be ring fenced for this purpose. This included the *Chartered Institute of Housing*, the *Housing Rights Service* and the *Northern Ireland Federation of Housing Associations*.
96. **Property market:** A few responses expressed concern about the impact of the proposals on the housing market, while others stated that a wider cross governmental approach should be adopted to incorporate aspects such as regeneration. The *Construction Employers Federation* stated that there is already a surplus of properties and viewed the measure as a direct tax on house builders.
97. **Environmental benefits:** The *Northern Ireland Environment Link* were of the view that the rating of empty homes could have environmental benefits and could be used in a sustainable way to meet future housing demand, alleviating the pressure to develop greenfield sites.

General ratepayer comments

98. In total 14 ratepayers responded to the consultation exercise. Of these four disagreed with the proposals to rate empty homes. Their reasons included their individual circumstances (inability to find suitable tenants) and that empty homes do not avail of public services. Of those in favour of the rating of empty homes (10) it was felt that this could address property blight, where properties have been left empty by investors. Some simply felt that rates should be payable on empty properties.

Summary

99. The majority of ratepayer/individual responses (10 of 14) to the consultation exercise were in favour of rating empty homes as well as the majority of organisational responses (34 of 36). 29 of these responses, while agreeing with the overall principle of rating empty homes, had comments on/suggested amendments to some of the proposals.
100. All of the 15 district councils who responded to the consultation paper were in favour of rating empty homes. Most of these made comments or suggested amendments of the proposals to varying degrees.

Subsection 2: Reduction in the maximum capital value

Introduction

101. A key change to the rating system in April 2007 was the move from the use of historic rental values to capital value as the basis of valuation. Before the reforms took effect in April 2007, the prospects for the restoration of devolved power became increasingly likely. In preparation for this, and as a result of the St. Andrews negotiations in November 2006, direct rule Ministers agreed to a ceiling on individual rate bills.
102. The system, which was eventually introduced in April 2007, established a maximum capital value (known as the 'cap'). This was set at £500,000, meaning that any property with a capital value of more than £500,000 is treated for rating purposes as if the value is £500,000. This affected just under 2,500 properties and ensured that the highest rates bills in Northern Ireland equated with the highest council tax bills in Great Britain (around £3,000).
103. One of a number of options considered during the Executive's Review of domestic rating in 2007 was a change in the level of the cap, with the main option to lower the level at which this is set. During the consultation associated with that Review, there were 42 responses on the issue of a maximum capital value – 24 in favour or retaining it, 18 opposed.
104. The proposal to emerge from the Review as announced by Peter Robinson on 27 November 2007 was to lower the cap from £500,000 to £400,000 from April 2009, subject to further consultation and impact assessments. This proposal was intended to allay some of the fears that had been expressed during the consultation, particularly by those on low or fixed incomes living in high value properties, about the impact of the system. It further recognises the fact that there should be some limit to the amount of tax that an individual should pay. While a reduced cap would benefit ratepayers in properties above the chosen threshold, it could adversely impact on those ratepayers whose bills are not capped as they could have to pay more to help fund the reduction enjoyed by those whose bills are capped. Analysis showed however that the impact on individual ratepayers would be minimal.
105. A consultation document was published on 4 April 2008, for 12 weeks consultation, and sought views from ratepayers and key stakeholders on the Executive's proposal. The views expressed during the consultation exercise are summarised below, categorised between organisational responses (including district councils), individual ratepayers and political parties.

Overview of responses

106. In total 154 responses were received, 23 from organisations, one from a political party (the Alliance party) and 130 from individuals/ratepayers. A summary is set out in the text and table below.

Opposition: 18 responses were against a reduction in the cap, 15 of which were from organisations, one from a political party and two from ratepayers.

Support: 66 responses favoured a reduction in the cap to £400,000, two of which were from organisations and 64 from ratepayers. 52 responses were in favour of a reduction but stated that this should be lower than £400,000, of which two were from organisations and 50 from ratepayers.

General: 18 responses were also received with general comments in relation to the rating reforms and the reduced cap, four from organisations and 13 from individuals.

| | Total | Organisations | Political Party | Ratepayers |
|----------------------|-------|---------------|-----------------|------------|
| Against £400,000 cap | 18 | 15 | 1 | 2 |
| For £400,000 cap | 66 | 2 | - | 64 |
| For cap but lower | 52 | 2 | - | 50 |
| General comments | 18 | 4 | - | 14 |
| | 154 | 23 | 1 | 130 |

Organisational responses

107. Of the 23 responses from organisations, 10 were from district councils.⁶

Representative groups that responded to the consultation document included *Advice NI, Citizens Advice, Communication Workers Union, the Consumer Council, the Northern Ireland Anti-Poverty Network, the Northern Ireland Public Service Alliance, the Northern Ireland Council for Voluntary Action, the Northern Ireland Committee of the Irish Congress of Trade Unions* and the *Rural Community Network*. A full list of the organisations that commented is appended to this paper.

Opposition

108. 15 of the 23 organisations were against a lower cap (or indeed a cap at all). This included *Advice NI, the Consumer Council, the Northern Ireland Council for Voluntary Action, the Northern Ireland Anti-Poverty Network*, a number of district councils and the *Alliance* party among others. While reasons varied there were common threads in a number of responses, with the key issues being inequity, benefiting better off ratepayers, the impact on other ratepayers funding the revenue loss and the need to take greater account of ability to pay (in terms of assistance to both those in high value properties and more generally).

⁶ Ards, Banbridge, Belfast, Coleraine, Craigavon, Derry City, Fermanagh, Moyle, North Down and Strabane.

109. The majority of organisations opposed to a lower cap (or cap generally) stated that the measure was inequitable, on the basis that those with lower incomes or in the most deprived areas would be subsidising those in higher value properties in the least deprived areas, thus impacting negatively on those most in need. This included the majority of district councils that responded, *Advice NI*, the *Consumer Council*, the *Northern Ireland Anti-Poverty Network*, the *Northern Ireland Council for Voluntary Action and the Rural Community Network*. It was also felt that the measure would benefit those on high incomes and who are able to pay their rates liability. Where this was not the case it was argued that assistance would/should be provided to those in need through the rate relief mechanism.
110. A further issue raised was that other ratepayers would have to fund any reduction in the cap, given the associated loss in revenue more generally. Similar concerns were also expressed by some members of the *Finance and Personnel Committee*. It was also felt that there may be less funding available for public services, which would adversely affect those most in need.
111. Those organisations opposed to the reduced cap included six district councils, *Ards*, *Belfast City*, *Coleraine*, *Craigavon*, *Fermanagh* and *Strabane*. Their reasons for opposition to a cap, or indeed a lower cap, were similar to those set out above.

Support

112. In total four organisations were in favour of either a £400,000 or lower cap. These were *Derry City Council*, *Malone Meadows Residents Association*, the *Northern Ireland Fair Rates Campaign*, and the *Ulster Farmers Union*. While the only district council in favour of a reduced cap was *Derry City Council* this was subject to the condition that the council would be fully compensated for the resultant loss of revenue. The *Ulster Farmers Union*, which requested a reduction in the current £500,000 maximum cap, contended that the capital value system does not take account of service usage or ability to pay.
113. The *Northern Ireland Fair Rates Campaign* were in favour of a reduced cap but stated that this should be set at £300,000 and that there should be a minimum rates (bottom band) charge for properties valued at £50,000 or less. It was contended that the absence of a minimum charge for lower value properties results in those in higher value houses paying more for the same services, with pensioners most affected. There was concern about the impact of this, combined with rising household costs and the future introduction of water charges. The group also stated that the rating system does not take account of ability to pay.
114. The position adopted by the *Northern Ireland Fair Rates Campaign* is one that was reiterated in the majority of responses from individual ratepayers who supported a reduced cap, in particular the points about a minimum charge for those in properties valued at £50,000 or below and the impact of rising household costs, combined with rates liability and future water charges.

General comments

115. Four organisations provided general comments about the proposals and the rating system, expressing some concerns, while not specifically supporting or opposing a cap or reduced cap. This included *Banbridge, North Down and Moyle Councils*. *Banbridge District Council* stated that if a reduced cap was introduced then there should be compensation arrangements for district councils.
116. *North Down Borough Council* not surprisingly felt that a reduced cap would disproportionately impact on ratepayers in North Down compared to other district councils. They also contended that the costs should be spread equally across all council areas and expressed concern about the impact of a reduced cap on those on a fixed income below a £400,000 capital value threshold. *Moyle District Council* was of the view that any shortfall in revenue should be met by central government. Finally, the *Association of Local Government Finance Officers* stated their understanding that any revenue loss would not be borne by district councils.

Ratepayer responses

117. 130 responses were received from individuals/ratepayers. Only two were opposed to the proposal to cap rates at £400,000, stating that capping was unfair and that it would impact on other ratepayers who would have to pay for the shortfall in revenue.

Support for a £400,000 cap

118. Of those in favour of a lower cap 64 responses (just under 60%) supported a £400,000 threshold. Despite this a number commented that a fairer system should take greater account of ability to pay. A number of responses in favour of a £400,000 threshold (or, indeed lower) appeared to be from pensioners or those nearing retirement. Many commented that they were being unfairly penalised for working hard. Concerns were also expressed by those on a low or fixed income about their inability to afford rate increases and the possibility of being forced to move because of this.

Support for a cap lower than £400,000

119. A further 50 ratepayers supported a reduced cap but stated that it should be lower than the proposed £400,000, with the majority in favour of a £300,000 threshold. Comments were largely the same as those raised by supporters of a £400,000 cap. Concerns were also expressed about the impact of reduced transitional relief, while others stated that a lower cap would still result in a rates liability that was too high for the services received.
120. In the majority of the responses favouring a reduced cap, of both £400,000 and lower, there was support for a minimum (bottom band) charge to apply to properties valued at, or below, £50,000. This was due to concern that those in higher value properties would have a rates liability of around ten times the amount of those in lower value homes, yet they would be receiving the same level of public services.

Furthermore, they stated that in many cases there would be two or three working occupants in these properties. These respondents also expressed concern about the recent rise in living costs, combined with the impact of increased rates liability and forthcoming water charges, particularly for those on fixed incomes.

121. 14 respondents commented on the reduced cap and the rating system more generally, without indicating whether there should be a cap and the level at which it should be set. Again similar issues to those set out above were raised.

Responses from political parties

122. One political party, the *Alliance* party, responded to the consultation exercise. It opposed both the current and proposed reduced cap, preferring a local income tax supplement and suggesting greater use of green taxes. The party stated that lowering the cap would further reduce the amount to be paid by those who have the capacity to pay. Rather it was felt that relief should be targeted towards those that are 'asset rich, income poor'. More generally the proposal was deemed to have a negative impact on tackling segregation, re-balancing the economy and sustainable public services. There was also concern about the impact of a reduced cap on district council's revenue levels, which would result in revenue foregone, fewer services or increased rates.

Views on transitional relief

123. Seven district councils commented specifically on the possible provision of transitional relief to those that would be most affected by a reduction in the cap. These were *Ards, Banbridge, Belfast City, Craigavon, Derry City, Moyle and North Down Councils*. Comments were mixed, with three district councils stating that the relief should be permanent rather than transitional. *Craigavon Borough Council* felt that the cost of transitional relief could be absorbed by the majority of district councils, given the low sums involved. It also proposed that there should be a minimum threshold, of between £25,000 and £50,000, below which transitional relief would not be provided. It was also proposed by some that the cost of capping should be spread across all district councils.
124. The *Alliance* party and *Association of Local Government Finance Officers* supported the provision of relief, while the *Northern Ireland Fair Rates Campaign* was of the opinion that compensation was unnecessary given the negligible impact of any reduced revenue. Some members of the *Finance and Personnel Committee*, representing areas that would otherwise see a revenue loss, also expressed concern about the impact of the reduced cap on district councils, stating that relief was needed. The issue of retrospective relief for the £500,000 cap was also raised.

Summary

125. The majority of ratepayer/individual responses to the consultation exercise were in favour of reducing the cap to £400,000 or less. A number of these would appear to have been influenced by the arguments put forward by the *Northern Ireland Fair Rates Campaign*, with some duplication of text between responses relating to a minimum charge for lower value properties and the rates liability associated with these homes.
126. The overall majority of organisational responses (15 out of 23) opposed either a cap per se and/or a reduced cap of £400,000. This included six district councils. Four organisations supported a reduced cap of either £400,000 or less. These were *Derry City Council*, the *Northern Ireland Fair Rates Campaign*, *Malone Meadows Residents Association* and the *Ulster Farmers Union*.

Subsection 3: Deferment scheme for home owning pensioners

Introduction

127. As part of the reforms taken forward under direct rule consideration was given to the introduction of a rates deferment scheme for home owning pensioners. At that time there was mixed support for the measure. The decision was taken at that stage, by direct rule Ministers, to provide the returning Executive with a legislative enabling power that would allow such a measure to be brought forward at a later date, should it be considered beneficial.

128. As part of the Executive's Review of the domestic rating system, following the return of devolution, consideration was given to how additional support could be provided to pensioners. This included the benefits of introducing a deferment scheme for home owners of pension age. Following consultation in 2007 the Executive agreed that a deferment scheme should be introduced for pensioners who own their own homes. Under this scheme those pensioners who have sufficient equity in their property (the amount of which would be determined) could defer payment of their annual rates bill until the property was sold.

129. A consultation document was published on 24 June 2008, for 12 weeks consultation, and sought views from ratepayers and key stakeholders on the detail of the Executive's proposal. The views expressed during the consultation exercise on the key aspects of the scheme are summarised below, categorised by the issues raised, reflecting comments from both organisations (including district councils) and individual ratepayers.

Overview of responses

130. In total 28 responses were received, 25 from organisations (including ten district councils) and three from individuals. A summary of the responses is set out in the text and table below.

Opposition: Four responses were opposed to the proposals relating to a rates deferment scheme for home owning pensioners, one from an individual and the *Ulster Farmers Union*. *Advice NI* and *Disability Action* opposed deferment without adequate safeguards being in place.

Support for the preferred approach: Four responses fully supported the approach set out in the consultation document, two of which were from district councils (*Armagh* and *Down*) the others from ratepayers. A further 15 responses, all organisations, supported deferment and/or were broadly in agreement with the preferred approach set out in the consultation paper but suggested amendments to some aspects. Seven of these were from district councils. Those aspects on which some felt that amendments were needed largely related to the eligible age and the interest levied.

While both *Helens Bay and Crawfordsburn Residents' Association* and the *Northern Ireland Fair Rates Campaign* broadly agreed with the preferred approach set out in the consultation paper they were critical of the capital value rating system. The former stated that a local income tax would be a fairer approach, while the *Northern Ireland Fair Rates Campaign* criticised the need for a deferment scheme to be introduced given the underpinning nature of the rating system. A few organisations, including *Citizen's Advice*, and organisations representative of the elderly, noted that deferment would be an option for very specific circumstances.

The response from *Portballintrae Residents' Association* gave a cautious welcome to the scheme in view of its financial implications while the *Northern Ireland Retired Members Advisory Committee Communications Worker's Union* stated that as deferment has a strong personal aspect it would have different outcomes depending on an individual's circumstances. The *Consumer Council* had outstanding concerns about the proposed deferment scheme. The *Northern Ireland Local Government Association* advised that while it was previously opposed to deferment some district councils were now supportive of the scheme, therefore there was no consensus on the issue.

| Position on preferred approach in deferment consultation paper | Total | Organisations (Including District Councils) | Ratepayers |
|--|-------|---|------------|
| Against | 4 | 3 | 1 |
| For | 4 | 2 | 2 |
| For with amendments | 15 | 15 | - |
| Commented on the policy | 5 | 5 | - |
| | 28 | 25 | 3 |

Eligible person and applicable age threshold

131. As part of the consultation views were sought on the people and type of property that should be eligible to defer rates. Eleven responses commented specifically on what the eligible age should be to qualify for deferment. *Ards and Belfast City Councils* agreed with the preferred approach that the age should be 65 and over, but stated that it should change in line with the maximum state pension age.
132. Others such as *Ballymena, Craigavon and Lisburn City Councils* stated that eligibility should be linked to the current state pension age, which is 60 for women and 65 for men. *Craigavon Borough Council* as well as the *Northern Ireland Fair Rates Campaign* stated that the threshold should subsequently change in line with the proposed increase to pension age through to 2046. *Access to Benefits, Age Concern* and *Help the Aged* also commented on the future variation of pension age. They

stated that the equity implications of setting the age limit at 65 should be considered, versus the consequences of reducing the age limit, prior to final decisions being taken. *Shelter Northern Ireland* was of the view that deferment should not be subject to an age restriction but should be open to all in need.

Eligible property including equity levels

133. Aside from those who agreed with the proposals or made no specific comment eight responses commented on deferment being limited to the person's sole or main residence. Five district councils and three organisations agreed with this approach. Of these *Belfast City Council* stated that the scheme should not be available where applicants owned more than one home.
134. There was also strong support for the proposal that applicants should be required to have adequate and continuing insurance on their property. *Access to Benefits, Age Concern* and *Help the Aged* stated that verification of this could be checked as part of an annual statement issued to participants.
135. Of the nine organisations that commented on the need for minimum equity levels prior to entering a deferment agreement there was strong support for this. Most agreed with the proposed 40% equity that would be required prior to entering into a deferment agreement and that deferred rates should not exceed 80% of the equity in the property. *Craigavon Borough Council* felt that the 40% initial threshold was high compared to international experience, while *Helens Bay and Crawfordsburn Residents' Association* proposed a 50% initial equity threshold.

Statutory charge on the property

136. There was strong support for the proposal that the deferred debt should be a statutory charge on the property. Of the organisations that commented all nine were in favour of this approach. Some respondents such as *Ballymena, Belfast City, Craigavon and Lisburn City Councils* and *Shelter Northern Ireland* felt that this was necessary in order to secure the debt and minimise the risk that could be associated with the scheme.

Level of interest and deferred debt

137. 14 of the consultation responses commented specifically on the level of interest that should be applied under the scheme. *Ards and Belfast City Councils* as well as the *Northern Ireland Fair Rates Campaign* agreed with the preferred approach, that interest should be the Bank of England base rate minus 1%, which would currently equate to 1%. Both *Ballymena* and *Lisburn City Councils* felt that the scheme should be cost/revenue neutral, with the former stating that the interest rate levied should reflect this. *Shelter Northern Ireland* and *Newry and Mourne District Council* were of the view that the interest rate should be as low as possible.

138. *Banbridge District Council* stated that the interest rate should be nominal and lower than that proposed. *Craigavon Borough Council* stated that the lower the interest rate charged the higher the scheme take-up would be. *Helens Bay and Crawfordsburn Residents' Association* stated that interest should be charged at 4% but that there should be a fixed interest rate. *Access to Benefits, Age Concern and Help the Aged* stated that the use of RPI may be unwieldy as a means of setting the interest rate. *Ballymoney Borough Council* stated that due to the potential size of the deferred debt that it should not be subject to interest.
139. A number of consultation responses expressed concern about the level of debt that could accrue under a deferment agreement and the possibility that the family home may have to be sold to service this including the *Consumer Council, Advice NI* and the *Ulster Farmers' Union*. The majority of responses were of the view that applicants would need to be fully aware of the debt that could accrue under the scheme and the implications that this could have. There was also support for the cost of the scheme more generally being kept as low as possible with some, such as the *Institute of Revenues, Rating and Valuation*, stating that the expense of administering the scheme should be kept to a minimum.

Termination and repayment

140. As part of the consultation process views were sought on repayment of the deferred debt upon completion of the agreement. The consultation paper proposed that the deferred debt would be due or owing on the sale or transfer of the property, death of the agreement holder (unless transferred to a surviving spouse or civil partner), eligibility conditions no longer being met or the terms of the agreement having been breached by the deferree. 11 consultation responses commented on this area, with five district councils broadly agreeing with the preferred approach. *Craigavon Borough Council* stated that repayments should be made in instalments as agreed by the department.
141. *Access to Benefits, Age Concern, Citizen's Advice* and *Help the Aged* agreed that repayment may be required where the terms of the agreement have been broken but that payments should be at a reasonable level and timescale. A number of responses, while generally agreeing with the Minister's preferred approach stated that payment flexibility would be needed, for example through instalments, particularly where the department had been required to terminate the agreement. It was felt that account would have to be taken of individual circumstances.

Deferment awareness and independent financial advice

142. The majority of the responses commented on the issue of independent financial advice or the need for applicants to be made aware of the implications of deferment. There was unanimous support for applicants being provided with advice prior to entering into a deferment agreement.

143. There were however varying views on whether or not this should be mandatory. Of those commenting on this aspect six organisations, including *Ballymena, Belfast City* and *Down Councils* as well as *Access to Benefits, Age Concern, Help the Aged* and *Shelter Northern Ireland* stated that applicants should be required to have taken advice prior to entering into a deferment agreement. It was felt that robust and professional advice needed to be provided. Five organisations, including two district councils, stated that, while the provision of advice was important, there should not be a requirement to have received this rather applicants should be advised to do so before deferring rates.
144. A number of other responses indicated that it was important that applicants were made fully aware of the implications of deferment, both short and long term. This included *Citizen's Advice* and organisations representative of the elderly, as well as the *Northern Ireland Fair Rates Campaign* who stated that financial information should be updated annually. The *Consumer Council* also stated that appropriate information and support systems would need to be in place so that people have a full understanding of what deferment involves.
145. A number of responses commented that if deferred rates are to transfer to a surviving spouse or civil partner that they should also be made fully aware of the implications of the scheme and provided with advice. This included *Access to Benefits, Age Concern, Citizen's Advice* and *Help the Aged*.
146. **Provision of advice:** In terms of who should provide financial advice to applicants there was support for this being independently provided, although it was acknowledged that there could be difficulties with this. *Access to Benefits, Age Concern* and *Help the Aged* indicated that advice could be provided by the voluntary or private sector. However, they considered that its location in the voluntary sector would have capacity and funding issues and would also have legal implications. More generally they stated that substantive information and advice would have to be provided by the department to any body offering advice to applicants.
147. Two district councils stated that the voluntary sector or *Citizen's Advice* should be approached about providing advice as part of the deferment scheme. *Citizen's Advice* in their response, while recognising the need for sufficient information on all financial packages being provided to applicants, stated that their advisors are not authorised to provide regulated financial advice. *Lisburn City Council* was of the view that advice should be provided by accredited persons. Finally, one member of the *Finance and Personnel Committee* questioned whether the provision of advice should be mandatory, prior to entering into a deferment agreement.

Interaction with rating reliefs and the rating of empty homes

148. Just over half of the consultation responses commented on the interaction between deferment and other reliefs. *Access to Benefits, Age Concern* and *Help the Aged* stated that applicants should be fully screened for benefit eligibility prior to entering

into a deferment agreement. They also expressed concern that those eligible to substantial assistance/relief may not be eligible to defer rates.

149. *Belfast City Council* stated that deferment should only be considered where the applicant is not entitled to housing benefit or rate relief. More generally *Lisburn City Council* and *Helens Bay and Crawfordsburn Residents' Association* stated that if applicants are eligible for alternative relief that deferment may not be required.
150. **Minimum capital value/rates bill:** Few commented specifically on deferment being subject to a minimum capital value of £50,000 (£300 rate bill). However, of those that did this was generally agreed to. The *Northern Ireland Fair Rates Campaign* stated that the minimum sum that could be deferred should be set reasonably high, for example £400, given the initial set up costs.
151. **Empty properties and residential care:** There was also broad support for the proposal that where a property is empty, subsequent to deferment being entered into, that deferment should be allowed to continue. Concern was however expressed by the three organisations representative of the elderly, as well as *Citizen's Advice*, that deferment of rates could be deemed to be 'deprivation of capital' where someone later requires residential care.
152. **Interaction with savings/capital:** Some comments were also received on whether deferment should be available where savings or capital exceeds a certain limit. *Ballymena, Belfast and Craigavon Councils* as well as the *Institute of Revenues, Rating and Valuation* stated that consideration should be given to excluding those with savings or capital (not including the main home) above certain levels from the scheme. Indeed, *Belfast City Council* felt that deferment should not be available where the applicant has a second home.
153. The *Northern Ireland Fair Rates Campaign* did not support the exclusion of those with savings.

Information gathering and offences

154. There were relatively few comments on the proposal that the onus should be on applicants to provide information. Of the six that commented *Shelter Northern Ireland* as well as *Ards, Ballymena, Belfast City, Craigavon* and *Lisburn City Councils* agreed with this. There was also general agreement from those that commented that the applicant should incur any associated charges and that penalties should apply where false information has been provided.
155. More generally, the *Northern Ireland Fair Rates Campaign* stated that any charges levied should be at a set amount reflecting the average cost of providing the information.

Review of the department's decision

156. Few responses commented on the proposal that those aggrieved by the department's decision on deferment would be able to ask for the decision to be reviewed. *Ards, Belfast City and Craigavon Councils* were in favour of this approach. *Ballymena Borough Council* stated that there should be an independent appeal process, while the *Northern Ireland Fair Rates Campaign* stated that any review should be undertaken by an independent assessor.

Funding of the scheme

157. Most of the district councils that commented were of the view that the scheme should be funded or supported by central government, given the adverse impact that it would have on district council revenue. This included *Ballymena, Belfast City, Down, Lisburn City and Craigavon Councils*. This position was also supported by a number of other organisations, including *Shelter Northern Ireland* and the *Northern Ireland Fair Rates Campaign*.

158. The *Consumer Council* requested that further information be provided on the funding of the scheme and the wider cost benefit analysis of deferment.

District council opinion

159. Ten responses were received from district councils, comments from which varied. By and large they agreed with the proposals, either in their entirety or subject to some amendments being made. In terms of possible amendments the most raised issue related to the eligible age, with a number stating that this should be related to the state pension age, increasing through to 2046. There were also some concerns about the cost of the scheme, with a number of district councils stating that the scheme should be revenue neutral. *Ballymoney Borough Council* stated that interest should not be applied.

Summary

160. The majority of responses (19 of 28) to the deferment consultation exercise were in favour of a deferment scheme for home owning pensioners and/or broadly supported the preferred approach set out in the consultation document. 15 of these felt that some amendments were needed to the proposals. Four responses were opposed to the policy proposals, while five others simply commented on them.

161. There was particularly strong support for the proposals relating to deferment applying to a person's main home, a statutory charge being imposed on the property and the need for applicants to be made fully aware of the consequences of the scheme.

162. A significant number felt that eligibility should be linked to state pension age, increasing in line with subsequent changes through to 2046. There was also strong support for deferment to continue where a property is empty due to the occupant entering residential care.
163. The majority of councils that responded to the consultation paper either agreed with the proposals on the rates deferment scheme, as set out in the consultation paper, or supported these subject to some amendments.

Subsection 4: Green rebates

Introduction

164. A key theme to emerge during the consultation associated with the Executive Review of domestic rating in 2007 was that the rating system should prompt householders to act in a more environmentally responsible way. In that regard, the *World Wide Fund for Nature Northern Ireland (WWFNI)* submitted a proposal suggesting that a rate rebate should be awarded to households that installed energy efficiency measures in their homes such as loft and cavity wall insulation. *WWFNI* pointed to successful council tax rebate schemes adopted in some local authority areas in England, which involve partnership funding with energy providers.
165. In addition, consumer research undertaken by the *Energy Saving Trust* shows that council tax rebates (in other parts of the UK) could act as a key trigger to encourage householders to install energy efficiency measures.
166. Following the Review in 2007, the Executive decided to take forward this proposal on the basis that it aligns with their wider commitment to promote sustainable development. In doing so it was recognised that account would have to be taken of other existing schemes in Northern Ireland, and that any green rebate should result in additional consumer action (i.e. a green rebate should not fund activity that would have happened anyway). This provided the opportunity for working in partnership with an energy provider such as *Northern Ireland Electricity Energy (NIE Energy)* who operate an Insulation Cash-back Scheme.
167. The Executive also decided to take forward a proposal to grant an initial rate exemption (in effect a payment holiday) to new homes that are assessed as zero carbon. A similar scheme exists throughout the UK, providing stamp duty exemption for first purchasers of such homes. The rates proposal is seen as a complementary measure.
168. A consultation paper was published on this issue on 4 July 2008 seeking views by 26 September 2008. The views expressed during this consultation exercise are summarised below, categorised by the key issues raised.

Overview of responses

169. In broad terms, the vast majority who responded were in favour of the proposals in the consultation document or in favour with some amendments. All 13 councils who replied responded to both the energy efficiency and zero carbon proposals with just one in favour of both proposals with the majority (12 of 13) in favour of both proposals with some amendments.
170. All 15 organisations (excluding councils) responded to the energy efficiency proposal with the majority (13 of 15) in favour of the proposals with some amendments, with

just one in favour of the proposals and just one opposed. 13 of the organisations (excluding councils) responded to the zero carbon proposals. The majority (10 of 13) were in favour of the proposals with some amendments, with two in favour of the proposals and just one opposed.

171. Of the six individuals who responded to the energy efficiency proposals opinion was split evenly between the three categories. Of the five individuals who responded to the zero carbon proposals one was in favour of the proposals as they stand, one was in favour of the proposals with some amendments and three were opposed. The one MLA who responded did so just on the energy efficiency proposals which he supported but with some amendments.
172. In general terms, concerns centred on how the energy efficiency scheme should be funded, whether it should be a 'stand alone' scheme or operated in partnership with the NIE cash-back scheme, what energy efficiency measures should attract a rebate, the level of the rebate, who should receive the rebate and whether the rating system is the best vehicle to provide green incentives.
173. In terms of the zero carbon homes schemes, generally speaking concerns centred on how the scheme should be funded, who should qualify, the definition of a zero carbon home, tapers, whether the rating system is the best vehicle to provide green incentives and whether only the most affluent would be able to benefit from this incentive.

| | Total | Organisations (including Councils) | Ratepayers | MLA's |
|---|--------------|---|-------------------|--------------|
| Against energy efficiency scheme | 3 | 1 | 2 | - |
| For energy efficiency scheme | 4 | 2 | 2 | - |
| For energy efficiency scheme with amendments | 28 | 25 | 2 | 1 |
| | 35 | 28 | 6 | 1 |

| | Total | Organisations (including Councils) | Ratepayers | MLA's |
|---|--------------|---|-------------------|--------------|
| Against zero carbon homes scheme | 4 | 1 | 3 | - |
| For zero carbon homes scheme | 4 | 3 | 1 | - |
| For zero carbon homes scheme with amendments | 23 | 22 | 1 | - |
| | 31 | 26 | 5 | - |

General issues

174. **How the schemes are to be funded** – The Councils of *Omagh, Lisburn, Fermanagh, Ards* and *Armagh* qualified their support for the green rebates proposals by stating that the schemes must be funded centrally and not create a loss in revenue for local government. This was a view shared by some members of the *Finance and Personnel Committee*. *Strabane District Council* sought clarification as to how the scheme would be funded before they would convert their support in principle into practice.
175. The *Consumer Council*, whilst in support of the schemes in principle, was also of the view that the schemes should be funded centrally as they believe that other ratepayers should not be asked to fund them as they would be in fact subsidising those who are able to afford to carry out these measures in the first place.
176. **Is the rating system the best vehicle to provide green incentives?** – Just two out of all those who responded in favour of the green rebates schemes suggested that there was no direct link between the rates system and the energy efficiency of a property. *Belfast City Council* and the *Institute of Revenues, Rating and Valuation* argue therefore that it would be better to provide customers with credits that they could offset against their energy bills. Additionally *Armagh City and District Council* suggested that a direct cash grant may be a more efficient way to distribute assistance in this regard.
177. **Should Energy Performance Certificates be used as an alternative approach?** – The *Northern Ireland Federation of Housing Associations (NIFHA)*, in responding to the consultation exercise, supported the concept of using the rating system to drive up environmental standards but did not think that either the energy efficiency or zero carbon homes schemes would be very effective and therefore opposed their introduction. They suggest an alternative approach which is to provide a modest rates discount to the owners of accommodation that is relatively energy efficient. They recommend that the size of the discount should vary, on a sliding scale, with the energy efficiency of the property, as measured by the newly introduced Energy Performance Certificates.

Energy efficiency scheme

178. **Stand alone scheme or partnership with the NIE cash-back scheme?** – A number of organisations specifically commented on the partnership approach. The councils of *Belfast, Ballymena, Fermanagh and Lisburn*, the *IRRV, NIE Energy, WWF* and *NI Environmental* link all supported the proposal to work in partnership with the NIE cash-back scheme. However organisations preferring a stand alone scheme are *RICS, Strabane District Council* and significantly the *Utility Regulator and the Energy Savings Trust*. The Regulator, who is shortly to publish the findings of their review of the Energy Efficiency Levy (EEL), argued that a high profile partnership between the department and NIE could potentially affect the development of competition in the market for domestic electricity supply and suggested that a direct partnership with EST or EAGA would be better as this would also negate the problem of what happens

if the EEL scheme is refused funding in any particular year. This view was supported by the *Energy Savings Trust*.

179. **What energy efficiency measures should attract a rebate?** – Whilst the considerable majority of those responding to the consultation supported the proposal to provide a rebate for those who carry out loft and cavity wall insulation some suggested that other measures should also qualify. The Councils of *Dungannon and South Tyrone and Down District and Phoenix Gas, the WWF, NEA NI, NI Environmental link, Ian Paisley Jnr MLA* and one individual all suggested a variety of additions including energy efficient light bulbs, energy efficient boilers, double glazing, solar panels, draught proofing, wood burning stoves, wind turbines and space heating.
180. **The level of the rebate** - Opinion appears divided over the level of the rebate that should be applied. The Councils of *Dungannon and South Tyrone, Down and Craigavon* and other organisations namely, *RICS, the Regulator and the Consumer Council* all recognised that the immediacy of the cash-back scheme is likely to be more attractive than a rate rebate if the amounts available are the same and therefore supported setting the rate rebate at a higher level.
181. However the Councils of *Belfast and Lisburn* and other organisations namely, *NIE Energy, the Communications Worker Retired Members Advisory Committee and the Sustainable Development Commission* felt that the funding for both schemes should be set at the same level with NIE Energy arguing that additional funding for the rate rebate is an unnecessary additional subsidy.
182. An MLA argued that the size of the rebate should increase proportionately to reflect the level of investment given the different size of properties.
183. **Who should receive the rebate?** – All responses that supported the proposals and specifically referred to who should receive the rebate support it being provided to owner occupiers. However the *Consumer Council*, whilst welcoming that the rebate is not means tested, have concerns that low income households may not be able to avail of the scheme as they may not be able to pay up front for the energy efficiency measures a point echoed by the *NEA NI* who suggested that the feasibility of introducing a green loan scheme could be considered. Additionally, some members of the *Finance and Personnel Committee* wondered if the scheme should be broadened beyond owner occupiers to include the social and private rented sectors.

Zero carbon homes

184. **Who should receive the rates exemption?** – The vast majority of those who specifically responded on this issue supported the proposal to award the rates exemption to first residents and not just the first purchasers of zero carbon rated homes. Those supporting this approach were the Councils of *Ballymena, Ards, Belfast, Lisburn, Strabane and Craigavon* and the following organisations, the *Sustainable Development Commission, WWF, NI Energy Agency, NIE Energy, IRRV, the Regulator, Northern Ireland Environmental Link and RICS*. The only dissenters were

the Councils of *Fermanagh, Down and Armagh*. *Fermanagh and Down District Councils* believed that the exemption should attach to the property for five years not the resident and *Armagh City and District Council* suggested that it may be more effective to target the builders of new homes rather than the first purchaser.

185. **Definition of a zero carbon home** – All those who specifically responded in relation to the definition of a zero carbon home supported the consultation proposal which is to await the outcome of the UK Government’s consultation on “the definition of Zero Carbon”.
186. **Tapers** – All those who responded specifically on this issue supported the proposal that the scheme could be tapered to broaden its scope to include householders whose homes have very low carbon emissions but that have not yet reached zero. Those organisations supporting this proposal were *CTS Projects Ltd, WWF, NI Environmental Link, RICS, the Sustainable Development Commission and NIE Energy* with the latter suggesting that they were keen to establish as to whether this would extend to existing homes who undertake upgrades as opposed to just new builds. It is also perhaps worth noting that this broadening of accessibility may go some way to including more than just the most affluent in society, a concern raised in the response by *Omagh District Council*.

Subsection 5: Data sharing powers

Introduction

187. As indicated in Section 1, the Executive introduced measures from April 2008 to help the most vulnerable, and particularly pensioners. These measures included the introduction of a lone pensioner allowance which provides a 20% rates discount for pensioners aged 70 and over who live alone and an increase in the savings limit applied under the means tested rate relief scheme.
188. However, the Executive also recognised the need to address the low level of take-up of reliefs which was a major issue to emerge from the research and analysis carried out during the 2007 Executive Review of domestic rating. Therefore, as one of the outcomes of that Review, a study was commissioned led by the voluntary sector to enable effective take-up strategies to be developed.
189. One of the key findings of the study, carried out by Access to Benefits on behalf of Help the Aged and Age Concern, was that *“IT systems used in benefit delivery in Northern Ireland should be checked to see if automated payment could be made possible – or if fully automated payment is not possible, at least government and its agencies should be in a position to inform people of their likely eligibility.”*
190. It concluded that the best way to achieve this would be for improved data sharing between the relevant Government agencies to use this information to better target advice towards those most likely to qualify for the various rate reliefs. This would also make verification of information provided by claimants easier. Therefore a public consultation paper was issued at the end of June seeking views on various data sharing proposals by 19 September 2008.
191. The views expressed during this consultation exercise are summarised below, categorised by the key issues raised.

Overview of responses

192. Of the 20 responses, 18 were from organisations, including seven district councils, and two from individuals. None of the respondents opposed data sharing, nine favoured the proposals in their current form, while 11 were in favour of the proposals with amendments to some elements. Therefore, in broad terms, all who responded were in favour of the proposals in the consultation document or in favour with some amendments.
193. Both ratepayers who responded were in favour of the proposals in their current form but did take the opportunity to make other comments about the rating system in general. The majority of district councils (six of seven) were also in favour of the proposals as they stand whereas, conversely, the majority of organisations (nine of 11) were in favour of the proposals with some amendments.

194. The consultation was particularly successful in eliciting comments on the detail of the proposed scheme in terms of data security including the identification of the data controller, related procedures and staff training. Comments were also forthcoming in relation to audit trails and in respect of other methods of improving take-up to complement data sharing.

| | Total | Organisations (including Councils) | Ratepayers |
|-------------------------------------|-------|---------------------------------------|------------|
| Against data sharing | - | - | - |
| For data sharing | 10 | 8 | 2 |
| For data sharing with amendments | 10 | 10 | - |
| | 20 | 18 | 2 |

Data security

195. Of the 16 that commented all considered data security as being of paramount importance with many citing recent high profile losses of government data. Some emphasised that they were content with the proposals provided staff secure the data in keeping with the data protection principles and protocols as indicated in the consultation document.

196. Others however made additional points. One ratepayer, for example, suggested that access to the data should be restricted to designated members of staff a view shared by *Belfast City Council* and the *Consumer Council*. *Age Concern*, *Access to Benefits*, *Help the Aged* and the *Northern Ireland Retired Members Advisory Committee of the Communications Workers Union* all advocated that any data shared is encrypted and that it is not desirable for data to be removed from government buildings.

197. Additionally the *Information Commissioners Office* (ICO) commented in relation to the identification of the data controller. It is their view that Land and Property Services would be the data controller, not the data processor in the circumstances outlined in the consultation paper and as such will be ultimately responsible for adherence to the data protection principles and that this should be clearly spelled out.

Audit trail

198. The Councils of *Belfast*, *Ballymena* and *Craigavon* and other organisations namely, *Help the Aged*, *Age Concern*, *Access to Benefits*, *the Institute of Revenues, Rating and Valuation* and the *Northern Ireland Local Government Association (NILGA)* commented on this issue. All agreed that it was imperative that an audit trail be established showing what staff had access to an individuals data, when and for what purpose and that this information should be made freely available to the individual concerned on request.

Independent scrutiny

199. Two organisations, *Ballymena Borough Council* and the *Institute of Revenues, Rating and Valuation*, suggested that the data sharing procedures of LPS should be subject to independent scrutiny.

Other methods of improving take-up

200. Seven organisations, whilst supporting the data sharing proposals, made reference to other methods of improving take-up. For example, *Age Concern*, *Access to Benefits* and the *Institute of Revenues, Rating and Valuation*, were all keen to see the application process for the various reliefs simplified as this was seen as a barrier to applying for many, especially senior citizens. The *Portballintrae Residents' Association* suggested that leaflets incorporating details regarding reliefs and benefits should be enclosed with rates bills and the *Consumer Council* said that improved data sharing, whilst welcome, should not be seen as a substitute for a wider dissemination strategy. The *Information Commissioners Office* also referred to general mailing options and also felt that there was the potential to greatly improve take-up by telephone application perhaps through the NI Direct initiative and felt that this was worth further exploration.

Subsection 6: Update on other rating issues

Take-up of rate reliefs

201. Following the Executive's Review of the domestic rating system in 2007 Help the Aged and Age Concern were commissioned to carry out a study to examine why the take-up of rate reliefs among older people in Northern Ireland is so poor and what steps could be taken to improve this. Access to Benefits for Older People was engaged to undertake the research and consultation for this study.
202. The subsequent report made a wide range of recommendations that are currently being considered in terms of how these can be best implemented. Plans have been drawn up for early implementation of those recommendations that have been assessed as most effective and deliverable.
203. Many of the report's recommendations, which go beyond rate relief, will have consequences for other parts of Government involved in the delivery of benefits. Given this an inter-departmental group has been established on take-up, with input from a range of relevant bodies including the Department for Social Development which has responsibility for social security benefits. This will be able to act as a vehicle for taking forward joint initiatives on benefit take-up, including rating reliefs, and for sharing good practice and ideas.

Evaluation of the rate relief scheme for those in full-time education and training, young people leaving care and persons under the age of 18

204. A rate relief scheme for those in full-time education and training, young people leaving care and persons under the age of 18 was introduced in April 2007 by direct rule Ministers. The scheme was introduced as part of a wider Government Strategy for Children and Young People. Its purpose was to provide an incentive for young people to enter into, or remain in, full-time education or training by removing liability to rates and thereby reducing their overall expenditure. It was also designed to mitigate the effects of the exclusion of the vast majority of students from housing benefit and the new low income rate relief scheme that was also introduced in April 2007.
205. During consultation on the Executive's Review of the domestic rating system in 2007, the scheme attracted much criticism. Many respondents considered landlords were receiving the benefit of the new relief, despite the legislative safeguards put in place by direct rule Ministers. A number of respondents were also of the view that students are not a priority group in need of blanket relief.
206. As a result, the Executive agreed that the rate relief scheme for those in full time education and training, persons under 18 and young people leaving care, should be evaluated with a view to revoking the scheme.

207. In May 2008 FGS McClure Watters were appointed to carry out an evaluation of the scheme in order to:

- assess the effectiveness of the scheme in terms of its objective of encouraging young people to enter into full time education or training;
- assess the impact of the scheme on the intended beneficiaries; and
- identify possible alternatives to the scheme as it currently stands.

208. As part of the evaluation, the views of relevant stakeholder groups were sought on what improvements could be made to the scheme and on potential alternative replacement options. The groups consulted included:

- (i) student bodies;
- (ii) the universities and colleges;
- (iii) the Landlords Association for Northern Ireland;
- (iv) children and young person's representative organisations; and
- (v) central and local government bodies.

209. The final report from FSG McClure Watters was received on 13 November 2008 and its main recommendation was that the scheme should be abolished.

210. Among the alternatives considered in the report were:

- a "do-nothing" option;
- revoking the scheme (with protection for existing participants);
- modifying the existing scheme;
- an alternative accommodation voucher scheme which involves students receiving vouchers which could then be used against their rent; and
- the diversion of the current scheme's funds into Universities/FE colleges support funds.

211. In arriving at their recommendations, FGS McClure Watters took the following into account:

- (i) the extensive difficulties with administering the technical detail associated with the scheme, highlighted by interviews with key stakeholders;
- (ii) the fact that the number of applications was much lower than anticipated (745 in 2007/08 - a take-up rate of between 22% and 45% of the eligible population);
- (iii) that no applications related to the children and young persons element of the scheme, confirming that there are alternative means of support with housing costs available to this group;
- (iv) that the impact of the relief in terms of student's overall financial costs is minimal with an average award of £200 per student (representing around 2% of overall student expenditure per year) and that this level of support would be ineffective in encouraging participation in education;

- (v) that there is evidence of considerable ‘deadweight’ in relation to the award in that around 80% of students suggest that their decision to participate in full-time education is not affected by the availability of financial support;
- (vi) that there is a high risk that landlords can capture at least some of the relief through higher rents, perhaps to the extent of nearly half of the relief;
- (vii) that the relief was viewed as regressive in that it appears to subsidise those wealthy enough to purchase their own property (or to have it purchased for them) while in full time study and that this is at odds with the priorities of the scheme;
- (viii) the avoidance of administrative costs associated with the scheme, savings on the rates revenue foregone as a result of the relief being awarded and the costs of policing the scheme; and
- (ix) the opportunity to redirect the funding presently used for the relief into a more direct mechanism outside the Northern Ireland rating system.

212. On the basis of the evidence that emerged from their analysis and consultation, the report from FGS McClure Watters stated that it was their view that the existing scheme fell short of being fit for purpose. They also viewed it as unlikely that any adjustments to the scheme could overcome its weaknesses stating that they favoured closure of the scheme with appropriate safeguards for those already participating in the scheme for the remainder of the current financial year.

213. In terms of a replacement for the scheme they considered both a voucher scheme and the utilisation of Department for Employment and Learning support funds. However, with both options the report stated that there would be significant problems with both incidence and scale of impact. They did state however that if the Executive saw merit in providing additional support to students then the enhancement of the support funds could be worth further examination on the grounds that it is targeted at those who need the support the most.

214. The Minister is currently considering the findings of this evaluation, taking account of views from the Finance and Personnel Committee, with a view to bringing forward recommendations to Executive colleagues early in 2009.

Derelict land tax

215. Following the Executive’s Review of domestic rating in 2007, a further outcome to emerge was a proposal to examine the scope for the introduction of a new, ongoing tax on previously developed but now derelict land (a ‘derelict land tax’). The rationale behind this proposal was that it would act as a disincentive to excess land banking, whereby developers and others hold on to land with the aim of making capital gains. The intention was that this would free up further sites for development, assist with the issue of housing affordability, as well as bringing broader economic development and regeneration benefits. Initial research by the University of Ulster also suggested that the tax could generate several million pounds of additional revenue per year.

216. Some preliminary work has been carried out on the potential for such a tax. It is evident that there is no scope within the current rating system to address this issue, since rates are based on current values, with any development potential being ignored. The possibility that the tax could be administered by another department was therefore considered, particularly one with an interest in this area.
217. The local housing market has obviously experienced a significant adjustment since the time of the Review in 2007. Evidence suggests that both house prices and levels of sales have fallen sharply, as well as land values. This has adversely affected the development and house building sector, with a resultant knock-on effect in terms of jobs in the construction industry.

Executive's response to the economic downturn

218. As part of the Executive's response to the economic downturn, the Minister announced on the 15 December 2008 that he intended to introduce further changes to the rating system by asking the Assembly to approve legislation to introduce a targeted small business rate relief scheme. This would be funded centrally and not by charging other ratepayers more. The process of bringing final proposals to the Executive and taking enabling legislation through the Assembly means that, if passed, this new relief should be available in April 2010.
219. However, in order to provide more immediate help to business rate payers and as an interim measure, non-domestic rates are to be frozen in cash terms for 2009/10, further enhancing the competitiveness of local firms, protecting jobs and incomes and representing a real saving for all hard pressed businesses operating in Northern Ireland during the economic downturn. This measure will be worth almost £8 million to Northern Ireland businesses in 2009/10.

Section 4: Overview of final integrated impact assessment

220. The integrated impact assessment (IIA) is a policy tool designed to inform the policy-making process, by determining the potential impact of a policy change. Initial IIAs have already been carried out around the proposals which emerged from the 2007 Executive Review of the domestic rating system. These were published earlier this year alongside, and as part of, the various consultation papers on these planned measures.

221. Following these consultations the impact assessments have been finalised making use of any evidence that emerged from the consultation process, as well as other data that has been gathered during this period. It also reflects any changes in the policy finalisation process. The resulting final IIA is available in full on the rating review website. This section summarises these findings.

The rating of empty homes

Initial impact assessment

222. The initial IIA had suggested that empty properties were more likely to be in deprived and in rural areas. The results of the initial EQIA, which was carried out at a local government district level, had indicated that those council areas which had a higher number of empty homes had a relatively lower proportion of persons without dependents, a slightly higher proportion of single persons and a higher proportion of persons from a Catholic background.

Responses to the consultation

223. The *Rural Community Network* expressed concern that higher numbers of empty homes appeared to be in deprived areas. The *Ulster Farmers Union* also suggested that the move could discriminate against a number of Section 75 groups. The *Consumer Council*, in their response, asked for more information on how the estimated impacts shown in the IIA would be reviewed. A *Finance and Personnel Committee Member* expressed concerns about the impact of rating empty homes on those in rural areas. Finally, one individual who replied felt that the impact assessments did not adequately consider the effects on those individuals who need to move house for reasons outside their control.

Final impact assessment

224. While no new evidence was made available through the consultation to inform the final IIA, further analysis was carried out to look at the impact of setting a minimum capital value threshold of £20,000 below which rates would not be charged on empty homes. However, this had no significant impact on the outcome of the initial IIA.

225. The impact assessment also made clear the fact that there are benefits as well as costs for those areas affected by the introduction of the rating of empty homes and

these had to be taken into account in any overall assessment of the impact of the policy change. That is, benefits such as an increased supply of housing, a reduction in derelict and poorly maintained properties, as well as increased rating revenue for local councils had to be balanced against the increased cost for ratepayers, particularly given the fact that much of this extra cost might fall outside the area in which the properties are located. The final IIA concluded, however, that these costs and benefits should be monitored as the policy progresses.

Reduction in the maximum capital value

Initial impact assessment

226. The initial IIA had shown that a reduction in the maximum capital value would benefit most those in less deprived wards. It was also shown that urban areas were more likely to benefit, although, for rural areas, the impact was slightly improved compared to the current cap of £500,000. There was no significant differential impact between the various Section 75 groups.

Responses to the consultation

227. There were several responses to the consultation in relation to the impact assessment. Some of the councils who responded highlighted the adverse impact on deprived communities. *Advice NI* also suggested that poorer households were over represented in terms of some Section 75 groups, such as women and lone parents, and that there would also be adverse equality impacts resulting from the change. The *Rural Community Network* suggested, though, that the move would have no adverse rural impact, since the burden of the reduced cap, in terms of increased rates payments, would be felt most by those in deprived urban areas. Some respondents (*Irish Congress of Trade Unions and NIPSA*) also felt that the approach to the EQIA was unsatisfactory and should be carried out in a different way.

Final impact assessment

228. The consultation did not provide further evidence to inform the final IIA. However, it was decided that additional analysis was needed to examine the effect that the introduction of a transitional relief scheme would have, as this had not been considered in the initial assessment.

229. This analysis showed that the transitional relief scheme would act to mitigate against the adverse impact of the reduction on deprived areas, although had no effect in relation to rural wards. There was no clear differential impact of the scheme between Section 75 groups.

230. Given the temporary nature of the transitional relief scheme, the final IIA concluded that the impact should be examined again when this scheme has expired. This would also allow the reduction in the number of councils from 26 to 11 to be considered in the analysis.

Deferment scheme for home owning pensioners

Initial impact assessment

231. The initial impact assessment had suggested that those in less deprived areas are more likely to benefit from a deferment scheme. The impact on rural areas was considered to be positive, although a more moderate one. The initial EQIA had suggested that the scheme was more likely to benefit those aged 60 and over, persons without dependents, persons with a disability, females and those who are not married. However, the report had added that this outcome reflected the demographic profile of the target population.

Responses to the consultation

232. There were several responses to the consultation in relation to the IIA. However, none of these provided further evidence which could be used to inform the final impact assessment. In their response, *Belfast City Council* stated that they were not surprised that the scheme would most benefit those in less deprived areas and felt that the imposition of a minimum rate liability would exacerbate this. *Craigavon Borough Council* had felt, however, that as the take-up was expected to be low, any effect was likely to be minimal, while *Lisburn City Council* accepted that the main benefactor was likely to be those aged 65 or over. *Shelter Northern Ireland* focused on the need to monitor the impact of the scheme on different groups.

Final impact assessment

233. There was no new evidence presented as a result of the consultation. The decision to reduce the eligible age for entry into the scheme to 60 did not require further analysis, as the initial impact assessment had already been carried out on this basis. The results set out in the initial impact assessment are therefore still valid.

Green rebates

Initial impact assessment

234. There was no initial impact assessment carried out in relation to these proposals, due to a lack of available data to support the analysis.

Responses to the consultation

235. The lack of an initial impact assessment meant that there were few responses to this issue in the consultation. Some responses (such as the *Consumer Council and Lisburn City Council*) did, however, comment on the fact that lower income households would be less able to afford the energy efficiency works required to claim a rebate.

Final impact assessment

236. There was no further evidence provided as a result of the consultation. However, the publication, in September 2008, of the 2006 Northern Ireland House Condition

Survey has allowed some limited analysis to be carried out in relation to the energy efficiency rebate scheme. This analysis indicates that those households who are most in need of increased insulation are more likely to be income poor. It also shows, though, that there is no significant difference in insulation levels between homes in urban and rural areas.

237. A limited Section 75 impact analysis was also carried out. This concluded that persons aged over 60, persons without dependents and those from a Protestant community background are more likely to be in need of support.

Data sharing powers

Initial impact assessment

238. The initial assessment took the form of a privacy impact assessment (PIA), which was used to help determine what the implications of the proposals are likely to be in terms of the potential impact on individuals' privacy.

239. The initial PIA had concluded that there did not appear to be any significant adverse impacts on the privacy of individuals arising out of the proposals.

Responses to the consultation

240. The responses to the consultation around this issue have already been summarised earlier in this report. There were few responses which specifically referred to the initial PIA. *Down District Council*, for example, suggested that there should be regular reviews of the processes set out in the PIA. The *Northern Ireland Fair Rates Campaign* also felt that the proposals for notifying potential rate relief claimants of the new use of their data are satisfactory. They also felt, though, that there should be some method of independent monitoring of the various uses made of the claimant's data by LPS. The *Information Commissioner* welcomed the fact that data protection concerns had been considered in relation to the proposals to improve take-up but felt that the PIA had not been carried out in accordance with the guidance and also expressed some more specific concerns around issues such as whether LPS were going to be a data controller and the safeguards which LPS would put in place around this data.

241. There were also some responses which addressed issues that had been raised in the PIA. For example, the *Consumer Council*, in their reply, referred to the planned arrangements for managing the data. *Help the Aged*, *Age Concern* and *Access to Benefits* also made suggestions as to how the data could be used to further improve take-up.

Final impact assessment

242. The initial PIA had been based on the original proposals which would have involved LPS staff receiving information from the Social Security Agency (SSA) from the Customer Information System and using this to better target individuals for rate reliefs.

243. During the continued development of the policy, there has been a technical change in terms of the source of the information. That is, it has now been established that the SSA Benefit Scans system, which is held by the Statistics and Consultancy Branch (SCB) of Department for Social Development, holds live social security data for Northern Ireland. It was therefore felt that this represented a better solution. This will not change the eventual outcome, however, in that once this information has been extracted, it will be used by LPS to target individuals informing them of a particular relief.
244. A further change was a proposal to allow LPS to have access to information from the Customer Information System for the purposes of the verification of claims for Housing Benefit and Rate Relief purposes. At present, LPS require the written consent of the claimant to allow them to access this information. The new legislation is therefore intended to overcome this and allow LPS to access this information directly, therefore speeding up the process of verification and the resulting award of entitlements. However, the same processes which were set out in the PIA will be put in place within LPS in terms of ensuring staff are made aware of departmental data sharing policy, that relevant staff receive the necessary training, only authorised staff having access to the data and so on will apply.
245. There has therefore been no change to the findings of the initial PIA, that the proposed change will have no significant adverse impact on the privacy of individuals.

Section 5: The Minister's response and way forward

246. The Minister has considered carefully the views expressed during consultation, as well as the comments made by the Finance and Personnel Committee during Committee sessions in July, September and October 2008. He has found these to be both helpful and informative in finalising the various policies that are dealt with in this consultation report.
247. These responses have not only influenced the higher level policy decisions but have also been particularly useful in finalising the detail of the various measures and how implementation of these will be taken forward. It is worth noting that a significant number of consultation responses were very detailed and carefully considered.

The rating of empty homes

248. The Minister welcomes the widespread support for the rating of empty homes and the general consensus that the revenue raised would increase the choice available to councils and central government, through enabling increased public service provision or a reduction in rates levied.
249. This measure is intended to encourage people to bring property back into productive use. In addition, it will ensure that properties that are inaccurately declared as empty, in order to avoid paying rates, and have not yet been detected, will inevitably be faced with a rate bill. This will ensure that all those that should be paying are paying, helping to keep down bills for all other ratepayers.
250. While it is considered that this measure will bring many benefits, through encouraging the use of empty homes, account has to be taken of the downturn in the property market. While it is intended to rate empty homes at 100% liability from April 2010, the timing of its introduction can be reviewed closer to the time, should market conditions not have improved by then.
251. **100% rating:** By and large there was strong support for the proposals contained in the consultation paper, particularly for the rating of empty homes at 100% liability. For this reason the Minister aims to proceed with the rating of empty homes at 100% from April 2010, subject to a later assessment of market conditions.
252. **Phasing and initial exemption period:** Turning to the issue of phasing and an initial exemption period the Minister acknowledges the comments from some respondents that the rating of empty homes should be introduced on a phased basis and/or an initial exemption period applied. However, it is considered that these aspects would adversely impact on the underlying policy objective of improving both the availability and affordability of housing.
253. In relation to phasing it should be remembered that the initial decision by the Executive to rate empty homes was made in November 2007, two and a half years prior to its planned introduction. This is considered to provide ratepayers with

adequate time to adjust to the new system, either through selling or renting the property, or budgeting for the new rates bill.

254. In terms of an initial exemption period, it has been decided that this should not be provided for, given that most people move house on the same day and are unlikely to be saddled with two rates bills. An exception will be made for new property developments, for a period of 12 months, in order to ensure that the supply of new housing is not adversely affected.
255. **Exclusions:** During consultation views were also sought on what exclusions should apply to the rating of empty homes. There was broad support for the proposals, which would see the exclusion of properties with a capital value of less than £20,000, where occupation is legally prohibited or by government actions, where a person is receiving care, where the property is empty due to imprisonment or the owners' death. It is therefore intended to proceed with the exclusions as set out in the consultation paper.
256. **Social and private rented sector:** Taking account of the views expressed during consultation, which were broadly supportive, the Minister has decided that properties in the rented sector, for which owners have entered into an agreement to pay rates, will be excluded from the standard rating of empty homes. On the level of the allowance that is currently given to such owners, the Minister has noted the comments received. Given that the current allowance partly reflects the fact that vacancies are paid for, that would otherwise not be chargeable outside the terms of the agreement, the Minister is of the view that the level of the allowance should be reduced following the introduction of the rating of empty homes. The extent of any reduction will be determined at a later date, following targeted consultation on an appropriate new level.
257. **Interaction with rating reliefs and allowances:** A wide range of views were expressed on the interaction between the rating of empty homes and rating allowances and reliefs. The Minister has noted the strong support for occupation based allowances and reliefs (disabled persons allowance, housing benefit, rate relief, relief for those in full time education and training, young people leaving care and those under 18, and lone pensioner allowance) not to apply where rates are levied on empty properties. There was also generally strong support for property based allowances, such as the cap and transitional relief (when in place), to apply to empty properties. On this basis the Minister has decided to proceed with the position that was set out in the consultation report.
258. **Farmhouses:** During consultation views were also provided on the treatment of farmhouses when empty. The Minister is aware of the views of the farming community and other organisations relating to the provision of relief when empty. While these concerns have been taken on board the valuation allowance is currently provided subject to the property being occupied in connection with agricultural land and used as the home of a person whose primary occupation is farming. As none of these conditions will apply when the property is empty, and it could not be deemed to

be used for agricultural purposes, the Minister has decided that the allowance should be removed. If the property is reoccupied, and both conditions are met, the allowance would be reinstated.

259. **Ministers' houses:** There were mixed views on the treatment of religious Ministers' houses when empty (which covers houses used for all religions, where the house serves a dual purpose as living accommodation and as an office for pastoral duties). A number of responses stated that not only properties owned by the church, but also those owned by individual Ministers, should be partially exempt from rates when unoccupied. Taking account of the consultation responses it has been decided that the 50% exemption from rates should continue to apply, in both instances, where it can be shown that the property will, when next in use, be used for pastoral duties. This would ensure consistency of approach for all church related homes.
260. **Anti-avoidance measures:** During consultation there were concerns that owners would deliberately damage properties to try and avoid rates liability. The Minister therefore believes that it is necessary to provide powers that would allow the department to take action against this. Enabling powers will allow anti-avoidance measures to be introduced, if this is deemed to be problematic, following the introduction of the rating of empty homes.
261. As well as setting out the Minister's decisions on the way forward, which are summarised above, it is also appropriate to address some of the queries raised during the consultation exercise.
262. **Ring fencing of funds:** It was suggested that the funds raised through the rating of empty homes should be ring fenced for housing. However, this is not feasible given that rates are an unhyponthecated charge, with no direct link between it and any one service.
263. **200% liability:** A few responses suggested that, in order to encourage productive use of property, that liability should be increased to 200%. While the Minister understands the rationale for this, it would give rise to practical difficulties and may cause owners to incorrectly report property as occupied to avoid the higher liability.
264. **Revenue levels:** Some responses expressed concern about the accuracy of revenue predictions. The consultation report was caveated in this respect. In addition, there has been ongoing work between Land and Property Services and district councils aimed at improving vacancy data and making the revenue predictions more robust.
265. **Interaction between the rating of empty homes and deferment:** There was strong support for the provision that rates should not be charged on empty homes (unfurnished) due to the person receiving residential or medical care. It should be noted that there would be no time limit on this. In addition, where a person has entered into a deferment agreement rates would not be chargeable when the property was empty due to the provision of residential care. However, it would be possible to continue to defer the accumulated debt and then recommence the further deferment of rates when the property is reoccupied.

Reduction in the maximum capital value

266. **Reduction in the maximum capital value:** The Minister has noted the strong support from individuals for a reduction in the maximum capital value to £400,000, and also that a number supported a reduction to £300,000. He has also taken on board that there was opposition to this particular policy proposal from a range of organisations that responded to the consultation exercise.
267. However, on balance, the Minister considers that it is not right to expect ratepayers in Northern Ireland to pay rate bills equivalent to the very highest council tax bills in the rest of the UK. Having considered the views expressed he considers the average bill in the highest council tax band to be a more appropriate level, which equates to a capital value of around £400,000. In doing so, this addresses concerns about the potentially excessive impact of higher rates liability, particularly for those who are asset rich and income poor. It also recognises that there are limits to the benefits individuals receive from regional and local services. On this basis it is intended to reduce the maximum capital value from £500,000 to £400,000 from April 2009, subject to Assembly approval of the necessary legislation.
268. During consultation, there were some concerns about the impact of the reduced cap on other ratepayers. It should be noted that the regional rate will be frozen through to 31 March 2011. Even if the revenue loss were to be recovered from other ratepayers, thereafter, the impact of reducing the cap would, in theory, only add about 8p a week to the average rates bill.
269. **Transitional relief for district councils:** A further area considered during consultation, as a result of concerns from the Finance and Personnel Committee, was the provision of relief to those district councils affected by the reduction in the maximum capital value. In order to allow district councils to adjust to the lower revenue, and subject to the Executive signing off the Rates (Amendment) Bill, the Assembly will be asked to approve legislation that will allow compensating payments to be made to district councils in respect of the 2009/10 and 2010/11 rating years. This will be set at 100% and 50% respectively. Given that this relief is intended to assist councils with the transition from a £500,000 cap to a £400,000 cap this relief will be temporary rather than permanent.
270. The Minister has also considered the request from some district councils, and Committee Members, that relief be provided to compensate for the revenue loss associated with the introduction by direct rule Ministers of a £500,000 cap in April 2007.
271. The aim of any relief would have been to assist district councils with the transitional period associated with an initial cap. In terms of priorities and affordability, particularly the extreme pressures on departmental spending at this time, coupled with the fact that the current cap has been in place for over 18 months, retrospective compensation for councils is not considered to be affordable nor could it be justified.

272. **Supplementary issues:** During consultation a number of other cap related issues were raised. This included a proposal that a minimum capital value of £50,000 should be introduced, in order to ensure that those in lower value properties make a minimum contribution towards the provision of local services. This would be a regressive measure and would most adversely impact on those on low incomes and the most vulnerable in our society. The Executive, as part of its Review, decided not to pursue this option. It is considered that no change in this position is necessary.
273. A number of respondents also requested that a local income tax should be introduced. This is an issue that again was considered by the Executive as part of its Review in 2007. Following this the decision was taken not to pursue this option. Were a local income tax to replace domestic rates it is estimated that 7p in the pound would need to be levied to raise the same amount as the domestic rating system. Notwithstanding this, the Executive has agreed to monitor developments in Scotland, where the Scottish Government is preparing to replace council tax with a form of local income tax. The department is continuing to monitor the situation.

Deferment scheme for home owning pensioners

274. The Minister has noted the detailed and informative responses that were provided as part of consultation on the rates deferment scheme. These will be particularly helpful in establishing the detailed operation of the scheme that will be taken forward in legislation. By and large there was broad support for the preferred approach set out in the deferment consultation paper. Those areas on which views varied were the eligible age, the provision of independent advice and the level of interest levied. The following paragraphs provide an overview of the policy decisions that have been taken in relation to the scheme.
275. More generally it is important to stress that the deferment scheme should not be seen as an easy choice, given that it will involve a serious financial commitment between applicants and the department. Furthermore, while the scheme is intended to operate largely on a cost recovery basis it will involve set up costs, which could be significant. While it will be possible to defer these, they will have to initially be paid out by the applicant until such times as an agreement has been established and entered into.
276. The scheme is therefore intended as a safety net for pensioners – particularly those who are ineligible for low income rate relief and yet are having to contend with ever increasing household bills on a fixed pension.
277. **Eligible person:** During consultation a number of respondents expressed concern that an age threshold of 65 would disadvantage women, who currently reach pension age at 60. There was substantive support for the chosen age limit to be linked to future changes in state pension age. Given this, and in order to ensure that women do not suffer indirect discrimination, the Minister believes that the minimum pensionable age, currently 60, should be used and that this should increase in accordance with changes to state pension age through to 2046.

278. **Transfer of deferment agreement to surviving spouses:** The consultation paper proposed that a deferment agreement could be transferred to the surviving spouse or civil partner. In order to secure the position of those affected, as well as the deferred debt, the department will have the power to enter into a deferment agreement with the person of pensionable age along with their spouse or partner (or subsequent spouse/partner) who also owns and occupies the property.
279. **Eligible property and equity levels:** The Minister has noted the strong support for the scheme to apply to a person's main home and deferment being subject to minimum equity levels. It is therefore intended that deferment would be subject to the applicant owning and occupying the property as their main home. It would also be subject to them having a minimum of 40% equity in the property and deferred rates not exceeding 80% of the equity in the property. The department will have the power to vary these thresholds if deemed necessary.
280. **Savings level:** Some consultation responses stated that those with savings or capital above a certain threshold should be excluded from deferment. While the rationale for this is recognised it could work against the aim of the scheme, which is to provide a further payment option to better off pensioners who are ineligible for housing benefit or rate relief. The latter is currently not available to those with savings over £50,000. On this basis a savings threshold will not be introduced at this time.
281. **Statutory charge:** Given the almost unanimous support during consultation the Minister has decided to proceed with the deferred debt taking the form of a statutory charge on the property. The deferred debt would have to be repaid before the charge on the property could be removed. In the absence of this any sale or transfer would be subject to acceptance of the statutory charge. The property may have to be sold in order to repay the deferred debt.
282. **Level of interest:** During consultation concern was expressed that the cost of the scheme should be revenue/cost neutral. The Minister recognises the need to ensure that the costs of the scheme, to both applicants and the department, are minimised particularly given the vulnerability of the target audience. For that reason interest will be levied at the Bank of England base rate minus 1% (which would currently equate to 1%). Over the last decade or so this has been very close to the rate of inflation (using RPI). However, given the current economic uncertainties the department will reserve the power to alter the interest rate levied or set a minimum interest rate. Interest will be calculated on a compound basis.
283. **Provision of independent advice:** During consultation there were mixed views on whether applicants should be obliged to have received financial advice, prior to entering into a deferment agreement. Some respondents agreed that this should be obligatory while others, including a member of the *Finance and Personnel Committee*, felt that many people would be capable of understanding the financial implications or should have the option of receiving advice on this.

284. While it had been hoped that the provision of independent advice could have been fully catered for through the voluntary sector, and in particular those organisations representative of and used by the elderly, consultation indicated a number of difficulties with this. Not least is the fact that its location in the voluntary sector would have capacity and funding issues, as well as legal implications.
285. In addition, the provision of financial advice on deferment would require the body to be authorised under financial services legislation. Given the implications of this, and the views expressed during consultation, applicants will be strongly advised, but not required, to obtain independent financial advice prior to entering into a deferment agreement.
286. **Termination of the deferred debt:** The Minister recognises that there are some concerns about repayment of the outstanding debt and the need for flexibility. It is intended that the deferred debt would become due and owing on the sale or transfer of the property, death of the agreement holder, eligibility conditions no longer being met or the terms of the agreement having been breached by the deferee.
287. Reflecting concerns about the need for some payment flexibility, yet balancing the need to ensure that outstanding debts are repaid promptly, the department will have a power that would allow it to accept payment by instalments, on the termination of a deferment agreement. This would only be considered where immediate repayment would lead to exceptional hardship for the deferree.
288. **Deferment and rating of empty homes:** Deferment will not normally be available on empty properties, subject to some exceptions. Taking account of some of the comments made during consultation a person would continue to be eligible to defer rates where the property is vacated due to having to enter into residential or long term care. However, as rates will not be charged on empty properties in these circumstances the deferred debt would simply be placed on hold until such times as the property was reoccupied. While no additional rate charges would be added during this time interest would continue to accrue.
289. **Other issues:** The Minister is aware that entering into a deferment agreement will incur start up costs for applicants, which would constitute a greater proportion of any deferred debt for smaller value properties. Taking account of this, and also the need to ensure that the administrative cost is not unnecessarily burdensome, the Minister has decided that deferment should not be made available for properties with a capital value of less than £50,000 (around a £300 rate bill).
290. More generally, given that deferment will be voluntary, the Minister considers that the necessary application information should be provided and verified by the applicant, for example title of the property, with them incurring any associated administrative costs. These costs would be paid outright, although they could subsequently be rolled into the deferred debt.

291. It is intended that applicants will be provided with a projection of the implications of deferment given their individual financial circumstances. In addition, those participating in the deferment scheme will be provided with an annual statement, setting out their deferred debt, charges and interest levied. Periodic reviews of the deferment agreement will also be carried out.
292. During consultation concerns were raised by organisations representative of the elderly that the deferment scheme could be deemed to be deprivation of capital. While Department of Health, Social Services and Public Safety (DHSSPS) is currently seeking legal advice on the relationship between the deferment scheme and the duty to charge for residential and nursing home care, current Department of Health, Social Services and Public Safety guidance states that the purpose and timing of the disposal of an asset will be examined when considering whether deprivation for the purposes of reducing a person's assessed charge for residential or nursing home care has occurred.
293. While Department of Health, Social Services and Public Safety advises that it would be unreasonable to consider a resident to have disposed of an asset to reduce their accommodation charge when they were fit and healthy at the time of disposal and could not have foreseen the need for residential or nursing home care, a blanket assurance cannot be given as there may be instances where deliberate deprivation of capital might arise, such as where the person knowingly enters into a rate deferment scheme before going nursing home care in order to circumscribe the regulations.

Green rebates

294. The Minister has noted the informative and detailed responses received during the green rebates consultation. He welcomes the broad support for these proposals but also notes that many organisations and individuals had their own ideas on how both of the proposed schemes would be best introduced.
295. The issues receiving most comment in relation to both proposals included: how are the schemes to be funded; is the rating system the best vehicle to provide green incentives and should Energy Performance Certificates be used as an alternative approach. With regard to the energy efficiency scheme the key issues of concern were whether the scheme should 'stand alone' or operate in partnership with the NIE cash-back scheme, what energy efficiency measures should attract a rebate, the level of the rebate and who should receive the rebate. In relation to zero carbon homes the main comments focussed on who should qualify for the scheme, the definition of a zero carbon home and whether or not the scheme should be tapered. The following paragraphs provide an overview of the policy decisions that have been taken in relation to the green rebates proposals following consultation.

General issues

296. **How the schemes are to be funded** – The Minister has considered the views expressed by many councils and the *Consumer Council* that the introduction of these schemes should not create a loss in revenue for local government or be funded by other ratepayers. The Minister is persuaded by these arguments and has decided to make new money available to fund both these schemes centrally.
297. **Should Energy Performance Certificates be used as an alternative approach** – The Minister considered very carefully the consultation response from the *Northern Ireland Federation of Housing Associations* who do not think that either the energy efficiency or zero carbon homes schemes would be very effective and suggest offering a modest rates discount to the owners of accommodation that is relatively energy efficient as measured by the newly introduced Energy Performance Certificates. The Minister does not agree that the proposed schemes will be ineffective and concludes that given the infancy of the Energy Performance Certificates it would be best to let it bed in before linking it to other initiatives but has not ruled out the idea entirely and suggests it could be worth considering in the future in any second phase of green initiatives.

Energy efficiency scheme

298. **Should a stand alone scheme be introduced or should the scheme operate in partnership with the NIE cash-back scheme** – The Minister has given careful consideration to the range of views expressed on this issue during the consultation. Many supported the approach suggested in the consultation paper which was for the scheme to operate in tandem with the NIE cash-back scheme. However others preferred a stand alone scheme and significantly these included the *Utility Regulator* and the *Energy Savings Trust*. The Minister notes that the Regulator, who is shortly to publish the findings of their review of the Energy Efficiency Levy (EEL) which funds the NIE cash-back scheme, argued that a high profile partnership between the department and NIE could potentially affect the development of competition in the market for domestic electricity supply and suggested that a direct partnership with EST or EAGA would be a better option as this would also negate the problem of what happens if the EEL scheme is refused funding in any particular year.
299. The Minister, taking into account the comments of the Regulator and noting the outcome of a meeting between departmental officials and the EST, has decided to opt for a stand alone scheme that would be administered by the EST. In arriving at this decision the Minister also took into account that the EST currently administer the cash-back scheme for the NIE and feels that it would be beneficial to applicants to have one point of contact for both schemes who can advise that two schemes exist, cash-back and rate rebate, and issue the appropriate application form.
300. The Minister has also noted that the EEL funds available for the NIE cash-back scheme are limited annually to the first 1000 applicants approximately. Therefore he sees the proposed rate rebate scheme as complementing the NIE cash-back scheme

by not only providing an alternative but also continuing to provide an incentive to owner occupiers to insulate their homes to the required standard when NIE cash-back funding has run out and in doing so meet the policy requirement of increasing consumer action.

301. **What energy efficiency measures should attract a rebate** – The Minister noted that many who responded to the consultation, whilst supporting the proposal to provide a rate rebate for insulation, wished to see the scheme extended to include renewable technologies such as solar panels, wind turbines and the like. The Minister has given these suggestions careful consideration but has concluded that to develop a well-defined and workable scheme to incorporate those additional elements will take longer than the envisaged timescale. Furthermore, for renewable technologies to have maximum effect it is vital that homes are first well insulated. The Minister therefore views the proposed scheme as an important first step but is open to the idea of these measures being considered for a second phase that could be introduced after there has been sufficient time to evaluate progress in relation to the insulation measures.
302. **The level of the rebate** – The Minister noted that the opinions expressed in the consultation responses were divided over the level of the rebate that should be applied. Many argued that the funding for both schemes should be set at the same level as to do otherwise would be to provide an unnecessary additional subsidy. Others, however, recognised that the immediacy of the cash-back scheme is likely to be more attractive than a rate rebate if the amounts available are the same and therefore they supported a higher level applying to the rate rebate. The Minister in considering this issue took into account that a key principle of the policy to introduce a rate rebate for householders carrying out specified energy efficiency measures is that of ‘additionality’. This means that it is the policy aim to increase the number of householders making their homes energy efficient and thereby improving the housing stock in Northern Ireland and contributing to sustainable development. It is felt that to attract this additional interest it will be necessary to set the level of rate rebate at a higher level than the cash back scheme. The rebate is likely to be around £200.
303. **Who should receive the rebate** – The Minister noted that the vast majority of those responding to the consultation supported the proposal in the consultation paper to restrict the eligibility for the energy efficiency scheme to owner occupiers. However, he also noted concern from the *Consumer Council* that low income households may not be able to avail of the scheme as they may not be able to pay up front for the energy efficiency measures. The Minister also carefully considered the views of some *Finance and Personnel Committee* Members who have asked for the insulation scheme to be extended to include the social rented sector.
304. However, this measure needs to be considered in its proper context. It is not part of the package of measures addressing the important matter of fuel poverty, rather it is intended to help improve the energy efficiency of our housing stock.

305. Additionally the Northern Ireland Housing Executive and the Housing Associations have policies in place to ensure that their homes are insulated to a high level and are already funded to do so. Furthermore, on examination of the range of other energy efficiency schemes that are available to homes in Northern Ireland, it is clear that the vast majority of these exclude social rented sector tenants from their list of eligible households and this notably includes the Department for Social Development's Warm Homes Scheme, which has clear fuel poverty objectives. In this regard, it is also important to note that because the proposed scheme offers a rates rebate, to extend it to the social rented sector would discriminate against those in that sector who do not pay rates and therefore would not be able to benefit.
306. For these reasons the Minister considers that it would be neither necessary nor effective to extend the scheme in this way. Nonetheless, the Minister intends to include an enabling power in the legislation that would allow the scope of the scheme to be easily and quickly extended to include the social rented sector, should circumstances change and this be required.

Zero carbon homes

307. **Who should receive the rates exemption** – The Minister has noted that the vast majority of those who specifically responded on this issue supported the proposal to award the rates exemption to first residents and not just the first purchasers of zero carbon rated homes as proposed in the consultation paper. The Minister does not accept the argument put forward by the few who responded to the consultation suggesting that the exemption should attach to the property for five years not the resident, on the basis that it would not be compatible with the policy rationale which is to incentivise people to purchase zero carbon home thereby improving the housing stock in Northern Ireland in terms of sustainable development. Attaching an initial rate exemption to the property does not support this policy aim as once the zero carbon home is built the objective is achieved. The Minister therefore has decided to provide a 5 year rates exemption to first residents of zero carbon homes.
308. **Definition of a zero carbon home** – The Minister noted that all those who specifically responded in relation to the definition of a zero carbon home supported the proposal in the consultation paper to await the outcome of the UK Government's consultation on "the definition of Zero Carbon" the outcome of which is expected before the end of the year. The Minister has therefore decided to apply the new definition to the zero carbon homes scheme and believes this will provide consistency and public confidence that zero carbon status is more attainable than has proven to be the case so far in relation to the UK wide stamp duty exemption scheme to which this scheme is seen as a complementary measure.
309. **Low carbon homes (taper)** – The Minister carefully considered the consultation responses on this issue and is mindful of the fact that all those who responded specifically on this issue supported the proposal that the scope of the scheme should be broadened to include householders whose homes have very low carbon emissions but that have not yet reached zero carbon status. In light of this the Minister has

decided to provide a two year rates exemption for the first residents of low-carbon homes. Low carbon would be defined as achieving level four or greater, but less than level six, of the code for sustainable homes published by the Department of Communities and Local Government in Great Britain. In doing so it is hoped that this will bring this scheme within the reach of many more households thereby incentivising more people to act in an environmentally friendly way and benefit from reduced energy bills. This means that the scheme will now effectively become a zero and low carbon homes scheme.

310. The Minister's intentions regarding the zero and low carbon exemptions and the energy efficiency scheme were announced on 23 December 2008.

Data sharing powers

311. The Minister has taken account of the views expressed during the data sharing consultation and notes that all broadly supported the proposals. However, he also noted that support in some instances was conditional to concerns, particularly in relation to data security, being addressed. The main issues evoking most comment were data security including clearly defining the data controller, staff training, the establishment of a transparent audit trail, independent scrutiny of data handling procedures and the need to pursue additional ways to improve take-up.

312. The following paragraphs provide an overview of the policy decisions that have been taken in relation to the data sharing proposals and clearly demonstrate that the Minister has been mindful of the very helpful comments from many quarters and that the proposals are intended to assuage the concerns expressed and provide a secure environment for the data to be shared.

313. Dealing with the more general issue first, it is important to note that it has always been recognised that improved data sharing is only one of a number of ways in which government can attempt to improve take-up of the various rate reliefs. Indeed the Access to Benefits report, referred to earlier, made over 30 recommendations and made clear that there is not a single solution to the problem. Improved data sharing or, for example, increased telephony or simplifying the application process are not the only answers but will however form part of a package of measures which collectively will help address the problem. However data sharing is the only solution that requires legislation. The Minister has decided to take data sharing powers in the forthcoming Rates (Amendment) Bill that will allow the main delivery agencies to share information for the purposes of targeting likely recipients of the various rate reliefs and assessing housing benefit and rate relief claims for owner occupiers.

314. **Data security:** The Minister has recognised the concerns expressed by many who responded to the consultation and believes that the security of data is paramount. Therefore it has been decided to ensure that all staff will be made aware of the departmental data sharing policy statement and action plan and also that relevant staff will receive the necessary training and pro-active support from dedicated managers. These managers will also be responsible for ensuring that only authorised

staff have access to the data and that they are adhering to the data protection principles and protocols at all times. Additionally, the Minister has also noted the point made by the *Office of the Information Commissioner* in relation to clearly defining who is the data controller and this issue will be considered with all relevant parties and addressed before the legislation is introduced.

315. **Audit trail:** The Minister has taken on board the views of many expressed during the consultation in relation to the establishment of an audit trail. The Minister recognises, in the spirit of open government, the need for transparency and also sees the benefit of providing much needed assurance to citizens who may have concerns about who has access to their personal information. It has therefore been decided that procedures will be developed to establish an audit trail showing which staff have had access to an individual's data, when and for what purpose and that this information will be made freely available to the individual concerned on request.
316. **Independent scrutiny:** It has been noted that a number of respondents to the consultation considered it important that the new data handling procedures should be subject to independent scrutiny. The Minister agrees and therefore consideration is to be given to who would, outside of LPS, be best placed to periodically review the new data handling procedures and this will be established before the legislation is introduced.

Update on other rating issues

Take-up of rate reliefs

317. The Access to Benefits report contains recommendations that go beyond rate relief take-up and are of relevance for other parts of Government involved in the delivery of benefits. Given this an inter-departmental group has been established to take forward the recommendations, with input from a range of relevant bodies including the Department for Social Development which has responsibility for social security benefits.

Evaluation of the relief scheme for those in full time education, etc.

318. The Minister is currently considering the findings of the report on the evaluation carried out by FGS McClure Watters in respect of the rate relief scheme for those in full time education, etc. and the views of the Committee for Finance and Personnel, with a view to bringing forward recommendations to the Executive in early 2009.

Derelict land tax

319. The continued adjustment in the local housing market has clearly impacted on the rationale for a derelict land tax. In addition, given the difficult conditions currently being faced by the development and house building sectors, it does not appear to be the right time to be considering the imposition of a further tax on land holdings. The impact on the construction sector and, indeed, the wider economy also need to be considered.

320. It has therefore been decided not to proceed with any further development of this proposal at this time. It may be necessary to return to the policy at some stage if conditions change and there is a clear need to do so. However, this is unlikely to be within the life of the current Assembly.

Commercial rates

321. The Minister has recently announced that he intends to introduce a targeted small business rate relief scheme, subject to Assembly approval. This should be available in April 2010 at the earliest. He has also announced that, as an interim measure, non-domestic rates are to be frozen for 2009/10, which will be worth almost £8 million to Northern Ireland businesses.

Section 6: Next steps

322. This consultation report sets out how the Minister intends to proceed in relation to:

- (i) the rating of empty homes;
- (ii) the reduction in the maximum capital value;
- (iii) a rates deferment scheme for home owning pensioners;
- (iv) green rebates; and
- (v) data sharing.

It also provides an update on the take up of reliefs, derelict land tax, the evaluation of the relief scheme for those in full time education, etc and recent announcements as part of the Executive's response to the economic downturn.

323. Integrated impact assessments were undertaken on a range of policy areas. A final integrated impact assessment, taking account of comments made during consultation, is available on the Review of Rating Policy website (<http://www.ratingreviewni.gov.uk>).

324. Legislation will now be drafted to give effect to the policy decisions set out in this consultation report. This will have to be signed off by the Executive and then considered and approved by the Northern Ireland Assembly. It is intended that the legislation to give effect to the reduction in the maximum capital value will be introduced by April 2009, subject to Assembly approval. The aim is that the necessary primary and subordinate legislation required for all of the other policy decisions contained in this report should be drafted during 2009 and introduced by 2010. These will take slightly longer given the legislative and operational complexities associated with them.

325. A draft Bill will be brought before the Assembly in 2009, which will then be considered by both the Assembly as a whole as well as the Finance and Personnel Committee.

Annex A: List of respondents

Organisations (excluding district councils)

Access to Benefits for older people (A2B)

Advice NI

Age Concern

Association of Local Government Finance Officers

Chartered Institute of Housing

Citizens Advice, Northern Ireland

Communication Workers Union

Construction Employers Federation

Consumer Council

CTS Projects

Disability Action

Energy Savings Trust

Helens Bay and Crawfordsburn Residents Association

Help the Aged

Historical Buildings Council

Housing Rights Service

Institute of Revenues Rating and Valuation

Malone Meadows Residents Association

National Energy Action Northern Ireland

Northern Ireland Electricity Energy

Northern Ireland Anti-Poverty Network

Northern Ireland Authority for Utility Regulation

Northern Ireland Association for the Care and Resettlement of Offenders

Northern Ireland Committee of the Irish Congress of Trade Unions

Northern Ireland Council for Voluntary Action

Northern Ireland Environment Agency

Northern Ireland Environment Link
Northern Ireland Fair Rates Campaign
Northern Ireland Federation of Housing Associations
Northern Ireland Local Government Association
Northern Ireland Public Service Alliance
Northern Ireland Retired Members Advisory Committee Communication Worker's Union
Office of the Information Commissioner
Phoenix Natural Gas
Portballintrae Residents' Association
Portstewart Vision
Royal Institution of Chartered Surveyors
Rural Community Network
Shelter Northern Ireland
Sustainable Development Commission
Ulster Architectural Heritage Society
Ulster Farmers Union
Worldwide Fund for Nature Northern Ireland (WWFNI)

District councils

Antrim Borough Council
Ards Borough Council
Armagh City Council
Ballymena Borough Council
Ballymoney Borough Council
Banbridge District Council
Belfast City Council
Castlereagh Borough Council
Coleraine Borough Council
Craigavon Borough Council

Derry District Council

Down District Council

Dungannon and South Tyrone Borough Council

Fermanagh District Council

Lisburn City Council

Moyle District Council

Newry and Mourne District Council

North Down Borough Council

Omagh District Council

Strabane District Council

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Further copies can be obtained by
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