



**Rural Community Network**  
SUPPORTING RURAL COMMUNITIES

## ***Rural Community Network***

### **Response to the Review of Rating Reform**

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## Key Recommendations

1. An annual rural proofing analysis of the impact of rates bills, comparing rural and urban areas.
2. A regular analysis of rates relief uptake on a geographic basis linked to an analysis of low income earners within output areas.
3. Regular report on the use of and satisfaction with the appeals' process on an urban and rural basis.
4. Ensuring that all District Councils and other bodies funded through the rates give full and accurate information on their income and expenditure and how they have used our money.

### 1.0 Introduction

1.1 Rural Community Network [RCN] is a regional voluntary organisation established by community groups from rural areas in 1991 to articulate the voice of rural communities on issues relating to poverty, disadvantage and equality.

1.2 As the regional rural voluntary organisation for rural communities, RCN focuses its work in two core areas:

- Building excellence in rural community development as an agent for change through consultation, training, mentoring and support, networking;
- Articulating a rural voice which is inclusive, confident and effective through community action and issue based research with the twelve sub-regional Rural Support Networks.

1.3 RCN welcomes the opportunity to respond to the review of domestic rating reform. As a membership-based organisation we sent out a short questionnaire to all our members seeking people's experiences of the new rating system. The questionnaire focused on experiences of the new rating system, as well perspectives on longer term changes. We received 79 questionnaires back and this response is based on the views received.

### 2.0 Profile of Respondents

We asked people to identify themselves with regards their age, economic activity and distance from the nearest town. The majority of respondents were between 40-59 years [43%], in full time employment [49%] and living 5+ miles from the nearest town [38%].

Age	20 - 39	40 - 59	60 – 75+
	29%	43%	28%

F/T Employed	P/T Employed	Self-Employed	Unemployed	L/T Unemployed	Retired	Economically Inactive	F/T Student
49 %	18%	9%	0	1%	23%	0	1%

Live in the town	Live on the edge of the town	Live 1-4 miles from the town	Live 5+ miles from the town
16%	15%	29%	38%

### 3.0 Experiences of the New Rating System

People were asked whether they considered the new system fair, levels of awareness with regards how their rates were calculated, whether people's rates' bill had changed, percentage of their income spent on rates, and experiences of the appeals' process.

### 3.1 Fairness

Of those who responded, 63% said that the present system was unfair as compared to 15% who said it was fair. 22% ticked the 'don't know' box.

One of the main reasons for the perceived unfairness of the new system was that it does not take into account people's ability to pay.

*"It does not reflect the ability of people to pay. It ignores the investment elderly people have made and penalises them."*

*"I have worked all my life and bought a house 20 years ago and struggled to pay the mortgage. My house has increased in value, my income has stayed the same and I get the same services today that I got 20 years ago – why the massive increase in rates?"*

*"It does not take into account the ability to pay – it is unfair to base it on the capital value of a property. It severely disadvantages rural dwellers."*

*"Because it will be hard to pay on my income, I may have to ask my family for help."*

A critical aspect with regards to ability to pay is the rise in house prices over recent years.

*"I bought my house 10 years ago. The area around me is very affluent but our street has remained the same. Rates have risen due to our postcode and the surrounding area. Our house is worth 5 times what we paid for it but we can't afford to move."*

*"The fact that house prices have risen is no way reflected in the financial circumstances of the people living in them."*

*"House values are dictated by bank policies offering cheap money. House values bear no relation to the earning potential in an area or to the income of occupiers."*

*"It is based on house value and not the person's income. It will encourage segregation of communities to rich and poor areas, thereby reinforcing disadvantage and social exclusion."*

*"There is the assumption that those who live in more expensive housing can afford to pay more for local services – it is very wrong and unfair."*

There was also a feeling that rural dwellers often don't have access to quality services and that it was unfair to be faced with an increase in rates when services haven't improved.

*"Those who have most access to public services should pay a greater share. Urban dwellers should therefore bear a greater proportion."*

*"The rates are getting higher and services getting less."*

*"Our rates are over £1500 per year. We only get our bins emptied every fortnight and we now have to get our septic tanks emptied."*

*"The rural area in which I live has decreasing amenities, poor bus services, no local shop, poor road surface and generally receives poor service from the local Council."*

*"Living in a rural area, I do not receive the services that are available in urban areas."*

A number of people felt that rates should be based on usage of services rather than property values.

*"As a single occupant, I use very little of the services provided and my income is slowly eroding."*

*"Rates ought to be levied on the basis of use of services, not property value which can be subject to arbitrary influence."*

Concern was expressed with regards specific groups of people such as single-occupancy households, older people, the private rental sector.

*"It is only partly fair in rateable value but no allowance is made for single households."*

*"It does not take into account the levels of social deprivation or the needs of senior citizens."*

*"Should be discount for single occupancy as in Great Britain. There should also be discounts for retired people and exemption for students."*

*"The system is based on property values and location, not on ability to pay or usage. Also landlords or investment properties do not pay rates yet their tenants use local services, consequently private one-dwellings owners subsidise these landlords."*

For others, the lack of knowledge and information with regards to the new system was also of concern. In addition, there was unease with regards incorrect valuations.

*"I don't feel I know enough about the system."*

*"I haven't had enough information."*

*"It is not clear what we are paying for. (is it just the collection of bins?)"*

*"Obvious inaccuracies in valuation data is leading to inaccurate capital valuations and hence unfair/inequitable bills for some. Also newer properties appear to be valued at 'market value' whilst older properties seem to be at historical cost."*

It is clear that for those who perceived the system as unfair one of the main reasons is the feeling that the present system is not based on ability to pay or level of usage of services. For many rural dwellers, this is coupled with the experience of lack of access to quality services thereby adding to the perceived unfairness of the system. There also seems to be a degree of misinformation or lack of knowledge with regards what the rates are used for.

Overall, it is apparent that if one of the Executive's four criteria for a rating system is *"that the system is accepted by the majority of people in Northern Ireland"*, this as yet been achieved with the majority of respondents to our survey. This needs to be counterbalanced with the reality that taxation is and will never be popular.

### **3.2 Calculation of Rates Bills**

57% responded that they were aware as to how their rates were calculated and 32% responded that they were not aware.

*"There is no clarity as to how capital value was arrived at. There is no evidence that the database is up to date or has been reviewed recently There is no assurance that properties on private lanes (rural) with no road services have had this taken into account."*

Rates had gone up for 72% of respondents, 16% said that their rates bills had gone down and 8% said that they had stayed the same. 4% said they didn't know. For those whose rates had gone up, the majority lived 5+ miles from the nearest town.

The majority said that they spent less than 5% of their household income on rates [37%], 26% said they spent between 6%-10%, 9% said they spent between 11%-15%, 4% spent more than 16% of their household income and 24% of respondents said they didn't know.

### **3.3 Levels of satisfaction**

When asked about levels of satisfaction with the process of calculating their domestic rates, 0% said they were very satisfied, 15% said they were satisfied, 23% were neither satisfied nor dissatisfied, 33% were dissatisfied, 14% very dissatisfied and 15% didn't know. The accompanying comments elaborated on some of the reasons for the dissatisfaction. These mirror some of those expressed in Section 3.1 focusing on the need to for single-occupancy rebates and the failure of the system to take into account usage of and quality of public services.

*"Rates should be calculated in relation to services and public amenities. Water should be included in rates metered as we have 3 occupants in our house and other families in the areas have 4-5 children."*

*"The number of people living in the house should be taken into account."*

*"There should be allowance for sole occupancy."*

*"Need a fairer system to grade according to the number of residents per household."*

*"Rates should be related to the frequency or level of use of services as opposed to the value of your home – e.g. look at the Republic of Ireland with regards bin charges."*

*"Not sure how this is calculated. However, I am shocked by the disparity of charges."*

*"Living in the country, the services provided are minimal and really only amount to getting the bins emptied once a week."*

### **3.4 Rates Relief**

Respondents were asked about whether they had accessed rates relief to help them pay their rates bill. 96% responded that they had not accessed rates relief. A couple of the comments stated they were not sure whether they were eligible.

### **3.5 Appeals Process**

When asked about levels of awareness with regards the appeals process, 43% stated they were aware and 57% said they were not aware of the appeals process.

With regards whether people had used the appeals process, 94 % said that they had not used the appeals process with 6% stating that they had used it. Those who had used it were asked about how satisfied they had been with the process.

*"Not satisfied. I have appealed for two years but no one has had the courtesy to return my calls or respond to my letters."*

*"Informal process prior to 1<sup>st</sup> April. I am not satisfied in that my valid points were not addressed. I was able to quote facts from data on internet but there were no attempts to rectify anomalies."*

*"Dissatisfied- felt that the valuation of my house was wrong but they wouldn't change it."*

*"Very satisfied."*

There is clearly a gap between the levels of dissatisfaction with the system for those who responded to this survey and doing something about it. This might be partly due to the lack of awareness with regards the existence of an appeals system.

### **4.0 Future Ideas**

These questions focused on whether people know how their money is being used, which groups of people they would be willing personally to pay higher rates for and by how much, other options with regards how they might pay for public services and the specific impact of rurality.

#### 4.1 How your money is being spent

The majority of people stated that they knew what their rates money is being spent on, 57%, with a significant minority, 43%, saying they didn't know. For those who stated they did know, further details were given with a selection of comments outlined below.

##### Approval

*"We have fantastic facilities and a brilliant local Council who have provided first class service with both facilities and support for the community and voluntary sector."*

*"Refuse collection, Lakeland Forum, Fermanagh District Council services, Dog Warden, Council employees, town hall, Fermanagh Halls."*

*"Public services – would like some clarification as public services in our area are poor to say the least."*

*"Sewage, water, roads and services,"*

*"Waste, paths, public services and leisure."*

*"Local government and some regional services,"*

*"In general terms, only set out in your briefing paper."*

*"Supposed to meet the cost of services provided by government which for us who in live in rural areas leaves us out."*

*"Leisure centres and when you visit they are expensive anyway. The assembly – they are being paid too well."*

*"Refuse collection, street cleaning, flower pots, silly looking metal Christmas trees, swimming pool, council administration, tourism."*

For a few there is some confusion as to whether rates pay for local as well as central government services. One believed that we still paid for water and sewerage, which again is a point of confusion for many.

For the significant minority who stated they didn't know, 90% said they would like a breakdown of how their rates money is being used. This clearly shows that people would like to have some sense of where their money is going introducing a greater degree of accountability and transparency.

#### 4.2 Who would you be willing to personally pay more for?

A list of people were given with respondents asked who they would be willing to pay higher levels of rates so that the identified population group could pay less. This question is based on the premise that a decision to extend existing reliefs and exemptions or introduce new reliefs or exemptions would either reduce the amount of revenue generated by the rating system to spend on public services or impose a greater burden on tax payers.

The three groups which were most frequently mentioned were people with disabilities or long term illness, followed by carers, and retired people. The group people were least likely to pay more for were single occupancy dwellers. This is interesting in light of one of the options proposed by the Executive with regards introducing single person discount as well as some of the concern expressed in earlier questions with regards single occupancy.

People who have a long term illness	58%
People who don't work but take care of sick or disabled family or friends	61%
Retired people	38%
People on low incomes but with no savings	30%
People who live on their own	11%

Students	18%
People who live in poor areas	15%
People with children	14%
People who are totally reliant on benefits	24%
No one	19%

*"There are flaws in this ie. Those are illegally claiming benefits and those who are on benefits are just as well off at times as those working."*

*"I feel that this should be one category consisting of the people listed (ticked). I have issues around DLA and long-term sickness. As a community development worker I see some genuine cases but as a rule many benefits are a scam."*

*"Rates should not be used to subsidize these people. Social benefits are there for a reason."*

*"Whether or not these people had savings/investments would have to be taken into account as they may be very wealthy."*

*"Depends upon circumstances. An OAP may be rich. A sick person may be on loads of benefits. A person on their own may be very rich."*

*"It is my belief that all those listed above should not have to pay rates or pay a token amount."*

*"People with learning disabilities should be included."*

*"Essential workers who must live near work should be included...junior teachers, nurses and health care workers."*

*"Government should have funds to accommodate the disadvantaged because currently rates are too high and we pay enough tax and yet we have poor quality roads and health services."*

*"Single parents should be there."*

*"If we all paid a sensible amount everyone should feel they are being treated fairly and getting value for money. Concessions in my view leads to abuse of the system and the most deserving are very often declined help."*

*"Surely a way could be found that it's not just working families who have to pay. There are many people on benefit who could be working but for whatever reason choose not to."*

*"We are all makers of our own destiny."*

People were then asked by how much they would be willing to pay. A slight majority, 27%, stated they would not be willing to pay more.

£10 per year	22%
£20 per year	20%
£50 per year	18%
£100 per year	4%
More than £100 per year	0
Nothing	27%
Don't currently pay rates	1%

### 4.3 How else might we pay for our public services?

Respondents were given different options to consider with regards how else public services might be paid for including the current property tax system. A local income tax was just in the lead as the fairest option with the current system of the property tax close behind.

Local income tax (tax on income)	43%
Property tax (tax on wealth)	42%
Poll tax (tax on people)	5%
Local sales tax (tax on local goods and services)	20%
Tourist tax	16%
Road charging	25%
Charging for domestic waste	25%
Other	6%

*"They did away with rates system in the South and the services are in a real mess."*

*"Working people are taxed enough thank you."*

*"Fewer people are working so I think it is unfair that those who do should keep paying – people need incentives to work and pay their way to increase the economy and the workforce."*

*"Rates are still ok rather than the other options."*

*"I feel that with proper management enough taxes are being collected presently to fund public services. There is too much waste and too much spent on administration."*

*"Pay as you use them."*

*"I don't agree with any of the above."*

*"Should be according to use of service."*

*"There should be taxes on luxury items such as cigarettes, alcohol, holidays, jewellery, restaurants and beauty treatments."*

*"Taxes should be lower in rural areas as they pay more in transport and food etc."*

*"The regional rate should be replaced by local water tax and rates should be retained for Council services only."*

*"Pay for services available – lighting and public sewers."*

*"Should use fines for illegal dumping."*

*"Charging for domestic waste might encourage illegal dumping so this would need addressed."*

*"A poll tax seems to be the only system that is simple and effective to implement and manage. It seems fair that the more people that reside in a dwelling the more that household should be charged."*

### 4.4 Specific issues for rural dwellers

Respondents were asked to identify whether there were specific issues for people living in rural areas. Most of the comments focused on the perceived unfairness of paying for services which rural dwellers in many instances spend money accessing in terms of needing transport, cannot access, and are often limited and of poor quality.

**'Asset Rich – Cash Poor'**

*“Need to look carefully at the ability to pay and the case for houses which have been family owned for generations – need to take account of asset rich, cash poor rural dwellers.”*

#### **‘Access to, Usage of and Quality of Services’**

*“Rural rates should be lower than in urban areas given the travel issues and distance to facilities – e.g. leisure centres.”*

*“We have less access to services and yet pay the same.”*

*“We do not have street lighting, or mains sewerage and have poor public transport system.”*

*“There is a lack of public transport and lack of local medical clinics.”*

*“Comfortable living in a rural area depends on car ownership so therefore less disposable income. I am pension age myself and £71 per week is taxed and I work 20 hours per week.”*

*“We have a lack of equivalent services to urban residents. I.e: poor roads, no footpaths, no street lighting, litter no collected.”*

*“If we already pay for our water in our rates, why do we now have to pay water tax?”*

*“Rural people are paying additional rates on practically everything as the infrastructure is so poor.”*

*“Rural dwellers have extra charges for most services and yet less opportunity to use those services. Personal transport is an essential cost to most rural dwellers to give them a chance of accessing services.”*

*“Maintenance and servicing of rural roads and rural drainage together with winter road treatments should merit more spending.”*

*“Rural dwellers should pay less because they are not close to any facilities – e.g. shops, doctors, leisure centres.”*

*“Rates could be reduced the further away from amenities and services you live. Therefore rural dwellers should only pay for services that are brought to them not services provided by local authorities that they cannot easily access.”*

*“There should be a commitment to supporting rural community projects with organising and delivering services which will regenerate rural areas and rebuild the centre of our communities.”*

#### **‘Farming’**

*“There needs to be more awareness that many people in rural areas are in poverty traps – e.g. small farms are a liability. Income can be seriously affected by such things as the weather, large fluctuations in market prices.”*

*“There are implications of cost of farm buildings in the future.”*

#### **‘Second Homes’**

*“I do not approve the introduction of rating on vacant domestic properties. This hits people with second homes.”*

*‘Long time residents with low incomes living in areas where property values are high because of demand for holiday/second homes. The high domestic rates are unfair for these long time residents.’*

#### **4.4 Final Comments**

The final question allowed people to suggest any further improvements to the current rating system for rural dwellers. There seems to be a tension between those suggesting a ‘rural rebate’ based on poorer services and those suggesting some creative ways of addressing specific rural issues which would require using the money we pay more intelligently. There is also a degree of support for a ‘pay as you go’ system based on paying for the services you use and that are available. There are few comments suggesting increasing

accountability of local Councils and central government to improve rural service provision, perhaps signalling a degree of apathy, and disbelief that this would change anything.

**'Rural Rebate'**

*"Rates should be lowered. Urban dwellers should be paying more. The system does not take into account those on low incomes – ie working tax credits. Rates should include water and sewerage charges and there should not be a separate bill."*

*"Those who have most access to public services should pay a greater share. Urban dwellers should therefore bear a greater proportion."*

*"There should be another look at capping rates within 'scenic' rural areas to avoid excessive charges due to the desirability of the location to protect long term residents of tourist areas."*

*"Should have discount because they install their own outside lights, sewerage system etc.. I think when I pay over £1500 it is enough. There are lots of people on benefits but work full time just to avoid paying bills like I do for rates."*

*"Reduce the rates in line with distance from the nearest town."*

*"We believe you should be charged according to where you are living – ie availability of public amenities. At present, people in the countryside are facing cut backs, no services such as public transport, poor quality roads, no public lighting, next to no health services, no public sewers, yet we are expected to pay more or less the same to facilitate these facilities. We are happy to pay tax to ensure there is a quality of service but at present we are not benefiting from this. It is fair that one pays tax within their means but who is benefiting from this – the civil service or the public?"*

*"All people should have access to water and sewerage system."*

**'Increasing accountability'**

*"Local councils need to be more accountable for service provision."*

**'Pay as you go'**

*"Pay for what you use. Remove basing rates on capital value to a fairer system."*

*"Levy according to services each rate payer can access."*

*"Services used – bins (weight of each collection), water (metered), road (access and condition), transport (level of availability).*

*"Pay for public services used."*

**'System is ok as it is'**

*"Rates are important and need to be paid. Time to pay may be required. Are people thinking of rates when they build big houses."*

*"The system of rates under the value of property is probably reasonable fair."*

*"Leave rates as they are."*

**'Personalised system'**

*"I feel that there should not be one stop fits all approach. Several factors should be taken into account and assessed individually."*

**'Based on levels of disadvantage'**

*"Rates should not only be based on property values but also on level of public service and status of the area – ie: low income, high income, low unemployed, high unemployed etc.."*

### **'Creative Approaches'**

*"More incentives for recycling paper, waste, cans. More bins at key junctions which are regularly emptied to encourage cleaner countryside. More education for children and adults on the value of good waste management."*

*"Rural transport should be available to facilitate shopping and banking in the town as services are withdrawn from villages."*

### **5.0 Conclusions**

A rural proofing analysis of the domestic rating reform was conducted in 2005 by the government based on sales data from 1998-2002 using a sample of 46 407 properties in Northern Ireland, around 7% of all Northern Ireland properties at that time.

Within the limitations identified above in terms of sample size and the age of the data, the report concluded that in general a move to capital valuation would benefit rural areas in that under the old rating system, there is evidence that rural areas paid significantly more. The report stated that *'the move from the current NAV [net annual values] system to a discrete capital value system reduces the average rural bill by £24 and increases the average urban bill by £10. Rural areas would, on average benefit from a move to a discrete capital value system.* However, it also stated that *'although the difference between the average rate bills for urban and rural areas has declined, rural areas will continue to face higher absolute average rate bills.'* The reason for the overall averages being higher in rural areas is due mainly due to the profile of housing dominated by the most expensive type housing: detached dwellings, representing 55% of rural properties as compared with 27% of all urban properties.

The rural proofing analysis was conducted before the sharp rise of house prices in Northern Ireland over the last few years. This is of significant concern under the present capital valuation system as reflected by respondents to this survey and to a greater or lesser extent underpinning the sense of unfairness: 'house prices have risen but our income hasn't.' Recent research completed by the Halifax for Great Britain concluded that on average rural houseprices are 14% higher than in towns. Indeed Chief Economist, Martin Ellis, was quoted as saying that those living in rural areas are facing particularly tough housing market conditions. In general, higher average property prices together with lower earnings mean that housing is less affordable than in urban areas. The latest quarterly survey from the Bank of Ireland and the University of Ulster shows that prices have risen by 51% or £200 a day in the past year. Recent research from the New Policy Institute [NPI] has demonstrated that a £5 per week increase in housing costs in NI would result in a rise of poverty levels of 1.5-2%<sup>1</sup>. These figures are based on 2005-6 figures, pre our massive increase in house prices and rising rates bills.

The NPI research also shows that there is a higher proportion of disadvantaged people in western more rural districts. Key trends conforming to the west-east pattern include the proportions in receipt of out-of-work benefits or guarantee part of Pension Credit as well as those with a limiting long-term illness. The risk of low pay is also higher in western districts.

The current capital valuation system takes no account of households that might be asset rich but are income poor, a significant issue in rural areas. Respondents to this survey particularly identified the need to focus targeted assistance on people with disabilities or long term illness, carers, and retired people and that those on low incomes generally need supported. There is evidence however that there is lower uptake of benefits in rural areas as an RCN research report highlighted using the case study of the Cookstown Benefits Uptake campaign.

*"The case study of Cookstown Benefits Uptake highlights that in one council area, there were some £2.3 million pounds worth of unclaimed benefits, while hundreds of people are living on or below the poverty line."*

The low uptake of benefits in rural areas needs considered in any development of rates relief; it is interesting that 96% of respondents to this survey had not accessed rates relief. We would welcome an annual analysis from the Land and Property Services on the uptake of rates relief on a geographic basis linked to an analysis of low income earners within enumeration districts. We would also welcome a regular rural proofing report on the impact of rates on rural areas compared with urban areas.

Throughout the survey, a strong and consistent theme has been 'what are we paying for as rural dwellers' shaped by many people's experiences of the difficulties of accessing quality services in rural areas. Different

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<sup>1</sup> Monitoring poverty and social exclusion in Northern Ireland 2006 Nov 2006  
Peter Kenway, Tom MacInnes, Aveen Kelly and Guy Palmer

options were offered as to whether there should be a 'rural rebate', a 'pay as you go' system or whether those responsible for planning and delivering services should be more imaginative and creative as to how services might be delivered in rural areas.

Finally, it is vital that all District Council and other bodies funded through the rates should give full and accurate information on their income and expenditure and how they have used our money. This would contribute to greater accountability and ensure that 'the local tax encourages and strengthens local democracy'.