Belfast City Council

Briefing to:	Strategic Policy and Resources Committee
Subject:	Review of Domestic Rating: A Consultation Report
Date:	Friday 20th March 2009
Reporting Officer:	Trevor Salmon, Director of Corporate Services
Contact Officer:	Ronan Cregan, Improvement Manager

Relevant Background Information

As Members are aware one of the first decisions taken by the Executive following the return of devolution was to undertake a comprehensive review of the domestic rating system which had been previously introduced by direct rule Ministers. The aim of this review was to make the rating system more acceptable and more responsive to local people's needs. A number of changes have already been introduced as part of the Review process including a new lone pensioner allowance (which provides a 20% discount for those aged 70 and over living alone - approximately 20,000 applications and £2.5m have been awarded to date under this scheme) and an increase in the savings limit for pensioners under the rate relief scheme (from £16,000 to £50,000)

As part of this ongoing review the Department of Finance and Personnel (DFP) issued a series of consultation documents last year on a number of key policy areas –

1. the rating of empty homes
2. reducing the maximum capital value to £400,000
3. the proposed introduction of a rates deferment scheme for home owning pensioners
4. improving data sharing powers to facilitate increased rate relief uptake
5. the introduction of green rebates.

Members will recall that the Council agreed and submitted corporate responses to the DFP on each of these consultations last year.

The DFP has now published a final report which summarises the responses received in relation to these consultations and outlines the decisions of the Finance Minister, Nigel Dodds, on the detail of the various measures and the next steps in the reform process. The purpose of this report is to provide an update to the Strategic Policy & Resources Committee on this report.

In summary the high level decisions taken in relation to these policy rating areas are that –

- the rating of empty homes will be introduced at 100% liability, with no phasing or initial exemption period
- it is intended to reduce the maximum capital value to £400,000 along with compensating arrangements for district councils in 2009/10 and 2010/11, subject to Assembly and Executive approval of the necessary legislation

- a rates deferment scheme for home owning pensioners will be introduced. This will be subject to certain criteria being met, including the owner occupier being aged 60 or over and there being certain levels of equity in their property
- green rebates for loft and cavity wall insulation will be introduced, in addition to a low and zero carbon rate rebate for two and five years respectively
- improved data sharing powers will be introduced.

Further detail on the main decisions taken in relation to these rating policy areas is set out below. Members are asked to note that the final policy positions adopted by the Executive in relation to these rating policy areas are mostly consistent with the responses submitted by the Council. There are a number of areas where the final policy position adopted by the Executive differs from the views expressed by the Council and these are highlighted for Members information in this report. Further information on the Executive Review of Rating Reform is available at www.ratingreviewni.gov.uk.

Key Issues

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.

The final policy position adopted by the Executive in relation to the **rating of empty homes reflects the views expressed by the Council in its consultation response**.

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.

The final decisions adopted by the Executive in relation to the reduction in the maximum capital reflects the views expressed by the Council in its response to this consultation

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.

The final policy position adopted by the Executive in relation to the deferment scheme for home owning pensioners reflects the majority of the views expressed by the Council in its consultation submission. However the Council had recommended in its submission on this

area that the age of eligibility for the scheme should be set at 65 and not 60 as has been agreed by the Executive.
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. The final decisions adopted by the Executive in relation to green rebates reflects the views expressed by the Council in its response to this consultation
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. The final decisions adopted by the Executive in relation green rebates reflects the views expressed by the Council in its response to this consultation
Update on other rating issues The 'Review of Domestic Rating' report also gives a brief update on a number of other key rating issues where work has been ongoing. *Take up of rate relief* ▪ 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 rates relief among older people is so low and what could be done to improve this. The subsequent report on this study (Access to Benefits for Older People) contained

recommendations that go beyond rate relief take-up and are of relevance for other parts of Government involved in the delivery of benefits. An inter-departmental group has been established to take forward these recommendations.

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

- 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. This scheme attracted much criticism and as a result the Executive agreed that this scheme should be evaluated. FGS McClure Watters were engaged to carry out this evaluation and the Minister is currently considering the findings of their report with a view to bringing forward recommendations to the Executive in early 2009

Derelict land tax

- Following the Executive's review of domestic rating in 2007 it was proposed to examine the scope for the introduction of a new, ongoing tax on previously developed but now derelict land in order to act as a disincentive to excess land banking. The reports highlights that the continued adjustment in the local housing market has clearly impacted on the rationale for such a tax at this time. In addition given the difficult conditions currently being faced by the development and house building sectors the report concludes that it does not appear to be the right time to be considering the imposition of a further tax on land holdings.

Executive's response to the economic downturn – commercial rates

- As part of the Executive's response to the economic downturn the Finance Minister announced recently that he intends to introduce further changes to the rating system by asking the Assembly to introduce a targeted small business rate relief scheme. This would be funded centrally and not by charging other ratepayers more. This should be available in April 2010 at the earliest subject to Assembly approval.

Next Steps

The necessary legislation to give effect to these policy decisions outlined above in relation to the rating of empty homes, reducing the maximum capital value, the rates deferment scheme for home owning pensioners, green rebates and improved data sharing will now be drafted and brought forward to the Executive and Assembly for approval. 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. It is envisaged that the necessary primary and subordinate legislation required for all of the other policy decisions will be drafted during 2009 and introduced by 2010. It should be noted however that the Finance Minister has also stated that whilst he intends to introduce vacant rating in April 2010 he will retain the flexibility to take account of the overriding economic position to this closer to the time and will review this decision nearer the time if necessary.

Decision required

Members are asked to note the contents of this report for their information.

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