



Northern Ireland
Assembly

**COMMITTEE FOR
FINANCE AND PERSONNEL**

**OFFICIAL REPORT
(Hansard)**

Rating Issues: Statutory Rules

9 February 2011

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Daithí McKay (Chairperson)
Mr David McNarry (Deputy Chairperson)
Dr Stephen Farry
Mr Paul Girvan
Mr Simon Hamilton
Mr Mitchel McLaughlin
Ms Dawn Purvis

Witnesses:

Mr Brian McClure) Department of Finance and Personnel

The Chairperson (Mr McKay):

I welcome Brian McClure to the meeting and ask him to make his opening remarks.

Mr Brian McClure (Department of Finance and Personnel):

Thank you, Chairman, for the opportunity to brief the Committee on these items. Last week, members raised concerns about the SLIs relating to the rating of empty homes and the Minister's intention around the closure of the green rebate scheme and the redirecting of funding towards the green new deal. I will give you a brief overview before answering members' queries.

Members will be aware that the policy process for the rating of empty homes has been

ongoing for a long time — in fact, since 2007. There were two separate consultation exercises, and the Committee was involved throughout the process. As you know, there was a deferment in the introduction of that for various reasons, but it is now intended to proceed with the rating of empty homes at 100% liability from 1 October 2011.

The main regulations under consideration will, for the sake of consistency, restate the structure and exclusions that apply to the non-domestic sector and extend several of those exclusions to empty homes. In addition, new exclusions will be introduced, some of which are drawn from the comparable council tax provisions that apply in GB where that is considered appropriate. The current vacant exclusions for the commercial sector that will be extended to empty homes include, among others, listed buildings, where the person is the personal representative of a deceased person, and bankruptcy.

In addition, new exclusions will be introduced for the rating of empty homes, the first of which is unique to Northern Ireland. That is the developer exclusion that will apply to new, never-occupied properties that are owned by a developer and which are on a valuation list on or after 1 April 2007. The Committee will be aware that the reason is so that the measure does not affect the building industry in Northern Ireland. The exclusion will be for 18 months where it is granted before 1 April 2012, and that will reduce to 12 months after that is granted.

As with the other exclusions, it will apply only once the property is deemed to be complete. In addition, there will be exclusions for property that was the sole or main residence of a person who now has his or her main residence in a nursing home, care home or hospital or where the person is detained.

Members were provided with an SL1 relating to the regulations on completion notices that we would like to take forward and the various financial adjustments. The current provisions that determine when a new or refurbished property is completed — that is under the rating of empty commercial property — will be extended to empty homes. That is needed because speculative builders or developers usually complete the structure of a house but leave the fit-out until they have secured a purchaser. Therefore, without that provision, houses would be unfinished and they would never be vacant and therefore never capable of being rated. We need the completion notice procedure to allow the initial exemption period to start running.

Completion notices apply throughout the UK for the rating of empty properties; they are

usually issued where it is considered that a property could be completed in three months. The regulations extend that to empty homes. We already have those provisions in Northern Ireland. The financial adjustment regulations simply provide a facility where there is an appeal on a completion notice and allow either a recovery or repayment where that adjustment is necessary.

I am aware that members expressed concern about the impact of the rating of empty homes on the Housing Executive. It is worth noting that Housing Executive properties are not subject to the standard rating of empty homes policy because rates are already charged whether the property is occupied or not through the voluntary landlord allowance. However, as the Committee may know, the element of the landlord allowance that allows for letting voids is being removed and the allowance is being reduced from 15% to 10% this April.

Members will be aware that the Minister would like to close the energy efficiency and low-carbon home schemes and transfer any savings to the funding of the green new deal, although he has still to seek Executive approval for that. If the Executive approve, no new application forms will be issued beyond the end of this rating year. However, completed applications will continue to be received for a period after that, given that some people will have already undertaken work in the expectation of getting a rebate. Any savings would be as and when they materialise, and that is what will be transferred to the green new deal. Having said that, unlike the student relief scheme, we envisage that only a small number of current participants will continue to be eligible for relief beyond the 2011-12 rating year, due to the fact that a one-off rebate is given in-year. Most of those should be behind us and, therefore, we do not see the same gradual tail-off that occurred with the student relief scheme.

With regard to the low-carbon homes scheme for new houses, only three properties have qualified for the two-year rate rebate and no properties are currently eligible for the five-year rebate. The expectation is that, through the green new deal, energy efficiency can be delivered on a much grander scale than any rate relief scheme could ever achieve. The Minister hopes that, through the green new deal, that could be directed towards those most in need. That is the rationale for the Minister's proposal.

I am not quite sure what the Committee's queries are on the STAR scheme and the recycling of manufacturing rates, so perhaps I will take questions on that. Before I wrap up, I will run through what is coming up over the next few weeks, as there is a great deal of activity with

regulations. The two sets of vacant rating regulations that I have just spoken about will become operational on 1 October 2011.

SL1s for the legislation dealing with the regional rates, manufacturing rates and the level of the landlord allowance for the Housing Executive should, we hope, issue this Friday. The regulations for those three issues are affirmative and need to be laid by 4 March at the latest; being affirmative, they will need debate in the Assembly. The Housing Executive regulations are due to be debated in late February; the other two are scheduled for late March, depending, of course, on the Committee's view. We hope to have an SL1 with the Committee on the revocation of the green rebate schemes later this month, if the Executive approve it. Those regulations are negative and so do not require debate in the Assembly.

The Committee has already received the SL1 on the uplift to the carers' premium; we hope to make those regulations within the next week. That is a quick update. I am happy to take members' questions.

Mr McLaughlin:

It is good to see you again, Brian. I am interested in the issuing of the completion certificates. You mentioned the issue of fit-out not being completed, which sounds sensible. If a developer is careless — or careful, depending on your point of view — enough with a newbuild to leave some external scaffolding, does that become an issue? There have been issues in the past about whether or not a house had been completed.

Mr McClure:

Where the structure is up and there is some scaffolding, Land and Property Services will be able to make an assessment of whether a property is capable of being finished at a reasonable pace within three months. The completion notice would allow the date of final completion to be set three months hence. It would deal with a situation where scaffolding remains or kitchens have not been fitted out.

Ms Purvis:

You said that two applicants for low- and zero-carbon homes had applied for the two-year qualification.

Mr McClure:

I am sorry; I should have said that three had qualified. Quite a few applied, but only three were successful.

Ms Purvis:

Would the revocation order affect them, or could they get —

Mr McClure:

Their two-year rates holiday is in the bag; it is not in jeopardy.

Ms Purvis:

We had a response on the STAR programme. Given EU state aid rules, the Committee was under some pressure to hold the rates liability for manufacturers at 30% over the next four years. I expressed my concern that it would be a rebate in manufacturers' back pockets and that it should be focused in some way. That is why the Committee is keen to see the issue of skills being explored. I am disappointed that the Minister sees no value in pursuing the issue.

Mr McClure:

The Minister has not closed the door on the issue; he has agreed to refer it to the economic sub-group of the Executive for consideration at its mid-February meeting. A final decision has not been made, as the Minister wants the Executive's view.

The Chairperson:

Thank you, Brian. Are members content to put the question that the Committee for Finance and Personnel has considered DFP's proposal for subordinate legislation under the draft Rates (Unoccupied Hereditaments) Regulations (NI) 2011 and has no objection to the policy implications of the proposed legislation at this stage?

Members indicated assent.

The Chairperson:

I put the question that the Committee for Finance and Personnel has considered DFP's proposal for subordinate legislation under the Rates (Completion Notices) (Financial Adjustments) Regulations (NI) 2011 and has no objection to the policy implications of the proposed legislation

at this stage.

The Committee has received a letter from the Department saying that the Minister would appreciate views from the Committee.

The Committee Clerk:

That is in connection with the proposal to transfer funding to the green new deal. The proposal will be discussed in the Executive, so the Minister is asking for the Committee's view.

The Chairperson:

Are members content to agree to that request?

Members indicated assent.