Causeway Coast & Glens

Borough Council

To: Corporate Policy and Resources Committee **Date: 19th January 2016**

Consultation Report

A hard copy of the Consultation is available on request.

For Decision

1. Note to Employers in LGPS (NI) - HM Treasury Consultation on the Public Sector Exit Payment Recovery Regulations

Employers in the Local Government Pension Scheme (Northern Ireland) have been notified of the HM Treasury Consultation on the Public sector exit payment recovery regulations.

The consultation document can be accessed at:
https://www.gov.uk/government/consultations/public-sector-exit-payment-recovery-regulations

The Consultation seeks views on allowing for the recovery of exit payments when a high earner returns to the public sector shortly after exit.

The consultation will close on 25 January 2016.

Responses should be sent directly to HM Treasury in line with the guidance and contact details given in parts 4.1, 4.2 and 4.3 of the consultation document.

Committee is asked to consider the HM Treasury Consultation on the Public Sector Exit Payment Recover Regulations.

2. DFPNI Consultation on the Review of the Non-Domestic Rate

Draft to be considered by Corporate Policy and Resources Committee prior to submission to the Department is attached as Appendix 1.

Committee is requested to consider the draft response.

APPENDIX 1

Draft Causeway Coast and Glens Borough Council response to the DFPNI Consultation on the review of the Non-Domestic Rate

12th January 2016

The following paper is written in response to the DFPNI consultation on the Review of the Non-Domestic Rate. This was drafted further to a focussed policy event on 11th December 2015 and in liaison with the Association of Local Government Finance Officers. This draft will be considered by Corporate, Policy and Resources Committee Committee, prior to submission to the Department. The official closing date for this consultation is 25th January but NILGA has negotiated an extension from the DFP who require a submission **by 1st February.**

Introduction

Causeway Coast and Glens Borough Council consider rating reviews to be of great importance and have been working closely with the Department of Finance and Personnel in relation to its ongoing work on rating policy.

Council believes that the need for transparency, simplicity and increased accountability is the key to any policy regarding rates. The public should be able to understand all charges levied upon them and know what they are used for. We particularly welcome the ‘innovation lab’ approach that was taken to developing this consultation, which was an extremely inclusive method for policy development.

Comments in response to DFP Consultation Questions

1 Are there any additional criteria that should be used to judge the suitability of the system for raising revenue locally?

Council supports the principles outlined in the consultation document, i.e. efficiency, certainty, simplicity, flexibility, proportionality, equity/fairness, and is also keen to support the Department in its drive to develop a better rating system. It is our view that a property based tax is well-understood and should be retained in Northern Ireland, and although we are aware that other options were considered at the Innovation Lab, we understand that no viable alternative was proposed by participants.

2 Do you think that more frequent revaluations would lead to a more equitable rating system and improve the current rating system? 2a If yes, how often should revaluations occur? 2b Should the date and/or frequency of revaluations be written into legislation?

One of the major issues with the 2015 non-domestic revaluation was the length of time between revaluations, which meant that some valuation changes were more severe in impact than would have been the case if they could have been introduced over a period via intermediate revaluations. This problem would be mitigated if valuations were carried out more regularly. To provide certainty, this measure should be provided for in legislation.

Council would therefore propose a formal regime of revaluations, at intervals of 5 years at most, which should be instituted and underpinned by appropriate legislation.

3 Do you think that all current and/or future rate supports should adhere to clearly defined criteria?
3a What should these criteria be and what do you consider to be the most important?

The whole area of reliefs and exemptions needs to be examined in the context of the fundamental principles of equity and proportionality.

Council believes that all forms of business with a property (including non-domestic revenue generating items such as solar panels) should pay a proportionate element of the rate burden. The rating system needs to take into account ability to pay and also be able to respond to circumstances, such as the broader economic environment.

Council believes that the widening of the tax base will allow the overall tax burden to be mitigated among existing taxpayers. Steps should be taken to:

- Ensure that the collection rate is increased, along with cost savings in the collection process, more intense inspection of properties and greater use of data sharing with councils and other bodies such as utility companies, the Electoral Office and the Post Office/Royal Mail.
- Bring more bodies into the scope of the rating system (bearing in mind equity and proportionality)
- Carry out a comprehensive review of reliefs – in particular, Council would advocate ending full relief for the charitable sector, the 50% relief for vacant non-domestic properties and SBRR, along with a reduction in the relief for de-rated properties. The precise proportion of rates payable going forward by these bodies should be the subject of the review.
- Target future reliefs and exemptions on areas and schemes which will assist in widening the tax base and on those ratepayers whose ability to pay is less.
- It is ESSENTIAL that a set of guiding principles for reliefs is introduced, as noted in para 4.22 of the consultation document. Council agrees that :
    - The purpose must be clearly stated
    - Reliefs should potentially be time bound, with well-defined timescales
    - Reliefs should be targeted – for example, at specific sectors, ability to pay or economic growth

- The need for reliefs should be regularly evaluated, including assessments of whether they are achieving their desired purpose and impact
- An exit strategy should be prepared

4 Should industrial de-rating be retained in its current form? 4a If you disagree, what would you recommend instead and why?

In the past, and for many years, full rate relief was provided to those eligible for relief, which is essentially available to industrial/manufacturing bodies. However, prior to the recent recessionary years, a decision had been taken to gradually increase the rate burden on eligible businesses by 10% per annum until they paid full rates. This had reached a rate burden of 30% of the theoretical maximum before it was put on hold due to the recession. It remains on hold.

Legislation currently provides that councils are fully compensated by way of grant for rates lost on de-rated properties. Hence the loss to the public purse falls on central government.

It is noted that this relief is no longer available within the rest of the UK, and that the ERINI report in 2007 suggested that relief be provided at no more than 50%.

Council is keen to retain de-rating relief in the short term due to the current difficult economic climate and within the context of wider economic policy concerns such as energy prices, the need to rebalance the public and private sector in NI, attracting inward investment, encouraging entrepreneurial activity etc.

Some suggested that rates payments could be linked to significant profit margins of larger, very successful companies with evidence of ability to pay, although this would have implications for the principles of transparency, simplicity and may prove difficult to assess.

As the economy improves, we believe that further incremental reduction in this relief could be considered, with eventual discontinuation. The suggestion is made that relief could then be used as an incentive for new business. Such a position would need to be carefully considered in light of the reduced manufacturing carried out in Northern Ireland in recent decades and the impact increasing rates burdens would have on eligible businesses, investment and employment.

Council does not believe that this is the right time to change the approach to this relief, but proposes that a review would be required further to any reduction in corporation tax. Any review should be carried out within the developing context of introduction of corporation tax, national living wage and other general employer costs.

5 Do you consider that rate relief for Sport & Recreation should be awarded as at present and maintained at the current level of 80%? 5a If you disagree, what would you recommend instead and why? 5b Should the criteria to disregard social facility apportionment be removed or reduced from the current level of 20%?

Council strongly supports the provision of sport and recreation facilities as a vital contributor to public health and well-being, and retention of the current reliefs, and expressed strong support for the distinction made between amateur and 'not for profit' sports clubs/facilities and private sector (profit making) facilities.

Given the shift towards preventative health policy and the push to encourage physical activity, removal of this relief was seen to be a retrograde step, and potentially costing the public sector more in the long run, through increased need for healthcare.

Council is also very strongly of the view that council-owned and managed facilities provided as a statutory requirement (and where the private sector has failed) should not bear any additional rates burden.

This relief is currently at the same 80% level as England & Wales, although it is noted that councils there have the opportunity to provide further relief locally in some cases.

Council believes that this relief should be retained at its current level, whilst acknowledging that consideration could be given to enhancing the powers of councils to grant further relief in accordance with locally set criteria. Council is strongly of the view that to consider this kind of extension of council powers, more information and detailed consideration will be required, as covered in our response to Q13.

Council notes the comments in the consultation paper that exemption can apply to some substantial social facilities if they are part of a whole complex which has a large NAV. Council would favour this approach being dropped so that a fair share of rates is paid from such substantial social facilities.

6 Should Freight & Transport relief be removed? 6a What would be the potential consequences of such a move?

Northern Ireland is situated on the periphery of both the UK and Europe, and hence Council supports the retention of this relief as the consequences of its removal could harm trade.

7 Is residential homes relief still necessary to encourage the provision of care homes by the private sector? 7a Should it be limited to organisations that can demonstrate charitable status?

Council notes that there have been many reports, and strong public concern in recent times, about the potential closure of publicly funded care/residential homes. Council therefore believes that whilst a fair and equitable rating system should see privately run homes paying some level of rates, it would be inappropriate at the present time to remove this relief in its entirety. It would also not be appropriate to limit the relief only to homes with charitable status.

8 Should empty property relief continue at 50%? 8a Should any of the current exemptions (listed in Annex F4) be removed? 8b Should there be any additional exemptions within the policy?

In NI, generally speaking, vacant non-domestic properties pay 50% rates after an introductory 3 month exemption period. In England, the position is that such properties generally pay full rates after the 3 month exemption period, whilst in Scotland the owner will pay 90% of the liability. All jurisdictions have a number

of exemptions and exceptions. Council notes that the 2009 review of this relief suggested its retention at the 50% level in order to help property owners mitigate the impact of the recession.
Council is aware that there is a substantial loss of revenue to the rating system via the more generous exemption in NI, however, the context of unoccupied retail high street property in Northern Ireland indicates a need for the 50% relief.

Increasing the relief (from 50%) is unlikely to be a greater incentive to get the vacant properties re-let/ occupied, but we are of the view that the 50% relief is an incentive for the landlord to get a building back in use. It is believed that if the relief is reduced, this would be likely to provide an incentive to let property to charity shops.

There is some local government support for reducing the relief to e.g. 33%, or to stage a reduction in relief over time, but a business case and evidence base would be required to set a new level.

At the NILGA meeting on 11th December 2015, some concern was expressed in relation to who the liability falls on for the 50% paid – the landlord or the tenant as the person with rights for occupancy?

<u>An audit of empty properties is strongly recommended to enable proactive identification of properties and the taking of appropriate action.</u>

Council believes that the 3 month amnesty should continue.

9 Is there any evidence that the parameters (qualifying criteria or duration) of the empty shops rates concession should be changed? 9a If yes, to what should they be changed to?

The Council view is that the rationale for the current level of this relief, which is minor in cost terms, is adequately explained in the consultation paper as being able to target properties which have been vacant for a longer time and providing help for only the difficult first year of trading. Retention of this relief in its current form is therefore supported.

10 What changes (if any) should be made to the current level of 100% non-domestic charitable exemption? 10a Should a reduced exemption or cap apply to those organisations competing with commercial interests? 10b Should all charity shops pay some rates? 10c Should charities have their relief capped so that they do not take over expensive properties, simply to help the owner avoid empty property rates?

This is by far the largest area of relief and is most likely to be highly controversial too. For example, many businesses complain about charity shops, with whom they are in competition, having an advantage by not having to pay rates at all. Relief for such shops is currently around £5m per annum, based upon figures provided to NILGA by DFP. It is also noted that many charity outlets are selling new goods or services in direct competition with small businesses. We believe that the cumulative impact of multiple charity outlets on the high street is having a particularly damaging effect on the independent retail sector.

Council is of the view that charity shops are a ‘double edged sword’ on the high street, filling vacant properties but attracting rates exemptions. A view has been strongly expressed that some charity shops should pay some rates, again based on ability to pay – for example some charity shops are part of large national charities, some are small independent outlets for small local charities.

Such shops are, however, only a fraction of the overall charitable sector. Official “charities” as a whole get relief of £13m out of a total of £83m for the whole sector. The biggest portion of the relief for the charitable sector goes to religious organisations (£30m out of £83m).

At the NILGA meeting on 11th December, members were of the view that a number of charities were multi-million pound operations, with large senior management salaries. NILGA believes that more exploration is required as to what is accepted as a charity – e.g. large housing associations, universities attract charitable status. ‘Trading’ status of charities should also be explored and Council would support this stance. The Charity Commission holds figures for charity income and this information could be used as a reliable source of information, although it is accepted that deciding who pays and who doesn’t, could be a difficult decision to make.

Council believes that charities should pay some rates, based on ability to pay, in a similar manner to the system in place across the water, for example a system similar to that in England, (80% exemption) pro rata based on annual accounts.

Council notes the DFP consultation paper’s comments regarding council leisure centres and municipal golf courses. As mentioned in the consultation paper, DFP is asked to note well the statutory obligation on councils to provide leisure facilities, which are quite distinct from private facilities.

Council-run leisure facilities operate at a substantial loss despite entry fees being charged, and any move to impose rates on such facilities would inevitably lead to this cost being directly recouped from ratepayers, either in general or by increasing charges. Council would hence not support any proposal to levy rates on such facilities. Council would also argue that municipal golf courses are a further facility provided to the public at such a substantial discount that they do not, in effect, compete with privately run courses.

11 What, if any, changes should be made to both the hardship relief and Rural ATM exemption?

Council would not support any changes to these reliefs.

12 Should the rating system be used to pursue economic development objectives or should its primary function be to simply raise revenue? If yes, what sectors should be targeted? 12a What are the disadvantages of such approach and do you feel that using the rating regime in this way would make a material difference to Northern Ireland’s economic performance?

Council supports the targeted use of the rating system to deliver economic development objectives – both by central government and by local government (as per our response to Q13 below).

13 Would it be advantageous for District Councils to take on powers for granting reliefs?
13a In what areas would this be considered to be beneficial?

At the NILGA meeting on 11th December, members were asked for their views on this issue, and most requested more detail, or expressed concern in relation to the proposal. Some saw potential in an enhanced ability to address town centre/high street issues and evidence of ‘doughnut’ towns and cities, but noted that detailed discussions with Land and Property Services would be required. More detail would be required as to how such reliefs would operate in practice; and concern was expressed in relation to the additional burden on councils and who would pay for extended reliefs.

A need for checks and balances at council level was identified should such powers be made available, given the potential political issues involved. Concern was also expressed regarding the introduction of such inconsistency of approach across different councils, and it was noted that some councils will be able to afford to provide greater reliefs than others, potentially exacerbating current gaps between richer and poorer councils.

14 Should District Councils have the ability to strike separate domestic and non -domestic rates?
14a What would be the advantages and disadvantages of such an approach? Should District Councils continue to be compensated in full for the elements contained within the de-rating grant?

At the present time, councils have a strict procedure to follow as regards setting their rates. A council must first set a non-domestic rate, and a fixed factor (the growth or conversion factor) must be used to then derive the domestic rate. This matter has been discussed with the Departments of Environment and Finance & Personnel on various occasions in recent years.

Council acknowledges that a power to strike separate domestic and non-domestic rates could help shape the future of the new council areas, particularly towns and cities, and would enable councils to tailor rates to local needs. This would. For example, enable councils to lower their non-domestic rate to act as an incentive for investment. It was noted that such a power would enable a council to set one rate across the district should it wish to do so, which was seen as positive, with consequent support for removal of the conversion factor. A choice of this nature being made available was broadly welcomed, with concern expressed by some who believed that central government should retain control of this area of policy.

Council would therefore recommend that, in future, growth/conversion factors should not be mandatory, but rather should be a guide only, thus allowing councils greater flexibility to set rates according to locally developed priorities.

There is unanimous support within local government for retention of the de-rating grant and continuation of compensation for the elements included within it. Council therefore strongly supports retention, particularly in view of many additional burdens passing to councils at present.

15 To what extent do you feel that a rate bill based on a property's NAV is a fair reflection of the occupying business' ability to pay?
15a Should local revenue be raised using an alternative method that would better reflect an 'ability to pay'?
15b What method should be used and what are the advantages and disadvantages of such an approach?

Council understands the concerns expressed about this matter, but believes, as expressed in the consultation paper, that it may be impractical to operate a system better reflecting 'ability to pay' on a yearly basis.

Council therefore largely supports the retention of the current system, as it represents a reasonable basis which aligns to the simple capital valuation of a domestic property, although we would be happy to consider practical ideas coming forward as a result of this consultation.

The occupation of a business property, as with a house, will, more often than not, correspond with ability to pay.

16 Should we consider taxing ownership instead of occupation for the Non-Domestic sector?

As outlined in the consultation paper, Council believes that the current basis of generally taxing occupation works well and should be retained.

17 Should a switch to capital value be considered in more detail for Non-Domestic property?

Council supports the retention of the current system of using NAVs rather than moving to a capital value system.

18 Do you agree with the principle of a derelict land tax? 18aWhat should the scope of the tax be?
18b Should it apply to all unused and derelict sites or should it be restricted to land that is zoned for a particular development.

The NILGA Planning and Regeneration Working Group has recently considered the issue of derelict land, further to the introduction of a 'levy' in the Republic of Ireland through the Irish "Urban Regeneration and Housing Act 2015". Potential lobbying activity for a similar levy in Northern Ireland was considered within the context of NILGA work related to the ongoing transfer of regeneration powers from DSD, but should DFP instead wish to further a similar approach, Council would strongly support further research into this issue. This is also related to work recently carried out at the behest of the Regional Development Committee, who carried out an Inquiry into Unadopted Roads.

19 Should public sector organisations that are funded from central government continue to pay rates? 19a What are the potential consequences of moving away from such an approach?

Council supports the current practice of taxing public sector properties, since, as outlined in the consultation paper, this practice provides rates income for councils. <u>If it was to be discontinued, councils would have to be fully compensated in a similar manner to the current "de-rating" grant.</u>

20 Notwithstanding some of the fundamental policy concerns expressed above, is their support for exploring the issue of LVT in more detail?

This type of tax is used in a few jurisdictions, and NICVA recently launched a report advocating this locally. At the Innovation Lab, and also the recent IRRV Conference, it was argued that LVT was not an appropriate solution here.

Council believes that although the introduction of a Land Value Tax would have some merits, it is not thought to be appropriate for Northern Ireland at this time. Like IRRV, Council would argue that a tax on vacant land would help to widen the tax base, but that it raises the question of how to treat vacant agricultural land. We do not currently support further work being carried out on this issue.

21 Would an online sales tax benefit businesses operating within Northern Ireland? How could this be practically implemented?

Council would not support the introduction of an online sales tax, a local income tax or a tourist tax at this time.

22 Should DFP pursue an assessment of other/additional systems for raising revenue within Northern Ireland? If yes, what tax should be examined in more detail? What would the potential benefits of such an approach?

Council would agree with the Department's assertion that exploring any alternative form of taxation would be "extremely challenging and be unlikely to deliver significant additional benefits" at this time, however, at the NILGA event on 11th December, a suggestion was made to commission a study in relation to raising revenue within the context of the new council 'General Power of Competence'. The Department may wish to consider this suggestion as it carries this work forward.

Collection and Administration

Council recognises that there is merit in retaining the centralised rate collection body as currently exists. However, Council notes that considerable investment is needed in order to bring systems up to date and ensure much better integration as we progress and would urge that funds for such technological investment should be prioritised.

Council would also advocate that Land & Property Services (LPS) needs to be more accountable to local councils for its collection performance along with the costs levied on councils for write-offs, collection and other matters.

It is in everyone's interest to ensure that collection rates are maximised and costs of collection minimised, thereby increasing net revenue raised to the benefit of all.

Members are therefore extremely keen to see development of a better partnership approach between councils and LPS, to develop better 'policing' of rates evasion, utilising the skills of building control and other council staff.

Conclusion

Council thanks the Department for ensuring continuing local government involvement in the development of new rates policy. We trust that the views of Causeway Coast and Glens Borough Council and of all councils will be taken on board within the consideration of the way forward following the closure of this consultation.

We are particularly pleased to see the presentation of radical ideas in the consultation paper, and Council seeks further involvement in the development of these ideas which the Department decides to take forward.

Any queries in relation to this response should be addressed to David Wright, Chief Finance Officer at Causeway Coast and Glens Borough Council - email: david.wright@causewaycoastandglens.gov.uk tel: (028) 70347152.