EXPLANATORY MEMORANDUM TO

The Rates (Deferment) Regulations (Northern Ireland) 2010

S.R. 2010 No. 63

1. Introduction

1.1. This Explanatory Memorandum has been prepared by the Department of Finance and Personnel ("the Department") to accompany the Statutory Rule (details above) which is laid before the Northern Ireland Assembly.

1.2. The Statutory Rule is made under Article 29A of the Rates (Northern Ireland) Order 1977 ("the 1977 Order") and is subject to the draft affirmative resolution procedure.

2. Purpose

2.1. The purpose of the Statutory Rule is to introduce a rates deferment scheme for owner occupiers of pensionable age (and their partner or surviving partner) for 1st April 2010.

2.2. Regulations 1 and 2 of the Statutory Rule contain the citation, commencement and interpretation provisions.

2.3. Regulation 3 and Schedule 1 provide that the Department may enter into a deferment agreement with an eligible person for the payment of rates in respect of the capital value of a qualifying hereditament to be deferred, subject to certain conditions being satisfied. An eligible person is defined as a person who owns and occupies a qualifying hereditament (a dwelling house or a hereditament used partly for the purpose of a private dwelling) and who is of pensionable age or the partner (or surviving partner) of such a person who has entered into an agreement to defer rates. Regulation 3 also provides that in determining whether to enter into a deferment agreement the Department will consider whether the value of the eligible person's interest in the qualifying hereditament is, at any time, likely to be less than 30% of the market value of that hereditament.

2.4. A person is defined as being of pensionable age for the purposes of these Regulations if he or she has attained the qualifying age for state pension credit.

2.5. Regulation 4 and Schedule 2 provide that a deferment agreement shall contain certain core conditions, in addition to such other conditions as the Department thinks fit.

2.6. Regulation 5 provides that the amount outstanding under the agreement shall be a charge on the hereditament.

2.7. Regulation 6 provides for modifications to be made to the 1977 Order, where the payment of a rate has been deferred by virtue of a deferment agreement.

3. Background

3.1. A new domestic rating system, based on capital values, was introduced by direct rule Ministers on 1st April 2007. This followed the completion of a review initiated by the previous Northern Ireland Executive and taken forward under the direct rule administration. As part of this earlier review of rating policy consideration was given to introducing a rates deferment scheme for owner occupier pensioners, using the equity in their home as security.

3.2. There had been mixed support for a deferment scheme emerging from the public consultation in 2004. The decision was therefore taken to provide the returning Executive with a legislative enabling power, provided for through the Rates (Amendment) (Northern Ireland) Order 2006, that would allow such a measure to be brought forward by a future devolved government, should it be considered worthwhile.

3.3. The policy was then reconsidered by the newly devolved Northern Ireland Executive in 2007 as part of its further review of the rating system. The outcomes of that review were announced to the Northern Ireland Assembly on 27 November 2007 and, as part of a range of measures, the Executive agreed that a rates deferment scheme should be introduced for those of pensionable age who own and occupy their own homes. Under this scheme those with sufficient equity in their property could, on entering into a contractual agreement with the Department, defer payment of their annual rates bills (generally until their death or the property is sold).

4. Consultation

4.1. Consultation carried out by the direct rule administration in 2004 showed mixed support in relation to the proposed introduction of a rates deferment scheme for owner occupiers of pensionable age. A survey by the Northern Ireland Statistics and Research Agency (NISRA) around that time showed relatively strong support for the proposal, with 61% of respondents agreeing that a rates deferment scheme would be a good idea.

4.2. Further consultation was undertaken in 2007 by the incoming Northern Ireland Executive, as part of their further review of domestic rating. As with the earlier consultation exercise views on introducing a deferment scheme were mixed.

4.3. The Finance and Personnel Committee in their 'Response to the 2007 Executive Review of the Domestic Rating System' had recommended the introduction of a deferred payment scheme for pensioners and considered that, "even if only a small number of pensioners were to benefit, the choice of deferment should be available and that it should be provided on the basis of an advantageous interest rate and with an annual review facility".

4.4. The outcomes of that Executive review were announced to the Northern Ireland Assembly on 27 November 2007 by the then Minister for Finance and Personnel, Peter Robinson, MP, MLA. As part of that range of measures, the Executive agreed that a rates deferment scheme should be introduced for owner occupiers of pensionable age.

4.5. A further public consultation paper, which sought views on the policy detail pertaining to the scheme, was published on 24 June 2008 in order to inform the drafting of this Statutory Rule and the final policy in relation to the scheme. The findings of that consultation were published in January 2009.

4.6. A copy of all consultation documents, responses received from consultees and the associated consultation reports, setting out the decisions on the way forward, can be accessed at www.ratingreviewni.gov.uk.

5. Equality Impact

5.1. An Equality Impact Assessment (EQIA) was carried out in respect of the proposals contained in the June 2008 consultation paper as part of a wider Integrated Impact Assessment.

5.2. Unsurprisingly, the EQIA 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 for the scheme.

5.3. A copy of the full Integrated Impact Assessment can be found on the Review of Rating website at www.ratingreviewni.gov.uk.

6. Regulatory Impact

6.1. A Regulatory Impact Assessment was not considered necessary as the proposal does not result in any costs or savings on business, charities or voluntary bodies.

7. Financial Implications

7.1. The financial cost of the scheme will be dependent on a number of variables, including the level of take up and the capital value of those properties for which the rate bill is being deferred. However, it is anticipated that over the medium to long term the scheme will be broadly revenue neutral. That is, as participants join and leave the scheme, it is likely that the revenue forgone each year will be matched by the additional revenue collected as deferred debts are paid.

7.2. There will also be ongoing administrative costs associated with the deferment scheme. The non-recoverable administrative costs are anticipated to be in the region of £125,000 per. annum. The final costs will ultimately depend on actual take up, once the scheme is in place, as well as any necessary refinements to the operation of the scheme.

8. Section 24 of the Northern Ireland Act 1998

8.1. It is the view of the Department that these Regulations are compatible with section 24 of the Northern Ireland Act 1998.

9. EU Implications

9.1. Not applicable.

10. Parity or Replicatory Measure

10.1. Not applicable.

11. Additional Information

11.1. Not applicable.