

EXPLANATORY MEMORANDUM TO

The Rates (Housing Executive) Order (Northern Ireland) 2011

S.R. 2011 No. 57

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 22(4C) of the Rates (Northern Ireland) Order 1977 (S.I. 1977/2157 (N.I. 28)) ("the 1977 Order") and is subject to the affirmative resolution procedure.

2. Purpose

- 2.1. This Statutory Rule reduces from 15 per cent. to 10 per cent. the allowance or discount provided for by the rates payment agreement between the Department and the Northern Ireland Housing Executive ("NIHE").
- 2.2. Regulation 1 contains the citation and commencement provisions.
- 2.3. Regulation 2 provides that for any percentage mentioned in an existing rates payment agreement between the Department and NIHE there shall be substituted 10 per cent.

3. Background

- 3.1. Under Article 21(1) of the 1977 Order the owner of any hereditament the rent of which becomes payable or is collected at intervals shorter than quarterly may by agreement with the Department undertake to pay the rates chargeable in respect of the hereditament whether it is occupied or not. The Department may agree, where the owner so undertakes and pays over to the Department on or before the date or dates specified in the agreement the amounts payable by him thereunder, to make an allowance not exceeding 15 per cent.
- 3.2. A 15 per cent. allowance is currently awarded to landlords who sign up to a voluntary rates payment agreement. At present such agreements apply to the NIHE, Housing Associations (covering registered Housing Associations) and private rented sector landlords.
- 3.3. This Statutory Rule will reduce the allowance currently paid to NIHE from 15 per cent. to 10 per cent.
- 3.4. The reduction in the NIHE allowance is due to low levels of vacancies, the low turnover of tenants and high levels of housing benefit. A study undertaken by the Institute of Revenues, Rating and Valuation in 2005 found that NIHE were not subject to the same level of commercial risk in relation to non-payment and vacancies as in other parts of the rented sector, and that the allowance should be lower.
- 3.5. In 2006 the then Minister, David Hanson, MP increased the allowance from April 2007 for all landlord properties, thus NIHE benefited. The

decision, however, was an interim one made subject to review after a couple of years. In November 2009 the Minister of Finance and Personnel, Sammy Wilson, MP, MLA advised the then Department for Social Development Minister, Margaret Ritchie, MLA, that it was the Department's intention to reduce the NIHE allowance to 10 per cent., but that any action would be postponed until April 2011.

4. Consultation

- 4.1. Consultation on the principle of reducing the level of allowance was undertaken as part of the consultation process on the rating of empty homes. Further consultation on the level of the reduction that should apply closed on 28 October 2010. Full details of both consultation processes and associated documentation can be accessed at www.dfpni.gov.uk/rating-review.
- 4.2. The consultation paper proposed that the allowance paid where a landlord volunteers to pay rates (Article 21 allowance), should be reduced to 12.5 per cent. in the private rented sector (given generally higher levels of tenant turnover which presents greater collection difficulties) and to 10 per cent. for Housing Associations and NIHE (where turnover and voids are generally lower and where there are higher levels of housing benefit awarded).
- 4.3. There were 24 responses to the consultation exercise, the views of which were diverse, particularly on the specific level of allowance that should be applied in the various sectors. In terms of the allowance for NIHE and Housing Associations, there was slightly more support for an allowance of 10 per cent. or above. There was also more support for the level of the allowance in the private rented sector to be higher than that for NIHE or Housing Association properties.
- 4.4. Following consultation the Executive agreed to reduce the NIHE landlord allowance with effect on and from 1 April 2011. It also agreed to introduce the changes in relation to Housing Associations and the private rented sector on and from 1 April 2012.

5. Equality Impact

- 5.1. An integrated impact assessment relating to the general principle of reducing the landlord allowance was carried out by the Department. This considered the impact on all parts of the rented sector (NIHE, Housing Associations and the private rented sector). While this identified a higher proportion of some Section 75 groups in wards with greater numbers of rented property, it does not follow that landlords necessarily reside in those areas. Furthermore, this is a change to a voluntary scheme and the modest financial effect of the change in policy on individuals who participate in it suggests that any differential impact will be minimal.

6. Regulatory Impact

- 6.1. Not applicable.

7. Financial Implications

- 7.1. The reduction in the NIHE allowance to 10 per cent. should produce a regional rates revenue gain of almost £1.9m for the Northern Ireland Executive in 2011/12, with no additional revenue gain for district councils in that year (given that the 2009 council package already treats the NIHE allowance as if it were 10 per cent., for district council revenue purposes). There will be a corresponding reduction in the level of allowance paid to NIHE, which the Department for Social Development has prepared for. The impact of the reduction in the NIHE allowance will be similar in subsequent years.

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.