

EXPLANATORY MEMORANDUM TO

The Rates (Transitional Relief) Order (Northern Ireland) 2015

S.R. 2015 No. 83

1. Introduction

- 1.1. This Explanatory Memorandum has been prepared by the Department of Finance and Personnel to accompany the Statutory Rule (details above) which is laid before the Northern Ireland Assembly.
- 1.2. The Statutory Rule is made under Article 33A (2A) of the Rates (Northern Ireland) Order 1977 (“the 1977 Order”) and is subject to the negative resolution procedure.

2. Purpose

- 2.1. This Order provides for transitional rate relief to ensure that there is no sudden and excessive increase in the district rates payable in respect of any property arising out of local government reorganisation.
- 2.2. Article 1 contains the citation, commencement and interpretation provisions.
- 2.3. Article 2 and Schedule 1 provide for transitional relief in respect of domestic properties.
- 2.4. Article 3 and Schedule 2 provide for transitional relief in respect of non-domestic properties.
- 2.5. Article 4 and Schedule 3 specify certain classes of property which are excluded from the relief.

3. Background

- 3.1. On 1st April 2015, the reorganisation of local government in Northern Ireland will lead to a reduction in the number of councils from 26 to 11, as well as some boundary changes. The new councils will be larger, deliver extra services and have new responsibilities and powers.
- 3.2. The new larger councils will retain their financial independence and they will be striking district rates. For many the district rate that is set will be significantly higher than the level struck by the current council, due to historic differences that have grown up over many years in the level of rates set by adjoining councils.
- 3.3. The Executive agreed to provide up to £30 million to moderate any increases that would occur for this reason.
- 3.4. In 2014 the Department decided that the support should take the form of a reduction in the amount payable in respect of a district rate. This decision was taken following independent assessment by The Institute of Revenues Rating and Valuation and it was endorsed by DOE. New powers to facilitate this were taken through section 112 of the Local Government Act (Northern Ireland) 2014 last year.

4. Consultation

- 4.1. A public consultation process on the details of the scheme was undertaken on 27 May 2014 and closed on 19 August 2014.
- 4.2. Following the outcome of the consultation process, the Minister decided to introduce a four year scheme which will see the effects of rates convergence phased in over the full council term.

5. Equality Impact

- 5.1. The District rate subsidies are applied in the same way throughout Northern Ireland and amount of discount is proportionate to the potential adverse impact. Given its widespread nature it is very difficult to quantify if and how any particular section 75 group might be affected to a greater extent than any other group.
- 5.2. One reason is that other ratepayers will not be cross subsidising the scheme and the funding for it will come from public expenditure, which means that every taxpayer in Northern Ireland will pay for it. Furthermore, the transitional relief scheme, in itself, is intended as a mitigating measure against any excessive increase in district rate poundages that might occur due to the reorganisation of local government.

6. Regulatory Impact

- 6.1. None. The scheme is a temporary mitigating measure for affected ratepayers against any excessive increase in district rate poundages that might occur as a specific result of district rate convergence. It will not impose an administrative burden on the business community because the subsidies are awarded automatically and ratepayers need not apply.

7. Financial Implications

- 7.1. The Executive is forgoing up to £30 million of rate revenue to fund the scheme but Councils will receive their allocations in full.

8. Section 24 of the Northern Ireland Act 1998

- 8.1. It is the view of the Department of Finance and Personnel that this Order is compatible with section 24 of the Northern Ireland Act 1998.

9. EU Implications

- 9.1. None.

10. Parity or Replicatory Measure

- 10.1. None.

11. Additional Information

- 11.1. Not applicable.