ORAL STATEMENT TO THE NORTHERN IRELAND ASSEMBLY

RATING POLICY - STRATEGIC ROADMAP

9 DECEMBER 2024

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MINISTER OF FINANCE

Ceann Comhairle, I wish to provide Members with a statement on my strategic approach to rating policy over the remainder of this mandate.

I am determined to build a progressive rates system based on the principles of fairness and equity, and to ensure it aligns with the Executive's policy objectives, stimulates our economy and supports the growth of our taxbase by creating the conditions for businesses to thrive. The proposals I am setting out today are the first step in that journey.

The measures I am outlining are built on analysis of the most recent consultation findings along with supplementary engagement undertaken by my Department.

Short-term measures

In terms of short-term measures, I am proposing to consult on:

- **Elevating the current level of the Maximum Capital Value on domestic properties from £400,000 to £485,000.**

I <u>do not</u> propose to take forward the policy consulted upon by the then Secretary of State to simply remove the cap, that change would have seen annually recurring bills to some ratepayers of over £25,000 - which could be considered excessive.

Altering the current maximum capital value would generate additional revenue at the top end of the taxbase, a more progressive step than increasing the poundage element for the whole taxbase to realise the same amount of revenue.

I believe this would be a proportionate and measured approach.

It is important to highlight means-tested and other forms of support are in place for those on low incomes, regardless of a property's capital value. This and other measures within the rating system such as Lone Pensioner Allowance would be adjusted in proportion to any change in liability.

- **The second short term measure I wish to consult on is to reduce the Early Payment Discount from 4% to 2%.**

An increasing number of customers now pay their bills by Direct Debit, which is the most efficient way for my Department to collect rates. The proposed reduction in the Early Payment Discount serves to take account of the shift in customer preference.

I will be launching a supplementary public consultation process in January seeking views on both these measures.

The consultation will last 10 weeks and will help determine the final shape of any policy change with the results of the process coming back to the Executive for final decisions in this area.

I turn now to my approach to rating policy for the medium and long-term.

Approach to rating policy

The rating system is the Executive's main lever to generate revenue and is therefore critical for the funding of our public services, raising in the region of £1.5 billion annually. It is therefore important to ensure supports are targeted towards those who need it most or those who are vulnerable, and that any rate reliefs are meeting their policy objective. The more revenue spent on rate support, the less **there is for vital**

public services. We have committed to Budget Sustainability. That remains a key deliverable we cannot lose sight of.

As Minister responsible for rating, I am clear that I must play a leading role in **generating income** for the purposes of providing much needed public services. I must be clear however that it is not always possible to meet the expectations and demands put on our rating system. With that in mind the **principles of fairness and equity** will guide my approach to policy development, operational implementation and decision-making.

Three key levers will support my approach to income generation-

- Firstly I will broaden the overall distribution of rate collection by **extending the taxbase;**
- Secondly I will ensure rating policy **aligns and underpins Executive priorities;**
- And finally I will ensure the **administration of the rates system is delivered efficiently and effectively.**

Strategic Review Cycle

The focus of today's statement will be on the second lever - work to ensure that rates support aligns to Executive priorities. This will be undertaken through a comprehensive 10-year Strategic Review Cycle of all rates support provided by the Executive.

This work will look at **6 key questions** in the context of each and every rates support measure, namely:-

- ✓ Who gets support?

- ✓ What support is provided?
- ✓ How is the support distributed throughout our councils?
- ✓ Why is support provided?
- ✓ How is it provided?
- ✓ What is the support's impact or intended impact?

Every single rating support measure will be reviewed over the remainder of a 10 year cycle in clusters of policies selected and grouped for each year by either theme or urgency.

Critically the **review cycle schedule will be published well in advance** to allow Councils and stakeholders time to prepare and gather evidence to inform the process.

I would stress in this context that <u>**review**</u> does not mean <u>**removal**</u>.

After each review point strategic decisions can then be taken by the Executive to see:

- if the support is working well in its current form;
- if any changes are necessary to the support,
- if support should be redirected within the system
- if support should be adjusted and the savings used to lower or moderate the rate poundage; or
- whether any resource saving could be deployed elsewhere within the Executive's spending requirements.

My Department has already commenced this **Strategic Review Cycle**.

Year 1 of the process (2024/25) was focused on the taxbase analysis and policy proposals underpinning the supplementary consultation on options for the **maximum capital value** and **early payment discount.** That consultation process is aimed at refining the progressivity of the tax, a key element of preparing the groundwork for a future domestic revaluation, which I will cover in more detail later.

Medium term

Year 2 of the process in 2025/26 will see a comprehensive review of **Small Business Rate Relief** and the scope for enhanced sectoral targeting and application. The second measure to be looked at is the policy of **Non-Domestic Vacant Rating** known as “NDVR.

Both of those policy areas have an urgent strategic importance, and the results of review will allow decisions to be brought to the Executive in time for the commencement of Reval 2026.

I have listened to the business community and the challenges posed by the Autumn Budget in recent weeks. In that regard, I plan to commission research into the cost of doing business here in the North. With a particular focus around the impacts on our sectors of the announcements, such as the planned additional employer National Insurance Contributions. The sectors most impacted will be engaged in that work and the findings will help inform Executive decision-making.

Although the rating system might not be the ideal vehicle for the type of immediate and emergency intervention being requested by some in the business sector – what is clear is that there is a need to prioritise a review of the support provided through the Small Business Rate Relief scheme and to see if that support should be adjusted to react to the challenges of the current economy, post-Covid, after the cost of doing business pressures, and in light of the challenges facing businesses at this present time.

That work can also look at the plans announced in England at the end of October, but will have to take account of two key matters (1) the fact that our taxbase is distinct and our economy is heavily weighted towards SMEs and (2) the fact that we collect two taxes within one poundage multiplier here.

Initial preparation for that work will start now, and I have already met with the business community this morning to outline to them that this will be one of the priority areas of focus within the strategic review cycle for 2025/26.

The other area will be to address the second main issue raised by the business sector in my engagement with them to date. Vacant commercial units are a bigger issue than they ever have been, and this trend is unlikely to reverse any time soon.

One of my key aims is to **align rating policy to help tackle the blight of vacant properties in our towns and cities**.

Increasing liability for Non-Domestic Vacant Rating properties, from 50% of the occupied liability to a higher level of liability, was consulted upon as part of the Revenue Raising process.

Some consultees expressed concerns about their ability to let older retail and office property, which have had ongoing issues due to general economic factors including demand for high grade energy efficient stock.

I am attracted to the option of increasing liability in this area but this must be done in a managed and coordinated way. Ahead of any increase in NDVR liability I am calling on Executive and Council colleagues to work together with my Department to explore the use of existing and potential capital grant funding powers to help wider regeneration and decarbonisation work. This work would precede any **implementation of a higher level of additional Non Domestic Vacant Rating liability**.

I also intend to explore options within the system for **expanding the parameters of the Back In Business Scheme** or to provide other forms of similar **rate support to help mitigate the risks of development through allowing a developer a period of vacant rating exclusion** after a development has been completed, but before it is let**, and first occupier discounts** such as that deployed within the Back in Business model.

My aim is to work in a concerted and co-ordinated way to **get property stock back into use or properly redeveloped or repurposed**.

Long term measures – Domestic Revaluation 2030

The last revaluation of domestic property for rating purposes came into effect in April 2007. 2027 will therefore see our current domestic valuation list operative for a 20 year period.

Just as my Department is now operating non-domestic revaluations on a three year cycle as part of business as usual - it now needs to be able to take forward more regular domestic revaluations.

While this does not need to be done at the same frequency as the business sector, it is right that it is integrated into our “business as usual” planning.

This will see the current domestic taxbase of over 800,000 domestic properties assessed and revalued to ensure distribution is reflective of the current market.

This is a significant piece of work, but it will enhance fairness in the domestic rating system.

I am today announcing that I have asked Land & Property Services to commence immediate preparatory work on the revaluation of domestic property.

Once that preliminary work is complete, and the findings of it considered, I will go to the Executive to seek a decision in relation to this work proceeding for 2030.

Conclusion

Councils, businesses and trade bodies, as well as household ratepayers, have been telling me that they want a system that is fairer and more equitable, and which utilises the strengths of our own devolved system design.

Today’s statement outlines my initial plans for securing those objectives.

I am determined to build a fair and progressive rates system which stimulates our economy, grows our taxbase and provides appropriate support for those who need it.

This statement outlines the building blocks to achieving this.