EXPLANATORY MEMORANDUM TO

The Rates (Payments by Owners by Agreement) (Amendment) Order (Northern Ireland) 2011

S.R. 2011 No. 395

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(4) to (4D) of the Rates (Northern Ireland) Order 1977 ("the 1977 Order") and is subject to the affirmative resolution procedure.

2. Purpose

2.1. 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. Article 2(1) of this Statutory Rule reduces the maximum amount of that allowance to 12.5 per cent. Article 2(2) also provides that for any allowance specified in an existing agreement in respect of a hereditament owned by-

(a) a housing association, there shall be substituted an allowance of 10 per cent.;

(b) a person or body other than a housing association or the Northern Ireland Housing Executive, there shall be substituted an allowance of 12.5 per cent.

3. Background

3.1. Until 1 April 2011 a 15 per cent. allowance was awarded to all landlords who signed up to a voluntary rates payment agreement. From 1 April 2011 the percentage allowance awarded to the NIHE under this agreement was reduced to 10 per cent. by the Rates (Housing Executive) Order (Northern Ireland) 2011.

3.2. This Statutory Rule will reduce the allowance currently paid to housing associations and private rented sector landlords from 15 per cent. to 10 per cent. and 12.5 per cent., respectively, from 1 April 2012.

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 a high level of support for the level of the allowance in the private rented sector to be higher than the other two sectors.

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. This Statutory Rule is made as a consequence of wider policy changes, particularly those relating to the rating of empty homes.

6.2. No Regulatory Impact Assessment was considered necessary in relation to this Statutory Rule. The Rule reduces the maximum level of allowance awarded in accordance with Article 21, but does not increase the maximum rates liability for any business as it has a marginal impact on the costs of any business affected by it.

7. Financial Implications

7.1. The reduction in the landlord allowance to 12.5 per cent. and 10 per cent. respectively for the private rented sector and housing associations should produce a regional and district rate revenue gain of approximately £1m. This sum would be split fairly evenly between the Executive and district councils.

8. Section 24 of the Northern Ireland Act 1998

8.1. It is the view of the Department that this Order is 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.