EXPLANATORY MEMORANDUM TO

The Rates (Social Sector Value) (Amendment) Regulations (Northern Ireland) 2012

S.R. 2012 No. 79

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 23A of the Rates (Northern Ireland) Order 1977 and is subject to the negative resolution procedure.

2. Purpose

2.1. The Rates (Social Sector Value) Regulations (Northern Ireland) 2007 ("the 2007 Regulations"), as amended by the Rates (Social Sector Value) (Amendment) Regulations (Northern Ireland) 2010, provide, subject to exceptions, for a person to be chargeable to rates in respect of a domestic property owned by the Northern Ireland Housing Executive or a housing association listed in Schedule 1 to those Regulations on the basis of a social sector value calculated by reference to the rent payable in respect of the property rather than on the basis of the property's rateable capital value.

2.2. Regulation 2 of, and the Schedule to, this Statutory Rule serve to update the list of Housing Associations in Schedule 1 to the 2007 Regulations given that a number of the Housing Associations currently listed have amalgamated, ceased to exist or changed their name. Regulation 3 revokes the Rates (Social Sector Value) (Amendment) Regulations (Northern Ireland) 2010, S.R. 2012 No.21, which is now spent.

3. Background

3.1. During the development of the Rates (Amendment) (Northern Ireland) Order 2006 consideration was given to the impact of changing the basis of valuation for domestic property from rental to capital values on tenants in the social rented sector. One issue which arose was whether it was appropriate to apply a system based on the market value of properties to a sector of the housing market where normal market forces do not apply.

3.2. A targeted consultation was then conducted on the issue with the Government proposing to standardise rates liability in the social rented sector from April 2007. Under this approach, rate bills for properties in the sector would be calculated as a proportion of the rent paid on that property. It was thought that keeping rate bills in proportion to the rent charged on each property would ensure fairness for tenants on low or fixed incomes. The same level of overall revenue would be collected as would be the case under an individual capital value system in the sector.

3.3. Following the outcomes of consultation a power to provide for social sector values in the social rented sector was provided through Article 7 of

the Rates (Amendment) (Northern Ireland) Order 2006, which inserted Article 23A into the Rates (Northern Ireland) Order 1977.

3.4. The 2007 Regulations, drafted under that enabling power, provided, subject to exceptions, for a person to be chargeable to rates in respect of a domestic property owned by the Northern Ireland Housing Executive, or by a housing association listed in Schedule 1 to the 2007 Regulations, on the basis of a social sector value rather than on the basis of the property's rateable capital value. In determining a social sector value, the Department of Finance and Personnel is under a duty, by virtue of Article 23A(2) of the Rates (Northern Ireland) Order 1977, to ensure that the amount of rates chargeable is such proportion of any rent payable in respect of the property as the Department considers appropriate.

4. Consultation

4.1. No separate consultation was deemed necessary in respect of this Statutory Rule which effects a technical change in the legislation.

4.2. As part of the process of striking the standardised rate, each Housing Association is consulted by the Department and a list of properties on which the standardised rate is based is agreed.

5. Equality Impact

5.1. There are no equality impact implications.

6. Regulatory Impact

6.1. No Regulatory Impact Assessment was prepared. These Regulations have no direct impact on businesses, charities or voluntary bodies.

7. Financial Implications

7.1. The financial impact of these Regulations is neutral.

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. There is no corresponding Great Britain legislation.

11. Additional Information

11.1. Not applicable.