Annex C

Review of Public Administration – Convergence of Rates

Background

At the present time, the amalgamation of Councils resulting from the Review of Public Administration (RPA) is scheduled to take place in May 2011. It is likely that each of the Statutory Transition Committees will strike a District Rate covering the full twelve month period from 1 April 2011 to 31 March 2012.

One of the key issues which needs to be addressed urgently is how the convergence of rates within each new council area will be handled.

At the present time, there is a significant disparity between the District Rates within some of the new clusters. The PWC report, in table 9.5, outlined an estimated impact. According to their analysis, the ratepayers of 12 existing council areas would face rises in the District Rate of between 0.36% and 23.18%, whilst ratepayers in the other 14 existing Council areas would see decreases ranging from 0.36% to 18.28% (based on 2009-10 District Rates).

In some clusters, the differences in the post-RPA rate, compared with the previous District rates, are very stark:

Example 1		Example 2		Example 3	
Fermanagh DC	+23.18%	Castlereagh BC	+15.74%	Coleraine BC	+14.52%
Omagh DC	-18.28%	Lisburn BC	- 7.27%	Ballymoney BC	+ 3.98%
				Limavady BC	-14.12%
				Moyle DC	-14.10%

Annex 1 provides full details for each Transition Committee

It has been re-iterated throughout the RPA process, by successive Ministers, the Northern Ireland Local Government Association and others, that it is a fundamental principle that the process should be cost-neutral to ratepayers. Whilst it is inevitable that the process will lead to some marginal changes in rates for current council areas, major increases to District Rates which would apply in a number of current areas are totally contrary to the fundamental principle of cost neutrality.

Therefore, there is much work needed to be done to ensure that the principle of cost neutrality is achieved. The key issues which need to be considered are discussed below.

Key Issues

a) Any significant increase in the non-domestic rate could have a serious impact on many businesses. The general economic recession has hit hard and many businesses, struggling to survive at present, would find it impossible to pay substantially more rates.

b) Ratepayers are also facing the end of the current three-year freeze in the Regional domestic rate in 2011/2012, and the inevitable increase in this part of the rate will only serve to magnify the overall rate rises further, to the severe detriment of the local economy.

c) The potential introduction of water charges.

d) Potential efficiency savings are likely to be needed to finance the transition and transformation of local authorities as well as maintaining the rate at a politically acceptable level. It is therefore unlikely that local authorities would be able to address rates convergence through efficiency measures.

e) The boundary changes and differential rates will also need to be considered in the context of service delivey. If ratepayers face an increase in their rates bills then there will be an expectation of enhanced service delivery through, for example, provision of new facilities.

f) Any solution must be considered in the context of the capability and capacity of Land and Property Services to deliver it.

The Association notes that there are a number of other issues which impact upon rate convergence, such as:

- Transfer of appropriate sums from the Regional Rate in respect of functions transferring from central government in an equitable manner

- Future major waste disposal projects

- Future direction of Regional Rate (frozen for domestic ratepayers from 2008/09 to 2010/11)

- Other household bills eg introduction of water charges

- Balance sheet inequities as outlined by PWC in section 9.43 of their report

- The level of savings to be anticipated arising from reduction in senior staff, collaborate procurement and other efficiencies

Way Forward

The whole area of rate convergence is complex, but is clearly one which, if not addressed adequately, has the potential to generate unacceptable rate increases for many ratepayers. Given that the issue will be at the core of the rate setting decisions for 2011/12, a solution needs to be delivered in the context of the financial planning cycle of each new council.

It is therefore recommended that a sub group of the FEIG is established to address the issue of rates convergence as a matter of urgency. The group should include representatives from both local government, the Department of Environment and Land and Property Services and Department of Finance and Personnel.

Consideration should also be given to employing the expertise of the Institute of Revenue, Rating and Valuation which has dealt with rates convergence issues in other jurisdictions.

Annex1

Convergence of District Rates

Antrim & Newtownabbey District Council

Antrim	-6.20%
Newtownabbey	+4.44%

Belfast City Council

Belfast	0.00%

Note: some ratepayers from Castlereagh and Lisburn will transfer to Belfast

Mid & East Antrim District Council

Carrickfergus	-2.32%
Larne	+1.57%
Ballymena	+0.75%

Fermanagh & Omagh District Council

Omagh	-18.28%
Fermanagh	+23.18%

North Down & Ards District Council

North Down	+0.36%
Ards	-0.36%

Newry City, Mourne & Down District Council

Newry & Mourne	+2.11%
Down	-2.80%

Causeway Coast & Glens District Council

Moyle	-14.10%
Limavady	-14.12%
Coleraine	+14.52%
Ballymoney	+3.98%

Mid Ulster District Council

Magherafelt	+7.08%
Dungannon	-1.26%
Cookstown	-5.75%

Lisburn City & Castlereagh District Council

Lisburn	-7.27%
Castlereagh	+15.74%

Armagh City, Banbridge & Craigavon District Council

Craigavon	-1.79%
Banbridge	+8.26%
Armagh	-3.20%

Derry City & Strabane Regional Council

Derry	-2.64%
Strabane	+8.05%