

**EXPLANATORY MEMORANDUM TO**  
**THE RATES (SOCIAL SECTOR VALUE) REGULATIONS (NORTHERN IRELAND)**  
**2007**

**S.R. 2007 No. 86**

1. This explanatory memorandum has been prepared by the Department of Finance and Personnel (“the Department”) and is laid before Parliament by Command of Her Majesty.
2. **Description**
  - 2.1 The Regulations provide for the standardisation of rate liability in the social housing sector in Northern Ireland.
3. **Matters of special interest to the Joint Committee on Statutory Instruments**
  - 3.1 None.
4. **Legislative Background**
  - 4.1 Under the Rates (Northern Ireland) Order 1977 (S.I. 1977/2157 (N.I. 28)) (“the 1977 Order”), a person shall be chargeable to rates for a domestic property according to its rateable capital value. Article 7 of the Rates (Amendment) (Northern Ireland) Order 2006, (S.I. 2006/2954 (N.I.18)), inserted a new Article 23A into the 1977 Order which enables the Department to make regulations providing that a person shall be chargeable to rates in respect of property in the social housing sector as if its rateable capital value were such figure as may be determined by the Department (its “social sector value”). Under Article 23A(2) of the 1977 Order, the Department has to determine the social sector value of a property so as to ensure that the amount of rates chargeable in respect of the property is such proportion of the rent payable in respect of it as the Department considers appropriate.
5. **Territorial Extent and Application**
  - 5.1 These Regulations apply only to Northern Ireland.
6. **European Convention on Human Rights**
  - 6.1 In the view of the Department, the provisions of these Regulations are compatible with the Convention rights.
7. **Policy background**
  - 7.1 These Regulations deal with standardisation of rate liability in the social housing sector in Northern Ireland. The Government is undertaking a wide-ranging reform of the domestic rating system in Northern Ireland. From 1st April 2007 a new system based on discrete capital values will be introduced, replacing the current system based on rental values. Under the new system, a capital value will be determined for each domestic property in Northern Ireland, including those in the social housing sector.

- 7.2 As part of the wider reform process Government gave consideration to the potential impact of the new system on tenants in the social housing sector; that is properties rented to tenants of the Northern Ireland Housing Executive and registered housing associations. One problem which arose was whether it would be 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. The provision of social sector housing in itself reflects the market failure which exists in relation to the availability of affordable housing. Government concluded that it would not be appropriate to introduce a market derived valuation approach in the social sector but rather rate bills in this sector should be standardised. This would ensure that those in similar properties in the social housing sector would have the same rate liability, regardless of their location, which would be consistent with the way in which rent is already calculated in this sector.
- 7.3 Under this approach, rate bills for properties in this sector will be calculated as a proportion of the rent paid on that property. Keeping rate bills in proportion to the rent charged on each property will ensure continuing fairness for tenants on low or fixed incomes. The Department will determine a property's social sector value to ensure that the amount of rates chargeable is a proportion of any rent payable to the owner.
- 7.4 A consultation document entitled, 'Standardisation Of Rates Liability Within The Social Sector' was issued to a targeted group of interested parties in June 2006. Three replies were received, one of which was unfavourable. The Department responded in writing to all the issues raised.
- 7.5 A small number of respondents to the Consultation on the Proposals for an Order in Council included references to standardisation. The respondents raised no new issues.
- 7.6 The Northern Ireland Housing Executive and housing associations will generate the same amount of regional and district rate revenue that they would have done each year under the capital value system. What will be different is that liability will be distributed more evenly amongst tenants. The revenue from rates, once collected, should then be able to be distributed amongst councils so that each will receive the same amount of revenue that it would have done under the capital value system. There should therefore be no overall impact on revenues.

## **8. Impact**

- 8.1 A Regulatory Impact Assessment (RIA) was not considered necessary as the policy relates only to domestic property in the social housing sector.
- 8.2 It is not expected that there will be any substantial administrative, financial or staffing costs for the public sector. The social housing sector will be billed for and collect the same total rates liability under standardisation as they would have done under the alternative capital values system.

## **9. Contact**

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