

Sir Robert Chote
Chairman

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Your ref: 2021:488

Peter McCallion
Clerk to the Committee for Finance

6 December 2021

Dear Peter,

Non-Domestic Rates Valuations (Coronavirus) Bill

Thank you very much for your letter of 26 November inviting the Fiscal Council to comment on the Bill and set out our views on the implications for the local tax base, as well as any commentary we might have on the Department's estimate of the potential loss in revenue.

Many of the issues raised by the Bill, and indeed underpinning the DoF view of its implications, are not for the Fiscal Council to comment on, and do not fall within our terms of reference. We have focused our response here to the threat to rates revenue because this is germane to both our Balanced Budget report and, to an extent, for our sustainability report.

Having reviewed DoF's submission (similar to that received by the Committee but with additional detail on the calculations) and received in-person briefing from the Director of Rating, we have concluded that there is a real and significant risk to the Executive's rates revenue. If left unmitigated, this would have a direct impact on the Executive's overall budget available for allocation to departments. We also note there would be an even greater relative impact on Councils' revenue, and we agree with DoF that the magnitude of this for Councils would mean that it is likely the Executive would be expected to intervene and cover this cost. As a consequence, the Council considers it a prudent assumption that the Executive would end up bearing the full cost of lost revenue.

The Fiscal Council has examined the summary-level assumptions and detail of the process followed by LPS in coming to its estimate. The Committee may separately wish to review these, perhaps via the NI Assembly research service, to come to its own view, but we have drawn two main conclusions:

1. Based on the assumptions used by LPS, the process used to derive the estimate is a reasonable one, but we would add the following caveats: (a) there is inherent uncertainty related to a number of variables; (b) it is impossible to predict the judgments which might be arrived at by a Court; and (c) the tool is a blunt one, overall and so our view that the process is reasonable should not be taken as an endorsement of this approach above any alternatives.
2. The Council is satisfied that the estimate provided by LPS, within a range, is justifiable, and the sensitivity analysis carried out by LPS is reasonable. Again, the Council cannot determine which end of the range is more likely to be accepted by the Courts, and the Council would recommend that the Committee take legal advice on these other points, if they wish a second opinion on these aspects of the LPS impact estimate.

With best regards,

Sir Robert Chote

Chair of the NI Fiscal Council