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NI budget to include £410m from DUP deal

A new Stormont budget will include £410m of the £1bn package negotiated by the DUP in return for backing the Conservatives at Westminster.

The secretary of state said the allocation from the confidence and supply money includes £80m for health and education pressures.

There will also be £30m to support programmes to address issues of mental health and severe deprivation.

A further £100m goes to the long-term transformation of the health service.

Under the confidence and supply deal, the DUP agree to back the Conservatives in key votes - such as a Budget and a confidence motion - but are not tied into supporting them on other measures.

Capital spending for key infrastructure projects will receive a £200m boost.

The budget for the next financial year also includes an above inflation increase in domestic rates.

In a written ministerial statement, Karen Bradley said domestic rates will rise by 4.5%, a step which she describes as "necessary and important" to continue to support public services, particularly in health and education.

Business rates will, by contrast, only rise by 1.5%, in line with inflation and the current small business rate relief scheme will continue.

The rate increase by the secretary of state contrasts with the policy adopted by Stormont finance ministers over the last decade, which has been to freeze domestic regional rates, only increasing them in line with the rate of inflation.

Mrs Bradley said she had engaged intensively with the Northern Ireland Civil Service (NICS) to understand the needs of local departments.

She pointed out that it would be open to a restored executive, of course, to consider and revise the financial position in the future.

'Difficult and distressing'

DUP leader Arlene Foster welcomed the inclusion of the £410m from the confidence and supply agreement.

"Cynics doubted the confidence and supply money would ever be delivered, but today it has helped achieve an improved budget compared to the one that many feared," she said.

"Our efforts will help alleviate pressures in health and education, tackle issues with mental health and deprivation, transform our NHS and build new infrastructure."

Sinn Féin Vice-President Michelle O'Neill called for a British-Irish Intergovernmental conference to pave the way for power-sharing to be restored.

"This is a disappointing budget which doesn't provide the resources needed for the public services our people need and deserve," she said.

"It's not good for householders, for victims, for health, for our economy, our colleges or the homeless."

Sinn Fein's Máirtín Ó Muilleoir said the money pledged to the DUP - billed as additional funding, was in fact simply being used to "plug the gaps".

"The DUP money isn't additional at all - it's fully thumbs in the dyke time," he said.

The SDLP's Claire Hanna said the announcement represented a "direct rule budget from London directed by the DUP".

"The failure of the DUP and Sinn Féin to restore power-sharing has given London and the DUP a free hand in our affairs," she said.

"We have reached a very difficult and distressing point."

Ulster Unionist leader Robin Swann said those likely to complain the loudest about the "step towards direct rule are the very same people who are blocking the local institutions in the first place.

"In the past they have also proven themselves to be fiscally incompetent, so I suspect their morally vacuous cries will now land on deaf ears."

Northern Ireland households to be hit with 4.5% spike in rates bill

Households in Northern Ireland are set to hit with the largest increase on regional rates in more than a decade.

On Thursday Secretary of State Karen Bradley announced the budget for Northern Ireland, set by her office in the absence of a power-sharing Executive.

The domestic regional rate increase of 4.5% breaks with the Executive policy of increasing domestic rates in line with inflation.

"As part of setting a budget, it is essential that the UK Government provides clarity on the regional rate," Mrs Bradley said.

"I consider that this is a necessary and important step to continue to support public services, particularly in health and education."

The non-domestic rates will continue to be tied to inflation (1.5%), and Small Business Rate Relief will remain in place.

Businesses which only operate from one property with a rateable value of less than £15,000 are eligible under this scheme.

There had been fears in the business community the budget announced by Mrs Bradley would bring a steep increase in business rates.

In December, a briefing paper from the Department of Finance outlined three different scenarios for raising revenues to protect Northern Ireland's health and education budgets - with one of these including a 10% increase in business rates.

Speaking to the Belfast Telegraph ahead of the budget announcement Head of Retail NI Glyn Roberts, whose organisation represents Northern Ireland's retailers, said there were "grave concerns" a proposed hike in business rates could "cripple" trade.

Thursday's budget saw the release of £410m of the £1bn package negotiated by the DUP as part of the party's confidence-and-supply agreement with the Conservative Government.

Included as part of this is £200m spending on key infrastructure projects; £100m spending on a health service transformation initiative; £80m for immediate health and education pressures; and £30m for mental health and deprivation programmes.

Minor changes could mean hike in business rate bills for farmers

Minor business changes could mean big hikes in business rate bills for farmers and landowners.

The Central Association of Agricultural Valuers (CAAV) warned farmers not to presume their agricultural activities qualify for exemptions as it could lead to large, backdated tax bills.

Land classified as agricultural and therefore exempt
Land used as arable, meadows and pasture
Wood plantation
Land that exceeds 0.1ha and is used for poultry farming
A market garden, nursery, orchard or allotment
Land occupied with a building used solely for agriculture
The definitions covering agricultural exemptions were complicated and business owners have been urged to 'stay ahead of the game'.

With councils now benefiting more from business rate revenue, they were increasingly clamping down on 'grey areas', according to Jeremy Moody, secretary and adviser at the CAAV.

Exemptions

He said: "Not every acre of farmland is necessarily agriculturally exempt and more importantly, by no means is every farm building an agricultural building for rates."

And any land or property deemed as having dual usage will become liable for business rates.

"Farmers may find themselves with a large bill if more than 5 per cent of the income generated is not covered under the agricultural exemption," Mr Moody said.

Solar wind and hydro were also facing large increases in rates, but if the power is all used in the farm it may be exempt.

However, if more than 5 per cent goes into another business it may be rateable.

New tax could hit land in Wales

Landowners in Mid Wales face being taxed on undeveloped plots of land under proposed Welsh Government policy.

Architect, Doug Hughes, says the proposed Vacant Land Tax could affect hundreds of individuals, landowners and property developers in Mid Wales.

The government is currently discussing the tax and has not set out a date to introduce it through the 2014 Wales Act in the UK Parliament.

A similar tax in the Republic of Ireland, currently set at three per cent, rising to seven per cent in January 2019 has to be paid annually each year the land is left un-developed.

Mr Hughes, managing director of building design and planning consultancy, Hughes Architects which has offices in Welshpool and Newtown said the proposed tax could cover land identified for development in the Powys County Council Local Development Plan.

He says the plans come at the same time the Welsh Government is consulting on new planning powers in Wales, the Draft Planning Policy Wales, which also sets out changes to the way local authorities and the government deals with planning.

“These are two distinct policies that will affect not just businesses and developers in Wales, but private individuals too,” he said.

“Under the Vacant Land Tax, the Welsh Government want to introduce the levy on any land that has planning permission but has not been developed, or where it has been identified in a Local Development Plan for housing, employment or retail use amongst others.

“The idea is to use the tax to bring forward residential and commercial developments and to prevent land banking. While understandable, the tax will affect everyone from a private individual with a plot of land for a home through to a developer with plans to build a large housing estate."

Mr Hughes said anyone with a vacant plot of land with planning permission should seriously consider bringing it forward for development if the tax comes into force.

“While the specifics are yet to be set out, it would be wise for anyone with such land to consider moving forward with the development. Whether it’s a small dwelling, agricultural buildings or larger developments, it makes sense to seriously consider moving forward or face the tax burden around the corner which could also affect the viability of a development project.”

Details of the planned Vacant Land Tax can be found at wales.gov. The Draft Planning Policy Wales consultation, which ends on May 18, can also be found at the website.

Nationalisation of land won’t solve the housing crisis

If Brexit is the defining political challenge of our times, then solving the housing crisis runs it a close second.

It is an intransigent problem with wide reaching social and economic implications, and one for which politicians of all persuasions are desperate to find solutions.

As the debate evolves, and the sense of urgency increases, key questions are being asked about whether the state should be playing a more direct role in the market.

This includes ideas of greater use of compulsory purchase of land or new ways to ‘capture land value’.

It’s a debate that none of us can afford to ignore, least of all the CLA, the membership organisation for owners of land, property and businesses in rural England and Wales, which is playing a leading role, bearing in mind the profound consequences for our membership.

When considering this issue, it is important to start from an understanding of the social and economic context. It is called a ‘housing crisis’ for a reason. An increasing divide is emerging between those that own property and those that do not, one closely correlated to age.

The post-war generation have been the main beneficiaries of meteoric house price rises (especially in the South-East). In the 1960s and 70s, 18 to 36-year-olds spent between five and 10 per cent of their income on housing costs. Today it is more than third. Today’s 30-year-olds are half as likely to own their own home as the baby boomers.

Many commentators see this divide as the reason for the current unsettled political landscape. The solution, everyone agrees, is to build more houses. For much of the past 10 years, government focus has been on seeking to boost supply through removing perceived barriers in the planning system.

The introduction of the new National Planning Policy Framework radically simplified the rules, but frustratingly for the Government, it has not resulted in the necessary increased housing supply. This is partly a problem of contradictory ideas.

On the one hand the Government has sought to hand more decision-making power to local people (who are more often than not opposed to any new development), and on the other seeking to force authorities to dramatically increase the amount of new houses.

The resulting chaos and logjam in local council offices has created a worrying loss of faith in the planning reforms and continued supply shortfall.

Outside of the government, and perhaps increasingly within it, there is anger and frustration at a ‘broken’ housing market that is dominated by an oligopoly of private developers that are suspected of manipulating the market to inflate prices.

This view is behind the ideas tentatively floated in the Guardian by the Labour Party last month. Their proposals are to create a new government-run ‘Sovereign Land Trust’ using the powers of compulsory purchase to buy land at ‘agricultural use value’ to build affordable and council housing at lower costs, thereby ‘capturing the value’ of the land for the benefit of the wider community.

It’s not just a Labour idea. The Conservative former ministerial high flyer and policy thinker, Nick Boles MP, is perhaps the most enthusiastic support of the policy.

Radical it might be, but at a time when ministers are desperately seeking solutions, it is one that could quickly become Government policy.

There are obvious and immediate issues of fairness. The idea that the state can, through development control, prevent the landowner from building on their own land and then later compulsorily acquire it at a cut price to develop it itself is deeply iniquitous.

It is a recipe for confrontation and in reality, probably a long-winded, uncertain and expensive process. There are also major risks for the wider economy.

Taken to its extreme but logical extent, an extensive nationalisation of house building could lead to a crash in land prices that would put companies, shareholders, homeowners and pension investors at peril.

If we are to tackle the housing crisis, the key is competition, not compulsion. Government should be working to bring more public land forward for development as part of the solution, increase the number of house builders and support businesses to create secure, well paid jobs in areas where house prices are not as inflated.

After all, the housing crisis in the South-East is partly a reflection of the lack of well paid skilled jobs in other areas. Addressing the housing supply challenge does indeed require new solutions, but if there is any area of public policy that does not need an extra dose of antagonism it is planning.

Compulsory purchase is by its nature draconian. Policy-makers should not view it as a silver bullet but as an absolute last resort, and should instead constructively engage with landowners to solve this divisive political challenge for the benefit of the young of our nation.

Council tax has to go, Greens tell the SNP

Green MSPs say the SNP must agree to abolish the council tax in Scotland as the price for their backing for the annual budget next year.

The case for local taxation reform in Scotland is urgent, Patrick Harvie, the Scottish Greens co-convener, told delegates at the party's spring conference in Greenock yesterday.

He said the Greens were leading the charge over taxation and their income-tax reform agenda had won the day in this year's Holyrood budget.

He insisted, however, that parliament must go further with a significant reform of local taxes.

Harvie said: "The case for reform of local council funding is a deal-breaker ahead of next year's budget.

"The outdated and unfair council tax must go, and we need to see genuine centralisation within Scotland."

He added: "With further attacks on Scotland's budget expected to come from the UK government, we cannot simply keep pushing the pressure down the chain to our councils and our local communities.

"New, local fiscal freedoms are urgently needed and would stand us in better stead to face the future."

The Greens favour a system where more tax is raised locally, with local councils responsible for raising half of all revenues. More than 80% of council income comes from government grants.

In the long term, the party favours a system of land-value taxation. They say under the current council tax system, the most expensive homes pay only three times that of the least expensive, despite being worth on average 15 times more.

They would introduce a residential property tax based on the value of the property, with a £10,000 tax-free allowance and relief for households on low incomes.

Murdo Fraser MSP, the Scottish Conservative finance spokesman, condemned the Greens' plan. He said: "When left-wing parties like the Greens talk about local tax reform, what they mean is that hard-working Scottish families will be taxed even higher."

Scottish finance secretary Derek Mackay said the government was committed to making local taxation more progressive. "We have made it clear that we are open to further dialogue on options for local tax reform.

Scrap 'highly regressive' council tax, says thinktank

Resolution Foundation says levy now resembles much maligned poll tax and should be replaced with more progressive system

Council tax is an outdated and regressive levy on households that should be scrapped in favour of a progressive levy on property, according to a report by the Resolution Foundation.

The think-tank said council tax had become almost flat-rated in some areas to leave it resembling the much maligned poll tax of the early 1990s.

With bills about to jump by almost 6% from next month in many parts of the UK, the government should consider far-reaching reforms or a replacement of the main tax on property before it became discredited and fuelled public resentment, the report said.

Laura Gardiner, principal researcher at the foundation, said the unpopular community charge, which was more commonly known as the poll tax, was considered a failure and abolished in 1991, “in large part due to the unfairness of a flat rate tax where families generally paid the same amount irrespective of the value of the property they lived in”.

She said analysis showed that council tax has “only a very weak link to property values” that meant it was “highly regressive”.

“Someone living in a property worth £100,000 pays around five times as much council tax relative to property value as someone living in a property worth £1m. This is exactly the kind of result that opponents of the poll tax wanted to avoid and in stark contrast to income tax, which increases with incomes in a progressive way so higher earners pay a higher average tax rate,” she said.

There are eight council tax bands that determine annual charges. All the bands are based on 1991 property prices following the failure of successive governments to sanction revaluations.

The highest band (H) is for homes valued at £320,000 and above, despite the average London houseprice now being more than £480,000. Purbeck district council in Dorset will charge band H homes £3,747 from April while Wandsworth council in London, which hosts some of the most valuable homes in the UK, will charge £1,433.

The foundation said ministers should consider replicating the 2017 reforms implemented in Scotland across England and Wales, which involved increasing council tax rates in the top four bands and generated a little over £1bn.

An alternative reform would be a “mansion tax” surcharge of 1% on the value of properties worth more than £2m and 2% on the value of properties above £3m, which would also generate just over £1bn.

A broader overhaul could involve a switch to a 0.5% charge on all properties that would result in a £100,000 home in Newcastle being charged £500 a year and a similar sized £1m home in London charged £5,000 – a £3,000 increase on current charges.

Earlier this year Labour’s Andrew Gwynne suggested his party could scrap council tax and replace it with a “radical” new system for funding local government.

Without giving details of planned changes, Labour’s shadow communities secretary said: “Council tax is broken. It is not fit for purpose.”

In Labour’s 2017 election manifesto it hinted that council tax could be scrapped in favour of a tax on land that would target some of Britain’s richest families.

Sajid Javid, the communities secretary, has so far shown little appetite for reforming council tax. Critics of the current system say most reforms are blocked by households in expensive properties that live in areas of the country dominated by Conservative MPs.

UK commercial property capital and rental valuation sees growth in 2018

The UK saw modest rises in commercial property valuation growth, with total returns up by 0.6% in February while capital value growth and rental value growth were up by 0.2% apiece. The London office space saw total returns in line with country wide totals, while industrials pushed up the average with a 1.2% climb, and retail property saw modest growth of 0.4%.

The UK property sector continues to be in a period of acute, but increasingly stable, uncertainty – in light of Brexit negotiations. The impact of which, remains as yet, uncertain – although risks, such as the warning from the Bank of England regarding employment in the capital, remain on the horizon.

However, recent analysis of leases in the commercial property sector in London showed a slight decrease in activity, including a 9% drop in 2017 from the previous year to a total around 12.6 million square feet of space under construction – the segment continues to see strong performances for planned refurbishments against new builds. The professional services sector is one of the key clients in the segment's demand for new space.

The latest figures for changes in commercial property valuations, supplied by CBRE a segment specific consultancy firm, paints a relatively robust picture – even in the late grip of winter. Across the UK, commercial property capital values increased by 0.2% over February, while rental values were also up by 0.2% in the same period – total returns were meanwhile up by 0.6%.

CBRE UK Monthly Index Snapshot: February 2018

	All Property	Office	Central London Office	Retail	Industrial
Total Return	0.6%	0.5%	0.6%	0.4%	1.2%
Capital Value Growth	0.2%	0.2%	0.3%	-0.1%	0.8%
Rental Value Growth	0.2%	0.1%	0.1%	0.0%	0.4%

The office segment was relatively resilient, with central London office total returns at par with the national average of 0.6%, while capital value growth was slightly higher at 0.3%, and rental values were slightly lower at 0.1%.

However, the industrial segment was the strongest performer, with total returns at 1.2%, while capital value growth came in at a more modest 0.8% increase for the period – the South East saw increases of 1%, bolstering the rest of the UK growth of 0.4%. Rental values saw an increase of 0.4% for February in the segment.

The retail sector has been impacted by considerable uncertainties, including hard hits to mid-market food and wider impacts of spending power from consumers. Overall rental capital values decreased by -0.1% in February, partly from stronger falls in the UK excluding London of -0.2% for high street shops and -0.8% for shopping centres. Rental values, meanwhile, saw small declines.

The typical steady start to the year for UK commercial property continued into February with capital values increasing 0.2% on average over the month, according to the latest CBRE Monthly Index. Rental value growth was 0.2% at the All Property level in February.

Commenting on the recent figures, Miles Gibson, Head of UK Research at CBRE, said, "UK commercial property continued its traditionally steady start to the year in February. Results for 2018 so far look solid with the Industrial sector lifting overall performance figures."

Council tax set for biggest rise in 14 years, figures show

Council tax payers face the sharpest rise in their taxes for 14 years, according to the Chartered Institute of Public Finance and Accountancy figures (CIPFA).

As local authorities face rising budget pressures, the household tax is set to rise by an average 5.1% or £80.57 for a Band D property.

The annual council tax survey highlighted the growing issue of council tax inequality between regions, with taxpayers in the north east paying a band D average of £1,799, compared with £1,194 in London.

CIPFA's findings echo the concerns highlighted in the joint survey by the Local Government Information Unit and The MJ last month, which showed one in ten council bosses feared they would not have the money to meet their statutory duties in 2018/19.

Figures also show Police and Crime Commissioners are pushing to the limits of their allowances, with 90% opting for increases between £11.97 and their maximum allowed increase of £12.

CIPFA chief executive Rob Whiteman, claimed the figures reflected the ‘enormous financial pressures’ faced by local authorities.

‘Local government has made by far the biggest efficiencies in the public sector since 2010, but now it feels like crunch time, with the consequences of earlier funding cuts really beginning to bite,’ he said.

He described the recent financial meltdown in Northamptonshire and its emergency budget as ‘a test case for what the minimum services can be that a council is required to deliver’.

Mr Whiteman added: ‘Looking further across the country, children’s and adult social care are the main focus of resources for many town halls, set this against the phasing out of government grants and widespread use of reserves, it is clearly time for an honest conversation about what services councils should realistically be expected to deliver.’

Of the 276 respondents from English local authorities, just 13 said they would not be raising their taxes, while 71% are making the maximum increase allowed without triggering a referendum.

In the run up to the London elections, the capital saw the lowest rises of any region with an average rise of 4.1% or £55.86. The highest rises were in the rest of the South East, excluding London at 5.5% or £90.14.

Unitary councils saw the biggest increase by authority type at 5.5% or £89.57. Metropolitan district councils were hit by an 8.3% police precept, driving their bills up from 5% to 5.3%.

Small businesses demand reform of tax compliance process

Representatives of small companies are demanding tax reform after research revealed that the average business owner spends £5,000 and three working weeks every year on tax compliance.

The Federation of Small Businesses said that its members were facing too many hurdles when trying to settle taxes, with almost half complaining that they struggled to determine the tax rates at which they are required to pay.

Value Added Tax, Pay As You Earn and Employer National Insurance Contributions were identified as the most time-consuming taxes to handle. The average small business spends 95 hours a year complying with the three collectively, the FSB study found.

Almost half of respondents to a survey of more than 1,000 companies said that business rates — the tax on commercial property — had made expanding their organisation more difficult. The same proportion said that corporation tax had hampered growth, with similar numbers stating that development had been hit by Employer NICs. One in seven said that VAT had halted expansion.

Mike Cherry, national chairman of the FSB, said: “Time and money spent by small businesses on navigating the tax system is time and money not spent on innovating, expanding and creating jobs. We hear a lot about the need to simplify the UK tax code. In fact, our priority should be simplification of the tax compliance process. Small firms by and large understand a tax like VAT, but the sheer complexity of VAT administration means they spend 44 hours a year filing returns.

“It’s no wonder the majority end up shelling out for expert help. The three working weeks and thousands of pounds a year that small firms lose to tax compliance is a huge drain on national productivity.”

The government wants to make it easier for small businesses to pay their tax through the introduction of its Making Tax Digital policy, which will move compliance online.

The plans are contentious, with complaints that companies are not being given enough time or help to prepare for the overhaul.

Mr Cherry said: “The rollout of Making Tax Digital needs to be seen as an opportunity to radically improve the small business user experience of Revenue & Customs. Done right, [it] could help to streamline the process of small business tax compliance.

“Its success will hinge on a thorough user-testing and piloting period, significant improvements to HMRC’s user support channels and proper investment in the digital capabilities of small firms. It must remain voluntary for small businesses below the VAT threshold.”

The research also found that more than half of businesses were not aware of tax relief schemes that could save them money.

Mr Cherry added: “There needs to be a real push from local and central government to ensure that small firms are aware of all the reliefs available.”

NORTHERN IRELAND - Westminster rates hike 'will cripple' Northern Ireland retailers

In December, a Department of Finance briefing paper outlined three possible scenarios to raise revenues in order to ensure health and education budgets are protected in the absence of an Executive. One option laid out in the paper was a 10% hike in business rates

The head of a body representing Northern Ireland's retailers has said there are "grave concerns" that a proposed hike in business rates could "cripple" the trade if the government in London passes a budget without an Executive.

Retail NI's Glyn Roberts was speaking to the Belfast Telegraph after Carpetright issued its second profit warning of the year.

The move comes in the wake of the collapse of two major retailers - Toys R Us and Maplin - earlier this week, which has put some 200 jobs in Northern Ireland at risk.

Following the breakdown of talks at Stormont last month, Secretary of State Karen Bradley has said she will make a decision regarding setting a budget for Northern Ireland "soon".

In December, a Department of Finance briefing paper outlined three possible scenarios to raise revenues in order to ensure health and education budgets are protected in the absence of an Executive. One option laid out in the paper was a 10% hike in business rates.

Mr Roberts said that if this option was selected many small retailers in Northern Ireland would be "crippled" and would have to shut their doors.

"We are looking ahead to what will happen if Westminster sets a budget, which is looking all but certain," he said.

"One proposal that was put forward before Christmas was a 10% hike in business rates and, if that happens, it would be absolutely disastrous for retail here.

"I have no doubt many of our members would have to shut their doors. That would just cripple many smaller retailers.

"Many businesses are struggling as it is and that's the number one concern for us. We are doing everything we can to ensure a rates hike doesn't happen.

"This week also shows you how unpredictable retail can be, because the disruptive weather will have an impact.

"Many of our members are working with skeleton staff and it looks like its going to be a difficult few days ahead."

Adrian Farrell, president of the Portadown Chamber of Commerce, said an increase in rates would put many retailers in an "extremely difficult position".

"Rates are already too high as it is, just look at what happened to Toys R Us and Maplin and how difficult the current climate is for retailers," he said.

"If such a rates increase was introduced, it would make things extremely difficult for our members. To be frank, it would be completely unacceptable."