DEPARTMENT OF FINANCE AND PERSONNEL

CONSULTATION PAPER

REVIEW OF PUBLIC ADMINISTRATION – MANAGING CONVERGENCE OF DISTRICT RATES

MAY 2014

MINISTERIAL FOREWORD – SIMON HAMILTON, MLA

The reform of local government in Northern Ireland presents a once in a lifetime opportunity for the new Councils to better serve the communities that they represent. However, decreasing the number of Councils from 26 to 11 will also present immediate challenges, including the major issue of the convergence of District Rates. If rate bills are simply worked out using the new District Rate, ratepayers in some areas would face significant and sudden increases. The Executive has set aside up to £30m to develop a transitional relief scheme to protect affected ratepayers.

The type of scheme that is being developed will allow Councils to strike a new district rate in the normal way, with LPS applying an automatic subsidy directly to rate bills for the next few years. This measure will mean that the increases will be gradual and protect ratepayers in those difficult early years. It is anticipated local government reorganisation will lead to economies of scale and better ways of delivering local services, which will keep District Rates down in the longer term.

This 12 week consultation is not about the sort of scheme we should have, it's about the detail of the scheme: how long it should last, the amount of relief required each year and whether we need thresholds. The funding available for the scheme is substantial and is enough to help up to 300,000 ratepayers for a transitional period. However, as the analysis shows, if we want a scheme lasting more than 3 years there will have to be thresholds applied.

I would encourage as many people as possible to respond to this consultation and help inform decisions so that an effective scheme is in place before next year's rate bills go out to all domestic and non domestic ratepayers.

Simon Hamilton, MLA
Minister of Finance and Personnel

INTRODUCTION

- On 1st April 2015, the reorganisation of local government in Northern Ireland will lead to a reduction in the number of Councils from 26 to 11, as well as some boundary changes. The new Councils will be larger, deliver extra services and have new responsibilities and powers.

- The new larger Councils will retain their financial independence and they will be striking new District Rates next year. For many the new district rate that is set[1] next year will be significantly different from the level struck by the current Council.

- This paper responds to calls from Councils and the ratepayers they serve, for the NI Executive to intervene and help local government and ratepayers manage the difficult issue of District Rates convergence. It sets out the steps being taken to ensure that no ratepayer faces a sudden and excessive increase in their rate bill as a result of this major reorganisation of Councils.

- The Executive has agreed to allocate up to £30 million to fund transitional arrangements to manage rates convergence. An outline scheme has been developed which adjusts the district rate bills of those ratepayers facing increases as a result of this major reorganisation.

- Land & Property Services will be implementing the scheme by applying a reduction to the domestic and non-domestic District Rates which will be used to calculate rate bills. It will not involve grants being made to Councils, nor will it require Councils to strike more than one rate for their respective areas.

- As the scheme works through a discount on the district rate it will be applied before any other reliefs or allowances are calculated. Therefore, any entitlement to these will be unaffected by this scheme. The scheme will apply across the whole tax-base therefore no property group (eg industrial properties) will be excluded.

- This paper explains how the Department proposes to manage rates convergence and seeks the views of interested parties on the following issues:

    i. the proposed eligibility criteria for Transitional Relief (TR) for rates convergence, including the need for thresholds and any other conditions to ensure the scheme works effectively and stays within budget;

    ii. the duration of the scheme; and

[1] The District Rate amount accounts for just under half of a typical rate bill. The Regional Rate will be unaffected by local government reorganisation.

iii. the level of relief to be given in each year.

Comments are invited on the proposals set out in this paper which are subject to a 12 week public consultation ending on 19th August 2014.

SECTION 1 - BACKGROUND TO RATE CONVERGENCE

1. The reorganisation of local government in Northern Ireland will lead to a reduction in the number of Councils from 26 to 11, as well as some boundary changes. The maps below show the existing Council areas and then the new ones.

2. A strength of local government in Northern Ireland is its financial independence, which has allowed Councils to decide their own priorities, service levels and spending patterns. Unlike other parts of the British Isles (where local authority responsibilities are wider ranging), NI does not operate a system of grants to help local authorities that have a “less wealthy” tax base. The rates support grant provides some supplementary funding, but it is not of the same scale as the equalisation grants that operate in other parts of the United Kingdom. So it is not surprising that major variances in district rate levels have developed across Northern Ireland.

3. This presents issues when two or more adjoining council areas have widely varying District Rates, yet are to be combined as part of the re-organisation and a single rate has to be struck for that new council. All other things being equal, ratepayers in the current council areas with relatively higher District Rates will be subject to a lower district rate[2]. But if District Rates were simply combined immediately reorganisation occurs, some ratepayers would experience significant and sudden district rate increases, as they move from their current lower district rate.

4. The table below illustrates the current (2014/15) rates bill for the 26 councils, for a domestic property with a capital value of £150,000, showing the variation in rates bills for district councils in the same group.

New Council	Old District Council	2014/15 District Rate Bills
Causeway and the Glens	Moyle Ballymoney Coleraine Limavady	£1180 £1130 £1080 £1220
Mid and East Antrim	Ballymena Larne Carrickfergus	£1180 £1180 £1190
Antrim and Newtownabbey	Antrim Newtownabbey	£1150 £1110
Belfast	Belfast	£1060
Lisburn and Castlereagh	Lisburn Castlereagh	£1000 £940
North Down and Ards	North Down Ards	£1040 £1020
Newry, Mourne and Down	Newry and Mourne Down	£1090 £1120

[2] The District rate expressed in pence per pound of value.

Armagh, Banbridge and Craigavon	Armagh Banbridge Craigavon	£1230 £1160 £1180
Mid Ulster	Magherafelt Cookstown Dungannon	£1000 £1030 £980
Fermanagh and Omagh	Fermanagh Omagh	£980 £1160
Derry and Strabane	Derry Strabane	£1240 £1170

5. The different rate liability figures expressed above are for homes with an assessed capital value of £150k, where the ratepayer has no entitlement to other allowances or reliefs.

6. To put this in context, the average capital value for NI is around £120,000. However, the profile of the housing stock differs between District Council Areas. By way of illustration, the average for Castlereagh is £139,000 and around 60% of homes in that District have a value of £150,000 or less. The average for Fermanagh is £118,000 and around 80% of homes have an assessed rateable value of £150,000 or less.

7. 2014/15 figures for different levels of value can be easily worked out using LPS' rate calculator, which can be found at: http://www.dfpni.gov.uk/lps/index/property_rating/rates-calculator-2012-2013.htm

8. As a result of calls for some form of transitional protection for ratepayers, the Executive has accepted the need for a transitional relief scheme and has set aside funding of up to £30 million for this purpose.

9. A number of models were considered last year with the aim of delivering an effective, affordable and deliverable scheme to mitigate the impact of rates convergence on ratepayers. This involved high level research and analysis undertaken by both the Department of Finance and Personnel (DFP) and the Department of the Environment (DOE), together with independent advice from the Institute of Revenues, Rating and Valuation (IRRV). Close engagement with the relevant local government reference groups (those that were set up to advise on local government re-organisation) was also part of this process.

10. The outcome is that it has been decided that an adjustment to the district rate element of the rate bill is the way to proceed[3]. This consultation is about the detailed workings of such a scheme.

[3] See Annex 1 for other options considered

11. The scheme will operate by allowing the new Councils to strike their district rate as before. A discount will be given on the district rate element of the rates bill to as many as 300,000 ratepayers across Northern Ireland – both domestic and non-domestic - who would otherwise face immediate and significant increases in rates as a result of the mergers and other boundary changes.

12. As an example, assume that the district rate faced by a domestic ratepayer increases from 0.21p to 0.24p as a result of convergence. The 0.03p increase in the poundage is introduced in 'steps' over two or three years, so maybe the poundage is 0.22p in year 1, 0.23p in year 2, and the full 0.24p in year 3. The ratepayer does not experience the full impact of that 0.03p increase in the poundage rate in the first year, the impact is gradual (a fuller explanation of this example is given in Annex 2).

13. It is important to note that the scheme aims to protect ratepayers against sudden increases due to the effects of convergence alone. It will not reflect any other factors that may lead to increases in District Rates, such as changes in spending policy, loan commitments, and inflation. These factors have always been matters for Councillor's to take into account in striking their district rate each year and Councils differ in what they are prepared to ask ratepayers to cover.

14. It is intended that the "convergence discounts" for eligible ratepayers will remain fixed for the duration of the scheme, to provide stability and certainty (see Annex 3). The Department of Finance and Personnel, however, is required to carry out a mid-term review of the effectiveness of the scheme in managing convergence.

15. The scheme is likely to assist ratepayers who are located in the following district council areas:

- Domestic ratepayers: Newtownabbey, Craigavon, Coleraine, Strabane, Fermanagh, Larne, Dungannon, Magherafelt, Newry & Mourne, North Down.

- Non-domestic ratepayers: Newtownabbey, Banbridge, Ballymoney, Coleraine, Strabane, Fermanagh, Ballymena, Dungannon, Newry & Mourne, Ards.

- Ratepayers moving from North Down, Castlereagh and Lisburn to within the new Belfast boundary and small pockets of ratepayers from Dungannon and Banbridge who are also affected by small boundary changes.

How Ratepayers will be affected

16. Examples of how different schemes would benefit a typical domestic and non-domestic ratepayer, in terms of the discount they would receive, are set out in Annex 3. For a property with a capital value of £150,000, the amount of relief

in year 1 is likely to be around £50. A non-domestic property with an NAV of £15,000 is likely to receive over £700 relief in year 1.

The following is what it might look like in next year's rate bill:

Rateable Assessment for a house with a Capital Value of £150,000: Yr 1 of Relief Scheme, with 80% Relief:

Capital Value	£150,000
Regional Rate	0.003986
District Rate	0.0025
Rate assessment (without adjustment)	£972.90
Adjustment to District Rate from transitional relief scheme[4]	-0.00015
Total savings from this adjustment	£22.50
Rating assessment after adjustment	£950.40

17. The final calculation will be carried out by Land & Property Services and will be applied as an automatic adjustment to the overall rate.

The Non-Domestic revaluation 2015

18. The analysis that has been carried out to date does not take into account the impacts of the 2015 non-domestic revaluation. A non-domestic ratepayer may see their rate bill reduce due to RPA, but increase because of the revaluation, or vice versa. How their overall bill changes, either upwards or downwards, will depend on which effect is 'stronger', something which is not known at this stage. However, it has been decided that there will be no 'netting off' of any benefits obtained from this convergence scheme, which would have the effect of reducing the benefit of Revaluation for those who stand to gain from it.

19. Furthermore, the revaluation will affect the value of the tax base at both a regional and district council level; it could grow, reduce or stay virtually the same. It is currently impossible to measure the impact of the revaluation on either the current 26 council tax bases, or the 11 new district tax bases.

20. This information will not be available until autumn 2014, which is too late to inform this consultation. The analysis therefore assumes no impact, which is

[4] Equivalent to 80% relief in first year which equates to a reduction in year 1 of £22.50 (£150,000 x 0.00015)

considered reasonable in the context of predicting the cost of various options for the purposes of this consultation. It will be necessary to take account of the impact of Revaluation in due course, once this is known, prior to finalising the scheme.

Boundary changes

21. The majority of ratepayers will experience a change in their rates as their existing council merges with another existing council; however some ratepayers will change Councils altogether as a result of boundary changes. For example, most of Castlereagh Borough Council will merge with most of Lisburn City Council to form the new Lisburn/Castlereagh council. The majority of Castlereagh ratepayers are likely to face a higher district rate. However, changes to the boundary of Castlereagh will also see some domestic and non-domestic ratepayers 'move' into the new Belfast council. These ratepayers will then face the higher Belfast District Rates which is higher again than the Lisburn District Rates. It is intended that these ratepayers will be eligible for a discount in the district rate calculated on the same basis. The estimated cost of this is included in the costs calculated above. However, as the increase in District Rates for those affected by boundary changes could be more significant, consideration may need to be given to extending the period of the scheme. Small areas of Banbridge, Dungannon and North Down will also be affected by boundary changes.

Cost of Various Proposed Schemes

22. There are a range of options for delivering the proposed TR scheme. Although the scheme has to be delivered within a cost envelope of £30 million, there is scope around the time period over which the discount will be applied and how much discount will be given each year. The time period has implications for the magnitude of the discount that can be offered in any year; for example, a two year scheme will allow larger discounts to be applied to the District Rates each year than a four year scheme.

23. The Department has modelled a number of potential options, with different phasing-in levels and scheme durations. For example, a phasing in that provides 100% relief in year 1, 66% in year 2 and 33% in year 3, would cost around £29.9m. See Annex 4 for more details.

Impact Assessment

24. Paragraph 15 sets out in broad terms who the new scheme will benefit. No clear quantitative analysis can be undertaken to assess any negative impact for equality, deprivation or rural proofing. One reason is that other ratepayers will not be cross subsidising the scheme and the funding for it will come from public expenditure, which means that every taxpayer in Northern Ireland will pay for it. Furthermore, the transitional relief scheme, in itself, is a mitigating measure against any excessive increase in district rate poundages that might occur due to the reorganisation of local government. A short commentary is attached as an annex (Annex 5) to assist consideration of this issue.

25. This consultation seeks views and/or evidence of any differential impact, intended or unintended, that may occur due to implementing such a scheme or between any of the options outlined in this paper. It also asks if there is any quantitative analysis than can and should be undertaken before the scheme is finalised.

SECTION 3 - QUESTIONS

Question 1: Do you agree that transitional relief should be provided to ratepayers adversely affected by the convergence of rates that will arise from the merging of Councils as a result of Local Government reform?

Question 2: Do you consider there to be an "acceptable" rates increase the ratepayer should bear before relief is applied?

- "The ratepayer should see no increase in their rate bill due to reform, other than what 'normally' occurs from year to year, for example due to inflation".
- "It is acceptable for the ratepayer to bear a 5% increase in rates due to the reform (or more than 5%, or less than 5%)?"

Question 3: How long do you believe any transitional relief scheme should last?

- Two years
- Three Years
- Four Years
- Other

Question 4: Based on the models provided in the document what level of relief do you think is acceptable over each year of the phasing in?

For Example:-

- 100%, 66%, 33%
- 80%, 50%, 30%
- 80%, 60%, 40%, 20%

Question 5: Do you have any suggestions how the scheme could be improved within the Executive's £30 Million budget?

Question 6: Do you think relief should be provided to all ratepayers affected by the scheme or just to ratepayers significantly affected? Or should there be a two tier scheme? (a longer one for ratepayers in areas most affected)

Question 7: Do you consider that any additional support should be provided for ratepayers detrimentally affected by the boundary changes as described in paragraph 21?

<u>Question 8:</u> Do you have views on the differential impact of implementing this scheme?

<u>Question 9:</u> Do you have additional evidence on differential impact this scheme may have?

<u>Question 10:</u> Have you any other views on the issues covered in this document?

SECTION 4 – NEXT STEPS

26. The consultation process will end on the 19th August 2014. The Department can arrange meetings with ratepayers or representatives before the closure date if this is helpful in making a response.

27. You may submit your responses in a variety of ways including written correspondence, by e-mail. Written responses should be sent to:

Brian McClure,
Rating Policy Division
Department of Finance and Personnel
3rd Floor
Longbridge House
20-24 Waring Street
BELFAST
BT1 2EB

28. Should you wish to contact us by e-mail, any queries and consultation responses should be sent to: ratingpolicy.cfg@dfpni.gov.uk.

29. If you require any further information about this consultation exercise you should contact Rating Policy Division on 028 9040 8008. The consultation paper may be made available, on request, in alternative languages and formats.

30. Responses to the consultation exercise will be made available on the Rating Policy website http://www.dfpni.gov.uk/rating-review.htm. A paper summarising the main issues raised during consultation will be published in due course.

Annex 1

Other Options considered

1. The other options considered by the Departments are outlined below with a brief explanation on why they were ruled out.

2. **Do Nothing**: This was considered not to be a valid option, given analysis that showed ratepayers in up to a third of existing Councils would face significant increases in their district rate bills (in some cases as much as 30%), were nothing done to mitigate the impact of the reform.

3. The Executive agreement to provide funding for a transitional relief scheme is in recognition of the fact that such a situation is politically unacceptable, on the basis that a reform programme intended to help deliver services more effectively by local government cannot be seen to have the effect of increasing rates for many households and businesses. Having decided that some form of assistance needed to be given, the options considered were:

4. **Transitional Relief for New Councils:** this involves a grant being made available directly to Councils, to help them keep any district rate increases within acceptable levels. However this would also subsidise ratepayers who would experience a reduction as a result of these changes and would therefore fail any 'value for money' test.

5. **Differential rate striking:** this would involve a two-way phasing both downwards (for those who would see their district rate decreased as a result of convergence) and upwards (for those who would see an increase) towards a single rate over time, by allowing the setting of two rates within the new Council. This option would be difficult to implement, and it would be highly susceptible to legal challenge, with some ratepayers initially paying more than their fair share in contributing to expenditure on local services provided by the new Council.

6. **Transitional Relief calculated for individual ratepayers:** Relief would be provided to ratepayers whose rates bills go up beyond a certain amount (e.g. more than a third) as a result of RPA. However, in the context of RPA this would be extremely difficult to administer and legislate for, not least due to RPA coinciding with a revaluation exercise.

Annex 2

Detailed example of the district rate adjustment scheme

The convergence scheme will be operated through preset reductions in the district rate for those ratepayers that are adversely affected by the reorganisation. This means that any rise in the district rate due to Council convergence will be gradual.

For example, assume that the district rate faced by a domestic ratepayer increases from 0.21p to 0.24p as a result of convergence. Rather than experiencing the full impact of that 0.03p increase in the poundage rate in the first year (roughly around £50 or a 14% increase for a property worth £150,000), the increase is gradually introduced over a few years.

In the case of Table 1 below, phasing in at 33%, 66%, 100% over three years, the poundage would increase each year as shown, with a resulting increase in the rate bill in the first year of £16 (rather than the full £48), an increase of £33 in year two, and the full £48 in year 3.

Table 1: Example of Rate Convergence phrasing in

Property with capital value of £150,000.	Pre-convergence rate 2014/15	Yr 1 of phasing in	Yr 2 of phasing in	Yr 3 – phasing in complete -final Post-convergence rate
Phasing in amount	-	33%	66%	100%
District rate each year (after relief applied)	0.2136	0.2243	0.2350	0.2456
Rates paid each year (district element only)	£320 (pre-convergence bill)	£336	£353	£368 (final post-RPA bill)
Relief given	-	£32	£15	£0

Note: These figures are for illustration only, and do not take into account any reduction in the poundages that may occur due to savings by Councils from the reform.

For the purposes of this analysis, new 'converged' rates for the 11 new Councils have been calculated, based on the prevailing 2014/15 District Rates for the current 26 Councils. The current 2014/15 expenditures for each set of Councils that are due to converge has been used in this calculation.

For example, the 2014/15 expenditure for North Down is added to the 2014/15 expenditure for Ards to get the expenditure for the new Ards/North Down Council. A corresponding 'expected' district rate is calculated based on this aggregated expenditure using the normal methodology for setting District Rates.

It is important to note, however, that the converged rate, as calculated above, <u>is unlikely to</u> be the rate actually set by the 11 new district Councils next year, in April 2015. This is because it is not possible at this stage to predict what the 2015/16 expenditure for the new Council will be (increased expenditure will normally increase rates, although Councils may choose to use reserves to keep rates down). However, this is not relevant for the purposes of calculating relief, because any variation between the 'converged' rate and the 'actual' rate is attributed to factors other than convergence, which the transitional relief is not intended to cover.

In other words, the transitional relief scheme has been designed to ensure that downward adjustments to rates are made to mitigate the impact of convergence alone. Any increases in rates due to factors such as inflation, transformation costs etc. will not be reflected in the relief adjustment.

Annex 3

How the scheme will work

The proposed scheme will see the discounts applied to the 2015/16 District Rates and beyond, over the duration of the scheme, these will be calculated prior to the striking of the 2015/16 rates, based on the expenditure estimates on which the 2014/15 rates were calculated.

Once these discounts have been set, they will remain fixed over the whole period of the scheme. This is because 2014/15 expenditure figures provide the only stable basis for assessing the likely impact of convergence. This is due to the difficultly of recalculating these adjustments each year, as many other factors will affect the level of District Rates (spending patterns, reserves, transition costs and debt levels etc) and it would become impossible, over time, to isolate on a reliable basis those changes that are due specifically to convergence.

Using the proposed approach also brings certainty, both to Councils, and importantly, to ratepayers in terms of the relief to be provided as a result of Council convergence.

The examples below show how the domestic and non-domestic scheme would operate, including different options for phasing in.

The Domestic Transitional Relief (TR) payable to the household in any year is calculated by multiplying the domestic capital value by the reduced District Rate (poundage) calculated for that year, based on the relevant level of phasing in (see paragraph 8).

The table below shows the three different options.

TABLE 2: Domestic Example – "Council A" (for illustrative purposes only)

	Option 1 **Year 1 100%** **Year 2 66%** **Year 3 33%**	**Option 2** **Year 1 80%** **Year 2 50%** **Year 3 30%**	**Option 3** **Year 1 80%** **Year 2 60%** **Year 3 40%** **Year 4 20%**
Capital Value	£150,000	£150,000	£150,000
Pre April 2015 District Rate	0.2136	0.2136	0.2136
Post April 2015 District Rate	0.2456	0.2456	0.2456
Rate Bill pre- April 2015	£320	£320	£320
Post-April 2015 Rates Bill (April 2015)	£369	£369	£369
Rate Bill Yr 1	£320 (relief of £49)	£330 (relief of £39)	£330 (relief of £39)
Rate Bill Yr 2	£337 (relief of £32)	£344 (relief of £25)	£340 (relief of £29)
Rate Bill Yr 3	£353 (relief of £16)	£354 (relief of £15)	£349 (relief of £20)
Rate Bill Yr 4	£369 (no relief)	£369 (no relief)	£359 (relief of £10)
Total Relief	**£97**	**£79**	**£98**

The Non-domestic Transitional Relief (TR) is calculated by multiplying the NAV of the property by the reduced District Rate (poundage), as shown in the table below, with three different options.

Table 3: Non-Domestic Example - "Council A" (for illustrative purposes only)

	Option 1 **Year 1 100%** **Year 2 66%** **Year 3 33%**	**Option 2** **Year1 80%** **Year 2 50%** **Year 3 30%**	**Option 3** **Year 1 80%** **Year 2 60%** **Year 3 40%** **Year 4 20%**
NAV	15,000	15,000	15,000
Pre April 2015 District Rate	18.42	18.42	18.42
Post April 2015 District Rate	24.34	24.34	24.34
Rate Bill pre April 2015	£2763	£2763	£2763
Post April 2015 Rates Bill	£3651	£3651	£3651
TR given Year 1	£888	£710	£710
TR given Year 2	£600	£444	£533
TR given Year 3	£300	£266	£355
TR given Year 4			£178
Total Relief	**£1788**	**£1420**	**£1776**

<u>Annex 4</u>

Estimated Cost of Scheme

In this annex, we have provided a number of potential options and have estimated the cost associated with each option for illustrative purposes.

For the purpose of the analysis it is assumed that the total amount to be raised by the new Councils in their first year will simply be the aggregate of the previous year's spend of the existing Councils.

The estimated cost of the scheme assuming different phasing-in levels and scheme durations are illustrated in Table 2 below.

Table 4 : Potential TR Scheme variations and Illustrative costs

Relief – yr 1/2/3/4	Yr 1 (£m)	Yr 2 (£m)	Yr 3 (£m)	Yr 4 (£m)	Total (£m)
100%, 66%, 33%	15.1	10	4.8		29.9
80%, 50%, 30%	12.1	7.5	4.3		23.9
80%, 60%, 40%, 20%	12.1	9.1	5.7	2.9	29.8

There may be scope to have a two tier scheme, allowing a longer period for Council where the disparities are greatest, providing this can be done within the maximum funding limit of £30m.

<u>Annex 5</u>

Impact Assessments – short commentary.

Equality Impacts

1. Given the widespread nature of the impact of the reforms, it is very difficult to quantify if and how any particular Section 75 group might be affected to a greater extent than any other group. The changes will occur at district council level, which is too general to be able to make any assertion about an impact on any specific group.

Rural Proofing

2. Likewise, there is no clear distinction between 'urban' and 'rural' areas at this level. All district Councils have urban and rural locations within them, and there is a roughly equal distribution of Councils between what might be considered 'urban' and 'rural' Northern Ireland

Deprivation Analysis

3. Similar issues arise when considering deprivation, as no one particular area of deprivation will be impacted more than another; the likelihood of rate increases will not be greater in more deprived areas than less deprived areas. However, deprived areas will not be able to bear the cost of increased District Rates as easily as less deprived areas; any increases in District Rates due to convergence will have a greater impact on those with less income.

4. This negative impact is being militated against by the transitional relief scheme, which will ease in any increases, so that they are gradual and more easily absorbed by ratepayers. This will be the case for all those negatively affected, whether in deprived areas, as well as urban or rural areas, or in any particular Section 75 group. By the end of the transitional period, it is expected that efficiencies will have emerged from the reforms and the ratepayer should benefit from this.