



Strabane
District Council
Comhairle Ceantair
an tSratha Báin
Stràbane Destrìck Council

Response to the Review of the
Domestic Rating Reduction of Maximum Capital
Value

1. Introduction

Strabane District Council welcomes this second consultative phase on the Review of the Domestic Rating System in Northern Ireland. **Strabane District Council is strongly opposed to any reduction in the maximum capital value.** In order to support this position, we refer central government to the original aims of the Rating Review consultation, the wider policy context and the underpinning principles of public policy.

2. Original Aims of the Review of Domestic Rating

The original aim of the Review of the Domestic Rating System in Northern Ireland was to: “examine ways in which the current capital value system can be improved and made fairer”. During the first phase of the consultation, Strabane District Council concurred with the intention of central government that:

- There needs to be an equitable distribution of the rate burden on households and that effective reliefs are provided so that **those who are less able to pay are protected.**
- The system should be sustainable and **provide an appropriate means of financing regional and local government.**
- The system should be transparent and easily understood, both in terms of methodology and how the proceeds are used, thereby improving accountability.

3. Fundamental Principles of Public Policy

Council urges central government to recognise that any public policy regime should advance social justice, eradicate social exclusion and deprivation. Taxation should assist in an equitable redistribution of wealth and deliver relief to those who are most deserving.

The principles of public office clearly outline that any decision should be taken in context of the wider public good. Council suggests that a potential benefit to 5,000 households in Northern Ireland and the reduction in public revenue of £4.7m per annum clearly does not constitute a decision taken for the wider public good.

Whilst some may be forthright in support in a reduction in the cap, Council asks central government whether their voice is a true reflection of those most vulnerable in society. Does their position reflect the needs of those living in deprived areas, on low income and with low socio economic standing? Council reminds central government that they have a moral and social obligation to prioritise the needs of those who are socially excluded and suffer from economic deprivation.

4. Targeting Social Need

The consultation document clearly outlines that the only ratepayers who will benefit from a reduction in their rates bills are 5,000 households who are in the higher socio-economic classes. It states that a reduction in the cap will adversely impact all other ratepayers as they will have to pay more to help fund the reduction enjoyed by those whose bills are subsequently reduced.

Those living within lower wage brackets are suffering the increases in fuel, heating, electricity and food costs more acutely than those in the higher socio-economic classes. Whilst central government may argue that the reduction in the maximum cap level by £100,000 would be “minimal” on other ratepayers, Council asserts that this does not take into account the lost revenue for public services and the subsequent impact on the district rate. There will be less expenditure available for local and regional services and the district rate will have to be higher than it otherwise would have been to raise the same amount of money.

Comparing the rates bills under both levels of caps, it can be seen that the least deprived will benefit from the biggest reduction in their bill if a £400,000

cap were introduced. The most deprived do not experience any reduction but if the regional rate was increased to cover the lost revenue, ratepayers in these areas are likely to face an increase as the tax burden is redistributed on to lower value properties. Analysis also suggests that those in the 'Managerial/Professional category' are significantly over-represented among those benefiting from the cap, representing nearly 70%.

This is clear evidence that a decision to reduce the maximum capital value is against the ethos of TSN policy frameworks. In the Programme for Government the NI Executive makes a clear commitment to reduce poverty and social exclusion. The policy also outlines that government is committed to targeting resources and efforts towards those in greatest objective need.

Council strongly asserts that a reduction of maximum capital values should not be imposed. This will have strong socio-economic impacts and will have an inherent negative impact on those living within disadvantaged areas.

5. Transitional Relief Scheme

Council is opposed to any reduction in the maximum capital value. Council asserts that if central government adopts this position there will be no need to compensate district councils for their loss in revenue by providing transitional relief scheme. This is central government repeat subsidising the wealthy in Northern Ireland's society and the deprived sections of Northern Ireland are due to pick up most of the subsequent costs.

6. Rural Proofing

Urban properties are over-represented among those benefiting from both a £500,000 maximum cap and a £400,000 maximum cap. Rural properties are under-represented and any cap will have less of a beneficial impact on rural areas. Again, government may want to reflect on the implications of this and the ethos of the Programme for Government which outlines a commitment to improve the quality of life in rural areas and to combat rural social exclusion.

7. No changes proposed

Council believes that the current system is the most transparent system available at this point in time and that there should be no change to the maximum capital values. Retaining the current system also has advantages in terms of the ease of administration and eradicating the cost of implementation of proposed changes.

8. Deprivation and migration issues in border areas

It may also be worthwhile at this juncture to indicate that Strabane District Council has witnessed an increased number of ratepayers moving into bordering towns and villages in Donegal recently. Donegal has become increasingly attractive to our ratepayers because of the imminent introduction of water rates in the North, the lower property prices and lack of domestic rates in the Republic of Ireland.

It is notable that these citizens, whilst moving outside our jurisdiction, still use our public services. Council suggest that any further increase in district rates locally will only exacerbate this trend and will have stark implications in relation to demographic changes in border areas and the potential for central government to generate revenue for public services effectively. Moreover, the Programme for Government clearly outlines the intention to prioritise balanced regional development and to focus on cross border areas (pg. 5 investment strategy refers).

9. Conclusion

Strabane District Council is opposed to any reduction in the maximum capital values. We assert that any cap on rates is counterproductive. It will create an inherent advantage for those who are particularly wealthy and reduce potential revenue levels to support public expenditure. The cost of the lost revenue by introducing a cap on rates will have to be found elsewhere in the system, which will undoubtedly spread the cost to other ratepayers who have

less. Council urge the Department to consider the relevance of these measures on the value system of the public sector and the founding principles of social policy and the advancement of social justice.