



## Belfast City Council

<b>Briefing to:</b>	Strategic Policy and Resources Committee
<b>Subject:</b>	Council response to consultation on "Reduction of Maximum Capital Value"
<b>Date:</b>	20 June 2008
<b>Reporting Officer:</b>	Trevor Salmon, Director of Corporate Services
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### Relevant Background Information

In April 2007, the new domestic rating system was introduced. The system which was introduced established a maximum capital value known as the cap. The cap was set at £500,000, meaning that any property with a capital value of more than £500,000 is treated for rating purposes as if the value is £500,000. In Belfast around 1,100 properties are valued at over £500,000. In 2007/08 the loss in the district rate revenue as a result of the cap is estimated to be £496,291.

The Minister is now seeking views on a proposal of the Executive to reduce the maximum cap from £500,000 to £400,000. The purpose of this report is to seek agreement on the Council's formal response to this consultation. The proposed response can be found at Appendix One and the key points are summarised below..

### Key Issues

The consultation paper estimates that a £400,000 cap would lead to a district revenue loss of £428,000 on top of the £496,291 lost with the £500,000 cap.

It is proposed that the Council's response is based on the following:

- In relation to the financial impact, unless the Government compensates local authorities for this loss in revenue the cost of the cap will be met by other ratepayers or by a reduction in services or by a combination of both.
- The introduction of the capital value system of rating was intended to address the basic unfairness that had arisen over the years in relation to the incidence of the former rental value system. Having a cap reverses this intention and effectively offsets some of the rates burden from higher value properties to lower value properties.
- The Council does not support a reduction in the cap and believes that if the Government is to go ahead with the reduction then it should compensate the Council for the revenue foregone so that the burden does not fall directly on other

ratepayers or on a reduced level of service provision.

- In its response to the Rating Review the Council stated that it did not support the retention of the cap in the longer term but did support it in the short term as a mechanism to recognise that a switch from a rental value based system to a capital value based system can have a negative financial impact on those living in high value properties some of whom are considered to be “asset rich, income poor.” It considers that the cap should be phased out and not reduced.

**Recommendation**

Members are requested to agree the consultation response as provided at Appendix One.