



Belfast City Council

Report to:	Strategic Policy & Resources Committee
Subject:	University Rating Policy
Date:	14 March 2008
Reporting Officer:	Peter McNaney, Chief Executive
Contact Officer:	Trevor Salmon, Director of Corporate Services Ronan Cregan, Improvement Manager

BACKGROUND

The Rating Policy Division of the Department of Finance and Personnel has requested the view of the Council on changing Schedule 13 of the Rates Order 1977 which excludes universities from claiming exemption from rates. Members should note that the request from Rating Policy Division is only a preliminary enquiry at this stage.

KEY ISSUES

Currently universities are excluded from claiming exemption from rates. The universities see themselves as being disadvantaged because universities in Great Britain are entitled to at least 80% exemption from rates. There is therefore a strong argument for allowing universities in Northern Ireland a level of relief similar to that enjoyed by universities in Great Britain. From the Council's perspective the key issue is how the Council will recoup the lost rate income from university rates. Currently, the two universities in Northern Ireland have accommodation placed in Belfast with an NAV totalling £7,627,416. In Great Britain, local authorities are fully recompensed for the loss of the 80% university rate income. It is therefore recommended that the Council would receive a payment in lieu of university rates that year on year keeps pace with increases in the rate poundage. This can be achieved by keeping the full NAV of universities on the valuation list and the Land and Property Services provide relief as an allowance against the annual rate bill. This would be fair position as the two universities serve all of Northern Ireland and therefore any relief against the rate should be shared by Northern Ireland as a whole and funded from the block grant.

A proposed full response to the preliminary enquiry is provided at appendix one.

DECISIONS REQUIRED

1. Members are requested to agree the Council's position on universities exemption as outlined above and detailed in appendix one.



BELFAST CITY COUNCIL

Response
to
Review of Exemption
for
University Premises

February 2008

Appendix One

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1.0 Introduction

Belfast City Council is pleased to respond to the Mr. McLure's letter of 29th November 2007 seeking the Council's view on the exemption of universities from rating.

2.0 Universities in the Belfast City Council area

The City Council has two universities, Queens University and Ulster University (Belfast campus) and Belfast Metropolitan College within its boundaries all of which are prevented from claiming exemption under Schedule 13 of the Rates (Northern Ireland) Order 1977. It is estimated that the Council will receive approximately £1.5m in rates income from the two universities in 2008-09.

The purpose of the preventing educational establishments from claiming an exemption was to help maintain the income from the District Rate and if the position were to change in relation to full or partial exemption then the City Council would wish to see its income maintained either through the grant system or through payments in lieu of rates.

3.0 The Position in GB

The position in England, Scotland and Wales is that university premises are rateable and appear in the local valuation lists, however, they are entitled to make application to the billing authority in whose area the university is situated for rate relief under the provisions of sections 43 and 45 of the Local Government Finance Act 1988, which provides for 80% relief to be allowed. Universities can also apply for a further 20% rate relief but this is awarded at the discretion of individual billing authorities and, as it is a discretion, practice varies from authority to authority.

In terms of funding, as the award of rate relief under sections 43 and 45 of the Act is mandatory, and the billing authority has no choice but to make the appropriate allowance, if the relevant conditions are satisfied, the cost of the income foregone is met by a full allowance against the authority's contributions into the non-domestic rating pool. (The central pool in to which all non-domestic rate income is paid and subsequently redistributed to local authorities as a grant on a per capita basis.)

The position in relation to discretionary rate relief is slightly different in that billing authorities must bear in mind the financial effects of decisions to grant discretionary relief, since 75% of any relief allowed is borne by the authority.

The effect of the financing arrangements is that the billing authority's income is preserved.

4.0 The Cost of Students to the City Council

There are some 38,500 undergraduate and 11,500 post graduate students in Northern Ireland and a very high proportion of these reside / study within the boundaries of the City Council area. Queens University alone has some 25,200 students. In addition to the above, the Belfast Metropolitan College has some 53,000 enrolled students.

It is extremely difficult to identify all costs that the City Council incurs as a result of having a large student population but the following table is indicative of the direct costs incurred:

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Service	Additional Cost		Explanation
	2007/08	2008/09	
	£	£	
Building Control	5,985	6,165	Entertainment licensing, Queen's Festival and noise and anti-social behaviour relating to licensed premises and Cleansing Services
Cleansing Services	208,494	214,748	Additional cleansing operations, enforcement, community awareness and management input
Environmental Health	156,400	161,092	Community Safety (including the Holyland Wardens Scheme and Get Home Safe), Food Safety, Regulatory Services, Environmental Protection (Including night time noise) and Public Health
Botanic Gardens	12,000	12,600	Anti-social behaviour
May-June - to deal with end of term activity	4,000	4,200	Anti-social behaviour
Additional skips	1,200	1,260	Removal of additional litter generated as a result of end of term activity
Staff overtime	1,000	1,050	Additional staff time to deal with end of term activity / cleansing
Total	389,079	401,115	

We would emphasise that this is not a definitive list of the costs incurred directly as a result of having a student population within the City Council boundaries nor does it reflect any contribution to overheads incurred by the City Council. Undoubtedly, there are other costs but it is impossible to isolate these from the total costs within the budget of providing a particular service, for example in the following areas:

- Community awareness / safety
- Refuse collection
- Chewing gum removal
- Night time noise
- Senior Management time
- Public toilets

These figures, of course, exclude expenditure, which is funded (at least partially) through the regional rate and which is incurred by Government agencies.

5.0 Student Exemption

Although not strictly related to the issue of exemption for universities the question of student exemption is one that is still of concern the Council. We note that as part of the 2004 consultation exercise a representative survey of 1300

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households showed that there was virtually no support for the targeting of assistance towards students. Rather, the key concerns related to pensioners and other vulnerable groups such as people with a disability and those on low incomes.

The only consultation response related to students was from the Landlords Association. They requested that the mandatory requirement for landlords to be liable for rates be removed - which is less than surprising.

In spite of the lack of general support a relief scheme was introduced for all student households.

A report by the Institute of Revenues Rating and Valuation for the RPD estimated that there are 11,500 HMO's in Northern Ireland and that around one third were occupied by students (some of whom may be part time). It also estimated that there are 25,000 full time students living in accommodation across Northern Ireland not provided by the educational body.

There is in the view of the Council an issue over who receives the benefit of the relief. Prior to the introduction of the relief for a substantial number of student properties the landlord paid the rates bill and included this in the rent that was charged; there was no visible rates liability for the tenant. The Council has not seen any evidence to suggest that landlords have reduced the rents payable by students as a result of the introduction of this relief and, therefore, the main beneficiaries of this relief would appear to be landlords.

The City Council believes that it is impossible to police this relief and that when a household ceases to be an all student household there is no incentive for the landlord to report the change in circumstances as the rates bill then becomes payable.

It is the opinion of the City Council that this relief is depriving local authorities of a substantial amount of income and that the intended recipients of the relief are not, in fact, receiving the benefit of the relief and it should, therefore, be rescinded.

In the event that student relief is rescinded the Executive should consider introducing some form of rent control in respect of properties occupied by students.

6.0 The Council's Position in relation exemption for Universities

Domestic and Non-Domestic rates are the City Council's principal sources of income so any diminution in that income has a potentially serious impact on the revenue budget and on the provision of services. However, the City Council recognises that there is a strong argument for allowing Universities in Northern Ireland a level of relief similar to that enjoyed by Universities in GB **providing, as in GB, the City Council is recompensed in full for the rate income that is foregone.**

As there is no similar mechanism to that which exists in GB in relation to the non-domestic rating pool then the most straightforward way is for the affected councils to receive a payment in lieu of rates. This would ensure that the City Council receives recompense that, on a year on year basis, keeps pace with increases in the rate poundage.

This can be achieved by not allowing an exemption for universities that will be reflected in the valuation list, in other words, the full NAV remains in the list and the Land and Property Services Agency provide the relief as an allowance against the annual rate bill. This will help to maintain the integrity of the valuation list.

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We would not support the introduction of a discretionary rate relief scheme as this would add unnecessary complications and since Northern Ireland has a central collection agency local authorities would have no say in whether relief should be allowed. In any event, the granting of discretionary rate relief in GB is not consistent as between one billing authority and another.

To ensure strict parity with GB we would propose that the level of relief be limited to 80% of the annual non-domestic rate charges.

The alternative to parity with GB is to bring universities in line with charitable exemptions in Northern Ireland as set out in Article 41 of the Rates (Northern Ireland) Order 1977, which allows for 100% relief in respect of hereditaments occupied for the purpose of:

- the advancement of religion;
- the advancement of education;
- the relief of poverty; and
- other purposes beneficial to the community.

Again the City Council would have the same proviso in relation to reimbursement of the rates income foregone and would refer to the consultation paper issued by the DFP in February 2005 on charitable relief that recognised the potential impact of removing the exemption: -

“This in itself raises complex issues in that if these bodies were exempted from rate liability there could be consequences for public finances and possible implications for the way the bodies themselves are funded.”

Mr Peter McNaney
Chief Executive
Belfast City Council
City Hall
Belfast
BT1 5GS