

Student Accommodation Contributions for Bursaries

Supplementary Planning Document

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1 Purpose of this document

1.1 This document is a Supplementary Planning Document (SPD). SPDs provide greater detail on the policies within the Council's Development Plan Documents (DPDs). SPDs are a material consideration in the determination of planning applications.

1.2 This SPD provides information about requirements for the developers of purpose-built student accommodation to provide a financial contribution towards the provision of bursaries for Islington students leaving care or facing other hardship to attend institutions of higher and further education.

2 Relationship of this document to other policies

2.1 This SPD supports the implementation of the council's Core Strategy (February 2011). Core Strategy policy CS12, part J states that:

"Student accommodation developments will help increase access to higher and further education and tackle worklessness by providing funding for bursaries for students leaving council care and other Islington students facing hardship who are attending a higher or further education establishment. The funding provided by the development will be an annual payment equivalent to the rent level charged for a percentage of the student bedrooms in a development. The payments will continue for as long as the site is used for student accommodation. The percentage of student bedrooms used for this payment will be set in a supplementary planning document."

2.2 Planning decisions are also made with reference to the London Plan and to national planning policies and guidance, as well as other Supplementary Planning Documents produced by the council. Core Strategy policy CS12 part J which provides the basis for this SPD has been supported by the Mayor of London.

2.3 This SPD should be read in conjunction with the council's Planning Obligations SPD, which is being revised alongside this document. It provides details and explanation of the Council's policies on planning obligations as well as of the different types of obligations which may be sought to address specific planning issues and impacts arising from development proposals in Islington.

3 National policy for planning obligations

3.1 The student bursary contributions will be secured through a planning obligation. This may be in the form of a Section 106 (S106) Agreement with the Council or a unilateral undertaking submitted and signed by developers and land owners only.

3.2 Although the National Planning Policy Framework (NPPF) has replaced the Circular 05/05 on Planning Obligations, it has retained 3 of the 5 tests for the use of planning obligations that were set out in the Circular (see paragraph 204 of the NPPF). These same tests are also included in regulation number 122 of the Community Infrastructure Levy (CIL) Regulations. The tests require planning obligations to be:

- a. necessary to make the development acceptable in planning terms
- b. directly related to the development; and
- c. fairly and reasonably related in scale and kind to the development

3.3 The student bursary policy has already been through the rigour of an Independent Examination of Islington's Core Strategy (2011) and the Inspector found, in her

concluding report (paragraph 63), that the payment of a student bursary, secured through a planning obligation, satisfied the three CIL tests:

“Objection has been made to Policy 12J requiring funding for student bursaries from student accommodation developments. Given the recognised challenge for the CS to tackle deprivation, worklessness and social exclusion within Islington this is a reasonable requirement which supports achievement of the spatial vision and objectives for sustainable communities. It is demonstrably consistent with the tests in Circular 05/2005 and CIL Regulation 122 for planning obligations [CD/028] and is therefore sound. “

3.4 NPPF paragraph 173 states that *“to ensure viability, the costs of any requirements likely to be applied to development, such as [inter alia] infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.”*

3.5 The viability evidence produced to inform this SPD demonstrates that the requirement for a commuted payment to contribute to student bursaries does take into account all these variables and will not threaten viability. NPPF paragraph 153 states that *“Supplementary Planning Documents should be used where they can help applicants make successful applications, and should not be used to add unnecessarily to the financial burdens on development.”* The SPD does not set out any new costs to development. It sets out how a policy in the adopted Core Strategy will be implemented.

3.6 The need to widen access to higher education in the context of the borough’s high levels of inequality is paramount in the justification for the bursaries policy, as recognised in the Core Strategy inspector’s report. The council recognises that not only must the contribution to bursaries not threaten viability; it should be proportionate to the identified need and the scale of the development. The quantified need and what proportion each development will be required to address is explained in section 4.

4 Quantifying need and a development’s contribution

Need

4.1 The ‘need’ for student bursaries outlined below has been calculated only for young people leaving council care. These young people represent a small part of the overall need for student bursaries in the borough, but the council will focus the bursary contribution on this group initially as without parents playing an active role in their lives they are amongst the most deprived people in the borough. There is an established programme for delivering bursary payments through the council’s Children’s Services department for this group. Future revisions of this SPD will assess the need for student bursaries beyond just those young people leaving council care.

4.2 UCAS figures¹ show that 40% of young people in England from the same age cohort enter higher education aged 18 or 19. This measure captures those that enter at age 18 and those that defer entry or apply in a later year. Young people leaving council care generally enter higher education post age 18. The rationale behind the bursaries policy in the Core Strategy is to contribute to tackling deprivation, worklessness and social exclusion. Therefore it is seen as reasonable to aspire to raise the rate of young people leaving council care and attending higher education establishments to the same level as for England as a whole.

¹ UCAS, End of Cycle report 2012.

4.3 The council has had an average annual cohort of 72 young people leaving care since 2000/01. The average university course is for three years, thus each year there will be need for bursaries for three cohorts. If the council were to offer all of these young people a bursary for higher education there would be a need for 216 bursaries. However, 40% of this total gives a requirement for 86 bursaries each year (see table 1 below).

Table: 1 Number of student bursaries needed

Average number of young people leaving Islington care, 2000-2012	72
x3 for each cohort year of university	216
40% provision to match overall HE entry rate in England	86

Proportion required from each development

4.4 Over the Core Strategy plan period of 2010/11 to 2024/25, the council has a target of 3,633 non self-contained units (student bedrooms) to deliver, as set out in the London Plan. There are currently 2,728 rooms either delivered or in the pipeline, leaving a 905-room shortfall to be met, as shown in table 2.

Table 2: Non self-contained housing delivery in the plan period 2010/11 to 2024/25

Target 2010/11 to 2024/25	3,633
Delivery 2010/11	748
Delivery 2011/12	748
Delivery 2012/13 to date	409
Remainder 2012/13 to 2024/25 in the pipeline	1,381
Sub-total	2,728
Shortfall	905
Total	3,633

4.5 The Core Strategy policy refers to an “annual payment equivalent to the rent level charged for a percentage of student bedrooms in a development.” Rents vary within different developments according to the size, quality and availability of different rooms and it would be difficult to agree on which rooms are ‘chargeable’ for the purposes of the SPD. Thus to simplify the contribution calculation the student bursary contribution in accordance with the Core Strategy policy is a percentage of the total rental income of each development, this also allows for fluctuations in rents and is straightforward to calculate at a given point in each year. If rents go down, so does the contribution.

4.6 It would not be fair or reasonable to expect developers of the remaining 905 rooms to meet the total need for student bursaries. Instead the identified need for 86 bursaries has been divided amongst the total 3,633 student rooms that should be delivered over the plan period. The 86 bursaries represent 2.4% of these 3,633 student rooms

4.7 Therefore, the council will set the requirement to pay a financial contribution for student bursaries equivalent to 2.4% of the total annual rental income from a development of student accommodation for thirty years or as long as the site is used for student accommodation, whichever is the shorter period of time.

- 4.8 Policy CS12 part J seeks payment of the student bursary contribution to continue for as long as the site is used for student accommodation. The viability study assesses a period up to 30 years and thus this is the maximum time period the council will require contribution to be paid for.
- 4.9 Due to the high delivery rate of student accommodation early in the plan period, the identified need for student bursaries will not be met by the remaining projected target delivery. Thus the requirement for a financial contribution for student bursaries will apply to all student accommodation developments even if they are over and above the plan period target and irrespective of their location in the borough.
- 4.10 The council considers that contributions for student bursaries will to a greater extent widen access to education and tackle deprivation, worklessness and social exclusion, than on-site provision of dedicated rent-free rooms. The bursary provides flexibility for the recipients to pay for the accommodation that best meets their educational needs in terms of type and location and live with their institutional peers. On-site provision of a dedicated room is likely to restrict the educational choices of the student, and impinge on the management of the providers' room stock.

5 Viability Evidence

- 5.1 The council has undertaken a study to examine the level of financial contribution that is likely to be viable for student accommodation developments in Islington. This is entitled *Study of Financial Viability of Student Accommodation in Islington (August 2012)*.
- 5.2 The study applies a residual land value appraisal model to student accommodation schemes. The scenarios tested in the study take account of all the relevant factors such as: a range of rent levels to give an annual capital return; density levels; build costs; CIL; developer profit; and a range of current use values including a landowner premium. The model is explained further in pages 13 to 16 of the study. The study tests different levels of contribution per room in a typical student accommodation development that could be earmarked as an annual charge, to fund Student Bursaries.
- 5.3 The study reveals that as of May 2012, the median weekly rent for new-build purpose built student accommodation developments in the borough was £267.72 per week, for properties completed since 2008².
- 5.4 While it is recognised that lower and higher rents are present depending on location, size and quality of the accommodation, this average figure gives a good indication of the overall picture. Rents of up to £474 per week have been observed, and overall the picture for new-build purpose built accommodation is that rents are significantly higher than rent is for older stock.
- 5.5 The study tests different levels of bursary payments over different periods, of ten, twenty and thirty years. The payments tested were £250, £500 and £1,000 per room per year.
- 5.6 The results suggest that where rents of around £270 per week are achieved, a bursary contribution of £500 per room, per year for thirty years or longer will not affect viability. Payments of £1000 per room, per year for thirty years were also shown to be viable in a number of scenarios.

² Study of Financial Viability of Student Accommodation in Islington, p3 (LBI, 2012)

5.7 The study concludes that the level of rental income is the main determining factor in the viability impact of different levels of financial contribution, more so than realistic variations in the level of CIL, build cost, density or site value.

5.8 A bursary contribution of £500 per room works out to be approximately 3.6% of total rent on a typical 500 room development. Table 3 below show that a contribution of 2.4% of the total annual rental income from the same student accommodation development would be £330 per room. Therefore the proposed student bursary contribution is set at a level that is significantly below the level at which viability could be affected.

Table 3: Example contribution calculation for a typical 500 student room development

Average weekly rent per room	Annual rent for 1 room (51 weeks)	Total yearly rent for development	2.4% of total rent	Bursary contribution per room
£270	£13,770	£6,885,000	£165,240	£330

6 Implementation

- 6.1 The council will secure the bursary contribution through Section 106 legal agreements. These agreements would provide for a sum to be paid annually. The council will allocate bursaries to eligible students according to the terms of the Section 106 agreement and Core Strategy policy CS12, part J.
- 6.2 The initial annual payment for the first year of operation of a new student accommodation development will become due on an agreed date at the end of the first full year of operation. Successive payments will be due annually on this date for a period of thirty years thereafter, or until the site ceases to be used for student accommodation, whichever is the shorter period.
- 6.3 The council already has a mechanism to distribute bursaries. The funds raised through this SPD may be used to augment and supplement this existing programme or contribute to the expansion or creation of new bursary awards that meet the criteria laid out in Core Strategy policy CS12, J. As stated previously, the initial focus of implementing the Core Strategy policy is on young people leaving council care but at a later date the focus of the obligation may be widened to address other elements of the need in line with policy CS12J.
- 6.4 As with all funds raised through financial obligations, the council will maintain a full audit trail. A monitoring system is in place and regularly updated for all financial contributions secured.
- 6.5 The council will require the site owner, including mortgagees, to enter into a legal Section 106 Agreement with the Council or submit a unilateral undertaking to secure payment of 2.4% of annual rental income from student accommodation developments towards student bursaries as explained in this SPD.
- 6.6 In some cases there may be exceptional costs related to site specific circumstances that have viability implications. If a lower rate of student bursary contribution is proposed this must be justified via a robust viability assessment, which will be independently reviewed. The council will commission this independent review and the applicant will cover its cost. The student bursaries and other development plan policies and CIL should be taken into account for the purpose of determining site value when undertaking any viability assessments on student accommodation proposals.