

Supporting the student accommodation sector through COVID-19



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Introduction

1. The coronavirus crisis is causing an unprecedented degree of disruption across the student accommodation sector.
2. In light of universities closing and students being unable to work, many accommodation providers are in a difficult position but are choosing to waive rents for the remainder of tenancies, at substantial financial cost. There is also considerable uncertainty as to how the crisis will affect the number of students attending UK universities in September. As a result of the global recession, uncertainty around term dates and application procedures, and the possibility of continued travel disruption there could be markedly fewer students arriving for the new term, from both the UK and particularly abroad.
3. The sum of these factors is that many in the sector are under substantial financial strain, to the detriment of the delivery of pipeline beds and the support our sector can give to UK HE in the future.
4. Due to some of the regulatory constraints outlined below, the BPF is also very concerned that the crisis could result in many PBSA beds being left empty in the coming months, despite the scale of the current housing crisis and the acute need for affordable homes across tenures. There is also a fear that some of these barriers could prevent our members from being able to offer immediate support to tackle the virus; for instance by preventing providers offering rooms to healthcare workers.
5. The purpose of this briefing is therefore to highlight to government how the sector believes it can be best supported, not only financially but also in its contribution to addressing the crisis and fulfilling its wider social responsibilities. We have been conscious to particularly highlight those measures that are at low or zero cost to the taxpayer.

Planning flexibility

6. Many local authorities across the country make it a condition of planning that student accommodation buildings cannot be occupied by non-students, even in the summer months when university term has ended.
 7. Whilst it is right that student accommodation providers do what their name suggests and provide accommodation primarily for students, overly restrictive planning constraints mean that some buildings are left in low occupancy outside of term. The opportunity cost this entails means higher rents for students during term time, and a sizeable accounting black hole this summer for those rooms where contracts have been waived, conference business
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has cancelled and there are no new students to let to.

8. We understand that national government is not in a position to retrospectively alter planning permissions already granted by local authorities. Government can however encourage more flexibility both in the short term through the crisis and in the future by highlighting this issue to councils.
9. **We ask that in the next Dear Chief Planner letter to local authorities, the Government explains the current situation and asks local authorities to show flexibility so that accommodation providers can put rooms to non-student use next academic year and over summer 2020 and 2021.**
10. It should also be noted that major supply chain and labour issues will result in a lot of new schemes being delivered too late for the start of the academic year. In these instances, **we ask that government request that local authorities temporarily relax planning for a year to permit a fuller range of occupiers.** If these buildings cannot be occupied in September there is a risk they will sit empty until the next academic year.
11. Our members would be willing to consider alternative conditions local authorities may wish to impose as safeguards in the meanwhile (e.g. no occupiers with cars, if there is no parking provision, etc) while these measures are in place.

Council tax

12. One of the biggest concerns providers currently have about waiving student rents is the prospect of being punished further financially for doing so by incurring a large council tax bill on the resulting empty units.
 13. Students are exempt from council tax, but when a room becomes vacant the liability for council tax falls on the accommodation provider in the private sector. This is due to the fact that private sector operators are unable to claim a 'Class M' exemption for the whole building (as is the norm for university halls), and instead must rely on a 'Class N' exemption for each student resident.
 14. For a typical nationwide operator of student accommodation, the cost of council tax per year in normal circumstances can run into hundreds of thousands of pounds with the largest charges usually coming in the summer months. One of our largest members estimates that their council tax bill may rise from £725K to £2.6m this year, following their decision to waive student rents.
 15. **We ask that the Government legislate to ensure all student accommodation providers cannot be charged council tax.**
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16. We appreciate that this change may take time to implement. **We therefore also ask that Government issues guidance instructing local authorities not to collect council tax from student accommodation providers whilst legislation is prepared.**
17. This measure would be at very little cost to local authority finances. If Government does not act and rooms remain contracted to students, the relevant local authority cannot charge council tax anyway. An exemption would assure providers willing to release students early from their contracts that they will not be penalised beyond the considerable financial hit they will incur through lost rent.
18. BPF, the National Union of Students (NUS) and Unipol – who run the ANUK Code – recently wrote jointly to the Housing Minister on this subject.

VAT

Short term lets

19. One way for providers to mitigate the cost of waiving student rents for the summer period is to let out accommodation to alternative occupiers for the short period before the new term starts in September. Furthermore, the keyworkers our members are keen to provide accommodation for over the course of the coronavirus crisis in many cases only need rooms for a relatively short period.
20. Offering PBSA rooms out for short-term lets in this way however means that providers may fall into being classified as hotel operators and will thus be liable for VAT.
21. **We ask that the Government exempt all student accommodation operators from these VAT charges.**
22. This would not amount to significantly lost revenue for the Treasury, as without this exemption many providers would not find it financially viable to offer short-term lets at all.

Relevant Residential Purpose

23. A VAT exemption is available for student accommodation at the construction stage if the building is to be used solely for its Relevant Residential Purpose (RRP), i.e. if the accommodation will have 95% student use throughout the year.
 24. However, if providers are to release students early from contracts and want to put beds to alternative use over the months ahead, under the current rules they may incur a change of use VAT charge if it has been less than 10 years since the construction stage exemption.
 25. A change of use charge would be substantial for providers. Allowing them an exemption from it would however not amount to lost revenue for the Treasury as these charges
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wouldn't materialise at all if providers remain disincentivised from offering buildings to different occupiers.

26. **We ask that the Government relax the RRP VAT zero-rating requirement for student use from 95% to 50% for at least the next year.**

Key workers

27. It is vital for the safety and security of peoples' homes and businesses that buildings continue to be serviced throughout the coronavirus crisis.
28. Social isolation during this critical period of the contagion should be maximised. The majority of buildings in the PBSA sector are however professionally managed and require staff onsite to carry out necessary maintenance, oversee safety procedures such as fire safety systems and look after student's wellbeing.
29. Without these members of staff onsite, BPF are concerned that buildings will not be adequately safe or able to house tenants – whether they be students or key workers - and will have to close.
30. **We ask that Government clarify whether student accommodation staff carrying out key functions can continue in their roles.**

Clarification on moving students

31. Accommodation providers have been in discussions with the NHS about a programme of support that the PBSA sector can offer for the housing of key workers. However, in line with the need to ensure social distancing is maximised, current government guidance directs that students should not be moving at the moment. This offer has so far then centred only on buildings already vacant; it being the case that accommodation provider's duty of care requirements to their students requires that they not be in occupation alongside NHS healthcare workers.
 32. In areas where there may be an acute need in the coming weeks however, such as in east London, the capacity of the sector to help could be greatly improved by a specific direction from government in those instances that students (only with their consent) can be moved between buildings to make space available.
 33. **We ask that Government clarify to accommodation providers whether there are circumstances in which students can be moved between buildings to make space available for key workers or vulnerable groups.**
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