

Affordable student accommodation planning guidance discussion paper January 2015 (and January 2016 Addendum)

This paper for the Mayor's Academic Forum discusses how the requirements for the delivery of affordable student accommodation set out in paragraph 3.53B of the Further Alteration of the London Plan could be translated into planning guidance, the paragraph states:

3.53B Student accommodation should be secured as such by planning agreement or condition relating to the use of the land or to its occupation by members of specified educational institutions. Where there is not an undertaking with a specified academic institution(s), providers should, subject to viability, deliver an element of student accommodation that is affordable for students in the context of average student incomes and rents for broadly comparable accommodation provided by London universities. Information on this will be provided through the Mayor's Academic Forum in the London Plan Annual Monitoring Reports. Guidance on how such accommodation should be defined, delivered and retained will be provided in Supplementary Planning Guidance.

This paper first examines how average student income can be measured, and the second section presents analysis of rents for purpose built student accommodation (PBSA) in London for the academic year 2014/15. Section 3 discusses what proportion of a student's income is considered reasonable to spend on the cost of accommodation in the context of rents charged by London universities for PBSA. Section 4 sets out what level of accommodation could be provided and how it will be maintained. Section 5 covers ancillary uses for the accommodation, and finally section 6 discusses how the accommodation should be allocated to the students.

1 Measuring student income

1.0.1 The focus of this policy requirement is to provide student accommodation that would be affordable to a full-time UK undergraduate student. The large variation in the financial circumstances of international students makes it unrealistic to include them in determining average student income.

1.1 Student Income and Expenditure Survey

1.1.1 The most authoritative source of data on English-domiciled students' income is the Student Income and Expenditure Survey commissioned by the Department for Business, Innovation and Skills (BIS). The most recent survey covers the period 2011/12 and, according to the NUS, research on the next survey is currently underway. It builds on a series of earlier surveys, which have been undertaken at regular intervals since the mid-1980s (previous to the most recent in 2007/08) to track the financial position of HE students. The survey provides a detailed breakdown of income sources for English-domiciled students during the academic year. However there is only limited specific breakdown of income for students in London. This data is also limited in that the survey is only updated every few years rather than annually.

1.1.2 Table 1 below shows a summary of the average income information provided by the 2011/12 survey. The survey splits student income into a number of elements and the average income from these elements is shown in the table. Total income for all full-time students in 2011/12 was £10,931 or £8,295 after deducting income from the loan for tuition fees, which is paid directly to the education institution. Total income for full-time students living in London in 2011/12 was £9,146 after deducting income from the tuition fee loan.

1.1.3 The mean income figures shown in Table 1 can give a misleading picture of how much income most students get from each income element. Comparing the mean and median figures for each element of income reveals that most students received a greater proportion of their income from government loans and grants than is indicated by the mean income figures. This is particularly well illustrated by looking at income from paid work. The average (mean) student received £1,662 for paid work. However the median income was only £150, thus the majority of students receive a very little or no income from paid work. These figures indicate that the distribution of earnings was positively skewed and that there were relatively few high values for earnings across the whole of the full-time student survey sample. A similar effect can be seen with financial support from family; although 82% of all full-time students receive income from their family, the median income was only £500 compared to a mean income of £1,497.

1.2 Summer vacation work

1.2.1 The Student Income and Expenditure Survey focusses on student income data covering the academic year (assumed to be 39 weeks) and not the summer vacation period (13 weeks). This was to ensure consistent treatment for income and expenditure. However, the survey does include data on summer vacation work income and it shows that the mean income from this work was £606 and that 46% of continuing full-time students worked in preceding summer vacation. The mean income for those that did work in the summer was £1,331.

Table 1: Income elements for full-time (FT) English-domiciled undergraduate students for 2011/12 and income from the government grant and loan for 2011/12 and 2015/16

(Data sources: BIS Research Paper Number 115 - Student Income and Expenditure Survey 2011/12, and <https://www.gov.uk/student-finance/loans-and-grants>)

Academic year	Income from all sources						Income from loans and grant only		
	2011/12						2011/12	2014/15	
Income element	Average (mean) for all FT students	Median for all FT students	Average proportion of total income	% of FT students which receive this element	Average amongst those FT students receiving this element	Average for FT students studying in London	Maximum loans and grant available in England	Maximum loans and grant available in London	Maximum loans and grant available in London
Student loan for maintenance **	£2,779	£3,375	25%	74%	£3,734	£6,584 Disaggregated data not available	£4,950 (£3,497**)	£6,928 (£5,475**)	£7,751 (£6,058**)
Student loan for tuition fee*	£2,636	-	24%	79%	£3,329		£3,375	£3,375	£9,000
Maintenance grant**	£858	£3,267	8%	40%	£2,157		£2,906	£2,906	£3,387
Access to Learning Funds	£19	£0	0%	3%	£724				
Bursaries/scholarships, Other grants and sources of support	£1,001	£0	9%	48%	£2,073	1,069			
Income from family	£1,497	£500	14%	82%	£1,834	£1,549			
Paid work (not over summer vacation)	£1,662	£150	15%	52%	£3,201	£2,064			
Social security benefits	£356	£0	3%	8%	£4,312	£447			
Other miscellaneous	£121	£0	1%	22%	£503	£70			
Total income	£10,931	£10,437				£11,782	£9,778	£11,756	£18,455
Income less loan for tuition fee	£8,295					£9,146⁺	£6,403	£8,381	£9,445

*Loan for tuition fee gets paid directly to education institution not to the student.

**The amount of Maintenance Grant received affects the amount of Maintenance Loan students can borrow. The amount of Maintenance Loan that can be received will be reduced by £0.50 for every £1 of Maintenance Grant that a student is entitled to. Thus in 2011/12 a student receiving the maximum grant has the amount of the loan they can borrow reduced by £1,453 to a maximum loan of £3,497 (£5,475 in London), and for 2014/15 the loan is reduced by £1,693 to a maximum of £6,058 in London. A student can receive the maximum grant if their household income is £25,000 or less.

⁺Due to lack of London specific data for 2011/12 average loan for tuition fee received in London is taken to be the same as for all English students £2,636.

1.3 Trends in student income

1.3.1 Comparisons between the 2007/8 and 2011/12 surveys show that:

- Mean income for full-time first year students decreased 14% from £12,659 to £10,839
- Income from the main sources of student support; the maintenance and tuition fee loans, and the maintenance or special support grant largely kept pace with inflation.
- Income from paid work fell by 37 per cent in real-terms, and from families also fell by 37 per cent. This means that the average student saw a decrease in the money they had available to spend.
- The decline in earnings income among full-time students appears to be related to a change in the quality and duration of job opportunities rather than in any change in the proportion of students working or the hours worked whilst studying.
- The shift towards main sources of support and away from work earnings and family support continues trends noticed between the 2007/08 and 2004/05 surveys.

1.4 Maintenance grant and loan

1.4.1 An alternative measure of student income is state-funded sources of support available to UK full-time students¹. For the majority of UK students the maintenance loan for living costs and the maintenance grant for living costs are the only state-funded sources of support available to them. There are other sources of support for students such as the special support grant, disabled students' allowances, childcare grants and subject specific bursaries etc., but these are not available to all students.

1.4.2 The trend, revealed by the Student Income and Expenditure Survey, of student's income becoming increasingly reliant on state-funded sources of support lends weight to using the maintenance loan and grant as an alternative measure for total student income.

1.4.3 Table 1 shows the maximum income available from the maintenance loan for living costs and the maintenance grant for living costs. To receive the maximum income from the grant, a student's household income must be £25,000 or less. However, income received as a grant reduces the amount that can be borrowed as a maintenance loan, for every £1 of grant received the amount of loan available is reduced by £0.50.

1.4.4 For the academic year 2011/12 the maximum income a student studying in London and living away from home could receive from the maintenance loan and grant was £8,381. This level of income equates to 92% of the average (mean) income for all London students from the Student Income and Expenditure Survey 2011/12 of £9,146. For the academic year 2014/15 the maximum income a student studying in London and living away from home could receive from the maintenance loan and grant is £9,445 and this will rise to £9,703 for 2015/16.

1.4.5 As household income increases above £25,000 the amount of maintenance loan and grant that the student can be received reduces in accordance a government set formula. Reducing the amount of grant and loan available to the student as their household income increases leads to the implicit assumption that increasing household income should allow a transfer of money from the household (the student's family) to the student to make up the difference.

1.5 Average student income

1.5.1 The amount available from the maintenance loan and grant through government policy, has set the income level a student with a household income of £25,000 or less can receive, without any extenuating circumstances which allow them to claim other forms of state-funding. It is reasonable to assume that the government regard this level of income as adequate to pay for all of a student's living costs during the academic year and that all students will receive at least this level of income, given that higher household income should offsets the reduction in maintenance loan and grant income as discussed above. Therefore based on the assumptions set out above and the evidence of the Student Income and Expenditure Survey 2011/12, the maximum maintenance loan and grant available is a reasonable measure of average student income for the academic year. This measure of income is readily available from government websites and is updated annually.

¹ Students aged 60 and over cannot apply for the Maintenance Loan for living costs.

1.5.2 The Student Income and Expenditure Survey 2011/12 found that mean income from work in the summer vacation was £606. This income was in addition to a full-time student's academic year income. £600 equates to 9% of maximum maintenance loan and grant available for 2011/12 of £6,403. Thus it is possible to account for the additional income from summer vacation work by adding 9% to the maximum maintenance loan and grant available. For the academic year 2014/15 the maximum income a student studying in London and living away from home could receive from the maintenance loan and grant is £9,445 and 9% would add £850 to make a total annual income of £10,295.

2. Cost of comparable accommodation provided by London universities

2.0.1 Table 2 shows an average (mean) weekly rent rate for purpose built student accommodation (PBSA) in London in 2014/15. The table summarises analysis of data provided by University of London, Cass and Claredale Halls and London Higher for the rents of 47,493 rooms in 111 PBSA properties². The table shows the rents for different types of room e.g. standard rooms and ensuite rooms etc. The rent for each room type is given as high and low average. These rents are based on the higher and lower advertised rates for a room type as sometimes within one property there are different prices for the same room type.

2.0.2 The rent levels for each room type are presented for the different types of provider arrangements for PBSA:

- Direct let - a private provider owns the PBSA and directly let the rooms to students
- University nominated - a private provider owns the PBSA but through an agreement a higher education institution (HEI) can control (nominate) which students can rent the private provider's rooms
- University owned & operated - a HEI owns a PBSA and controls which students can rent the rooms in it
- Non-university owned & operated – are all the PBSA that are not university owned & operated, they are privately owned with the rooms let either directly or nominated by a HEI

Table 2: Mean weekly rents of purpose build student accommodation (PBSA) in academic year 2014/15 for different types of room and provider arrangements

Room types Provider arrangement	Rent Standard			Rent Ensuite		Rent Studio		Rent Other		Average all room types
	Low	High	Average	Low	High	Low	High	Low	High	
All PBSA rooms	£152	£166	£159	£193	£208	£246	£300	£173	£191	£204
University nominated	£146	£157	£152	£178	£186	£215	£252	£134	£145	£177
Direct let	£179	£202	£191	£228	£252	£264	£327	£236	£263	£244
University owned & operated	£142	£154	£148	£167	£175	£204	£253	£117	£131	£168
Non-university owned & operated	£175	£195	£185	£208	£227	£251	£304	£230	£256	£231

2.0.3 Students can rent a PBSA room for different lengths of time depending on the provider, typically between 38-51 weeks a year. Table 3 below shows the annualised weekly rental cost from table 2 for periods of 38 weeks and 51 weeks.

² The data is derived from London Market Report on Student Accommodation October 2014, Knight Frank.

Table 3: Mean annual rents of purpose build student accommodation (PBSA) in academic year 2014/15 for different types of room and provider arrangements

Room types Provider arrangement	Length of contract in weeks	Rent Standard		Rent Ensuite		Rent Studio		Rent Other		Average all Room Types
		Low	High	Low	High	Low	High	Low	High	
All PBSA rooms	38	£5,776	£6,308	£7,334	£7,904	£9,348	£11,400	£6,574	£7,258	£7,738
	51	£7,761	£8,459	£9,848	£10,583	£12,545	£15,317	£8,811	£9,740	£10,383
University nominated	38	£5,548	£5,966	£6,764	£7,068	£8,170	£9,576	£5,092	£5,510	£6,712
	51	£7,435	£7,992	£9,059	£9,490	£10,958	£12,853	£6,830	£7,382	£9,000
Direct let	38	£6,802	£7,676	£8,664	£9,576	£10,032	£12,426	£8,968	£9,994	£9,267
	51	£9,127	£10,326	£11,630	£12,840	£13,448	£16,670	£12,031	£13,425	£12,437
University owned & operated	38	£5,396	£5,852	£6,346	£6,650	£7,752	£9,614	£4,446	£4,978	£6,379
	51	£7,264	£7,833	£8,525	£8,906	£10,380	£12,879	£5,971	£6,702	£8,558
Non-university owned & operated	38	£6,650	£7,410	£7,904	£8,626	£9,538	£11,552	£8,740	£9,728	£8,769
	51	£8,939	£9,937	£10,627	£11,559	£12,804	£15,525	£11,739	£13,036	£11,771

2.0.4 The lowest weekly rent shown in table 2 is under the ‘other’ room types (£117/w) however the standard room type has the lowest average rents across all PBSA rooms of £152/w (low) and £166/w (high). The lowest rents for all room types are charged for PBSA owned and operated by HEI. Direct let PBSA charge the highest rents for all room types.

2.0.5 Direct let PBSA tend to be newer developments compared to university owned and operated PBSA, and may charge higher rents due to the burden of debt repayments and high land costs etc. However, university nominated PBSA are often the same or similar development type as direct let and presumably have the same cost issues, yet the rent charged for these rooms is significantly lower than for direct let rooms of the same type.

2.1 Rent for standard rooms provided by London universities

2.1.1 Standard rooms are the lowest cost room type and thus are the most appropriate room type to use for comparable rental costs when considering affordable student accommodation.

2.1.2 FALP paragraph 3.53B seeks the provision of affordable student accommodation in the context of rental cost of accommodation provided by London universities, which is shown in tables 2 and 3 under university owned & operated PBSA. Table 4 below shows rent rates for a standard room in university owned & operated PBSA for different periods of time.

Table 4: Average of the low and high rent costs rents charged for university owned and operated standard rooms in the academic year 2014/15

Room types Provider arrangement	Length of contract in weeks	Average of high and low rents for a standard room
University owned & operated	1	£148
	38	£5,624
	51	£7,549

3. What percentage of a student's income is considered reasonable to spend on the cost of accommodation?

3.0.1 There is no definitive percentage considered an appropriate proportion of disposable income to spend on accommodation costs. Responses from the Academic Forum have ranged from 25-40%. The NUS reference Shelter and the Joseph Rowntree Foundation in suggesting that spending more than a third of your disposable income on accommodation may mean that you are unable to meet other basic needs. The GLA in its Annual Monitoring Report (AMR) states that for the criterion for intermediate affordable housing to be met as 'the annual housing costs, including rent and service charge, should be no greater than 40% of net household income.' (Para 3.33 p.93 of 2012/13 AMR).

3.0.2 Assuming an average student income in London for 2014/15 is £10,295 (based on the maximum a student can receive from the maintenance loan and grant for living costs + 9%, as discussed in section 1.5) 40% of this income is £4,118. Setting affordable student accommodation rent at 40% of a student's income would require weekly rent to be £108 for a 38 week contract, and £81 for 51 weeks. In comparison the standard room rent for a 38 weeks contract in university owned and managed accommodation in 2014/15 costs 55% of a student's income and for a 51 week contract it is 73% of their income (see table 4 above).

3.0.3 An important consideration when assessing student accommodation expenditure is the short-term nature of the time a person lives in student accommodation. Unlike housing expenditure for the general population, students will only be living in student accommodation for a few years. Thus a student is likely to be able to spend a higher percentage of their income on accommodation than someone renting over the long-term.

3.0.4 PBSA differs from conventional market housing in that the rent charges are for inclusive packages that cover utilities, facilities management and internet access. The cost of these services and utilities would be in addition to rental cost for a student in conventional housing. Thus it is reasonable to expect PBSA rent charges to be a higher proportion of income than would be considered acceptable for conventional housing.

3.0.5 The 2014 edition of the Office for National Statistic's Family Spending report shows that the average household spending on fuel (electric, gas and other household fuels) and water was £33.90 per week in 2013³. For a 38 weeks period these utility costs would be £1,288.2, which equates to 13% of a student's income of £10,295. Although the ONS Family Spending data is for households rather than individuals, it provides an indication of the costs of some of the utilities that are included in PBSA rent charges.

3.0.6 Therefore, taking into consideration the costs of the utilities and added services included in PBSA rent, the short term nature of student accommodation and the current average rent for standard rooms charged by London universities, it is reasonable to conclude that a student in London could spend 55% of their income on the cost of accommodation in PBSA.

3.0.7 To ensure the figure is up to date, the GLA can publish, in its Annual Monitoring Report, the annual rental cost for PBSA that is consider affordable for the coming academic year based on the following formula:

Annual rental cost for affordable PBSA in London \leq average student income * x 0.55

*Average student income = the maximum student maintenance loan for living costs and the maintenance grant for living costs available to a UK full-time student in London living away from home x 1.09

3.0.8 Therefore for the academic year 2014/15 the annual rental cost for affordable PBSA in London could be £5,662 or less.

³ Family Spending, 2014 Edition, ONS: Table A1 Components of household expenditure, 2013.

4. Provision and maintenance of affordable student accommodation

4.0.1 Following the principles of policy for conventional affordable housing the element of affordable student accommodation provided in a development could be the maximum reasonable amount subject to viability. Thus the percentage of student bedrooms provided as affordable student accommodation will vary case by case based on viability assessments.

4.0.2 On this basis the initial annual rental cost for the element of affordable accommodation should not exceed the level set out in the GLA's AMR for the relevant year based on the formula described in section 3. In following years the rental cost for this accommodation can be linked to changes in inflation as a measure by a nationally recognised index of inflation such as the as the Consumer Prices Index or CIPH. A review period, e.g. every 3 years, could be set to allow for recalibrating the affordable student accommodation to the level stated as affordable in the GLA's AMR.

4.0.3 The amount of affordable student accommodation provided in a development and its rental costs should be secured and managed through a s106 legal agreement for as long as the site is used for student accommodation.

5 Flexible approach to reducing cost of student accommodation

5.0.1 It has been suggested that to enable providers of PBSA to reduce the rental cost for students boroughs could consider allowing the use of accommodation during vacation periods for ancillary uses. Such uses could include providing accommodation for students on short-term education courses at any institution approved in advance by the borough. Conditions/s106 agreements would have to be attached to any planning permission to ensure that the ancillary use should not result in a material change of use of the building.

6 Allocating affordable student accommodation

6.0.1 Paragraph 3.53B of the Further Alteration of the London Plan only requires a provider to deliver affordable student accommodation when a provider has not entered into an agreement with a specified academic institution(s) relating to the use of the land or to its occupation by members of the educational institutions. Thus it would seem perverse to require the provider in these circumstances to enter into a planning agreement, which allowed the academic institutions to allocate the provider's affordable student accommodation. However, the University of London Housing Service provides a "ready made" allocation system for intercollegiate halls (PBSA), and the service could be use to fairly share the of affordable student accommodation between the member intuitions through a quota system.

6.0.2 Allocating the accommodation on the basis of means-testing students would be onerous for private providers as well as for a HEI, and it is arguable that there will be no planning based requirement to do so. HEI operate financial assistance funds and hardship funds and are consequently in a more informed position than a private PBSA provider to know which students are most in need of affordable student accommodation. Private providers may wish to utilise this knowledge a let HEI allocate students to their affordable accommodation.

6.0.3 Under this scenario, the choice of whether to allocate the element of affordable student accommodation in each development via a service operated by the HEI or directly will be left to the provider. Boroughs should require annual information on how the element of affordable student accommodation in each scheme is being allocated along with details of accommodation costs. The GLA could monitor the allocation of this accommodation and may issue revised guidance if deemed necessary.

January 2016 Addendum to Affordable student accommodation planning guidance discussion paper

Withdrawing the maintenance grant

In the July 2015 budget the Chancellor announced that the maintenance grant would be phased out with no grant being available for new students from the academic year 2016/17. The maximum available maintenance loan will be increased for new student studying in London and living away from home from £8,009⁴ in 2015/16 to £10,702 in 2016/17. The maximum income a student could receive in 2015/16 from the maintenance loan and maintenance grant is £9,702. The increase in the loan value represents a 10% increase in state-funded sources of support between August 2015 and 2016.

Measures of average student income

Given that inflation as measured by the Consumer Prices Index (CPI) rose only by 0.1% in the year to November 2015, it is unlikely that other elements of income for students identified in the Student Income and Expenditure Survey 2012 will increase by 10% between August 2015 and 2016. Thus if the Student Income and Expenditure Survey data becomes available for 2016 there is may be a discrepancy between average income for all London students found in the survey and an average student income based on the maximum maintenance loan. When new data becomes available the Mayor can take it into consideration when publishing, in his Annual Monitoring Report, the annual rental cost for PBSA that is consider affordable.

Consultation responses to the draft Interim Housing Supplementary Planning Guidance (SPG) highlighted that during the summer vacation a student on a 38 week contract with an accommodation provider would not be resident at the PBSA, and were likely to paying rent at their alternative residence as well as meeting their general living costs. Therefore, it would be unreasonable to take into account income earned during the summer vacation when calculating the average student income for the affordable student accommodation rent level.

To take account of these changes to student finance and consultation comments the average student income will be based on the maximum income that a new full-time student studying in London and living away from home could receive from the government's maintenance loan for living costs. No additional amount to account for income from summer vacation work will be added to the average student income.

Revised student income calculation

In the academic year 2016/17 average student income will be £10,702 (the maximum income a new full-time student studying in London and living away from home could receive from the maintenance loan). It is still considered reasonable that a student in London could spend up to 55% of their income on the cost of accommodation in PBSA. Thus the annual rental cost for affordable PBSA in London for the academic year 2016/17 is $£10,702 \times 0.55 = £5,886$ or less. For a 38-week contract this equates to weekly rent of £155.

⁴ The amount of maintenance loan that can be received will be reduced by £0.50 for every £1 of maintenance grant that a student is entitled to. Thus a student receiving the maximum grant in 2015/16 of £3,387 can only borrow a maximum maintenance loan of £6,315, giving a total income of £9702