

## **University of Worcester Response to the draft CIL Schedule**

**16 May 2016**

### **Background**

The University of Worcester is one of the fastest growing Higher Education establishments in the UK having had significant success in terms of recruiting high quality students and staff, delivering new buildings and contributing to the regional economy. Key highlights include;

- Applications to be a student at Worcester have more than doubled from 5,000 in 2005 to over 12,000
- Income has almost tripled from £29million in 2005 to £88 million in 2016
- Outstanding and inclusive facilities developed including the Hive, in partnership with the County Council, and the University of Worcester Arena
- Complete renovation of the derelict former Worcester Royal Infirmary buildings in the city centre
- Over £150 million invested in new and refurbished buildings
- Over 1,000 staff employed
- Over £250 million per year contributed by its staff and students into the local economy
- Over 10,000 students now study at the University of Worcester

The University is about to embark on a period of further growth with aspirations to increase its student population to over 15,000 within the next period. The availability of high quality student accommodation is a significant factor in attracting students to the University of Worcester. The market for student accommodation and university places is highly competitive; for the University to expand, and the City to continue to prosper, it is important that high quality, yet affordable, residences are available to meet the demand.

Over the past 5 years the University has concentrated on refurbishing its existing portfolio of accommodation; prior to this the University opened over 350 new rooms across the St John's and City Campuses in 2009. A further round of investment, including a significant expansion, in the University's residential accommodation is proposed.

The introduction of the CIL has the potential to impact on the University's, and others', ability to provide additional accommodation in the future, and hence potentially risk the growth prospects of both the University and overall City.

### **University Developments compared to Private (Commercial) Developments**

Since the government introduced the £9,000 tuition fee cap in 2010 and the removal of student number caps in 2015, students are increasingly focussed on both value for money and quality of facilities when deciding which University to study at. Comparisons against competitor institutions is inevitable as the Higher Education sector moves into this competitive environment.

Student accommodation plays a key role in a student's experience at University and the majority of first year undergraduate students chose to stay in Halls for at least their first year of study. The students, and their parents/guardians, see this as a key benefit, as not only does the University guarantee the accommodation provided will be of a certain standard, but it also provides a safe

community which is managed by the University and allows students to develop a community and form friendships which, in many cases, will stay with them for a lifetime.

The University's in-house well-being and pastoral care systems cannot be replicated by private developers and the links with the University's academic and social spaces allow a sense of "home from home" to be created.

### **The University of Worcester's approach to student accommodation**

The University is world renowned in its work for providing opportunities for those who may not ordinarily be able to study at a University and for the work it has undertaken in improving disability sport in the region and beyond. This work is exemplified in the articles shown below:

<https://hansard.parliament.uk/Commons/2016-04-12/debates/16041240000001/WorcesterUniversityArenaDisabledPeopleAndSport>

<http://www.worcester.ac.uk/discover/japanese-paralympic-committee-consults-university-of-worcester-to-help-create-legacy-for-tokyo-games.html>

The most recent phase of residential development, completed in 2009, saw the creation of residences which not only set a high standard in terms of the quality of the development but also pushed the boundaries in terms of accessibility. Unlike almost every other University development, the rooms created allowed for every room to be large enough for a wheelchair "turning circle" to be maintained in a standard room; this not only allows for wheelchair users to visit their friends in rooms that are not fully accessible but allows the rooms to be used by wheelchair users should they wish.

This exemplar in accommodation has meant the University has been able to accommodate large numbers of visitors with a range of needs at once. The most recent example was the European Wheelchair Basketball Championships, held in Worcester in September 2015, where over 400 disabled athletes were accommodated for almost 3 weeks.

With this inclusive approach the standard of accommodation is more expensive to build than is the norm for student residential developments. The most recent phase of development saw the average cost of constructing each student room at over £75,000; at the time many commercial developers were creating much smaller rooms, to maximise development potential and profits, at approximately £35,000 - £40,000 per room.

Although each standard room is 15m<sup>2</sup> the average gross area per room (when the total communal and circulation space is averaged out) is in excess of 30m<sup>2</sup> per room. A commercial provider tends to operate around the level of 24m<sup>2</sup> (including communal space).

If CIL had been applied to these developments they would have been un-viable, the resultant charge, based on 11,449m<sup>2</sup>, would have been in excess of £1.1 million at the £100/m<sup>2</sup> rate proposed.

The University strongly argues that to impose the CIL on University student accommodation not only jeopardises the financial viability of future development but also risks undermining the ground breaking work undertaken to date, where the University has gone against convention to provide more space not only to improve access but to appeal to the wider education conference market which brings many thousands of visitors to the City each year.

This approach has provided both the University and the City of Worcester with a growing reputation for inclusivity.

### **Delivery of New Build Student accommodation**

The nature of the work carried out by the University means it is unable to recover the majority of the VAT it incurs and therefore to try to partially mitigate this, the University contracts with a wholly owned trading (Development) subsidiary, UW Developments Limited, to engage with contractors to deliver the building projects.

Formal Development Agreements and Parent Company Guarantees are put in place to ensure financial probity and the University is charged for the services provided by UW Developments Limited. Any profits generated by the subsidiary are transferred back to the University via a charitable donation. The Development subsidiary will only deliver schemes related to the core activities of the University (i.e. educational and ancillary facilities – including residences). This scenario is common amongst both universities and housing associations across the country.

The relationship between UW Developments Limited is set out in a Memorandum of Understanding between the two parties – an extract of which is shown below:

- *To develop land and construct buildings (on behalf of the University) with the potential to either hold and operate as a going concern or sell as fully commissioned premises.*
- *This development and construction may include the purchase of land, design, site clearance, development and construction of new capital development projects.*
- *It will undertake this role in some cases developing University of Worcester assets but not limited to:*
  - *Contract with professional and construction service providers in the normal course of business, in accordance with agreed procurement procedures*
  - *To provide the relevant management information to University of Worcester as agreed and on request*
  - *Through the Nominated Officer to be accountable to the governors of the University of Worcester*

Furthermore, the Memorandum of Understanding states within the Financial Arrangements section:

- *UW Developments Limited is expected to return all profits to the University of Worcester by means of the deed of covenant*

It is also important to note that although the relationship between the organisations allows for either party to hold and control the land upon which a development is proposed, it has, in the majority of cases, been the University that has controlled the land and the delivery of the capital development has been wholly, or mainly, related to the University's charitable objectives – i.e. the advancement of education. In the case of student Halls, there would be a direct link to these

objectives where the accommodation allowed a student, who ordinarily did not reside close to the University to relocate for ease of study.

*The University seeks clarification that the delivery of new student accommodation through its wholly owned subsidiary is treated as a University development – the important factor being that the University is controlling the project through a Development Agreement and is backing the development through a Parent Company Guarantee. UW Developments Limited has no employees and its Board consists of University Executive staff thereby ensuring that the developments are conducted solely for the benefit of the University.*

### **University approach to rents**

The rent the University charges includes a number of additional items, such as IT/Wifi connectivity, utilities, personal contents insurance, use of University facilities, a contribution towards security costs and the welfare/pastoral care provided. The standard flat fee structure allows students, many of whom will be living away from home for the first time, to budget safe in the knowledge there are no 'hidden extras' and this allows them to concentrate on their studies and extra-curricular activities.

The University's accommodation contracts tend to be shorter than those offered by commercial providers which in turn reduces the annual rent liability faced by students. The University also signs up to the Universities UK Housing Code of Practice which provides a framework for the development and management of student Halls – this is not always the case when commercial providers operate student residences. (Though we would argue strongly that the commercial equivalent, ANUK <http://www.anuk.org.uk/>, is included as a condition of planning approval for any commercial providers entering the market).

Although the University is not required to generate a profit from its residential operations, it does seek to recover a contribution to meet overheads connected to the wider University's operations (in particular the financing costs associated with their construction), the imposition of the CIL would put the additional benefits the University contributes (such as health, education, student volunteering and facilities) at risk which would have 'knock-on' impacts on the growth of the regional economy.

### **Comment on the level of CIL proposed for Student Residential Schemes**

The University of Worcester objects to the imposition of a CIL at the rates proposed as they will render accommodation schemes unviable particularly given the University's aspiration to create exemplar facilities that are accessible to all.

The University is not aware of the detailed calculations used to underpin the assumptions made in establishing the rate proposed with the information provided in the supporting justification extremely light in terms of precise viability calculations and examples – we would welcome an opportunity to discuss the assumptions, both in terms of income and costs to ensure the CIL moves forward with more robust and representative information on viability. The assumed net income of £3,000 per room is, in the University's opinion, considerably exaggerated for all the reasons mentioned above. In addition, it is the University's current policy not to sign up to long term nominations agreements with commercial providers, which may be different with other universities in other towns and cities which also significantly affects wider values within the private sector.

The University was not consulted when the assumptions to be used in the modelling for the viability study were set (reference has been made to the University's website for accommodation prices but no assumptions are provided for length of rental agreements or a breakdown of the assumed running or funding costs for new developments).

It is also noted there is an assumption in the model of a student block consisting of 175 rooms. The University is unlikely to ever develop a 175 room development in one block as it would result in operational issues; although not confirmed in any University policy a development in excess of 150 units is unlikely to be considered. It is worth noting the largest development in a single block delivered to date is 104 rooms. Equally, we are not aware of any other major developments in the City of that scale or greater. This clearly impacts on the assumed capital values modelled.

It would also appear the model assumes an average (gross) room area of somewhere in the region of 23m<sup>2</sup>. The University's existing stock is currently at an average of 25.2m<sup>2</sup> which will increase as new, more accessible, developments come forward. (Our experience and estimate would now suggest 34m<sup>2</sup> for the reasons highlighted above). Should an offer from a private developer come forward the University would not accept lower space standards than those currently in its portfolio. This reduces the average assumed value put forward by at least 8%.

Further questions are raised around the assumptions made in the April 2016 Update Document; this implies the development of student accommodation is the most viable investment opportunity of those modelled. This viewpoint has to be questioned given the University's current stance in not issuing Nominations Agreements to private developers and therefore developers having to bear all risks associated with the development. As stated, this may be different in other locations but the CIL justification here needs to be specific to Worcester. The introduction of a Community Infrastructure Levy will inevitably increase the developer's cost which in turn reduce margins and profit and results in higher rents for students; which again has the potential to reduce margins due to increased levels of voids - worse still it has the potential to make Worcester a less attractive place to study impacting on the wider economic region.

Another potential impact worth emphasising as a consequence of new student developments being unviable is that more residential housing stock would be converted into Houses of Multiple Occupancy (HMOs) putting more houses out of reach of those seeking to acquire their own homes. The recent imposition of Article 4 Legislation in response to the spread of HMOs across the City highlights the potentially more challenging management issues and potentially more students bringing their own vehicles to Worcester to travel to and from their place of study – this will give rise to inevitable conflicts in neighbourhoods both around the University, where students live and in traffic generally around the City.

The Council confirms in its viability study that it has undertaken a review of the CIL rates charged by other Authorities. The University's view is that this point is irrelevant for the purposes of the statutory test in Regulation 14. The viability test is specific to the SWDP area only, what other authorities are charging is irrelevant, will be specific to the circumstances in that location and should not form the basis of any decision that affects the CIL proposed in this area.

### **The University's Charitable Position**

The University confirms it is an exempt Charity subject to the provisions of the Charities Act 2006. From 1 June 2010 the Higher Education Funding Council for England (HEFCE) became the principal regulator for all higher education institutions (HEIs) in England that are exempt charities; and are

therefore not required to register with the Charity Commission and does not have, nor does it require a Company or Charity Number.

It is the University's opinion that it is exempt from the requirement to pay the proposed Community Infrastructure Levy under the provisions of Regulation 43 because it is a charitable institution and the chargeable development will be used wholly or mainly for charitable purposes, namely the provision of education.

*The Charging Schedule should therefore make it clear that any accommodation provided by, or on Behalf, of the University is exempt from Community Infrastructure Levy.*

The University remains keen to work with the Local Authorities to ensure the objectives of the proposed Community Infrastructure Levy are met and ensure it is fully justified and supported by sound evidence, and therefore would welcome the opportunity to discuss the issues raised in this document and move towards preparing a Statement of Common Ground as the next part of the process.

## Community Infrastructure Levy - Draft Charging Schedule Consultation (1 April to 16 May 2016)

### Response Form

Please return by **5:00pm on Monday 16<sup>th</sup> May 2016** to:

**Post:** South Worcestershire Development Plan Team  
Civic Centre  
Queen Elizabeth Drive  
Persnore  
Worcestershire  
WR10 1PT  
**Email:** [contact@swdevelopmentplan.org](mailto:contact@swdevelopmentplan.org)

**Ref:**

(For official use only)

#### How we will use your details

The personal information you provide on this form will be held and processed in accordance with the requirements of the Data Protection Act 1998.

Please note that your name, postal address and comments may be made publicly available when displaying and reporting the outcome of this consultation and cannot be treated as confidential. Any other details, including signatures, private telephone numbers and email addresses will not be published on the Council's website, but the original representations with personal details redacted will be available in full for inspection on request.

#### 1. Personal details

|                                 |                         |
|---------------------------------|-------------------------|
| Title                           | Mr                      |
| Full name                       | Mark Evans              |
| Job title<br>(if applicable)    | Head of Estate Services |
| Organisation<br>(if applicable) | University of Worcester |
| Address                         |                         |
| Postcode                        |                         |
| Telephone<br>number             |                         |
| E-mail address                  |                         |

#### 2. Agent's details (if applicable)

|                        |
|------------------------|
| Mr                     |
| Jason Tait             |
| Director               |
| Planning Prospects Ltd |
|                        |
|                        |
|                        |
|                        |
|                        |

In parallel with the South Worcestershire Development Plan (SWDP), the South Worcestershire Councils (Worcester City, Malvern Hills and Wychavon District Councils) are synchronising the process of preparing a Community Infrastructure Levy (CIL). Following consultation on the Preliminary Draft Charging Schedule (PDCS) in February/March 2015, work to update CIL has been carried out and each authority now intends to submit a **Draft Charging Schedule (DCS)** in 2016 for Examination. The updated timetable changes are reflective of the latest Local Development Scheme timetable, which came into force on 1 October 2015.

The South Worcestershire Councils are therefore now inviting representations on the DCS, prior to submission.

Please submit your representation by using this form and answering the questions below. If you need to continue on separate sheet, please remember to state which question you are responding to.

**Question 1:** Do the South Worcestershire Council's Draft Charging Schedules strike an appropriate balance between the desirability of funding infrastructure from the Levy and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across the area?

|     |   |
|-----|---|
| Yes |   |
| No  | ✓ |

**Comment:**

Please see statement in response to Q.6

**Question 2:** Does the Regulation 123 list clearly and effectively set out the types of infrastructure that the South Worcestershire Councils intends will be, or may be, wholly or partly funded by CIL (or S106 agreements)?

|            |   |
|------------|---|
| <b>Yes</b> | ✓ |
| <b>No</b>  |   |

**Comment:**

No further comment

**Question 3:** Do you agree with the proposed CIL rates for each of the South Worcestershire Councils?

|     |   |
|-----|---|
| Yes |   |
| No  | ✓ |

**Comment:**

Please see statement in response to Q.6

**Question 4:** Do you agree with the proposed CIL rates for the specific strategic site areas?

|     |   |
|-----|---|
| Yes |   |
| No  | ✓ |

**Comment:**

Please see statement in response to Q6

**Question 5: Do you have any views on the proposed Instalments policy?**

**Comment:**

No comment

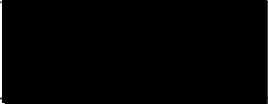
**Question 6:** Do you have any further comments to make? If so, please make your comments below, as clearly and concisely as possible. If you are referring to any particular text in the CIL DCS, please state the relevant paragraph number.

**Comment:**

Please see attached document – University of Worcester Response to the draft CIL Schedule dated 16 May 2016

Comments received will be acknowledged and registered and will then be carefully considered in preparing the final documents to go forward for Examination, prior to eventual adoption and implementation by the South Worcestershire Councils.

Signature

|                                                                                   |
|-----------------------------------------------------------------------------------|
|  |
|-----------------------------------------------------------------------------------|

Date

16/05/2016

Responses to this consultation should be sent to the e-mail contact address and/or postal address shown at the top of this form. Please ensure all responses are marked for the attention of the South Worcestershire Development Plan Team.

**Representations must be received by 5:00pm on 16 May 2016. Any representations made after that date and time will be considered “Not Duly Made” and will not be taken into account.**

Thank you for completing the form.