

Resources PDS Panel 20th January 2016

Liability to Council Tax and Business Rates for Student Accommodation

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Background

This report focuses on the financial and legal requirements for Council Tax and National Non Domestic rates as they currently apply to Student related accommodation.

This issue was first raised at a full Council Meeting in November 2014, when a motion was proposed by the Independent Group whilst Council considered the approval of the Council Tax Support Scheme and Tax base calculations for the year 2015/16. A copy of the Motion is reproduced at **Appendix 1**.

This has now been deferred to the Resources PDS Panel to consider the issues and discuss what actions may need to be taken.

Classification of properties between Domestic & Commercial

- The Valuation Office Agency (VOA) is an executive Agency of HM Revenue And Customs and they have the responsibility for valuing properties for the purposes of council tax (domestic properties) and non-domestic rates (commercial properties).
- The VOA is governed by legislation which dictates the classification of a particular property and whether it ultimately attracts a liability for Council Tax or Business rates. The key to whether a property is deemed domestic or commercial relies on the definition of a dwelling as defined within Section 3 of the Local Government Finance Act 1992
- A dwelling is referenced from the now repealed General Rate Act 1967 in which it is defined as a hereditament which is used wholly for the purposes of a private dwelling or private dwellings.
- The Valuation Office Agency has determined that student accommodation is a residential dwelling, and is entered onto the council tax valuation lists accordingly.
- Any household that consists solely of full-time students (that is students studying for at least 21 hours each week for a calendar or academic year) is exempt from paying council tax.

Council Funding

- Up to 2013/14, the Local Government Funding system did recognise, to a degree, the exemption of student dwellings from paying Council Tax via a “resource equalisation” adjustment mechanism.
- In simple terms, an authority with lots of student exemptions would have a lower Council Tax base and therefore generate lower Council Tax income from which to fund services, so this would be “equalised” through higher government grant funding.
- By way of illustration, based on 2,833 dwellings occupied as student HMO’s, assuming these were all Band C rated properties for Council Tax purposes, The Council could have been receiving around £3m in Council Tax if these were not treated as exempt dwellings. The government grant calculations are extremely complex and it is no longer possible to track through specific elements of funding.
- The grant position was effectively fixed in 2013/14 following changes to the Local Funding System and the element of “resource equalisation” will not be updated until government undertakes the next “reset”, currently planned for 2020. Therefore the Council’s general grant funding will continue to reduce in line with government spending reductions. Following the latest budget statement RSG is being eroded even quicker than originally envisaged and there will be a large reliance on National Non Domestic Rate funding to cover local expenditure requirements.

New purpose built Student Accommodation does count towards the New Homes Bonus payments. The government is currently consulting on the future of the NHB with a proposed reduction of £800m (over half) nationally starting from 2017/18. The “introduction” section of the consultation document linked below provides some more detail:-

New Homes Bonus Consultation:

[https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/487095/151217 - nhb_draft_condoc_published_version.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/487095/151217_-_nhb_draft_condoc_published_version.pdf)

Changes in Legislation

- Any change in the position highlighted above in respect of Council Tax and Business Rates chargeable on Student Accommodation would require Government to agree to amend the relevant legislation.

There may be an opportunity to review this through devolution conversations.

Relevant Housing Statistics (*As provided Nov 2014*)

- Within B&NES there are around 6,310 HMOs (B&NES House Condition Survey 2012)

- Research indicates that within Bath 2,833 dwellings are occupied as student HMOs, housing around 11,300 students. This figure excludes purpose built accommodation & on-campus provision. (B&NES Local Plan: Student Numbers & Accommodation Requirements 2011-2029)
- 7% of the city stock is estimated to be occupied as student HMOs which is significantly higher than most other towns/cities. (B&NES Local Plan: Student Numbers & Accommodation Requirements 2011-2029)
- The Universities housing needs are forecast to grow by 3,200 by 2021 and stabilise thereafter to 2029. Most of this demand will be met by purpose built accommodation & on-campus provision.
- Article 4 Planning Directive introduced to mitigate against the concentration of HMOs being experience in some areas & additional HMO licensing introduced to improve housing conditions within the sector.