

## **Student Council Tax exemption - Business rates retention**

This is the text, prepared by FoBRA, which is being sent to DCLG by the National Organization of Residents' Associations (NORA) in response to the Department's 2<sup>nd</sup> Nov request for comment on Student Council Tax exemption and Business rates retention - "Communities and Local Government Committee launches inquiry into the implementation of 100% business rate retention":

"In 2015 the Government relaxed restrictions on the rate at which Universities in England can increase their student numbers. Since then some Local Authorities hosting Universities in their areas have suffered a dramatic fall in revenues. Students are exempt from paying Council Tax. Universities that have undergone significant expansion have increased the proportion of those who are exempt from paying Council tax in the general population. Students are also displacing residents who do pay this tax because, in the short to medium term, the number of residential properties is finite. Also many property owners find it more profitable to buy and/or convert properties for renting to students than to occupy them or rent them to local residents. Many Universities are unable or unwilling to house their additional student numbers on campus, leaving it to nearby towns and cities to make this provision. The result is that, in for example Bath, student numbers now exceed a quarter of the permanent population.

The fall in revenue is made worse by the concurrent removal of the Revenue Support Grant (RSG) which was supposed to compensate local authorities in areas with high student populations. It is therefore of vital importance to these local authorities that they are able to retain business rates generated in their areas as soon as possible to provide them with an alternative to RSG compensation.

Bath and North East Somerset Council provides a good example of this problem. For the period 2015-20 it announced cuts of £43M in February 2016 and a further £16M in October 2017. This is a substantial sum and will have serious implications for services to vulnerable groups. At least £20M of these cuts result from a shortfall in revenue arising from student Council Tax Exemptions in the manner described above. This shortfall has risen rapidly every year since 2013 and may well rise substantially more in the period 2020-25 as the two local Universities, the University of Bath and Bath Spa University, continue with their ongoing expansion plans. Even this does not take into account the large numbers of purpose-built (and highly profitable) off-campus student accommodation blocks which have recently gone up all over Bath. These yield no income for the Council and remove valuable land that could have been used to address the city's growing housing crisis. The pressure on the University of Bath to expand even further can only increase if its Vice Chancellor has to be seen to be doing more to justify her very high salary (£450,000 per annum, plus perks)."

11<sup>th</sup> Nov 17