

# Nothing going on but the rent

How to approach rent discussions for 2022/23



**WONKHE**  
SUs



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# Students and rent

- Single biggest expenditure line for those that do
- Quality, location and price all now under pressure
- No attempt at quantifying size and shape of the problem either by city or by country
- Theoretical and legacy role for SUs in being consulted over rent increases or pricing
- Exertion of control over 1<sup>st</sup> year accommodation but ideally off-balance sheet and able to be scaled
- Market that doesn't work for students





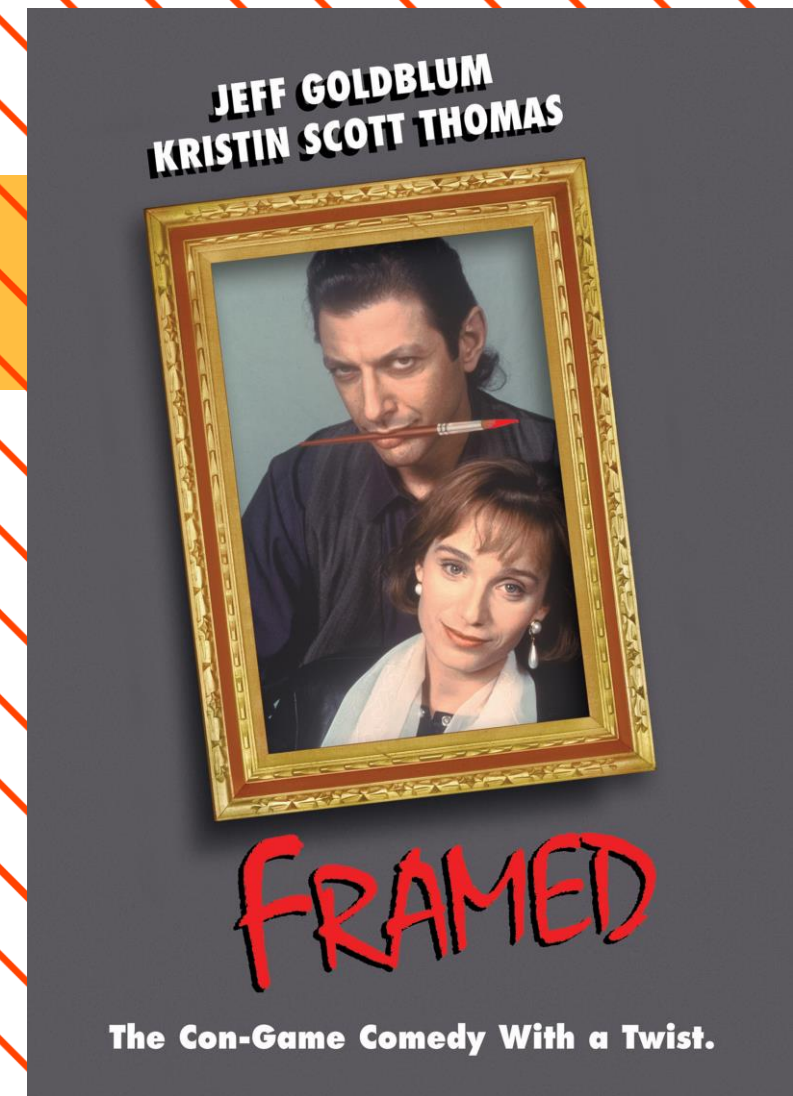
# A slow moving crash...

- End of commercial utilities fixes
- Lots of PBSA investment models assumed rich international students
- Some university (OBS) PBSA assumed inflation
- HMOs – the end of all-inclusive and the impossibility of estimating energy costs
- No incentives in HMOs to improve energy efficiency and delays to renters reform bill
- Supply down, demand up (esp for family) = hugely inflated costs



# Fun with frames

- The three main frames for pre-ambling and then encouraging decision makers to judge a proposal are usually:
  - The actual costs being faced by the university (including the need to invest or perform long-term maintenance)
  - Competitor analysis
  - Demand analysis
- There is also affordability...



# Things you'll need

- Occupancy rates
- Deals with partners
- Pricing of rooms across the portfolio
- Contract length details
- The I&E for last year and the draft budget
- The university's stat accounts
- Anything that has come up at BoG/University Council on this
- HESA income and expenditure on residences





# Expenditure breakdown by activity and HESA cost centre

Data is displayed for the cost centre indicated in the HESA cost centre drop-down box. For a total of all cost centres select '207 Total research grants and contracts'.

## Expenditure - breakdown by activity and HESA cost centre

Academic years 2015/16 to 2021/22

Academic year 2020/21 ▾

Financial Year End All ▾

Search by HE provider

Country of HE provider All ▾

Region of HE provider All ▾

HESA cost centre group Residences and catering operations (including conferences) ▾

HESA cost centre Residences operations ▾

		Activity (£000s)							
	Financial Year End ↑	Academic staff costs ↑	Other staff costs ↑	Total staff costs ↑	Restructuring costs ↑	Other operating expenses ↑	Depreciation and amortisation ↑	Interest and other finance costs ↑	Total expenditure ↑
AA School of Architecture	2021-07-31		0	0		0	0	0	0
The University of Aberdeen	2021-07-31		1,472	1,472		1,353	2,275	1,781	6,881
Abertay University	2021-07-31		232	232		177	138	0	547
Aberystwyth University	2021-07-31		4,050	4,050		3,531	1,377	0	8,958
ACM Guildford Limited	2020-08-31		0	0		0	0	0	0
Academy of Live and Recorded Arts	2020-08-31		0	0		0	0	0	0

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Room type	Weekly rent 2015-16	Cost per person 38 week licence
Crome Court (postgraduate only)	£143.08	£5,437.04
En suite single on campus (Britten House, Browne House, Colman House, Constable Terrace, Kett House, Nelson Court, Paston House, Victory House)	£131.88	£5,011.44
En suite single in the Village	£114.92	£4,366.96
Two bedroom unit (Nelson Court, Constable Terrace)	£117.70	£4,472.60
Standard single (Norfolk Terrace, Suffolk Terrace)	£102.83	£3,907.54
Standard single (Orwell Close, Wolfson Close)	£81.62	£3,101.56
Standard single (Mary Chapman)	£78.47	£2,981.86
Standard twin (sharing) (Norfolk Terrace, Suffolk Terrace)	£70.70	£2,686.60
Standard twin (shared to sole use) (Norfolk Terrace, Suffolk Terrace)	£109.20	£4,149.60
Standard twin (sole use) (Norfolk Terrace, Suffolk Terrace)	£115.85	£4,402.30

Accommodation Supply and Demand Comparison

Introduction

This document is divided into the following sections:

Section 1 - sets out the accommodation guarantee for students starting in [September](#).

Section 2 - gives the profile of the students living in residences on 5 [November](#).

Section 3 - reports the first preferences of new students in September who applied for accommodation through the on-line application process. Comparisons are made between first preferences and the availability of the types of accommodation concerned.

Section 4 - looks at the [mis-match](#) between the demand for standard rooms and their availability, with [particular reference](#) to undergraduates.

Section 1: The accommodation guarantee

The following categories of single student joining in September were guaranteed accommodation in residences subject to meeting given deadlines:

- New first year undergraduates not living within 12 miles of the University accepting us as their firm choice.
- Visiting and exchange students (excluding Erasmus students).
- New overseas [fee paying](#) postgraduates

Late availability of rooms this year meant that it was also possible to offer a small number of rooms to some students in categories outside the guarantee:

- Insurance offer holders (all)
- Students joining via Clearing (all)
- UK and EU postgraduate students
- Erasmus students
- New undergraduates who live within a [12 mile](#) radius of the University
- Returning undergraduates

101 students in non-guaranteed categories were allocated to rooms in the managed houses.

Section 2: profile of the students living in residences on 5 November 2015

New	Home	EU	Overseas	Total
UG	2485	193	375	3053
PG	29	12	602	643
Visit/Exchange	0	6	151	157
Total	2514	211	1128	3853
Returning	Home	EU	Overseas	Total
UG	40	9	59	108
Total	40	9	59	108

# Demand

- Can influence recruitment
- Evidence shows students prefer expensive... but then



# Out of control

- Some "university" accommodation was refurbished by an external (ie UPP, BB) who has an inbuilt rent ratchet in the agreement
- Some "university" accommodation is really a "hard" nominations agreement where university gets supply for its "guarantee" in exchange for underwriting numbers and occupancy
- Where there is a mix the above can act as a limiter/anchor on what (else) is possible



# Affordability

- “Student” inflation
- International students – pricing sensitivity by country, advance warning and the Home Office threshold(s)
- Home domiciled students - Current or YOY increases to basic student maintenance, links to intel in any access and participation discussions (ie SLC service on income bands of entrants), hardship figures, survey data



## Rent v Student Finance over 5 years- worked example:

### 2013 Student Finance and Rent

Max Grant: £3,387

Max Loan: £5,555

38 Week Standard Single Campus: £2,734

Remainder: **£6,208**

38 Week En suite campus: £3,306

Remainder: **£5,636**

### 2018 Student Finance and Rent

Max Loan: £8,700

38 Week Standard Single Campus: £3,406

Remainder: **£5,294**

38 Week En suite campus: £5,581

Remainder: **£3,119**



# Inflation

There are lots of versions of inflation:

- CPI: the consumer prices index
- CPIH: the consumer prices index plus owner-occupiers' housing costs (rental equiv)
- RPI: the retail prices index (includes mortgage interest payments)

There are multiple ways of doing the snapshot

- Almost all YOY
- What inflation is today
- What inflation has been this year
- What OBR thinks inflation will be in the future



# Competitors

**Self-Catered Contracts - Standard rooms**  
**Weekly**

University	Single room rents		Contract length (wks)
	per week	per annum	
Bristol	128.00	5,514	43.00
Liverpool	121.10	4,723	39.00
Glasgow	110.60	4,313	39.00
Edinburgh	106.05	3,924	37.00
Kent	106.05	4,136	39.00
Leeds Beckett	105.17	4,415	41.98
Exeter	104.51	4,180	40.00
Manchester	104.00	4,160	40.00
Lancaster	103.25	4,145	40.00
UEA	102.83	3,908	38.00
Queens Belfast	101.00	3,838	38.00
Birmingham	100.00	4,218	42.00
Sheffield	98.77	4,148	42.00
Nottingham	98.40	4,329	44.00
Newcastle	96.88	3,681	38.00
Nottingham Trent	95.41	4,198	44.00
Keele	94.01	3,478	37.00
Cardiff	92.96	3,599	39.00
Loughborough	91.41	3,565	39.00
Leeds	87.97	3,695	42.00

**Self-Catered Contracts - Standard rooms**  
**Annual**

University	Single room rents		Contract length (wks)
	per week	per annum	
Bristol	128.00	5,514	43.00
Liverpool	121.10	4,723	39.00
Leeds Beckett	105.17	4,415	41.98
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# Four stages

1. Establishing the extent to which the net position can be reduced for the foreseeable future.
2. Determining (and sometimes challenging) the apportionment of costs to the income (ie rent) which generates the net position.
3. Identifying any reductions in expenditure that could be applied on the basis that students can go/do without the item if it means lower costs.
4. Identifying any reprofiling of income that could be possible between rent payers (robin hood) or between tenants and conference delegates.





## Rent setting: Background

In the discussions leading up to the decision to build the new group of residences, consideration was given to the possibility of a private sector developer building and subsequently managing the new accommodation in return for which the University would receive a substantial capital sum.

The SU of the day was strongly opposed to that approach, supporting those who argued that the University should raise the finance, undertake the construction and retain future control of the new residences. The University agreed on the understanding that the residences would be required to generate annual cash surpluses for the benefit of the University.

The Residences budgets have since assumed a 3.4% increase in rental income year-on-year, as required by the then Policy and Resources Committee, the predecessor of the current Finance Group. This assumption is built in to the University's overall financial position.

Given the current level of general inflation and the acknowledged opposition of the Union to further rent increases, ET(R) was recently asked to re-consider the requirement for a 3.4% increase in rents for next year. Specifically, they were asked to consider:

- A rent freeze.
- An increase below 3.4%.
- Whether, in the event that they insisted on a 3.4% increase, the surplus generated could be retained within the Residences account to increase the amount available for refurbishment.

ET(R) confirmed that they wished to continue to secure an income stream for the University from the residences rents for reinvestment in the University. They noted the Union's views on affordability and also the likely need for increased spending on long-term maintenance/refurbishment but confirmed that they require higher increases than 3.4% on rental income in the next two years. |

# Net position

- The assumptions around surplus are not at all universal, more likely about history and inertia
- (If you made 10m last year it's hard to move to 1m next year, and vice versa)
- Surplus involves users of a thing funding uni stuff for everyone
- Strategically, if the government is reducing (in real terms) student support and international students have less money, over time generating surplus from student charges (accomm, printing, catering, gyms etc) is harder and harder
- This is a governance level decision and middle managers need to know they can vary the BRHC figure (either temporarily or over time)



# Calls to end 'hidden' rent surplus

● SU says university making a profit of 1.k per student ● UEA says money is reinvested, defends rent



Matt Nixon  
News Editor

The students' union will launch a campaign on what they call 'ever growing' rent costs. The SU claim the university made a profit per head of over £1,200 from campus accommodation last year.

However, a spokesperson for UEA said: "The university is not-for-profit, but does need to generate surpluses in order to reinvest in maintaining and improving our facilities."

The union suggested between 2016-17 the university made an

overall profit of \$5.8m, which they claim is £1.3m more than the university projected.

An SU spokesperson said: "It's now clear that if the university had frozen rent for this year they would still be on track to make their budgeted increase in profit. [sic] Few students would know or believe that the surplus per student made out of halls on campus is £1,200 - and as such that is hidden."

UEA disagree that there are 'hidden costs' to campus accommodation, as rental fees are published.

A spokesperson added: "Last year the University worked closely

with the solicitors to reduce the planned rent increases by 3 percent for 2017/18 and that reduced rate is also the proposed increase for 2018/19."

**"The university is not-for-profit, but does need to generate surpluses in order to reinvest"**

The SU will ask UEA to freeze rent at 17/18 levels for the next

academic year.

SU Campaigns and Democracy Officer Jack Robinson said: "The cost of rent on-campus is basically a cartel which has seen profits skyrocket to over £1k per student. Not only is this unaffordable, but it's helping to hike up the cost of private accommodation in the City."

"We've ended up in a situation where the student funding package barely covers accommodation, but a surplus from it is funding the Uni's budget."

The SU hope this will lead to a reduction in costs. However, UEA have defended the price of accommodation on campus, and

are encouraging more large-scale private options in Norwich.

A spokesperson explained: "Over the past three years UEA has directly invested £61.2 million in building new on-campus student accommodation. [sic] Having increased on-campus bedrooms by 746 over the past three years, the University continues to plan for more on-campus accommodation (c 500 beds) on land next to Barton House and Hickling House, to be developed and run by a private provider."

University accommodation presently ranges from £53-153 per week.

## Lecturers to vote on strike action

Emily Hawkins  
Editor-in-Chief

Staff at UEA will decide whether to take strike action against a new staff pension scheme in a vote.

The union which represents university staff, the Universities and Colleges Union (UCU) oppose a new scheme proposed by the body representing university employers.

Universities UK (UUK) intend to change the system from a defined

benefits scheme to what they call a "market-leading" defined contributions scheme.

In the present system, the state of the market does not impact the amount an employee receives when they retire and the employer takes on investment risk. However, the new system places any financial risk or reward on the employee.

If the vote passes, a day of industrial action will take place in February.

Vice-Chancellor Professor David

Richardson said: "As an institution, the University does not want to see the interests of our students harmed in any way by industrial action and we would urge colleagues to consider these important pension matters fully and to take the time to make an informed decision."

Nadine Colledge, Postgraduate Officer for UEA's students' union, said she supported academics on the issue. She said: "Given the derogatory pay settlements awarded to academics over the past few

years, proposals from the national employers body on pensions are a real Christmas kick in the teeth to the horses here at UEA who teach us."

"Neither students nor academics want this to get as far as industrial action, so we would urge UCUA (who represent universities nationally) to ease down the aggressive rhetoric and get round the table to do all they can to come to a settlement."

Alastair Jarvis, Chief Executive of Universities UK, said the change is

needed for long-term sustainability.

"Change is needed to address the scheme's deficit and the rising cost of future pensions. Our proposals for reform will tackle the scheme's funding challenges so that universities can continue to offer attractive pensions benefits to staff," he said.

The option of no reform would be a dangerous gamble that employers are unwilling to take."

Continued on page 6



# Calculated...

- Budget consistently undercooked income and overcooked costs
- Historical analysis for more than one year
- In year divided projected surplus by bedspaces
- More than intended / bedspaces
- Surplus / bedspaces



<u>Rent Accounts</u>						
			<u>21/22 Forecast</u>		<u>22/23 Draft Budget</u>	<u>23/24 Estimate</u>
<b>Rental Income</b>		-	<b>32,354</b>	-	<b>32,997</b>	<b>33,783</b>
<u>Building Costs</u>						
Depreciation			2,349		2,326	2,326
Interest Payable			4,803		4,804	4,804
Rent/Costs Payable to 3rd Parties			16,136		17,073	17,859
			<b>23,289</b>		<b>24,204</b>	<b>24,990</b>
<u>Running Costs</u>						
Facilities Management			201		251	261
Services			3,942		3,230	3,359
IT, Internet, Phone			278		366	380
Utilities			1,068		1,071	1,231
Furniture			200		200	200
Long Term Maintenance			2,200		2,200	1,650
			<b>7,889</b>		<b>7,317</b>	<b>7,081</b>
<u>Support Costs</u>						
Housing Team			702		735	765
Residence Advisers			437		400	416
University Overheads			1,279		1,269	1,320
Marketing			29		30	31
Legal			30		20	21
Student Support			31		61	63
Community Ambassadors/Marshals			-		15	16
			<b>2,508</b>		<b>2,530</b>	<b>2,631</b>

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# Remember

- My new bike costs me £100
- It will last me 10 years
- If I charge all £100 to year one it makes that year look bad and the subsequent years look good
- So I split the cost and put it in as depreciation
- That helps me save up for a new one
- What if they're more expensive in the future?
- What if they'll last longer?
- Remember a 0 net budget with £10,000 for depreciation generates £10k cash surplus
- And if I share my bike with Livia...

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# Reductions?

## Residences Approved Plan (Planning period 2016-17 through 2020-21)

	2020-21 ACTUAL	2021-22 ACTUAL	22-23 EST OUTTU	2023-24	2024-25	2025-26	2026-27	2027-28
<b>Income</b>								
Student Accommodation~	16,065,266	17,813,458	19,439,219	22,586,299	23,329,366	24,090,970	24,877,931	25,379,860
Accommodation Office Other Income*	34,199	8,912	21,061	18,760	18,760	18,760	18,760	18,760
Conference Income	(231)	232,713	193,175	218,242	223,327	228,530	233,855	233,855
Deferred Capital Grant Release**	51,189	51,189	0	0	0	0	0	0
<b>Total Income</b>	<b>16,150,422</b>	<b>18,106,272</b>	<b>19,653,455</b>	<b>22,823,301</b>	<b>23,571,453</b>	<b>24,338,260</b>	<b>25,130,546</b>	<b>25,632,475</b>
<b>Payroll Costs (Accommodation office)</b>	(314,648)	(341,674)	(362,258)	(432,684)	(439,808)	(447,024)	(451,626)	(456,142)
<b>Non payroll Costs</b>								
Reactive Maintenance	(938,448)	(1,258,392)	(1,717,361)	(2,202,447)	(2,171,799)	(2,217,764)	(2,264,268)	(2,327,561)
Utilities	(1,453,997)	(1,571,398)	(1,234,392)	(1,603,882)	(1,696,509)	(1,781,337)	(1,870,404)	(1,963,925)
Cleaning	(1,905,407)	(1,961,494)	(1,936,870)	(2,370,814)	(2,425,159)	(2,480,654)	(2,537,326)	(2,596,448)
Conferences Internal Income	294,247	59,497	60,883	62,302	63,753	65,240	66,760	66,760
Conferences Cleaning	(169,760)	(141,435)	(125,347)	(264,977)	(271,151)	(277,469)	(283,934)	(290,549)
Accommodation Office	(95,634)	(257,275)	(342,337)	(145,958)	(143,329)	(161,113)	(149,618)	(158,679)
City centre Lease	(133,772)	(135,938)	(131,480)	(135,938)	(135,938)	(135,938)	(135,938)	(135,938)
Other internal recharge income	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Long Term Maintenance	(2,458,054)	(2,956,530)	(2,192,117)	(2,378,202)	(2,559,157)	(2,643,038)	(2,704,620)	(2,956,300)
Interest‡	(3,428,987)	(3,931,326)	(4,163,746)	(4,621,790)	(4,633,159)	(4,374,885)	(4,087,950)	(4,092,561)
Depreciation†	(3,364,516)	(3,746,804)	(3,225,537)	(4,227,993)	(4,227,993)	(4,227,993)	(4,227,993)	(4,227,993)
Exceptional Items (House sales & Private sector houses)	452,350	256,707	(340,491)					
<b>Total Expenditure</b>	<b>(13,516,626)</b>	<b>(15,983,062)</b>	<b>(15,708,052)</b>	<b>(18,319,383)</b>	<b>(18,637,249)</b>	<b>(18,678,974)</b>	<b>(18,643,917)</b>	<b>(19,136,337)</b>
<b>Net Surplus</b>	<b>2,633,797</b>	<b>2,123,210</b>	<b>3,945,403</b>	<b>4,503,918</b>	<b>4,934,204</b>	<b>5,659,286</b>	<b>6,486,629</b>	<b>6,496,138</b>

# Reductions?

## Residences Approved Plan (Planning period 2016-17 through 2020-21)

	2020-21 ACTUAL	2021-22 ACTUAL	22-23 EST OUTTU	2023-24	2024-25	2025-26	2026-27	2027-28
<b>Income</b>								
Student Accommodation~	16,065,266	17,813,458	19,439,219	22,586,299	23,329,366	24,090,970	24,877,931	25,379,860
Accommodation Office Other Income*	34,199	8,912	21,061	18,760	18,760	18,760	18,760	18,760
Conference Income	(231)	232,713	193,175	218,242	223,327	228,530	233,855	233,855
Deferred Capital Grant Release**	51,189	51,189	0	0	0	0	0	0
<b>Total Income</b>	<b>16,150,422</b>	<b>18,106,272</b>	<b>19,653,455</b>	<b>22,823,301</b>	<b>23,571,453</b>	<b>24,338,260</b>	<b>25,130,546</b>	<b>25,632,475</b>
<b>Payroll Costs (Accommodation Office)</b>	(314,648)	(341,674)	(362,258)	(432,684)	(439,808)	(447,024)	(451,626)	(456,142)
<b>Non payroll Costs</b>								
Reactive Maintenance	(938,448)	(1,258,392)	(1,717,361)	(2,202,447)	(2,171,799)	(2,217,764)	(2,264,268)	(2,327,561)
Utilities	(1,453,997)	(1,571,398)	(1,234,392)	(1,603,882)	(1,696,509)	(1,781,337)	(1,870,404)	(1,963,925)
Cleaning	(1,905,407)	(1,961,494)	(1,936,870)	(2,370,814)	(2,425,159)	(2,480,654)	(2,537,326)	(2,596,448)
Conferences	294,247	59,497	60,883	62,302	63,753	65,240	66,760	66,760
Conferences C	(169,760)	(141,435)	(125,347)	(264,977)	(271,151)	(277,469)	(283,934)	(290,549)
Accommodation O	(95,634)	(257,275)	(342,337)	(145,958)	(143,329)	(161,113)	(149,618)	(158,679)
City centre Lease	(133,772)	(135,938)	(131,480)	(135,938)	(135,938)	(135,938)	(135,938)	(135,938)
Other internal recharge in the	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Long Term Maintenance	(2,458,054)	(2,956,530)	(2,192,117)	(2,378,202)	(2,559,157)	(2,643,038)	(2,704,620)	(2,956,300)
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<b>Net Surplus</b>	<b>2,633,797</b>	<b>2,123,210</b>	<b>3,945,403</b>	<b>4,503,918</b>	<b>4,934,204</b>	<b>5,659,286</b>	<b>6,486,629</b>	<b>6,496,138</b>



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# Distribution

- The Robin Hood approach assumes the net position can't change, but then identifies some rents that could go up, and then identify others that can go down or be held.
- SUs that have done this have argued that the distribution of rooms should either match demand, or affordability (demand and affordability are not the same thing)



# £3.7m rent reduction for students from disadvantaged backgrounds

Published on 18 June 2019



Crown Place

The University and Liverpool Guild of Students have signed a new Memorandum of Understanding that will introduce the single largest rent reduction for students from disadvantaged backgrounds in Higher Education.

Over the next four years, the MOU will see an estimated rent reduction of £3.7 million\* for University of Liverpool students in receipt of the full or partial Liverpool Bursary and all other central Widening Participation Bursaries such as estranged students, Young Adult Carers and Care Leavers. This is the largest ever rent reduction for University owned Halls of Residence.

The MOU sets out the parameters that the University will follow when it sets the Residential Fees for University Owned Accommodation each year.



# First principles

When a university recruits a full time, in-attendance student who:

a) is home domiciled and living away from home (or independently and not from the area), or

b) is an international student,

...we might assume a need for that student to be able to find accommodation at:

a) a reasonable cost relative to the income they can access

b) a reasonable distance from the campus where the programme is based, and

c) at a reasonable standard of quality and safety to enable living and study.

Previous assumption was worry about first year UG and market will take care of rest



# A strategy for the area?

- Demand and supply
- Joint with other universities
- Types of accommodation (ie family)
- Price points of bedspaces (including guesstimates on energy costs)
- As accurate as possible and place based

# What if the market can't?

The key questions might well be:

- Should we try to prevent that situation from happening?
- If so, who should be given the power and responsibility to do so?
- And what should they actually... do (or be supported to do)?

# Prevent?

- Influence supply?
  - Takes time
  - Go further? Flexibility and timetabling
  - Residential in bursts? Block teaching?
  - Hosts?
- Influence demand
  - Switch to commuters
  - Frozen student numbers or slower growth
  - “Well we told them”



# Nothing going on but the rent

How to approach rent discussions for 2022/23



**WONKHE**  
SUs

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