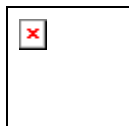


STATES HOUSING RENTAL SCHEME: REVISION

**Lodged au Greffe on 26th February 2002
by Deputy A. Breckon of St. Saviour**



STATES OF JERSEY

STATES GREFFE

150

2002

P.29

Price code: B

PROPOSITION

THE STATES are asked to decide whether they are of opinion -

to request the Housing Committee to reconsider its policy on the States Housing Rental Scheme and to restrict increases in States rentals, and associated charges, to a maximum of 2.5 per cent a year for the three-year period commencing 1st April 2002.

DEPUTY A. BRECKON OF ST. SAVIOUR

REPORT

Inflationary?

The States, in general terms, have made a commitment to look at inflation with the (some) hope of reducing it. I seriously question this against the proposals of the Housing Committee to increase rents and charges by amounts in excess of three times the rate of inflation and this, apparently, is supported by the Finance and Economics Committee, who are leading the fight against inflation - I am not convinced that they realise the full consequences of their actions.

I do not believe the wider financial and economic implications have been fully considered, as increasing residential property rentals in any sector of the market has a knock-on effect and other prices will move upwards accordingly: those who think otherwise are naïve in the extreme - and not living in the real world - look at most recent history - what has happened?

States Rental abatements and private sector subsidies have nearly trebled in 11 years from £7.66 million in 1991 to over £20 million in 2002 (see Appendix D) who is benefiting?

The overall economic significance of what is being proposed has, I believe, been lost on those who are making and supporting these proposals. They believe it is only going to affect a few high earners and can be dismissed as a small movement in the Retail Price Index - it has far more significant consequences than that for the general economy.

I believe property and rental price inflation is **THE** single biggest cause of general inflation.

A quick glance at the Guernsey States Rental levels (note this is based on **50** weeks- *see* Appendix B) shows that they are less than half of the Jersey levels (*see* Appendix A). For some time, Guernsey's inflation rate has been less than that of Jersey. I believe there is a direct link between the increase in property rentals, residential and commercial, and the general knock-on effect on inflation.

Tax differences

Figures shown in the annual Budget book regularly show how much better off in Jersey people are, compared with Guernsey, the Isle of Man or the United Kingdom. However, this does not show how much worse off they are when they are hammered by higher rents and property prices.

Where does the money come from?

People who need more money to buy or rent accommodation need to get it from somewhere, in wages, salaries or ever-increasing subsidies - when and where will it all end?

An estimated £50 million is given (or paid) annually in housing subsidies, more than half without any means test- is this sustainable?

Capping mortgage relief?

I have for many years tried to do something about unlimited mortgage tax relief (by capping), but to date this has not translated into positive action to stop the giving of subsidies to those who under any other criteria would not qualify for "benefits".

More affordable homes required

I do not believe that the States have addressed the very real problems associated with the increase in population, by providing more affordable homes to rent and buy, therefore I believe that it is inappropriate to continue to bring forward policies which penalise the very people that we should be encouraging to play a full and active part in the community.

It is, I believe, inappropriate to penalise those who have little or no choice or influence over their sometimes very difficult housing situations which are not of their making.

I do not believe that the logical answer is to continue to increase prices to address what is a much wider problem.

This proposition has no manpower implications and the financial effect could be beneficial for the public purse and the economy.

Attached Appendices

- A Jersey minimum/maximum States Rents - proposed from April 2002
- B Guernsey minimum/maximum States Rents - proposed from 4th May 2002 (increase of 2.6 per cent)
- C Isle of Man information - extract from recent letter (05/02/02) to Deputy A. Breckon
- D Cost of rent rebates and abatements 1991 to 2002.

APPENDIX A

JERSEY MINIMUM/MAXIMUM STATES RENTS - PROPOSED FROM APRIL 2002

In October 2001, a review was carried out of the rents charged by the Housing Committee in comparison with the private sector market rents for similar dwellings. It was not surprising to find that private sector rents were generally some 25 per cent - 35 per cent higher than those charged by the Committee.

In accordance with established policy the Committee intends to narrow the gap between rents charged by the public and private sector and bring Committee rents closer to a level about ten per cent below the private market. As part of this process the Committee is therefore increasing rents from April 2002 by, on average, 8.9 per cent.

Over 85 per cent of Committee tenants will not be affected by the rent increase as they are entitled to claim rent subsidy. No tenant will pay more than 25 per cent of their income in rent. For example, taking the average rent of a three-bedroom house at £164 per week, a tenant would need to be earning more than £34,000 a year to pay the full rent.

The Committee believes that the 600 - 700 tenants who can well afford to pay fair rents should not continue to be subsidised in comparison to those renting in the private sector. Private market rentals are still well above the new Committee levels, and the Committee will continue to catch up, by phased annual increases, until within ten per cent of the market.

With effect from April 2002 the following range of weekly fair rents will apply -

<i>Type of dwelling</i>	<i>Lowest fair rent</i> £	<i>Highest fair rent</i> £	<i>Average fair rent</i> £
Bedsitter	57	92	75
1 bedroom flat	61	130	96
2 bedroom flat	78	164	121
2 bedroom house	75	193	134
3 bedroom flat	111	186	149
3 bedroom house	112	215	164

For further information please contact Eric Le Ruez, Chief Executive Officer, on 884444.

APPENDIX B

GUERNSEY MINIMUM/MAXIMUM STATES RENTS - PROPOSED FROM 4TH MAY 2002 (INCREASE OF 2.6 PER CENT)

Guernsey States Housing Authority Rents

Maximum rental structure

Proposed rents in standard type. *Current rents in italics.*

Category	Bedsit	1 bed	2 bed	3 bed	4 bed	5 bed
12	-	-	92.07	106.07	-	-
	-	-	<i>89.74</i>	<i>103.38</i>	-	-
11	-	79.76	88.53	101.91	-	-
	-	<i>77.74</i>	<i>86.29</i>	<i>99.33</i>	-	-
10	53.69	74.24	82.12	94.60	110.00	115.55
	<i>52.33</i>	<i>72.36</i>	<i>80.04</i>	<i>92.20</i>	<i>107.21</i>	<i>112.62</i>
9	53.92	71.35	78.80	89.51	101.19	
	<i>50.29</i>	<i>69.54</i>	<i>76.80</i>	<i>87.24</i>	<i>98.63</i>	
8	49.40	68.28	75.53	86.69	96.78	
	<i>48.15</i>	<i>66.55</i>	<i>73.62</i>	<i>84.49</i>	<i>94.33</i>	
7	47.28	65.38	72.20	82.74	92.30	
	<i>46.08</i>	<i>63.72</i>	<i>70.37</i>	<i>80.64</i>	<i>89.96</i>	
6	45.21	62.39	69.06	78.80	87.92	96.51
	<i>44.06</i>	<i>60.81</i>	<i>67.31</i>	<i>76.80</i>	<i>85.69</i>	<i>94.06</i>
5	42.97	59.48	65.72	74.86	83.45	
	<i>41.88</i>	<i>57.97</i>	<i>64.05</i>	<i>72.96</i>	<i>81.34</i>	
4	40.90	56.51	62.39	70.97	78.95	86.44

	39.86	55.08	60.81	69.17	76.96	84.25
3	38.60	53.53	59.14	67.04	74.57	
	37.62	52.17	57.64	65.34	72.69	
2	36.59	50.26	55.83	63.09	70.10	
	35.66	48.99	54.42	61.49	68.33	
1	34.50	47.66	52.65	59.14	65.71	
	33.63	46.45	51.32	57.64	64.05	

Notes - (1) The “Category” reflects the facilities, amenities and location of the properties.

(2) Rent charges and rebates are assessed on a 50 week year basis.

APPENDIX C

ISLE OF MAN INFORMATION - EXTRACT FROM RECENT LETTER (05/02/02) TO DEPUTY A. BRECKON

Dear Mr. Breckon,

Rentals in the public sector are heavily subsidised through Government deficit support. There are several Housing Authorities (HA’s) around the Island and they all calculate rents on a points attribute system. Rents are typically £30.00 to £50.00 per week. Authorities retain 30% for maintenance and 5% for management. Major repairs and improvements are capitalised. Rental increases are calculated annually by the Department after consultation with the Authorities. The final decision on the across the board increase is made by the Council of Ministers. A tenant’s income is not taken into account when setting rents although it is at waiting list application stage. Tenants on low incomes receive income support but there is no Housing Benefit system as such.

The capital cost of new build and major repairs is supported through the HA deficit system. If HA’s show a surplus on maintenance they have to use this for major repairs. No housing expenditure is rate borne so Government really meets all costs.

Affordable housing is a major problem. In the past a mortgage assistance scheme was available for qualifying residents on lower incomes. Now mortgages are plentiful and cheap a House Purchase Assistance Scheme gives grants of up to £16,500 for a purchase of up to £85,000. Over £2m has been given in support but hardly any houses are being built or sold at less than £100k. Some shared equity housing has been built on Government land using historic land schemes to reduce values. This is not sustainable so a proper shared equity scheme is being recommended for introduction in the near future. This will not include a grant element but the Government will take up to a 50% share in an approved standard property up to £120,000 sale price. The final details are just being agreed with Treasury and then the scheme will be submitted to Tynwald. There are obvious funding issues as support could cost about £5m p.a.

We also intend to introduce a Housing Association vehicle to produce mid-price rented properties as private sector rents for decent accommodation is in excess of £600 pm. The Association would receive Government capital grant of around 50% with the remainder raised on the open market.

I hope this reply answers your query but if you require more information or would like to discuss matters please contact me by telephone.

COST OF RENT REBATES AND ABATEMENTS 1991 TO 2002

Cost of the Private Sector Rent Rebate Scheme

<i>Year</i>	<i>Number of claimants</i>	<i>Subsidy £ million</i>	<i>Average per claimant</i>
1991	381	0.56	1,470
1992	690	1.17	1,696
1993	1,086	2.36	2,173
1994	1,380	3.34	2,420
1995	1,600	3.97	2,481
1996	1,750	4.40	2,514
1997	1,770	4.89	2,763
1998	1,735	5.19	2,991
1999	1,731	5.27	3,044
2000	1,701	5.70	3,351
2001	1,671	6.00	3,591
2002 (Estimate)	1,750	6.32	3,611

Income from States Rental accommodation

<i>Year</i>	<i>£ million gross income</i>	<i>£ million abatements</i>	<i>£ million net</i>
1991	14.40	7.10	7.30
1992	16.90	9.00	7.90
1993	18.30	10.00	8.30
1994	19.40	10.40	9.00
1995	19.80	10.50	9.30
1996	20.60	10.80	9.80
1997	21.30	11.20	10.10
1998	22.70	11.80	10.90
1999	24.10	12.30	11.80
2000	25.70	13.10	12.60
2001	27.30	13.90	13.40
2002 (Estimate)	28.00	13.90	14.10