STATES OF JERSEY

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SOCIAL RENTED HOUSING: POLICY ON SETTING RENTS (P.29/2003) – COMMENTS

Presented to the States on 20th May 2003
by the Housing Committee

STATES GREFFE

COMMENTS

Introduction

Deputy Southern's Report and Proposition refers to the Housing Committee's Strategic Policy Report 2002-2006 , approved by the States on 16th July 2002, and asks the States –

(a) to agree that for the years 2004, 2005 and 2006 the Committee should only increase rents in the social rented sector by a percentage equal to, or below, the percentage increase in the Retail Price Index as at the end of the previous year; and

(b) to request the Committee to co-operate with the Employment and Social Security Committee to ensure that a comprehensive low income support scheme is established by 2006 to create a viable replacement for rent subsidy.

Comment

In regard to part (a) of the Proposition, the accompanying Report sets out to demonstrate that the Housing Committee policy of aiming to set social rents at a 10% discount to the open market is both unrealistic and economically unsound.

To support his view that the policy is unrealistic, Deputy Southern compares the highest Housing Committee fair rent for bedsitter, one-bedroom and 2-bedroom accommodation with "a sample" of 400 private sector rents over the 4-year period 1999 – 2002. Deputy Southern has drawn his information on private sector rents from 'Accommodation to Let' advertisements placed in the Jersey Evening Post (JEP) for corresponding months over a 4-year period. The private sector rents quoted are averages of the individual rents for dwellings advertised in a particular year.

Given the strong demand for housing during the period 1999 – 2002, it is more than likely that the majority of the properties advertised in the JEP were more expensive than average as most lettings would have been achieved without advertising. Also, one can assume that the highest standard Housing Committee dwellings are not going to compare with luxury dwellings in the private sector which happen to have the same number of bedrooms. These factors must call in to question the validity of the comparison made in the Report – a comparison of Committee rents with private sector rents drawn solely from the JEP is not comparing like with like.

The Housing Committee, in assessing rents, seeks to set a rent at 10% of what the dwelling rent would be if that dwelling was to be let on the open market. As outlined below, a more relevant comparison than that using the JEP advertisements may be made between Committee rents and their open market equivalents by considering the rents of dwellings occupied by tenants claiming under the Private Sector Rent Rebate Scheme.

Each year the Committee receives nearly 2,000 applications under the Private Sector Rent Rebate Scheme from tenants in the private sector, the vast majority of whom will occupy dwellings which can be compared with similar dwellings in the Committee's stock. As some of these applicants are from Housing Trust properties (which charge the same rents as the Committee) the comparison shown in Table 1 below excludes Housing Trus properties. The rents shown are the average rents prevailing on **7th April 2003**

Table 1

Type	*Number of Committee dwellings*	*Average rent £*	*Number of private dwellings*	*Average rent £*	*Difference %*
Bedsit	310	75	143	82	9.3
one-bedroom flat	1,470	107	669	120	12.1
2-bedroom flat	1,189	135	173	153	13.4

Far from being widely adrift from market rents for similar properties, this evidence points to the Committee being on course to achieve its target of being about 10% lower than market rents for similar property in 2004.

The second point argued by Deputy Southern is that the policy of aiming to set Committee fair rents at 10% below market rents is economically unsound and "financially negative". Deputy Southern shows in Tables 2 and 3 of his Report that, although rent increases clearly increase income, the combined effects of Rent Rebate (private sector) and Rent Abatement (Committee tenants) resulted in a net expense showing in the Committee's revenue budget. This is not in the least surprising and, in very simplistic terms, appears to support the view that the Committee loses money by increasing rents. Deputy Southern also points out, quite correctly, that an increase in the stock of Housing Trust dwellings is likely to increase the number of claimants under the Rent Rebate scheme. But it is a false argument to claim that the rent setting policy is unsound and financially negative.

Increasing rents to realistic values which reflect more closely the actual cost of providing housing ensures that the Committee **does** maximise income. At present about 14% of Committee tenants can afford to pay the full fair rent and some of these could no doubt afford to pay a little more. There is no good reason why those tenants who can afford to do so should not pay a realistic rent and it would be unfair to tenants living in the private sector to give more Committee tenants a reduction in rent which could not be justified in terms of the financial need of those tenants to receive a discount.

The payment of a means-tested benefit is certain to have a negative effect on any budget. The Committee and the States has agreed to provide a Rents Subsidy Scheme for both private and Committee tenants and the cost of this is borne by the Committee budget. When rents are increased, rent subsidies may also increase and, as only about 650 Committee tenants pay the full rent increase, the additional income is not necessarily sufficient to func increased rent rebate payable to the 1,800 or so private sector claimants. However, it would be illogical to assess Committee rents on the basis of how much or how little rent subsidy is to be paid to tenants. Such a policy would also be totally impractical to operate in the private sector, resulting in more direct applicants for housing by the Committee which in turn would require more capital expenditure. The assessment of rents should primarily be linked to property values and the assessment of subsidies to tenants' incomes in relation to those assessed rents.

The proposal by Deputy Southern to link rents to no more than the increase in the Retail Price Index (RPI) is unnecessarily restrictive and has no sound basis. The RPI measures a 'basket' of goods and services of which housing costs form an element. The House Price Index and RPI do not move at the same rate or even necessarily in the same direction. Over the next few years, the value of dwellings may or may not increase by less than the RPI and Committee rent increases should reflect this.

For the reasons set out above, the Committee cannot support the first part of Deputy Southern's Proposition.

The Committee wholeheartedly supports the second part of Deputy Southern's Proposition in that a Low Income Support Scheme would clearly separate the setting and receipt of rents from the provision of benefits. Given the complexities of the current benefit arrangements for those on low incomes, it will not be easy to amalgamate these with rental subsidy, but the Committee is very keen to work with the Employment and Social Security Committee and others to achieve a better system.