

**QUESTION TO BE ASKED OF THE PRESIDENT OF THE HOUSING COMMITTEE ON TUESDAY,  
4th FEBRUARY 2003 BY DEPUTY G.P. SOUTHERN OF ST. HELIER**

**Question**

In response to my question to the President of the Housing Committee on 21st January 2003, the President indicated his continuing commitment to the Committee policy of raising fair rents to within 10 per cent of levels in the private sector.

The following table shows the changes to the Housing Committee's annual income from rents and abatements for the years 1999 to 2000 along with the annual percentage increase in "fair rents" and estimates for the years 2002 and 2003. (Source: Treasury Accounts 2000 and 2001, Budget 2003)

| Year     | Total rental income for the year | Total rent abatement for the year | Net increase in rent less increase in abatement | Percentage increase in maximum or "fair" rent |
|----------|----------------------------------|-----------------------------------|---|---|
|          | £,million                        | £,million                         | £,million                                       | %   |
| 1999     | 24.1                             | 12.3                              |   |   |
| 2000     | 26.2                             | 13.3                              | 1.1   | 5   |
| 2001     | 27.4                             | 13.9                              | 0.6   | 5.5   |
| 2002 (E) | 28.0                             | 13.9                              | 0.6   | 7.9   |
| 2003 (E) | 31.7                             | 16.2                              | 1.4   | 3.5   |

- (a) For each of the years 2000 to 2003, will the president inform members what proportion of the net increase is accounted for by the percentage rise in 'fair rent', and how much can be attributed to other factors?
- (b) In particular, can the president explain why the estimates for both abatement and net increase for 2002 have remained static despite a 7.9 per cent increase in fair rent last year?

**Answer**

- (a) The percentage rise in fair rent in each of the three previous years has only had a relatively small effect on the rental income received net of abatement. This will also apply in 2003, and is because, as about 85 per cent of Committee tenants receive an abatement, only about 15 per cent of tenants pay the relevant percentage increase on their rent.

As there is considerable movement in tenancies and tenants' incomes, it is not possible to break down accurately how much of the increase in net rent (rent less any abatement) in each year is attributable specifically to the rent increase. However it is estimated that the rent increase element as part of the net rental income in the years 2000 to 2003 is as follows -

| Year  | % Increase in Rent Income | Net Rental Increase over previous year | Attributable to Rent Increase |
|-------|---------------------------|--|-------------------------------|
|       | £                         | £                                      | £                             |
| 2000  | 5                         | 12.8m                                  | 1.1m 196,000                  |
| 2001  | 5.5                       | 13.4m                                  | 0.6m 226,000                  |
| E2002 | 7.9                       | 14.07m                                 | 0.607m 332,000                |
| E2003 | 3.5                       | 16.2m                                  | 2.13m 166,425                 |

It can readily be seen that the net rental income each year is affected by factors other than the gross rent

increase. These include -

- (i) stock growth and changes in the Housing stock – new build dwellings at higher rents as well as demolition of lower rent dwellings and temporary loss of buildings;
  - (ii) changes in the average earnings index;
  - (iii) resources spent on anti-fraud measures and the verification of claims for abatement; and
  - (iv) opportunities for relatively wealthy tenants to self-house in the private sector.
- (b) The estimates were prepared at a time when the budgeted rental increase for 2002 was 3.5 per cent. However the triennial re-evaluation of the Committee's property rentals was undertaken at the end of 2001 and the evidence from this exercise led to the implementation of an 8.9 per cent increase, considerably in excess of the original budget proposal. This will be reflected in the 2002 accounts. In 2002 abatement was budgeted at 50 per cent of rental income, slightly lower than in previous years but reflecting a downward trend.

The gross rental income in 2002 was actually about £29.4m but rent abatement increased in line to about £15.35m, resulting in the net increase in rent less increase in abatement remaining, at £0.55m, at a similar level to that achieved in 2001.