

## Rent guarantee, financial risk considerations

1.1.1 The following table shows average market rents and Local Housing Allowance (LHA) levels by property size across the Borough. It shows the shortfall between LHA and market rents which is most notable for Medway and Swale BRMA, with a shortfall of £402, 32% for a three bed property.

Table B: LHA rates and average market rents comparison by property size

	1bed	shortfall compared to market	shortfall as %	2bed	shortfall compared to market	shortfall as %	3bed	shortfall compared to market	shortfall as %	4+bed	shortfall compared to market	shortfall as %
Average market rents*	750			950			1,250			1,650		
High Weald LHA	693.12	56.88	7.58%	897.52	52.48	5.52%	1126.88	123	9.85%	1495.91	154	9.34%
Maidstone LHA	648.22	101.78	13.57%	812.76	137.24	14.45%	972.31	278	22.22%	1246.57	403	24.45%
Medway & Swale LHA	593.36	156.64	20.89%	747.93	202.07	21.27%	847.69	402	32.18%	1196.69	453	27.47%

\*ONS data, summary of median monthly rents recorded between 1 October 2018 and 30 September 2019 for all bedroom categories by administrative area for England.

1.1.2 The potential financial risk of a rent guarantee offer can be seen through applying varying percentages of arrears to average rents across a mix of properties.

Table C shows 20%, 30%, 50% and 100% arrears levels for varying numbers of units over 6 months based on average rents (shown in Table B).

Table C: Potential risk exposure – costs of rent arrears over 6 month period

Risk exposure: potential cost of rent arrears over 6 months for varying percentage arrears based on average monthly market rents				
	20% arrears	30% arrears	50% arrears	100% arrears
3 properties (1x1bed, 1x2bed, 1x3bed)	3,540	5,310	8,850	17,700
6 properties (2x1bed, 2x2bed, 2x3bed)	7,080	10,620	17,700	35,400
9 properties (3x1bed, 3x2bed, 3x3bed)	10,620	15,930	26,550	53,100

1.1.3 Table D shows 20%, 50% and 100% arrears levels for 1bed properties over six months (using the average rents as shown in Table B), along with a month's rent as a deposit. This indicates that guaranteeing the rent and a deposit for ten 1bed properties would be possible within the Next Step budget allowing for 50% rent arrears. The data is based on 1bed properties as this is likely to meet the needs of the majority of this customer group.

Table D: Potential risk exposure – costs of rent arrears over six months period and deposit for 1bed properties (Next Step funding)

Risk exposure: potential cost of rent arrears over 6 months for varying percentage arrears based on 1bed average monthly market rents £'s						
	20% arrears	plus 1 month rent in advance	50% arrears	plus 1 month rent as deposit	100% arrears	plus 1 month rent as deposit
1 x 1bed property	900	1,650	2,250	3,000	4,500	5,250
5 x 1bed properties	4,500	8,250	11,250	15,000	22,500	26,250
10 x 1bed properties	9,000	16,500	22,500	30,000	45,000	52,500