

FAQs: Changes to Tenant Rent-Setting Framework

Background

Since 2000, the GROH Tenant Rent Setting Framework (TRSF) has been used to calculate the maximum weekly rent a Government Agency can charge an employee for living in a GROH home. To assist Agencies to determine the rents they can charge their employees in GROH homes for the upcoming financial year, each year GROH calculates this maximum and sends it to Agencies. Agencies may provide a subsidy to their employees by charging them less than this maximum rent.

In November 2015, Cabinet approved two changes to the Tenant Rent-Setting Framework, and these changes will take effect from 1 July 2016.

1. What are the changes?

	Sept 2000 – 30 June 2016	status	1 July 2016 –
1. Discount type	a) 20% discount on Perth median rent b) Amenity-level-based c) Area-based *	removed unchanged unchanged	Zero (0%)
2. Agency's maximum annual rent increase	\$10 p.a.	\$20 increase	\$30 p.a.

* This discount encompasses distance from Perth, the coast and the regional centre; and a location's desirability.

2. Are the changes compulsory?

Removal of initial 20 percent discount: **compulsory**

Removing the 20 per cent discount to the Perth median rent is compulsory. GROH has removed this discount from its calculations of maximum rents and these revised rents have been sent to Agencies. Likewise, in any calculations used to determine the rents of their employees living in GROH homes, Agencies cannot apply this discount.

\$30 annual rent increase: **not compulsory**: The \$30 is a maximum only: it is not compulsory for agencies to increase each employee's rent by \$30 each year.

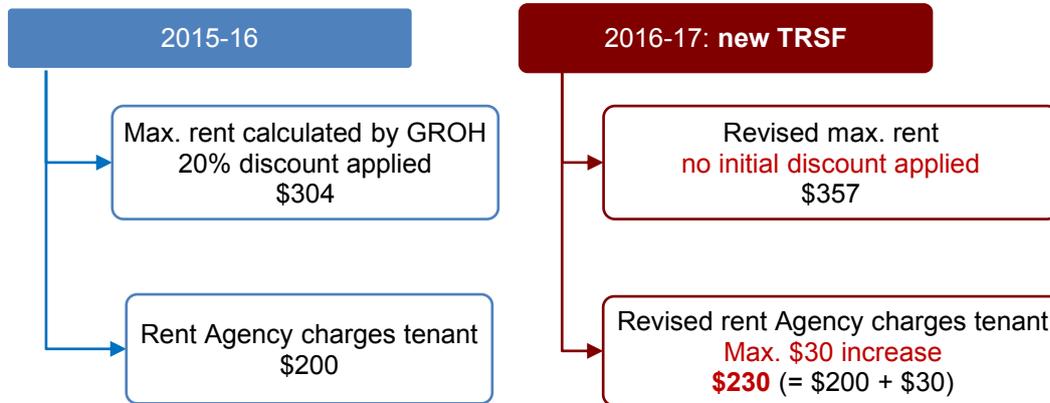
Any increases in rent must meet two conditions:

1. They must not exceed the maximum weekly amount set by GROH; and
2. The increase must not be greater than \$30 more than the previous financial year's rent.

3. Can you give some examples of rents being calculated under the new Framework?

These examples illustrate the workings of the new Framework. They are illustrative only.

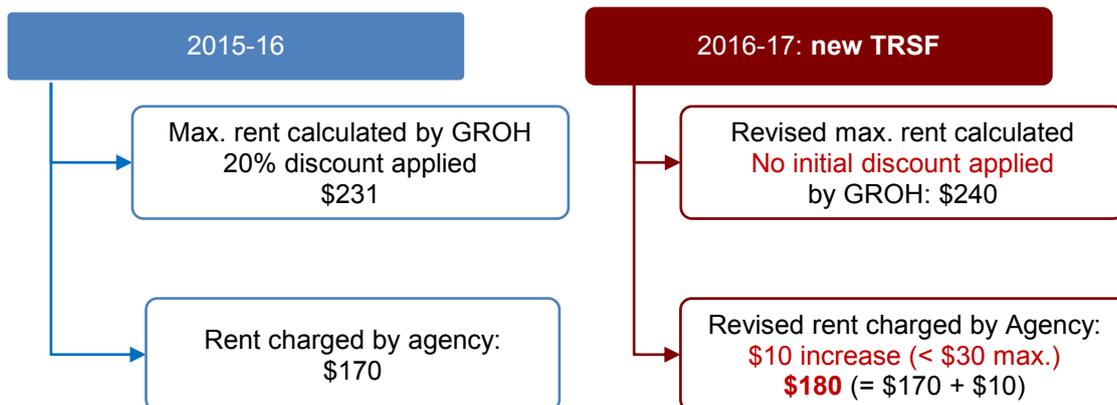
Example 1: 4 bedroom home, Broome



In this example, the Agency has applied the maximum \$30 increase to its employee’s rent. However, the employee’s \$230 per week remains 34 per cent less than the GROH maximum of \$350. Further, it would be 54 per cent less than the median rent in Broome of \$500 (REIWA, Dec 2015 Qtr).

Example 2: 1 bedroom home, Kalgoorlie

In this example, despite the removal of the 20 per cent discount under the new Framework, the maximum weekly rent calculated by GROH for 2016–17 Increases by \$9 only. This minor increase could occur if the median Perth rent had decreased.



For 2016–17, this Agency increased its employee’s rent by \$10, i.e. less than the \$30 maximum annual increase permitted. The \$180 weekly rent charged in 2016–17 is 25 per cent less than the maximum under the TRSF. It would also be 49 per cent less than the median rent in Kalgoorlie of \$350 (REIWA, Dec 2015 Qtr).

4. How will this affect my agency's staff?

The rents that Agencies charge employees are not disclosed to GROH; therefore, it cannot comment on any particular Agency or employee's situation.

More generally, the level of housing support an Agency provides its regional staff, including the rents it charges employees who are GROH tenants, is at the discretion of that Agency. Typically, Agencies subsidise their employees living in GROH homes, as the examples in no. 3 above illustrate.

Each Agency also has discretion over how much, if any, of the \$30 annual rental increase it passes on to its staff.

5. Why have these changes been made?

State Government revenue has decreased significantly over the past two years and its budgets are expected to be in deficit until 2017/18. Where possible, the government has sought to reduce the spending of all State Government Agencies and, consistent with this broader Government push, the amounts by which Agencies subsidise regional employees' rent will be reduced.

Prior to these changes, Treasury research found that, as a proportion of their income, the rents paid by State Government employees in regional Western Australia were low relative to Affordable Housing benchmarks (typically set as costs of housing being less than 30 per cent of income).

The changes are anticipated to reduce State Government expenditure by around \$28 million over the period 2016-17 to 2018-19, while at the same time GROH tenants' rents are forecast to remain a small portion of their income – estimated as 12 per cent on average ('Mid-year Financial Projections Statement', p. 163).

6. Where can we find out more about these changes?

The GROH Tenant Rent-Setting Policy can be found at [Housing Authority: Investors and Partners: GROH](#) (see sections 3 to 6).

7. Can GROH help me calculate my employees' rents under the new Framework?

In December 2015, GROH sent Agencies a list of the maximum rents they can charge for GROH properties in 2016–17. The maximum rents were calculated using the new TRSF. As such, this list gives Agencies a starting point for setting the rents of their employees for GROH properties.

As well as this list, GROH's online calculator can help Agencies determine the rents they charge for GROH properties. See the [GROH Tenant Rent Calculator](#) on the Housing Authority website.