

# STATES OF JERSEY



## HOUSING TRANSFORMATION PROGRAMME: AMENDMENT TO THE MEDIUM TERM FINANCIAL PLAN 2013 – 2015

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Lodged au Greffe on 23rd April 2014  
by the Council of Ministers

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STATES GREFFE

## PROPOSITION

### THE STATES are asked to decide whether they are of opinion –

to refer to their Act dated 8th November 2012 in which they approved the Medium Term Financial Plan 2013 to 2015 and –

to agree, in accordance with the provisions of Article 9(1) of the Public Finances (Jersey) Law 2005 and Article 10 of the Social Housing (Transfer) (Jersey) Law 2013, that the Plan should be amended as a consequence of the transfers made by the Social Housing (Transfer) (Jersey) Law 2013 and therefore –

- (a) to agree that the intended total amount of States' income should be amended from £674,217,000 in 2014 and £711,398,000 in 2015 as approved in the Plan, to £688,051,000 in 2014 and £740,870,500 in 2015 (as set out in Summary Table A);
- (b) to agree that the total amount of States' net expenditure should be amended from £669,599,000 in 2014 and £691,157,000 in 2015 as approved in the Plan, to £683,433,000 in 2014 and £720,629,500 in 2015 (as set out in Summary Table A);
- (c) to agree that the revenue head of expenditure of the Housing Department should be amended from £(27,971,500) in 2014 and £(29,338,500) in 2015 as approved in the Plan, to £(14,188,500) in 2014 and £0 in 2015 (as set out in Summary Table B);
- (d) to agree that the revenue head of expenditure of the Social Security Department be increased from £186,207,000 in 2014 and £190,036,000 in 2015 as approved in the Plan, to £186,258,000 in 2014 and £190,170,000 in 2015 (as set out in Summary Table B).

COUNCIL OF MINISTERS

## **REPORT**

### **Background**

The States adopted P.33/2013, “The Reform of Social Housing” and requested the Minister for Housing to, inter alia –

“take the necessary action to prepare for Company status and to bring forward for approval by the Assembly the necessary legislation to give effect to the proposals with a target date for commencement of the company’s operation of 1st July 2014”.

Subsequently, the Minister for Housing lodged P.63/2013: “Draft Social Housing (Transfer) (Jersey) Law 201-” which was approved by the States in July 2013 and has since received the approval of the Privy Council and has been registered in the Royal Court.

Regulations under the Social Housing (Transfer) (Jersey) Law 2013 are being put forward by the Minister for Housing for debate by the States in the Sitting commencing 3rd June 2014. If approved this will, amongst other things, give effect to the transfer of the Housing Stock to Andium Homes and establish the Terms and Conditions of the transfer.

These Regulations will be supplemented by a Funding Agreement which will establish the amount and basis on which the Annual Return to the States will be made. There will also be a Memorandum of Understanding between the Minister for Treasury and Resources and Andium Homes. This is to ensure the appropriate conduct of Andium Homes and to put in place an accountability framework appropriate to the company as a provider of social housing.

### **Next Steps**

If the States approve the Regulations brought forward by the Minister for Housing under the Social Housing (Transfer) (Jersey) Law 2013, the new Company’s operations will commence on 1st July 2014.

The Medium Term Financial Plan (MTFP) 2013 – 2015 as approved by the States does not reflect this change, although the impact of such change was highlighted, and indicative figures demonstrating the impact of the change were included in the MTFP (see page 296).

Indicative pre-incorporation and post-incorporation positions were also set out in more detail in the Annual Update to the MTFP Department Annex for 2014 and included with the Budget Statement 2014.

Article 9 of the Public Finances (Jersey) Law 2005 restricts the ability to amend an MTFP approved by the States. This only allows the Council of Ministers to lodge a proposition to amend an MTFP under certain circumstances.

In respect of the amendment required for the Housing Transformation Programme, Article 10 of the Social Housing (Transfer) (Jersey) Law 2013 states –

**“10 Amendment of medium term financial plan approved under Public Finances (Jersey) Law 2005**

Despite Article 9(2) of the Public Finances (Jersey) Law 2005, the Council of Ministers may lodge a proposition for a purpose described in Article 9(1) of that Law, in consequence of –

- (a) the transfers effected by the coming into force of this Law, or of Regulations made under this Law; or
- (b) an increase in the rents payable by tenants of social housing pursuant to a decision of the States to adopt P.33/2013.”

If the Regulations under the Social Housing (Transfer) (Jersey) Law are approved by the States in the Sitting commencing 3rd June 2014, then as a consequence the Council of Ministers will be required to bring forward an amendment to the MTFP to reflect the changes resulting from that approval.

**Amendments required to MTFP**

The proposed amendments needed to reflect the financial impact are set out in the Proposition. They refer back to the original approval given by the States to figures in Summary Table A on page 144 of the MTFP 2013 – 2015 and summary Table B on page 145 of the MTFP 2013–2015. These reflect the requirement to –

- increase States Income targets to reflect the new annual return from the new incorporated Housing Association in 2014 and 2015 and the estimated funding to be received from Housing Trusts in respect of additional Income Support costs arising from rent increases;
- increase States total net revenue expenditure in 2014 and 2015 to reflect the transfer of the contribution from Housing Department net revenue expenditure budget and the additional Income Support costs for Social Security arising from rent increases in the Housing Trust Sector.

**A reconciliation showing the changes to Summary Table A, States Income and Total Net Revenue Expenditure is attached, marked as Appendix A within Appendix 2 to this report.**

**A reconciliation showing the changes to Summary Table B, Departmental Net Revenue Expenditure is attached, marked as Appendix B within Appendix 2 to this report.**

It should also be noted that the “Update to the MTFP Department Annex for 2014” document did include sections which highlighted the potential impact of the changes –

- Housing (excluding Incorporation) – pages 93 to 99
- Housing (post Incorporation) – pages 103 to 110.

This Proposition will give effect to the required amendments which are now based on the updated current best estimates. There are 2 resulting changes to the potential impact of the changes as set out in the “Update to the MTFP Department Annex for 2014” referred to above. These are –

1. The indicative Return from the new Housing Company in 2014 (page 104) is now £13,783,000 rather than £14,220,000. This is on the basis of better available information.
2. The indicative Return from the new Housing Company in 2015 is £29,338,500 rather than £28,534,000. This is to ensure that the Net Expenditure allocation for Housing is fully removed from the MTFP (see Table B on page 145 of the MTFP). The figure of £28,534,000 reflects the position after Approved variations to the MTFP as set out in the Budget 2014 are applied. This proposed adjustment in the Proposition is to adjust the original MTFP figure to which the Approved variations will be applied.

It is important to note that the proposed adjustments to the MTFP are based on estimates.

If approved, the Regulations under the Social Housing (Transfer) (Jersey) Law 2013 provide for the adjustments required as a result of the transfer to Andium Homes. This will be effected following the production of audited accounts as at 30th June 2014.

#### **Financial and manpower implications**

There are no financial or manpower implications for the States arising from this proposition.

**APPENDIX 1**

Summary Table A

	Budget	Forecast	MTFP Proposals (As Amended)		
	2012 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000
<b>States Income</b>					
Income Tax	416,000	430,000	450,000	470,000	500,000
- Budget Measures Tightening Compliance on Tax Collection and Reducing Avoidance			7,600	7,600	7,600
Goods and Services Tax	80,047	77,700	79,761	81,955	84,508
Impôts Duty	54,500	51,117	52,939	53,002	53,111
Stamp Duty	24,029	22,869	24,529	27,702	28,962
Other Income	26,582	31,585	20,545	35,760	54,236
Island Rate	11,185	11,330	11,670	12,032	12,453
<b>States Income</b>	<b>612,343</b>	<b>624,601</b>	<b>647,044</b>	<b>688,051</b>	<b>740,870</b>
<b>States Expenditure</b>					
Departmental Net Revenue Expenditure (Revised)	596,034	596,034	626,224	655,134	682,750
Central Allocations (Revised)	19,811	22,085	7,547	28,299	37,879
<b>Total Net Revenue Expenditure (excl: Depn)</b>	<b>615,845</b>	<b>618,119</b>	<b>633,771</b>	<b>683,433</b>	<b>720,629</b>
<b>Forecast Surplus/(Deficit) for the year (Revised)</b>	<b>(3,502)</b>	<b>6,482</b>	<b>13,273</b>	<b>4,618</b>	<b>20,241</b>
Net Capital Expenditure Allocation	15,910	13,636	12,566	4,559	20,043
<b>Forecast Surplus/(Deficit) for the year after Capital</b>	<b>(19,412)</b>	<b>(7,154)</b>	<b>707</b>	<b>59</b>	<b>198</b>

Summary Table B

	2013 Net Expenditure Allocation	2014 Net Expenditure Allocation	2015 Net Expenditure Allocation
<b>States Funded Bodies</b>			
	£'000	£'000	£'000
<b>Ministerial Departments</b>			
Chief Minister	18,855.5	19,756.6	19,848.6
- Grant to the Overseas Aid Commission	9,324.1	9,790.3	10,279.8
Economic Development	18,255.8	19,459.3	19,974.8
Education, Sport and Culture	104,334.0	106,177.9	106,761.1
Department of the Environment	5,601.9	5,605.7	5,594.6
Health and Social Services	184,262.4	190,621.4	197,981.4
Home Affairs	46,730.5	47,439.0	47,793.5
Housing	(26,798.5)	(14,188.5)	-
Social Security	183,354.0	186,258.0	190,170.0
Transport and Technical Services	25,598.8	25,792.3	26,439.4
Treasury and Resources	30,001.2	31,412.4	30,583.6
<b>Non Ministerial States Funded Bodies</b>			
- Bailiff's Chambers	1,595.2	1,610.5	1,627.3
- Law Officers' Department	7,650.6	7,721.5	7,795.0
- Judicial Greffe	6,639.9	6,738.3	6,837.4
- Viscount's Department	1,368.2	1,373.2	1,378.4
- Official Analyst	609.4	613.9	618.6
- Office of the Lieutenant Governor	688.9	691.7	694.5
- Office of the Dean of Jersey	25.9	26.1	26.3
- Data Protection Commission	223.3	223.9	224.4
- Probation Department	2,123.9	2,127.9	2,132.0
- Comptroller and Auditor General	751.4	768.7	786.5
States Assembly and its services	5,027.4	5,114.3	5,203.4
<b>Total Departmental Net Revenue Expenditure</b>	<b>626,223.8</b>	<b>655,134.4</b>	<b>682,750.6</b>

Summary Table A

	MTEP Proposals (as amended)		Revised		Difference	
	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000
<b>States Income</b>						
Income Tax	470,000	500,000	470,000	500,000	-	-
- Budget Measures Tightening Compliance on Tax Collection and Reducing Avoidance	7,600	7,600	7,600	7,600	-	-
Goods and Services Tax	81,955	84,508	81,955	84,508	-	-
Impôts Duty	53,002	53,111	53,002	53,111	-	-
Stamp Duty	27,702	28,962	27,702	28,962	-	-
Other Income	21,926	24,764	35,760	54,236	13,834	29,472
Island Rate	12,032	12,453	12,032	12,453	-	-
<b>States Income</b>	<b>674,217</b>	<b>711,398</b>	<b>688,051</b>	<b>740,870</b>	<b>13,834</b>	<b>29,472</b>
<b>States Expenditure</b>						
Departmental Net Revenue Expenditure (Revised)	641,300	653,278	655,134	682,750	13,834	29,472
Central Allocations (Revised)	28,299	37,879	28,299	37,879	-	-
<b>Total Net Revenue Expenditure (excl: Depn)</b>	<b>669,599</b>	<b>691,157</b>	<b>683,433</b>	<b>720,629</b>	<b>13,834</b>	<b>29,472</b>
<b>Forecast Surplus/(Deficit) for the year (Revised)</b>	<b>4,618</b>	<b>20,241</b>	<b>4,618</b>	<b>20,241</b>	<b>-</b>	<b>-</b>
Net Capital Expenditure Allocation	4,559	20,043	4,559	20,043	-	-
<b>Forecast Surplus/(Deficit) for the year after Capital</b>	<b>59</b>	<b>198</b>	<b>59</b>	<b>198</b>	<b>0</b>	<b>0</b>
<b>Note 1</b> Other Income adjustments						
- Andium Homes Return			13,783	29,338		
- Housing Trust Income			51	134		
			13,834	29,472		
<b>Note 2</b> Departmental Net Revenue Expenditure adjustments						
- Removal of contribution to Net Expenditure from Housing			13,783	29,338		
- SSD Impact of new rents policy - Housing Trust sector			51	134		
			13,834	29,472		

this matches expenditure removed from  
Housing in Summary Table B



Summary Table B

	MIFP Proposals (as amended)		Revised		Difference	
	2014 Net Expenditure Allocation	2015 Net Expenditure Allocation	2014 Net Expenditure Allocation	2015 Net Expenditure Allocation	2014 Net Expenditure Allocation	2015 Net Expenditure Allocation
States Funded Bodies	£'000	£'000	£'000	£'000	£'000	£'000
<b>Ministerial Departments</b>						
Chief Minister	19,756.6	19,848.6	19,756.6	19,848.6	-	-
- Grant to the Overseas Aid Commission	9,790.3	10,279.8	9,790.3	10,279.8	-	-
Economic Development	19,459.3	19,974.8	19,459.3	19,974.8	-	-
Education, Sport and Culture	106,177.9	106,761.1	106,177.9	106,761.1	-	-
Department of the Environment	5,605.7	5,694.6	5,605.7	5,694.6	-	-
Health and Social Services	190,621.4	197,981.4	190,621.4	197,981.4	-	-
Home Affairs	47,439.0	47,763.5	47,439.0	47,763.5	-	-
Housing	(27,971.6)	(29,338.5)	(14,188.5)	-	13,783.0	Note 1 29,338.5
Social Security	186,207.0	190,036.0	186,258.0	190,170.0	51.0	Note 2 134.0
Transport and Technical Services	25,792.3	26,439.4	25,792.3	26,439.4	-	-
Treasury and Resources	31,412.4	30,583.6	31,412.4	30,583.6	-	-
<b>Non Ministerial States Funded Bodies</b>						
- Bailiffs Chambers	1,610.5	1,627.3	1,610.5	1,627.3	-	-
- Law Officers' Department	7,721.5	7,765.0	7,721.5	7,765.0	-	-
- Judicial Greffe	6,798.3	6,837.4	6,798.3	6,837.4	-	-
- Viscount's Department	1,373.2	1,378.4	1,373.2	1,378.4	-	-
- Official Analyst	613.9	618.6	613.9	618.6	-	-
- Office of the Lieutenant Governor	691.7	694.5	691.7	694.5	-	-
- Office of the Dean of Jersey	26.1	26.3	26.1	26.3	-	-
- Data Protection Commission	223.9	224.4	223.9	224.4	-	-
- Probation Department	2,127.9	2,132.0	2,127.9	2,132.0	-	-
- Comptroller and Auditor General	788.7	788.5	788.7	788.5	-	-
States Assembly and its services	5,114.3	5,203.4	5,114.3	5,203.4	-	-
<b>Total Departmental Net Revenue Expenditure</b>	<b>641,300.4</b>	<b>653,278.1</b>	<b>655,134.4</b>	<b>682,750.6</b>	<b>13,834.0</b>	<b>29,472.5</b>
<b>Note 1</b> - Removal of contribution to Net Expenditure from Housing			13,783.0	29,338.0		
<b>Note 2</b> - SSD Impact of new rents policy - Housing Trust sector			51.0	134.0		
			13,834.0	29,472.0		