

STATES OF JERSEY

PUBLIC ACCOUNTS COMMITTEE

MONDAY, 21st JULY 2008

Panel:

Deputy S.C. Ferguson of St. Brelade (Chairman)
Deputy J.G. Reed of St. Ouen
Deputy A. Breckon of St. Saviour
Senator L Norman
Deputy R.G. Le Hérissier of St. Saviour
Mr. C. Swinson (Comptroller and Auditor General)
Mr. M. Magee
Mr. R. Bignell

Witnesses:

Mr. I. Gallichan (Chief Housing Officer)
Mr. C. Mavity (Director of States Services)

Deputy S.C. Ferguson of St. Brelade (Chairman):

Good afternoon, gentlemen, welcome to this hearing of the Public Accounts Committee. I wonder if you would just quickly like to introduce yourselves and then we will go around the table just to see if I can remember the names.

Mr. I. Gallichan (Chief Officer, Housing):

Ian Gallichan, Chief Officer, Housing.

Mr. C. Mavity (Director of States Services):

Carl Mavity, I am the Director of States Services.

Mr. M. Magee:

Martin Magee, Independent.

Senator L. Norman:

Len Norman, we have met before.

Mr. C. Swinson (Comptroller and Auditor General):

Chris Swinson, Auditor General.

Deputy A. Breckon of St. Saviour:

Alan Breckon.

Deputy J.G. Reed of St. Ouen:

James Reed.

Mr. R. Bignell:

Roger Bignell, Independent.

Deputy S.C. Ferguson:

Super. Yes, it is a year since we saw you last. A lot of water gone under the bridge. How good a year for your department do you think 2007 was?

Mr. I. Gallichan:

When the year past, 2006, I wondered whether 2007, the next year, could be as busy. It was, 2008 is not much different. For us the principal piece of work in 2007 was the property plan. All of our work was - well, the majority of our work was devoted to that. But of course there is business as usual and there are other strategic issues to deal with. We were working on the review of the social housing and I hope I can mention a bit more about that later. We were working on the housing needs survey which was terribly important to us to inform on that future housing strategy. We were involved in Jersey Homebuy, the planning, and lifelong homes. Carl was very much immersed in the capital programme following the approval of the property plan. We are working arrears, very important to us we targeted that. With limited resources we do have to target particular areas, and I am pleased to say we have had some modicum of success in that. We were working with Planning on the review of the Island Plan so it was - dare I say - an enormous number of things trying to keep going as well as business as usual. We are only a small department.

Deputy S.C. Ferguson:

Yes, but your activities have sort of shrunk a bit, have they not, now? You do not have the rental and the rent rebates, or you do not have the rent rebates and the --

Mr. I. Gallichan:

The rent abatement? No, they were meant to go early in 2007, they finally went in 2008 and, yes, that is a significant issue but on top of that I would say that a property plan in terms of sales, acquisitions or refurbishment programme, is actually very complicated and, for instance, Ann Court was pushed further up the programme and that was a major headache for us as we revamped the programme. So I agree with what you are saying, I think certain things were taken away from the Housing Department, no question about that, but we still maintained our position as a major department in the Government structure which meant we had to carry on with all of those policy issues in areas that hitherto have been dealt with by another section of the department. So it may sound like I am whingeing, I am not, but breaking things off -- or moving things from the department did not see a transfer of quite a lot of the work, it -- well, work came back to us. That is an issue, I think, that hopefully States Members will be looking at in the review of social housing, is what is to become of States rental accommodation long term, because if we do talk about areas of activity that perhaps Government do not necessarily need to be involved in, and I appreciate it is a political decision, but is certainly one that needs to be posed about States rental and where it is going to sit, in my view.

Deputy S.C. Ferguson:

Do we need a Housing Ministry?

Mr. I. Gallichan:

I think that would be very difficult for me to answer. I think there is -- undoubtedly housing is a major issue in Jersey but it is not one subject any more, it is a number of subjects and, for instance, the population office is dealing with (j) and (k) and (g) et cetera and of course you have got Planning who are providing the land and the strategy for the future to develop the homes that are needed. So we cannot sit in these pigeon holes and in these silos, frankly, any more where Housing is just Housing. I think it is far more cross-cutting than that.

Senator L. Norman:

It is the Housing Association who is creating the new stock, generally speaking, for rental?

Mr. I. Gallichan:

They have done in the past. I mean part of our property plan was that the argument was that the stock was out of kilter for what was required for the future and so what we wanted to do was sell 800, as we said, and create some property earnings but also acquire up to 400 lifelong homes. So we very much hope to play an active part in acquiring new homes and make sure that the stock is meeting the demands for the future. Because at the moment it is not, which I have to say is reflected in turnaround times and voids and issues around that. So we hope to play an active part. It is not quite as simple as perhaps a trust in that market.

Deputy S.C. Ferguson:

Thank you. Alan.

Deputy A. Breckon:

Yes, you touched on an area with the voids and from the report for 2007 the comments are that the average length of days a standard void probably is left vacant has risen from 23.2 days in 2006 to 32.8 in 2007. Could you just tell us why that has occurred?

Mr. I. Gallichan:

Yes, I mentioned to you that we are a small department and business as usual means that we have resources in place to deal with that. On top of business as usual we have obviously the decanting of Le Squez and Le Marais and Ann Court as well as making nominations for housing trusts. It has caused us enormous problems in terms of resources adequate to deal with the increase in workloads. On top of that we have had a real problem with bedsit accommodation. We have spent a phenomenal amount of time trying to allocate bedsits which nobody wants any more. One of the things we said in the property plan was that we were going to have to - and we are - amalgamating bedsit where we can into one bedroom lifelong homes. Of course that is a loss in rental. So when you look at these turnaround times, yes, they are sadly disappointing and we are - and have - taking action to improve that. But the fact of the matter is we were hit with a significant increase in workload for that period of time. I am hoping with Ann Court virtually empty now, that we can devote our attention - and Le Squez and Le Marais largely - to getting these figures down. There is a roadmap for housing, it on a long journey and I do not wish that to sound like an excuse but we have to make sure we have the right stock for what is required and bedsits frankly are not.

Deputy S.C. Ferguson:

I think you had a question, did you not, Martin?

Mr. M. Magee:

Yes, I think there is obviously quite a lot of data out there in the public domain and this is -- we have got 2 documents, this being annual performance report 2007 and obviously the accounts. Now, the accounts say there is a movement upwards in void days from 23.2 to 32.6. This says it was down 19.

Mr. I. Gallichan:

Yes, I do apologise, that is incorrect.

Mr. M. Magee:

That is right, the 19 is wrong?

Mr. I. Gallichan:

That is incorrect. What happened was, regrettably, Matt, they took the quarter figures rather than the figures up to the end of the year and so it was 19 days for the quarter I am led to believe but it was not the correct figure so I do apologise for that.

Mr. R. Bignell:

Have you set yourself a target for 2008 to get yourself back towards the 23.2?

Mr. I. Gallichan:

We have. We have set a target of I think it is 24 days. We can achieve that but I have to be honest and say it is very much dependent on the issues with bedsits and hopefully that we do not get hit with any more Ann Court's for instance. That did come as a bit of a surprise that we had to move it so far up the chain, because we were not quite ready for it. We do introduce tough targets for the teams. We carry out our appraisals at the same time in the year, it takes us about a month and we agree individual and team targets. So we do set tough targets but I have to be realistic and say they struggled in 2007 for some very justifiable reasons, but I accept it is not acceptable and we need to improve.

Senator L. Norman:

On that subject, I was having difficulty, Ian, reconciling what you said in your report on the void turnaround. The waiting time for a State rental property increased from 130 days to 152 days and you told us why, because of the shortage of accommodation due to Ann Court, Le Squez as you mentioned. You then talk about the voids. You say the voids have gone up because of the oversupply of accommodation with applicants having significantly more choice, and in many cases a choice of superior quality accommodation. I have difficulty in reconciling those 2 paragraphs.

Mr. I. Gallichan:

What we would say in that respect - the oversupply - is that it is the wrong type of accommodation that we have got an oversupply of. In other words there will be people waiting for particular types of accommodation and we will be producing -- not just for the general use of the stock but also we are generating voids as a result of the refurbishment programme. So we say we are generating the wrong type of stock which is leaving voids empty for longer periods of time. On top of that, there are voids in there that will be part of the sale programme. So they have to be regrettably left empty for a period of time until we find the appropriate purchaser.

Senator L. Norman:

That is fair enough. But you stand by the statement here: "The success of the housing trust in delivering new homes and the resultant oversupply of family type accommodation meant that the time taken to allocate homes increased largely due to high refusal rates, applicants having significantly more choice and in many cases a superior quality accommodation."

Mr. I. Gallichan:

Yes, I would.

Senator L. Norman:

Yes. Okay, thanks.

Deputy A. Breckon:

Just a final question on that. In 2005 the numbers of days void was 14 and we were then 23, and 32. Could you be more specific about where we are this year? Is that going down or is it still going up?

Mr. I. Gallichan:

No, it is going down. It is definitely going down. It is still higher than certainly -- 14 days is certainly much lower than it is at the moment. We produced the figures there which said that the quarter for 2007 was 19, so it is fluctuating quite significantly at the moment. I mean, we are still on the tail end of Ann Court for instance but I am assuming it will improve as a result of us decanting these large estates. Carl, do you want to come in there?

Mr. C. Mavity:

Only that the first quarter figure for 2008 is, I believe, 24 days so it is kind of moving gradually down in the right direction. As I say, as we get out of the Ann Court situation, practically everyone from Ann Court is now rehoused, we should start getting into situations where the natural turnover in the stock we are able to make available for people on the waiting list and I think, again, that will help speed up the turnaround times.

The Deputy of St. Ouen:

What is the overall financial consequence of the slip from 23 days to 32?

Mr. I. Gallichan:

The actual cost of voids to us in 2007 was £217,000 and that is taking out, for instance, those properties that are not to be relet, which involve obviously Ann Court, Le Squez and Le Marais. There was a question asked of me last year about what was the maximum rent return, and for 2007 it was £33 million. So we lost -- effectively, we did lose out on £1 million of take. Of that the number of properties that could be let was about £217,000, the rest emanated from Le Squez, Le Marais and Ann Court. When you think of Ann Court on its own, the rent take on Ann Court for a full year is not far off £0.5 million. What we are doing now is the financial appraisals that we do for capital projects, is talking about that. We are going to decant in the State which we try to do very rarely, what is the cost? I have to say, to be honest, that it is not something that has really been taken into account before in truth. I appreciate it is slightly remarkable but --

The Deputy of St. Ouen:

So when are you going to start that process?

Mr. I. Gallichan:

We are doing it now.

The Deputy of St. Ouen:

For 2008?

Mr. I. Gallichan:

Yes.

Mr. C. Mavity:

Yes, every scheme we are now working up as part of the programme is having a value for money assessment at the very beginning. We are looking at what is the site generating now, what do we need to spend, what is the potential income increase as a result of that investment, and what is the payback period?

The Deputy of St. Ouen:

Is this taken into account in your sale programme as well and the value of the property that you are selling?

Mr. C. Mavity:

Certainly we are not selling any homes which are not at a refurbished standard and, of course, when they are valued they are valued with the refurbishment works having been carried out and included in that valuation.

The Deputy of St. Ouen:

Yes, but what I am suggesting is that you have just told us that part of your void problem is the redevelopment of Le Squez and other areas, and so I just want to know is that consideration, that loss of income, that is brought out by the decision to sell off certain properties and refurbish certain properties, is that taken into account anywhere?

Mr. C. Mavity:

They are certainly factored into our forward planning --

The Deputy of St. Ouen:

Or is it just accepted as obviously just part of the problem and it is not accounted for.

Mr. I. Gallichan:

No, we do and have looked closely. It is a complicated financial model about the loss of 800 units and that is why the acquisition of 400 is so important. Not just because these properties are required by people in Jersey but also certainly with regard to our rental income.

The Deputy of St. Ouen:

So if we asked you for figures linked to loss of income brought about by the property plan proposals for 2008, let us say, are those figures available?

Mr. I. Gallichan:

Yes.

Deputy S.C. Ferguson:

Can we move on now because we have got quite a lot of ground to cover.

Senator L. Norman:

I was just wondering, is the department suffering a little bit of an identity crisis in view of what you just said, Ian? Is it a trading operation or is it a social service? Is there a conflict?

Mr. I. Gallichan:

No, I do not think that. I think it is very much a social service but, and it is a political question, could it operate more effectively as a trading organisation rather than a fully fledged government department. That is obviously a political decision.

Mr. C. Swinson:

But do you have a technical view?

Mr. I. Gallichan:

My own view is that we would operate far more efficiently if we were put at arm's length at least.

Mr. C. Swinson:

Could I -- I do not wish to muck up the ... You talked about the mismatch between sorts of properties that are becoming available and the sorts of properties in which your potential customers are interested. That sounds like a major management challenge because presumably you expect that to continue?

Mr. I. Gallichan:

Yes.

Mr. C. Swinson:

Firstly, how are you able to handle that, which you may say is in other documents elsewhere? Secondly, do you have the resources necessary to enable you to handle that?

Mr. I. Gallichan:

I think in terms of handling it the long term picture for this is the lifelong homes debate which has recently been approved by the House. In terms of delivering lifelong homes which we want to acquire because we do have bed blocking -- sorry, accommodation blocking. We have people in some families sized homes who need one bedroom accommodation that simply is not there. I know this is a debate we had with Deputy Southern on occasions when he was saying that there are people waiting for 3 bedrooms - and yes they are - and they are available, the trouble is we have people in them who require a particular type of accommodation. So it is acquiring the types of homes that we need that will help us deliver that. In terms of resources, we are a very small department and I think our ability to be flexible in terms of the numbers, et cetera, is constrained slightly by the State system. You have to invest and you have to acquire some addition resources on a temporary basis to meet certain objectives. Sometimes we are constrained by that under the present system. It takes us simply too long to get the skill base in place and to deliver on that.

Deputy A. Breckon:

Can I ask you, Ian, about the financial management staff? You told us last year that for most 2006 you did not have a finance director and you have now recruited a finance director who is part time and she was currently on maternity leave so you sort of lost the person again and you had a brand new finance team. So I wonder if you could tell us whether you believe you have now achieved some greater consistency with the financial management of the department?

Mr. I. Gallichan:

Regrettably I cannot. Our previous finance director was certainly a very able individual. Regrettably, from my point of view, she was married to a high flyer (j) category star who worked for a finance institution and he has now been relocated to America. So sadly I have lost my finance director again. So a large part or certainly half of 2007 I did not have anyone and she was not back that long before unfortunately she had to depart. So we are recruiting again. Recruiting an accountant in the States of Jersey is very difficult at the present time as I am sure you can appreciate with the finance industry being significantly busy at the moment.

Deputy A. Breckon:

How much of a handicap is that to the overall running of the department then if you do not have somebody in post?

Mr. I. Gallichan:

I have to be honest, it puts an enormous weight on my shoulders and my colleagues and Carl to my right. I am not an accountant and neither is Carl. It has been a very, very steep learning curve. Normally I would expect my finance director to be with me today. But, as I say, I have not got one again, so it is the second time I have been before you and I have not got one. It is an issue. I am talking to Ian Black. My own view is that when you look at the amount of money we are spending sales, the capital programme, the acquisitions, trying to run that with a part time finance director I just think is not good enough. I would say, you know, here we are, we had a finance review and somebody came in and looked and said, you know, we could manage with that. I think strategically I need that high level advice, an overview, we have got a lot of balls in the air at the moment. We are possibly going to have

to recruit from the U.K. (United Kingdom).

Mr. C. Swinson:

Who came in and said that you ought to be able to manage with a part time F.D. (Finance Director)?

Mr. I. Gallichan:

We went through this piece of work called the Finance Transformation and there was a group from the U.K. I think they were operating on erroneous information and, as I say, we ended up in a cluster, that broke up and then we ended up with a part time finance director. Frankly, for the sort of money we are spending that is a risk.

The Deputy of St. Ouen:

Was this driven by Treasury, this review?

Mr. I. Gallichan:

Yes.

The Deputy of St. Ouen:

So you are suggesting that Treasury are content to see you manage without a full time finance director at present?

Mr. I. Gallichan:

It was part of the change programme. I think these things gather momentum and a life of their own when people take their eye off the ball about what you can cope with. On paper it might well have looked that we can do that but when you look at the sums involved, and as the accounting officer, yes I do have a few sleepless nights.

The Deputy of St. Ouen:

So, just for me to get my head around it, the States agree a property plan that includes allocating £800 million worth of property to housing to enable them to dispose of some, refurbish others and purchase a utilised fund. Yet you are suggesting that Treasury, at the same time, decided that even with that extra responsibility that you were able to manage with a part time finance director, is that right?

Mr. I. Gallichan:

Yes. I have to say I have been knocking at the door and within existing resources, and this is what I mean, I am able to make up a full time post but that means I have to "pinch" a post from elsewhere within the department. Then we have arguments about grades. Let us be honest, if it is a 13 or 14 you are not going to acquire a qualified accountant at the moment on £65,000 a year.

The Deputy of St. Ouen:

Just moving on from that, we are well aware, and I am sure you are, that the external auditor, both in 2006 and again in 2007, have highlighted issues dealing with mismanagement and benefit fraud. What efforts have you made to deal with this area because it seems, by reason of their report, that very little has been done? Maybe you could elaborate on what you are doing and how you are doing it. Or what restrictions have you found?

Mr. I. Gallichan:

I suppose you might expect me to say this anyway, yes the reports can say very little has been done. There are -- or there were because the subsidies budget has now transferred to Social Security, which it was meant to do early really in 2007 but was delayed for various reasons. Things are done. There are various cross-checks and references made with regard to applications. Applications for subsidy were

made every year and the team would scrutinise that accordingly. The fact of the matter is - and this is where I mean about sometimes the States thinks you can do work off the side of a desk - that you are implementing a brand new scheme, the Income Support Scheme, and you are expecting the people who are supplying the benefit system at the moment, including housing subsidies, to introduce a new scheme and carry on with business as usual. You probably would have seen the case in the *Jersey Evening Post* where we took too long - we did take too long, no question about that. But you are asking people to run that and make sure that they are doing more checks and there is more governance, et cetera, et cetera. Now, with everything else that was going on, and perhaps it seems like a lame excuse, there are only so many balls you can keep in the air at one time. I honestly believe that Income Support would be going live in 2007, certainly by about May. When I took over, had the Income Support Scheme not been a reality, political reality, then I would have turned subsidies upside down. It did need a major looking at in terms of the governance, the generosity of the schemes, et cetera. But I would say to you, what time did I have to do that? If that is a lame excuse, it is a lame excuse but I do not think it is. As it was a reality, a political reality, had I tinkered with it -- well, not even tinkered with it, had I said: "This is a major review" I just wonder whether would have looked joined up or just sort --

The Deputy of St. Ouen:

The other side of the coin, though, is that obviously you are responsible now to collect --

Mr. I. Gallichan:

I know --

The Deputy of St. Ouen:

No, sorry, relax. Responsible to collect rents, and obviously that is how you derive your income. What efforts or improvements have been in that area to ensure that you are getting paid all the rents due?

Mr. I. Gallichan:

I would say the structure in place was better than before in terms of if people are receiving income support and it is greater than, for instance, their rent, then Social Security will pay us the entire sum. I know there are concerns about that but it has helped an enormous number of people in terms of managing their finances. You could say they should be managing their own finances, it teaches them responsibility. But in terms of receiving rental payments it has assisted us enormously and this target on arrears -- at one time arrears was £1.2 million, it is now, as of June this year, £765,000. We have made some major improvements on arrears. Major. Through what we call the zero tolerance. Try and get in early. If you owe £100 then it is your problem. If you owe £500 or £1,000 it becomes my problem very quickly because people cannot cope with that level of debt. So I would say the structure we have put in place with Social Security is certainly helping a number of people to meet their rental payments. I will just quickly say, if we did not do that there are many people who have been States tenants for many years who had this in house abatement scheme. So they had only ever paid net rent. What would happen if you suddenly gave them a cheque or you paid into their bank account, for some of them, thousands of pounds? I just do not think that would be sensible.

The Deputy of St. Ouen:

You have spoken about the issue of asset management and the problems that you face. Can you just elaborate a little bit on how you are setting about improving that particular area?

Mr. C. Mavity:

Gladly. We obviously -- in the property plan set a pretty high level refurbishment programme which sought to identify the areas of the stock that needed to be improved and to cost those. As Ian has already mentioned, the things that have happened since the plan was approved, the decision over Ann Court for instance, has meant we have needed to keep that programme relatively fluid and be able to

change it because it is extremely complex. One of our fundamental approaches is to try and keep people in their homes while the refurbishment work is going on, if at all possible. That adds a level of complexity to the plan too. Also from our point of view, it helps to maintain income which is very important. If we start decanting large sites that (a) takes an enormous amount of time - unless you have got new accommodation in which to put people. You are relying on the natural turnover of the stock. So keeping that income going, keeping a community together we see as being a particularly important mechanism for getting the refurbishment done but also for its long term management. If you get a community together, brought in to the scheme and working together through a refurbishment programme, our hope is that the way that the accommodation is looked after and treated by its occupants in the long term will be that much better because people have that sense of long term ownership. But we have a programme which we have set out, which will be detailed in some detail in the 2009 Business Plan, identifying those sites which will be the priority, how they are going to be funded. Because so much of the capital refurbishment cost will be expected to be paid for from the income from the sales. We have sought to layer that into the plan. So we have identified very early the numbers of sales that we would need to attain in order to meet the commitment for each year's capital refurbishment so we can identify, at the very earliest point if there looks to be any issue with having the funds available to do the individual projects, we have got that information available at our fingertips so that if we start to encounter some issues we can make decisions accordingly.

The Deputy of St. Ouen:

Is it not, though, a risk, as you have already highlighted, that as a consequence of focusing on generating cash, if you like, to refurbish various property that you are causing a problem because you have got the bedsit land that you cannot let, you have got various surplus of one bedroom flats. That although you are creating the cash, you are generating - or could be generating - a problem further down the line with this unbalanced stock.

Mr. C. Mavity:

Part of the balance of the stock is part of the programme. If I can give you an example, part of our -- in the property plan we were very strong about the idea of bringing down 2 of the high rise in Val Plaisant, Convent and Caesarea Court. One of the things our planning has allowed us to identify is that that is only a possibility if before that we can acquire some new accommodation in which to decant the people living in those homes at present. So consequently Convent and Caesarea have slipped further down the programme than we might first have liked because the stepping stone to achieving that aim must be acquire some new homes first. Both because we will need the income but also people will need those places in which to move into. We have a number of sites where we are able to convert bedsit accommodation, which is not generating the levels of rent which we need and we are experiencing higher levels of void into the accommodation which we do need. The one bedroom lifelong homes. A couple of schemes we are running at the moment through feasibility are aimed at achieving just that.

The Deputy of St. Ouen:

So is the financial model that you have developed with Treasury, which you have spoken about earlier, does it help you to identify best value for money? In other words, how you can manage the stock and reduce the losses in income or is it more biased towards immediate housing need?

Mr. I. Gallichan:

I said to you that we were on a journey. One thing this model has demonstrated is that we are some way behind now the market - some way - and the review of social housing will be released as a Green Paper and then ultimately a report will be propositioned for debate by the States. Because we need that answered once and for all, are we going to follow the market within say 5 per cent or are we going to abandon it? When you talk about maximum income what this model is showing to me is that if the stock was in good condition and we were about 5 per cent behind the market at the moment, all right -

these are all averages - we are at the moment probably about £6 million out on what we should be recovering. Now, that is all very well but of that £6 million there will be a number of people who will need assistance. So there will have to be income support. Now, can we carry on running housing saying: "Well, okay, we will adjust your cash limit and we will take some of that or are you going to leave the Housing Department with sufficient money to maintain its stock and run a social housing service" that ultimately there is a sum of money -- is a gap in income support.

Senator L. Norman:

Talking about maintenance, Ian, I am sure you are delighted with the headline that told us that 18 per cent of your stock was below the decent homes standard.

Mr. I. Gallichan:

It was 20 per cent, was it not? Nearly a fifth.

Senator L. Norman: How much are you going to have to spend to bring 100 per cent of this stock up to standard? The appropriate standard.

Mr. I. Gallichan:

We had estimated approximately £75 million over 10 years to bring it up to the standard. That does not include Le Squez, which is a separate project of approximately £50 million that will be financed through the States. So I do not know if Carl wants to elaborate on the £75 million in the project plan we have put together.

Mr. C. Mavity:

If it is helpful. We are looking, yes, at £75 million being our global figure and then ensuring that we have a sufficiently funded plan maintenance programme to maintain the stock in that condition once it reaches that level. Next year, for instance, our programme is setting out around about £17 million worth of expenditure.

Deputy S.C. Ferguson:

Yes, but if you look at this year's accounts you were, in fact, able to increase expenditure on maintenance despite everything. How did you do that?

Mr. C. Mavity:

That was 2007 accounts?

Deputy S.C. Ferguson:

Sorry, you do not mind if we come back to the accounts every now and again.

Mr. C. Mavity:

We were able to spend more money on maintenance in 2007 than in fact we had anticipated doing. That was driven by some savings in other areas. In the area where very clearly we had suffered for a considerable time with having insufficient funds to meet the needs of the stock meant that we were able to reallocate some of those funds to the very pressing backlog of what I would I call running repairs. Those things that crop up day-to-day that need to be repaired to keep the stock functioning properly and to keep it looking the way that it should and to keep it safe for people to live in. Over the years, I have to say, we have focused very much on the critical repairs. Those things that we just had to do. There had been a backlog developing of less critical repairs but no less important to the way that the stock functions and so in 2007 we were very fortunate that we were able to catch up on some of that backlog.

Mr. C. Swinson:

If you had complete freedom and no other constraints do you have a view on what the normal running repairs cost would be? Assuming you had your stock in reasonable condition what would you have to spend? You know, just a lick of paint here and a new window there or whatever?

Mr. C. Mavity:

I think we would take some leads from colleagues in the U.K. and looking at some of the data available there, we see costs of £10, £12, £15 per unit per week being quoted as reasonable figures.

Mr. C. Swinson:

You have how many units at the moment?

Mr. C. Mavity:

We have got 4,500. We are some way behind. Our responsive repair budget is running at something £6 per unit per week.

Senator L. Norman:

Are you saying that you really need to double your maintenance budget just to stand still? To get the stock into correct condition is going to cost you £75 million over 10 years, what do you need to maintain it at an acceptable level?

Mr. I. Gallichan:

If we kept the same number of units, 4,500 for instance, we are suggesting approximately £7 million.

Senator L. Norman:

At the moment you are spending about half of that -- okay it went up a bit last year, it went up quite a bit, 10 per cent, £4.5 million. So you are still way short. What are the chances of you getting that money just to maintain the stock in the correct condition?

Mr. I. Gallichan:

That does not include the voided share, so that would bring it up to £5.5 million. So it is not that far. I think that ties in with what I said about the review of social housing. Some tough decisions about the rent, the income, but something we have to address politically is what are going to do because the stock is there but the income can be generated to maintain this stock in very good condition and have a proper planned maintenance and capital refurbishment programme to look after it.

Senator L. Norman:

So if you do not get this increase in rental income you are not going to be able to maintain the property and they are going to have further deterioration, is that what you are saying?

Mr. I. Gallichan:

I cannot prejudge what States Members are going to do.

Senator L. Norman:

Nor can I.

Mr. I. Gallichan:

But it would seem too nonsensical to be taking out of the housing budget money to effectively subsidise income support, and then you let the stock deteriorate. That just is not good government, in my opinion.

Mr. C. Swinson:

The logic of the position presumably is that the Housing Department ought to be in a position to charge

a rational rent - I am using that word intentionally rather than the word "commercial" because commercial has emotional overtones and so on - which I would define as a rent which recovers all of the cost you ought to be incurring, the financial costs of having the stock but also the upkeep costs on a reasonable basis so that you keep the estate in a reasonable condition. If there is a decision to be made about assisting tenants who quite properly need assistance, then that is for somebody else to do elsewhere. So the logic of separating responsibility between the departments basically.

Mr. I. Gallichan:

Yes, because at the moment we are creating demand because of the very attractive prices at our end. Why would you want to rent a house in the private sector if you can rent - let us be honest, 82 per cent of our stock is in very good order - that for sort of 25 per cent below the market and you have got a good income or reasonable income, why would you go into the private sector.

Senator L. Norman:

Why would you be renting to people with reasonable or good incomes?

Mr. I. Gallichan:

Well, because over the years people's -- dare I say it, it tends to be tenants who have obviously joined us many, many years ago and, unlike Guernsey, we do not do this continuous assessment or assessment over a period time where people's financial circumstances have changed. Now, 30 per cent of our tenants under the old scheme were on maximum rent. So that means you are getting near, in a 3 bedroom house, to £50,000 a year.

Mr. C. Swinson:

Could I just ask one accounting and reporting question? The only figures people see in the accounts are the amounts of money you have actually spent maintaining. As far as I am aware, there is nowhere consistently a figure for the amount of money you consider, as the manager of the estate, you should have spent to keep it in proper condition. I make that point because States Members then do not necessarily know what the rent should have been to achieve a rational position. Am I right about that?

Mr. I. Gallichan:

Yes, you are. I would imagine -- I understand, excuse my ignorance, the R.A.B. (Resource Accounting and Budgeting) project will basically be demonstrating, quite starkly, how we are not maintaining our assets, or the sums of money that will be required to maintain it.

Mr. C. Swinson:

Because there would have to be a provision for a diminution value.

Deputy S.C. Ferguson:

Can we crack on, please?

Deputy R.G. Le Hérissier of St. Saviour:

The Housing Department Property Plan was approved in mid-2007, you talked about the fluidity of the plan as I recall. How many properties have indeed been sold since that plan was promulgated.

Mr. C. Mavity:

We have sold a total of 84 units under the shared equity principles. Seventy of those at Le Squez and Le Marais. We have also been able to sell 4 of the open market properties that you might recall from the plan. There were 26 of those that were highlighted, and another 4 of those are about to go on the market any day now. So we have made some progress with those sales and we have a number of buyers who are actively engaged in looking to purchase either the home in which they are living or another property

as we come up through recycling with Vauteno(?).

Deputy R.G. Le Hérissier:

Are they going at the rate you anticipated?

Mr. C. Mavity:

I think it is fair to say they have been a little slow to start, and I think there are a number of issues there. One particular one is about the conveyancing process, is these are homes which have never ever been conveyed in the past. So boundaries needed to be defined and we would need to look into the issues on estates, for instance, about making sure that people contribute through some kind of charging mechanism or some kind of residents' association to the reasonable running costs of the estate, be it the roads or the drainage or the street lighting. So those issues have needed to be worked out at the outset and slowed the initial sales down. The great thing though, having established those principles and established those associations on the estates and what have you is that the sales moving forward now should be far more straightforward.

Deputy R.G. Le Hérissier:

Are you finding, Carl, that some are more attractive than others? Have you found that your reasoning has been undermined by experience?

Mr. C. Mavity:

No, I do not think so, I think generally 3 bedroom houses are always going to be very popular and some estates which have already the refurbishment work carried out and therefore are in a condition to be sold have proved extremely popular. Some less so because the residents know that we have given a commitment not to sell until the work has been carried out. The programme is saying that might be 2 years away or 12 months away. When we do get that kind of aspiration, somebody wants to buy but their home is not going to be ready for 2 years or so, we have discussed with them whether potentially they might consider buying something else that might be more available to them in the shorter term.

Deputy R.G. Le Hérissier:

What about the revenues? What revenue do you receive from these sales so far and for how many houses?

Mr. C. Mavity:

The sales at Le Squez I think is about £4 million income, that is an internal financial model which --

Deputy R.G. Le Hérissier:

How many houses sold, did you say?

Mr. C. Mavity:

Seventy.

Mr. I. Gallichan:

Sorry, £17 million is the figure.

Deputy R.G. Le Hérissier:

Oh, 17 for 70 houses?

Mr. I. Gallichan:

Carl was referring to just 1B.

Mr. C. Mavity:

Just to 1B, Le Squez, yes. So £17 million in total.

Deputy R.G. Le Hérissier:

What about the 4 open sales?

Mr. C. Mavity:

Included in that figure.

Deputy R.G. Le Hérissier:

That is included. Okay.

Mr. I. Gallichan:

They would be about £1.44 million. I think the structure at the moment does not frankly lend itself to selling these homes as easily as it should be, but there we are.

Mr. C. Swinson:

I am just interested in what made it more difficult.

Mr. I. Gallichan:

I think some of the bureaucracy. There is bureaucracy behind some of the agreements. I think if we were arm's length selling these properties, I think we would be able to have sold some much more quickly. At the moment we have to go through Property Holdings, so we have to go through Treasury and Resources Minister, and I think then a conveyancing system where there are resource issues within the Conveyancing Department of the Law Officers. That is something I would like to see outsourced. In terms conveyancing, I do not personally think -- that has not been an easy matter. So I think there are some issues behind --

Deputy S.C. Ferguson:

What is the problem with going through Property Holdings? Why would that hold it up?

Mr. I. Gallichan:

It does.

Deputy S.C. Ferguson:

Why? What do you have to get from them?

Mr. C. Mavity:

You need to gain the approval of -- perhaps if I explain the way the process works. The Housing Minister would agree to sell a home to a particular individual at a particular price.

Senator L. Norman:

How does the price get established?

Mr. C. Mavity:

Through a valuation process which we have set out --

Senator L. Norman:

Commercial valuer?

Mr. C. Mavity:

Yes, a Fellow of the Royal Institute of Chartered Surveyor. We arrive at the value, the Minister will agree to sell to an individual at the said price and the ministerial approval process will be gone through then. Because of the way that Standing Orders, particularly Standing Order 168, is structured the only person who can effectively agree to sell a property on behalf of the public is the Treasury and Resources Minister, which he does through the delegated authority to his Assistant Minister. Then there is a process whereby -- so we need to go and kind of almost duplicate the approval process with the Treasury and Resources Minister through the Property Holdings Department and then of course we have the need for - under Standing Orders - that transaction to be notified to the States for 15 days.

Deputy S.C. Ferguson:

Yes, but do Property Holdings query the price at which you are selling it?

Mr. C. Mavity:

No, we have agreed the -- the valuation policy was all agreed at the outset. So we tried to make that as straightforward a process as possible but it does all drive time into the mechanism. Particularly with the early sales, with the conveyancing issues that we have already mentioned, that can lead to some frustration for buyers and for us too.

Mr. I. Gallichan:

I was not apportioning blame. Was I was saying is I think the structure is just tortuous at times.

Mr. C. Swinson:

Have you had any cases where the Housing Minister was minded to approve a sale where the other people in the process decided not to approve the sale?

Mr. I. Gallichan:

I would not say not approve. I think it was very useful in terms of the comments in respect of residents' associations on some of the estates because there is no question about it, some of the old States loan homes sold in the past, the States for some bizarre reason managed to hold on to the ownership of roads and pavements and street lighting and needed up paying for them and not recharging owners. Quite rightly Property Holdings did not want to see a repetition of that and I understand that. Getting a residents' association approved and registered in the Royal Court is something we should be able to get done much quicker. That holds up sales. I would say there has been a good working relationship on the whole with Property Holdings, but it is a fact that when you are getting 2 Ministers to approve something it can delay matters. A phone call from me would say: "Look, there is an issue with these residents' associations let us get on with it." But it seems to take quite a long time.

Deputy R.G. Le Hérissier:

But building on what the C.A.G. (Comptroller and Auditor General) said the Treasury Minister manages it by exception or his Assistant or do they --

Mr. I. Gallichan:

His Assistant.

Deputy R.G. Le Hérissier:

-- ask questions that hold up the process further?

Mr. I. Gallichan:

The Assistant Minister looks after the property side.

Deputy R.G. Le Hérissier:

When he gets this application from you, does he just accept the Housing Minister's -- unless there is something exceptional, or does he come to you with a whole series of questions?

Mr. I. Gallichan:

He comes back. He comes back.

Mr. C. Swinson:

Presumably he, too, has been going through a learning curve for the first sales and would have come across questions he needed to have answered initially which over time, with other examples, he will not need to have answered again.

Mr. I. Gallichan:

I think we have reached, in a very short time now, a tipping point in terms of the Residents' Association and various governance structures. It has been a learning curve for all of use. It has been a complete change but I think we can speed up in terms of some of the conveyance issues, et cetera.

Mr. C. Swinson:

Because it has arisen in other context, could I just ask about the point about the Law Officers Department and the conveyancing service, is that a -- it is obviously a point of delay from what you are saying, a long delay.

Mr. I. Gallichan:

Yes, I think there is a resource staff issue in terms of we are selling 800 homes and on top of that there are all the other issues of other States departments. I just feel there are not sufficient resources there to deal with it.

Deputy S.C. Ferguson:

So you are not selling off all the decent properties, are you going to be left with the dogs?

Mr. I. Gallichan:

No.

Mr. M. Magee:

Could I ask a question linked to that? Since they have been sold have any of them resold that would, therefore, validate the valuations, i.e. have people made a turn on them because of the property market out there?

Mr. I. Gallichan:

Yes, there was in Phase 1A of Le Squez; there was a family breakdown but I do not believe it has been sold yet, I am not quite sure.

Deputy S.C. Ferguson:

Yes, it was on the market.

Mr. M. Magee:

There was nothing jumping out to say that it was sold under value or anything like that?

Mr. I. Gallichan:

No.

The Deputy of St. Ouen:

Could you confirm, I think you have already done so, who is now responsible for the housing subsidy?

Mr. I. Gallichan:

Income support.

The Deputy of St. Ouen:

That is Social Security?

Mr. I. Gallichan:

Yes.

The Deputy of St. Ouen:

You have no link with that at all any more?

Mr. I. Gallichan:

No. They run the income -- the Housing Department and income support.

The Deputy of St. Ouen:

Are you happy with the way that it was all transferred?

Mr. I. Gallichan:

It is a learning process. **[Laughter]** I think, considering the complexity and the size of the scheme, it has gone remarkably well.

The Deputy of St. Ouen:

I suppose a more focused question would be, as the payment scheme working this department regarding rental subsidy, there seems to have been a range of things that have taken place between both Housing and Social Security. Maybe you could just elaborate a little bit on that.

Mr. I. Gallichan:

It has worked very well and it certainly helped us reduce our arrears, although they were well on the way down anyway. But it has worked well and it certainly has assisted people who, with the best will in the world, would have ended up with very large payments entering their bank accounts. I just think there is a lot of work to be done before you can quite honestly say people should take responsibility for this, I think, where people have paid net rents - who are tenants of ours - for 20-25 years.

The Deputy of St. Ouen:

I am just thinking of the department myself because there is obviously an area there where sums are now being planned to be transferred from the department, can you just explain a little about that deal that has been struck between sales and Social Security?

Mr. I. Gallichan:

Well, Social Security make payments to us, in terms of the housing component for our tenants direct to us and obviously our cash limit is adjusted accordingly, it is a bit of a cottage industry here, we are swapping money around the system.

The Deputy of St. Ouen:

You are repaying how much to Social Security?

Mr. I. Gallichan:

In 2008 it will be £22 million.

The Deputy of St. Ouen:

That is increased by the cost of living?

Mr. I. Gallichan:

It is 22.3 next year

Mr. C. Mavity:

Then 22.9 the year after.

The Deputy of St. Ouen:

What assurances do you have that payments you are getting from Social Security are the right amounts of money in relation to the tenants?

Mr. I. Gallichan:

Well, in many cases they will be paying the full fair rent because the various components of income support for that individual will exceed our fair rent so they will pay us the fair rent direct. For those others then there will be -- I do not know quite how it would work in terms of the --

Mr. C. Mavity:

It is an electronic process but we will be able to match up the monies coming in from income support to each individual account. Those which are -- where the income support is meeting the rent in full are one issue, you then have the remainder who are either not receiving any income support at all or are receiving a part and there is a balance to pay from the individual tenant for the balance of his rent. We are very much promoting and trying to get as many of the tenants as possible on to direct debit or standing order. So we are sorting that process out with them and leaving us as little as possible open to - - from the manual process of cash payments and what have you. So it is a very close working relationship between the 2 departments in that respect, in making sure the data coming in marries up with the accounts that we have.

Deputy A. Breckon:

Could I just ask a question on future rentals, is there any tension in what you may do for rental policy upwards and what view Social Security might take of that?

Mr. I. Gallichan:

Undoubtedly there will be but in terms of -- there is going to be a bill to be paid somewhere along the line. I do think the debate, the subsidy debate 2009 on the proposals in the review of social housing, is going to be talking about the fair rent and what it should be or whether it should be abandoned and, frankly, during the consultation process what are we going to do? I mean, I have no doubt we are not going to be left with £6 million additional income but if you keep taking from housing the sum of money that effectively nets off the cost of income support and leave us with insufficient funds to run the service we are supposed to be running and maintain the accommodation, then that just seems wrong.

Deputy A. Breckon:

Yes. The question is where do you get the balance then? If you want it and Social Security cannot afford to give it to you, where does the balance come from to maintain the properties?

Mr. I. Gallichan:

Well, I think that is a political issue, is it not?

Mr. C. Swinson:

There is another question in the middle of it, is there not, it is not a question about what the fair rent is, it is a question about what the right level of benefits is which is a different sort of political question which needs to be looked at.

Deputy A. Breckon:

You must agree that there is some tension there. If you wanted to put the rents up 25 per cent and people cannot afford that benefit basically. If you see that as a level to maintain the property it has got to come from somewhere.

Mr. I. Gallichan:

Yes. As I said, I think what we are looking forward to is discussing that with scrutiny about the comments that emanate from Professor Whitehead who is conducting this review. We are going to have to have a very in-depth discussion about where this is going. But, of course, there will be tension, we are talking about money.

Deputy S.C. Ferguson:

One quick one, presumably you expect your rent arrears to be down again this year, how are you managing to do that?

Mr. I. Gallichan:

Well, we restructured the compliance team and we have focused an enormous amount of time and effort on the individuals who are in arrears. At the moment it is down to 765,000. We have been assisted by the income support scheme but I do not want to take credit away from the fact that we have reduced this figure significantly and we do have a lot of success when we target these individuals. But again, it is resources issue. When you are tackling arrears you are not necessarily attacking compliance issues in terms of the tenancy agreement and so anti-social behaviour increases - it is trying to marry that up. But we have had some success. I mean, 10 or 11 years ago the arrears figure was £.5 million.

Mr. M. Magee:

A question linked to the rental issues is the whole U.K. G.A.A.P (Generally Accepted Accounting Principles) revaluation of your properties on a regular basis? Because to me once you have done that and keep rolling there, that would make more focal what your yield is on your property portfolio, which nobody can see at the moment. I think all of a sudden it is going to flush up, you are going to see X back on that and whether the figure is 25 per cent differential between private sector or 40 per cent, or whatever, because when you see -- you are seeing it with just revaluing -- we have got some properties in our portfolio and you can just see where it has been going in the last few years. To me that is going to give you -- your key gap thing which might sound technical but it is going to give you guys some potential other issues.

Mr. I. Gallichan:

Absolutely, and that is across the board for other departments' property holdings in T.T.S. (Transport and Technical Services). It is going to be a very, very interesting figure indeed.

Mr. M. Magee:

How are you getting on with that anyway? Have you got a scheme in terms of how you carry that out on an annual basis because it is quite a difficult task, I would imagine?

Mr. C. Mavity:

The valuation of stock has been carried out, so Drivers Jonas have just delivered their final report, indeed, on that aspect and we are happy. I had some discussions, albeit brief, about what we will do on an annual basis in order to make sure that information is kept up-to-date and refreshed so that it

constantly relates to the value of the stock. In tandem with that we are also starting to carry out a condition survey of the condition of the stock because that has a huge part to play in managing those assets, going forward, and making sure that we are targeting the capital refurbishment and the planned maintenance programme of stock in the right areas to keep it operating at its optimum level.

Mr. M. Magee:

One final question linked to that, do you have any idea at this point what your yield is on your properties if you have got valuation and you know what your rental flows are?

Mr. C. Mavity:

It came out, I think, round about 39 million odd.

Mr. M. Magee:

What I was really just asking there what were your rentals over the asset values, the sort of yield, which I would expect you would say to me it is going to be 3 per cent, 4 per cent, 5 per cent, something like that.

Deputy S.C. Ferguson:

What was the valuation on the rental properties?

Mr. C. Mavity:

We have the existing use as social rented valuation and you have the open market vacant possession which is very nearly a £1 billion.

Mr. I. Gallichan:

About 5 per cent, based on £800 million of capital assets.

Deputy S.C. Ferguson:

But that is the social rented value.

Mr. I. Gallichan:

Which is what it is.

Mr. C. Mavity:

The social rented value is £500 million so social rented is getting on for half of what the open market capital value would be, which is largely driven from the rental year.

Deputy S.C. Ferguson:

Anything else?

Deputy R.G. Le Hérissier:

Just a silly comment, I have just been looking how you have been looking, Ian, you look very fierce.
[Laughter]

Mr. I. Gallichan:

Perhaps that is a good thing! I do apologise.

Deputy R.G. Le Hérissier:

I told you it was a silly comment.

Deputy S.C. Ferguson:

A very wicked sense of humour!

Mr. I. Gallichan:

I apologise if I have been looking ...

Deputy R.G. Le Hérissier:

Can I just ask a final question?

Deputy S.C. Ferguson:

Very, very quickly because they are queuing up outside.

Deputy R.G. Le Hérissier:

You could say the whole system, and this is one of these broad questions which politicians have probably screwed up, is based on a perverse sort of assumption the idea you only meet social need yet you have this incredible incentive for people to stay in your houses on and on and on which, as social need increases, could be compelling us, at the other end, to keep building more and more houses because we are not moving people through. That is what you were saying, Ian. Is there a solution to this or do we just keep building more and more social houses at the other end?

Mr. I. Gallichan:

We do have the full occupancy policy so we do move people on. As I say, when we travelled to the U.K. they were quite surprised that we move people on as much as we do. So I think you and I have talked about the child density levels on our estates, they are very high on some of our family estates because we do require people to move on. Guernsey certainly have --

Deputy R.G. Le Hérissier:

Yes, they are quite ruthless.

Mr. I. Gallichan:

Yes, they are. I do wonder about the social fabric of the society if we just do not look at the makeup of some estates.

Deputy S.C. Ferguson:

Thank you very much, indeed, gentlemen.

Mr. I. Gallichan:

Thank you.

Deputy S.C. Ferguson:

Once we get the transcript we will let you have a look at it just to make sure ...