STATES OF JERSEY

LES QUENNEVAIS PARK FLATS LOAN SCHEME – REVISED TERMS (P.71/2021): SECOND AMENDMENT

Lodged au Greffe on 19th July 2021
by Deputy M. Tadier of St Brelade
Earliest Date for Debate: 14th September 2021

STATES GREFFE

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After the words “Les Quennevais Flats, and”, redesignate the remaining text as paragraph (a) and insert new paragraphs (b) and (c) as follows;

“ (b) to remove the means testing requirement so that any owner or leaseholder of a Les Quennevais Park flat may access a States loan for the purpose stated; and

(c) to amend the interest rates on all States loans for this purpose from 2% to 0.5%.”

DEPUTY M. TADIER OF ST. BRELADE

Note: After this amendment, the proposition would read as follows –

THE STATES are asked to decide whether they are of opinion −

To refer to their Act of 22nd April 2021, in which they varied the purpose and terms of the 99 Year Leaseholders Fund to enable monies to be lent from the fund to individual property owners for the repair of balconies in blocks A to H, Les Quennevais Flats, and –

(a) to vary the terms of such loans to allow for an extension of the loan period to up to 15 years;

(b) to remove the means testing requirement so that any owner or leaseholder of a Les Quennevais Park flat may access a States loan for the purpose stated; and

(c) to amend the interest rates on such loans from 2% to 0.5%.”

REPORT

In my report accompanying P.54/2021 and the subsequent debate, I made it clear that there are problems and limitations in the way that the current loan scheme is constituted which pose problems for the owners and leaseholders of the Les Quennevais Flats, which are not resolved by the Minister extending the period of repayment from 10-15 years, for those who want it.

The two outstanding issues are the means-testing and the rate of interest being proposed.

Part A – Remove the Means-Testing

Eligibility

To be eligible for a loan, gross household income cannot exceed £60,000 p.a. It is considered above this amount that individual property owners with annual income above this amount will be able to access commercial borrowing. The owners will also be required to use their own savings in excess of an agreed amount. The amount of savings that may be retained reflect the Income Support capital limits:

Single adult under pensionable age	£9,137
Couple under pensionable age	£15,145
Single adult over pensionable age	£13,706
Couple over pensionable age	£22,718

Fig. 1 -eligibility criteria for loan.

It is not clear what the purpose the means testing serves.

Many of the residents who are ineligible do not have disposable income. Most already have a certain level of monthly outgoings which they have already accounted for. Some have a number of dependents, elderly, children, children at university or who will be starting university/further education soon.

P.19 says *it is considered, above this amount, individual property owners will be able to access commercial borrowing.* However, in many cases, this has proven not to be the case; some have negligible savings, no possibility of accessing the States loan and no possibility of accessing a private loan. In such cases, the question arises: *how will they afford to pay for the balcony repairs?*

Meanwhile, some of those who do have personal savings above the threshold may already have that money earmarked for other things. In some cases, this will be to supplement low income; to pay for student fees or to pay for their retirement; to pay for emergencies.

Given that the loans will be paid back to the States within 15 years, with interest, it is unclear why the loan could not be extended, as political representatives have asked repeatedly, on behalf of the residents.

Interest rate

Many of the residents still feel that this is a problem the States created and that they are being left with unaffordable ongoing costs as a result of something beyond their control.

One resident, who is a leaseholder, not an owner, told me:

'I feel they are being very dismissive of the situation they are trying to put people in with the financial burden for something that is clearly an issue of work not being carried out correctly in the first place. As I have mentioned before, those of us that are leaseholders are being made liable for the full amount when the States own our flats, not us.'

I fully sympathise with the view of this resident, who speaks for all of the 25 leaseholders of the Les Quennevais Flats. Whilst it is a matter of regret for me that the States did not agree to my proposition p.54/2021, I do think that the States could agree to reduce the interest rate being requested from 2% to 0.5% given the exceptional circumstances that have arisen from the fault in the original build design. This means that the funds would still be paid back within 15 years, with interest, just at a lower rate, which would make little different to the States, but be of great assistance to many of the owners and leaseholders, who are already struggling with the cost of living in Jersey.

Financial and Manpower Statement

The Treasury has stated that based on an amount of £500,000 of loans, a 2% rate represents c. £10,000 per annum to Treasury. A 0.5% rate therefore represents £2,500 or a reduction of c.£7,500 pa (in the first year) return to the Fund of approximately £7,500. Of course, the interest payable would decrease year on year for full capital repayment.

Treasury estimates the financial impact on of removing means testing to be approximately £440,000, which represents the shortfall between the monies available (£760,000) and the total estimated cost of the repairs (£1.2 million). This figure is based on costs versus fund value.

In terms of manpower, the removal of means testing will require less bureaucracy by officers administrating the loans which represents a reduction in human resources.