

STATES OF JERSEY

Public Accounts Committee

MONDAY, 30th JULY 2007

Panel:

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

Senator J.L. Perchard

Connétable T.J. du Feu of St. Peter

Connétable D.J. Murphy of Grouville

Deputy A. Breckon of St. Saviour

Mr. R. Bignell

Advocate A. Ohlsson

Mr. C. Evans

Mr. A. Grimes

Mr. M. Magee

In attendance:

Mr. C. Swinson (Comptroller and Auditor General)

Mr. P. Monamy (Committee Clerk to the Public Accounts Committee)

Witnesses:

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

Mr. C. Mavity (Director of Estate Services, Housing Department)

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

Good afternoon, Ian. I apologise for keeping you waiting. It has been quite busy. Nice to see you have dragged a Minister along with you.

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

I could not keep him away.

Deputy S.C. Ferguson:

We are obviously looking at the 2006 accounts. Now, one or 2 basic things. I notice in the accounts your preparation for occupancy is up from 14 to 23 days, which seems quite a jump.

Mr. I. Gallichan:

It is. When we introduced a new process for void refurbishment and re-letting accommodation, we stripped-out a number of inefficiencies and we found ourselves with turnaround times that were up with the best performers in the U.K. (United Kingdom). What we have noticed, in 2006 principally, is that amount of time that we are taking to refurbish a void property with our Void Property Refurbishment Programme - which we use on a schedule of rates - stayed the same. It is still up there with the best performers. What we have noticed is that the amount of time that we are taking to allocate the accommodation has slipped noticeably. Now, we had a look at that, understandably. Was there something wrong with the process? Were we doing something wrong that we could improve upon? Although we did some tidying-up exercises, they were minor but what the statistics were clearly showing us was that the demand for social housing had reduced significantly. We had a number of

social housing developments from the trusts, et cetera, and we said in our Property Plan that our biggest demand was for one-bed property. But what we were finding was that the number of refusals for voids had gathered momentum quite enormously and we were having to offer properties over and over again which significantly affected the turnaround times on that element. Now, that was principally to do with the condition of the stock; people quite rightly had a degree of choice and with new housing trust accommodation coming on stream, frankly they did not want some of our less desirable homes and, principally, bedsits were an area of concern. Although we had spent more money trying to make some of these homes more attractive by doing full decorations as opposed to offering decorating allowances, et cetera, we have struggled. We continue to struggle with letting some of the more undesirable properties and what you are seeing is a waiting list that is quite flat at the moment. It is not increasing; it is around about 263 on our waiting list and I think, again, principally for one-beds. So we identified those figures. It is regrettable but it is telling us something very important, that there is an oversupply - we believe - in States rental accommodation. Some of our accommodation is not particularly desirable and it is of the wrong mix and we have seen that figure slip. As I say, we did look at the process, we did tidy up some of it; but it was not the process that was wrong, it was telling us something else.

Deputy S.C. Ferguson:

Could you summarise for us the to-ings and fro-ings and staff changes? You have got a number of staff that have moved one way and another way and so on. Your 79 staff last year are down to 63. What has happened?

Mr. I. Gallichan:

The department has been affected the most with the changes to Ministerial government and the change programme. Just as I took over, the department was effectively split with the Housing Law/Housing Control Section moving to the Population Office. The Chief Officer at the time - Eric Le Ruez - left and took his post with him to Property Holdings. We were the principal player in the change programme with regard to the customer contact centre through Cyril Le Marquand House, so we were making preparations for 7 staff to move there. We also lost 2 staff as a result of changes to information services and, of course, latterly, a number of staff have moved to Social Security in preparation for the commencement of Income Support. There is also a proposal - which is currently on hold - for our manual workers to join T.T.S. (Transport and Technical Services) as part of the Cleaning Services Division, which we believe will bring economies of scale and make sense. Rather than Housing keeping 28 dedicated cleaners, if they form part of T.T.S. then we feel that that is more efficient. So, as a department - as I was going to mention at the beginning of my spiel - we have been through an unprecedented period of change. It has been very exciting in 2006; for somebody new in post it has been an extremely steep learning curve and I have to say for much of 2006 - another very important point with regard to the finance transformation - I found myself without a Finance Director. Housing joined Social Security as part of a cluster and regrettably - I think from Housing's perspective it was not too bad - from Social Security's it did not work. It meant, as I say, for quite a lot of 2006 I did not have a Finance Director and we recruited a new Finance Director, part-time, in 2007 and she is currently on maternity leave. So I have lost my Finance Director again and it is the area where being a brand-new team really at Housing, dealing with a number of new areas, that was the bit that I needed more than anything. So it means that the team has spent some considerable time focussing its attention on financial matters - and of course we should - but also we have had to deal with more than usual as a result of not having that Finance Director and we had a brand-new finance team. Sorry if I have waffled a bit there, but it is quite incredible the number of changes we went through in 2006 compared to many other departments.

Connétable T.J. du Feu of St. Peter:

Could I ask, Chairman, on that point do you have currently an Acting Finance Director, presumably?

Mr. I. Gallichan:

I do not have an acting Finance Director. I am pleased to say that our relationship with Treasury is such that we have got some additional financial support for our Senior Management Accountant and we have got a Finance Director or an accountant who is coming in once a week to assist us. But we do not have an Acting Finance Director for the time being, so it is probably January before my Finance Director returns.

The Connétable of St. Peter:

It strikes me that it is key and critical insofar as the massive change which is descending upon us with this Income Support, when one thinks immediately of the elements that have been attributed to the Housing side.

Mr. I. Gallichan:

Yes, as I say, it is the one area that. - not that I would wish to be short of staff anywhere - we have been short of staff but that is the area which, as one would have it, has been the most critical. I take on board what you say. We do have a Senior Management Accountant who has been in post now for over a year and has gained considerable experience. We do work very closely with Treasury. We do have an accountant coming in for a day a week, and we do work closely with our colleagues at Social Security. I do not envisage problems as a result of that, but it does mean that there are additional demands placed on the first amount in particular, in terms of the capital and maintenance element.

Mr. A. Grimes:

Have there been breaches with the Code of Financial Directions as a consequence of no Financial Director?

Mr. I. Gallichan:

No. Again, the introduction of the Finance Directions was in 2006, and that has been a very steep learning curve for us. We have reviewed those. We have complied with them. From an accounting officer's point of view, we need to do more on risk management. We need to do more on asset management. We are addressing those areas. We have conducted, in 2006, a number of workshops and training programmes for staff because under the Finance Directions we required staff to sign statements of awareness to acknowledge their responsibility under those Finance Directions. That has happened. Those training sessions have taken place and all staff have now signed these statements of awareness to acknowledge their responsibility under those Financial Directions. There is more work to be done and, yes, we need to do more work on risk. We are fully compliant with Financial Direction 5.6 on capital in respect of risk, but there are other areas, clearly, of risk that we need to be looking at. On asset management, that is very crucial to us with regard to our Property Plan and our refurbishment programme and linking that to the procurement and maintenance services. So, we are working on that but it has been a struggle.

Deputy S.C. Ferguson:

In the report, your net rental income from social housing has increased by 3.7 per cent. I think this is probably something we will need to ask you to provide to us: an analysis of the total assessed rent that should be paid in respect of these houses and the amount of implied subsidy provided as a result of adjustments to reflect the ability of tenants to pay.

Mr. I. Gallichan:

The Housing subsidies bill in 2006 reduced by £1 million from 2005 and some £500,000 from the variance from our projection for 2006. The ability of our tenants to pay... obviously our tenants; their incomes have noticeably increased. The rental income overall for 2006 did drop by about £180,000 from 2005 and principally that was to do with the decanting of homes at Le Squez and Le Marais in

preparation for the capital refurbishment programme. There was not a rent increase in 2005, and we had to review whether there should be an increase in 2006. We knew at that time from Planning for Homes that the rental market was pretty flat. We knew we were looking at a 2.5 per cent increase maximum, in line with Treasury requirements. We had also seriously under-recovered in 2005 on utility costs. There had been a huge increase in energy costs, which had not, in 2005, been passed on to our tenants. We were going to have to address that in 2006, which we have done, and we will have recovered the position by the end of this year. We also were looking at a rent-banding structure, which we have been slightly delayed on. At the moment, our rental structure is such that for, say, each category of home we have about 14 different rents, say, for 3-bedroomed properties. That makes it incredibly difficult to model, especially with regard to the Property Plan, so we are looking to introduce a rent banding system of A, B, C and D. That has taken us a lot longer than we had hoped for, and it is quite a difficult and intricate thing to introduce. That will result in increased charges for tenants. The other issue is with the link between housing fair rents and the subsidy schemes, we put the rents up, which includes people claiming rent subsidy in the private sector, and we put the rent subsidy bill up. We felt that for 2006 there was not sufficient need to put the rents up and so we did not do that. Now, there is going to be a review of social housing this year. With the advent of Income Support I have no doubt there will be a separation between the housing component of fair rent and the rent charged by the Housing Department. That is, in my view, what should happen. We should not lead the market, but we should not be significantly behind it because we will be effectively providing a subsidy to some of our wealthiest tenants. I believe the review of social housing will actually come out with that conclusion. It gets complicated because should Social Security be setting the housing component of income support? No, not in our submission; nor should the Housing Department. We are working at the moment on ways of establishing a fair level of housing benefit. I think you are going to see a departure from the fair rent and the rent currently charged by social housing providers. There is a lot of work to be done on that. In 2006, with all the other initiatives that were going on, we felt there was insufficient need to put up the rents, and we decided to advise the Minister not to do that.

Mr. C. Swinson:

Do you have a list of the rents which in your view are appropriate for each property unit in your portfolio?

Mr. I. Gallichan:

I do not. I do not have a list with me of every rent.

Mr. C. Swinson:

Is there one in existence?

Mr. I. Gallichan:

Yes, there is.

Mr. C. Swinson:

So, at any point, you know what the theoretical rent bill for the whole portfolio would be if every unit was full and the fair rent was being paid?

Mr. I. Gallichan:

Yes. Linking to that is, of course, the refurbishment programme, which would affect the rent.

Mr. C. Swinson:

Yes, but assuming they are all full. At any point, there will appear to be some properties that are empty, for reasons such as people have left and you have not yet replaced them; for organisational reasons, because you are refurbishing or for whatever reason. So there will be some empty. So you ought to,

presumably at end point, know what the theoretical rent receivable is in respect of all the properties that are capable of being filled at that moment?

Mr. I. Gallichan:

I should be saying yes. Some of the properties we have certainly lost as a result of amalgamating units together. In other words, we have a programme of bedsits that become... so there are 2 units that become one.

Mr. C. Swinson:

The point is you should know at each point what is the theoretically possible rent receivable of all the assets you have.

Mr. I. Gallichan:

Right. Yes.

Mr. C. Swinson:

So, it ought to be a straightforward thing, therefore, to work out what the total theoretical rent receivable bill for a period is?

Mr. I. Gallichan:

Yes.

Mr. C. Swinson:

The question I think the Chairman asked is what proportion of that total is represented by the rent actually received?

Mr. I. Gallichan:

I am sorry. I do not quite understand the question. I do apologise.

Mr. C. Swinson:

If you have the rent theoretically receivable for all the properties that are available, and you can write it out for a period, then the rent actually received presumably then indicates either the percentage which you have not been able to achieve the theoretical rent receivable for management reasons or secondly the amount you have not received for subsidy reasons.

Mr. I. Gallichan:

Yes. I mean, I think I mentioned in my blurb that our income was £180,000 down on the previous year.

The Connétable of Grouville:

What are the voids costing you in your empty buildings?

Mr. I. Gallichan:

We have on average...

Mr. C. Mavity (Director of Estate Services, Housing Department):

I think it was 470 voids, an average 23 days empty; 470 in unit numbers during the course of last year.

The Connétable of Grouville:

You have 470 vacant. Do they go for one day, 2 days, 10 days ...?

Mr. C. Mavity:

An average of 23 days each.

The Connétable of Grouville:

Your total housing stock is what?

Mr. I. Gallichan:

It is 4,623.

The Connétable of Grouville:

So it works out that 10 per cent is empty for 23 days a year?

Mr. A. Grimes:

I thought the question was if you look at the States accounts, there is almost £35 million of income made up of rentals, recharges, et cetera; that £35 million, what is that as a percentage of the theoretical value of rentals that could be generated? For example - and I suspect this is where we are coming from - if the theoretical rent was £70 million and you are generating £35 million, we would be saying, "What the hell are you doing with half the properties? Are they in refurbishment? You do not have occupants? Are you not charging economic rent?" It would raise all sort of questions about what you are doing with the housing stock. I suspect that was the rationale for the question.

Mr. I. Gallichan:

Right. In terms of any one time, I think it works out at just over 50 void properties empty at any one particular time.

Mr. A. Grimes:

I think we need to help you because we are confusing you.

Mr. I. Gallichan:

Yes. I do apologise.

Mr. A. Grimes:

If on your asset register you logged every single property under your control, and if you had a theoretical rental for that property, multiply one by the other and you get the theoretical income. You would then deduct from that the voids, those in repair, et cetera. That would give you your practical realisable income, and then we would be able to compare that with your actual income. I think that is what we were looking to. It is taking every property on your asset register, applying a theoretical rental and then looking at how that is broken down into rental, voids, under repair, et cetera. Is that the question?

Mr. I. Gallichan:

Yes.

Mr. A. Grimes:

Could you get at that information or not?

Mr. I. Gallichan:

I can get at that information, yes. I do not have it with me today.

Mr. C. Mavity:

It is perfectly feasible to be able to calculate... in effect, what we are talking about is the under achievement in maximum achievable rent by looking at the number of days void by the rent for those

particular units and calculating them throughout the year. That would be perfectly feasible.

Mr. I. Gallichan:

So, if everything is full 365 days of the year...

Senator J.L. Perchard:

If you use a management tool for yourselves, at the first of every month you should be able to calculate that. It is a matter of data, is it not?

Mr. I. Gallichan:

Yes, I think we projected an income for 2006, and we put an actual figure against it. I see what you are saying.

Mr. C. Swinson:

Obviously you are managing the stock and so you will need for your own purposes an assessment of whether you are effective or less effective in managing that. How do you assess that for yourselves; the sort of calculation we have just been asking about the means of doing it?

Mr. I. Gallichan:

I would say, in terms of our turnaround times, although they have slipped, they are markedly better than they have ever been. I think when we redesigned the process around the void properties, we were looking at sometimes 6 or 7 weeks empty. So, we know that the downtime of properties is significantly reduced. We know from our benchmarking exercises in terms of the amount of stock unoccupied at any one time that is considerably better than some of our colleagues in the U.K. in terms of social housing. So that is giving us an example of how effective we are being, but I take on board what you are saying, that effectively we should start with a bar that is saying that is the maximum amount of income and that is the performance against it. We have not done that before.

Deputy S.C. Ferguson:

How can we be sure that all of your tenants who should pay full rent are paying full rent? Or conversely, how can you be sure that all the people who are claiming benefit should be claiming benefit? In other words, what is your benefit fraud? I know you are moving that side of it over, but you must have processes to check whether tenants should be paying full rent or not. How do you do that?

Mr. I. Gallichan:

When a tenant applies for an abatement, they have to provide documentary evidence to substantiate their income, interest payments, et cetera. We do various amounts of cross-checking. I mean, when I took over the subsidies team, we had to reorganise the subsidies team. We had to take people out of the subsidies team and put people back in. Now P.w.C. (PricewaterhouseCoopers) talked about some of the control measures in the subsidies area, and we do believe we have introduced some. Not enough... we have said not enough, but the cross-checking that goes on, in terms of how you might come along in this, in terms of the...

Mr. C. Mavity:

An application for rent subsidies is renewed every year, so there is a re-application process each year to update an individual's information to see that the benefit they are receiving is still valid and is still proper. Information that is declared year on year is always back-checked, so if there has been a notable change in circumstances that will very often prompt an interview or a discussion with the applicant as to when that change took place because it might well be that there is to be a backdate in respect of benefit, whether that be a backdate in a lesser payment, or in many cases someone has not notified us of a change in circumstances that meant perhaps they were not getting enough benefit during a period. There

is other cross-checking that goes on. There are other interactions the department has with its own tenants. A simple example might be the provision of a parking permit, which you need to park on one of our estates. The people issuing the permits will check that the individual who is claiming for the parking permit, who owns the vehicle for which that permit is being issued, is mentioned on the abatement application for that particular property. So they are ensuring people are declaring who is living in the properties as we go. That is just one example. There is also the maintenance service, where we are cross-checking contact details and information as we go. We do get a number of... particularly in small communities is where it tends to happen. People write in and complain the neighbours are getting a benefit they are no longer deserving. Perhaps a partner has moved in or whatever else. Each one of those notifications is investigated. Individuals are brought in and interviewed. They will be asked, if that information is being refuted, to sign a declaration to the effect that is not true and that is not what is happening. Very often- in perhaps half of the cases - we are finding that perhaps a partner has moved in. They have not notified us as they should have done. That information is logged, backdated, applied to the accounts to recover any overpayment in subsidy if there has been one. In cases where there has been in our view a deliberate attempt to deceive, those cases are passed to the police and are investigated and prosecuted, and 2 cases were successfully prosecuted during 2006.

Mr. I. Gallichan:

One of the biggest areas of abuse is co-habiting. That is where we get the biggest concern; co-habitation. What I would say is we are working with our colleagues at Social Security because the same comment was made by P.w.C., I believe, about the Social Security benefit. There is no doubt that the unifying of a number of benefits will assist in the dealing of monitoring fraud, et cetera. We would also say that the JD Edwards system, if it was used States-wide, it could be effectively used for the ...

Deputy S.C. Ferguson:

Are you not using JD Edwards?

Mr. I. Gallichan:

We are using a number of systems at the moment. We are using a H.I.M. (Housing Integrated Management) system. We use a Saffron housing management system, and we use JD Edwards.

Mr. C. Mavity:

The H.I.M. system is a means of carrying out bespoke calculations necessary to work out someone's entitlement to a benefit. Ultimately, the benefit is paid for and reconciled from JD Edwards, but it does not necessarily use the JD Edwards core address data to carry out those calculations, and I think we had the development of a bespoke system in the relative short term, with Income Support coming along early next year. The H.I.M. system we currently use, which is linked to other areas of our business and was used for other things too, has a relatively short life. Yes, JD Edwards is the system that ultimately pays the bill and is reconciled on a monthly basis with our own systems, other bespoke business systems.

Mr. I. Gallichan:

It does show there is difficulty in managing that with 3 systems.

The Connétable of Grouville:

Can I just ask a question here? The car park permits which you issue: do you check the ownership of the car is in the same name as the tenant's name?

Mr. C. Mavity:

Yes, we do, or someone mentioned on the abatement, i.e. if there is someone living with a tenant and that person is a declared resident of the building. Copies of log books are taken, and copies of driving

licences too, on the initial application.

Deputy S.C. Ferguson:

In all the housing stock you have at the moment, what would be your estimate of an appropriate level of maintenance?

Mr. I. Gallichan:

We highlighted in the property plan about £7.5 million per annum that we felt we needed to spend on the stock. To give you an example, we spend approximately £5.76 per unit per week on response repairs. The U.K. spends over £12 per unit per week. Void properties we do particularly well because we have introduced a schedule of rates, as we have done on response repairs, and I think we are the only States department that have done that. We have under-spent on maintenance, both planned maintenance, response repairs and capital refurbishment.

Deputy S.C. Ferguson:

So the figures you have been spending over the last 5 years are well below what you need to?

Mr. I. Gallichan:

Yes, and effectively that is why we have a £75 million refurbishment backlog: because we have not invested appropriate sums of money in our stock.

Deputy S.C. Ferguson:

I know this is before your time: that will be understood. I think 1984 is not really your era, is it? I do not think it is even the Minister's.

The Connétable of Grouville:

He used to play on a housing estate then.

Mr. A. Grimes:

The £75 million, is that the figure that came out of the Plan you prepared earlier this year?

Mr. I. Gallichan:

Yes, it did.

Mr. A. Grimes:

Is there a refurbishment plan in process - plans all the way through for every property - or is it a one-year or 2-year plan? How are you dealing with discharging that obligation now?

Mr. I. Gallichan:

We have specified a 10-year plan and within that 10-year plan we produced a Gant chart which showed the desired level of refurbishment to be completed throughout that 10 years. What we are working on at the moment is quite an extensive complicated model because we have a commission to acquire 400 sheltered housing units and sell some 800 homes. The timing of the sales, the acquisitions, the decants, the rent increases, the lost rent, et cetera, is enormously complicated, and we are spending some considerable time working on that at the moment. We have a model that has been developed by Treasury for us at effectively nil cost. We are able to build into that individual properties. Yes, it is a 10-year plan. It is costed at today's figures, conservatively at £75 million, but how we carry out those works is dependent on what we sell, when we sell it and what we acquire, et cetera, to ensure that we maximise our income and avoid too big a reduction in rental income. If I could just say briefly, we have been asked to move Ann Court further up the capital refurbishment programme. It was 5 years away; it is now a priority, which means that Convent Court and Caesarea Court drop further down. Those

changes have caused some quite considerable modelling to be undertaken. It is not just a case of moving one up and dropping 2 down. It has proved quite difficult.

Mr. A. Grimes:

Within your assessment, then, of the maintenance programme when you get to specific properties, is it in your mandate to make a decision that you level the property and rebuild it, or are you always working in the structures you have?

Mr. I. Gallichan:

Unless we have highlighted it in our property plan, as we did with Convent Court and Caesarea Court, we will be refurbishing the properties we have said, not knocking them down. If there was a subsequent change, we would have to bring it back to the States for a decision. I do not know if there is any more you want to add?

Mr. C. Mavity:

Other than to say each and every scheme is looked at on its value for money. I think we have to bear that in mind and look at what our out-turn unit costs may be on a particular scheme and be responsible about it as the Plan goes on.

Mr. A. Grimes:

Who has specific budgetary responsibility for those projects? The refurbishment projects presumably will be budgeted and project-managed and controlled. Who has the specific responsibility for that in the Housing Department?

Mr. C. Mavity:

That will be me and my team.

Deputy S.C. Ferguson:

Any more comments or questions?

Mr. R. Bignell:

As the accounting officer, obviously you are not allowed to overspend your budget under the finances rules. How do you monitor your expenditure to make sure you stay within budget?

Mr. I. Gallichan:

One of the things with the new finance team is the figures that are produced on a monthly basis. I meet with my senior managers every 3 weeks, in which case all of the capital projects that Carl is working on he discusses with me and gives me a forecast on projected costs, et cetera. The finance team produce additional figures in order to ensure we remain on target. I would say that our capital projects that we have been involved in we have brought in on budget, on time. In fact, we have recorded some quite significant savings on pre-tender estimates on capital projects.

Advocate A. Ohlsson:

Looking at your non-capital expenditure, you have provided estimates for the Treasury, presumably for the 2008 business plan which is going to be debated by the States in September. When did you provide those?

Mr. I. Gallichan:

At the end of 2006 I think.

Advocate A. Ohlsson:

So you will be providing 2009 budget numbers at the end of this year?

Mr. C. Mavity:

I believe from recollection that will be the requirement.

Advocate A. Ohlsson:

What degree of accuracy can you give to those numbers, forecasting so far in advance?

Mr. C. Mavity:

I think one of the important things with the new model that has been developed is that the Property Plan brings a complexity to our budget that has not been there before, which makes it so important we have that modelling right, with the assistance of the Treasury. It should allow us to predict with relative accuracy where we will be at any given time, and when the time is right to do certain things with the stock that are going to have an effect on income.

Mr. I. Gallichan:

Yes, one of the things I want to highlight is that forecasting and profiling is something we have not found easy. It is something that has been new for us. We have struggled with it, in all honesty, and we have not always got it right. I mean, we live within our means - there is no question about that - but certainly profiling and forecasting is not one of our strong points, and it is something we are working very hard on. In the absence of a finance director, it has proved doubly-difficult.

Senator J.L. Perchard:

How long are you going to be without the finance director?

Mr. I. Gallichan:

Until January.

Deputy S.C. Ferguson:

You do not have anyone drafted in as a temporary?

Mr. I. Gallichan:

As I say, in answer to the Constable of St Peter, we have a qualified accountant coming in once a week. We have a Senior Management Accountant who is in close liaison with Treasury. We are okay. By the time you draft in an Acting Finance Director... and I have to say recruiting an accountant at the moment in Jersey in the public sector is nigh on impossible. We are very fortunate with our latest Finance Director. She has come in from the U.K. She is a wife of a (j). She worked for a huge grocery chain, and she has brought some very different thinking to the public sector, and that has been marvellous, and I will be delighted to see her back in January. But, as I say, for a long period of time for a new team, we have been without that resource.

Senator J.L. Perchard:

What do you mean by different thinking to the public sector?

Mr. I. Gallichan:

I think when Clare joined us I asked her to have a look at the Financial Directions, our accounts and the way we do things. I think she found it... she understood the Financial Directions, but she felt they were slightly long-winded and slightly bureaucratic. She certainly passed comment about the length of time it takes to do things, and we seem to be perhaps becoming slightly more risk-averse. As an organisation in the States, I would say that is probably true, and there is perhaps too much crossing 'T's and dotting 'I's. Now, do not get me wrong. I do not for one minute want us to be reckless or anything like that,

and I am sure that there are better ways or slicker ways of doing things, and I think certainly Clare is going to be bringing that thinking to our deliberations. As a department, we certainly would wish to challenge the financial directions, where it is appropriate to do so. Just saying that you have never overspent on a capital project does not mean you are delivering value for money, in my submission.

The Connétable of Grouville:

How long had she been with you before she had to take leave?

Mr. I. Gallichan:

Literally only 6 months. As I say, recruiting an accountant at the moment is not easy.

Senator J.L. Perchard:

I would have been very suspicious if it would have been 9 months.

Advocate A. Ohlsson:

Do you have many other members of staff in the department who have experience outside of the Island or may have experience of running large housing stock?

Mr. I. Gallichan:

No, we do not. We are a department that certainly encourages people to apply for jobs from within, and we have an extensive training programme... but, no, we do not.

Senator J.L. Perchard:

Could I ask a question? It is a little bit forward. The relationship with Social Security and Housing with regards to Income Support, are you satisfied you are there? Are we going to have any big hiccups coming? What actually would it mean to your balance sheet? Will you receive a full remuneration? How is it going to work?

Mr. I. Gallichan:

Yes, I think the subsidies have been described as the elephant in the room. I would not disagree with that. The benefit for Housing in the transfer of the subsidies budget is it is effectively frozen for us. We are not responsible for additional growth in Income Support. Discussions are ongoing about the sum involved, but it is likely to be in the region of £23.7 million. As I say, over time that gives us the opportunity to budget, we would say, far more accurately. We will, and we are aiming to be self-sufficient within the 10-year life of the Property Plan. That is our aim. It is a tough aim. That is what we intend, or we certainly want to try to do. So the transfer of the subsidies budget gives us the opportunity to plan and model for the next 10 years, which would be very difficult in the past.

Senator J.L. Perchard:

Have you dotted the 'I's and crossed the 'T's as to how you are going to levy a charge on someone who is receiving a subsidy from Social Security? Or, obviously, not going to receive the subsidy and pay you full rent? You are not going to duplicate. How are the mechanics going to work?

Mr. I. Gallichan:

Effectively Housing will receive the full rent from every tenant, and the transfer will be made. The complexities of the accounts I have not been involved in. That has been the remit of my finance team, but it is on a monthly basis, I believe, that the sums of money will be transferred. The important thing for us is that within the Income Support Law, Social Security are entitled to retain sufficient sums from Income Support payments to pay for housing rental. So, for the first time ever, a large proportion of our tenants would be guaranteed payments from Income Support. At the moment, you have the ability to cease transfers of family support, et cetera. You do not have to...

Senator J.L. Perchard:

Sorry to press you; somebody who is receiving 50 per cent subsidy on a property- a single mum - how is that going to affect your income? Are you going to receive the same rental from... how is it going to work?

Mr. I. Gallichan:

Effectively we do receive the full rental. Although we have an in-house abatement scheme, we do receive the full rental because it is reflected in our income. So we will receive the full income, and we will return to - I think it is Treasury - on a monthly basis, I believe, the subsidy element - the agreed sum - the £23.7 million.

Senator J.L. Perchard:

You will receive the full income from the tenants who will receive support from Social Security?

Mr. I. Gallichan:

Yes. There is still quite a lot of work to be done. I mean, the team meets, I think, on a fortnightly...

Senator J.L. Perchard:

You might see where I am going here. I know I am leaping forward a little bit. One more question: now you are charging a tenant who is receiving a 50 per cent subsidy 50 per cent of the cost of that property. You are now saying, are you, that after Income Support you will be charging 100 per cent, and the tenants are going to act as a banker? Are they going to receive a cheque from Social Security and decide to prioritise paying you?

Mr. C. Mavity:

No, I think tenants will fall into a number of groups. You will have those whose benefit from Social Security is sufficient to meet the full demands of their rent. That will be one group. That money will come direct to us from Social Security. You will have a group of tenants whose benefit is sufficient to meet part of their rental commitment to us, in which case that will come to the department and there will be an additional payment from the tenant required to meet the full rental commitment; and you will have those tenants who are receiving no benefit at all who will pay the department direct.

Mr. I. Gallichan:

You have to be careful you do not create a cottage industry where money is tossing around the organisation and people are employed to move one bit of money to another.

Senator J.L. Perchard:

Yes, okay.

Deputy S.C. Ferguson:

How are you going to make sure that you do not make the same losses on the houses that you are going to sell that you did on Le Squez?

Mr. I. Gallichan:

Well, our Property Plan says that the properties will be valued at the time of sale. We took on board what Scrutiny have said, and I think they mentioned they did not like the idea we were going to estate agents to value properties. So we are putting a tender document together to go to a surveyor. That was a situation that happened a number of years ago.

Deputy S.C. Ferguson:

I know it was before your time.

Mr. I. Gallichan:

I do not like saying that because it points the finger at somebody else, but this team has been involved in property sales. We have not ever sold a property on that basis. We state in the Property Plan that that cannot happen. It will not happen. I promise you that. It will not happen. It is hard to believe that a value was given to a property 3 years ago and that price is still in existence now. It is an error. I think our Property Plan will specify exactly how we will value and how we will sell.

The Connétable of Grouville:

You say you are not going to go to estate agents; you are going to surveyors... valuers?

Mr. I. Gallichan:

Yes.

The Connétable of Grouville:

Fine. I am very happy with that.

Deputy S.C. Ferguson:

Thank you very much indeed.

Mr. I. Gallichan:

Thank you.