

# STATES OF JERSEY



## **SOCIAL HOUSING IN JERSEY: INTRODUCTION OF A REGULATORY FRAMEWORK (P.120/2017) – AMENDMENT (P.120/2017 Amd.) – AMENDMENT**

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**Lodged au Greffe on 6th February 2018  
by Senator P.F.C. Ozouf**

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**STATES GREFFE**

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**PAGE 2, AMENDMENT 2 –**

After the words ““supply and the type of housing needed””, delete the words “; and after original paragraph (b)(iv) insert the following new paragraph –

    “(vi) the establishment of a Housing Supply Commissioner;””.

SENATOR P.F.C. OZOUF

**Note 1:** After this amendment to the amendment, P.120/2017 Amd. would read as follows –

**1 PAGE 2, NEW PARAGRAPH –**

After paragraph (b)(iii) insert the following new paragraph –

    “(iv) the inclusion of an appropriate power of Direction to the Regulator by the Minister for Housing;”;

and re-designate paragraph (b)(iv) as (b)(v).

**2 PAGE 2, ORIGINAL PARAGRAPH (b)(iv) –**

For the word “need” substitute the words “supply and the type of housing needed”.

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**Note 2:** If both this amendment to the amendment, and the amendment itself (P.120/2017 Amd.) were adopted, the proposition would read as follows –

- (a) to agree, in principle, to the introduction of regulation in relation to social housing, as set out in the report accompanying this proposition;
- (b) to agree, in principle, that the proposed components of this regulatory framework should include –
  - (i) the establishment of a register of social housing providers;
  - (ii) the introduction of performance standards for social housing providers, and measures to monitor and assess performance against those standards;
  - (iii) the establishment of a social housing regulator;
  - (iv) the inclusion of an appropriate power of Direction to the Regulator by the Minister for Housing;

- (v) the introduction of statutory oversight and governance arrangements for the assessment and prioritisation of housing supply and the type of housing needed through the Affordable Housing Gateway;
  - (c) to charge the Minister for Housing to develop and bring forward, for approval, the necessary legislation to implement the proposals in paragraph (b) above within 2 years.
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## REPORT

The first [Amendment](#) has been accepted by the Minister for Housing, with [comments](#) presented to the States on 23rd January 2018.

Comments have not been yet published by the Council of Ministers – but it is understood there is now a recognition and support for an enhanced and determined focus on the importance of policies which focus resources on an increased supply of homes, as opposed to regulating the existing and clearly insufficient stock.

Indeed as the Minister points out, this was envisaged in the April 2013 review of the Health, Social Security and Housing Scrutiny Sub-Panel, chaired by the Deputy of St. Peter.

The Panel's Report ([S.R.6/2013](#)) included the following comments –

*“growing the sector should be the goal for regulatory activity.”*

Moreover, the Panel successfully [amended](#) the Council of Ministers' proposition 'The Reform of Social Housing' ([P.33/2013](#)).

*“The Sub-Panel considers that there is also a risk that future Assemblies and Ministers may change policy priorities around regulation, which would be passed on to the regulator for implementation.*

*Regular, sizeable or controversial policy changes could risk undermining the credibility of the regulator in the eyes of stakeholders.*

*Although the Sub-Panel is supportive of the proposal to bring all social housing stock up to a Decent Homes Standard, it is not clear whether regulation is required to achieve this, as stock maintenance appears to have fallen behind due to financial constraints rather than organisational resistance.*

*The Panel is therefore of the view that a case for a regulator made on the basis of poor performance on the behalf of other social housing providers is not justified.*

*The Sub-Panel is concerned that the wording of these in principle enforcement powers risk the States unwittingly endorsing a mandate to bring in more draconian regulations at a later date. It is therefore crucial that the wording of the “in principle” statements around regulation is not taken lightly but are thoroughly examined and interrogated by the States.*

*The Sub-Panel would therefore like to further request the Minister for Housing, in consultation with the Chief Minister, to bring forward for approval by the Assembly detailed proposals which are proportionate for Jersey in relation to the proposed mechanism for the regulation of social housing, with a view to bringing forward for approval, after the debate on the draft proposals, legislation to give effect to the proposed regulation system as approved by the Assembly.*

*Specifically, the Panel recommend that –*

- (i) Prior to introducing a social housing regulator, alternatives for regulation must be brought forward that are more appropriate to the size and nature of Jersey’s social housing sector, including a Social Housing Charter or Code of Practice developed within the next 12 months and signed up to by all providers.*
- (ii) A Jersey Homes Standard that is appropriate to Jersey’s needs must be created within 12 months.*
- (iii) Regulatory activity needs to be focused on improving service delivery as opposed to dealing with service failure, and should rely upon co-operation rather than compulsion as much as possible with regard to directing the financial affairs of other social housing providers.*
- (iv) And finally, any regulation should be flexible enough to include the private rental sector and other social housing providers in future without significant and costly institutional change.*

*In conclusion, the Sub-Panel considers that the introduction of an Independent Regulator is not immediately appropriate for Jersey’s social housing sector alone.*

*Details of proposals for statutory regulation are not sufficiently developed, and the Sub-Panel is concerned that the Assembly is being asked to sign up to too much in advance, especially given the level of power and control that would be created. The Sub-Panel therefore suggests that a voluntary approach would be more appropriate to the Jersey situation to begin with. Potential alternatives to regulation, including a Social Housing Charter, are discussed in some detail in the report on the Housing Transformation Programme ([S.R.6/2013](#)).”*

The Panel were clearly somewhat prophetic in their concerns.

### **Importance of supply**

Increasing supply of all housing tenures, promoting policies which sought to make the housing market work better, and accompanying this by efforts to balance demand and supply in a joined-up way, would inevitably decrease pressures on social landlords.

The more people who can afford to buy – should they wish – the less the demands on the social renting providers.

### **Regulation of social housing landlords alone won’t lower rents or raise standards**

Regulation of the social housing providers alone will **not solve** the problems of the social housing sector.

Regulation alone will not –

- lower or contain the cost of renting a social renter home;
- raise the standards of social housing.

## **Extension of regulation to all housing providers won't lower rents or raise standards**

The [second amendment](#) lodged by Deputy M. Tadier of St. Brelade proposes a unilateral and significant extension of regulation.

It proposes to not only include social renters, but all landlords.

It sounds appealing and seductive – sadly the evidence from all previous studies concerning Jersey's housing market and other academic work suggests this won't work.

There has been no consultation amongst housing providers concerning this proposal. Moreover, there are no financial and manpower implications.

This an outdated, unthinking and flawed approach, as it fails to recognise the importance of supply.

On the other hand, the first amendment was consulted on, is based on the evidence of previous reports submitted to the States, and draws from other experts, academia and think-tanks in the UK and Commonwealth.

### **What are the consequences of regulation which is unchecked?**

*Regulation costs money.*

*Regulation alone will not achieve the outcomes renters or aspiring homeowners need.*

*Regulation alone if anything will push up prices not reduce them.*

*There is little point regulating a sector that is too small.*

### **The reason for this further amendment**

1. It is accepted that there needs to be a check and balance on the Social Housing Regulator – **the arrangements for this remain unchanged.**
2. It is accepted that the proposed Social Housing Regulator must have the ability to focus on supply and considerations within the social housing sector – **this remains unchanged.**
3. Such has been the positive feedback on the importance that supply for all types of housing warrants its own standalone proposition – **these are the issues which this amendment addresses.**

The adding of a Housing Supply Commissioner or Commission within only the narrow social housing proposition now understates the importance of a range of supply-side initiatives that are necessary.

Accordingly, I propose to withdraw this element from this proposition and lodge a separate proposition to address the importance of supply of all types of types and tenures.

## **Reasons to support the amended proposition**

*How are the States going to solve the rising cost of housing in a way that works?*

This is the big political question that needs to be tackled: why has Jersey developed an emerging housing crisis in all sectors of the market – with Islanders facing higher and higher house purchase costs and therefore also rising rental costs?

The Finance and Economics Committee from 2000 argued about the importance of housing supply policies.

A proper understanding of what works and what does not started with the Mike Parr report on Jersey Housing market, which was advanced within weeks of the 1999 elections.

For years decisions were being taken which – whilst well-intentioned – with the benefit of hindsight have not worked.

Price control, zero-job growth, the abolishing of the right for people to come to Jersey to ever become housing qualified, as well as a now unthinkable situation where vergées of agricultural land were rezoned, tens of millions of pounds were made by the landowners and developers, and without a single unit of social rented accommodation being built on this rezoned land.

The work that was undertaken by the former Finance and Economics Committee, the Environment and Public Services Committee, and in the period after ministerial government was introduced, did result in hundreds of new homes being constructed for the social housing sector and the first-time buyers' market.

Many of the policies which had not worked were reversed.

In 2013 the Housing deposit guarantee schemes were promoted and delivered the dream of home ownership to a few dozen families.

It should have continued and been extended but it has not.

Efforts have stalled. This needs to change.

As I am no longer bound by collective responsibility, I am free to say that I commend the efforts of *some* Ministers, and especially the attempts of the Chief Minister and Minister for Housing to focus on supply – not enough has been done.

A majority of votes on the Council of Ministers is needed to get things done. It has not.

## **Supply-side policies have stalled**

New policies which should have been put in place – with the exception of policies initiated by Andium Homes, have been almost non-existent.

The supply that is being produced elsewhere is the result of decisions taken 4 or 5 years ago, and even then the progress has been too slow.

The proceeds from the £250 million Housing Bond issued have sat on deposit for much longer than was planned, instead of getting to work on building, despite there being an appetite from Andium to move faster.

There has been a lack of encouragement of policies to produce more supply.

This must change.

### **A change in mindset**

This risk of a new Council after 2014 having a changing mindset was signalled by the Scrutiny Panel Report by Deputy K.L. Moore of St. Peter as Chairman of the Health, Social Security and Housing Scrutiny Sub-Panel, who stated –

*“There is a risk that future Assemblies and Ministers may change policy priorities around regulation, which would be passed on to the regulator for implementation. Regular, sizeable or controversial policy changes could risk undermining the credibility of the regulator in the eyes of stakeholders” [Section 5.7].*

There appears to be the risk of a mindset that regulation by itself will work. It won't and is not going solve the issues of –

- raising social renter housing standards;
- ensuring that rents remain affordable;
- ensuring that the non-owned States Social Housing providers are required to use all their resources on supplying more homes.

### **The extent of the problem**

There is no doubt that the issue of housing costs and availability is one of the biggest concerns of Islanders of all ages that I speak with.

Islanders of all household types are being detrimentally affected by the inexorable rise in the cost of housing, because of a dis-equilibrium of supply over demand.

### **Laws of supply and demand – if there is not enough of something – prices will rise.**

This is the reality in the Jersey Housing market.

Whilst it is possible to contain demand to some extent – but in a rising economic tide – where there is lower unemployment, more people in work, an ageing society, businesses need staff. Well-skilled locals and albeit limited and controlled immigration – we need to welcome imported staff to undertake the work in the economic sectors of the future such as Digital.

The Public sector needs the staff and key-worker housing for high-priority sectors such as nursing and education.

The ageing society is a great thing as people live longer – and whilst many over-65s can and do work – many do not. Hence the demand for workers has to be met.



Jersey's economy is growing and that is a great thing – but we can't easily put a cork into an effervescent bottle. The consequences of doing so can be seen from the failed policies of zero-job growth and the stop-start policies of the 1980s and 1990s.

It took years to repair the damage. A lot has been done but there is a lot more to do.

Housing supply cannot be something which receives attention for a while and then none.

### **The link to the cost of living**

This issue has been brought into sharp focus by the report which showed how Islanders' living standards have been affected by the housing costs, and the latest RPI figures that shows clearly that inflation is rising.

If this is allowed to remain unchecked, there is a serious risk of a perfect storm of rising prices – including increases of 3–5% in grocery prices as a direct result of the 20% retail tax that will also lead to less investment in the retail sector reduce competition.

The inevitable tax-fuelled prices hikes will push up inflation above average earnings.

The result, whilst hopefully unintended, was predicted by some, and will lead to households of all types seeing net incomes fall.

**In other words: less money in Islanders' pockets after housing, essential purchases, and tax, and will result in a lower standard of living.**

**This needs calling out.**

**The current policy approach is undermining previous progress.**

A continuation of what has been happening recently would represent an undoing of all the benefits of the hard work to boost the jobs and economic growth.

Policies that were carefully designed to ensure that Islanders benefit from a rising tide will, without a focus on supply and reversing decisions that raise the cost of living, as night follows day, mean that Islanders are worse off.

*It would be easy to say these things can be left until after the election. However, the reality is that any new Council of Ministers elected won't be able to take concrete action until later on in the year.*

*The sooner there is a recognition and States' endorsement that there is a problem that needs solving with a different approach – the sooner actions can be taken that could alleviate the inevitable inflationary spiral.*

*It's not too late to put in place in the remaining weeks of this Assembly an amendment to the current approach, which focuses on regulation without sufficient effort or policies to deal with supply. These must be addressed forthwith.*

Irrespective of the outcome of the elections, the current elected members have a responsibility to do their utmost to reverse what is believed to be unless stopped – an avoidable reduction in living standards. One led by further increases in house prices.

## **The price of housing in Jersey compared to other places**

Jersey has a very high multiple of average earnings.

Jersey's multiple of earnings for an average house is higher than that of the U.K., where the Government have published their own "[Fixing Britain's Broken Housing Market](#)".

Uniquely it appears that all the U.K. opposition parties agree.

Perhaps if the Labour Government's commissioned report [Kate Barker 2004 Housing Supply Review](#) recommendations had been implemented, the crisis situation in England would not be as it is today.

It is coincidence that the now Dame Kate Barker is Chair of the Island's Fiscal Policy Panel.

## **The effects of having insufficient housing supply**

Islanders who are able to get the deposit and get a mortgage, even with low interest rates, will find themselves struggling.

Buying even a modest family home now costs in excess of £400,000.

Those that do buy their own home with a mortgage have to make huge sacrifices and have little left in the household budget. This situation has been getting worse and worse.

Rents have been rising in the private sector rental market due to record levels of people in work and the additional demand of households who can't get on the property ladder.

## **90% – analysis of the problem**

Social rents were to be set at 90% of market rents by the various social housing providers as a result of the 2013 Reform of Jersey's Housing market.

The 90% is now widely talked about as not working. There is some validity in this criticism.

Setting social rents at 90% in a market which would have seen increased supply might have worked. In a rising rent scenario, this means the policy is not working.

If there had been proper supply there might not be a need to consider reducing the 90%, to say 80%, to alleviate the high level of rents in the social housing sector.

The proposal to reduce the borrowing costs of Andium could have allowed this to happen but was rejected – this was understandable as the proposal came too late to be properly considered, and also got Andium and the Housing issue unfairly embroiled in the Hospital Funding debacle – which as I have stated publicly was deeply regretted.

The idea was, however, that social housing rents could be lower than the market by lowering their borrowing costs.

Whatever the outcome, the well-intentioned and approved social rent policy is now under pressure, but for the reason of the underlying rising costs of rents.

Whilst Income Support assists hundreds of Islanders with the cost of the rent if they need it – the costs of providing Income Support is rising and being paid for by taxpayers. This also means that those resources can't be used to allocate to other priorities such as health and education.

### **Could it be different?**

The answer is yes. Three solutions are needed –

1. The States need to say unequivocally that Islanders should have the choice of either renting or buying a home at affordable prices, and the government should set out policies to achieve this.
2. There are strong arguments for the completely arm's-length housing organisations to be regulated to ensure that rents are fair, that there are good standards of accommodation, and that social landlords' assets – particularly their cash resources – are deployed, and not hoarded, for the purposes which they were set up, i.e. the delivery of more affordable rental homes.

Regulation costs money and needs to be done in a proportionate way that does not just result in more taxpayers' or renters' money being spent on bureaucrats regulating a market, and double-regulating organisations already controlled by the States, and where in any case there is insufficient supply.

*I am considering a further amendment after consultation, that would introduce regulation to the non-controlled States providers first and put on hold the regulation of the States-owned social housing provider.*

*Instead, to reflect any regulatory concerns in a revised MOU with the Treasury and considering placing the responsibility for Andium's housing oversight within the remit of the Minister for Housing.*

3. There needs to be a decisive and joined-up action plan on increasing the supply. The supply issue cannot be fixed by the Minister for Housing, the Government or a regulator alone. Such is the urgency, there needs to be someone who will work with Andium, the other arm's-length social landlords and associations, house-builders, the banks that provide the finance for house-building and mortgages, site-owners, the Parishes, and who can lobby the Minister for the Environment and his Department on the importance of supply.

### **How it could be**

*Let's imagine an Island in which there would have been 150 to 300 per annum additional units of accommodation provided in each of the last 3–5 years.*

- ✓ *Imagine new homes would have been built on the many brown field sites – affordable well-designed homes for families in the town area and elsewhere on sites which are crying out for redevelopment in the built-up areas, and where possible limited adjacent areas such as Five Oaks.*

- ✓ *Imagine well-designed, elegant, properly-sized apartments provided in regenerated, disused, no longer fit-for-purpose for the modern business requirements – offices or shops or warehouses – either turned back to their original use as housing, or skilfully converted into modern apartment living. Homes benefiting from rooftop gardens and the increased public open places the Connétable of St. Helier and others have rightly called for.*
- ✓ *Imagine Parish-inspired, proposed and approved village extension schemes such as we've seen in Trinity, St. Martin and St. Peter being carefully and thoughtfully rolled-out in other approved Parish Plans. Homes delivered by Parishes for parishioners made possible because there was confidence that the States would back the Parishes, as so successfully happened in Trinity and St. Saviour.*
- ✓ *Imagine the confidence in the future if a clear message was sent that the States would support and expect the Council of Ministers to carry on delivering supply continually – not in a stop-start manner.*
- ✓ *Imagine an Island where renters and buyers of all means and household types could get the homes they and their partners and families needed, and could afford to allow them to get ahead in their lives.*
- ✓ *Imagine if Jersey house prices would not have risen as they have done and rents would be more affordable.*

### **What people say**

*“To get anything half-decent is astronomical”.*

*“Rents for houses which exceed the amount which would be paid for a mortgage”.*

They are right.

These comments are the real evidence that the current situation is preventing so many Islanders from being able to save enough money for a deposit, buy their own home or rent a home within their means.

Older residents say they are concerned for the prospects of their children, worrying they may be driven out of Jersey by their inability to get themselves on the property ladder.

How right they are.

A decent place to call home is one of the most important parts of our lives, but it is not just a question of a decent home. Homes must be affordable.

To reach this outcome there need to be policies that ensure a sufficient supply is there to meet our changing social and economic needs, whether it is a growing family, or the desire to stay in our own home as we grow old.

This needs to be driven by Government, but Government cannot deliver it alone.

## **Summary**

Choice is a very important lever in driving quality in all our everyday choices. Throughout the whole of my political life, I have argued that if we provide people with choices in housing by ensuring the right levels of supply – quality and affordability will follow.

Just as such policies work in other aspects of our lives.

That is why I have submitted an amendment to the Minister for Housing's proposition which deals with the introduction of a regulatory framework for social housing.

My amendment seeks to ensure that the Minister has the necessary power of direction to ensure that there is democratic oversight of the regulator.

This has been accepted. The regulator should be accountable for their performance, the regulator should not duplicate the arguably less-costly regulatory oversight that can be imposed on the States-owned entity.

Regulation alone will not deliver on the objective to ensure availability of affordable houses of quality.

The proposed regulator needs to focus on the supply of housing and that there is a link to all types of housing tenures: including the affordable housing rent market, the affordable housing purchase sector, together with all open market types.

I have argued for years for competition and regulatory policy in other economic sectors – the approach needs to be sensible, pragmatic, Island-sized, value for money, outcome-focused and proportional.

We can't adopt or allow an approach to regulation that is imported from a country hundreds of times the size of Jersey and that is not value for money.

The Minister for Housing needs more resources to work on supply. Only by having people whose sole task is to focus relentlessly on the housing needs of all sectors of our population, can we hope to improve quality and price of accommodation in Jersey.

The amendment will advance the view that there is a requirement for someone outside Government to consult and work with all stakeholders across the housing supply chain: construction industry, financial institutions and other States departments, as well as tenants and housing providers in both the social and private sector.

Moreover, supply is now being regarded as so important that it should be the subject of a standalone proposition.

It will be, and in the meantime I urge members to support this updated amendment.

## **Financial and manpower implications**

There are no additional financial or manpower implications for the States arising from the adoption of this amendment to the amendment.