

# STATES OF JERSEY



## SOCIAL HOUSING SCHEMES: FUNDING

---

Lodged au Greffe on 17th April 2012  
by the Minister for Treasury and Resources

---

STATES GREFFE

## **PROPOSITION**

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

in accordance with Article 2(4) of the Public Finances (Transitional Arrangements) (Jersey) Order 2011, to amend the expenditure approval for 2012 approved by the States on 14th September 2011 in respect of the Social Housing Programme head of expenditure to permit the withdrawal of an additional £27,100,000 from the consolidated fund to fund 6 Social Housing schemes, 3 of which already have expenditure approval (£10,804,000 in the 2012 Annual Business Plan) which would now be unfunded due to insufficient sale receipts; and 3 of which are being brought forward from future years' capital programmes.

**MINISTER FOR TREASURY AND RESOURCES**

## REPORT

### Introduction

The Housing White Paper sets out the proposed long-term changes to the Social Housing Framework. The White Paper explains the significant and increasing financial shortfall facing the Housing Department if the States housing stock is to be maintained to a minimum Decent Homes Standard.

Whilst the White Paper deals with proposals that could be implemented from 2014 onwards, in the interim there remains a significant funding gap which will mean that only two further projects would have been tendered in 2012 and 2013.

### Current Position

#### The current financial position

The Housing Department no longer receives an annual capital allocation to undertake refurbishment and new build projects, but instead must rely upon sales of existing housing stock under P.6/2007, the Social Housing Property Plan. Whilst there remains some opportunities for sales of 'prime location' high value sites and also sales to existing States tenants under the deferred payment scheme, these sales have been limited by the general economic conditions and specifically the difficulty in obtaining mortgage finance. It is unlikely that sales of existing stock will yield more than £5 million in 2012 and indeed, given the increasing number of applicants on the Affordable Housing Gateway, it is probably not desirable that sales beyond this level are pursued. It is also unfortunate that unless an alternative funding mechanism is devised, then a number of sites in States ownership will not be developed to provide much needed new social housing. A key element of the White Paper is a new funding strategy to address this issue.

#### Current capital programme

The Housing Department is currently undertaking a number of refurbishment and new build projects, which have been funded from previous property sales or temporary repayable advances of Fiscal Stimulus funding from the Treasury. These projects are currently providing valuable work to the construction industry and are detailed below –

Project	Type	Contract Value	Completion Date	Contractor
Le Squez – Phase 2a & b	New Build	£9,440,838	Mar-12	A.C. Mauger Ltd.
Clos Gosset	Refurbishment	£3,935,843	Nov-12	Charles Le Quesne Ltd. (in administration)
Pomme D'Or Farm	Refurbishment	£5,192,973	Apr-13	Camerons Ltd.
Jardin des Carreaux	Refurbishment	£1,310,000	Dec-12	Larsen Ltd.

### Projects requiring funding

There are a number of projects that are being progressed by the Department that will be ready to tender during 2012. These projects, which will provide a total of £27.1 million of work to the construction industry and will provide 121 new homes, are detailed below –

<b>Project</b>	<b>Type</b>	<b>Proposed Tender Date</b>	<b>No. of New Units</b>	<b>Status</b>
La Collette – High Rise	Refurbishment	Mar-12	0	All approvals in place
Le Squez – Phase 2c	New Build	May-12	24	All approvals in place
2 – 4 Journeaux Street	New Build	Jul-12	9	Awaiting bye-law approval
Lesquende – Phase 1	New Build	Oct-12	35	Requires detailed design and associated permissions
Osborne Court	Refurbishment & additional units	Dec-12	3	Awaiting Planning permit
Purchase of Life Long Homes	New Build	N/A	50	All approvals in place
	<b>Total</b>		<b>121</b>	

The projects at La Collette, Le Squez and Journeaux Street were all included in the 2012 States Business Plan for 2012 (although the funding sources assumed are now unlikely to materialise), whilst the remaining 3 projects are being brought forward from future years' capital programmes to commence in 2012.

In addition, the Department has a number of other projects, (e.g. La Collette, Ann Court and further phases of Le Squez) on which feasibility and design work have been started, which could be tendered in 2013, if pre-contract funding was made available.

### Economic Conditions and the Construction Industry

There have been a number of announcements from the construction industry, over the past 6 months, warning of a lack of new work for the industry during 2012, with the resultant concerns over continued employment of staff in the industry. There have also been calls for the States to bring forward capital projects in order to bolster the industry, whilst also suggesting that competitive tenders from the market would result. Evidence from the 3 Housing Department tenders during 2011 seems to confirm that contractors are seeking to win States' projects by lowering prices, with winning tenders ranging from 19% to 24% below the pre-tender estimates on each of these projects.

Unfortunately, the same economic conditions that provide better value for building contracts are also those which make sales of properties difficult to achieve. Conversely, as economic conditions improve, building contracts are less likely to provide good value, whilst sales of properties should be easier.

The Minister for Housing, with the support of the Council of Ministers, has requested in the light of the current economic downturn; the potential for increased unemployment in the fulfilment industry associated with the loss of LVCR; and major concerns expressed by representatives of the local Construction industry, that consideration be given to bringing forward capital spending on social housing. The Construction representatives have provided clear evidence that order books for major projects will run out beyond May 2012. They have advised that 500 jobs of locally qualified people are at risk. The Minister for Treasury and Resources was asked to bring forward a proposal for how this could be funded.

### **Funding Source**

Following discussions between the Ministers for Treasury and Resources and Housing the following funding source is proposed in order to allow the £27.1 million of social housing projects in the previous table to proceed –

Consolidated Fund – £27.1 million: The unaudited States Accounts for 2011 identify a balance in the Consolidated Fund which is £27 million higher than expected, primarily as a result of improved taxation revenues and carrying out the full approved transfer from the Stabilisation Fund. In addition a further £11 million of improvement over forecast is estimated in 2012.

Approval of the States is sought, in accordance with the provisions of Article 2(4) of the Public Finances (Transitional Arrangements) (Jersey) Order 2011, to increase the expenditure approval in 2012 for the Social Housing Programme head of expenditure from £10,804,000 to £37,904,000.

Release of the funding will be approved on a project by project basis by the Minister for Treasury and Resources. The funding of £27.1 million will be repayable by Housing upon incorporation on 1st January 2014 when an investment will be made by the Currency Fund in the new organisation. Of this repayment £10 million will be reimbursed to the Stabilisation Fund.

It is important to stress that the proposed funding arrangement is to ensure Housing remain compliant with the Public Finances (Jersey) Law 2005 whereby a Department may only enter into a capital project contract if it has sufficient funds to complete the contract in its entirety. The intention remains that Housing continue to fund their capital programme through identified sales, and these sale proceeds will be reimbursed to the Consolidated fund as they occur.

### **Financial and Manpower Implications**

These proposals will allow much needed housing schemes to be progressed at a time when there is significant capacity within the industry, so keen tender prices can be expected. These schemes will also support the States initiative to keep islanders in work and will provide significant private sector employment which may well avoid increased benefit payments and may increase tax receipts.

It is likely that the Department will need to take on additional manpower in the short-term for the management of these projects to ensure that they are progressed quickly. This may be resourced from the private sector or 2 short-term contracts may be required.

The Expenditure Approval for the Social Housing Programme will increase in 2012 from £10,804,000 to £37,904,000. The forecast balance on the Consolidated Fund will also reduce by £27.1 million once all the projects have commenced.