

STATES OF JERSEY



INCOME SUPPORT: MORTGAGE PAYMENTS

Lodged au Greffe on 19th October 2010
by Deputy G.P. Southern of St. Helier

STATES GREFFE

PROPOSITION

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

- (a) to agree that the list of the expenses in relation to which special payments may be made under Regulation 3(1) of the Income Support (Special Payments) (Jersey) Regulations 2007 should be extended to include mortgage payments made in respect of a dwelling owned and occupied by the claimant as his or her principal residence, provided that the maximum amount of a special payment made in relation to a mortgage following this amendment shall be a sum equivalent to the rate payable under paragraph 4(2) of Schedule 1 to the Income Support (Jersey) Regulations 2007 for the type of dwelling concerned, with the sum payable weekly for a maximum of 6 months;
- (b) to request the Minister for Social Security to bring forward for approval the necessary legislation to give effect to the proposal.

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

This proposition arises out of work done by the Health, Social Security and Housing Scrutiny Panel on the design of Income Support conducted in 2007 (Income Support Proposals S.R.17/2007). It puts in place support for those whose mortgages are threatened by redundancy. When it was first brought as an amendment to the States in 2007 (P.91/2007 Amd.), Deputy Martin was seeking up to 12 months cover. The present proposition reduces this to 6 months.

That there is a growing problem caused by the recession is demonstrated by an increasing waiting list for social housing as revealed by the Minister for Housing in a response given to a question asked by Deputy Higgins on 28th September this year –

“3.8 Deputy M.R. Higgins of St. Helier of the Minister for Housing regarding the impact of the recession on demands for social housing:

Could the Minister advise the Assembly how many people, since the onset of the recession in Jersey, have been housed, or are currently waiting to be housed by his department, as a result of having been made redundant and/or losing their houses due to repossession by banks or other home lenders?

Deputy S. Power of St. Brelade (The Minister for Housing):

This is not an easy question to answer. When exactly Jersey entered the recession... the answer is probably one that the Minister for Treasury and Resources and myself might agree or disagree on, but certainly it slowed down in the beginning of 2009. As I mentioned, in the last Assembly sitting, the Population Office and the Minister for Housing has noticed a 60 per cent drop in the number of (j) purchase applications, consequentially **we have also seen a 43 per cent rise in the number of applications for housing on the grounds of homelessness or financial hardship in the last 12 months.** The trend seems to be continuing with 151 similar applications having been made so far this year, which are new. I can confirm to the Deputy - I will confirm these figures in writing - we have a current waiting list of 305 for one-bedroom units; 335 for 2-bedroom; 155 for 3-bedroom and another 102 for other types of accommodation. The current average waiting time for a one-bedroom need is 14 months; for a 2-bedroom need is 12 months; and for a 3-bedroom need is over 13 months. With regard to the methodology of repossessing property, the Housing Department does not deal with this as a matter of course, because we are a social rented provider, but normally my understanding is that the banks will allow people to move out or to move on without forcing a sale but will allow a certain period of time for it to be done. But we do not have any accurate data on that.

3.8.1 Deputy J.A. Martin of St. Helier:

43 per cent is a stark very high rise. I wonder what work... and it was an amendment when income support was brought in. How much work has the Minister for Housing done with Social Security to look at the circumstances of the person, it may be a marriage break-up, it may be a redundancy.

[10:15]

At the moment income support will not cover ... the amendment brought by the panel was 6 months... it was a year, I was told afterwards it might have got 6 months. But I am now meeting constituents whose mortgage was about £500 or £600 a month for their family home and Social Security will not meet that, not even for a short period of time, and they are covering over £1,000 when they have moved them out, and making the Minister for Housing's list. Will he endeavour to work with Social Security and look at this 43 per cent of people, probably 20 per cent of that, given a bit of time, could pay the money back and stay in their own homes.

Deputy S. Power:

I will try. The housing component of income support is, I think, around £30 million a year. That is broken down between the Housing Department, the trusts and the private rental sector, an area I have some concern on. The department is currently revisiting everyone, every single person, on our waiting list and transfer list to reassess their housing needs. This is a large piece of work, and it will take some time to complete. This will provide an opportunity to look afresh at household composition and financial means. If the Deputy is interested in seeing this, I will circulate that report once it is done. I can also confirm to the Assembly that my Assistant Minister, the Constable of St. John, is now actively working with the housing trusts and the Parishes in creating a combined waiting list, which will be far more accurate than any system we have ever had before, and we will have very accurate information when the result of that work is done. So there is a lot of work going on. We do have regular meetings with the Social Security Department, very regular meetings. We will summarise that in a report in due course.

3.8.4 Deputy G.P. Southern:

What discussion has the Minister had at Council of Ministers level over the potential for redundancies in the public sector, which are pencilled-in for the comprehensive spending review stage 2, and has he put in to discussions at Council of Ministers level the potential impact upon house repossessions?

Deputy S. Power:

I am not quite sure what the overall level of expected redundancies will be in relation to this question. It has been discussed at the Council of Ministers, and I have given the Council of Ministers my indication as to how many voluntary redundancies there might be in my department. It has been as simple as that. I cannot remember the second part of the question.

Deputy G.P. Southern:

That the issue is not just voluntary redundancies, which are in place at the moment, but redundancies *per se*. There may be 400, there may be 600 coming, through the second stage of the comprehensive spending review, what impact will that have on his department?

Deputy S. Power:

It will increase my waiting lists and that is why it is so important that sites like Ann Court, which at the moment is a temporary car park, are brought forward and redeveloped as soon as possible. I will have increased waiting lists. It could go from nearly 900 now, it could double in the next 2 years. I do not know, I simply cannot answer the Deputy's question.

3.8.8 Deputy M.R. Higgins:

Although the Minister has touched on these, just for the avoidance of doubt, can he explain that if someone is made homeless what his department will do to house them, considering the waiting list he is talking about, and equally if people are made redundant and have their homes repossessed, what steps can be given to house them, or are they left on the street?

Deputy S. Power:

If somebody becomes unemployed and becomes financially distressed, the first point of contact with the department is the Allocations Team. The Allocations Team meet at Social Security, I think it is very regularly, almost twice a month - maybe 4 times a month - and then we assess the need financially. They then go on a waiting list. The waiting list is broken-down between urgent need, high need, moderate need, and so on, and we assess them on that basis.

3.8.9 Deputy G.P. Southern:

May I ask the Minister to circulate his initial answer to Members?

Deputy S. Power:

I will circulate the figures and the statistics to all States Members.”.

(Source – Hansard)

S.R.17/2007, PAGE 81

This section of the report is lifted directly from the original Scrutiny report. It is remarkable that there is no mention anywhere in the text of the word “recession”. Obviously a recession of such depth and length was not foreseen at the time. Had it been clearly on the horizon then, perhaps the amendment would have succeeded. There can be no doubt that such support is increasingly relevant today.

Table 1: Relevant Commitments, Outcomes and Indicators from the States Strategic Plan 2006-2011

Commitment 3: ‘To promote a safe, just and equitable society’	
•	Outcome: ‘social care to protect and support vulnerable people’
•	Indicated by:
-	- - - - <i>Increased numbers of older people supported to live at home</i>
•	Outcome: ‘good standard of affordable accommodation for all’
•	Indicated by:
-	- - - - <i>Increased levels of home ownership</i>
-	- - - - <i>Reduction in the number of people waiting to be adequately housed</i>
-	- - - - <i>A supply of homes that better meets the Island’s housing requirements</i>
-	- - - - <i>Equity in access to the housing market</i>
-	- - - - <i>Stable housing market / prices</i>
-	- - - - <i>Increase in provision of Island-wide sheltered housing</i>

It is extremely difficult for persons on low income to get on the housing ladder, and once they are there we have a duty to make sure that legislation does not work against them. The Strategic Plan aspiration to increase levels of home ownership is very important – especially as the opportunity to reach the first rung of the housing ladder has been denied to many Islanders through our immigration and economic growth policies. This amendment allows special payments to be made to mortgage-holders – ensuring that the family home is not sold at times of what may be very short-term financial pressures.

It is not equitable to have regulations that favour claimants that rent over homeowners. The basic assumption has been made that homeowners will always have equity in the property and therefore this can be realised to cover financial distress. However, this will not always be the case and in times of negative equity, or no equity, it may be better to help in mortgage payments than to allow for repossession.

Furthermore, the loss of the family home can cause life-changing stress to the claimant’s family. Children will not understand why they have to move suddenly to rental accommodation from their ‘home’ – a situation that would not be forced upon a tenant in rented accommodation in similar financial circumstances. The absence of a few months’ special payments is likely to force the claimant into the rental sector – potentially increasing the burden on the State. It may also deny the claimant the one chance that they have ever had to own their own home as we have pushed them off the ladder. Instead of encouraging home ownership we are potentially taking the opportunity away which is contrary to our strategic plan objectives.

These are difficult times for homeowners, with interest rates rising and taxation increasing. In general, owning your own home gives you more outgoings than if you are a tenant. The cost of owning your own house and living in it has gone up significantly in the last 10 years. And it is not likely to get any cheaper in the near future.

As homeowners have higher living expenses than tenants, it could be argued that support for owner-occupiers from the State must be better than for those who rent? But this is not the case and it leaves any homeowner who can't keep up with mortgage repayments because their income has faltered in trouble.

Amendment (a) allows special payments to be utilised to cover mortgage payments. Amendment (b) limits both the amount and the length of time of this assistance.

The special payment system is very much a 'stopgap' which allows claimants the opportunity to improve their personal financial situation. It is not intended as a regular payment with an unlimited timeframe. This sensible and considered amendment extends a bottom line safety net to low income owner-occupiers and thus both meets aims of equal treatment and of supporting those who are attempting to be self-reliant. We have put in place a safeguard that such payments may never be excess of the equivalent level of housing component for a year."

In his comments on the amendment in 2007 (P.91/2007 Amd.Com.), the then Minister for Social Security had the following to say –

“4. Page 10, Regulation 3 and 4 – Mortgage Support

Income Support as a regular weekly benefit is not intended as a Mortgage subsidy.

However, homeowners can face unexpected, significant and sudden drops in their incomes, as a result for example the death of the main wage earner, a major accident, illness or unexpected redundancy where the redundancy payment has yet to be made.

It would be ridiculous for a family faced with such circumstances to be instantly forced to sell their property, simply for the want of short-term assistance. In any event, an approach to the mortgage provider should be made as a first step.

The Minister, under discretionary powers, can initially pay the mortgage interest for such families for up to 4 months. As this is discretionary, it can be extended.

The Scrutiny amendments would place in Regulations the requirement that a family in “urgent need” would have their mortgage payments met for up to 12 months, at a rate equivalent to the housing rental component appropriate to the property. In many cases this rental component may not cover mortgage interest payments.

The Minister believes that the flexibility proposed in the guidelines will meet needs more effectively than the Sub-Panel’s proposal and cannot support the amendment.”

At the time, members may have been sufficiently impressed by these words of comfort to vote down the amendment, and to trust that the minister would use his discretion to

provide temporary support for those in the unfortunate position of being unable to meet their mortgage commitments through redundancy or similar catastrophe. Some may have objected to support which extended to a year and may have supported a shorter period.

Following questions asked in the States, we now know that this discretionary power has only been used on 3 occasions.

Question

In the light of the increase in waiting list applications for social housing caused by homelessness and financial hardship, announced by the Minister for Housing on 28th September 2010, will the Minister state –

- (a) how many requests have been received by his Department from householders for assistance with mortgage payments and how many of these have been granted for the years 2008, 2009 and 2010 to date?
- (b) the terms under which assistance has been granted, and the total sums involved?
- (c) what measures, if any, he has under consideration and what funding he estimates may be required to deal with any increase in demand for assistance from the potential 400 public sector employees who may find themselves unemployed as a result of the £65 million cuts programme over the period 2011 to 2013, and if none, why?

Answer

Three families have been granted assistance with mortgage payments since the inception of the Income Support scheme on 28th January 2008.

Assistance has been granted for discretionary payments under Article 8(2) of the Income Support (Jersey) Law 2007. Because there are so few cases it would not be appropriate to provide any additional information.

Recent experience suggests that there has been little need to assist mortgage holders. A scheme specifically in respect of mortgage holders was drawn up in spring 2009 but was not implemented as it did not receive funding. I gave the commitment in the last sitting of the States Assembly that I would review the need for the scheme and I, together with the Minister for Housing, will now do this.

The Minister takes this low number as evidence that there is no need to offer support for mortgage holders. I interpret it differently. One of the major problems with any benefits system which is recognised the world over is that of underclaiming. Unless the department has a very effective communications strategy and can successfully advertise what benefits are available, and to whom, then many benefits will go unclaimed because those in need are not aware that they can claim. I believe that the fact that the Minister can offer limited support to mortgage holders in difficulty has not been sufficiently broadcast. The low numbers are a product of the absence of knowledge that one can claim in such circumstances. Certainly, I have evidence that some mortgage holders have been told on the front desk at Social Security that no help

is available to those with a mortgage. The information that help is available has not only not got out to the public, it seems not to have got to the staff in the department.

Financial and manpower statement

The current IS fair rent accommodation component for a 4-bed house, for example, is currently £272 per week. This would mean a cap on payments for mortgage support at around £1,100 per month, or £6,530 over a 6 month period. The total cost of any such scheme will obviously depend on the number of cases which are presented. Whilst I expect that there will be an increase in the number of cases, it is difficult to estimate the total demand. There is a significant underspend in Social Security out of which this scheme could be funded.