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3.4 Deputy G.C.L. Baudains of St. Clement of the Minister for Treasury and Resources regarding the use of the rental income from States' tenants:

I note with some degree of sadness that my question has been redirected away from the Minister for Housing. I hope we are not going to be going into the problems we had with Jersey Telecom and other incorporated companies. Given the anticipated rental income from States tenants at £50 million *per annum* and the £28 million returned to the States, together with £12 million per year average maintenance spend, could the Minister as the shareholder representative advise what the balance will be spent on?

Senator P.F.C. Ozouf (The Minister for Treasury and Resources):

The good news is that the Assistant Minister is going to answer the question.

Deputy E.J. Noel of St. Lawrence (Assistant Minister for Treasury and Resources - rapporteur):

I will endeavour to do so to the satisfaction of Deputy Baudains. In 2015, Andium Homes' rental income is projected to be £43.8 million. This is after taking into account the gradual implementation of the rent policy on new tenancies and rent losses on properties undergoing major refurbishment. Rental income is expected to build-up to £50 million, as noted in the Deputy's question, by 2017. However, if I may use the 2015 year as an example, this forecast rental income of £43.8 million will be used to fund the annual return to the States of £28.5 million, maintenance expenditure of £10.2 million, staff costs of £3.7 million, other income and expenses netting to £2.3 million, and financial costs of £1.7 million. This will result in the forecast operating loss of £2.6 million, which will be funded from other cash flows. Of the other income and expenditure of £2.3 million, I can advise the Deputy that £1 million is for foncier rates and non-rechargeable electricity costs such as for street lighting. Other expenditure relates to items such as buildings insurance, surveyors' fees, legal fees, bad debts, audit fees, postage and stationery, *et cetera*. Andium Homes has developed a robust business plan that requires approval by the guarantor and will improve the condition of the housing stock and deliver much needed further affordable homes while also delivering value for money.

3.4.1 Deputy G.C.L. Baudains:

Moving from the Minister for Housing to the Minister for Treasury and Resources to the Assistant Minister for Treasury and Resources, the information seems to have got corrupted somewhere along the way. I wonder if the Assistant Minister could tell me where he got his information from because the figures I have come from the Minister for Housing via the department and are completely different from the figures he has just given me.

Deputy E.J. Noel:

I am afraid that the Deputy's figures must be out of date. These figures came directly from Andium Homes.

3.4.2 Deputy G.P. Southern:

Is it not the case that the continuation of the return to Treasury element repeats the history of the Housing Department where funding was skimped in order to have the return to Treasury continually?

Deputy E.J. Noel:

It is good to see that Deputy Southern is at least consistent in his questioning. These questions have been asked numerous times before and in the proposition that was brought to this Assembly by the Minister for Housing. The £28.5 million return to the States is a reasonable sum that was

agreed and Andium are happy with that. It is within their business case. They can afford it and one has to remember that they received some 4,000 units of accommodation from the States at no cost.

3.4.3 Deputy G.P. Southern:

A supplementary, if I may. Is it not the fact that the reason why the business plan is set at 90 per cent of market rents is that the return to Treasury takes out a good chunk of their income?

Deputy E.J. Noel:

No, it is making things a lot more transparent and the correct process. Those tenants paying rents at 90 per cent of market are paying it at the correct level. It is not for the housing provider to provide hidden subsidies. That is for our social security system and our income support system.

3.4.4 Deputy T.A. Vallois of St. Saviour:

Could the Assistant Minister advise whether any consideration has been given to consolidating the Andium Homes accounts into the accounts of the States?

Deputy E.J. Noel:

Andium Homes will be treated as all States-owned utilities such as Jersey Telecom, Jersey Post, *et cetera*. There is no reason to treat it any differently.

3.4.5 Deputy T.A. Vallois:

Could the Assistant Minister explain exactly what that treatment is, then?

Deputy E.J. Noel:

Their annual accounts are audited and they are published along with the States accounts.

3.4.6 Deputy J.A.N. Le Fondré of St. Lawrence:

It is just an idle question trying to work through the figures that the Deputy has given. The interest on the bond is for 2015 projected. Is that going to be included in those figures? I notice he said finance costs of £1.7 million. Does that mean there is only a small allocation of the bond that has gone into Andium? What is the timing going through that?

Deputy E.J. Noel:

Andium has set out in, I believe, our budget documentation from last year that they will be drawing-down on the £207 million borrowing for their refurbishment and build programme over a period of 10 years. Hence they will not be drawing-down that money, all of it, in the beginning of 2015. The finance figures in the figures in the information I have given this morning include that financing of that borrowing that they will be drawing-down.

3.4.7 Deputy J.H. Young:

That answer raises a question. Where is the interest on the whole borrowing being met from then? This £2.6 million loss, where is that going to be picked up as well?

Deputy E.J. Noel:

Andium Homes will be funding both the capital repayments of the money they borrow from the States and the interest charge from their rental stream. The £2.6 million deficit for 2015 - and there is a further one in 2016 and a breakeven from 2017 and surpluses afterwards - comes from other assets.

3.4.8 Deputy J.H. Young:

Does that mean that the interest charges on the £250 million bond we have taken are only incurred when we draw-down monies from that sum? Can he confirm that or put us right?

Deputy E.J. Noel:

Andium will only be paying interest on the money that they actually borrow. I think I have already explained when I answered Deputy Le Fondré's question that they will be borrowing down in tranches to match the actual capital projects that they will be investing in.

3.4.9 Deputy M. Tadier:

First of all, on behalf of the Andium tenants of St. Brelade No. 2, may I congratulate the Assistant Minister on his recent re-election as Deputy? The same tenants, of course, have seen their rents go up in recent weeks and months to pay for a historic States neglect of maintenance of their properties. Can the Assistant Minister confirm in this forum to them that what we are seeing is a stealth tax on the most vulnerable tenants in our society to pay for essentially a deficit in the Treasury budget for something that should have never been there in the first place?

Deputy E.J. Noel:

Deputy Tadier is very consistent in his questioning about Andium Homes and the 90 per cent rents. I have already been very, very clear. This is about making it a level playing field. It is about putting the money that people need if they require a subsidy through the right channels, which is via social security and the income support system. I believe that the 90 per cent rents are only taking place for those with new tenancies and there is a gradualisation of rent increases over a long period of time for those who currently do not pay 90 per cent. **[Interruption]**

3.4.10 Deputy M. Tadier:

A supplementary: does the Minister accept that what we have seen with this funding mechanism is that the tenants themselves are paying for the properties over a lengthy period of time, yet they themselves will not be the beneficial owners of those properties, it will be the States, it will be the wider society, the taxpayer, but not the actual individuals in those properties who are being punished with higher rents despite the fact that they have paid in often for decades living in substandard accommodation?

Deputy E.J. Noel:

The Deputy has a long rambling question there and I must say that he needs to get his facts in order.

Deputy M. Tadier:

The Assistant Minister cannot allege that. If he is alleging incorrect facts, perhaps he could elucidate now. That would make a nice change.

Deputy E.J. Noel:

Those that rent properties, part of their rent does cover maintenance cost, and ongoing that will be the case under Andium. Those tenants have not been paying at a market rate, and market rate covers the refurbishment of those properties. Now we have rebased things on a correct 90 per cent level, it will mean that there will be money available to invest and we should not ever be in this situation with a backlog of maintenance.

3.4.11 Deputy G.C.L. Baudains:

I am concerned about the contradictory nature of the figures allegedly from the same source. In that event, does the Assistant Minister not believe it might have been better to use housing trusts to achieve this instead of creating Andium Homes?

Deputy E.J. Noel:

I believe there should be a number of providers to provide housing for our community. If Deputy Baudains believes that he has been given some figures that are out of date or do not reconcile with the ones that I have with me today, then perhaps we should meet and go to Andium Homes offices and go through the figures that he has so he has a clear indication.