

STATES OF JERSEY

Health, Social Security and Housing Panel Housing Transformation Programme Sub-Panel

THURSDAY, 5th JULY 2012

Panel:

Deputy K.L. Moore of St. Peter (Chairman)

Deputy J.G. Reed of St. Ouen

Senator A. Breckon

Deputy J.M. Le Bailly of St. Mary

Witnesses:

Deputy S. Power of St. Brelade

Also in attendance:

Ms. F. Scott, Scrutiny Officer

[11:02]

Deputy K.L. Moore of St. Peter (Chairman):

I have to make a few opening remarks before we begin. We have a code of behaviour for members of the public, which are on the board behind you, and I have to particularly draw everybody's attention to the fact that all electronic devices should be on silent, the taking of audio recordings by the public are not permitted at all and visual images are only permitted for the first five minutes of our hearing. If you wish to eat or drink, please leave the room. Finally, once the hearing is closed then I ask you to leave quietly and not to interfere with witnesses. Thank you very much. We will also introduce ourselves for the record. I am Deputy Moore, Chairman of the panel.

Deputy J.G. Reed of St. Ouen:

Deputy James Reed, panel member.

Deputy J.M. Le Bailly of St. Mary:

Deputy John Le Bailly, panel member.

Senator A. Breckon:

Senator Alan Breckon, panel member.

Deputy S. Power of St. Brelade:

I am Deputy Sean Power of St. Brelade No. 2.

Ms. F. Scott:

I am Fiona Scott, Scrutiny Officer.

The Deputy of St. Peter:

Thank you very much for coming to speak to us, Deputy Power. Obviously you have been invited because you were formerly the Minister for Housing. If you could just remind us of the dates when you became the Minister for Housing.

Deputy S. Power:

I think it might be useful to synthesise my role with regard to Housing. I served on scrutiny between 2005 and 2008 and in the second half of 2006 up to the end of the election in 2008 I served on the Health, Social Security and Housing Panel and I led what was then a Housing scrutiny sub-panel. So I served on scrutiny, specifically chairing the Housing sub-panel. It was then Deputy Breckon who chaired that panel and we did quite a lot of useful work. I then was elected as an Assistant Minister in the Housing Department at the end of 2008 and I served in that role from the end of 2008 until August 2010 when there was an election for the Minister for Housing and I served as the Minister for Housing from August 2010 until 2nd February 2011. So I know a little bit about it.

The Deputy of St. Peter:

You do indeed. This policy, the Housing Transformation Programme, I presume was in development at that time?

Deputy S. Power:

The Housing Transformation Programme has had a long gestation period. It has its roots back in 2006 and 2007. At that time the Housing Department, under Senator Le Main and Deputy Hilton, realised that the Housing Department was starved of cash

for maintenance, repairs and for reinvestment purposes. In the spring of 2007 they lodged a report and proposition called P.6, which was the proposal to sell off social rented housing, essentially to repair and maintain a slimmed-down, shrunken housing stock. This was before the events of the summer of 2008 when all the global markets went into free-fall. It was before Northern Rock. It was before the collapse of Lehman Brothers. So P.6, at its time and its gestation in the early part of 2006 and 2007, seemed to some to make sense. What it was saying then was: “We need to spend a lot of money on financing housing repairs,” and at the time they did not have the funds. The bigger picture, of course, was that the Housing Department’s structure to a large extent was strangled under Standing Order 168, which is the Jersey Finance Law, and it was not able to make any autonomous decisions about its own financing without the permission of the Minister for Treasury and Resources and the Treasury Department and, as it turned out, Property Holdings. So when they started P.6, which was the sell-up of social housing, we then had the situation that I inherited whereby, if we wanted to sell or if the department had a tenant who wanted to buy (which is more correct) a house in Grasset Park or one of the other estates, what happened then was the Housing senior management team would do an appraisal or have 3 independent reports done on the value of that house in Grasset Park, there was a means test on the tenant who wanted to buy that house and they did a report which essentially said that this tenant can buy this house at somewhere in the region of £220,000. That report then had to go to Property Holdings for another appraisal. So there were 2 senior management teams and two States departments looking at the same transaction and that was where the idea came that the Housing Department needs to break away from under the yoke of Treasury and it was insanity that we were double-analysing with a team from the Housing Department, a team from Property Holdings and, ultimately, a team from Treasury who would sign off the sale and transaction of that house in Grasset Park, just being one example, to that tenant. So it seemed to me and to Senator Le Main in the early part of 2009 that we needed to do something to make the Housing Department stand on its own and that was the reason why we then pushed for some sort of association status or something where the Housing Department could stand as a free department without having to report to Treasury and get permission from two separate States departments outside its own team to transact. The reason that it evolved then was that the Housing Transformation Programme or the work to set up the housing association involves a huge composite area of work, about 95

programmes when I started it and 95 separate areas of work. It was simply that. Here is a States department. It has still 4,600 houses and flats. It has 13,000 people, some of the most difficult people with the greatest type of specific needs on the Island; some people who have specific physical disabilities, emotional disabilities, mental disabilities, specific housing needs, some of them have bad credit, some of them have no credit and some of them have been held in prison. They are the minority. The vast majority of these people never appear on the radar and they simply are there because they cannot afford to buy. So the Housing Department has a fundamental role in Jersey, social policy, and the team at Housing under Senator Le Main decided that we needed to look at the association route, hence the work that started. The main reason was, with a department of that size or with an association of that size - we had an asset with 4,600 houses and flats worth somewhere between £900 million and £1 billion - were we managing it correctly? Were we managing a very strategic and scarce States resource properly? So we went down the route towards association status.

The Deputy of St. Peter:

Arms-length organisation is also common now in the U.K. (United Kingdom) and other jurisdictions, is it not?

Deputy S. Power:

Yes.

The Deputy of St. Peter:

Do you think that the H.T.P. (Housing Transformation Programme) as we see it today reflects all of the desires that were intended back in 2008?

Deputy S. Power:

If it has followed the track that Senator Le Main and I set out in 2009 and 2010, yes. The aspiration is that this has to be a standalone housing association. We had to separate the operational side of States-owned, taxpayer-owned, housing from the regulatory side. There has been no regulation of the trusts and the private sector rental area. So you have the housings trusts, the private rental sector and the States-owned stock of social housing as 3 separate organisations. Take away the regulatory

side on to another level so that then there is regulation, because the Housing Department does not exist anymore. Then you have an organisation on top where you have an Assistant Minister or somebody who will head up a regulatory body, which should regulate social housing, private sector rental, lodging houses and the States-owned housing association. That was the aspiration. The answer to your question is I hope that is what has been followed. I do not know.

The Deputy of St. Peter:

You have read the Housing Transformation Programme?

Deputy S. Power:

Yes.

The Deputy of St. Peter:

So from reading it ...

Deputy S. Power:

It seems to be there. There are a lot of questions that I would like to ask on a one-to-one with the 3 guys that are running it, which is Ian Gallichan, John Hamon and Will Gardiner. They are the guys that really need to sit in front of you, if they have not already done so. So far as I am aware, I get some comfort from what has been published in the H.T.P.

The Deputy of St. Peter:

What would you ask of them?

Deputy S. Power:

I would be very concerned about the relationship between Treasury and Property Holdings, which is now not as big a problem as it was. Just referring back to that, there were real issues in 2009 and 2010 in the relationship between the senior management team at Housing and the senior management team at Property Holdings, real issues; almost relationships that had broken down because it was felt that Property Holdings were holding back work that had already been analysed with what they would have regarded as a fairly competent in-house housing management team.

So there were ongoing relationship issues throughout 2009 and 2010 between the Housing Department and Property Holdings. It got to one farcical situation one particular weekend where the Minister for Housing and I were in France on a visit to a social housing project in Rennes and we had a phone call from one of the senior team at Housing. We were selling a property in High Street in St. Ouen which was not appropriate to have as social rented housing. It fell outside our normal stock and it was for sale. Terms had been agreed and then one of our team had had a phone call from somebody at Property Holdings to say that the then Assistant Minister had asked for the keys from the estate agent and was showing the property to somebody else, even though we had agreed the sale. So there were issues like that, which were a constant problem. As it was, that particular property was sold to the client that the Housing Department had vetted; but there were these ongoing tensions the whole time, which did not help.

The Deputy of St. Ouen:

Obviously you spoke about your involvement with the Housing Transformation Programme and I just really want to understand whether this *White Paper* and the proposals contained within it reflect the work that you undertook and were part of when you were responsible and involved in Housing. There are 4 key changes: (1) a new strategic housing unit is development, (2) a new affordable housing regulator is established, (3) a new wholly-owned States-owned housing association is established, and (4) social housing rents are returned to fair rent values. Are those the 4 key matters that were worked upon and considered while you were involved with the Housing Department?

Deputy S. Power:

To a larger and lesser extent. I have to answer each one individually. So if you will read the 4 subsections, I will answer on each because I do not have them in front of me. A new strategic housing unit to be developed was laid down originally and the specific terms of reference of that when I was there was that the new housing association should be able to develop the stock of social rented housing and also affordable housing under this new organisation.

[11:15]

So my understanding when I left was that the new Housing Department or the housing association to be would be able to transact on its own; would be able to finish the sell-up of whatever property was deemed to be not appropriate to the portfolio; would be able to buy sites and land to develop more social housing because, as a result of the recession, the need and the demand for social housing is greater than ever; and, as important as ever, to have the ability to develop affordable housing for first-time buyers and all the people that we did of the 46 houses in La Providence at St. Lawrence and to expand that scheme into Homebuy Mark II, Mark III and Mark IV. That is my answer to the first bit. In terms of the second bit, that the new affordable housing regulator is established, there was some discussion in the early days as to whether there should be an independent housing regulator or whether it would be part of the remit of the J.C.R.A. (Jersey Competition Regulatory Authority). In other words, could the Jersey Competition Regulatory Authority take on a role which would be housing regulator? From what I can see in here, that is not clear as to how far that went down in terms of discussion. A wholly-owned States housing association to be established was within the original remit. The last one, which is the social housing, this bold statement of social housing rents to be returned to fair rent levels; at the moment there is, as you know, between 25 per cent and 33 per cent differential between housing rents and the open market here. The view always was that the Housing Department, or the housing association to be, needed some tenant to pay full market rent because that would put them in a position to be able to do the other stuff, which was for income support people who could not afford to pay full rents, and that allowed them to have a stock, but there was never an intention when I was there that all of the housing rents across the board would aim or aspire to become full fair rents because it is simply, in my opinion, not attainable.

The Deputy of St. Ouen:

Just picking up on the idea of an independent regulator, it sounds like a great idea but I am rather confused because you and others have told us that there is little or no regulation in place. Surely it would be more beneficial if you developed the regulation first, rather than introduce an independent regulator and expect them to regulate something that does not have the legislation in place.

Deputy S. Power:

You are correct, Deputy. There is no regulation of social housing. If one were to have a yardstick right across the social housing providers, you would find that there are very big inconsistencies. I think the Housing Department comes as close as it can come to adhering to the gateway to become a social housing tenant, but other housing trusts do not do that. Therefore, in terms of a regulator, in the early days of the evolution of the Housing Transformation Programme discussion that I was part of, in terms of the regulation of social housing, was that we would explore whether we needed an independent housing regulator that would just exclusively do housing or whether a regulatory authority, which is what we have, would be able to have a housing regulator bolted on to its terms and conditions of operation. If you look at the way the Jersey Competition Regulatory Authority is set up, it is within its remit to be able to do that. I did have one meeting with Chuck Webb, the previous director of the J.C.R.A., and he felt that it was within their remit to be able to do housing regulation as part of their overall remit, but things may have advanced since.

The Deputy of St. Ouen:

This is what one might term as a bit of a hospital pass because it seems that the Housing Department has not been able to develop or promote regulation where it is required (that is the consistent message we have got) and now the proposal is: “We cannot be too bothered with developing appropriate regulation, so we are going to create an independent regulator and we are going to tell him to do it.” It seems a bit back-to-front. Would you not agree?

Deputy S. Power:

I do not agree with the way you have expressed that. What I will say is this. I think the Housing Department cannot regulate it. It is not set up to regulate social housing on the Island. It is a Housing Department. It is a provider of social housing, owned by the public purse on the Island. It was never set up to regulate and the States themselves, when they set up the housing trusts from 1992 on, never set up any kind of regulatory authority to regulate both the Housing Department and the housing trusts. It is a bit like saying the Health and Social Services Department can regulate itself. It cannot really. We need some sort of independent regulator within the Health and Social Services Department and that is why a lot of people who have residential

and nursing care homes are very irritated that they are regulated, although Health is not regulated itself. The Housing Department is in the same position. What we were looking for at the time (and I am 1½ years removed from it now) is what would work within the Jersey structures without us going and setting a whole new tier or regulatory control again. So what we did was we talked to the then head of the J.C.R.A., who not only had a lot of anti-trust experience commercially but felt that they could expand the role of the J.C.R.A. to bring in a regulatory function for social housing within that brief and that is where we were. To be clear, Deputy, there was never ever any question that the Housing Department could regulate other housing trusts. It simply was never set up to do that.

The Deputy of St. Ouen:

I am interested to explore that further because we have housing laws. We had a Housing Committee and then we moved on to a Housing Department with a Minister that was tasked with and given responsibilities associated with housing. It was not simply just as a provider of social housing. It was far more than that and I do not understand (and perhaps you can help us) when and why that view of the Housing Department has changed to becoming: “We are just a provider of social housing and nothing more.”

Deputy S. Power:

The Housing Committee in its day was never mandated to regulate those trusts that were set up post-1992; that is Jersey Homes Trust, Christians Together and Les Vaux Housing Trust. Therefore, if one of those 3 trusts had a ground-floor flat that was fully capable of housing somebody with a disability, with all the proper areas of circulation and access with bathrooms and the whole thing, and they let it to an able-bodied person there is no mandatory authority on this Island that can tell that housing association or that housing trust: “You are letting this unit of accommodation in an inappropriate manner.” There is no regulatory authority to do that and the Housing Department has got no mandate over any of the 3 other housing trusts. So the answer to your question is, it was set up without any regulatory control and the Housing Department was never mandated to be a policeman for private sector housing associations or trusts.

Senator A. Breckon:

Can I come back to the points that James made about the 4 points. Point 1 was that a new strategic housing unit is developed to develop a long-term cross-tenure strategy for housing (so that suggests it is public and private) to promote the supply of new homes and to address issues of affordability. Point 2 runs into that. It talks about: “A new affordable housing regulator is established to ensure that tenants’ best interests are protected and that the public investment in affordable housing delivers value for money.” That is what it is saying. That involves Planning, Treasury, Health, elderly housing, the public and the private sector. How on earth is one person or one person or one thing going to do that when we cannot do it now? I mean what is it going to do?

Deputy S. Power:

If I address my comments specifically to the regulatory side, at the moment there is no regulation. The proposal is to have a regulatory authority.

Senator A. Breckon:

What are you going to regulate?

Deputy S. Power:

I think what will happen is that there will be a regulator or a regulatory mechanism so that that person or persons within a competent authority (I have suggested it could be the J.C.R.A.) will have a mandate to inspect and recommend and regulate the leasing, the transactioning, of public sector accommodation and private rental accommodation, both within the publicly-owned stock of Housing and the private stock of housing trusts, to ensure that the gateways are consistent across the whole social housing sector and that there is no inequality in terms of one organisation allowing people who are able-bodied, as I have said, to live in a unit of accommodation that may be appropriate for some other type of person with a disability and to make sure that the gateways for income support, eligibility, common waiting lists, all of that stuff, are done properly. At the moment there is none of that and there is no mandate for any authority, competent or otherwise, to do it on the Island. So we have got a problem.

Senator A. Breckon:

How does a regulator make a judgment about a person's disability, for example, about the priorities?

Deputy S. Power:

I am not quite sure how I would answer that, but I do know that there are units of accommodation on this Island in the control of certain organisations and they are designed for specific uses and they are not being used for that purpose. There are also organisations, and I have a number of specific examples, where people are in gainful employment, have a reasonable salary or wage and they are occupying units of accommodation that should have been allocated to somebody who is in greater need. So there are issues like that.

Senator A. Breckon:

That is another issue, because sometimes they have got nowhere to go. We are talking about establishing a strategic housing unit. So this is somebody who is going to really fly the flag for things to be done. How do they get over this quagmire of States departments and making things happen? You mentioned Property Holdings. We have got Planning. We have got the Treasury. We have got whatever. How are they going to deal with all of that?

Deputy S. Power:

If you form a housing association you immediately separate and divorce any reporting to Property Holdings or to Treasury because you will have an independent organisation that reports to a Minister or, most likely, an Assistant Minister and that Assistant Minister will report to another Minister, most likely a Chief Minister from what I am reading. That political responsibility will report back for the regulation of this new entity. So it will be quite separate from Treasury.

Senator A. Breckon:

But you have just said they are not accountable.

Deputy S. Power:

I do not think I said that.

Senator A. Breckon:

Well, if you are talking about allocations policy, for example, they are not accountable to anybody. So we have set them up. We have given them millions of pounds in subsidy and they are not accountable. You might remember there was a committee of inquiry into allocations policy and housings trusts.

Deputy S. Power:

Yes.

Senator A. Breckon:

So how does all this fit in with this *White Paper* and making things better for people?

Deputy S. Power:

I think the Housing Transformation Programme will have to set up the regulatory side of this in far greater detail than what you are alluding to. So the housing regulator, whether it is J.C.R.A. or whether it is a free standalone operation, will have a very specific set of terms of reference.

Senator A. Breckon:

Then why can we not just have a service level agreement that says to somebody: “You are an agency. You will deliver this and if you deliver this we will give you some money. If you do not, we will not”? Why do we need regulators?

The Deputy of St. Peter:

I think perhaps these questions might be better directed at the current Minister, unless you are happy to answer.

Deputy S. Power:

There are a number of large pieces of legislation that will have to govern and regulate housing: social housing, affordable housing and all the different types. When I talk about affordable housing, we are talking about housing for the over-55s. You are talking about various versions of Homebuy. You are maybe talking about shared equity. You may be talking about different types and that whole remit and gamut of

affordable housing has got to come in under some sort of regulation. At the moment there is none and I do believe that there has to be regulation of these different housing trusts, the proposed housing association, the private rental sector and the Lodging House Association. It is something that I have had real concerns about for a number of years.

The Deputy of St. Peter:

What do you think about the current debate regarding the location of the strategic housing unit? Should it, in your view, be within the Chief Minister's Department or Planning or Social Security?

Deputy S. Power:

I have reservations, serious reservations, about further concentration of political control and this burgeoning growth of the Chief Minister's Department. In my view, where we are today with this global recession, social housing and affordable housing is more important than ever, including the areas we have talked about.

[11:30]

I seriously worry about it being lost and the political responsibility for this area, which is a key area of the States economy. Many, many people cannot afford to buy, so they need to be looked after and we will have to expand the stock of social housing, in my opinion, and I think it would be a very bad idea to have control of this area within the Chief Minister's Department. I alluded to it last week in a question in the States again. I tried to amend the Control of Work and Housing Law last year, that it did not go to the Chief Minister's Department; that you had a reinforced Minister for Housing. I still am of the view that there should be one political entity in the Council of Ministers that takes direct political and specific responsibility for all social housing, including what we have just talked about, and for population and migration.

The Deputy of St. Peter:

So you do not think it sits happily within the Social Policy Unit?

Deputy S. Power:

No, I do not think it sits happily within the Social Policy Unit and I think the Social Policy Unit has a number of grey areas that need to be defined before it progresses even further.

The Deputy of St. Peter:

Thank you. If we go back to your tenure as Minister and indeed as Assistant Minister, the *Whitehead Report* was published during that time. What was your response to it at the time?

Deputy S. Power:

If you remember, Dr Whitehead recommended 4 options to the Housing Department. The first one was do nothing and the last one was to head towards association status and there were 2 compromise options in between. She essentially gave us the kind of direction that I think we needed in that part of 2009 as to where perhaps this organisation that was stuck under what I call the yoke of Treasury needed to progress itself. The options were quite simple: we either stay as we are and go cap in hand to the Treasury Department all the time for maintenance and repair work and for funds for maintenance and repair work when £23 million of the Housing Department's cash flow of £35 million automatically went back to Housing anyway, which caused the problem in the first place. So we were dealing with a ridiculous situation. The *Whitehead Report* really was a pathfinder as to these were the options that could be considered at the time. She pointed out a number of things that were incorrect, that were not right within the process, and we took some of that report and carried it into H.T.P. in 2010.

The Deputy of St. Peter:

Do you think it is now, as H.T.P. stands, a good reflection of the *Whitehead Report*?

Deputy S. Power:

It reflects some of it. H.T.P. as it stands at the moment is a composite of some of all the parts; of some of the mistakes that were made in 2006-2007 and indeed mistakes that were made going back to 1992. I think the department and the team at Housing are now addressing mistakes that were made from 1992 on.

The Deputy of St. Peter:

Would you like to elaborate on what mistakes were made and why over such a long period of time?

Deputy S. Power:

I have already referred to it, so I will be brief. The main mistake was the lack of regulation of housing trusts. The other mistake is the fact that the funding that was provided to the housing trusts from States departments, from Treasury, letters of comfort and so on, in actual fact caused a major haemorrhage of the cash flow that the Housing Department had and that is when, right through the 1990s and early 2000s, huge amounts of funds were withdrawn from the Housing Department and were allocated to the trusts. One specific example before my time was the redevelopment of Le Coie Hotel. The whole programme and the whole project was managed by the Housing team. The cost of the site plus the development of the site was £22 million and it was handed to Le Coie for £8-9 million, as far as I remember. That simply should have been a Housing Department project. There was a litany of mistakes that were made because there was no regulatory structure involved and one mistake compounded another in terms of funding of the trusts, the damage to the Housing Department's cash flow and the lack of a regulatory body to police what the housing trusts were doing.

Senator A. Breckon:

Another thing you touched on, as you were mentioning before, was the fact that, apart from the original allocation as well, Housing did not retain any allocation to trust properties after that happened as well.

Deputy S. Power:

Yes, that is right.

Senator A. Breckon:

So if there were tenants with social problems or difficulties, the trusts did not want them and they were doing some stringent financial checks of people. I am sure you found that in your time as Minister.

Deputy S. Power:

When I worked with you, Senator, I spent quite a bit of time going to the Petty Debts Court defending recent arrivals on the Island where unscrupulous landlords (you have done the same type of thing) were allowing somebody into an unqualified unit accommodation, throwing them out after 12 weeks and not repaying their deposits. That is still going on. I have a case at the moment with a Polish couple who have been kicked out after 12 weeks and we are going to court to get their money back. All of this stuff should not be happening in 21st century Jersey. People who are at the bottom of the economic ladder do need some protection and they do need some help. The system that evolved from 1992 on has not provided that security and I keep going back to the fact that we do need a strong regulatory.

The Deputy of St. Ouen:

But why? What we want to try and get to is why the regulation has not been introduced. We have a recognised Government department and body that is able to deal with housing matters and bring forward regulation to the States for approval. Why have these matters not been addressed? What has been the barrier?

Deputy S. Power:

It is called a lack of political will and the reason for this is classic in the moving of the social housing function to the Chief Minister's office. They will extinguish a seat at the main table. They will extinguish the ministerial seat at the Council of Ministers. The answer to your question is almost rhetorical in that there is not enough political Brownie points. There is not enough political weight been given to the significance and the importance of this role within the social structure of Jersey and that is the problem. That is why I think it is so essential that a Minister with specific responsibility for social housing, affordable housing and population and migration is reinforced by a restructuring of the Council of Ministers. It is a priority that we will lose unless the States deal with this and it will come up. It will come up if not this autumn, early next year in terms of political responsibility. So the answer to your question, in my view, is there has not been the political will to reinforce the importance of this area of States political responsibility. We were close to it at one stage last year in terms of the Control of Work and Housing. I tried to amend it so

that it there was specific responsibility for the Minister for Housing taking it forward and that was defeated, but I may have another shot at it.

The Deputy of St. Peter:

Thank you. A few minutes ago you mentioned the cycle of money that Housing pays the Treasury, who transfers the money to income support, who pay out income support, which pays the Housing component. What are your views on that cycle and do you have any ideas for alternatives?

Deputy S. Power:

Of the £23 million that is transferred annually to Treasury, not all of it goes to income support. That is the first point I would make. So income support is a function of the Social Security Department. The Housing Department or the housing association provides a unit of accommodation that provides a decent home standard for those people that need decent homes. That is what the Housing Department does and it does it reasonably well. Now that the major issues have been addressed from 2007 on in terms of funding that, there have been huge improvements in the quality of accommodation. There are still units of accommodation that are not acceptable, but they are working on that. The Housing Department should really be able to control more of its income and the relationship between it and Social Security is a separate matter. That is a social security provision, to provide income support and the housing component of that. That should not take away from the ability of the Housing Department or the housing association to use its rents to maintain its stock and to expand its stock. One of the things that really worries me with the move towards the association is I do not want a situation (and it was the subject of some discussion) where the stock of Housing is transferred with a debt. In other words, if the public own 4,600 houses and flats there in that configuration, we must not transfer those 4,600 houses and flats into a new body owned by the public but with a £200 million debt or £300 million debt as some sort of ransom strip to buy out the £23 million a year. That was something that we were very concerned about in 2009-2010 and it is not clear in the *White Paper* as to what will happen.

Senator A. Breckon:

Are you saying there, Sean, that we need to stop the revolving door between Social Security, Housing and the Treasury so that the rental income is, like the trusts do, used for what it is supposed to be?

Deputy S. Power:

Yes. I took a look at some housing association models when I was there and I did one subsequently. I went to the northeast of England and looked at Gateshead and a number of housing associations up there and they do not do it that way. The housing association is a standalone deal. It builds houses, it maintains houses and it houses people for Newcastle, for Gateshead, for all these good cities up there, and then they are reimbursed by a bigger fund, which is their social security fund, which is the National social security fund. That is how it works up there, but they do not take their rents the way it is done here. Likewise in Northern Ireland, I looked at the Northern Ireland model which comes under a Social Development Minister, and it works perfectly well there. Health and Social Security is merged in Northern Ireland. The 2 departments are merged and the housing associations get their funding from that department rather than their rent going out straight away. So there are different ways of doing it and the way we do it is not a good way. I would like to see the housing association cut completely free, completely in charge of its own resources and its own cash flow, and then, when it is cut free, that it does not get separated with a £300 million or a £400 million or a £200 million debt.

Senator A. Breckon:

Just a question then, Sean; how would you see the agency or housing association (call it what you will) being accountable? At the moment the tenants have access to the department. If things do not work they can seek representation through C.A.B. (Citizens Advice Bureau) or through one of us. We can go to asking questions of the Minister in the States or whatever. If you take away all that how do you see the agency being accountable so that it is transparent and it still works the same from the client's point of view?

Deputy S. Power:

I think the structure of this association to be needs to have somebody with political responsibility for the overall thing, which is the housing association, so that the

person may then have some responsibility for regulation. There would have to be a board of trustees, that would be political; it would be professional, from outside the States remit; and some tenants. It has to have States tenants or tenants of the trusts, of the housing association, as part of that who feed in. That would not be too dissimilar to what happens now with the States Tenants Forum. One of the things that has happened in the last 4 years is that each individual housing estate is encouraged to have its own forum and they feed into the department and Ian Gallichan, Carl and particularly Dominique go out and listen. I did a number of those when I was there and they are very rewarding experiences. You always get somebody who will say: “The dustbins are not collected on the proper day,” or: “The dustbin men are too early,” or: “My neighbour scrapped a transit van.” You always get that, but the vast majority of people never appear on the radar and very grateful and then when we go out and meet them they are happy to meet us. So it would be a development of that.

The Deputy of St. Ouen:

Much has been spoken about the development of a housing strategy, which is a long-term focus. Where can I find the current housing strategy?

Deputy S. Power:

I wish you wouldn't ask me questions like that, Deputy, because they seem to be lost somewhere halfway between the Minister for Planning and Environment, the Minister for Housing and the Minister for Treasury and Resources and I am not completely au fait. There appears to be an impasse in terms of how housing strategy is brought forward in the next significant period of time, 5 to 10 years.

[11:45]

There is a great need to expand the stock of social housing. There is a great need for affordable housing. We are a year on since we approved the Island Plan 2011 and yet there is absolutely not a single sign, apart from the Parish of Trinity, of any development of affordable housing, first-time-buyer housing or gateway housing coming on stream. That is a very serious issue. The answer to your question is, the housing strategy, which is a joint responsibility of the Minister for Housing, the Minister for Planning and Environment and the Minister for Treasury and Resources,

at the moment is not working and, as a result of that, I do have reservations about the Island Plan 2011 working. So there is a whole series of problems built in there that will have to be resolved.

The Deputy of St. Ouen:

So you are saying forget about the housing strategy for the future; there is not really a strategy in place at the moment?

Deputy S. Power:

No.

The Deputy of St. Mary:

There appears to be a total lack of co-ordination between the present Minister for Housing and the Minister for Planning and Environment. It seems quite obvious if we could get them to work together in order to co-ordinate the cheaper end of the housing market, we could certainly do away with a lot of the problems that we have at the moment, which are adding to the costs, and they could easily be alleviated. How do you feel we could move forward with that, to get them to communicate and work together?

Deputy S. Power:

The competent authority with regard to the planning function is the Minister for Planning and Environment and that department. He is working to an Island plan that was approved by the States in 2011. The provision in that Island plan for H1 and H3 sites is unworkable, in my opinion. I cannot comment on the relationship between the Minister for Housing and the Minister for Planning and Environment because I am not aware of all of the factors that you may be aware of, but I do know that nothing is happening. In my opinion, is that, because of the recession the demand for affordable housing, first-time-buyer housing, is being held up because the banks are not lending, what will happen (and I am sure it will happen) is that when the brakes are taken off there is absolutely no supply here. There is no supply of affordable housing of any kind. The formula within the Island Plan 2011 to put the onus on developers to provide a percentage of affordable housing within their development brief for distinctions between affordable and non-affordable, category A and category B, is that

developers are simply not developing. They are not developing. I am chairman of the Planning Applications Panel and I have not seen one application yet for affordable housing come near the planning process in the almost a year that the Island plan has been passed. So there is a combination of factors at work which are inhibiting supply. Houses can be built in an affordable manner if the sites are made available, if the sites are more affordable, if the Minister for Housing has the ability to fund the development of those sites and if the Minister for Planning and Environment will approve those sites. At the moment those 3 dynamics are not working together and the result will be that there will be no supply, but there is absolutely no reason why it cannot be done. It can be done, but it is not being done at the moment.

Senator A. Breckon:

Can I ask you a general question, Sean? We talk about various papers and whatever else but, in your opinion, going forward what difference in quality, housing affordability (you have touched on that) and availability do you think this *White Paper* will make? We need to do something, but is this it and will it focus on those issues?

Deputy S. Power:

I think it will. The Housing Department is going nowhere with its current status as a department. It simply cannot operate under Standing Order 168, which is that every single financial transaction it carries out has got to have the approval of the Minister for Treasury and Resources through the Property Holdings Department. It is simply unsustainable. Allied to that is the fact that the amount of money it pays out annually to Treasury directly is unsustainable. So the Housing Department is going to languish in no-man's land unless something is done. The best way forward is to cut itself free from Treasury; be an independent organisation where it can borrow money, where it can develop, where it can be responsible, where it can have a board of trustees that will direct it to the areas that it needs to operate and where it is answerable to a Minister and ultimately to the States Assembly. That is the way forward. It remains to be seen how we deliver that, how it is delivered. I go back to what I say; that the provision of social housing and affordable housing across the Island has not had the political importance attached to it that it should have had and we have seen this mess develop for 20 years.

The Deputy of St. Peter:

What do you think of the fair rent increase that is proposed in the H.T.P.?

Deputy S. Power:

The aspiration is that all social housing under States ownership would come up to fair market rents. I simply cannot see how that is going to work. The size of the private rental market is disproportionate in Jersey. The size of the private rental sector is too big compared to other jurisdictions; if you compare it to the U.K., the south of England, the north of England, Northern Ireland and the Republic, it is just too big. I think what we need to do is to create a stock of social housing which is affordable and to expand that stock because the other mistake that was made in the early 1990s was the private sector housing rebate, where we paid landlords a subsidy every month to house people that the Housing Department and the housing trusts cannot house. Because of that, the private housing sector expanded and it is disproportionately large on this Island and home ownership is low. So what we need to do, in my view, is to create a situation where we reduce the private rental sector and increase social housing stock and home ownership.

The Deputy of St. Peter:

Sorry, when you said that the public rental market was too big, you meant the private sector?

Deputy S. Power:

The private.

The Deputy of St. Peter:

I see, thank you. Why do you feel that the rent policy has led to this lagging behind? You mentioned earlier that rents in the social housing sector are now 25 or 30 per cent below those in the private sector.

Deputy S. Power:

Yes.

The Deputy of St. Peter:

Why do you think that has happened over the time?

Deputy S. Power:

It has evolved over a period of time. One of the main reasons was that the condition of some of the housing stock was poor, so they could not charge the kind of rents that they wanted to charge. But if you look at other sectors such as the areas I have talked about, public rental is always behind private sector rental. I visited the Isle of Man and their public housing stock is slightly less than ours but it is about a third to 40 per cent of the fair market rent and that is where people are given social housing and the cost to the taxpayer is less because it is structured in such a way that that is, in my view, a more equitable system. So the aspiration to go to fair market rents across the whole stock of housing, in my view, will not work.

The Deputy of St. Ouen:

Can you explain, during your time especially with the Housing Department, the reason for not increasing rents and why? What were the constraints that stopped the department from increasing the rents to mirror that of the private sector?

Deputy S. Power:

There were rent increases annually. There were rent increases which were standard across the board. The vast majority of those that were on income support, it was picked up by the Social Security Department. Those that were on full rents and were not on income support, there was an extra increase in the time I was there for them and about 25 per cent (it may be slightly less or might be slightly more but about 25 per cent) of social housing tenants pay full rent. I have got no problem with them paying full market rents because they can afford it. The answer to your question is that there have been rent increases, but it has always lagged behind fair open-market rents and the reason being that most of the people were there for a specific reason; that they could not afford open-market rents.

The Deputy of St. Ouen:

What is the impact of raising rents within the private sector and the way we fund that? Is that an issue that needs to be addressed?

Deputy S. Power:

When you say “raising rents”, you are talking about the private rental market?

The Deputy of St. Ouen:

Yes. In other words, if Housing goes to a fair rental value, we know that tenants are accommodated within the private rental sector as you just mentioned. Are there any issues relating to increasing rents that would impact directly on Housing with regard to the relationship of the private sector renting arrangements?

Deputy S. Power:

I do remember one exercise on increasing those that are paying full private rent and the view was that we would lose some of them, either they would be encouraged to buy or go out into the private market, and that we would free up some stock. I think, from what I remember of those days, there was an aspiration within the department to increase rents to those that were paying full rents because we were aware of people who were paying full rents that really it was inappropriate for them to be in Housing Department stock. These would be people that we were aware of, that seemed to have high-profile expenditure and that seemed to have a lot of net disposable income in terms of the cars that were outside the house, holidays abroad and that kind of thing. So we were aware that if we did increase some of that sector up to full market rent, which is what the question was, that we would probably free up some stock. But then there was another counter-argument that we needed some of these full market people to pay for the other stuff and when I left, at that stage, the final exercise in how we would do that ... I was not part of it afterwards but I do believe that there are people in States housing that should not be there and that would have been an exercise in freeing up some of the stock.

The Deputy of St. Peter:

Thank you.

The Deputy of St. Mary:

Do you feel that perhaps, because of that situation going on, people should be means tested?

Deputy S. Power:

I do. One of the problems we had with the data protection and the move from parish welfare to social security support is that the Housing officers have no data on people's financial means. Therefore, the Housing Department is not able to access people's financial data, which changes every year. So absolutely I think States tenants and housing association tenants and trust tenants should be means tested because there are people on this Island who are being inappropriately housed, that should be either buying or in the private rental sector.

The Deputy of St. Mary:

So that adds weight in order to introduce a regulator ...

Deputy S. Power:

Yes.

The Deputy of St. Mary:

... which could do the dual purpose.

Deputy S. Power:

I do not know if the regulator would do that. I think there should be a mechanism right across the housing sector for a gateway for eligibility and that is the standard for the housing association, the trusts and anyone who is on income support or any landlord that is being paid a rent rebate for a tenant that would be in the private sector. There should be a standard gateway that should be administered by one regulatory authority. So instead of a woman or a couple going to the Housing Department or the trust, they would go to one central application system which would be administered on behalf of the whole of those involved in social housing and they would then allocate. That would be the assessment.

The Deputy of St. Peter:

I am conscious of the time, which we have run out of, but thank you very much, Deputy Power, for coming to see us today and for your very helpful submissions.

You have brought up a lot of interesting points there and for that I thank you. I now close the meeting.