

STATES OF JERSEY



PROPOSED GOVERNMENT PLAN 2022- 2025 (P.90/2021): FIRST AMENDMENT (P.90/2021 AMD.) – AMENDMENT

RENT FREEZE AND NEW SOCIAL HOUSING RENTS POLICY

**Lodged au Greffe on 7th December 2021
by the Minister for Housing and Communities**

STATES GREFFE

PROPOSED GOVERNMENT PLAN 2022-2025 (P.90/2021): AMENDMENT
(P90/2021 AMD.) – AMENDMENT

1 PAGE 2, PART 1 –

For the words “£828,000 in 2022 to allow for a social housing rents policy whereby rents are” substitute the words: “£2,750,000 in 2022 to allow for a social housing rents policy whereby rents are frozen for 2022, and”

And after the words “80% of the market rate” add the words “from 2022 onwards, and that Government shall continue to work with Andium to finalise a solution to minimise the impact on both Andium and the Consolidated Fund”.

2 PAGE 2, PART 2 –

For the words “£497,000 to allow for a reduction in expenditure arising from a social housing rents policy whereby rents are” substitute the words “£1,849,000 to allow for a reduction in expenditure arising from a social housing rents policy whereby rents are frozen for 2022 and”

And after the words “80% of the market rate” add the words “onwards, and that the Head of Expenditure for Covid-19 Response be reduced by £901,000 to meet the net impact of the rent freeze”.

3 PAGE 2, PART 3 –

For the word “set” substitute the word “capped”

MINISTER FOR HOUSING AND COMMUNITIES

Note: After this amendment, the first amendment would read as follows –

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

1 PAGE 2, PARAGRAPH (a) –

After the words “in line with Article 9(2)(a) of the Law” insert the words –

“, except that, in Summary Table 1 – States Income, the Return from Andium Homes and Housing Trusts shall be reduced by £2,750,000 in 2022 to allow for a social housing rents policy whereby rents are frozen for 2022, and capped at 80% of the market rate from 2022 onwards, and that Government shall continue to work with Andium to finalise a solution to minimise the impact on both Andium and the Consolidated Fund;

2 PAGE 2, PARAGRAPH (f) –

After the words “Appendix 2 – Summary Tables 5(i) and (ii) of the Report” insert the words –

“, except that, in Summary Table 5(i) – 2022 Revenue Heads of Expenditure, the Head of Expenditure for Customer and Local Services shall be decreased by £1,849,000 to allow for a reduction in expenditure arising from a social housing rents policy whereby rents are frozen for 2022 and capped at 80% of the market rate from 2022 onwards , and that the Head of Expenditure for Covid-19 Response be reduced by £901,000 to meet the net impact of the rent freeze”.

3 PAGE 3, PARAGRAPH (l) –

After the words “Appendix 3 to the Report” insert the words –

“, except that, on page 139 of Appendix 3, after the words “A freeze in the rent levels” there should be inserted the words “(based on a policy that social housing rents should be capped at 80% of the market rate)” in addition to any further changes to Appendix 3 identified as required by the Council of Ministers to reflect the implementation of such a policy”.

Note: After this amendment, the proposition would read as follows –

to receive the Government Plan 2022 – 2025 specified in Article 9(1) of the Public Finances (Jersey) Law 2019 (“the Law”) and specifically –

- (a) to approve the estimate of total States income to be paid into the Consolidated Fund in 2022 as set out in Appendix 2 – Summary Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law, except that, in Summary Table 1 – States Income, the Return from Andium Homes and Housing Trusts shall be reduced by £2,750,000 in 2022 to allow for a social housing rents policy whereby rents are frozen for 2022, and capped at 80% of the market rate from 2022 onwards, and that Government shall continue to work with Andium to finalise a solution to minimise the impact on both Andium and the Consolidated Fund;;
- (b) to approve the Changes to Approval for financing/borrowing for 2022, as shown in Appendix 2 – Summary Table 3 to the Report, which may

be obtained by the Minister for Treasury and Resources, as and when required, in line with Article 9 (2)(c) of the Law, of up to those revised approvals;

- (c) to approve the transfers from one States fund to another for 2022 of up to and including the amounts set in Appendix 2 – Summary table 2 to the Report, noting that the transfer from the Consolidated Fund to the Technology Fund is subject to the Assembly’s approval of a proposition to create such a Fund in 2022, in line with Article 9(2)(b) of the Law;
- (d) to approve each major project that is to be started or continued in 2022 and the total cost of each such project and any amendments to the proposed total cost of a major project under a previously approved Government Plan, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 - Summary Table 4 to the Report;
- (e) to endorse the efficiencies and other re-balancing measures for 2022 contained in the Government Plan as set out in Appendix 2 Summary Table 6 and reflected within each gross head of expenditure in Appendix 2 – Summary Table 5(i);
- (f) to approve the proposed amount to be appropriated from the Consolidated Fund for 2022, for each head of expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law and set out in Appendix 2 – Summary Tables 5(i) and (ii) of the Report, except that, in Summary Table 5(i) – 2022 Revenue Heads of Expenditure, the Head of Expenditure for Customer and Local Services shall be decreased by £1,849,000 to allow for a reduction in expenditure arising from a social housing rents policy whereby rents are frozen for 2022 and capped at 80% of the market rate from 2022 onwards , and that the Head of Expenditure for Covid-19 Response be reduced by £901,000 to meet the net impact of the rent freeze”.
- (g) to approve up to £480 million to be appropriated from the Consolidated Fund for the Past Service Pension Liabilities Refinancing head of expenditure, subject to the availability of funding, which may include, in full or in part, use of the borrowing/financing referred in paragraph (b);
- (h) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2022 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 7 to the Report;
- (i) to approve the proposed amount to be appropriated from each States trading operation’s trading fund for 2022 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 8 to the Report;

- (j) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2022 as set out in Appendix 2 – Summary Table 9 to the Report;
- (k) to approve an amendment to the policy of the Strategic Reserve Fund to enable that Fund to be used as a holding Fund for any or all monies related to the repayment of debt raised through external financing, with the monies used to offset the repayment of debt, as and when required; and
- (l) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2022-2025, as set out at Appendix 3 to the Report, except that, on page 139 of Appendix 3, after the words “A freeze in the rent levels” there should be inserted the words “(based on a policy that social housing rents should be capped at 80% of the market rate)” in addition to any further changes to Appendix 3 identified as required by the Council of Ministers to reflect the implementation of such a policy.

REPORT

This amendment sets out to cover two elements regarding social housing. Firstly it incorporates the impact of the rent freeze for 2022 already set out in the narrative of the Government Plan, and encapsulated by the original amendment brought by Senator Mezec. Secondly, it recognises the impact of the move to an 80% policy on new tenancies, and proposes a suitable funding solution, absent in the original amendment.

Rent freeze and 80% (new tenancies)

80% Cap

Since 2014 the Jersey taxpayer has supported the cost of social housing through transferring its social housing portfolio at zero capital cost to Andium and then applying a combination of a rent policy with a 90% cap and rent components within income support that meet the full cost of social housing rents. Andium makes an annual contribution to general revenues based upon that made by its predecessor organisation – the Housing department. This system has allowed for a significant and sustainable refurbishment programme to be implemented of great benefit to Andium tenants who all now occupy homes that meet the decent homes standard.

The proposed change to cap social rents at 80% will have no impact on the majority of Andium tenants who receive income support as any increase or decrease in rent is matched pound for pound by an increase or decrease in their weekly benefit payment. The proposed rent policy is only to the advantage of the minority of Andium tenants who have incomes too high to qualify for income support. Some of these households will benefit from a cap set at 80%.

The net cost of this change (after removing the corresponding reduction in Income Support costs) is identified as £4.7 million over the Government Plan period of 2022 to 2025, in addition to the costs of the proposed rent freeze in 2022.

Andium has also provided estimates beyond 2025. These show that the net cost (in today's money) of a move to an 80% cap increases to:

£2.1M a year by 2027

£2.6M a year by 2030

£3.0M a year by 2035.

The first part of the original amendment seeks to place this total additional net cost onto the taxpayer. Senator Mézec's report contains no suggestion as to how the growing shortfall in government funding will be addressed.

This amendment of the Council of Ministers accepts that there is strong public support for a move to social rents capped at 80% but that this cannot come at the expense of reducing vital support for other public services or increases to general taxation.

Ministers have identified a positive way forward which allows the move to a cap of 80% on rents to be made without either compromising Andium's ability to develop new sites or requiring cuts in other public services or increases to taxes.

Government will reduce the financial return from Andium to reflect the agreed rent freeze and any incremental savings in Income Support resulting from the change in rent policy, on an ongoing basis.

It is also proposed to make an adjustment to the interest charges paid on the loans held by Andium via the Housing Development Fund (HDF).

These arrangements will reduce Andium's costs and will ensure that approximately 90% of the shortfall in net rental income is covered over the Government Plan period. It is intended that the remaining 10% would be funded by Andium.

This reduction in interest will be reviewed in 2025, with an intention to keep it at the lower rate to 2030, subject to the forecast sustainability of the Housing Development Fund and the ability of Government to repay the Social Housing Bond on maturity, together with any other actions required at that time to support the continuing planned delivery of new affordable homes.

Rent Freeze

As set out in the Government Plan 2022-2025, Ministers have already committed to a further year of rent freeze for Andium tenants in 2022.

The returns from Andium Homes and Housing Trusts arise from the incorporation of the housing department in July 2014. Andium is obliged to make a return based on the transfer agreement and an agreed rental and return policy.

The annual increase in the level of social housing rents for 2022 would normally be determined by the September 2021 RPI figure which will be released in late October 2021. We will freeze Andium rents for 2022 to support tenants while the economy is still recovering from the impact of Covid-19.

A freeze in the rent levels and reduction in the Guarantor's return paid by Andium Homes will lead to a reduction in the expected return due to the Consolidated Fund for 2021 and all subsequent years. A freeze in rent levels will also lead to a reduction in Income Support expenditure for 2021 and all future years.

Adjustments will be made during 2022 to reflect these changes, and the impact of the updated Social Housing Policy will be reflected in the next Government Plan.

This income stream reflects the historic income contribution made from the housing stock that was transferred to Andium.

As the Government Plan was published before the release of the September RPI figure it was not possible to include the adjustment needed for the freeze in the Government Plan figures.

The September RPI figure is now available, and the opportunity is taken to include the cost of the rent freeze in these adjusted figures as part of the amendment to the amendment.

Part 3

This amendment to the amendment corrects the wording to clarify that rents are capped at 80% under these proposals.

Financial and manpower implications

2022 Rent Freeze

The impact of the rent freeze on Andium Rents is estimated at **£2,253,000**. The Government has agreed to accept the full cost of this impact and has reduced the Andium return by the same amount. There is a compensating reduction in the cost of Income Support, estimated at **£1,352,000**. The balance of **£901,000** will be met from the Covid response head of expenditure, to reflect the support the freeze gives to tenants impacted by the pandemic.

Move to 80%

The move to an 80% rent policy proposed has an additional impact of £828,000 on Andium rents in 2022. This also results in a reduction of £497,000 to Income Support Expenditure. The amendment as originally proposed therefore increases the Consolidated Fund deficit by £331,000 in 2022.

This amendment makes changes to achieve a cost-neutral position for the taxpayer.

The original amendment also increases expenditure by £4.7 million over the period of the Plan. If accepted unamended the original amendment will result in lower surpluses in 2023-2025 years of the plan, preventing them being able to be applied to reduce borrowing for Covid.

In respect to 2022 (subject to the outcome of other amendments) the original amendment as proposed would result in a negative balance on the Consolidated Fund, because the amendment does not propose a funding source. This would mean the Government Plan could not be approved by the Assembly under Article 14 of the Public Finances Law, without further amendment.

The amendment as amended, would not impact the Consolidated Fund in 2022, however would increase Consolidated Fund expenditure by £2.7m across 2023 – 2025.

Overall Impact

Overall impact on the return from Andium: The overall return in 2022 will reduce by £2,253,000 plus £497,000 - a total of £2,750,000.

Overall impact on Income Support Costs: The overall cost of Income Support in 2022 will reduce by £1,352,000 plus £497,000 - a total of £1,849,000

Covid response and recovery head of expenditure: £901,000 will be allocated from the Covid response and recovery project to support the net cost of the rent freeze in 2022.

There are no manpower considerations.