

3.2 Deputy J.A. Martin of St. Helier of the Minister for Treasury and Resources regarding the policy of rents in social housing being charged at 90 per cent of the market value and whether it had been expected that such a policy would bring Andium Homes £5.7 million in surplus or profit: [1(441)]

When Andium Homes was set up and this Assembly agreed that rents in social housing would be charged at 90 per cent of the market value so that the bond of £250 million could be repaid, could the Minister confirm whether it was expected that these higher rents would or could bring the company £5.7 million in surplus or profit?

Senator A.J.H. Maclean (The Minister for Treasury and Resources):

Sir, I have asked my Assistant Minister, the Constable of St. Peter, to take this question, Sir, as he has responsibility for Andium.

[10:00]

Connétable J.M. Refault of St. Peter (Assistant Minister for Treasury and Resources - rapporteur):

The short answer is no, we did not expect that sort of level of profit to be made. However, it is important to reference back to P.33/2013 - Reform of Social Housing, in which the strategic business case for change to the proposed rent policy level of 90 per cent of market rates would enable the following actions to be met, that is to put in place schemes to generate affordable housing for social rental and purchase and, secondly, bring forward schemes to support those who may qualify for assistance to purchase their own home. Any surpluses generated by Andium Homes will, therefore, be reinvested into schemes to generate much needed affordable housing for the public of the Island and to ensure that they meet their commitment to deliver full decent homes compliance by 2020. Any company, including Andium, must retain some surplus in order to renovate existing assets and their housing stock.

3.2.1 Deputy J.A. Martin:

I asked this question of Treasury because I wondered if there was a concern, the rents are high and Treasury is passing £15 million a year to Social Security to subsidise these rents. How is this a profit? There is something going wrong, would the Assistant Minister not agree?

The Connétable of St. Peter:

No, I would not agree. In fact everything is going very well indeed. They are a class act, I have to say, Andium, in my opinion. They are delivering far ahead of their expectations in the decent home standards now up to ... it was projected, I think, at 86 per cent for this year, it is already up to 93 per cent; they are already ahead on decent home standards. They are delivering more and more new properties; Ernest Watson Close is another class project that they have delivered out of St. Brelade and others in the pipeline. There are some very interesting ones in there for the plans for this year going forward, which the Parish of St. Helier should be quite pleased to hear about, which I cannot talk about yet because they are not sealed. But, no, I am very happy that they managed to make that profit, much of which has been achieved by driving down their internal costs, setting up long-term arrangements with contractors where they, for the security of work for those contracts, have reduced their prices which has enabled this level of profit to occur in one year.

3.2.2 Deputy G.P. Southern:

Is it not the case that some £26 million worth of rent or more each year recirculates through the Treasury and that the Treasury has failed to produce a system which breaks that cycle of rents

going to the Treasury and, thereby, out of the housing system? Is it not the case that the system has not changed in the past 10 years?

The Connétable of St. Peter:

The Deputy is correct, it is £27.8 million. It was up 1.4 per cent in 2016, that is the year we are talking of and that was directly in line with inflation increases. That is a matter for the Treasury to consider in the longer term because that £27.8 million goes to fund many other things, as well as income support, supporting the poor, the needy and the sick in the Island.

3.2.3 Deputy G.P. Southern:

Does the Assistant Minister have a picture of whether rents at 80 per cent of the private sector level would be as viable as 90 per cent of the private sector rentals? Would the system still enable the repayment of the bond?

The Connétable of St. Peter:

Short answer, no, it would not. If I could just refer Members to the Strategic Business Plan 2017-2021 from Andium, on page 14 it sets out there their expected profit for this financial year is going to drop to £0.9 million. It is a one-off increase in profits over 2016 and we are looking at a significant decrease looking at 2017, rising to about £2.5 million in 2018 and, therefore, going forward for the next few years. I am afraid 80 per cent would put them, effectively, in deficit on an annual basis.

Deputy G.P. Southern:

On an annual basis but not long term.

The Connétable of St. Peter:

I cannot predict that far ahead.

3.2.4 Senator S.C. Ferguson:

Did the Treasury Department not consider that we have 4,500 rental units, in fact Andium dominated the market and was this not factored-in to the calculations?

The Connétable of St. Peter:

Yes, it played a major part in the debate of P.33/2013.

3.2.5 Senator S.C. Ferguson:

Does the Assistant Minister not realise that in fact working to 90 per cent of the market value inflated the rental costs for people in the Island?

The Connétable of St. Peter:

In some cases that may well be true. The people who could afford to pay 90 per cent paid 90 per cent, if people who are on income support who could not afford to pay that were supported by income support payments.

3.2.6 Deputy S.M. Wickenden of St. Helier:

I was wondering if the Assistant Minister could tell us what the state of the bond is currently and has it been spent in line with the plans when it was first taken on board?

The Connétable of St. Peter:

I am afraid I cannot be precise. It is performing roughly as expected, however, there are one or two developments that have been held back due to planning and other concerns, which would mean it is not performing exactly as we would wish it to have been at this time.

3.2.7 Senator P.F.C. Ozouf:

Would the Assistant Minister not agree that in fact the amount of the bond that is still sitting, effectively, on deposit is rather higher than expected and indeed, other things remaining equal, one would have expected more of the bond to be paid? Could he just agree with me that also the word “profit” is probably the wrong word to use because it is a not-for-profit organisation and, as he said, all surpluses are ploughed back, so it is not profit?

The Connétable of St. Peter:

The good Senator is absolutely correct, it is operating surplus. If you look at the actual accounts, of course, it is operating surplus and not as profit. In regard to the bond, yes, it has not been spent as quickly as we had hoped to do, simply for the reasons I said a moment ago, due to delays in planning and other considerations.

3.2.8 Deputy M. Tadier:

I would suggest that the tenants of Andium are not so concerned about whether we call it a surplus or a profit. First of all, does the Assistant Minister not think there is something quite distasteful that, effectively, a profit or a surplus is being made on some of the poorest people in Jersey because social housing, of course, is there to help some of those who cannot afford rents in the private sector?

The Connétable of St. Peter:

I think our tenants in Andium Homes are in a very good position. They are only paying 90 per cent of the rent if they can afford it, if not they are being supported by income support. The one thing that Andium is doing in bringing up the homes to decent home standard with the environmental measures they are putting into them, they are reducing the cost to all of our tenants by reducing energy cost in consumption as required. I think Andium tenants are very lucky to be in Andium with a quality landlord looking after their best interests. I would appreciate it if there are no further interruptions from the Reform Party on the other side of the Chamber. I will leave it at that at the moment.

Deputy M. Tadier:

Sir, may I have a supplementary?

The Bailiff:

A supplementary and then final supplementary.

3.2.9 Deputy M. Tadier:

I think it is distasteful to talk about these tenants being lucky when they are paying over the odds for more than what it costs because there is a profit being made and the fact that housing is a human right under the United Nations declaration. But will the Minister, going back to Deputy Southern’s earlier question, tell us what the crossover point is to break even for Andium on the repayment for the loan? It seems to be somewhere between 80 per cent and 90 per cent. For example, could he tell us whether in fact if there is an 85 per cent of market rate that would be more than sufficient to cover the loan and probably to still have a small profit?

The Connétable of St. Peter:

I am afraid I cannot give the Deputy that detail. All I can say is when the 90 per cent level was brought forward in P.33/2013 they did look at the 80 per cent market at that particular time and it was not viable and currently that continues to be the same.

3.2.10 Deputy J.A. Martin:

Let us hope this will be ongoing because I do think there is a big piece of work needs to be done to check this. My point is and it is a shame that an Assistant Minister for Treasury and Resources is missing this, £15 million goes from Treasury, which is taxpayers' money, to Social back to Andium and it cannot be right that taxpayers' money is subsidising, whether it is called a surplus, a profit or a windfall of £5.7 million. Is the Assistant Minister for Treasury and Resources not concerned because I was and it was reported as a profit in the *J.E.P. (Jersey Evening Post)*, so that must be right?

The Connétable of St. Peter:

On a final point, in the forward business plan it does say it is an operating surplus. No, I cannot agree with the Deputy. I do think that the tenants that we have have a very good lifestyle and the ones that still need to be improved with also have a good lifestyle on the back of this. I am afraid I do not agree with the Deputy's question at all.

Deputy G.P. Southern:

If I may, will the Assistant Minister circulate the answer he failed to give about the crossover point on the loan?

The Bailiff:

It is a matter for him.