

STATES OF JERSEY

Corporate Services Scrutiny Panel Comprehensive Spending Review: 2012-2013 and Delivery

WEDNESDAY, 11th MAY 2011

Panel:

Senator S.C. Ferguson (Chairman)
Senator J.L. Perchard
Deputy J.A.N. Le Fondré of St. Lawrence
Deputy D.J. De Sousa of St. Helier
Mr. N. McLocklin (Panel Adviser)

Witnesses:

Deputy A.K.F. Green of St. Helier (The Minister for Housing)
Chief Officer, Housing
Finance Director, Housing

Also Present:

Ms. K. Boydens (Scrutiny Officer)

[15:05]

Senator S.C. Ferguson (Chairman):

Welcome to this meeting of the Corporate Services Scrutiny Panel looking at the Comprehensive Spending Review: 2012-2013 and Delivery. There is a health warning there, which you may or may not have read, but I bring it to your attention, and if you could also give your name and position for the ladies who do the transcriptions.

Deputy A.K.F. Green of St. Helier (The Minister for Housing):

Andrew Green, and I am the Minister for Housing.

Chief Officer, Housing:

Chief Officer.

Finance Director, Housing:

The Finance Director.

Deputy D.J. De Sousa of St. Helier:

Deputy De Sousa, Deputy.

Senator J.L. Perchard:

Senator Jim Perchard.

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

Senator S.C. Ferguson:
Senator Sarah Ferguson.

Ms. K. Boydens (Scrutiny Officer):
Kellie Boydens, Scrutiny Officer.

Mr. N. McLocklin (Panel Adviser):
Neil McLocklin, Panel Adviser.

Senator S.C. Ferguson:
What do you understand is the purpose of the C.S.R. (Comprehensive Spending Review)?

The Minister for Housing:
The purpose of the C.S.R. is to save £65 million of expenditure, but also to improve financial planning, and both of these will contribute to balancing the States accounts.

Senator S.C. Ferguson:
All right. So how are you going to ensure that your department is going to make genuine savings, as per the Comptroller and Auditor General's 2008 report?

The Minister for Housing:
I will start by saying that we can evidence that all our savings are genuine and in fact that most of them have already been met, the detail of which you can get from Ian here.

Chief Officer, Housing:
Yes. We have already made our staff savings in terms of V.R. (Voluntary Redundancy), and the additional savings as a result of 15 per cent of our workforce being lost is being paid to the Treasury early, so that is a plus. If I could ask John just to run through the individual savings, if that would be helpful?

Senator S.C. Ferguson:
Well I do not think we need to go through all the detail, but it was just in the original 2008 report the Auditor General had 4 or 5 different categories, there were: user pays, which was put in as a saving, but it is not; exogenous factors, like the number of schoolchildren falling, and this was put in as a saving, but really the Education Department have nothing to do with that I do not think; and in the end, of the £20-30 million, I think there was only £5.98 million, which was a genuine saving, and so obviously this is what we ask, how much are real savings and how much are contributions from other factors. For instance, you have changed your heating system to electricity from oil. This may or may not cost the inhabitants of the housing more or less, but it saves the department. It is a saving to the department, but is it? It is questionable.

The Minister for Housing:

Well this was one of the things, when I first became Minister, that I was interested in, because it was one of the things that was being questioned in the States, and certainly the evidence I have been provided by the Jersey Electricity Company is, not only will we make a saving, but the tenants will make a saving as well. But that is based around other investments around insulation and cladding of walls and that sort of thing to ensure that we bring the thermal U-value of the walls, et cetera, up to today's standard, and so it is a win-win there: we are going to save money and the tenants will save money. I have asked the J.E.C. (Jersey Electric Company) to indicate to us if anybody is spending collectively more than they would have been spending, and they promised to do that.

Chief Officer, Housing:

I think the other thing, Chairman, is that a lot of these district heating schemes that we are replacing have reached the end of their economic life, and so the decision had to be made on those anyway. When you look at the various heating choices on our estates, you often had a whole myriad, gas, electricity, solid fuel, oil, et cetera, and that was inefficient in itself. But importantly, in some of these district heating schemes, is that we would pass on the full discount, fair enough, of the bulk purchase of energy that we would achieve, but we would be passing on effectively savings to people who had not been means tested in terms of they were receiving a benefit that perhaps did not need it. The energy consumption frankly was often controlled by opening the window, because it was a fact that the consumption was people paying a fixed rate often for heating and frankly they would use as much heating as they liked and, as I say, open the windows to control the temperature. So part and parcel of this was, yes, thermally insulating and improving the envelope of the building, putting people on to their own heating supply, so they would have that relationship direct with the J.E.C., and then they could effectively monitor their own consumption, and that does improve energy consumption, because it is a bit like running a hot-water tap, if you are paying for the hot water you are going to be careful how much you put down the sink. You know, it has ...

Senator S.C. Ferguson:

Yes, I am sorry; it is probably a bad example. But it was just last time we had savings there were things that were put up as savings that were perhaps not, like user pays. You reckon yours are all genuine?

Chief Officer, Housing:

Yes, we do have to service these, the individual boilers we had to service every year, and this could be particularly onerous for gas. It was also about arranging times and dates, which took up administrative time. Now, with electric systems, we do not have that, I think it is £127 per maintenance visit, so we are saving on that because we are not having to pay this on the oil and gas and solid fuel systems, so we have made a direct saving with that.

Deputy D.J. De Sousa:

One of the main issues is that tenants do not have a choice; they have electric and that is that, bearing in mind that we buy the bulk of our electricity from France in a lump sum, hopefully when it is low, but not always the case, as we saw a big rise in 2010, and then a reduction late 2010 as well.

Chief Officer, Housing:

We have had greater price stability with electricity than we have with oil and gas; it has been rocketing, and yes, there was a big increase in electricity, but for a number of years there has not been, and as far as I can remember there was no increase for this year. So, in terms of price stability, we have been better with electricity than oil and gas, which is again problematic with these constant increases that, yes, we have to pass on to our tenants.

Senator S.C. Ferguson:

All right. Now, what service-specific transformational methodology is being put in place for changes? Have the department considered lean processes in respect of maintenance, for instance?

Chief Officer, Housing:

The way we approached this is that the management team came together and looked at the range of services, maintenance costs, et cetera, that we provided, and we effectively rated these savings and came up with our top tier. When you talk about methodology, I think my concern is, or our concern as a management team is, which we do in the public sector, let us be honest, complicate matters and come up with various equations and methodology that you move away from what is commonsense.

[15:15]

To us, we know the business, we know the areas that we needed to target, and we had a very effective way day where we, as I say, listed those services and targeted those cuts that we needed to target and prioritised them accordingly. So that was our methodology, but we did not go in for any particular scientific approach to this. I think, as I say, we used commonsense. John was overseeing some of this methodology.

Finance Director, Housing:

I think it is fair to say that the officers in the department have years of experience in the housing environment and we used that. We also looked at best practice elsewhere and also looked at suggestions from the Tenants' Forum, we listened to our customers and in some respects that is where the decoration allowances, the expanding of that, came from, the Tenants' Forum were very much behind promoting that, and wanted to go a lot further than we thought was possible. They wanted, not only to offer it to just certain groups of tenants, but across the board, because they said, even if we thought it would be unwise to offer those to elderly residents, but the Tenants' Forum said: "You should allow them the decoration allowance because they do not want their houses painted magnolia every time". So we did. So we gave them the option and, as you can see from the numbers, it is already producing substantial savings.

Senator S.C. Ferguson:

Well, yes, certainly with some of the processes in respect to things like maintenance, there appear to be considerable savings. I know we mentioned lean processes, but obviously the sort of commonsense analyses that John Seddon was suggested, I wondered if you had started applying any of those?

The Minister for Housing:

There are a number of issues we are looking at. The one thing I would say is that, very clearly, from the *Whitehead Report* and other work that we have already done, this department, I will not say it is under-resourced, but it is certainly working to a very effective level. There are half the number of staff, for example, that Whitehead reckoned we should have for the size of the housing stock in the department that we have. That said, that does not mean we sit on our laurels, and we will be looking at a number of different issues and looking at it in line with John Seddon, looking at whether we are doing things that we do not need to be doing; all that sort of work is ongoing, so it is being looked at. But that is work that we are doing, but it is not directly part of the C.S.R.

Deputy J.A.N. Le Fondré:

When you say it is ongoing, does that mean you have come just ...

The Minister for Housing:

We have done nothing more but talk about it at the moment. I have been in post, what, 6 weeks, so we are talking about it. The Chairman very kindly put me in touch with John Seddon, so the discussion is ongoing at the moment, nothing more.

Senator S.C. Ferguson:

So, before you started on all this, did you sit down and identify your core services?

Chief Officer, Housing:

Yes, and I think the point I would like to make is of course the transformation programme project, which is ongoing, which is a huge project about bringing proposals, White Paper to the States about the States rental operation of the Housing Department being put at arm's length, so that is a huge piece of work and part of that is of course looking at our processes. We have undertaken discussions with a number of associations in the U.K. (United Kingdom) that have moved from Council to association, stock transfers, and the overriding sort of principle or view coming from these people is the ability to deliver savings outside of or at arm's length from government. It is far easier to achieve and I think we certainly would subscribe to that. But we have done a benchmarking comparison in terms of the services that we are providing compared to social housing providers in the U.K., and they are providing probably, on most occasions, more services than us, but then they have significantly more resources than we have, and I mean significantly more. Certainly, one we have just visited, Bracknell Forest, they have 5,000 units of accommodation. Yes, they have direct labour, so that is a difference, but they were about 280 staff, we are 40, and they are involved in a range of services that frankly we just simply could not afford and we do not provide. So I think it is important, when we talk about the John Seddon approach, is that we have to see where we are starting from, and I think not every department in the States of Jersey is starting on the same level playing field, I think there are some that are bigger than others.

Senator S.C. Ferguson:

This is why I asked about core services. Before you started on all this, you looked and said: "These are the core services; these are what we must provide by statute"?

Chief Officer, Housing:

Yes, of course Jersey is very different from the U.K. in that, yes, a lot of the services they provide are governed by statute, in Jersey there is a dearth of statute covering these areas, so, yes, they would be, some of the stuff that they are providing they have to provide by statute; we do not. But, having said that, yes, we have analysed our core services and I would say, genuinely, that we are about on the margin of what you would expect a social housing provider to provide, when you are picking up and looking after the most disadvantaged.

Deputy J.A.N. Le Fondré:

What are your main core services?

Chief Officer, Housing:

Our main core services obviously are providing a home at a suitable rent that is properly maintained to a group of people that have been means-tested and are in housing need. But, attached to that, and I think this is the thing that perhaps we do not speak about often enough, is that we are the landlord of last resort for a sizable minority, but a group of people in this Island who are seriously disadvantaged and all sorts of issues that come with them. I do not mean just necessarily financial, but medical and behavioural, there are all sorts of areas that we are involved in that the public, and dare I say States Members, are not aware of. I think that is very much a core activity of what we do.

Deputy J.A.N. Le Fondré:

I am assuming you would put in some form of regulation role in there or something as well.

Chief Officer, Housing:

Yes, regulation, and that is part of the transformation programme, is part of that White Paper that is coming out this year is very much around regulation, but it is also about us being regulated, which means coming to the States with decisions that need to be made about our long-term future, because, at the moment, we are the regulator and the biggest provider; that cannot carry on. But, yes, you are right, regulation is a huge part of what we need to be doing.

Deputy J.A.N. Le Fondré:

Where, in terms of, yes, you say you have identified then your core services and you have your transformation programme coming forward, what are the savings that you are likely to be projecting in terms of the benefit to the States that are coming out of that transformation programme?

Chief Officer, Housing:

Well, in terms of the long-term savings, and I think this is something that we do not focus our attention on as an Island, is, depending on how you value it, we have £1 billion worth of States assets that are not being maintained with adequate funding, so we ...

Deputy J.A.N. Le Fondré:

That is your housing portfolio?

Chief Officer, Housing:

That is our housing portfolio. If you valued it a different way it is £0.5 billion, but it is a substantial sum of money. When you consider that our income is £36 million and we are next year handing back £26 million to the Treasury, there simply is not enough money left to maintain the stock, and we have cleared £30 million worth of backlog maintenance, there is another £46 million to go, but what the transformation ...

Deputy D.J. De Sousa:

That was mostly through the stimulus spending, was it not?

Chief Officer, Housing:

And sales.

Deputy J.A.N. Le Fondré:

What is the sales you have achieved, roughly?

Finance Director, Housing:

This year?

Deputy J.A.N. Le Fondré:

Total. Sorry to interrupt your flow there.

Finance Director, Housing:

We have received £36 million so far.

Deputy J.A.N. Le Fondré:

In sales. Is that total or is that including the deferred element?

Finance Director, Housing:

That is just the cash received.

Chief Officer, Housing:

So we are looking at the outline business case for housing going forward as a separate entity, wholly owned by the States. We are looking at a 30-year maintenance programme, at the end of which the States still will have 4,500, possibly 5,000, homes, unless they decide differently, that will be have been properly maintained and replaced as necessary. I think, dare I say, and let us be honest, not just because of housing, but the States portfolio generally, that has been ignored, and when people talk about savings it is not just about the savings tomorrow or in 2 years' time, but what are we leaving for future generations in terms of having maintained those assets. So that is a crucial part of what we are doing, properly financed, properly funded and properly calculated.

Deputy J.A.N. Le Fondré:

You will not get much disagreement from me on that one. Can I ask one final question, and you know what I am going to say basically, but in terms of obviously you have referred to the *Whitehead Report* and there are a number of options in there; have you done the financial comparison between those various options to say, in financial terms, not forgetting there are people involved in this, what the best benefit to the States is, have you done that as an analysis?

Chief Officer, Housing:

Yes, I mean we have Tribal working on the outline business case, but I think if I could ask John just to go through that.

Finance Director, Housing:

There are a number of cases that are being brought together at the moment. The economic case looks at 7 different options as agreed by the political steering group, they range from the status quo, where we are today, a States department that has the option to borrow internally, a trading department, an L.M.O.(?), a hybrid trading company, a wholly owned housing association, wholly owned by the States, or sale of the stock to a newly set up, or another housing association. So we have looked at the options and the cash flows for all that; that is working, it is not finished, we are nearly there, but it is not the only criteria we are using. We are looking at the risk and all sorts of how well it delivers the funding. Some of the options, like the status quo, does not necessarily solve the problems that are there. There is a whole range that will be brought out in the economic case, the financial case, management case, you know, there is a variety. We are using O.G.C. (Office of Government Commerce) methodology, which I think there were 5 cases.

The Minister for Housing:

The status quo is not really an option, but it is right to look at it, and it is not an option; we cannot continue the way we are. We are not fulfilling our obligation to a number of our tenants and we have about 400 families or so on the waiting list and there needs to be greater provision of suitable and appropriate housing.

Deputy J.A.N. Le Fondré:

The White Paper is “this is the option we are going to go for”, is it not, rather than the Green Paper, which is a variety of options. So you are going to produce your preferred option. What I was wondering is, in terms of timescales, that is something that this Assembly is going to have to be considering, because, as you said, it is £0.5 billion or it is £1 billion, it is a decision that needs to be made very carefully, and we do not have that much time left in this ...

Chief Officer, Housing:

The White Paper would hopefully be released in July. There will be a long consultation period and it is not envisaged that an important proposition with the enacting legislation would be brought to the States until the following year, a new House, new mandate, because to have a debate just before an election I think probably would ..

Deputy J.A.N. Le Fondré:

At one point there was a feeling it was going to be July and here we go, type of thing, but that is all right. Thanks.

Senator J.L. Perchard:

Can I ask a question, Minister, about something that came out of what Ian said? Ian, you said that all of your tenants are means-tested and you described many of your tenants are people who are supported by your department are some of the most vulnerable among the Islanders. Can you confirm that 2 properties, identical

properties, will receive a different rental depending on the income of who is occupying it?

Chief Officer, Housing:

No. That would have been under the old scheme. Because of Income Support a 3-bedroom house will at the fair rent deliver a fair rent, because we receive a payment direct from Social Security, but effectively we then pay that, or a sum of money, to the Treasury. So technically we receive the fair rent for each property.

The Minister for Housing:

So the cost to an individual family might vary, but the income to the department is the same.

Senator J.L. Perchard:

So you have no self-interest in accommodating higher earners, like you would have once upon a time?

[15:30]

Chief Officer, Housing:

No, but again the housing transformation programme is looking at the whole issue of fair rents and rental policy, and that is going to be again a decision that we will be asking States Members to make about what is the long-term view on rental policy, because there are of course people living in States rental accommodation who could afford more rent, and that is definitely an issue we are attacking.

Senator J.L. Perchard:

Not every tenant of the Housing Department fits the description that you have just given.

Deputy D.J. De Sousa:

That is because, although they were at the time ...

The Minister for Housing:

Yes, situations change, and I have seen this in my own family, when my parents were housed by Housing they thought they had died and gone to heaven, they had no electricity, no water, they were on very low incomes, situations changed, they both found decent jobs, improved. But of course they were too old then to do anything about buying, but they do not need to be subsidised, and we have to put that right.

Senator J.L. Perchard:

Yes. There is an opportunity there for you to become more efficient in the department, is there not?

The Minister for Housing:

Yes, definitely, and that is one area that we will be working on, and that is part of the transformation programme.

Chief Officer, Housing:

I think, once the States have agreed on a new rental policy, then the department can implement it and we will not have this annual: “Do we increase? Do we not increase?” and all the political reasons for not.

Senator S.C. Ferguson:

What work have you done looking at the economics of user pays in your department?

Finance Director, Housing:

From the list, you can see that we have only had 2 proposals that would be classed as user pays, so we have not done a lot of work in that area, and we are not seeking to raise additional income by increasing charges, the only proposals listed that are classed as user pays have been put forward that raise more income from better use of our own assets. So things like increasing income through reduction of the void turnaround time, 14 days’ improvement based on out new void turnaround procedures.

Deputy D.J. De Sousa:

That is basically getting tenants in as quick as possible by giving them a grant to do the cleanup and redecorate, rather than the department.

Finance Director, Housing:

That is part of it, but it is also around getting the unit allocated early on so that the person is ready to move in sooner, and obviously we do have a lot of transfers so there is quite often long chains in terms of people moving from one unit to another, so we get best use of our stock in terms of full occupancy. But we are trying to join that together in a much more coordinated way.

Deputy J.A.N. Le Fondré:

On a positive note, I would regard a lot of that as an efficiency saving rather than user pays, really, on your voids.

Finance Director, Housing:

It is really.

Mr. N. McLocklin:

Did you say 14 days’ improvement or 14 days as a target?

Finance Director, Housing:

14 days’ improvement.

Mr. N. McLocklin:

What is the target?

Finance Director, Housing:

The figure at the moment is 21 days; that is for the refurbishment works and ...

Mr. N. McLocklin:

So 21 down to 7.

Finance Director, Housing:

No, it went from 36 to 21.

Senator S.C. Ferguson:

What are the lines of accountability within your department for delivery of the C.S.R. programme?

Chief Officer, Housing:

As the accounting officer, I am ultimately responsible. I have delegated those various functions to the directors in my management team who are accountable to me for delivering the savings in their particular areas, but obviously as the accounting officer I am giving an assurance to the Minister and the Council of Ministers that we will make 10 per cent savings, and we will, in fact we will exceed them.

The Minister for Housing:

It is worth building on that in as much as a lot of the targets have already been met and in fact the transformation programme, which itself is quite an expensive exercise, is being funded from within the existing budget as well, which is why the department brought forward some of its C.S.R. savings so that it could reinvest that. We will hit our 10 per cent entirely, but, in between, we are using some of that money to fund the transformation programme. We have not come back and asked for more money.

Deputy D.J. De Sousa:

Following on from that, we have had the Minister for Health and Social Services in, and the Minister for Education, Sport and Culture, and we had the press release on Friday about the £21 million that is under-spent collectively from departments. Has your department made a contribution to that and, if so, are you able to tell us by how much?

The Minister for Housing:

To the £21 million? I am not; John may be able to.

Finance Director, Housing:

How much our under-spend was? Last year it was £1.7 million. Nearly a million of that was ring-fenced fiscal stimulus funding, which we had last year to complete projects that continue into this year. Wellington Park is the most obvious example of that, just shortly to finish. When we bid for the money it was always going to run into this year. Any unspent funds will be returned to the Treasury, because that is the rules on fiscal stimulus, and we will have some returns. The remaining funds, which are £750,000 I think, relate specifically to our heating programme. The department lost £1.6 million in the last round of capital, the capital review for its hearing programme in 2012, and the Minister for Treasury and Resources agreed at the time that he would allow us to reprioritise our maintenance programme and allow us with some year-end flexibility to carry forward funds to meet that shortfall, so that is what we are doing.

Senator S.C. Ferguson:

So basically, if you look at your effectively trading for the year, the fiscal stimulus money was just extra money for a purpose, the £700,000-and-something is a carry forward, so you have not really made an under-spend at all. If you were running a business, and you had a grant for this, and that was an under-spend ...

The Minister for Housing:

But, if you were running a business, you would not be giving £21 million back on your maintenance.

Senator S.C. Ferguson:

Possibly not, but I am just looking at it in terms of trading. To say that you have £1.7 million under-spend is perhaps rather unfair.

Deputy D.J. De Sousa:

But you have to remember, an under-spend is an under-spend, not a saving, it is money that just was under-spent in that year, it is allocated, but it is under-spent.

Chief Officer, Housing:

We come into this 3-year or one-year planning. When you are working on a maintenance programme as large as ours, it is hellishly difficult to plan it out that you spend all the money in the 12 months, you cannot, so then you are quite correct, Chairman, it is not an under-spend because you have effectively work that is carrying on, or you have a commitment to spend it. The lion's share of our spend is maintenance.

Deputy J.A.N. Le Fondré:

It is an under-spend in relation to year one, but that is purely on a cash-flow term, you do not yet know whether the project it relates to is under-spent or not because you have not finished spending it.

The Minister for Housing:

That is correct, and to do it any differently would be extremely unwise, because you would then just encourage, not in our department of course, but you will just encourage the spending up of budgets at the end of the financial year.

Senator S.C. Ferguson:

The other thing is that anyone listening would get the wrong impression, and so that, you know, you are making incredible savings, you have saved £1.7 million, which is not true. Now, what is the change here, because originally there was £169 million of savings, because savings for 2013 had yet to be identified, and you had a medium level of confidence that they could be achieved, but, if you have achieved all your savings, how did you manage to get from a medium level of confidence to achieving them?

Finance Director, Housing:

Chairman, I think I asked for you to be provided with an update.

Senator S.C. Ferguson:

Yes, we have the old one, and I am just saying you have done jolly well; how have you done it? Tell us the magic secret.

Finance Director, Housing:

We have gone back and looked at, when the £169,000 was unidentified, that was back in February, and in the passage of time, last week we reviewed our figures and in particular we have looked at the savings from the void turnaround times, and also

from the heating projects, and they are higher. So what we have done, the original £169,000 unidentified, we were going to make that saving from savings in cleaning and garden maintenance. We had long discussions with Transport and Technical Services, because they provide those services to us, and we have identified some savings in those areas and agreed those, and we just need to agree on the timing. Certain of the cleaners have taken voluntary redundancy, but we are sharing the savings that they have made 50:50, because they have made the full saving but we have reduced some of our service vehicles, so we agreed that we would take that 50:50. However that was £169,000 short, so we have looked at other options to make those savings; they were amber before because they were not identified, we have now identified those in the areas that I have mentioned, and we are confident that we can make them.

Deputy D.J. De Sousa:

Can I just come in very quickly on that? One of the savings that you have is to remove the grant Prison! Me! No Way! That grant is made up, 3 States departments put into Prison! Me! No Way! Home Affairs, Education and yourselves. You are going to remove the full £15,000 grant that you pay to Prison! Me! No Way! Do you think this is really a saving? Surely, to invest in deterring people from getting into trouble, would be a saving in the long run, because to keep one person in the law must be in excess of £40,000 a year.

Chief Officer, Housing:

Yes, I think we need some demonstration that there is that effect, and while I think, in terms of a perhaps short-term approach to this topic, it might be beneficial, I think to continue to fund this for year on year on year, I think we need some evidence this is paying dividends. I do not mean that to be short-term ...

Deputy D.J. De Sousa:

But you have removed it anyway, so even if you get the evidence, what are you going to do, apply for the money again so you can put it in?

Chief Officer, Housing:

We have had a service-level agreement with Prison! Me! No Way! and we have been pleased to support it for a 3-year period, but I think there does come a time when it needs to be brought to an end and life is full of difficult choices and I think that is one of those that we would suggest that we make.

Senator S.C. Ferguson:

Yes, I think if we can move on from that. More about the decoration voucher. It sounds like a good example of enabling residents to take on greater responsibility. What has the take-up been and what safeguards have you put in place?

The Minister for Housing:

Before Ian answers that, I would like to say that for the short time I have been in the department I have been around a number of the different estates, been to a number of tenants, and this is one of the things that has been met with great enthusiasm by the tenants, so it has the approval of them, but I accept that you want to be sure that we are maintaining our properties, it is being done properly and to a decent standard, and I will hand you over to Ian for that, but it has been a very popular decision by the ...

Senator S.C. Ferguson:

But D.I.Y. (Do It Yourself) can sometimes be problematical.

The Minister for Housing:

Yes, so can professionals.

Chief Officer, Housing:

I mean I think decorating a void property is a large sum of money, and multiply it over the number of void properties that we have, it is a significant sum of money. We work closely with the Tenants' Forum, as we do on significant policy changes, and, as John I think highlighted, they were very much up for this, in fact they felt we should go further. Of the 144 voids we have had so far this year, we have only had one tenant who has complained about receiving a voucher, and so we would say that it has worked very successfully. I mean we do apply discretion and of course, where elderly or disabled, et cetera, people are involved, then we would take a view on it. But decorating a property, be it a one, 2 or 3-bed, from top to bottom, is an expense and an overhead and, frankly, giving people the choice with a voucher has proved very popular and of course saved money, and not everybody wants magnolia, I have to say.

[15:45]

Mr. N. McLocklin:

Does the voucher buy just the paint, or can they buy a contract, a decorator as it were?

Chief Officer, Housing:

No, just the materials.

Senator S.C. Ferguson:

This is the only thing they are allowed to do? You do not give them vouchers for installing their own kitchen or anything, or knocking down walls?

Chief Officer, Housing:

No, we have a planned maintenance programme for kitchen replacements, which we think is more of a specialist job, and also that the economies of scale that we can deliver through a proper replacement programme, which is what we have, it is far better for us, we can get in there and change the kitchens. I mean one of the improvements we made on voids is that we do not replace people's kitchens when the property is empty, we replace them when they are in situ, they have taken up residence. Again, it keeps the void turnaround time lower and, let us be honest, if we are changing our kitchen we cannot move out when we have it done.

Senator J.L. Perchard:

With regards to the decoration voucher, you say it has been very successful; is there any departmental checks to ensure that the paint that you pay for has gone on the walls that you expect it to go on?

Chief Officer, Housing:

Yes, we do spot checks; that is a very valid point, yes, otherwise there would be a quite interesting cottage industry in paint, would there not? No, we do those checks, yes.

The Minister for Housing:

But this is about commonsense, is it not? Because I have seen on occasions where a fairly well-decorated house has been redecorated before people move in, and when we all buy houses we accept the house as it is and then adjust it with our tastes as we go, and I think this is about commonsense, it is extremely popular with the tenants, as long as we ensure we get what we pay for.

Deputy J.A.N. Le Fondré:

But it is the tenants that put the paint on; it is the tenants who decorate?

Chief Officer, Housing:

Yes.

Deputy J.A.N. Le Fondré:

What is your average refurbishment cost for a 2-bedroom flat, for the sake of argument?

Finance Director, Housing:

In terms of what the decoration costs would have been?

Deputy J.A.N. Le Fondré:

Generally. I mean, when you go in, I presume, if you have a void, presumably you would sort of ... Is it specific to each flat, or do you say: "Right, we will go in and we will check the wiring, we will check the plumbing, we will check the kitchen" type of thing?

Finance Director, Housing:

Each void is inspected before the leaving tenant moves out. The leaving tenant is then instructed of any work that is required before they leave in case there is any damage, things like that, otherwise they will be charged for it, and then the voids officer will review the void and there are certain things we always do, like electrical checks and things like that, and he will also take a view on what needs to be repaired, if there is decoration to be done, if it is in a bad state or whatever. So it does vary quite considerably.

Senator J.L. Perchard:

So it is a good initiative for many reasons.

Mr. N. McLocklin:

Related to that, you obviously have a green level of confidence of achieving that; can you just confirm your understanding of what would be a green level of confidence? So clearly some of those savings are 2012-2013, you have made assumptions about the number of voids, et cetera, et cetera, so ...

Finance Director, Housing:

Yes, I think the profile of the savings is like that because we have been cautious because we are only 4½ months into the new process and certainly I would imagine that those savings would be delivered perhaps by this time next year, in terms of annualised, and so they would be brought forward. They are set out like that because we are prudent. I think what we have effectively done to the void budget is reduced it by the full amount already, and that is what the director in charge of that area is working to.

Chief Officer, Housing:

Interestingly, the expenditure on voids in 1996, I was looking at the other day, was £926,000 and this year it is just over £1 million.

Senator S.C. Ferguson:

It was either too high then or you have kept it down.

Chief Officer, Housing:

I think we have definitely become more efficient.

Deputy D.J. De Sousa:

Can I just ask a quick one? One of the proposed efficiencies that is not complete yet is not to replace a post after retirement at the Cottage Homes. Bearing in mind what is in the news today, is that a wise assumption to do that? Are there enough officers?

Chief Officer, Housing:

Yes, bless our media; it would be great if they investigate a story before the commented on it. We are ... happy is the wrong word, because it is a great tragedy that somebody was in that situation for that length of time, but we are not concerned about the subsequent inquest that is coming about, and we will be welcoming some of the proposals no doubt, the evidence that will come about as a result of that. Changes to Cottage Homes would not have not changed the outcome for this individual, and I think it is very important to say here that the majority of people who live at Cottage Homes live independent lives. Certainly, where an individual is not on our list for additional services, it is no different to any other tenant living in our accommodation throughout St. Helier, St. Saviour, et cetera, and therefore that situation could arise in any other part of our stock where somebody is living independently. So Cottage Homes is not a nursing home, people are not visited every day that are not on a list to be visited, and in terms of reducing the post, yes, we have to look at overheads; we also have to look at the contributions that are being made by residents at the various Cottage Homes. Part of the transformation again is to review the Cottage Homes because it is a constitution that needs to be changed by the States in order to bring it in line with the rest of the housing stock. But, yes, we were very disappointed to see the headlines, because it does not give an accurate reflection of what happened and it is a great pity.

Senator S.C. Ferguson:

Yes, one of my eldest, who lives near me, made the comment that she felt that it was something that the neighbours should perhaps be doing.

Chief Officer, Housing:

Or the family that was complaining about it.

Senator S.C. Ferguson:

Because she said: "I watch Mrs So-and-so who lives just up there".

The Minister for Housing:

I think what we have to say about that, let us wait and see what the police investigation and the inquest brings out, and, if that brings out other information that would require us to look at it again, we will look at it, but let us wait and see what they say.

Chief Officer, Housing:

I think perhaps I should not say this, but it is a great shame, when something goes wrong, it is always the government's fault, or the States of Jersey's fault, and that is ...

Senator S.C. Ferguson:

And somebody must do something, yes. Now, you have invested in electricity, electric heating, to reduce planned and reactive maintenance. What areas would you invest in now to make similar savings?

Chief Officer, Housing:

In terms of our maintenance spend?

Senator S.C. Ferguson:

Yes.

Chief Officer, Housing:

What we are very keen to pursue, bearing in mind we have the transformation programme, but as a longer-term view is about I think something Property Holdings did, and it was about bundling up various services that are provided and outsourcing this perhaps to one, 2, or maybe 3 contractors within the Island, because that would deliver economies of scale. What I would say is I think we are in a slightly different position to Property Holdings in that we have a schedule of rates, which I think, I stand to be corrected, but I do not think Property Holdings had that. So we have certainly introduced a schedule of rates, which gave us greater budgetary control over work that we were doing, but we would like to see, yes, a bigger organisation perhaps delivering our maintenance services that I think would be easier to manage and would deliver those economies of scale and would bring contractors much closer to tenants about the services that are being provided. That is our longer-term aim that we are working with procurement on at the moment.

Deputy J.A.N. Le Fondré:

Just as an aside, the reason I was grinning is because John Seddon on the schedule of rates, I suggest you go and read his transcript on the matter, but just as an observation I have to say the bundling up at Property Holdings was happening from about the middle of last year, I seem to remember, and it was definitely good news. I do not know the exact detail, but I do know there was a concern about making sure that, if you have some smaller contractors, is I believe there was some work done, you would have to check, with Economic Development to enable smaller contractors to come together to enable them to compete. So, in other words, from the States' point of view you are still dealing with one person, as it were, on the other end there might be

a grouping, or an alliance if you like, of 3 or 4 smaller contractors. That is just an observation.

Senator S.C. Ferguson:

Now, we have the savings for 2012 and 2013 here; have you been looking at budgeting and planning for 2012 and 2013? Well, 2012 you will be looking at, have you started looking beyond?

Finance Director, Housing:

Well as part of our work with the transformation project, we commissioned a survey last year, which looked at all our backlog of maintenance, and that has been put into the various financial models over a 30-year period. So, as part of that programme, we will be looking at the budgetary requirements and the returns to the States, borrowing requirements, et cetera, over a 30-year period. So, in detail, we are looking at 2012-2013 at the moment, but in broad outline, the survey is over 30 years.

Senator S.C. Ferguson:

Are these targets realistic or do you have any that are a bit more challenging than the others?

Chief Officer, Housing:

No, I am confident that we will make the 10 per cent savings. Obviously some areas are more challenging than others. I think there undoubtedly will be a States decision at some stage about competitive tendering for services provided by other States departments; that is a decision that will perhaps be challenging a new House, but certainly that is an area where there are potential savings to be made.

Senator J.L. Perchard:

Could you expand on that?

Chief Officer, Housing:

Yes. Well, I think, if you are looking at, for instance, garden maintenance, and if you are looking at cleaning, and in fact we tend to pick on those 2, but there are a whole range of services provided in-house by the States that there perhaps is a political decision to be made whether that needs to be done. You know, some of our contracts are provided by the private sector in terms of gardening and it is a fact that, when we have tendered those, we have brought in significant savings, whereas on a States contract we have had to apply an increase on an increase on an increase annually. Now, if you are tasked with making savings, then you really ought to be looking at absolutely everything, and that is a challenge, I know.

Senator J.L. Perchard:

So what other services are you obliged to procure from in-house, besides some gardening and some cleaning?

Chief Officer, Housing:

Well, we are a small department, so I suppose, yes, we are being provided with IT services and things like that, but I think, as looking corporately, obviously there are much bigger departments with much greater influence on internal spend and perhaps those are some of the services that can be provided outside.

Deputy J.A.N. Le Fondré:

Just to ask, and using garden maintenance, because I think you have talked about it in one of your savings about the efficiency savings in cleaning in the States with T.T.S. (Transport and Technical Services). If services are transferred, and I do not know if this is the case with you, but if services have been or are transferred from say, for example, from yourselves to T.T.S., presumably in terms of personnel, et cetera, in fact you have done that in the past I seem to remember, are they transferred under exactly the same terms and conditions that were with yourselves to another department, even if there are differentials in how those departments operate?

Chief Officer, Housing:

Yes.

Deputy J.A.N. Le Fondré:

Is the receiving department, I will use T.T.S. as an example, are they bound by those terms and conditions for a period of time or do they have flexibility?

Chief Officer, Housing:

Well, the States as a whole has the ability to consider terms and conditions for all its employees, so what we would say is that one of the ideas of, for instance, the cleaning services or gardening maintenance being taken from various departments and put with one particular department was it would drive inefficiencies, you would also see a change to working practices, which in gardening terms might be annualised hours, why do you want gardeners working 8 hours, 6 hours, whatever it is, each day in the winter, when the bulk of their work has to be done in the summer. That is the kind of, I would not say revolution, but it is the commonsense approach that one would expect to see being delivered by States departments.

Deputy J.A.N. Le Fondré:

I was really, I suppose, does the receiving department have the flexibility to do that?

[16:00]

Chief Officer, Housing:

Yes. I mean, people are transferred on the existing terms and conditions, but I think that is, for any States department, that is up for discussion and modernisation, and I think, from a personal point of view, we can embrace the future with confidence if we are willing to change, not if we are not prepared to.

Mr. N. McLocklin:

What has your relationship been with the wider C.S.R. programme as an entity, and feeding those type of ideas and thoughts into it?

Chief Officer, Housing:

I think it is always easier when you sit perhaps in a department that is looking at these issues, with the transformation programme we are looking at States department going outside of the States, so it is easier for me to look at Education or Health and say: "I think you ought to be looking at X, Y and Z". I do not run Health or Education and I am not an expert there.

Mr. N. McLocklin:

But it is still a challenge though.

Chief Officer, Housing:

My own view is that you kind of rip up the rule book and you look at providing services, you can look over to the U.K. where many of these changes have been tried, we can pick up the things that have worked and avoid the things that have not. We are an Island community, so that is slightly different in terms of people finding different employment, but everything should be up for grabs and in every department we should be looking at providing those services perhaps differently.

Mr. N. McLocklin:

In terms of the mechanism to feed back ideas, thoughts, not just reporting, but I mean you are talk about dealing with your particular client base, I guess, in terms of I guess you are the eyes and ears for the social work world in many ways as well, and looking at that whole process really. How is that working? Is there a mechanism to think outside of your department?

Chief Officer, Housing:

I think there is. I think the important thing is that, when you are considering perhaps that social dimension of change, is that understandably people will be reticent about change because they will envisage a loss of employment potentially or perks and conditions. I think the message we are trying to get across, and we should be getting across, is that there is a bright future but we have to change the way in which we deliver the services to the public and other States departments. But I think we have had those discussions, but I think, dare I say, that is the change that needs to be made at political level: "Tell us what you want us to do and we will get on and deliver it."

Senator J.L. Perchard:

On a practical basis, do you have a contract infinitum with, for example, T.T.S. to provide services? How does that work?

Chief Officer, Housing:

No, we have a 10-year service level agreement, but, again, that does not preclude changes to terms and conditions and working practice.

Senator S.C. Ferguson:

Any more, Debbie? John?

Deputy J.A.N. Le Fondré:

One for John I think. Hopefully, 2010 is going to be fully G.A.A.P.-compliant (Generally Accepted Accounting Principles) accounts for the States, says he optimistically, and in there is going to be a fairly large charge, I am guessing £45-50 million-ish, or thereabouts, for depreciation, give or take. Is that going to be filtered down to the relevant departments? So I suppose, in the context of that, and I know it is something that has been floating around for a long time, but it is something I have not bothered to have a view on, but the surplus of housing of £25 million-odd, or something, which reportedly gets hooked on to Treasury, presumably an element of that arguably, and I appreciate depreciation is a non-cash item in the short term, but

obviously in the longer term depreciation is effectively a replacement charge for your buildings, and so, although it is going into Treasury, in theory it goes towards capital funding of future projects or whatever. So, what is going to happen there in terms of future budgeting and future performance, I am wondering, in terms of, are budgets, I suppose, going to change from the existing system into something else that are going eventually tie into the accounts?

Finance Director, Housing:

Well of course it would reduce our bottom line by the level of depreciation. I think the depreciation charge would be around £12 million, or more than that. Clearly there are issues with impairments on revaluations, et cetera, but just sticking with the depreciation, the problem the States have always had with depreciation is that, one, it was never shown against the departments, so that is going to be rectified this year, and I understand in the Business Plan that the depreciation will be part of the department's page. However, the States has never funded depreciation, and by that I mean the depreciation does not go in to help fund the capital programme in the long term. So it depends on whether they join up, the Treasury decide to join up the budgeting and the accounts pages and bridge that gap. At the moment we have no future capital funding in the capital programme in any year, so we are left alone to look at raising our own funds through potential borrowing, surpluses, et cetera, and sales. I do not think that it is reasonable to reduce our bottom line and not provide us with the funding to reinvest in our stock in the long term. So I think the accounting has changed but the budgeting has not and I think the 2 need to be brought in line to make it a fully-working system.

Mr. N. McLocklin:

I have one more. How do you balance the efficiency drives with other agendas like sustainability?

Finance Director, Housing:

Sustainability in terms of ...?

Mr. N. McLocklin:

Of accommodation, of housing, in terms of you might be able to save a pound in terms of revenue, but another solution might be to save a bit more on the carbon side, it would be not so much on the revenue side.

Finance Director, Housing:

Well, clearly the key area here I suppose is around the electrical heating programme and how green electricity is compared to gas, et cetera. I am not an expert in that and ...

Mr. N. McLocklin:

That is one factor I was thinking about, yes.

Finance Director, Housing:

Some argue that electricity is the greenest because the majority of the electricity is imported from France and the majority of that electricity is generated through nuclear.

Male Speaker:

Some would argue that gas is the greener.

Senator S.C. Ferguson:

How far have you come with your insulation programme, because I think this is relevant to your question, is it not?

Mr. N. McLocklin:

Absolutely. A lot of it is you are going to get a payback in terms of financial terms, which would be different than in terms of environmental terms.

Finance Director, Housing:

Of course the money we spend on insulation generally will benefit the tenants in terms of lower heating costs, and lower energy use of course, but there is no direct payback to us. But, having said that, we have a programme, and we have said that every time we install a new heating system we will not only just put the new heating system in but we will look at the whole envelope of the building, and so, as part of the electrical installation, we made sure that the loft insulation is up to 300 mm, we are looking at cavity wall insulation, I think we are approaching the end of that programme, to be fair, and I think we are doing a survey of all the properties that we are unsure whether it has been cavity-insulated or not, and I think within the next 2 or 3 years we will see the end of that programme. Of course there are the outside cladding, and if you look at the work that is going to shortly go on at Clos Gosset and Jardin des Carreaux, 2 that we hope to start this year, and Pomme d'Or Farm, we will be improving the insulation of all those buildings as part of the refurbishment.

Chief Officer, Housing:

J.E.C. are monitoring; each new property is being monitored in terms of electrical, the consumption of units. When you add in the charges people were paying for oil or gas in our district heating schemes, the total sum that people are paying, bar 2 exceptions on one particular estate, for instance, Oaktree Gardens, there are only 2 people whose bills have gone up, the rest have gone down.

Deputy D.J. De Sousa:

But they are fairly new build anyway, are they not, those properties?

Chief Officer, Housing:

But, as John has pointed out, the thermal qualities of, for instance, Clos Gosset, which we are just about to start, will be better than Oaktree Gardens, because the bylaw standards have improved, so it would be wrong to install a new heating system, leaving crittall windows and poor roofing and poor thermal insulation, but it is all part of the same package.

Senator S.C. Ferguson:

Do not tell the Planning Department. Crittall windows get listed. Anything else?

Senator J.L. Perchard:

No, that is fine. There was just one little concern, Chairman, I have a soft spot for the Bridge. I notice there is a £6,000, I do not know how it is worded, but what are the implications for the Bridge by this saving in your budget?

Chief Officer, Housing:

They had pressure to give people more office space, so us moving out is not cause for ... the income has been replaced. We were paying that to the Bridge, we moved out, but others have moved in.

Male Speaker:

It is not a grant we are removing.

Senator S.C. Ferguson:

Thank you very much indeed, gentlemen.

[16:12]