

THE JERSEY HOMES TRUST

Response to the Health, Social Security and Housing Scrutiny Sub-Panel Review. Re: Housing Transformation Programme.

Overview.

The Housing Minister's White Paper is his response to the recommendations of the Whitehead Review. It proposes (amongst other things) the creation of a States-owned housing association to take over the present landlord role of the Housing Department, setting up the Affordable Housing Gateway, formal regulation of registered social housing providers and the establishment of a Strategic Housing Unit. These are the essential components of the "Housing Transformation Programme".

These initiatives seek to resolve the following deficiencies:

- ⤴ The chronic under-investment in repairs and maintenance of States' housing stock.
- ⤴ The failure of many States homes to meet the "decent homes" standard.
- ⤴ The absence of formal regulation of housing associations in receipt of public subsidies.
- ⤴ Duplication and inefficiency in the allocation procedures of social housing providers, and the resulting difficulty in compiling accurate statistics of housing need.

The Jersey Homes Trust (JHT) is highly supportive of the objectives of the Minister and broadly supportive of the initiatives set out in the White Paper.

The Arm's Length solution.

The UK (and Jersey) experience informs us that the strategy of publicly owned and managed housing stock compares unfavourably with not-for-profit private sector alternatives. An entity at arm's-length from the States is able to construct its own business plan and engage in a borrowing strategy presently denied to the Housing Department. It is also able to make management and investment decisions unimpeded by political constraints and the inherent bureaucracy of government departments.

The JHT is concerned that the White Paper does not appear to offer the new body any relief from the existing burden of making a substantial financial return to the States, which is the root cause of the problem of under-investment in States' housing. On the contrary, the return is expected to grow in future. The nett increase in rental receipts proposed by the White Paper provides a mere £3.75 million for investment in refurbishments. Besides catching up on years of neglect, there will be a need to increase the level of maintenance of homes presently meeting the decent homes standard to prevent them from falling into disrepair.

We agree that the proposed body at arm's length should offer greater efficiencies and opportunities but we submit that it will be challenged financially meet its objectives.

Regulation of Social Housing Providers.

JHT is highly supportive of this proposal, which is long overdue. The new States Housing Association will submit to the same regulation.

It would not be correct to suggest that the existing trusts are unregulated. Trustees are constrained and guided by their trust constitutions and also by formal agreements with the States. The setting up of formal regulation, particularly in the context of the new States housing association, is now appropriate and desirable. The intention is to reassure all stake-holders and the public that registered social housing providers are managed professionally, transparently and properly in the public interest.

We would comment that Jersey is a small jurisdiction with very few social housing providers. Regulation should be proportionate and tailored accordingly to minimise unnecessary cost and bureaucracy .

The Affordable Housing Gateway.

JHT has cooperated fully in the setting up of the fledgling Gateway, which is already in place and working well. We congratulate the Minister and his Department in working with the housing associations to achieve a ground-breaking success. The Gateway will eliminate duplication, assist efficiency, fairness and consistency and provide reliable statistics of housing need.

The latter objective will work well only if the current narrow criteria for acceptance onto the waiting list is widened to include more islanders in need of housing. Professor Whitehead reported that the current criteria are too restrictive and should be relaxed. The White Paper offered no real prospect of this. The Gateway will therefore tend to conceal the true extent of the housing need in Jersey.

We submit that the legitimate aspirations of many households in Jersey to be decently housed will not be recognised.

Housing Trusts.

The White Paper indicates a lack of understanding of the role of the existing housing trusts, which is not explored. It is implied that the Housing Department has been unable to re-align its stock, to reflect changing demographics, largely as a result of the development activities of the trusts. This is a narrow view that has some validity only if the 1,000 or more homes developed by the trusts are not seen as complimentary to the States' portfolio. JHT worked closely with the Housing Task Force (now disbanded) composed of senior executives from Housing, Planning and Treasury, in developing its housing stock. We can therefore celebrate an Island portfolio of social housing which has been developed in a manner responsive to changing demographics and the needs of Islanders.

It should be understood that, if further serious investment is to be made to enlarge the sector, this can be achieved only through further development activity by the existing housing trusts. The White Paper has no strategy for such investment by the States body (see "Further Observations", below).

We do agree that the new States Housing Association will be better placed to manage and re-align its own stock and we support that objective.

30-year Business Plans

All Housing Trusts will be expected to compile 30-year business plans. It is envisaged that taken together, the business plans will offer a reliable guide to future strategy, capacity and performance for the entire sector..

Although 30-year plans are fairly standard practice for UK housing associations, JHT trustees remain unconvinced that such long-term forecasting is reliable or very useful. All such plans are driven primarily by predictions of interest rates and rental receipts. These predictions have never been more difficult to make than in the present world economic and banking crisis. We will continue to work with the Minister but JHT's long-term business plans will contain caveats that will have the effect of asking more questions than providing answers. If used flexibly, such business plans can be useful to assist contingency planning. They are not a reliable tool in strategic decision making unless their uncertainties and limitations are factored in.

A new rental strategy.

The White Paper proposes a swift move to a 90% of market rental model for social housing providers. The Housing Benefit component of Income Support will be increased to ensure that those in need will suffer no hardship as a result of increased rentals.

The "fair-rents" system was originally intended to set its rents at 90% of market for equivalent properties. In recent years successive Housing Ministers have allowed "fair-rents" to slip behind the market. This impairs the income of the providers, puts stress on their business models and their ability to properly maintain stock, and subsidises the rentals of tenants who are able to afford to pay the market rate.

We agree that rentals should be set at levels closer to the market but not to lead the market. Benefits should then be tailored to meet the needs of its claimants.

It is proposed that part of the rental increase received by providers will be given up and paid over to the Social Security Department to fund the increases in benefits resulting from the increased rental charges. The SSD is presently estimating the cost of the impact on benefits and we await the findings with interest.

The new rental strategy will enable providers to bring their rentals up to the level at which they would have been if the "fair-rents" policy had been consistently administered at the 90% of market level. It will not enable providers to claw back lost revenue in the intervening years. Furthermore, a contribution to Social Security was not an element of the previous system. After making this contribution the new policy will provide a rental platform lower than 90% of the market, which will therefore be less generous to providers than was the previous system if properly administered.

Reports in the Press of rental increases in the order of 20% to 50% are alarming and unsubstantiated. All that is happening is a return to 90% of market to reclaim the slippage of a few years. I would not expect increases, on average, above 10% for JHT properties.

JHT is supportive of a rental policy that is fair, transparent, consistent and free from political interference.

Further observations.

The White Paper concentrated on the re-organisation of the Housing Department and the social housing sector, as above related. It made little mention of the acute housing shortage in the Island and offered no real strategy for addressing it. This is an observation, not a criticism. The White Paper should be seen for what it is. It is a laudable document with specific objectives. It should not be seen as a comprehensive discussion of the problems of the social housing sector, offering solutions to the housing shortage and the present weaknesses in procurement. Nor does it consider the future possible contribution of existing housing associations. There is no suggestion, in making these observations, that such matters are not receiving separate attention. However, it should be understood that if the Minister's proposals are successful, they will not be a panacea. We have an acute housing shortage in Jersey that is not fully quantified and reported (see "The Affordable Housing Gateway", above).

The Affordable Housing Gateway, even with its existing narrow criteria for applicants, is already confirming a higher housing need than was previously recognised. The White Paper makes scant acknowledgment of this. The Minister states "I believe that there must be some growth in the social rented sector". Careful reading of the document indicates that no such growth is intended to be provided by the new States housing trust.

The Jersey Homes Trust will continue to offer its participation and support in projects to develop badly needed social rental units as part of a strategy for the sector.

The Strategic Housing Unit (SHU) will take on the remaining roles of the Housing Minister, after the landlord function is transferred to the new States housing association. The role of Housing Minister will disappear. The SHU will sit within an existing ministerial department. JHT is concerned that housing issues could slip down the government's agenda without a minister championing the cause. Housing is, and should remain, a priority concern of the Council of Ministers.

JHT wishes the Minister well and offers its unqualified support to his objectives, as outlined in the White Paper.

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