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# STATES OF JERSEY



## HOUSING DEVELOPMENT FUND: COST/BENEFIT ANALYSIS

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**Presented to the States on 15th March 2011  
by the Minister for Treasury and Resources**

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**STATES GREFFE**

## REPORT

*The following Report is presented in response to P.61/2010.*

### 1. Background

The Housing Development Fund was created in 2000 to support the development of social housing in the Island.

### 2. The Housing Development Fund

The Housing Development Fund's purpose is –

‘To help meet the requirements for the development of social rented and first-time buyer homes as identified in the ‘Planning for Homes’ report (R.C.10/99), which was updated in December 2006 (R.C.94/2006) and subsequent strategic reports, primarily in the urban area, to a good standard and specification at a reasonable cost’.

The Housing Development Fund does not fund the whole cost of a housing scheme, but provides the Housing Committee with bridging finance to develop properties for onward sale. The scheme bears the cost of land acquisition and development which is then recovered on the disposal of completed sites.

The Housing Development Fund provides a mechanism for funding housing developments undertaken by the States, as well as providing subsidies (where necessary) for developments undertaken by other providers of social rented housing (such as Housing Associations) and, if necessary, for certain private sector ‘first time buyer schemes’. In the case of first-time buyer properties it provides an interest subsidy to enable the cost of the scheme to be repaid from its rental stream or sales receipts. The States approved P.74/99 and P.84/99 on 7th July 1999 and thereby the creation of the Housing Development Fund to be administered by the former Finance and Economic Committee.

The Housing Development Fund provides interest subsidy for those Housing Trust properties acquired under the former Housing Development Scheme Account and supports the development of social rented housing on rezoned sites by capping the interest liability of Housing Trusts to a maximum of 6%.

### 3. Housing Development Fund Accounts

Detailed Financial Accounts, including an Income and Expenditure Account and Balance Sheet for the Housing Development Fund are prepared annually and presented as part of the States of Jersey's Annual Accounts since 2002. Attached at **Appendix 1** are the relevant accounts dating from 2002 to 2009.

Attached at **Appendix 2** is a comprehensive Funds Flow Statement for the Housing Development Fund from 2000 to 2010, detailing the Fund's receipts, payments and transfers over life of the fund.

#### **4. Cost/Benefit analysis**

A comprehensive Financial Statement for the Fund from 2000 to 2010, detailing all the Fund's income, expenditure and transfers is included at Appendix 2. The following paragraphs consider the funding, benefits and costs of the Housing Development Fund.

The Fund has enabled the provision of significant social housing development including 986 social housing units (one to 4 bedrooms) and approximately 130 first-time buyer properties, by supporting Housing Trusts through development subsidies and the provisions of letters of comfort so they could obtain independent borrowing.

The on-going management and maintenance of these properties is the responsibility of the Housing Trusts and is funded through rental receipts.

This has enabled the development of social housing by Housing Trusts without the need for the cost of such developments to be fully and directly funded in advance from the States capital programme.

Attached at **Appendix 3** is a schedule of the social housing developments that have been enabled through the Housing Development Fund.

The following paragraphs consider the Fund's main areas of income and expenditure.

##### **4.1 Funds received**

From 2000 to 2010, the Housing Development Fund has received funds from the States of £51.5 million, plus additional transfers of £1.3 million from the Housing Department. The Fund also generated approximately £9.5 million of income from the assets it had held, including rent, sales receipts and interest.

In 2008, the Minister for Treasury and Resources agreed to rationalise the asset holding of the Housing Development Fund by incorporating into the balance sheet of the Housing Department those properties performing the function of social rented housing units and to Property Holdings, those sites with potential for redevelopment. As a consequence, the Fund transferred £16.4 million of property assets to the Housing Department and Jersey Property Holdings in 2008 at nil value.

##### **4.2 Funds expended**

Funds spent from the Housing Development Fund fall into 3 main categories: development subsidies, interest rate subsidies and costs related to property assets. In addition, there are interest charges incurred by the fund at various points in time.

### Development subsidies

The Fund paid capital development subsidies from 2000 to 2010 equating to £20.2 million to support the development of projects where rental levels were too low to sustain scheduled loan repayments, for example the project at Le Coie. Projects that received such subsidies are reported below.

	<b>£'000</b>	<b>Units</b>
Berkshire Hotel	6,428	113
Cannon Street	1,430	41
Parkside	1,197	19
3/5/7&7a Ann Street	2,392	32
Le Coie	8,355	96
Others	354	
	<b>20,156</b>	<b>301</b>

### Interest subsidies

Interest subsidies paid from 2000 to 2010 pursuant to Letters of Comfort issued amounted to £12.2 million.

Thirty-two Letters of Comfort issued to Banking Institutions dating from 1996 to 2007 are currently in force. The Letters of Comfort were issued in order for Housing Trusts to access affordable borrowing from financial institutions to build and develop properties. This enabled the development of social housing without the need for direct funding from the States capital programme.

As at 31st December 2009, total lending of £151.3 million had been secured by Housing Trusts supported by States Letters of Comfort. The Letters of Comfort effectively cap the amount of interest Housing Trusts have to pay to banks by providing financial support for interest charged over and above a set rate. This means that if interest rates rise above the set rate (effectively 4% or 6%), then the Housing Trust will pay the bank up to the cap (i.e. up to 4% or 6%), and the Housing Development Fund would meet the excess (i.e. >4% or >6%).

The Housing Development Fund's current balance of £6.0 million is subject to this contingent liability from the Letters of Comfort. While interest rates remain low, there will be no Interest Subsidies paid. This can be seen in the Summary Funds Flow Statement. If interest rates remain low (i.e. below the caps) then no Interest Subsidies would be payable. Conversely, if interest rates rise above the capped figures then the Fund would have to start paying Interest Subsidies to the Housing Trusts.



The Letters of Comforts are subject to periodic review and the Treasury Department, in conjunction with the Housing Department, is currently carrying out a review of all the Letters of Comfort. If there are no changes to the Letters of Comfort, the Fund's current balance may be fully utilised, and even exceeded by future interest subsidies payable. Approximately 80% of the lending secured with the Letters of Comfort has over 15 years to run, meaning quantifying the value of this liability with certainty is impossible; the value will be subject to many unknown variables, particularly changing interest rates.

**Current Fund Balance**

The Fund balance as at 31st December 2010 amounts to approximately £6 million (subject to audit) and is being held to meet future financial commitments relating to letters of comfort only.

## APPENDIX 1

## Housing Development Fund Published Accounts 2002 – 2009

FINANCIAL REPORT & ACCOUNTS 2002				
<b>Separately Constituted Funds</b>				2002
				
<b>Housing Development Fund</b>				
On the 7th July 1999 the States approved (P74/99 and P84/99) the creation of the Housing Development Fund to be administered by the Finance and Economics Committee.				
The rationale for the Housing Development Fund is to help meet the requirements for the development of social rented and first time buyer homes as identified in the 'Planning for Homes' Report (RC 10/99).				
The Housing Development Fund does not fund the whole cost of a housing scheme, but provides development and interest subsidy to enable the cost of the scheme to be repaid from its rental stream or sale receipts in the case of first time buyer properties. The Housing Development Fund, therefore, provides for developments whose overall value is many times that of the Fund.				
The following developments were completed during 2002:				
Development	Number of Units			
	Bedsit and 1 Bed	2 Bed	3+ Bed	Total
Berkshire Hotel Site	113	-	-	113
La Roseraie	4	14	27	45
Le Jardin Fleuri	-	4	13	17
Woodville (First Time Buyer)	4	55	-	59
19 Midvale Road	17	-	-	17
FB Cottages 3 and 4	-	-	25	25
<b>Total Number of Units Completed in 2002</b>				<b>276</b>
The following developments were in the course of construction during 2002:				
Development	Number of Units			
	Bedsit and 1 Bed	2 Bed	3+ Bed	Total
Sandybrook Sheltered Housing	8	2	-	10
Cannon/Lempriere Street	17	23	1	41
Albert Pier Housing (First Time Buyer)	29	36	5	70
Albert Pier Housing (Rental)	22	51	5	78
Town Park Hotel	1	3	15	19
Ann Street	27	5	-	32
5 St. Clements Road	9	1	-	10
<b>Total Number of Units in the Course of Construction</b>				<b>260</b>
The following list of projects were in the planning stage as at 31st December 2002:				
Development	Estimated Yield			
	Bedsit and 1 Bed	2 Bed	3+ Bed	Total
Le Coie Hotel	27	57	21	105
Sunshine Hotel	7	15	12	34
Mascot Motors	-	-	10	10
Phillips House	20	-	-	20
Former Aquila Youth Centre	30	-	-	30
Salisbury Crescent	12	-	15	27
<b>Total Number of Units at Planning Stage</b>				<b>226</b>
72				

## Housing Development Fund



### Income and Expenditure Account for the Year ended 31st December 2002

	2002 Actual £	2001 Actual £
<b>Income</b>		
Rental from Sites	468,365	479,265
Interest on Accumulated Fund	411,340	491,133
Decrease in Provision for Loss on Sale	7,275,534	291,379
Sale of Stock	400,000	-
Over Provision for Loss on Sale	1,179,439	-
	<b>9,734,678</b>	1,261,777
<b>Expenditure</b>		
Development Subsidy Paid	(228,983)	(2,808,301)
Interest on Temporary Advances from the Capital Fund	(1,913,452)	(1,986,850)
Interest Subsidy Paid	(522,608)	(917,646)
Administration Expenses	(1,400)	-
	<b>(2,666,443)</b>	(5,712,797)
<b>Surplus / (Deficit) for the Year</b>	<b>£ 7,068,235</b>	<b>(£ 4,451,020)</b>

### Balance Sheet as at 31st December 2002

	2002 Actual £	2001 Actual £
<b>Current Assets</b>		
Debtors	26,501,083	21,116,518
Work in Progress	19,721,500	29,115,833
Less: Provision for Loss on Sale	-	(10,369,621)
<b>Current Liabilities</b>		
Creditors (Amount due within one year)	(33,448)	(84,951)
Creditor - Advance from Capital Fund	(31,040,988)	(41,547,867)
<b>Net Current Assets / (Liabilities)</b>	<b>15,148,147</b>	(1,770,088)
<b>Net Assets</b>	<b>£ 15,148,147</b>	<b>(£ 1,770,088)</b>
<b>Funds Employed</b>		
Accumulated Revenue and Reserve Balances	<b>£ 15,148,147</b>	<b>(£ 1,770,088)</b>

## Separately Constituted Funds



### Housing Development Fund

On the 7th July 1999 the States approved (P74/99 and P84/99) the creation of the Housing Development Fund to be administered by the Finance and Economics Committee.

The rationale for the Housing Development Fund is to help meet the requirements for the development of social rented and first-time buyer homes as identified in the 'Planning for Homes' Report (R.C. 10/99).

The Housing Development Fund does not fund the whole cost of a housing scheme, but provides development and interest subsidy to enable the cost of the scheme to be repaid from its rental stream or sale receipts in the case of first-time buyer properties. The Housing Development Fund, therefore, provides for developments whose overall value is many times that of the Fund. A total of 228 units had been completed by the end of 2003, consisting of 86 one beds, 119 two beds and 23 three beds.

The following developments were completed during 2003:

Development	Number of Units			Total
	Bedsit and 1 Bed	2 Bed	3+ Bed	
Albert Pier Housing (rental)	22	51	5	78
Albert Pier Housing (first-time buyer)	29	36	5	70
Cannon/Lempriere Street	17	23	1	41
Town Park Hotel	1	6	12	19
5 St Clements Road	9	1	-	10
Sandybrook Sheltered Housing	8	2	-	10
<b>Total number of units completed in 2003</b>	<b>86</b>	<b>119</b>	<b>23</b>	<b>228</b>

The following developments were in progress during 2003:

Development	Number of Units			Total
	Bedsit and 1 Bed	2 Bed	3+ Bed	
Ann Street	27	5	-	32
Philips House	20	-	-	20
<b>Total number of units in the course of construction</b>	<b>47</b>	<b>5</b>	<b>-</b>	<b>52</b>

The following list of projects were in planning stages as at 31st December 2003:

Development	Number of Units			Total
	Bedsit and 1 Bed	2 Bed	3+ Bed	
Le Coie Hotel	46	51	2	99
Sunshine Hotel	7	15	12	34
Former Aquila Youth Club	30	-	-	30
Salisbury Crescent	12	-	15	27
Le Coin	7	14	2	23
Bas du Mont	1	6	9	16
Mascot Motors	-	-	10	10
<b>Total number of units at planning stage</b>	<b>103</b>	<b>86</b>	<b>50</b>	<b>239</b>



## Housing Development Fund



## Income and Expenditure Account for the Year ended 31st December 2003

	2003 Actual £	2002 Actual Restated £
<b>Income</b>		
Rental from Sites	473,055	468,365
Decrease in Provision for Loss on Sale	1,625,000	7,275,534
Sale of Stock	-	400,000
Other Provision for Loss on Sale	-	1,179,439
	2,098,055	9,323,338
<b>Expenditure</b>		
Development Subsidy Paid	(1,482,211)	(228,983)
Interest on Temporary Advances from the Capital Fund	(553,698)	(1,502,112)
Interest Subsidy Paid	(475,275)	(522,608)
Depreciation of Completed Works	(795,854)	-
Management Charge	(18,624)	-
Maintenance Charge	(55,871)	-
Administration Recharges	(1,700)	(1,400)
	(3,383,233)	(2,255,103)
<b>Surplus for the Year</b>	<b>(£1,285,178)</b>	<b>£ 7,068,235</b>

## Balance Sheet as at 31st December 2003

	2003 Actual £	2002 Actual £
<b>Current Assets</b>		
Debtors	434,180	26,501,083
Work in Progress	15,563,618	19,721,500
Completed Works	9,280,900	-
<b>Current Liabilities</b>		
Creditors (Amount due within one year)	(19,300)	(33,448)
Creditor - Advance from the Capital Fund	(3,396,429)	(31,040,988)
<b>Net Current Assets</b>	21,862,969	15,148,147
<b>Net Assets</b>	<b>£ 21,862,969</b>	<b>£ 15,148,147</b>
<b>Funds Employed</b>		
Accumulated Revenue and Reserve Balances	<b>£ 21,862,969</b>	<b>£ 15,148,147</b>

# Separately Constituted Funds 2004

## Housing Development Fund

On the 7th July 1999 the States approved P74/99 and P84/99 and thereby the creation of the Housing Development Fund to be administered by the Finance and Economics Committee.

The rationale for the Housing Development Fund is to help meet the requirements for the development of social rented and first-time buyer homes as identified in the 'Planning for Homes' Report (RC10/99).

The Housing Development Fund does not fund the whole cost of a housing scheme, but provides development and interest subsidy to enable the cost of the scheme to be repaid from its rental stream or sale receipts in the case of first-time buyer properties. The Housing Development Fund, therefore, provides for developments whose overall value is many times that of the Fund.

The following developments were in the course of construction in 2004:

Development	Number of Units			
	Bedsit and 1 Bed	2 Bed	3+ Bed	Total
Ann Street (partially complete)	27	5	-	32
Le Coie Hotel	46	51	2	99
Bas du Mont	1	6	9	16
Hodge Nursery Phase 2	-	-	73	73
Philips House	20	-	-	20
<b>Total number of units in the course of construction</b>	<b>94</b>	<b>62</b>	<b>84</b>	<b>240</b>

The following projects were in planning stages as at 31st December 2004:

Development	Number of Units			
	Bedsit and 1 Bed	2 Bed	3+ Bed	Total
Former Aquila Youth Club	30	-	-	30
Salisbury Crescent	12	-	15	27
Sunshine Hotel	7	15	12	34
Le Coin	7	14	2	23
Mascot Motors	-	-	10	10
<b>Total number of units at planning stage</b>	<b>56</b>	<b>29</b>	<b>39</b>	<b>124</b>

In addition to the above, the Housing Development Fund provides coverage for interest payments above 6% by Housing Associations for the development of social rented housing on rezoned sites.

The Fund also provides bridging finance for the redevelopment of the States owned Le Marais (low rise) and Le Squez estates. The Fund will be reimbursed from the sale of selected properties to States tenants on a first-time buyer basis.

# Housing Development Fund

## Income and Expenditure Account for the Year ended 31st December 2004

	2004 Actual £	2003 Actual £
<b>Income</b>		
Rental from Sites	590,986	473,055
Decrease in Provision for Loss on Sale	-	1,625,000
Sale of Stock	480,000	-
Other Provision for Loss on Sale	224,078	-
	1,295,062	2,098,055
<b>Expenditure</b>		
Development Subsidy Paid	(327,405)	(1,482,211)
Interest on Temporary Advances from the Capital Fund	-	(553,698)
Interest Subsidy Paid	(1,224,117)	(475,275)
Depreciation of Completed Works	(199,498)	(795,854)
Management Charge	(26,075)	(18,624)
Maintenance Charge	(78,224)	(55,871)
Administration Charges	(1,900)	(1,700)
	(1,857,219)	(3,383,233)
<b>(Deficit) for the Year</b>	<b>(£562,157)</b>	<b>(£1,285,178)</b>

## Balance Sheet as at 31st December 2004

	2004 Actual £	2003 Actual £
<b>Current Assets</b>		
Debtors	421,181	434,180
Debtor - Temporary Advance to the Capital Fund	6,170,967	-
Work in Progress	14,387,645	15,563,618
Completed Works	8,986,120	9,280,900
<b>Current Liabilities</b>		
Creditors (amount due within one year)	(250,101)	(19,300)
Creditor - Temporary Advance from the Capital Fund	-	(3,396,429)
<b>Net Current Assets</b>	<b>29,715,812</b>	<b>21,862,969</b>
<b>Net Assets</b>	<b>£ 29,715,812</b>	<b>£ 21,862,969</b>
<b>Funds Employed</b>		
Reserve balance brought forward	21,862,969	15,148,147
Deficit for the year	(562,157)	(1,285,178)
Funds transferred from the Capital Fund in year	8,415,000	8,000,000
<b>Reserve balance carried forward</b>	<b>£ 29,715,812</b>	<b>£ 21,862,969</b>

# Separately Constituted Funds

2005

## Housing Development Fund

The States approved P74/99 and P84/99 on 7 July 1999 and thereby the creation of the Housing Development Fund to be administered by the Finance and Economics Committee.

The rationale for the Housing Development Fund is to help meet the requirements for the development of social rented and first-time buyer homes as identified in the 'Planning for Homes' Report (RC10/99).

The Housing Development Fund does not fund the whole cost of a housing scheme, but provides development and interest subsidy to enable the cost of the scheme to be repaid from its rental stream or sale receipts in the case of first-time buyer properties. The Housing Development Fund, therefore, provides for developments whose overall value is many times that of the Fund.

The following developments were in the course of construction in 2005:

Development	Number of Units			
	Bedsit and 1 Bed	2 Bed	3+ Bed	Total
Le Coie Hotel	49	46	1	96
Bas du Mont	1	6	9	16
Hodge Nursery Phase 2	-	-	73	73
Philips House	15	3	-	18
<b>Total number of units in the course of construction</b>	<b>75</b>	<b>55</b>	<b>83</b>	<b>203</b>

The following projects were in planning stages as at 31st December 2005:

Development	Number of Units			
	Bedsit and 1 Bed	2 Bed	3+ Bed	Total
Former Aquila Youth Club	26	-	-	26
<b>Total number of units at planning stage</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>26</b>

The Housing Development Fund provides interest subsidy for those Housing Trust properties acquired under the former Housing Development Schemes Account and supports the development of social rented housing on rezoned sites by capping the interest liability of Housing Trusts to a maximum of 6%.

## Housing Development Fund

Income and Expenditure Account for the Year ended 31st December 2005

	2005 Actual £	2004 Actual £
<b>Income</b>		
Rental from Sites	623,644	590,986
Sale of Stock	1,622,518	480,000
Other Provision for Loss on Sale	-	224,076
	<b>2,246,162</b>	<b>1,295,062</b>
<b>Expenditure</b>		
Development Subsidy Paid	(439,762)	(327,405)
Interest on Temporary Advances from the Capital Fund	(45,826)	-
Interest Subsidy Paid	(1,351,483)	(1,224,117)
Depreciation of Completed Works	(308,189)	(199,498)
Management Charge	(25,862)	(26,075)
Maintenance Charge	(77,586)	(78,224)
Administrative Charges	(1,647)	(1,900)
	<b>(2,250,355)</b>	<b>(1,857,219)</b>
<b>Deficit for the Year</b>	<b>(£4,193)</b>	<b>(£562,157)</b>

Balance Sheet as at 31st December 2005

	2005 Actual £	2004 Actual £
<b>Current Assets</b>		
Debtors	59,582	421,181
Debtor - Temporary Advance (from)/to the Capital Fund	(11,043,674)	6,170,967
Work in Progress	34,269,362	14,387,645
Completed Works	8,786,621	8,986,120
<b>Current Liabilities</b>		
Creditors (amount due within one year)	(77,355)	(250,101)
<b>Net Current Assets</b>	<b>31,994,536</b>	<b>29,715,812</b>
<b>Net Assets</b>	<b>£ 31,994,536</b>	<b>£ 29,715,812</b>
<b>Funds Employed</b>		
Reserve balance brought forward	29,715,812	21,862,969
Deficit for the year	(4,193)	(562,157)
Funds transferred from the Capital Fund in year	2,282,917	8,415,000
<b>Reserve balance carried forward</b>	<b>£ 31,994,536</b>	<b>£ 29,715,812</b>

# Separately Constituted Funds

2006

## Housing Development Fund

The States approved P74/99 and P84/99 on 7 July 1999 and thereby the creation of the Housing Development Fund to be administered by the former Finance and Economics Committee. The Treasurer of the States is now the Accounting Officer for the Fund.

The rationale for the Housing Development Fund is to help meet the requirements for the development of social rented and first-time buyer homes as identified in the 'Planning for Homes' Report (RC10/99), which was updated in December 2006 (RC 94/2006).

The Housing Development Fund does not fund the whole cost of a housing scheme, but provides development and interest subsidy to enable the cost of the scheme to be repaid from its rental stream or sale receipts in the case of first time buyer properties. The Housing Development Fund, therefore, provides for developments whose overall value is many times that of the Fund.

The following developments were completed in 2006:

Development	Number of Units			
	Bedsit / 1 Bed	2 Bed	3+ Bed	Total
Le Coie	49	46	1	96
Hodge Nursery (Phase 2)	-	-	73	73
<b>Total Completions in 2006</b>	<b>49</b>	<b>46</b>	<b>74</b>	<b>169</b>

The following development was in the course of construction in 2006:

Development	Number of Units			
	Bedsit / 1 Bed	2 Bed	3+ Bed	Total
Aquila	26	-	-	26

In addition to the above, the Housing Development Fund provides a contribution to the social housing regeneration at Le Marais.

The Housing Development Fund provides interest subsidy for those Housing Trust properties acquired under the former Housing Development Schemes Account and supports the development of social rented housing on rezoned sites by capping the interest liability of Housing Trusts to a maximum of 6%.

# Housing Development Fund

## Income and Expenditure Account for the Year ended 31 December 2006

	2006 Actual £	2005 Actual Restated £
<b>Income</b>		
Rental from Sites	617,530	630,651
Sale of Stock	795,054	1,622,518
Fines and Fees	152,013	-
	<b>1,564,597</b>	<b>2,253,169</b>
<b>Expenditure</b>		
Movement in Provision for (Loss) or Gain on Sale	-	(8,355,000)
Development Subsidy Paid	-	(439,762)
Interest on Temporary Advances from the Capital Fund	(376,447)	(45,826)
Interest Subsidy Paid	(1,489,218)	(1,351,483)
Depreciation of Completed Works	(223,314)	(308,189)
Management Charge	(26,299)	(25,862)
Maintenance Charge	(78,896)	(77,586)
Administrative Charges	(2,268)	(1,647)
	<b>(2,196,442)</b>	<b>(10,605,355)</b>
<b>Deficit for the Year</b>	<b>(£631,845)</b>	<b>(£8,352,186)</b>

## Balance Sheet as at 31 December 2006

	2006 Actual £	2005 Actual Restated £
<b>Current Assets</b>		
Debtors	-	59,582
Debtor - Temporary Advance (from)/to the Capital Fund	8,989,627	(11,036,666)
Work in Progress	9,320,545	25,914,362
Completed Works	8,587,122	8,786,621
<b>Current Liabilities</b>		
Creditors (amount due within one year)	(682,595)	(77,355)
<b>Net Current Assets</b>	<b>26,214,699</b>	<b>23,646,544</b>
<b>Net Assets</b>	<b>£ 26,214,699</b>	<b>£ 23,646,544</b>
<b>Funds Employed</b>		
Reserve balance brought forward	23,646,544	29,715,812
Deficit for the year	(631,845)	(8,352,186)
Funds transferred from the Capital Fund in year	3,200,000	2,282,918
<b>Reserve balance carried forward</b>	<b>£ 26,214,699</b>	<b>£ 23,646,544</b>

## Separately Constituted Funds

2007

### Housing Development Fund

The States approved Propositions P74/99 and P84/99 on 7 July 1999 and thereby the creation of the Housing Development Fund to be administered by the former Finance and Economics Committee. The Treasurer of the States is the Accounting Officer for the Fund.

The rationale for the Housing Development Fund is to help meet the requirements for the development of social rented and first-time buyer homes as identified in the 'Planning for Homes' Report (RC10/99), which was updated in December 2006 (RC 94/2006).

The Housing Development Fund does not fund the whole cost of a housing scheme, but provides development and interest subsidy to enable the cost of the scheme to be repaid from its rental stream or sale receipts in the case of first time buyer properties. The Housing Development Fund, therefore, provides for developments whose overall value is many times that of the Fund.

No new developments were completed in 2007.

The following development was in the course of construction in 2007:

Development	Number of Units			
	Bedsit / 1 Bed	2 Bed	3+ Bed	Total
Aquila	26	-	-	26

In addition to the above, the Housing Development Fund provides a contribution to the social housing regeneration at Le Marais.

The Housing Development Fund provides interest subsidy for those Housing Trust properties acquired under the former Housing Development Schemes Account and supports the development of social rented housing on rezoned sites by capping the interest liability of Housing Trusts to a maximum of 6%.

During 2007, the Minister for Treasury and Resources approved an increase in the development subsidy of £634,000 for the Jersey Homes Trust extension of the Clement Court development. A £50,000 subsidy was provided for play equipment at Albert Pier in accordance with the original agreement with the Jersey Homes Trust.

One additional letter of comfort was issued in 2007 in respect of a proposed development of three properties in Trinity by the Les Vaux Housing Trust, which is expected to commence in 2008.



## Housing Development Fund

### Income and Expenditure Account for the Year ended 31 December 2007

	2007 Actual £	2006 Actual £
<b>Income:</b>		
Hire & Rentals	653,880	617,530
Fees & Fines	28,554	152,013
Profit on Sale	-	795,054
Interest Charged on Advances to the Consolidated Fund	467,631	-
	1,150,065	1,564,597
<b>Expenditure:</b>		
Administrative Costs	27,697	2,268
Premises & Maintenance	82,878	78,896
Incidental Costs	2,200	-
Grants & Subsidies	2,892,456	1,489,218
Depreciation	199,498	223,314
Interest Charged on Advances from the Consolidated Fund	-	376,447
	3,204,729	2,196,442
<b>Deficit for the Year</b>	<b>(2,054,664)</b>	<b>(631,845)</b>

Consolidated Fund interest has moved from a payment in 2006 to a receipt in 2007 due to income received from the sale of property towards the end of 2006.

### Balance Sheet as at 31 December 2007

	2007 Actual £	2006 Actual £
<b>Fixed Assets:</b>		
Land and Buildings	17,794,911	-
	17,794,911	-
<b>Current Assets:</b>		
Work in Progress	-	9,320,545
Completed Works	-	8,587,122
Cash advanced to the Consolidated Fund	6,460,069	8,989,627
	6,460,069	26,897,294
<b>Current Liabilities:</b>		
Creditors (amount due within one year)	94,945	682,595
<b>Net Current Assets</b>	6,365,124	26,214,699
<b>Net Assets</b>	<b>24,160,035</b>	<b>26,214,699</b>
<b>Funds Employed:</b>		
<b>Accumulated Revenue and Reserve Balances</b>	<b>24,160,035</b>	<b>26,214,699</b>

For 2007 the Completed Works and Works in Progress within the Housing Development are now being recognised as Fixed Assets.

# Separately Constituted Funds

2008

## Housing Development Fund

The States approved P74/99 and P84/99 on 7 July 1999 and thereby the creation of the Housing Development Fund to be administered by the former Finance and Economics Committee. The Treasurer of the States is now the Accounting Officer for the Fund.

The rationale for the Housing Development Fund is to help meet the requirements for the development of social rented and first-time buyer homes as identified in the 'Planning for Homes' Report (RC10/99), which was updated in December 2006 (RC 94/2006).

The Housing Development Fund does not fund the whole cost of a housing scheme, but provides development and interest subsidy to enable the cost of the scheme to be repaid from its rental stream or sale receipts in the case of first time buyer properties. The Housing Development Fund, therefore, provides for developments whose overall value is many times that of the Fund.

The following development was completed in 2008:

Development	Number of Units			
	Bedsit / 1 Bed	2 Bed	3+ Bed	Total
Aquila	26	-	-	26

The Housing Development Fund provides interest subsidy for those Housing Trust properties acquired under the former Housing Development Schemes Account and supports the development of social rented housing on rezoned sites by capping the interest liability of Housing Trusts to a maximum of 6%.

During 2008, the Minister for Treasury and Resources agreed to rationalise the asset holding of the Housing Development Fund by incorporating into the balance sheet of the Housing Department, those properties performing the function of social rented housing units and to Treasury (Property Holdings), those sites with development potential.

# Housing Development Fund

Income and Expenditure Account for the Year ended 31 December 2008

	2008 Final £	2007 Actual £
<b>Income</b>		
Hire and Rentals	348,693	653,880
Fees and Fines	30,891	28,554
Interest Charged on Advances to the Consolidated Fund	327,436	467,631
Sale of Sites	1,162,303	-
	<b>1,869,323</b>	<b>1,150,065</b>
<b>Expenditure</b>		
Administrative Costs	13,327	27,697
Premises and Maintenance	39,980	82,878
Incidental Costs	-	2,200
Loss on Sale	-	-
Grants and Subsidies	3,234,267	2,892,456
Depreciation	199,498	199,498
Write off of assets	1,385,991	-
	<b>4,873,063</b>	<b>3,204,729</b>
<b>Deficit for Year</b>	<b>(3,003,740)</b>	<b>(2,054,664)</b>

Balance Sheet as at 31 December 2008

	2008 Final £	2007 Actual £
<b>Fixed Assets</b>		
Land and Buildings	-	17,794,911
	-	17,794,911
<b>Current Assets</b>		
Debtors	494	-
Cash Advance to the Consolidated Fund	4,867,588	6,460,069
	<b>4,868,082</b>	<b>6,460,069</b>
<b>Current Liabilities</b>		
Creditors (amount due within one year)	99,194	94,945
<b>Net Current Assets</b>	<b>4,768,888</b>	<b>6,365,124</b>
<b>Net Assets</b>	<b>4,768,888</b>	<b>24,160,035</b>
<b>Funds Employed:</b>		
<b>Accumulated Reserves and Balances</b>		
Reserves brought forward	24,160,035	26,214,699
Deficit for the year	(3,003,740)	(2,054,664)
Transfer of assets to the Consolidated Fund	(16,387,407)	-
<b>Reserves carried forward</b>	<b>4,768,888</b>	<b>24,160,035</b>

# Housing Development Fund

2009

## The aim of the fund:-

"To help meet the requirements for the development of social rented and first time buyer homes as identified in the 'Planning for Homes' report (RC10/99), which was updated in December 2006 (RC 94/2006) and subsequent strategic reports, primarily in the urban area, to a good standard and specification at a reasonable cost"

## The scope of the scheme

- The HDF does not fund the whole cost of a housing scheme, but provides the Housing Committee with bridging finance to develop properties for onward sale. The scheme bears the cost of land acquisition and development which is then recovered on the disposal of completed sites.
- The HDF provides a mechanism for funding housing developments undertaken by the States, as well as providing subsidies (where necessary) for developments undertaken by other providers of social rented housing (such as Housing Associations) and, if necessary, for certain private sector 'first time buyer schemes.' In the case of first time buyer properties it provides an interest subsidy to enable the cost of the scheme to be repaid from its rental stream or sale receipts. The States approved P74/99 and P84/99 on 7 July 1999 and thereby the creation of the Housing Development Fund to be administered by the former Finance and Economics Committee.

The Housing Development Fund provides interest subsidy for those Housing Trust properties acquired under the former Housing Development Schemes Account and supports the development of social rented housing on rezoned sites by capping the interest liability of Housing Trusts to a maximum of 6%.

The historically low interest rates from the third quarter 2008 and throughout 2009 have resulted in the fund paying minimal interest subsidy in 2009. Adjustment for overpayments based on estimates for the fourth quarter 2008 has resulted in a net interest subsidy credit for 2009.

## Housing Development Fund

### Income and Expenditure Account for the Year ended 31 December 2009

	2009 Actual £	2008 Actual £
<b>Income</b>		
Hire & Rentals	43,372	348,693
Fees & Fines	0	30,891
Interest Charged on Advances to the Consolidated Fund	96,363	327,436
Sale of Sites	1,482,953	1,162,303
	<b>1,622,688</b>	<b>1,869,323</b>
<b>Expenditure</b>		
Administrative Costs	3,692	13,327
Premises & Maintenance	0	39,980
Grants & Subsidies	(47,056)	3,234,267
Depreciation	0	199,498
Write off of assets	0	1,385,991
	<b>(43,364)</b>	<b>4,873,063</b>
<b>Surplus/(Deficit) for Year</b>	<b>1,666,052</b>	<b>(3,003,740)</b>

### Balance Sheet as at 31 December 2009

	2009 Actual £	2008 Actual £
<b>Fixed Assets</b>		
Land and Buildings	-	-
<b>Current Assets</b>		
Debtors	1,042,438	494
Cash Advance to the Consolidated Fund	5,396,182	4,867,588
	<b>6,438,620</b>	<b>4,868,082</b>
<b>Current Liabilities</b>		
Creditors (amount due within one year)	3,680	99,194
<b>Net Current Assets</b>	<b>6,434,940</b>	<b>4,768,888</b>
<b>Net Assets</b>	<b>6,434,940</b>	<b>4,768,888</b>
<b>Funds Employed:</b>		
Accumulated Reserves and Balances		
Reserves Brought Forward	4,768,888	24,160,035
Surplus/(Deficit) for the year	1,666,052	(3,003,740)
Transfer of assets to Consolidated Fund	-	(16,387,407)
<b>Reserves Carried Forward</b>	<b>6,434,940</b>	<b>4,768,888</b>

## APPENDIX 2

## Summary Funds Flow Statement from 2000 to 2010

Housing Development Fund - Flow of Funds (£'000)	2000										Note 1	
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
<b>Funds Received</b>												
Capital/Consolidated Fund	10,000	10,000	9,850	8,000	8,415	2,000	3,200					51,465
Transfer from Housing Department	982				480	283			850	1,483	(478)	1,265
Receipts from Disposals									349	43		2,335
Rental from Sites	392	479	468	473	591	631	618	654	31			4,698
Fees								29				60
Interest Received					224			468	327	96	42	1,157
<b>Total Funds Received</b>	11,374	10,479	10,318	8,473	9,710	2,914	3,818	1,151	1,557	1,622	(436)	60,980
<b>Funds Expended</b>												
Development Subsidy	7,640	2,808	229			8,795		684				20,156
Movement in Provisions re Loss/Profit on Sale	9,361	(291)	(8,855)	(143)	327	(1,623)	(923)		1,074			(1,073)
Interest Subsidy to Housing Trust	777	918	523	475	1,224	1,351	1,489	2,208	3,234	(47)		12,152
Interest Charged	915	1,496	1,502	554		46	376					4,889
Administration charges			1	2	2	2	2	2		4	2	17
Management Charge – Retained Assets			19	19	26	26	26	28	13			138
Maintenance Charge – Retained Assets			56	56	78	78	79	83	40			414
Depreciation on Retained Assets			796	796	199	308	199	199				1,900
<b>Total Funds Expended</b>	18,693	4,931	(6,600)	1,759	1,856	8,983	1,248	3,204	4,560	(43)	2	38,593
<b>Balance Sheet Transfers</b>												
Transfer of assets to Consolidated Fund									16,387			16,387
<b>Fund Balance</b>	(7,319)	5,548	16,918	6,714	7,854	(6,069)	2,570	(2,053)	(19,390)	1,665	(438)	6,000

**Note 1** – The 2010 figures are preliminary and subject to audit. The £(478)k in 2010 (Receipts from Disposals) relates to an adjustment for the sale of Aquila estimated and carried as a debtor in the 2009 accounts.

**Social Housing Scheme supported by Housing Development Fund**

**Social Housing Scheme**

Maison de St. Nicholas/Moorestown  
 Brooklands  
 St. Paul's Gate  
 La Folie  
 St. Saviour's Court/Christian Science  
 Cherry Grove/Sacré Coeur  
 Belle Vue  
 Kent Lodge  
 Berkshire Hotel  
 Mont Millais Postal/La Roseraie  
 Cannon Street/John Wesley Apartments  
 Le Champ des Fleurs/La Motte Ford  
 3, 5, 7 & 7a Ann Street  
 Town Park Hotel/Parkside  
 5 St. Clement's Road  
 Albert Pier  
 Field 1218, Mont à L'Abbé/Le Grand Clos  
 Le Coie  
 Field 690A, Maufant  
 Perquage Court  
 6/7 St. Saviour's Crescent  
 Len Norman Close  
 Berry House  
 John Le Fondré Court (Philips House)  
 Aquila  
 1&2 La Mabonnerie/12 Clos de la Ville  
 FB Cottages – Phase 2  
 FB Cottages – Phase 1  
 FB Cottages – Phase 3/4  
 8, 12 & 12a Lemprière Street  
 adjustment  
 Bas du Mont  
 La Bénéfice (Hodge Phase 2)  
 Clos des Charmes (F181, 182 & 183, St. Peter)  
 St. Martin's Parish Sheltered Units  
 Clearview Street School

**APPENDIX 4****Specific Questions**

The report accompanying P.61/2010 raised some specific questions and these are considered below.

Question – *“The establishment of the Housing Development Fund was done with States approval. However, they were due to develop satisfactory safeguards and a regulatory framework to govern it. Has this been done? – If not, why not?”*

Terms of Reference detailing the operation of the Fund were produced and with the introduction of the Public Finances (Jersey) Law 2005, an Accounting Officer has been in place since 2006.

Question – *“Another Question that arises is that the year-on-year spending decision would have been agreed as part of the annual process of approving budget and the annual accounts. Has this process included satisfactory monitoring procedures?”*

Question – *“Also, now that the Committee structures have been replaced by the Ministerial arrangements, are there sufficient checks and balances in place over the management decisions and operation of significant funds such as the HDF and the associated capital and financial expenditure? – Also, what guarantees does the public purse have set against the monies given to Housing Trust and Associations?”*

Each development proposal funded by the Housing Development Fund has either a Committee or Ministerial approval. Since the introduction of the Public Finances (Jersey) Law 2005, an Accounting Officer has been appointed with responsibility for the financial control and management of this and other funds. The Fund’s accounts are audited as part of the States accounts each year and then presented to the Assembly.

Letters of comfort are in place supporting Housing Trust borrowing, as explained in the body of this Report.

Question – *“In 2005, the HDF accounts were restated to include a sum in excess of £8 million – why was this?”*

The £8 million restatement in 2005 was for the recognition of the provision for the development subsidy payment in respect of the Le Coie development, which was not certain in previous years.