

STATES OF JERSEY



THE REFORM OF SOCIAL HOUSING (P.33/2013): FOURTH AMENDMENT (P.33/2013 Amd.(4)) – COMMENTS

**Presented to the States on 13th May 2013
by the Council of Ministers**

STATES GREFFE

COMMENTS

The intention of this amendment is, following any approval of P.33/2013 to request that the Minister for Housing bring forward separately proposals for a rent policy for consideration by the States Assembly.

The amendment is not accepted for the following reasons –

Firstly, the necessity for a return to and the implications of a 90% of equivalent near market Fair Rent Levels has been set out in comprehensive detail within P.33/2013 “The Reform of Social Housing”, R.125/2013 “Full Business Case” and also in the Council of Ministers comments to P.33/2013: second amendment. A full Social Impact Assessment was undertaken as part of the development of the proposed return to Fair Rent Levels and the implications of this and for the Social Security system are clearly explained within these reports.

Without a return to Fair Rent Levels, the Business Case of the proposed new Housing Company will not be viable, residents who can afford to do so will continue to receive an untested and unintended rent subsidy and the social housing sector will not be re-established onto a sustainable and robust financial footing.

Conversely, if lower rent policy were to be adopted, tenants will have less incentive to be socially mobile and to consider affordable housing solutions, the social sector will not generate as many new properties to address the significant waiting lists identified within the Affordable Housing Gateway and so tenants will suffer an absence of alternatives and an increased dependence on subsidy. An 80% rent policy would benefit in an untested way those tenants most able to afford to pay the Fair Rent Level.

The amendment refers to a 20 year old policy. In fact this policy, introduced by the former Housing Committee following adoption of the Housing Strategy for the 1990s was also developed in a time of rising house prices and limited supply – a scenario familiar to those unable to be housed properly at present in Jersey.

What is being established as an important principal by P.33/2013 is that those tenants able to afford to contribute to their rent should do so and should not receive an untested subsidy. P.33/2013 makes very clear that the Annual Return, maintained in real terms, can be sustained by the proposed new Housing Company. This has been robustly demonstrated within R.125/2013.

The amendment refers to 2 reports that it is implied have not being provided with sufficient notice to States members to enable their findings to be considered by States members.

In fact, careful reading of the relevant sections of P.33/2013 makes clear that both were proposed to follow any approval of P.33/2013.

Paragraph 3.12.9 (vii) on Page 25 of P.33/2013 refers –

“If the States approve this Report and Proposition (i.e. P.33/2013), it is proposed that this rent policy be implemented from April 2014. To enable this to happen, the Minister for Social Security will need to be asked to take such steps as are necessary to adjust the rental component of Income Support

through Regulations, including setting the appropriate level of Income Support in the Private Sector.”

However, because of the concern stated within the amendment, the Minister for Social Security has agreed to publish a Report on his proposals for Private Sector income support should P.33/2013 be approved. In this report the Minister for Social Security makes clear his proposal to separate the basis for calculating Private Sector Income Support housing support thresholds from the current caps and therefore this matter can be considered entirely separately from consideration of P.33/2013.

Paragraph 3.63 on Page 38 of P.33/2013 –

“Once a workable solution is identified, a proposition will be taken to the States to seek their approval for the proposed funding strategy, in compliance with Article 21 of the Public Finances (Jersey) Law 2005.”

Clearly, it would be inappropriate for the Minister for Treasury and Resources to pre-empt any decision by the States Assembly with regards to P.33/2013 and therefore there has never been any intent to bring forward funding proposals in advance of the debate on P.33/2013.

The amendment sets forward that the use of an annual return is unique compared to other examples of social housing around the world. Whilst this may be true, this doesn't mean that the arrangement is not valid or sensible. In Jersey, where a single unified Income Support system has been developed, it is possible to separate the provision of social housing in a consistent way (i.e. in accordance with Fair Rent Levels) from the provision of social support through the Income Support system, and for the costs and subsidy within each to be transparent. The Annual Return provides a sensible and transparent mechanism for the broad costs of providing for social support to be met from rentals charged to recipients of that provision. It would be more bizarre for the States to resolve to continue to provide an untested and unintended hidden subsidy to tenants that would only benefit those in the social sector able to afford to pay the 90% of equivalent market Fair Rent Level.

The amendment proposes a form of Rent to Buy scheme as an alternative means to provide funding to the social housing sector.

Whilst such a scheme may have merits, this would need to be tested by the proposed Strategic Housing Unit to see if it would be supported by funders and affordable and of interest to potential recipients as tested through the Affordable Housing Gateway. If it were to find favour this would then need to be presented for approval to the States Assembly, together with other affordable housing products considered suitable.

But, it is important that such a scheme is not considered an alternative for the significant funding deficit in social housing nor would it provide an incentive for the market to develop new social housing, which the re-introduction of Fair Rent Levels proposed in P.33/2013 would achieve.

The Minister for Housing and Officers of the Housing Department have provided Deputy T.A. Vallois of St. Saviour with several individual briefings during 2012, including a formal briefing about the financial model supporting the proposed transformation which was provided to the Health, Social Security and Housing Scrutiny Sub-Panel, and also provided Deputy Vallois with responses on all her

information requests during the consultation period. Therefore, on reflection it is hoped that Deputy Vallois accepts that there has been an appropriate response from Ministers during this period.

In conclusion, the proposals in P.33/2013, contrary to what is asserted within the amendment, will encourage the development of more social housing, remove hidden subsidies and disincentives to save, will only draw a handful of Tenants into Income Support and put the social housing sector onto a firm financial footing for the long-term that should remove the need for capital subsidy by the States.

It is important to note that the amendment perhaps also misunderstands the mechanics of legislation proposed within P.33/2013, which set out that if P.33/2013, and the subsequent regulation of social housing Enabling Law were to be approved, the Chief Minister would bring back regulations proposing the rent policy. The States therefore have ample opportunity to debate the suitability of the proposed rent policy within the programme of transformation proposed within P.33/2013.

The Council of Ministers are pleased to note that the intent of the amendment was not to derail P.33/2013, but the delay to the transformation that would result cannot be in the best interests of tenants in need of decent homes and would in effect undo the coordinated approach that has been sought by the Council of Ministers for this important strategic objective.

Accordingly, it is recommended that the States reject this amendment to require the Minister for Housing to bring back detailed proposals for rent policy.