



Corporate Services Scrutiny Panel Starter Home Deposit Loan Scheme Review Hearing with the Minister for Treasury and Resources

WEDNESDAY, 13th FEBRUARY 2013

Panel:

Senator S.C. Ferguson (Chairman)
Deputy J.G. Reed of St. Ouen (Vice Chairman)
Connétable D.J. Murphy of Grouville
Deputy S. Power of St. Brelade
Deputy R.J. Rondel of St. Helier

Witnesses:

Senator P.F.C. Ozouf (Minister for Treasury and Resources)
Treasurer of the States
Director, Corporate Policy
Project Director, Treasury

[11:30]

Deputy J.G. Reed of St. Ouen (Vice-Chairman):

We run quite a strict policy that our meetings will start and finish at the right time. As I say, unfortunately, the Minister for Treasury and Resources is still to be present so until we await his arrival, I would like to draw your attention to our code of behaviour for members of the public. I believe most of you already know the rules that apply and you are aware of an intervention at the last public hearing. I do want to encourage public reaction and interaction. However, during the public hearing, that is not allowed, although we are available to take written submissions or be contacted afterwards to discuss any matters you might have.

Senator S.C. Ferguson (Chairman):

We will read the blogs.

The Deputy of St. Ouen:

What I intend to do is we will go around the table and introduce ourselves and then if the Minister still has not arrived, we will then just wait for his arrival. So without further ado, Chairman, would you like to start?

The Deputy of St. Ouen:

Thank you. Well, welcome, gentlemen. I am not sure if we can go much further at the moment but perhaps, briefly, you could just explain your involvement in this particular scheme.

Project Director, Treasury:

Yes, well, from our point of view, obviously we are assisting in the development of the policy and the focus obviously for us in Treasury initially was to find a mechanism whereby the funding could be made available for use for this particular scheme in the right way and that was the question of, if you like, the funding was in the Dwelling Houses Loan Fund which we could not use to meet the parameters of this scheme in the way it needed to work. So we identified the way that effectively we will ring fence it and use it for this particular scheme. We are then also working with the Chief Minister's Department on the development of the proposals of how the scheme will be administered to make sure that while it is a 3-month scheme or a 6-month scheme, these loans will run for 20 years. There has to be an arrangement at the back of it to make sure that that aftercare ... that the collection of regular repayments ...

Senator S.C. Ferguson:

When did you start working on it?

Project Director, Treasury:

I have probably been involved for 3 months.

Senator S.C. Ferguson:

So 3 months from and to ...?

The Deputy of St. Ouen:

November.

Senator S.C. Ferguson:

November?

Project Director, Treasury:

Yes.

The Connétable of Grouville:

Did you say 20 years?

Project Director, Treasury:

The loan repayments on this particular element of the deposit would need to be 20 years.

The Connétable of Grouville:

The 20 years, that is on a monthly repayment basis on the capital only. Is that correct?

Project Director, Treasury:

Yes.

The Connétable of Grouville:

There is a notional interest rate being accrued during the meantime?

Project Director, Treasury:

I think what we are saying is that is still to be agreed but I think your comments earlier about perhaps we might link it, for example, to the market rate applied by the principal lender maybe.

Director, Corporate Policy:

The precise rate to be agreed but the policy notes if you sell that for profit, interest is recoverable up to that profit.

The Connétable of Grouville:

It is a notional interest. You are not adding it on until the end ...

Director, Corporate Policy:

No.

The Connétable of Grouville:

... when there is a profit assumed, an earlier profit, but you will take that away when they re-sell.

Okay.

Senator S.C. Ferguson:

But you also talked about paying a certain amount of the deposit off monthly.

Director, Corporate Policy:

It is a zero per cent interest, albeit there will be a notional amount calculated should there be a sale profit.

Senator S.C. Ferguson:

So hang on a minute. So I have got a loan of £50,000. That is gradually paid off over the 20 years. Now at the end of the period, if I have still got £25,000 of the loan outstanding, of the deposit rather outstanding, is my interest rate on the £25,000 or the £50,000?

Director, Corporate Policy:

The monthly repayments will be calculated to repay the whole deposit over the 20-year life so there is outstanding at the end of the term ...

Senator S.C. Ferguson:

Yes, but if I sell after 5 years or 10 years or something, I have paid off ... it will be ...

Director, Corporate Policy:

The calculation would be of the capital outstanding at any point in time.

The Connétable of Grouville:

It is what we call in the financing business a reducing balance. Correct?

Director, Corporate Policy:

Yes, and so you would be paying the capital so the interest would be applied to each period on the outstanding capital balance.

The Connétable of Grouville:

Yes, so it is based on a reducing balance and that is it ...

Senator S.C. Ferguson:

So if I make a profit after the 20 years, I do not pay any interest?

The Deputy of St. Ouen:

He is coming in here now.

The Minister for Treasury and Resources:

Good morning.

The Deputy of St. Ouen:

The Minister has just arrived.

The Minister for Treasury and Resources:

Deputy Rondel has been tweeting already.

The Deputy of St. Ouen:

Has he?

The Minister for Treasury and Resources:

Yes.

The Deputy of St. Ouen:

I would just like to welcome you, Minister, and Treasurer ...

Treasurer of the States:

Good morning.

The Deputy of St. Ouen:

... to our public meeting. We did start the meeting as planned at 11.30 and so we would just like you to introduce yourself briefly and then we will move on with the questions.

The Minister for Treasury and Resources:

Senator Philip Ozouf, Minister for Treasury and Resources.

Treasurer of the States:

Laura Rowley, Treasurer of the States.

The Deputy of St. Ouen:

Thank you very much.

The Minister for Treasury and Resources:

I am sorry if I was a couple of minutes late.

The Deputy of St. Ouen:

No problem. Minister, could you please explain where the idea to start a home deposit loan scheme came from?

The Minister for Treasury and Resources:

Right, I am sure that you have had evidence from the Minister for Housing and I would be quite surprised if you did not get, I hope, a consistent line from him. The Strategic Plan for the States sets out under page 9 a section on housing in our community and one of the key actions in the Strategic Plan which obviously the States signed up to, was to bring forward schemes to support first time buyers. So if we think back to the Strategic Plan, the key housing in our community objective was originally ... the first discussions, as I recall, happened against that. Now why did the Council of Ministers put forward a proposal to assist first time buyers? Well, generally, there is a view that we should be supporting home ownership and all sorts of indeed other home tenures in this period of office of the Council of Ministers. We are putting funding in social rented schemes. We are doing a lot. We have just turned the first ground at the Trinity Parish scheme. We are doing a lot generally in the housing market. That is good for the economy because it keeps people employed. It provides stimulus. We will not rehearse all the arguments that I have given in evidence to the panel in the past about the importance of fiscal stimulus in the general housing area; construction, et cetera. But we also recognise that in this difficult economic time, there has been a change by local banks, particularly in terms of lending criteria. You are going to receive evidence I think later on from Peter Seymour from the Mortgage Shop and, no doubt, he will be able to explain to you how, since the financial crisis in 2007, banks have clearly changed their lending criteria and we have seen certainly a tightening of credit. We have seen a fall in the number of house purchases going through the Royal Court and we have seen a fall in lending and we believe that we can do some limited, careful housing market interventions in order to boost the housing market numbers which of course are in a 5-year low in terms of numbers but we could also assist, prudently, Islanders to get on to the first time buyer ladder and get into home ownership in a situation that they otherwise would not be able to.

The Deputy of St. Ouen:

Have you chosen or selected the scheme that is being operated in ...

The Minister for Treasury and Resources:

There are schemes operating in a number of jurisdictions, as you will be aware. I have got a file here which Paul Bradbury can also share with you in terms of ... there are lots of countries that are assisting first time buyers. There is the quite well-publicised first time buyers' arrangements in the U.K. (United Kingdom). There is a whole range of shared equity step up policies that have been done in the U.K. which, largely, are regarded as being successful in terms of getting people into home ownership.

The Deputy of St. Ouen:

In particular, have we got a scheme ...

The Minister for Treasury and Resources:

There is New Zealand and Canada. This is obviously a bespoke scheme for Jersey. Obviously, the Jersey market is different and, relatively speaking, I know that the radio this morning said that we were going to help hundreds of Islanders. I am afraid that it is rather unfortunate at raising expectations. This is a relatively small trial scheme which, under the arrangements that we have put forward for States approval, is likely to help up to 100 Islanders so it is quite small in the grand scheme of things.

The Deputy of St. Ouen:

What inspiration, if any, did you take from the first time buyer scheme that you mentioned previously which the U.K. Government introduced in its 2011 budget?

The Minister for Treasury and Resources:

I have been involved in politics in Jersey for, as you know, 13 years and I have at all times in those 13 years, been involved in various different housing issues. I catalysed the Mike Parr Report into the housing market in 2000. I came up with the idea of the split 45/55 per cent rezoning proposals. I was Planning President for a while. I have been on the Housing Committee I think, I am not sure, with you, Deputy, but I have been involved in housing, politics and policies for the last 12 years. I think it is really important that the States do everything that they can to help people achieve decent home standards and, where possible, home ownership. So I could not point to one single particular source of this and of course this is a joint initiative with myself and the Minister for Housing.

The Deputy of St. Ouen:

From what you just said, are you suggesting that this is sort of basically an idea that you have been promoting with the Minister for Housing?

The Minister for Treasury and Resources:

No, it is a joint proposal. It does not matter where it comes from. The fact is it is here and it responds to a need and it responds to a strategic plan objective where the Minister for Housing and myself are doing exactly what the Strategic Plan asked us to do which is bring forward proposals to boost first time buyer housing purchase.

The Deputy of St. Ouen:

Just to summarise, you are saying it is a bespoke scheme for Jersey. It does not mirror anything else that is being used or tried in other jurisdictions and it is particular to our Island.

The Minister for Treasury and Resources:

Yes, but there will be schemes where this has been held. There is a lift scheme in the U.K. that is being used, there is a Scottish scheme and there is a scheme that was promoted by the U.K. Chancellor in I think 2 budgets ago and we have not lifted a scheme from elsewhere. We have basically provided a scheme. The source of it of course is that you have to have the availability of funds and so there were calls, as I am sure you will recall, for the Treasury with Housing to reintroduce a States loan scheme. Now I do not think that is realistic. I do not think the States should recommence being a building society. It would create all sorts of capital requirements that we would have to do and I do not think ... while credit is difficult and lending is clearly not as plentiful as it was a few years ago, we have responded to the particular issue of the deposit requirements which is a blockage for people getting into home ownership.

The Deputy of St. Ouen:

What has been your personal involvement in the development of these proposals?

The Minister for Treasury and Resources:

Right from the start with the Minister for Housing, we came up with the requirement ... we asked officers to come forward with a scheme and discussed it with the Chief Minister, I discussed it with the Treasurer and then, if I may say, this is a very good example of the Chief Minister's Policy Unit, under Paul Bradbury now, responding to a ministerial objective which is a multi-ministerial objective for both the Minister for Housing and myself, and a policy worked up which is a very good policy, soundly based, supported by the Treasury and supported by economic analysis and economic advice and moved quickly.

[11:45]

Senator S.C. Ferguson:

Yes, because you started this in October last year?

The Minister for Treasury and Resources:

I think that is probably about right.

Director, Corporate Policy:

It was first announced by the Chief Minister in response to a question about deposit ... the Dwelling Houses Loan Scheme and States loans but it is fair to say, yes, it started in earnest in the autumn.

Senator S.C. Ferguson:

Thank you.

The Minister for Treasury and Resources:

After the Strategic Plan was passed.

The Deputy of St. Ouen:

Who have you consulted during the development of these proposals?

The Minister for Treasury and Resources:

Well, the proposals have been effectively worked on by Paul Bradbury and his team and they are responsible ... the Minister for Housing and myself sets effectively the broad parameters of what we are looking for and then it has been Paul Bradbury and his team that have worked up the details of them. I have certainly taken the normal sort of Jersey soundings of whether or not people think this is a good idea. There has been media interest in this. I have had quite a lot of calls, interestingly, from Islanders about it, I have had quite a few emails, questions and I had one just this morning from somebody saying: "Are you recommencing the States loan scheme?" So there is quite a lot of interest in it.

The Deputy of St. Ouen:

No disrespect to the Director of Corporate Policy but have you sought any expert advice in this area in addition to the advice that has been provided by the Director?

The Minister for Treasury and Resources:

Well, it is our in-house experts. We have got a Housing Department that has got 40 years of experience in supporting people into home ownership, we have got some very good officers in the Housing Department, we have got a good Economic Adviser, we have got Treasury experience in running a loan book in the modalities and the administrative arrangements and ...

Director, Corporate Policy:

A whole range of market expertise in terms of the lenders and the brokers we have spoken to.

Senator S.C. Ferguson:

Did you speak to the F.P.P. (Fiscal Policy Panel)?

The Minister for Treasury and Resources:

I might have mentioned it but I do not think ... this is £3 million and I am not sure that ... I have got advice from the Economic ... the F.P.P. is there for advice on the big issues, Senator, in relation to Annual Business Plan, medium-term ...

Senator S.C. Ferguson:

I merely asked did you consult the F.P.P.?

The Minister for Treasury and Resources:

I might have.

Senator S.C. Ferguson:

No. Fine, thank you.

The Minister for Treasury and Resources:

I might have mentioned it in my regular dialogue that I had with them when they came over but I cannot remember but the Economic Adviser has been the principal adviser.

The Deputy of St. Ouen:

That is the next question. What economic advice have you received on the proposal and the impact of it?

The Minister for Treasury and Resources:

Yes, well, I think it is really important for politicians to recognise that, despite good intentions, you can create market distortions and it is absolutely imperative that, while we like to do things to boost home ownership, sometimes you can have unintended economic consequences. So I have been absolutely insistent with the Minister for Housing that we discuss these proposals from the very start with the Economic Adviser and he has helpfully given of his time. We have met him I think on one formal occasion but on a couple of other informal occasions and he has produced some written advice in order to guide us in the creation of this plan.

The Deputy of St. Ouen:

Just before I move on to Deputy Power, would it be possible for you to share that advice from the Economic Adviser with us, please?

The Minister for Treasury and Resources:

Yes, no problem with that at all.

The Deputy of St. Ouen:

Thank you.

The Minister for Treasury and Resources:

We have got an email there which I think summarises it. I think we were expecting that question.

The Deputy of St. Ouen:

Just forward it to us. We will not waste any time on it today.

The Minister for Treasury and Resources:

No, that is fine and, helpfully, the Economic Adviser, in advance of this meeting today, thought you might be interested in that. He has summarised his advice in a note ...

The Deputy of St. Ouen:

Indeed.

The Minister for Treasury and Resources:

... over the period of the time of the evolution of the scheme.

The Deputy of St. Ouen:

Right, thank you. Deputy Power.

Deputy S. Power:

I just wanted to follow-up on one question, Minister, and that is that you were right to point out that the media coverage this morning was, in some ways, inaccurate. This is a trial scheme, a small scheme of up to £3 million which will be available with deposits of between £30,000, £40,000 and £50,000 and it may approach something in the region of what looks like 60 to 80 or maybe 90 mortgages over a trial period.

The Minister for Treasury and Resources:

Yes.

Deputy S. Power:

In your opinion, what would be the trial period?

The Minister for Treasury and Resources:

Well, the trial period will be for as long as the £3 million is available. I am getting the impression that such is going to be the interest of this, I imagine that it is going to ... and indeed I would regard that as a big success if the scheme was effectively to be oversubscribed or fully subscribed pretty quickly. It may well be 6 months, it may well be shorter than that but I imagine that it will be certainly from start to finish that the trial scheme will certainly be fully discharged within the course of this year.

The Deputy of St. Ouen:

We will move on to, Deputy Power, to looking at it in more detail when I question the scheme and the impact that it has. There are a couple of other questions I would like to deal with first and that is what discussions have there been with the Council of Ministers about the proposals that are being lodged?

The Minister for Treasury and Resources:

Yes, obviously the Council of Ministers has discussed housing extensively during the evolution of the Strategic Plan and, as I have mentioned earlier, page 9 of the report that the States signed up to has the specific action for the Minister for Housing and myself to look at first time buyers. So that is the first issue. I think that we have given a commitment to bring this. Obviously, it had been spoken about and we were under some pressure to bring this matter to a conclusion and lodge a report. I gave a commitment that I was going to do so in the budget and we circulated to the Council of Ministers on 30th November an email where I asked Ministers to review the proposal and I welcomed any thoughts or improvement to the proposition which was going to be lodged a few days after. From what I can recall - I have just checked my emails - I do not think I have got any emails back from any Ministers which normally means that is a measure of support but certainly I spoke to a few Ministers about it and I did not receive any negative comments.

The Deputy of St. Ouen:

Is it normal practice that propositions - and I believe this is from yourself - before they are lodged are reported and brought to the Council of Ministers for their consideration?

The Minister for Treasury and Resources:

Yes, that is why I sent around on 30th November.

The Deputy of St. Ouen:

Is it normal practice for it to be dealt with by email or in any other form?

The Minister for Treasury and Resources:

Sometimes the Council of Ministers will perform its business over email and this did not require a Council of Ministers approval because obviously it is an issue which is for both the Minister for Housing and myself and it is not unusual. Where there is a matter which the Council of Ministers needs to express a view on, certainly there needs to be a fully tabled discussion about it. On this occasion, I circulated it by email but I was working to a deadline of course which was to lodge the proposal and indeed the Minister for Housing made a statement which we wanted to do just in advance of the budget pursuant to the commitment that we made a few weeks before.

The Deputy of St. Ouen:

So the deadline was linked to what?

The Minister for Treasury and Resources:

To the lodging of the budget.

Deputy S. Power:

I just wonder where was the pressure coming from, Minister, for the deadline? Did you set the deadline? Who set the deadline that put you under pressure at the end of November?

The Minister for Treasury and Resources:

Deadlines are important.

Deputy S. Power:

Deadlines sometimes are not.

The Minister for Treasury and Resources:

You deal with it.

Deputy S. Power:

I just want to know why this pressure came in such a compacted period of time.

Senator S.C. Ferguson:

Was it self-imposed?

The Minister for Treasury and Resources:

Yes, self-imposed deadlines are good but I ...

Treasurer of the States:

It was in part, if I recall, in response to the economic circumstances and the need for the fiscal stimulus and to ...

Senator S.C. Ferguson:

In respect to what the F.P.P. said in September/October effectively.

Treasurer of the States:

I think it is all part of that same picture.

The Minister for Treasury and Resources:

Yes, but you make an interesting point is that perhaps I was not as complete. This I regard as being fully compliant with the F.P.P. clear advice which is that we should be doing everything we can and we should be using all available resources that we can to engage in counter reciprocal fiscal stimulus measures and that we should be looking at all opportunities. This one would certainly fall within the category. We are using £3 million of exiting funds to leverage probably an additional £30 million or £40 million worth of stimulus to the housing market.

Deputy S. Power:

Because it is a small scheme and a trial scheme and a test scheme, the reason for that is that it will not have a distorting effect on the market.

The Minister for Treasury and Resources:

We have been very careful in the construction of the team and this is the thing that has commanded a lot of discussion between Ministers and the Policy Group and indeed the Economic Adviser to make sure that nothing in this scheme is going to have the impact of artificially inflating house prices which is why, if we go through the scheme, it is really carefully balanced. There are a number of ways that you can protect yourself against unintended inflationary distortion. First of all, the scale of the scheme. It is quite small in the grand scheme of things. There is about normally between 800 and 1,000 properties that normally transact within the housing market, about 220 per quarter, to just put that into context. So that is the first thing. It is relatively small. Secondly, we have spent a lot of time on the 3 key criteria which we are setting the deposit on. First of all, the fact that it is a 15 per cent deposit and not more so we are only intervening to the extent of 15 per cent. Obviously, U.K. schemes will go anything up to 60 per cent or 70 per cent in terms of the assistance that a buyer has bought. Secondly, we spent quite a lot of time on this

whole issue of maximum price for different categories of houses and we have been very clear that the qualifying properties ... some people may well be disappointed by this but you can only get through the gate ... first of all, you have to get through the gate as a qualifying purchaser so that is narrowing down both significantly who can access the scheme. But certainly the maximum purchase prices for the individual types of property are in the bottom quartile of the housing market.

Deputy R.J. Rondel:

So have you done any work on how many properties may be available under this scheme in the market?

The Minister for Treasury and Resources:

We have not done a market analysis but it is fair to say that there are hundreds of properties available. I do not think we need to do any analysis of the fact that it is very clear that they are hundreds of properties for sale. There is probably almost an unprecedented amount of supply of properties in all categories of one-bedroom flats, 2-bedroom flats, 3-bedroom houses and 2-bedroom houses.

The Deputy of St. Ouen:

Sean, would you like lead on?

The Minister for Treasury and Resources:

I am sorry, the second thing is of course the maximum income threshold that you can apply. It is quite tight. There is a gateway which is a very limited amount of people that can access the scheme.

The Connétable of Grouville:

If I can just come in on that report. Sorry, Sean. You are talking about affordability now apart from eligibility I understand.

The Minister for Treasury and Resources:

Yes.

The Connétable of Grouville:

I understand Mr. Shilliday earlier on was kind enough to let us know that the repayment term of these loans is going to be 20 years.

The Minister for Treasury and Resources:

Yes.

The Connétable of Grouville:

With no interest payable until the end when it is rolled up. Is that ...

The Minister for Treasury and Resources:

Well, no, it is not rolled up interest. It is ...

The Connétable of Grouville:

Notional rolled up interest.

The Minister for Treasury and Resources:

It is not rolled up interest, Connétable. If a 15 per cent is bought, it is basically the deposit will be returned commensurate to the 15 per cent sale price of the property at the time.

The Connétable of Grouville:

Well, that is not the impression we were given this morning. We were given the impression that there was going to be a notional interest rating which would be added on at the end if a profit was made.

Director, Corporate Policy:

It is an interest free loan. The reason it is interest free is because that is what genuinely ...

The Connétable of Grouville:

Sorry, I am not talking about the loan. I am talking about ...

Director, Corporate Policy:

But that generally increases affordability.

The Connétable of Grouville:

The difference between a share of the profits and a notional interest rate, that is what I want to know.

Director, Corporate Policy:

Just to be clear, it is not a share of the profits. It is saying if there are profits, there will be an interest rate applied if the property is sold before the term.

The Connétable of Grouville:

Is this an interest rate on the share of ...

Treasurer of the States:

It is an interest rate on ...

[12:00]

Director, Corporate Policy:

It is an interest rate on the amount on our advance.

The Connétable of Grouville:

It is an interest rate. It is not a share of the profit? I think you were saying it was a share of the profit.

Treasurer of the States:

I think what the Minister means is it only becomes payable if there is a profit.

The Connétable of Grouville:

I know. Yes, we understand that but the amount payable at the end, is that calculated on a notional interest rate applied to the reducing balance or is it a share of the profit, i.e. a 15 per cent share of the profit?

The Minister for Treasury and Resources:

It is the former.

Treasurer of the States:

It is a notional interest rate.

The Connétable of Grouville:

Now is a notional interest rate applied to the reducing the balance of the loan over the period of the loan, over the 20 years.

Director, Corporate Policy:

Insofar as there is a profit on sale.

The Connétable of Grouville:

Of course, I understand that.

Senator S.C. Ferguson:

So if it gets to 25 years, there is a profit on sale, there will be no interest rate applied to anything?

Director, Corporate Policy:

If it runs the term then it has done what it says on the tin, it has given you your home for a good 20 year period. After that ...

The Connétable of Grouville:

Then at the end of it you are then applying, as we agreed a notional interest rate which will then be applied to a proportion of the total profit, i.e. 15 per cent, if it is a 15 per cent deposit? If you lend them 15 per cent of the total purchase price, you will then take either 15 per cent of the profit, use that to pay the notional interest rate, correct?

Treasurer of the States:

No, we will not take ... the profit ...

The Connétable of Grouville:

Well, your notional interest rate, what will be the total amount available?

Treasurer of the States:

All that will happen, Constable Murphy, if the situation pertains that Senator Ferguson describes, when a person gets to the 25th year and gets to the end ...

The Connétable of Grouville:

Twentieth.

Treasurer of the States:

The 20th year, they will have benefited from an interest free loan for that period. What we are trying to do is to guard against a situation in which in 5 years' time an individual sells their house and makes a profit. We do not want them to ... we want to apply then a notional interest rate to the 15 per cent that we have lent them. They may pay that out of their profit, we do not mind how they pay it to us but they will have to pay it to us.

The Connétable of Grouville:

So if they do not make a profit?

Treasurer of the States:

If they do not make a profit then ...

The Connétable of Grouville:

After 5 years.

Treasurer of the States:

... they do not pay us.

The Connétable of Grouville:

They do not pay any interest?

Treasurer of the States:

No.

The Connétable of Grouville:

So it is an interest free loan unless they make a profit?

Treasurer of the States:

Yes.

The Minister for Treasury and Resources:

But depending on the reducing balance of the ...

The Deputy of St. Ouen:

Rather than continue this line of discussion, it would be extremely useful if you could provide details of ...

The Minister for Treasury and Resources:

But it is in the report.

The Deputy of St. Ouen:

Well, it is and to be honest is causing some confusion about how you are going to recover ...

Senator S.C. Ferguson:

It is better if you do some ...

The Deputy of St. Ouen:

If you just sent us some examples, it would be easier to understand. Because ultimately the public who will want to subscribe to this scheme equally will want to know how it operates.

Deputy S. Power:

The next question would be if you could explain, Minister, your role and the department's role in the administration of the scheme and how that works with the Housing Department. Who is going to administer what where?

The Minister for Treasury and Resources:

It is the Treasurer.

Treasurer of the States:

The current proposal, Deputy Power, is that we would seek to find a partner in the form of a bank or a building society who would work with us and would do the administration of the scheme for the finite period. We would make the decision as to the ... if we were to extend the scheme we would make a decision then as to the long-term administrative arrangements that could apply. Within the Treasury at the moment we do already administer loans of various sorts, including from the Dwelling Houses Loan Fund but also on the loans as well and we could make similar arrangements to that, but that is a decision that we can take at a later stage, if the scheme continues.

Deputy R.J. Rondel:

Could I just ask, how many lenders do you have on board with this scheme?

Treasurer of the States:

At the moment one, possibly 2 for the pilot.

Deputy S. Power:

In terms of the assessments, the initial assessments on the eligibility and gateway, how do you envisage that being done?

Treasurer of the States:

For the pilot scheme we envisage that being done ... once the individuals have met the criteria for housing, our own criteria, then they would have to meet all the requirements of the partner bank or building society. So the same due diligence would apply to the States 15 per cent as would apply to the bank lending the 85 per cent.

Deputy S. Power:

So who will be doing the due diligence on behalf of the list of people who are applying for this deposit?

Treasurer of the States:

Well, once they have met the States criteria for eligibility, beyond that it would be the partner bank or building society who would be undertaking that.

Deputy S. Power:

Okay, but the administration, not the eligibility, who is doing that?

Director, Corporate Policy:

Strategic Housing Unit, using the housing gateway team.

The Deputy of St. Ouen:

Can you just explain in the report, which is item 3.6, it says: "The accounting officer for the scheme would be the Treasurer of the States and eligibility for loans in relation to individual applications with reference to the scheme criteria would be signed off under the old Strategic Housing Unit." How does that fit in with what you have just explained to us?

Treasurer of the States:

It fits perfectly because the Minister for Housing's colleagues and the team within Housing will decide upon people's eligibility for the scheme. It just happens that the Dwelling Houses Loan Fund is being used to fund this scheme, the Dwelling Houses Loan Fund is my responsibility as accounting officer.

The Deputy of St. Ouen:

I just question it because it quite rightly points out that you are the accounting officer for the scheme, but you have just said, as I understood it earlier, that the administration of the scheme will be done by the mortgage lender. How on earth are you going to make sure that the mortgage lender is going to meet all the financial directions and requirements that the States place on you relative to using taxpayers' funds?

Treasurer of the States:

I do not have any concerns about that. The bank or building society that is the partner organisation will be lending 85 per cent so we will be lending 15 per cent, I do not have any concerns that a professional organisation like a bank or a building society would have appropriate controls in place. I will meet with them once we get to that stage to review the arrangements and

we will meet with them to discuss how those administrative arrangements would work. But we certainly would not choose a partner who is not capable of administering these relatively modest amounts of money.

The Connétable of Grouville:

How many of the lender institutions have signed up to this scheme?

The Minister for Treasury and Resources:

We have just said that, we have one institution which is definitely going to sign up and we are hopeful that there is going to be at least one other for this pilot scheme. It would be good, certainly, to have more than that first lender ...

The Connétable of Grouville:

If you only have one you are a prisoner of the rates they choose to charge.

The Minister for Treasury and Resources:

That is why we are quite keen to ensure that there is a second one, but also let us be clear ... I met one of the chief executives of the bank yesterday who was not previously ... on other business and I explained the scheme, he had picked it up from the media, and he is probably going to be back in touch with the Strategic Policy Unit to express a view of being interested in it. So clearly there is interest that is growing in this, and if we go to a more permanent scheme I imagine that there is going to be an even wider pool available.

Deputy R.J. Rondel:

Two short questions. Sorry, were you ...?

Treasurer of the States:

I was going to add something to Constable Murphy's question because it is a very valid one. If we extend the scheme beyond the pilot period then we would certainly be wanting a number of institutions to be involved, not least because it gives the mortgagee the maximum opportunity to get the best rates that they can. So we would certainly want to be doing that if this scheme extends beyond the pilot period.

Deputy R.J. Rondel:

The lender will lend 85 per cent and the States 15 cent. Who would have first security on that?

The Minister for Treasury and Resources:

The bank. That is the whole purpose of the scheme is we have to provide ... the States will take a second charge behind the ... that is what we are ... it is what it says on the tin, we are providing the ability for a house purchaser to effectively ... we are assisting with them effectively finding their deposit and we are lending them the deposit. That is what we are calling it. It is a scheme, Starting Home Deposit Loan Scheme, we are lending people the deposit. We are protecting ourselves against these monies being lent out by requiring the purchaser to find 5 per cent, so we are not moving to the 100 per cent mortgage, we are doing 95 per cent mortgages, effectively, that is the total arrangement and obviously it is on a very restricted lower quartile valuation of the different elements of property, and that is how we are protecting ourselves and that is why we are confident. Hopefully the Treasurer, when finally off if the States - and I hope they are - are going to approve it, is going to be confident about the underlying security that is available. But it will be a second charge.

Deputy R.J. Rondel:

Would you continue if there was just one lender?

The Minister for Treasury and Resources:

I think we would but I am confident that ...

Treasurer of the States:

Can I just comment on this? The thing that has narrowed down the field at the moment for the potential lenders is the way in which the 15 per cent would be administered. If we administered the 15 per cent in a different way, there would be more banks and building societies interested in lending the 85 per cent. So if we find ... what we would really like to get to is the simplest administrative process for the States to apply to the 15 per cent, which, on balance, is thought to be using a bank or a building society to do the whole thing because, of course, they have to do due diligence on the 85 per cent. If we find, however, that that is a constraint for them that would narrow the opportunities for people to be able to borrow the 85 per cent at a competitive rate. We may have to think twice about how we administer the 15 per cent. Now, that is something that we can think about and evaluate as we go through the pilot.

Deputy R.J. Rondel:

That may well lead to encourage more lenders?

Treasurer of the States:

Yes.

Deputy S. Power:

Again, 2 questions. Anyone can answer this. So one of the options is to review the 15 per cent and how it is administered and then review the monthly repayment because that is obviously part of the administration, which is a problem. But (2), and you can answer that as best you can, if the bank takes a first charge, as is normal, and the Treasurer comes in on a second charge, can you clarify the conveyancing on that. Will there be 2 sets of law firms involved? Are you going to subcontract the States portion of the second charge? How is that going to work?

Treasurer of the States:

We would want our own advice on the 15 per cent, but we would at the same time want to minimise the administrative costs associated. So that is the level of detail that we are going to have to ...

The Minister for Treasury and Resources:

The lender that has signed up, these modalities in terms of the lender, as the Treasurer has said, that has signed up for the scheme is willing to do the administration. The legal advice, I think I was briefed on this yesterday ... Treasurer and Paul, we were briefed yesterday on the fact that the modalities of the legal advice have already been sorted out for that lender. There is one law firm that is going to act for both parties with a Chinese wall, which are quite normal arrangements for these arrangements.

Director, Corporate Policy:

Just comparing, the Dwelling Houses Loan Fund where we lend the full amount as a States loan, the conveyancing is done by the Law Officers' Department. That would have been one option in this scheme, however, if we had a partner bank who is conveyancing and applying charges on their 80 per cent, we can utilise their procedures, their legal advice, having procedures in place ourselves to validate that is correct so that they provide the conveyancing on 15 per cent as well, and that appears to be the most efficient mechanism, and the one provider where we have had discussions confirm they can do that.

[12:15]

Deputy S. Power:

So a normal commercial law firm will do the first charge for the bank and you are proposing that Law Officers will do the second charge?

Director, Corporate Policy:

No, indeed the Law Officers could do the second charge but the advantage of a partnership arrangement is that the people who do the conveyancing of the first charge can also do the conveyancing for the second charge.

The Minister for Treasury and Resources:

There is no sensitivity about having the same law firm doing the charge, it is the advice ... it is all the administrative modalities that we were speaking before, which is the important thing to make sure that you have done. There is obviously the set criteria and then there is obviously the normal modalities of a bank valuation, so notwithstanding the fact that we have only allowed properties to through the gateway at the lower quartile, there is going to have to be a valuation, which is a bank panel valuation, there is all sorts of checks and controls in place. What we do not what to do is create an administration cost that is going to raise our costs ...

Deputy S. Power:

Also the costs for the purchaser of the house, the first time buyer?

The Minister for Treasury and Resources:

Indeed.

The Connétable of Grouville:

Moving on from that at little bit, it is the same area, I am going on to the affordability again which I am worried about because you are putting people into a situation where the net household income at the moment is taken after ... minus income tax, social security, pension contributions.

The Minister for Treasury and Resources:

What page are you looking at?

The Connétable of Grouville:

I am looking at page 4. Anyway, you are dealing with a situation you are creating where on a modest £30,000 borrowing on a second charge that is going to put them into another situation with another £140-150 per month repayment without interest, which they are going to be liable for at the end. Now, this is pushing them again to another limit of expense but in the situation where the loan failed, where people could not keep up the primary repayments that would put the States in the position with a second charge where the only way to get their money back is to pay off the first mortgage. Is that correct?

Treasurer of the States:

Yes, potentially.

The Connétable of Grouville:

Yes, so potentially we would be in a position where we would have to then lay out the 80 per cent in order to secure our 15 per cent, is that correct?

Treasurer of the States:

Foreclosing would be in extremis a possibility.

The Connétable of Grouville:

Of course, that is why we are here for. We are not here to discuss the outline scheme, which obviously everybody is going to cheer and say: "Great, let us have more people on housing loans." Why I am trying to ask, Minister, is exactly what happens if it goes wrong? That is what we are here for, to find out things you may have missed.

The Minister for Treasury and Resources:

On this side of the table too. This is why there is a segregation of duties between the Minister for Housing and the Treasury, and we are mostly concerned with insuring that taxpayers' funds are being allocated prudently, et cetera. Obviously I am advised by the Treasury, advised by the Strategic Policy Unit, you can shake the scheme and see whether anything comes out of it.

The Connétable of Grouville:

Exactly, that is exactly what we are doing. That is what I was saying to you, are the States in the position where they understand that they are going to be liable to take out the 80 per cent first charge in the event of the property being foreclosed by the primary lender?

Treasurer of the States:

The worst position for the States would be to lose the 15 per cent. So the first ... if they bank or building society forecloses on the loan and the property was to be disposed of ...

The Connétable of Grouville:

At less than value.

Treasurer of the States:

Yes, at less than value, only sufficient to cover the 80 per cent that is with the bank or the building society. Then we would be at risk on the 15 per cent.

The Connétable of Grouville:

We would have to just take the knock on that?

Treasurer of the States:

We do understand that.

Director, Corporate Policy:

That assumes a 20 per cent reduction in value and all the affordability tests we did up front transpire.

The Connétable of Grouville:

Yes, but your affordability could be mistaken anyway.

Director, Corporate Policy:

So why is the affordability schedule ...

The Connétable of Grouville:

No, I think because you are not taking enough notice of other outgoings in the household, for instance hire purchase. You are just taking a very broad ...

The Minister for Treasury and Resources:

Sorry, no, no, that is not right.

The Connétable of Grouville:

It is right.

The Minister for Treasury and Resources:

No, it is not. We are relying upon, of course, the bank themselves to go through their own mortgage application requirements and they are going to be lending - as we have said on a few occasions - 80 per cent. They have got skin in this game. They will not want to see a foreclosure, they will not want to lend money on a property which could be subject to a lack of affordability, to negative equity or anything like that. So we are very clear that we have shifted ... and I would imagine that you would welcome this, we have required the bank themselves to be making the assessment of whether or not they are going to lend the 80 per cent to the purchaser. We have put the maximum income per household, not for the sort of credit risk reasons but rather effectively for the criteria. That criteria is for the gateway, the credit issues are largely going to be decisions of the bank which we are going to rely upon and we will have the final sign off.

The Connétable of Grouville:

I am sure Northern Rock thought that as well when they were lending.

The Minister for Treasury and Resources:

Constable, we are then giving them the situation that they are assessing credit on our behalf.

Director, Corporate Policy:

We will validate that process, we are not just going to hand it over to the bank. If it helps as well, and I cannot give you the figures today but I can provide them very shortly, we understand the experience on the Dwelling Houses Loan Fund, which is tremendously minimal in terms of arrears and defaults and we also understand the experience on the basis of the partner in the discussion, which is also tremendously low in terms of arrears and defaults. It assumes a 20 per cent reduction in value, you have to have your assessment criteria and historic circumstances would have to change radically. Bearing in mind we have been in a stagnant market for 3 or 4 years.

The Connétable of Grouville:

Just one more point on this. Would you not be in a much easier position with management and all the other problems you are throwing out at the moment, to just get a guarantee? If you guaranteed the 15 per cent, let the bank lend ...

The Minister for Treasury and Resources:

It is not going to happen.

The Connétable of Grouville:

... 95 per cent, guarantee 15 per cent of it.

The Minister for Treasury and Resources:

It is not going to happen. The discussions we have had with the banks, the discussions that Paul Bradbury and his colleagues have had with the banks, is that that is not going to work. We started this conversation by saying: "Well, go and get evidence from the banks yourself, if you like", but the experience from other places, and we have looked at other schemes in other places, is that a guarantee is not going to be sufficient. We have to provide the liquidity for the deposit.

Director, Corporate Policy:

That is all tremendously valid, but just one thing, if we did that there is no improvement in affordability. This is more affordable because it is a low interest, zero interest rate loan.

The Connétable of Grouville:

The point I am trying to make is you cannot risk affordability because then you put people into a difficult position.

The Deputy of St. Ouen:

We must move on.

The Connétable of Grouville:

Affordability must be the whole criteria right at the start of it.

The Minister for Treasury and Resources:

But that is the bank's decision. You seem to have made your mind up on this before ...

The Connétable of Grouville:

No, I have not made my mind up. I am trying to draw down to find out exactly where our risk is. There has been no risk analysis of this, financial risk analysis.

Treasurer of the States:

I can understand your concern entirely because you are thinking if the bank is doing an assessment that the lender is good 85 per cent and they only have got 5 ... sorry, I keep saying that. They have 80 per cent and they only have a deposit of 5, it is certainly a concern that we have considered for ourselves, will the bank be as bothered about the due diligence associated with the 15 per cent, with the second charge on the property, as they are about the due diligence associated with the 85 per cent. We will not choose a lender who has a cavalier attitude towards the States 15 per cent and we expect a reasonable bank or building society will take account of all of the outgoings of the individual. So typically when you go for a mortgage they will not just look at what mortgage you are going to pay, they will look at all your other outgoings, and it will be absolutely clear to the bank that part of those other outgoings is the other 15 per cent to the States. So the bank will know about that and they will take that into account because that will affect the individual's ability to meet the loan to the bank. So we have really thought about that. We have thought about it as a risk and we have come down on the side that the bank will have full knowledge of the States 15 per cent to take account of the ability to repay the whole loan as well as to meet the other costs that the individual might have.

The Minister for Treasury and Resources:

We do have some background information about the debt and mortgage market. You talk about Northern Rock. Northern Rock has never lent anything in Jersey. I commissioned a report a number of years ago on the Jersey mortgage market, which may be helpful for you to read, by

Oxera to the competition of the Jersey mortgage market. We have got reputable lenders in Jersey and we have seen, while there have been some limited difficulties of people, we have a good sound lending market with responsible lenders making responsible decisions, which we will only choose ... they are the only people that are operating in the Jersey market and we will continue to keep those under review.

The Deputy of St. Ouen:

We have a lot of matters to discuss and we have half an hour left so ...

The Minister for Treasury and Resources:

I can stay longer if you wish.

The Deputy of St. Ouen:

I would just like to ask Sean to pursue his line of questioning and then we will ...

Deputy S. Power:

We have dived into a number of areas and so I think we have covered some of the areas that I was scheduled to ask. What I would like to know is that I noticed on the financial and manpower implications the scheme will require an additional .5 F.T.E. (Full-time Equivalent). The question is this, if the anticipated uptake is within the 6 months how do you think the system will work where you have perhaps a financial appraisal and processing of 70-80 transactions? I think the anticipated uptake will happen and how is it going to be managed with manpower you have?

Treasurer of the States:

I do not think that will be a problem for us at all. We will easily manage to immerse that.

Deputy S. Power:

So you feel that you could do 70 to 80 transactions in the 6 months of the trial scheme, given the resources you are talking about in the report and proposition? To me it seems like a lot.

Treasurer of the States:

I do not think it will be a problem for us at all. The colleagues who are responsible for housing gateway will have the biggest workload because they will be assessing the eligibility for the scheme, but that is their job. They are assessing people for their housing eligibility all the time. So evidence will be needed to demonstrate that the criteria would be met but the people who run the housing gateway are used to doing that kind of assessment, especially, Deputy Power, if we

have the arrangement that is being considered presenting for the pilot scheme whereby the bank or building society takes on the bulk of the administration.

The Minister for Treasury and Resources:

It is probably just worth pointing out that the word in my report says “additional” so it is addressing the existing resources that are there within the Treasury and the housing gateway and what we would be extra prudent by saying in the manpower report that we are going to have an additional ...

Deputy S. Power:

I used the word “additional”. It seems to me, because my own recollection of 2009 in the midst of the financial meltdown of Lehman Brothers and everything else that the 46 mortgages that were done at St. Lawrence really tested people’s ability to cope with disbursements at that time and 46 were done in 6 months, I am not quite sure how you would do 70 or 80 in 6 months, that was the question.

The Minister for Treasury and Resources:

But they will be done within the existing Treasury and Housing resources, what we are signalling in the proposition is that put an extra half person on for doing the extra work that is basically dealing over and above the resources that are available within the Treasury and the Housing Corporate Policy dealing with the gateway.

The Deputy of St. Ouen:

Can you confirm, Minister, whether all the property transaction costs, including stamp duty, will be covered by the loan?

The Minister for Treasury and Resources:

No, the additional purchase costs ... there is a number of additional purchase costs, are there not? There is stamp duty, if it is payable, it is not because all these properties will fall below the first time buyer.

[12:30]

I cannot envisage any purchaser that is going to have to pay stamp duty, because they will all fall below the £450,000 first time buyer. They are all first time buyers and they are going to be below £450,000, okay? So then they have got legal costs, which is a matter for them to deal with and

other costs could be relevant. Obviously estate agents fees are paid by the seller of the property and there may well be some valuation figures which may be £200-300, surveyor's report, those will be a matter for the purchasers.

The Deputy of St. Ouen:

They can borrow up to maximum of 15 per cent.

The Minister for Treasury and Resources:

That is for the value of the purchase of the property, not including the fees.

The Deputy of St. Ouen:

What is to stop an individual from utilising that money for these purposes that you just spoke about?

The Minister for Treasury and Resources:

The 15 per cent is the conveyance value of the property. So it is like every other mortgage, it is no different. If you and I were to pop across to Barclays and go buy a 3-bedroom house together for £400,000 we would get an 80 per cent mortgage and you cannot start putting other things in the 80 per cent mortgage. That is the normal rules of buying a property applying. This is no different. We are not allowing any of the deposit to be used for any of those other costs, which will be low because of the nature of these people.

The Deputy of St. Ouen:

Very briefly, can you explain how a person or couple would apply to this scheme?

The Minister for Treasury and Resources:

Might it be helpful for us to share with the panel the ... the team have put together a quite helpful step through, walk through, process and there is a nice simple presentation of exactly what the administrative process will be. That might be helpful and that might answer your question, and also some of the other process questions that have been asked before. I do not know whether we have given you that.

Deputy S. Power:

We have it already in the pack.

The Minister for Treasury and Resources:

Fine, so that should answer your process questions.

The Deputy of St. Ouen:

Thank you. We hear from the Minister for Housing that there is a potential uptake of over 1,000 people as identified in the housing affordability. We have spoken about helping maybe 60, 70, 80 people, what do you believe the anticipated uptake will be?

The Minister for Treasury and Resources:

It is up to the limit of between 60 and 100 properties, as we have said. I think we need to be very clear of what the question is and what data we are using. I was not here for the Minister for Housing's evidence, but he was referring, I would imagine, to the Jersey Housing Assessments needs, this was originally conceived by the Mike Parr report that I referred to earlier and we spent a lot of time over the last few years in developing a much more sophisticated understanding of supply and demand side. I am not that the 1,000 that the Minister for Housing may be referring to is the cohort of people that are targeted for this group.

Director, Corporate Policy:

The 1,000 is in reference to the quartile we have identified, the bottom quartile, and the maximum income. So that assumes that everybody who has a lower income wants to buy within a 6 month period. That does not seem very ...

The Deputy of St. Ouen:

You have been very clear and you have announced this and, yes, it is a pilot scheme but you plan on continuing with it if it is successful?

The Minister for Treasury and Resources:

We will review that, will we not? If it is successful then we will then consider whether or not to put another scheme in place. I do not think that we will be in a position in 5 years' time to continue with such a scheme. I think this is a particular bespoke scheme for a bespoke period of difficult economic conditions, a tightening of credit requirements for banks and responding to, we believe, the legitimate aspiration of Islanders to achieve the dream of homeownership. But I think that it is important to signal to the fact that there will be limited schemes available for limited periods of time. If send out a signal that this is a permanent scheme that would be available for the next 10 years I think we will be in exactly the kind of difficulties we had earlier and I think when you see the Economic Adviser's note you will see that that is exactly the kind of unintended consequences that could lead to inflation in terms of house prices eventually.

Senator S.C. Ferguson:

But if you call it a pilot scheme you are giving the impression of it being a continuing process.

The Minister for Treasury and Resources:

Well, there could be another one to follow but it will be, again, limited upon advice, given market circumstances and given a review of the lending arrangements that are in place.

Senator S.C. Ferguson:

With funding from where?

The Minister for Treasury and Resources:

We do have some additional bandwidth within the Dwelling Houses Loan Fund, which I know the notes that you have are available. The Treasurer tells me the work that she is doing in relation to overall the work that we have addressed the panel previously, the whole capital requirements of the States, we are looking at a whole range of capital requirements potentially for the States, both in terms of the hospital, in terms of the housing, Housing Department evolution to the housing transformation programme as a standalone unit and we are looking at liquid waste. We are looking at that in the context of a 25 year capital programme and we are looking at various different options for how we fund various capital schemes. I have also said very clearly that the Treasury will keep under review the economic situation of Jersey and that there is flexibility and more flexibility, if necessary, if the economic situation continues to be difficult, we will have flexibility within the capital programme.

Senator S.C. Ferguson:

Yes, that is all very well but you are talking about a scheme which is effectively an interest free loan unless of course ...

The Minister for Treasury and Resources:

With caveats, yes.

Senator S.C. Ferguson:

With caveats, yes.

The Minister for Treasury and Resources:

With restrictions and controls, yes.

Senator S.C. Ferguson:

Why should a part of one quartile, the lowest quartile ... what about the other quartiles, why should the taxpayers in the other quartiles be subsidising this?

The Minister for Treasury and Resources:

They are not.

Senator S.C. Ferguson:

They will be.

The Minister for Treasury and Resources:

No, they will not.

Senator S.C. Ferguson:

It is all taxpayers' money.

The Minister for Treasury and Resources:

Sorry, but you are suggesting ... I do not understand the premise of your question. You are saying that why should taxpayers' funds be used ... first of all we are not ...

Senator S.C. Ferguson:

Well, why should they be used for interest free loans for people when in actual fact if you had a proper rate of interest on this you would plough it back and keep reusing it. It is going to be a diminishing balance because 9 times out of 10 you will not get the money on the increase in value. So why should a taxpayer who is not in the bottom quartile support this?

The Minister for Treasury and Resources:

Of course the people in this circumstance will be taxpayers as well but we will set that aside for the moment. But the ... because they will be earning so they are likely to ...

Senator S.C. Ferguson:

Not necessarily.

Treasurer of the States:

Not necessarily, but the chances are, Senator Ferguson, that the number of people who take up these properties are in circumstances that could make them eligible for social housing, for example. So they could be relieving pressure elsewhere in the housing system, which would be of benefit to the taxpayer. So it is not all one directional.

The Deputy of St. Ouen:

So it is your aim to target social housing tenants in particular?

Treasurer of the States:

No, I am just trying to counter the view that this all downside for the taxpayer. There could be upsides for the taxpayer if there are people in social housing who decide to come forward for this scheme, because it would release housing for other families.

The Deputy of St. Ouen:

If we accept there is a potential uptake of up to around about 1,000, if the Minister for Housing's figures are correct, and we are saying that this particular scheme is going to be limited to 60 to 100 people, what advice would you give those keen to subscribe to the scheme that would give them the best chance of meeting the criteria and achieving their goal of owning a home?

The Minister for Treasury and Resources:

Read the scheme to see whether or not you are eligible and if the States approve this, see about finding a property that once you have got yourself confirmed through the gateway, see whether there are properties available within the lower quartile of the maximum lending criteria that might meet the application successful at the partner financial institution that you are going to go and apply for the mortgage. It is not a slam dunk. This is not a guarantee and this is not a guarantee that people are going to get through. There is a whole series of hurdles, as with all difficult things in life that you are going to get through. Senator Ferguson's questions earlier is we have got, I think, in the States of Jersey a proud history of assisting young Islanders into home ownership. We all know people, we all know friends, family members and colleagues who have been given the chance to own their own home. Owning your own home transforms your life. We should do everything that we can as politicians, prudently, upon advice without unintended economic circumstances to get that dream of home ownership to Islanders. It is not the fault of young first time buyers today in 2013 that because of an international banking crisis, which has nothing to do with Jersey but has ended up by having a tightening of lending by key financial institutions that should mean that we should prevent young Jersey people from getting on the housing ladder. I will stand ...

Senator S.C. Ferguson:

That is very good, Minister, but it is a bit simplistic.

The Minister for Treasury and Resources:

No, it is not, Senator.

Deputy R.J. Rondel:

You will not have any supply.

The Minister for Treasury and Resources:

But that is an entirely different matter, Deputy.

Deputy R.J. Rondel:

Well, it is interrelated.

The Minister for Treasury and Resources:

It is related and if you review the messages that I have been sending out this morning in relation to the Chief Minister's call for Ministers to spend the month of February responding to the housing situation that we have got in the Strategic Plan, this is a multifaceted project. The Treasurer and I have been up at Trinity this morning lending £6 million for a Trinity scheme. Twenty-five first time buyers of Trinity homes. Fantastic. We have got St. Saviour's scheme up and running at the back of St. Saviour Parish Hall. We have got a whole series of work to do to respond to the difficult financial implications of lending, to deal with supply issues, to deal with planning issues and all the rest of it. There is not a silver bullet that is going to assist young Islanders to achieve the home that they desire, whether that be a good warm affordable social house in a shared equity arrangement building on some of the things that Deputy Power did when he was there, all achieving first time buyers. I am enthusiastic and I will stand by the history of the States helping getting people into home ownership.

Senator S.C. Ferguson:

Yes, they may have helped them into home ownership but they were helping them stand on their own 2 feet because they were paying ... they were not getting for free.

The Minister for Treasury and Resources:

That is not right, the States loan scheme ...

Senator S.C. Ferguson:

Was not getting money for free, they paid interest. But, anyway, sorry, I am off the point.

The Minister for Treasury and Resources:

That is not right, Senator.

Director, Corporate Policy:

The States loan scheme had a heavily discounted subsidised rate against market rate at the time.

Deputy R.J. Rondel:

Just on the specific scheme, do you foresee any risk, if it is a 6 month period, that estate agents might go out to their clients: "Look, let us tighten up on our selling price or up it a little bit ..."

The Minister for Treasury and Resources:

That is why we are going for the lower quartile.

Deputy R.J. Rondel:

... "wiping out any relaxing of price."

The Minister for Treasury and Resources:

That is why we have gone for the lower quartile. The maximum loan, you are absolutely right to laser in on that because that is why we have gone to the maximum lower quartile for each individual type of property. It is a really important fundamental principle to ensure that we are not doing anything that could be inflating house prices unintentionally.

Deputy R.J. Rondel:

You are sure this scheme is going to do that?

The Minister for Treasury and Resources:

Look at it. Have a look at it, kick the tyres. Kick the tyres of it. If you want to buy a one bedroom flat you are only going to be able to buy a one flat at a maximum price of £170,000. When we were planning for this meeting yesterday, we picked up a couple of local media outlet publications and looked at house prices. I could find 2 houses at the below £410,000 within a number of pages of a good night of advertising for the local media outlet in selling houses. I do not think this is a scheme that anybody could say is going to be inflationary towards house purchase. I think if anything it is going to perhaps harden people's position to saying: "Look, I have got a buyer with a mortgage and I am going to take that price for the sale of that property." If anything it is going to do the other side.

Deputy S. Power:

Yes, I think my question would be: it will have the side effect of finding it difficult to find couples or individuals who have the income or the combined income criteria that will match these house prices because that supply is limited, very limited.

Director, Corporate Policy:

Yes, what you might have is a counter affect. Flats on for £180,000 might sell for £171,000 to get in the scheme.

Deputy S. Power:

That is why I asked you the question half an hour ago, Minister, as to what are you thinking, disburse 70 to 80 mortgages in 6 months, because I think it is a fantastic window for 6 months but as to whether it delivers is another point for the very simple reason that Deputy Rondel has focused on and you have focused on is that you have picked the lower quartiles and it is going to be difficult to find that potential house owner to match it with those particular property prices at that quartile. That will be the trick.

The Minister for Treasury and Resources:

Yes, but it will be those that will get through will have a win/win.

Deputy S. Power:

They deserve it.

The Minister for Treasury and Resources:

Yes, absolutely right and that is why we should put political ... and I understand the panel's questioning about the speed on which this proposal has been brought forward. It is a good example of the States at last for once doing something quickly, responding to a situation and putting a scheme in place. But with all the prudent advice that has been taken forward, and I will say to you in public, I am delighted with the cross-working between the Treasury, Housing Department and Chief Minister's Department in bringing forward what the Minister for Housing and I wanted to do and we did it within the period of time. We did impose a deadline and we are going to make it happen and I hope the States approve it.

Deputy S. Power:

So one of the aspirations, Minister, of this that it might have a deflationary effect on house prices?

The Minister for Treasury and Resources:

I want to be very careful about that.

Deputy S. Power:

But you have just said that it might bring house prices down.

The Minister for Treasury and Resources:

No, I am not saying that. I think that certainly it will mean that it could have ... I mean, let us be clear. We have got unfortunately a situation where there is clearly ... and Peter Seymour will give you evidence about this and I think ...

Deputy S. Power:

The question was simple. Do you think it will have an effect on bringing some house prices down, that they will not attain the asking price? That is what you ...

The Minister for Treasury and Resources:

The reason why I am resisting answering the direct question is I think there is always a difference between asking price and the price that goes through. I look at the court list regularly like we all do, we all look at it, and there is obviously a big difference sometimes between the asking price and what the actual price that it goes through court at and what the valuer will value at and that is really ... will it have a hardening effect on asking prices? It may well do. Will it have any impact in relation to the value that ultimately goes through court? I doubt it. The scheme is too small. It may well deflate people's aspirations on asking price, which is a completely different thing from value.

Deputy S. Power:

For the limited scheme that you have got, it could have an effect on homeowners or house owners or property owners, reducing some of their prices marginally?

Treasurer of the States:

It may. There may be one or 2 people who think: "The bird in the hand is worth 2 in the bush. I will take that buyer who can offer me, for the sake of argument, £170,000."

Deputy S. Power:

That could be the consequential effect of picking the lower quartile.

Treasurer of the States:

Rather than hang on for the full price but that is the kind of decision that people are always making when they are selling their houses.

Deputy R.J. Rondel:

Could you explain a bit how the scheme will be put into operation, Minister?

The Minister for Treasury and Resources:

Ministers set policy. It is up to the department and officials to effectively administer the policies that have been set up so we have given you process points and, of course, officers then have all of the obligations under the Public Finances Law and the Accounting Officer and other things to

make sure that they are ... and I have got full confidence in the Housing Unit and the Treasury to administer this appropriately and to do the thing properly. We have got to ...

Deputy R.J. Rondel:

Will you monitor and evaluate the scheme as it goes on and how will that be done?

The Minister for Treasury and Resources:

Absolutely. Senator Ferguson will be pleased to hear this, of course. We will evaluate this particular scheme. I hope it is going to be successful, I imagine it is going to be successful, and we will do a full evaluation of that and then that will guide us as to whether or not we open another scheme subsequently.

Senator S.C. Ferguson:

Yes, because obviously the things that are concerning, if you prolong the scheme or have a second scheme of any size, (a) where are you getting the funds from and (b) you will be distorting the market.

The Minister for Treasury and Resources:

That is why I answered your questions earlier by saying it is unlikely to be a permanent scheme. We may well have some further tranches available. If it is successful, then we could and I am not promising that. We will consider whether or not it has been successful, we will evaluate whether or not it is successful, I will go and talk to some of the house purchasers that have got through. That is, we all talk to our constituents in relation to this. I will go and knock on the door and see whether or not the scheme has worked for them and we will see whether or not it has transformed lives, whether or not we have allowed people that have been trying to get into home ownership for the last 2 years but could not, whether that has been successful, and we will make a balanced assessment of whether or not we continue with another scheme.

Senator S.C. Ferguson:

Yes, whereas surely the basic thing is that the only way to make housing affordable is to increase the supply?

The Minister for Treasury and Resources:

That is Deputy Rondel's point which is why I have sent out the 4 key priorities.

Senator S.C. Ferguson:

Is that your thinking?

The Minister for Treasury and Resources:

I agree with that. I agree that we need a multi ... and indeed the Strategic Plan, page 9 of the housing policy, quite clearly says a whole series of actions which is we will put in place a scheme to generate affordable housing for social rental/purchase. We will bring forward a scheme to support first time buyers. We will do the decent homes standard. We will establish the Strategic Housing Unit. For the first time, we are taking out housing policy from the Housing Department from the delivery of operating their social rental portfolio and having a dedicated Strategic Housing Unit which is going to be setting up housing policy and we will deal with the funding and maintenance and we will put housing on a stand-alone basis. The other issue, of course, is the planning side of things.

The Connétable of Grouville:

I was just about to ask the main question.

The Minister for Treasury and Resources:

This has got nothing to do with planning.

The Connétable of Grouville:

Would you agree that we really need more land released for housing in this particular sector, not for housing, but housing in this particular sector?

The Minister for Treasury and Resources:

I could not agree more. That is exactly ... and I have been very clear in what I have said this morning. I have got 4 aims and my fourth aim is to work with the Minister for Planning and Environment because we have got an involvement in this is that we need to ensure that we get the H3 policy which is coming to the Council of Ministers, I understand, in the next couple of weeks. We have got to get that H3 policy working and yes, I do believe that we should be rezoning land in order to further create supply and I can think of a particular site in Grouville which I would agree with and I think that there are other sites with other parishes that we should be doing and I look forward to the Treasurer and I going up to other parish schemes and turning more sods of more parish schemes in the next 18 months which we will be prepared to fund.

The Connétable of Grouville:

At least we have got 2 of you on board because the Minister for Housing said exactly the same thing this morning. So if you can try and persuade the rest of them.

The Minister for Treasury and Resources:

No, I think the Chief Minister is very clear upon this and this is why he has said that he wants Ministers to be concentrating on housing issues in February and we are serious about this and that is one of the reasons why I am here and I am doing all this stuff to do with housing generally. It is not just about this deposit scheme. It is about supply. It is about different tenures. It is about States-owned sites. It is about S.o.J.D.C. (States of Jersey Development Company) delivering some units on the College for Girls site. It is a whole range of issues.

Deputy S. Power:

Getting back to my common theme with Deputy Rondel and the point Paul Bradbury made a few minutes ago, referring to the Housing Affordability Index which is part of the package you have sent us, it would appear that from the trial scheme, the £3 million, and looking at the lower quartile housing estimates you gave, on the Stats Unit statistics for the last quarter, it looks that on the Affordability Index one- and 2-bedroom flats come slightly above the Affordability Index and 3- and 4-bedroom houses come below. So my question is this. Do you think that you will be financing 15 per cent deposits more on flats than on houses?

The Minister for Treasury and Resources:

I think we will see what the experience is. I just do not know. We have not got a sort of a pencilled in you know if it is ... it could be up to 100 units. It is probably more likely to be 60 or 70, it will depend, and we will see who comes along but we will work out whether or not it is prudent and wise and it has worked effectively after we have seen it.

Deputy S. Power:

Would you be surprised if more prospective flat purchasers were assisted than house purchasers?

The Minister for Treasury and Resources:

I hope it is a range of tenures. I think the States has been criticised in the past, certainly as far as planning policy is concerned, for only concentrating on family units with people ... potentially the standard mum, dad and 2 kids and, of course, there are a range of other different housing units that are there and we have got young people who are aspiring to get into their first flat and we have got couples who are trying to start a family and we have got couples with existing kids that want to ... there is a whole range of people and I hope we can help all sorts of different people.

Deputy S. Power:

As we found in 2009, same sex couples.

The Minister for Treasury and Resources:

Yes, might even be one of them.

Deputy S. Power:

If you felt that there were too many mortgage applications in flats and not enough in houses, would you use your discretion as Minister to direct or change policy?

The Minister for Treasury and Resources:

I would think that would be very unwise. I think that we should not be in any way discriminatory in relation to the people that are coming. We are going to open this scheme. I hope it is going to work. I think it will and it will be the people who find the properties, et cetera. We would certainly look at that in the creation of a second scheme.

Deputy S. Power:

So as Minister for Treasury and Resources, you do not propose to use any discretion that you might have as Minister in any way, shape or form?

The Minister for Treasury and Resources:

I think that would be very wrong.

Deputy S. Power:

No, no, that was a simple question.

The Minister for Treasury and Resources:

Yes, no, yes. I do not think we should be having the Wisdom of Solomon.

The Deputy of St. Ouen:

I just wanted to try and be sure that we all give the right message to perhaps potential individuals who would benefit from this scheme. The point that you made earlier, are you saying that it is basically going to be a sort of a first come, first served type approach, that anyone who is ready and waiting at the starting blocks when the flag is dropped stands the best chance of benefiting from this scheme?

The Minister for Treasury and Resources:

Subject to all the things that we have said over the last hour and a half and subject to all of the criteria, yes, it is first come, first served. It has got to be. I resigned from the Housing Committee in 2000 because I was against a lottery scheme whereby there were names drawn out of a hat of whether or not people got a house on a scheme which may well be remembered by some people.

I do not believe in lotteries. I do not believe in pulling names out of the hat. I believe that people need to effectively prepare themselves for the availability of a scheme, get through the gateway, and let the purchasing, the negotiations and the mortgage applications commence.

The Deputy of St. Ouen:

How are you going to deal with perhaps a group of individuals that are all within and completing the process of purchasing a property and suddenly you hit the magic £3 million figure. What happens to those individuals?

The Minister for Treasury and Resources:

We would then consider whether or not we would start another scheme.

The Deputy of St. Ouen:

Right, so it could be that an individual has met all the criteria, completed all the steps necessary to purchase a property, however, because they just happen to just fall shy of achieving that final contribution of money, their chances of having a 15 per cent interest-free deposit are over?

The Minister for Treasury and Resources:

There has to be a budgetary limit, does there not, but then we will be guided as to whether or not if that is the case and we have been so successful and it has not had any of the detrimental effects, then that has to be the case.

The Deputy of St. Ouen:

Okay and with that ...

Deputy S. Power:

It might be helpful for the Minister to know that from recollection from the La Providence experience, there were 69 applicants for 46 and in the end almost 59 it due to natural wastage and people withdrawing applications so I think that was ...

The Minister for Treasury and Resources:

Yes that will inevitably happen. There will be people that will try to get in that will not fulfil the mortgage criteria or other things or the property sale will fall through and there are all sorts of ...

Deputy S. Power:

But there were people who met the criteria and then decided not to go ahead.

The Deputy of St. Ouen:

We have come to the end of our public hearing. I would like to personally thank you on behalf of the panel, Minister, and the Treasurer and Paul and yourself. We appreciate your time. It is clear that there are a number of other possible questions that we will need to raise with you but we will do that obviously through our officer and we hope that any responses to questions will be given good attention because we do not want to hold up obviously this process but at the same time, we are keen to provide some assurances to those that may be eligible that this is something that is going to help and provide them with the opportunities as described in the report. Thank you very much.

[13:00]

The Minister for Treasury and Resources:

Yes, we will, of course, respond immediately. I am sure the Minister for Housing expressed the view is that we are keen now we have agreed and fixed on a date for debate that we will do our best to respond to you timely and quickly as I think we always do but I would like ... I mean it is a later debate that we originally envisaged, I understand that, but I would like to hopefully make sure that everybody is clear that that is a debate date that we will stick to, which I think is 19th April.

The Deputy of St. Ouen:

That is the target date, as you are rightly aware, we flagged up with you that we believe we could complete this review in and we are going to be aiming to work to that time scale.

The Minister for Treasury and Resources:

Presumably you are going to get an adviser to help you and we will stand ready to have a discussion, you know, officers can meet your adviser or whatever.

The Deputy of St. Ouen:

Yes. Again, thank you very much and I close the meeting. Thank you.

[13:01]