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# STATES OF JERSEY



## **TRANSFERS BETWEEN HEADS OF EXPENDITURE UNDER THE PUBLIC FINANCES (JERSEY) LAW 2019: ARTICLE 18 – 8TH JANUARY 2021**

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**Presented to the States on 17th February 2021  
by the Minister for Treasury and Resources**

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**STATES GREFFE**

## REPORT

**Decision(s):** Under Article 18(4) of the [Public Finances \(Jersey\) Law 2019](#) (the Law), the Minister for Treasury and Resources hereby notifies the States, and having consulted with any relevant Minister under Article 18(5) of the Law; that he/she has agreed to the following –

### **Transfers between Heads of Expenditure under Article 18 of the Law**

MD-TR-Ref.	Department		£	Funding of –
	From –	To –		
2021-0004	CLS Head of Expenditure	General Reserve Fund	£814,000	Offset of one-off deferral by Andium Homes of annual rent adjustment

After the expiry of 4 weeks following the presentation to the States of these transfers, the Minister hereby authorises the Treasurer of the States to action the transfers outlined in the table above. (More detail on the transfers is given below.)

#### **Background**

The States and Andium Homes entered into an Agreement on 22th July 2014 and an Addendum to the Agreement on 21st June 2019, such Addendum reflecting the introduction of a ‘cap’ and ‘floor’ to the percentage uplift of the Annual Return Amount payable by Andium.

In signing MD-H-2020-0017 (Appendix 1), the Minister for Children and Housing approved a one-off deferral of the annual rent adjustment required by the States Fair Market Rent policy which is applied to Andium tenancies. This adjustment was for the calendar year 2021. This decision was taken in consultation with the Minister for Treasury and Resources given the link (through the RPI uplift) of both the rental income to Andium and the Annual Return Amount due to the Guarantor under the Transfer Agreement.


The decision to make the one-off deferral will have an impact on the 2021 rental income of Andium and the company have agreed to absorb the net effect of that impact, which is estimated to be approximately £570,000. For Government, the impact of the decision is that there will be a reduction in the level of Income Support to be provided to Andium tenants of £814,000 in 2021 and a corresponding reduction in General Revenues income (for the reduced return from Andium) compared to that included in the approved Government Plan 2021-2024. The Minister, through this decision, is transferring £814,000 from the Customer and Local Services (CLS) head of expenditure to the General Reserve in 2021 to ensure that the consolidated fund is not adversely affected and the potential borrowing requirement in 2021 is not increased. This amount within the General Reserve will not be spent.

*Further information on this decision may be viewed in due course at:  
<https://www.gov.je/government/planningperformance/pages/ministerialdecisions.aspx>  
 under Ministerial Decision reference MD-PH-2021-0004, which were signed on 8th January 2021.*

Minister for Children and Housing  
Ministerial Decision  
Decision Summary



<b>Ministerial decision reference:</b> MD-H-2020-0017			
<b>Decision summary title:</b> Deferral of the annual rent adjustment policy			
<b>Decision summary author</b>	Senior Policy Officer, Strategic Policy, Planning and Performance	<b>Is the decision summary public or exempt?</b>	Public
<b>Report title:</b> Deferral of the annual rent adjustment policy			
<b>Report author or name of person giving report</b>	Senior Policy Officer, Strategic Policy, Planning and Performance	<b>Is the report public or exempt?</b>	Public
<p><b>Decision and reason for the decision:</b> The Minister for Children and Housing approved a one-off deferral of the annual rent adjustment required by the States rent policy to be applied to Andium tenancies (as set out in MD-H-2018-0021) for a one-year period commencing 1 January 2021.</p> <p>This decision is taken in parallel with a decision by the Treasury and Resources Minister to accept a reduction to the Guarantor's return to allow for the one-off deferral of the annual rent adjustment.</p> <p>The Minister for Children and Housing has requested that Andium Homes Limited ("Andium"), acting through the Minister for Treasury and Resources as the guarantor, give effect to the one-off rent policy adjustment. This will mean there will be no annual increase applied to rentals for Andium tenancies in 2021.</p> <p>The Minister for Children and Housing believes that the deferral of the rent increase will help to constrain prices in the private rental sector and provide social rental tenants with rents that they can more easily afford. The Minister has been mindful of the economic impact of Coronavirus in approving this deferral.</p>			
<p><b>Resource implications:</b></p> <p>The States social housing rent policy normally requires an annual rent increase of the September Jersey RPI figure+0.75%, with a minimum increase of 2.5% and a maximum of 4% (unless the increase is +90% of market rent, in which case it is capped at 90%). The September Jersey RPI result announced on the 23 October 2020 was 0.9% In normal circumstances, without the deferral of the rent increase, Andium would therefore have been required to raise rents in accordance with the rent policy by 2.5% at 1 January 2021.</p> <p>The deferral of the rent increase has been co-ordinated with a parallel adjustment in Andium Homes' return to the Treasury and Exchequer (Guarantor's return) that had been expected 2021 and all subsequent years. While not directly linked to the Guarantor's return, the impact of the rent deferral will also reduce government expenditure on Income Support costs for 2021 and all subsequent years.</p> <p>The Treasury and Resources Minister has agreed to accept a reduction in the Guarantor's return to take account of the net effect on government resources and Andium has agreed to absorb the net cost of the deferral into their business model for 2021 and all future years.</p> <p>A 2.5% increase in Andium rental income is forecast to generate an additional £1.386 M in income  A 1.75% increase in the Guarantor's return is forecast to represent an additional £0.533 M  A 2.5% increase in Andium rents is forecast to generate extra income support costs of £0.814M</p> <p>The net impact of a deferral of the rent policy is an adjustment to the return to provide for a reduction in 2021 of £0.281MM. This will result in a return in 2021 of £30.194M. The Guarantor's return is re-based at this amount and, thereafter, increased in line with Andium's Transfer Agreement with the Guarantor.</p>			

<p>A parallel Ministerial Decision to provide for the reduction in the Guarantor's return will be issued by the Minister for Treasury and Resources.</p>	
<p><b>Action required:</b> Minister for Children and Housing to notify Andium Homes of the decision.</p>	
<p><b>Signature</b></p> 	<p><b>Position</b> Senator Sam Mézec Minister for Children and Housing</p>
<p><b>Date signed</b> 06/11/2020</p>	<p><b>Effective date of the decision</b></p>