

STATES OF JERSEY



THE REFORM OF SOCIAL HOUSING (P.33/2013): THIRD AMENDMENT (P.33/2013 Amd.(3)) – COMMENTS

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

STATES GREFFE

COMMENTS

The intention of this amendment is to introduce a requirement for the new Housing Company, proposed to be established under P.33/2013, to prohibit that new Company, in relation to its administration and management costs, from exceeding the average equivalent costs of other social housing providers that would fall under the regulation proposed in P.33/2013.

This amendment is not the best way to achieve the objectives sought for the following reasons –

The amendment usefully sets out the differences in scale of the current Housing Department and Housing Trusts. However, the amendment leaves almost to a footnote the fact that the individual Housing Trusts each do a crucial, but very different job within the social housing sector, and that this in turn is radically different from the wider social role played by the current Housing Department and the proposed new Housing Company.

As Professor Christine Whitehead made clear in her report of Social Housing in Jersey (2010), the Housing Department is very much the “landlord of last resort”. As such, it provides accommodation to many of those in our community in dire social need and who cannot be accommodated by other social housing providers. The proportion of elderly residents, those with disabilities, anti-social behavioural issues, and all other social special needs is far higher in the Housing Department properties than elsewhere. These tenants, by their very nature, tend to be those that require greater resources to provide, administer and manage housing provision for. As a result a high proportion of the Housing Department’s staff are dedicated professionals with the experience to support and manage the issues arising from these tenants.

For example, the Housing Department has an Independent Living Service which works with a wide range of clinical, medical and social stakeholders to identify tenants requiring medical adaptations in their homes, or placement in appropriate circumstances with customised support “packages”. This role extends to those with a wide variety of social needs making a significant contribution to corporate priorities and strategies for the safeguarding of children and adults or enabling tenants to remain living independently for longer. This crucial role is one that could not be efficiently supported by smaller Housing Providers and therefore these providers tend not to offer accommodation to tenants with these needs and therefore do not require the resource overhead to do so.

The Housing Department also provides a Community Liaison Team composed of those with expertise in engagement with all members of society and able to provide a pre-enforcement intervention if required. A fully fledged Tenants Forum is supported together with High Rise and numerous other Tenant Groups and associations. This enables the Department to ensure that no matter what community mix it is required to house, tenants are listened to, and are actively engaged in the services provided to them, but also are required to respect their tenancy and neighbours. This team has excellent links with enforcement agencies and emergency services to ensure that even the most challenging tenants can be supported effectively. Again, this is not a role that other social housing providers choose or have the resources to dedicate to.

In fact, any proper benchmarking exercise examining the differences in administrative and management costs between the Housing Department and other providers would

quickly identify that in all areas of provision, the Housing Department will have additional costs because of the nature of its tenancy base and the properties it manages on tenant's behalf.

For example, senior and retired members of our community have a desire to engage more frequently and directly with their landlord than those who work, those with social needs need to contact their landlord more frequently, and those who have trouble managing their finances need to be supported to a greater extent through a dedicated Arrears team, all of which mean the Housing Department needs to provide and staff a dedicated Customer Service Centre at Jubilee Wharf, which is incredibly well used and valued by tenants. For example, the Customer Service Team typically deals with 2,000 telephone calls per week together with 600 customer contacts.

It must also be remembered that, with notable exceptions, the majority of properties were developed by the Department of Housing and provided to the Housing Trusts at their establishment were newer and in better condition than those inherited by the residual Housing Department. The lack of investment in the Housing Department stock over the period since the Housing Trusts were established also means that the proportion of homes meeting the Decent Homes Standard is lower, and as a whole, the stock is generally of lower value and intrinsic suitability for modern homes than those of Housing Trusts.

This means that the level of response repairs, the number of voids requiring extensive repairs, amount of facility management and planned maintenance for poorer condition property is accordingly higher than for the (generally) better condition properties provided by the Housing Trusts. As a result the Housing Department will need to and does employ a proportionally higher number of staff compared with other social housing providers. And the proposed new Housing Company will need to invest over £200 million in getting the Company's housing stock back to and maintained at Decent Homes Standards over the next 10 years. This investment will be proportionally larger than that required for the better condition Housing Trust properties and therefore it will not be a surprise that the costs of providing an Asset Management Team to achieve this step change will be proportionally higher.

This means that, although the Housing Department does benefit from some economies of scale, contrary to the assertion in the amendment the Housing Department will also have significant diseconomies compared to other Providers, and the Department, with its requirement to serve all members of the community, will inevitably have overheads perhaps not envisaged by the Secretary of a Trust operating a relatively smaller and uniform housing provision.

That is not to say that the role of the Housing Trusts is not crucial, important and valued by the Council of Ministers. The Ministers for Housing and Treasury and Resources have met regularly with the Housing Trusts since the appointment of the current Minister for Housing and on each occasion this has been the clear and consistent message given to the Trust Chairmen who attend these meetings. Indeed the Chairman of the largest Housing Trust – the Jersey Homes Trust is on record as drawing the distinction between the different but important roles of the different providers.

But, as a result of these many subtle and complex differences, the prohibited limit on administration and management fees proposed in the amendment appears simplistic in the extreme.

That is not to say that performance management will not be a key part of the regulation proposed to be introduced under P.33/2013. In fact, contrary to what the amendment suggests, a specific section on the proposed Performance Measures is included within P.33/2013 (paragraphs 4.10 to 4.13 on page 49 refer) and this is further expanded upon by sections on performance measures that are proposed under regulation within section 3.12 of the report (for example, 3.12.11 – 12).

As the Minister for Housing has made clear in discussions with the Health and Social Security and Housing Scrutiny Sub-Panel, the intent is to have a proportionate approach to regulation, setting mandatory requirements to ensure minimum standards that tenants can reasonably expect (such as meeting Decent Homes Standards and for financial reporting) and for other matters to be introduced through codes of practice where appropriate. There will be many matters where tenants can reasonably expect a minimum standard of provision from the landlord – for example in tenant engagement and consultation, in terms of delivering continuous improvement and in terms of standards of probity and good governance. Other matters can be dealt with proportionally by the Regulator proposed under P.33/2013. It is important to note that P.33/2013 proposed a consultation period to ensure that the most appropriate mix of regulation was developed for Jersey.

Therefore, to artificially impose a cap on the administrative and management costs, when providers will inevitably be performing different roles to address the wide diversity of needs in our community, appears to run the risk of restricting all providers to provide a “vanilla” service. Such a cap would completely overlook the vital wider social benefits provided by the Housing Company and which are fundamental to its role as a social business serving the community, reducing the consideration of running costs to a mere landlord role. This will also limit the flexibility for continuous improvement or to address the changing policy goals of the States for social housing providers within the cross-sector Housing Strategy proposed to be developed for the States by the Strategic Housing Unit under P.33/2013.

It is important to note that the current level of administrative / management costs do not appear to align with the 4.4% suggested within the amendment. Nor do they reflect that some Housing Trusts may wish to change their role significantly in the future and that it is therefore thought unlikely that all Housing Trusts would therefore be in support of the amendment put forward notionally on their behalf.

Neither does the amendment consider the potential impact on the proposed Housing Company in the event that one of the Trusts were to default or fail and / or artificially increase or decrease its costs to the detriment of tenants.

It seems unduly restrictive to limit the potential of the proposed Housing Company, and to tie the hands of whatever regulatory function is preferred by the States, on the dubious grounds that other existing social housing providers will always have optimal management / administrative fee levels and that these are therefore universally suitable for applying to the major provider who will almost certainly always perform a wider and more complex role.

Accordingly, it is recommended that the States reject this amendment to prohibit the proposed new Housing Company proposed under P.33/2013 from exceeding the average administrative / management fees of other social housing providers proposed to be regulated under P.33/2013.