

Ninth Annual Report of the Jersey Homes Trust.

1st January 2005

CHAIRMAN'S REPORT

The Housing Need:

The main object of the Trust is to create and offer for rental decent and affordable accommodation to Jersey residents in need. These activities must be conducted in a businesslike manner to enable the Trust to fund its developments and to meet the financial commitments arising from very substantial investment. The Trustees must be fully cognisant of the financial and political environment in which the Trust operates and their decisions have to be tempered by their assessment of these factors.

It is evident that conditions in the local housing market have changed in recent years. There has been a great amount of development, especially of flats, in both the rental and owner-occupied sectors. At the same time there is anecdotal evidence that the population of the island may have experienced some reduction, due to a slowing of business activity and reduced employment opportunity. As a result we are witnessing lower rents and property values in the private sector and some spare capacity.

It is important to appreciate that, to some extent, the social rented sector stands apart from the private sector. The waiting list maintained by the Housing Department for families satisfying their strict criteria of need still contains 240 applicants. Many families in our island still occupy unsuitable accommodation. There remains a shortage of houses for families with young children. Many of these families will never be able to afford a home of their own and will continue to rely on the support of a fair and responsive system of publicly funded provision.

Demographic studies also confirm that the level of housing provision in the island is lower than for the norms of the UK and Western Europe. This suggests that there is a higher level in Jersey of two-generation homes, families sharing accommodation or occupying lodgings. It has to be accepted that this is a situation imposed by a shortage of housing rather than arising from choice.

The Jersey Homes Trust recognises its continuing role in helping to address this shortage. However, in the context of current over-supply (which may be a temporary phenomenon) and a marginally depressed economic environment, further investment in housing will be on a cautious and very selective basis.

Green-field housing sites.

Two years ago, the Island Plan identified and re-zoned a number of green-field sites for housing development. The re-zoning was subject to a number of strict conditions, which included an exacting planning process and the requirement to offer developments to first-time buyers and providers of social rented housing. The Finance & Economics Committee decided that no subsidies, either capital or revenue, would be offered to assist the funding of the rental units.

The prospective developers of these sites have been very challenged by these conditions and progress in pursuing a number of possible schemes has been disappointingly slow. The Trust has co-operated fully in assessing the viability of proposals, appraising plans and specifications and advising generally. I am pleased to report that we are in an advanced stage of negotiation for participation in the development of Field 1218 at Mont-a-l'Abbe, having received the necessary support of the relevant States Committees. This development will yield 54 units for the Trust.

Finance & Economics have recently agreed to moderate their decision on subsidies, having agreed to cover any interest above 6 per cent per annum charged to the Trust on the borrowing for this development. On the current interest rates payable by the Trust this commitment will not entail the payment of any subsidy. However the decision of the Committee has enabled the Trust to project the maximum cost of borrowing with certainty, which has been of great assistance in negotiating the funding of this scheme.

More recently the Committee has decided to offer similar support for other developments by housing trusts on green-field sites.

Funding.

The Trust funds its acquisitions and developments by 100 per cent borrowing in the private sector. Our initial funder, Barclays Bank, extended substantial lines of credit to the Trust. As the Trust approached commitments totalling £75 million it entered into negotiations with an alternative funder, with the agreement of Barclays, on the basis of confirming the funding model with a second major Bank. Such negotiations are complex and needed to be conducted with banking officials at the highest level. In lending very large sums to the Trust the Banks concerned have to assess the strength of the Jersey economy, and contend with unfamiliar local legal procedures. They must also take account of major differences between UK Housing Associations and Housing Trusts in Jersey. Inevitably such negotiations take time.

For a short period the Trust was unwilling to commit fully to further investments while these negotiations were in progress. At no time did it appear to the Trustees that such

negotiations would not be successful. At no time was the Trust placed in a position of being unable to meet any financial commitment that it had incurred.

I can now report that the Trust has successfully negotiated a second line of credit with Lloyds TSB on the same advantageous terms offered previously by Barclays. These negotiations have been greatly assisted by Barclays, who themselves recently agreed to increase their line of credit to the Trust.

The very substantial funding of social housing in Jersey by major banking institutions, and their willingness to increase this commitment to figures well in excess of £100 million, is a vote of confidence in the island as well as in the directors and management of the Jersey Homes Trust.

Regulation of Housing Trusts.

The Trust has taken part in the consultation process for the proposed regulation of Housing Trusts. As reported previously the Trustees have strongly supported these proposals as they believed that the application of the regulations would assist them in managing the affairs of the Trust in an accountable and transparent fashion.

The government of the island is now engaged in a process of cost-cutting, and seeks to reduce unnecessary bureaucracy. In this context I have to question whether the smallness of our jurisdiction justifies an elaborate machinery of regulation and bureaucracy for so few Housing Trusts. In the UK, the regulation of Housing Associations is under the direct control of the Housing Corporation. Hundreds of disparate bodies operating throughout the country are regulated with great thoroughness.

Our situation could not be more different. It seems to me that Trusts in Jersey could be firmly controlled through bi-lateral binding legal agreements with the Housing Committee, to which they would report and be accountable. It is possible to measure the performance of local Trusts by comparison with UK Associations through benchmarking processes utilising performance indicators published annually by the Housing Corporation (see below).

Is it possible that a flexible and sensible approach to this question might obviate the need for more legislation, more bureaucracy and more expense?

Stock Transfers.

When the Trust was set up in 1994, it was envisaged that transfers of Housing Committee stock to the Trust would be made in the fullness of time. This was seen as of benefit to the public sector, relieving it of the cost of maintenance, achieving manpower savings and redeeming some of its heavy investment in housing, as well as offering greater choice to tenants of social housing. It was seen as of benefit to the Trust in assisting it to achieve growth by which it would become financially self-sufficient and less reliant on public subsidy, as well as acquiring critical mass delivering economies of scale.

In the event and for a number of reasons very little stock was transferred to the Trust. Before the issue was politicised the transfer of St Paul's Gate, along with the sitting Housing Committee tenants, proceeded smoothly and without public comment or concern. Since then the growth of the Trust has been achieved almost entirely through development.

In the UK, stock transfers from local authorities to Housing Associations have proceeded on a massive scale under governments of all political persuasions. Such transfers have been made with the agreement of tenants and have delivered great benefits to the taxpayer, to the tenants themselves and to the housing infrastructure of the country.

At a time when the processes of government are under close scrutiny, and when savings in bureaucracy and costs are being pursued, it seems to me that it may be timely to reconsider this issue. The Jersey Homes Trust is now landlord to over 500 units of social rented housing and it has striven to achieve a reputation as an efficient and caring landlord. It is fully accountable to the Housing and Finance & Economics Committees and operates transparently under well understood safeguards and protocols. It is committed under legal agreement to remit to the States any uncommitted cash surpluses it may accumulate and all its property must be retained for rental to Jersey residents in need.

The Jersey Homes Trust is here to serve the Island. The Island appears to be missing an opportunity.

Visibility.

The Trust publishes a twice yearly newsletter to all tenants. New tenants receive a helpful information pack which includes an informative tenants' handbook. Our website can be visited by any member of the public at www.jerseyhomestrust.org.je. A satisfaction survey of all Trust households will be conducted this year.

Related Party Contracts.

The Jersey Homes Trust has no employees or premises and the services rendered by Trustees are unremunerated. The work of the Trust is out-sourced under a strict code of conduct. This code specifically permits the awarding of contracts for remunerated services to firms having a connection with a Trustee. As part of our annual audit, independent accountants certify that all such contracts are compliant with the code.

As previously reported, the Trustees have been asked by the Finance and Economics Committee to report on its related party contracts and their value for money. The report was recently delivered to the Committee, having been compiled and collated by the Trust's auditors.

The following information is taken from the report and it includes a table of performance indicators benchmarked against the performance of UK Housing Associations as published annually by the Housing Corporation. The President of Finance & Economics Committee has asked the Trust to compile the table each year for submission to the Committee.

I believe that this benchmarking exercise confirms that the out-sourcing of the work of the Trust, including through related party contracts, delivers good value and efficiency.

Jersey Homes Trust

Benchmarking against UK Housing Association Performance Indicators.

The source for the benchmarking is "Housing Associations in 2003; Performance Indicators" published by the Housing Corporation (HC). The terminology used by the HC has been adopted in the table.

Key Indicators

Rent.

It is to be expected that JHT rentals will be substantially higher than the UK averages. JHT properties are mostly new or fairly new; UK housing stock is mostly inherited from local authorities and is generally much older. Rentals in Jersey are higher than in the UK, even for comparable housing. It is necessary to include a comparison of rentals in order to make an intelligent assessment of the information which follows in the table.

Weekly cost of management.

The UK performance indicators relate only to the cost of social housing rental activity (not the annual operating cost per accounts). The JHT does not separate its costs into comparable categories. The JHT performance indicator is taken from the annual operating cost in the accounts and therefore includes all the overheads of the trust itself, plus administration costs arising from the development activities of the JHT. The average weekly cost in cash terms is taken verbatim from the HC publication. The weekly cost in percentage terms is calculated from the information.

Weekly cost of repairs.

The UK indicators are restricted to the cost of actual repairs. The JHT indicators include all property expenses (less the cost of foncier rates, for which there is no UK equivalent). The average weekly cost in cash terms is taken verbatim from the HC publication. The weekly cost in percentage terms is calculated from the information. Differences in maintenance costs are not necessarily indicative of differences in performance, and can arise from a number of parameters.

Rent collection

Rent arrears

Rent written off

Rent lost due to vacant dwellings

The above percentages are taken verbatim from the HC publication.

All the above indicators are used in the table in the order contained in the HC publication.

Other Indicators

The following indicators are then employed in the HC publication::

Vacant dwellings available to let. (JHT has none);

Dwellings vacant not available to let. (JHT has none)

Re-let time. A comparison is made in the table.

Tenancy turnover. No comparison made. Not considered a key indicator for JHT.

Lettings to BME households. (Black and Ethnic) No information collated by JHT.

Average SAP rating. (Standard Assessment Procedure) for rating accommodation. No comparable information collated by JHT.

Failing decent homes standard. Not relevant to JHT.

Repairs Performance. Associations report under this heading the meeting of their own targets in various categories of repairs. No comparable information collated by JHT.

Appointments made and kept. Not a key indicator for this report.

Tenant satisfaction. JHT satisfaction indicators are differently compiled.

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Performance Indicators, 2003

Benchmarked against UK Housing Associations (Source: Housing Corporation)

	All Associations	Associations Up to 750 units	Jersey Home Trust
Average weekly gross rent per dwelling	60.16	66.86	152.66
Weekly cost per dwelling on management	11.97	15.11	14.06
Weekly cost as percentage of gross rent	19.90	22.60	9.21
Weekly cost per dwelling on repairs	16.00	13.16	9.45
Weekly cost as percentage of gross rent	26.60	19.68	6.19
Percentage of rent available collected	94.65	92.85	99.54
Rent arrears of current tenants	5.50	6.50	0.46
Rent written off as uncollectable	1.17	1.25	Nil
Rent lost due to vacant dwellings	2.10	1.93	0.004
Average re-let times	5.4 weeks	4.7 weeks	1 day

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Units under management: 2003

January	367	July	474
February	367	August	493
March	373	September	509
April	373	October	510
May	373	November	511
June	431	December	511
		AVERAGE	441

JHT Financial Statements 2003

Gross rentals	£3,500,805	
Property expenses	£264,678	(includes Foncier Rates, see below)
Operating expenses	£322,325	

Notes: Foncier Rates paid £47,964.00 Deducted from " Property expenses" to calculate "Cost on repairs" above

"Cost on repairs" includes janitorial & gardening costs. (UK costs are strictly repairs based)
 "Operating expenses" are the gross operating costs of JHT and include certain revenue expenses incurred in management of development projects, property insurance premiums, management, accountancy and professional fees and all overheads (all expressed as "Cost on management" above) .

Property Management Report.

A total of 538 units are presently under management.

Brooklands: Old Trinity Hill, St Helier. 15 units of flats and houses.

La Folie Estate: St Lawrence. 20 units of houses and flats.

Maison de St Nicolas: St Peter. 6 flats.

St Paul's Gate: Dumaresq St, St Helier. 17 flats.

Cherry Grove: Roussel St, St Helier. 12 flats

Kent Lodge: Clarendon Rd, St Helier. 7 flats.

St Saviour's Court: St Saviour's Rd, St Helier. 28 flats.

Belle Vue: Route des Quennevais, St Brelade. 90 houses and flats on this estate.

La Roseraie, Mont Millais, St Helier. An estate of 35 units of houses and 10 flats.

Le Jardin Fleuri: Grouville. An estate of 16 houses.

Berkshire Court, La Motte Street, St Helier. 113 1-bed flats.

5 St Clement's Road, St Helier. 10 flats,

John Wesley Apartments, Cannon Street, St Helier. 40 flats and 1 house.

Parkside, West Park and Lewis St, St Helier. 19 flats and maisonettes.

Victoria Place, Albert Pier. 77 flats and a 5-unit group home, on the waterfront.

Clement Court, Ann Street, St Helier. 26 flats.

The Trust holds title to all the above estates and properties.

Letting: I am delighted to report that all units under management are fully let.

Rental: The current annual rental of the Trust's property is £4.6 million.

Void & Arrears: Voids in 2004 amounted to £2,602. £2170 of this was attributable to one flat being quarantined as a crime scene. Properties are normally relet "back to back", resulting in no voids.

Arrears of rental (not including current charging) total £16,216. (0.35% of annual rental).

Current developments of The Jersey Homes Trust.

La Folie Estate: St Lawrence

The La Folie House and adjoining units on our La Folie Estate property have been demolished, for the loss of 6 condemned units. Site enabling works and creation of a basement car park for the construction of 14 flats are presently in progress.

Main Contractor: A C Mauger & Son (Sunwin) Ltd

Tendered contract sum: £2,480,000.

Architects; Allan Miller Architects

Le Coie Housing Development.

The States of Jersey has voted to approve the development of the Le Coie site by the Housing Committee with the intention of acquisition by the Jersey Homes Trust on completion. The Trust is represented at site meetings.

The development will comprise 95 1-bed and 2-bed flats, 1 5-bed unit, a day-care nursery and a community centre.

Main Contractor: A C Mauger & Son (Sunwin) Ltd

Tendered contract sum: £12,800,000.

Architects: BDK Architects

Disputes and Legal Proceedings.

Clement Court:

During the course of this development in Ann Street subsidence of an adjoining property occurred. The occupants of the cottage had to be re-housed. The contractors, Charles Le Quesne (1956) Ltd, were unable to construct six flats in our proposed development of 32 units. This has resulted in a claim for damages by the owners of the adjoining property, and to a dispute with the contractor on the computation of the final contract sum. The adjoining owner has sued the Trust, Charles Le Quesne and the designers of the underpinning, Thomas & Griffiths Limited. The Trust has joined Charles Le Quesne and Thomas & Griffiths as third parties in those proceedings on the grounds that any liability of the Trust to the adjoining owner should be borne by them. In those proceedings the damages sought by the adjoining owner are covered by insurance. The dispute between the Trust and Charles Le Quesne regarding the computation of the final contract sum is not covered by insurance but is covered by other funding arrangements. The Trust itself has issued proceedings against Charles Le Quesne and Thomas & Griffiths arising out of the Ann Street subsidence in order to claim damages for matters that could not be sought against them in the action brought by the adjoining owner, namely damages for non-completion of the premises, additional costs of rebuilding, fees, against Thomas & Griffiths the sums claimed by Charles Le Quesne against the Trust and against Charles Le Quesne liquidated damages under the contract between the Trust and Charles Le Quesne.

Parkside:

During the course of this development in Lewis Street subsidence of an adjoining property occurred. This situation has resulted in a claim for damages by the owners of the adjoining property. The Trustees believe that any and all prospective liabilities of the Trust arising from these matters are met by insurance cover and/or by contract retentions.

Acknowledgements

My fellow Trustees: we have worked together now for 10 years. You bring wisdom, expertise and enthusiasm to our proceedings. Thank you, gentlemen.

Jim Bailey, Chairman's Assistant, and Marion Falle, our public relations consultant. Thank you for your professionalism and reliability.

Eric Le Ruez, Chief Executive Officer of the Housing Committee. Thank you for your courtesy and support.

The President and members of the Housing Committee. Thank you for your support, understanding and encouragement.

MICHAEL VAN NESTE

CHAIRMAN

The Jersey Homes Trust is a Jersey Housing Association, registered in the Royal Court on 9th June 1995 as an association for the purposes of the law entitled "Lois (1862) sur les teneures en fideicommiss et l'incorporation d'associations". The 1862 law provides for duly registered incorporated associations and trusts to hold land and property for charitable purposes.

The Trustees of the Jersey Homes Trust:

Michael Van Neste, Chairman;

Advocate Steven Meiklejohn, Secretary;

Martyn Scriven, Treasurer;

Ian Moore, Accountant;

Chris Clarke, Developments Director;

Paul Labesse, Estates Director.