

# **Fifteenth Annual Report of the Jersey Homes Trust**

1<sup>st</sup> January 2011

## **CHAIRMAN'S REPORT**

My report last year considered the implications of the "Whitehead Review" of social housing and expressed the aspiration that its conclusions might be embraced by government and social housing providers, for the benefit of the sector. During the following twelve months the new Housing Minister expressed a firm intention to implement the Whitehead recommendation that the Housing Department should be constituted as a body at arm's length from the States. The process to achieve this will inevitably take time and the proposed body will not be in place before States' elections next year, or any time soon after the elections. The financial objectives of the change will not sit well with the aim of reducing States' expenditure, which is seen as the main priority of current fiscal management.

Even assuming that the change may be achievable, the sector remains meanwhile in the doldrums. There are no initiatives in place to procure further social housing stock. This situation endured for the three years awaiting publication of the Whitehead Report and is ongoing. Any major housing scheme takes at least three years to complete, from land acquisition and design, appointment of consultants, funding, the planning process and actual construction. A gap of at least six years in the supply of new affordable rental units will have very undesirable consequences for the Island. It will also reverse previous progress made in the objective to eradicate poverty in Jersey. The shortage of affordable housing is the principal cause of poverty.

The Whitehead Report made many other recommendations, and it would be unfortunate if they were allowed to be eclipsed by concentrating on one major objective. The Report states that the rules in Jersey for eligibility for access to social rented housing are very restrictive and they are based on matching demand with supply in the sector. Clearly the Island is failing to meet adequately a vital social need. "If (the States) is to address the requirements of those in longer term housing need then ..... the size of the social sector must be increased..." "This would require a much more fundamental reorganisation of the housing system." "the number of households is very significantly above the number of dwellings in the Island -".

Although eligibility as mentioned continues to be restrictive, the Housing Department waiting list for families accepted onto it continues to swell. It is the undeniable case that there is an acute shortage of social rented housing in Jersey.

The report did not support the concept that shared-equity or similar schemes might make a substantive contribution to solving the problem. “The States' objectives of increasing owner-occupation are unlikely to be realised”. The Jersey Homes Trust does support the concept of home ownership and has praised the Jersey Homebuy initiative. However, like Professor Whitehead, I do not entertain the illusion that this scheme will make a large contribution to the provision of affordable housing, especially in the present economic climate.

The report is pessimistic on the prospects of further rental development. “At the present time only the Trusts have some capacity to provide additional social housing through planning obligations.” If Professor Whitehead was writing her report today she might be surprised to observe that developments on green-field sites have dried up and that the Trusts have no such capacity, in reality.

In recent years the Trust participated in three attractive housing developments, acquiring 45% of the homes for rental provision at about half the cost of homes to first-time buyers. This is a successful, tried and tested model and has been of great benefit to the sector and to the families we have been able to house. Given the low level of current interest rates it should be possible for the Trust to commit to such schemes without the necessity for any States' subsidies. The Trust will be able to replicate this success only through the necessary planning obligations being attached to future planning consents. All such decisions remain in the domain of the Environment Minister.

The Report makes comment on rent capping. “It is highly undesirable to use rent setting powers to achieve ..... limiting inflation or income support costs. These would both increase uncertainty for managers and reduce efficiency.” The Trust's rents are capped under its arrangements with the Housing Ministry. The Minister declined to increase the cap in this current year. I fully understand the constraints and problems that the Minister faces. His decision was understandable and not unexpected. However, it flies in the face of the Report's recommendation and fails to meet the agreed target for annual rental increases. Our financial models are prefaced by and driven by the rental projection. The resulting loss of revenue this year can be absorbed. The concern is that a disruption today in projected increases may have a cumulative effect over the years, resulting ultimately in substantial shortfalls of income in the predicted model.

The Jersey Homes Trust has always taken the view that stock transfers, from the Public to private sector housing trusts, would be of great benefit to the sector. Over the years different Housing Committees have had varying and inconsistent policy in this area. As a result very few homes have been transferred to the Trust in the 16 years of its existence, even though substantial transfers were envisaged initially. In the UK, stock transfers have been central to the regeneration of the whole sector. They have rescued hundreds of thousands of homes from years of neglect and they have injected new hope into whole communities. It is hardly surprising therefore that Professor Whitehead takes the view that large scale transfers “would provide a more flexible approach to ensuring both adequate investment and effective management of the existing assets”. “A large scale voluntary transfer would raise very considerable upfront funding for the States”. Will this part of the report, like so much else, be conveniently shelved?

The Minister has confirmed his intention to put in place the proposed (and long-awaited) regulation of housing trusts. The Jersey Homes Trust is highly supportive of this. Whitehead takes the view that the regulation of Trusts by the Department is “clearly inappropriate”. This will result in the need for an external regulator for the whole sector. As

regards the nature of the regulation she makes no recommendations and sees the need for further regulation if policy were to change to enable trusts “to play a more significant role” and would need to be “based on the same financial and regulatory regime as that put in place as a result of restructuring the Housing Department”. Since there is no policy in place to expand the role of the trusts, it would not appear that there is a pressing need to do more than replicate through regulation the existing bi-lateral arrangements between the trusts and the Ministry. It would, however, have the great merit of improving transparency.

The present very low rates of interest payable by the Trust on its substantial borrowing have been of great benefit, both to the Trust and to the States, who are committed to paying an interest subsidy to the Trust when rates exceed certain specified levels. As a result of this saving the Trust has been able to set aside cash reserves earmarked for future developments. In the past the States, on some large development projects, have provided large capital subsidies to the Trust to make viable housing schemes that would otherwise have been unaffordable. This is consistent with similar policies adopted by governments throughout the civilised world to enable families in need to secure decent accommodation which would not, otherwise, be obtainable.

The Trust has held detailed discussions with its bankers and I am pleased to report that very substantial additional funding for further large housing projects is available to the Trust, subject obviously to further negotiation and confirmation. The Trust is well placed, therefore, to spearhead further housing development and to support it with its cash reserves. The Trust can take this course only with the support and agreement of the Housing and Economics Ministers, under its agreements with the States. Also, the States can assist the process by formally confirming to the banks its support for any such enterprise.

I believe that valuable opportunities exist for further development of social housing provided that planning obligations receive careful consideration and the other interested ministries adopt the provision of rental schemes as a policy objective.

The Jersey Homes Trust was set up in 1995 and for sixteen years enjoyed the unflagging support and service of its six original Trustees. I now have to report the first resignation of a Trustee, our Secretary, Steven Meiklejohn. Steven's contribution to the Trust has been immeasurable and of huge benefit. I would like to pay tribute to this and to thank him for his service and also for his loyalty to me. He has guided us with quiet and consistent authority in matters legal, he has cheerfully carried out the duties of Secretary and has taken part fully in our deliberations and decisions over so many years. Steven, you will be missed.

I am delighted to report the appointment of two new Trustees: Frank Dearie has joined us with a brief that includes overseeing compliance and regulation and also tenant consultation. Phil Le Cornu has been appointed to succeed Steven Meiklejohn as Secretary. Like Steven, Phil is an advocate at Ogier and Trustees are very happy to achieve continuity in this way. I am confident that these appointments will result in a continuation of the highest standards rightly expected of us, and taken together, will strengthen our team.

I am very pleased to report that I now meet regularly with the chairmen of the Les Vaux Housing Trust, Ken Hughes, and of the CTJ Housing Trust, Dermuid Lynes. Our meetings are useful, informative and enjoyable and I look forward to many more. I think it is right that our collective voice should be heard on many issues affecting housing. We recently

held an encouraging meeting with the Minister, Sean Power and look forward to expanding our role, working in cooperation with the Housing Department.

The recent decision of the States to reduce the period of residence required to achieve housing qualifications, to ten years, has my unqualified support. Moral considerations aside, it is surely unsustainable to have in place a system that results in discrimination in housing against a section of the community that has resided and worked here for over ten years. The previous Minister, Senator Terry Le Main, was instrumental in bringing down the qualifying period over a number of years and this can be regarded as a lasting memorial of his service to housing.

**Annual benchmarking of performance:**

There follows as usual our annual benchmarking review (completed in 2010), which is based on a comparison of the Trust's performance with the performance indicators of UK housing associations. The Trust out-sources all of its administration and management, much of it to firms with which Trustees have a connection. The review demonstrates the cost-effectiveness of these arrangements, which are entered into under strict controls. The review should not be utilised to compare the performance of the Trust with UK local authority or the States Housing Department results, as they are not like-for-like.

The table of results follows.

**(TO BE INSERTED)**