

Sixteenth Annual Report of the Jersey Homes Trust

1st January 2012

CHAIRMAN'S REPORT

The provision, scope and objectives of social housing in Jersey are under intense review following the publication of the Whitehead Review, which was commissioned by a previous Housing President. The process has been named the "Housing Transformation Programme" and it is nothing less than that.

Under Deputy Andrew Green, the re-elected Housing Minister, the Housing Department has embarked on a programme aimed at converting itself into an entity at arm's length from the States, with more similarities to a Housing Trust than a government department. Housing trusts offer solutions and advantages which are understood and accepted to be of benefit to the community and to the States.

The perceived advantages to the Department in obtaining arm's length status include financial independence and access to funding facilities unavailable to it as a Government body. If successful, the Department will be able to start work seriously to remedy years of neglect to its housing stock. Many millions of pounds need to be spent to bring Jersey's publicly owned housing up to the "decent homes" standard that is the norm in the UK. The Minister will need to concentrate for the next few years on this essential task.

Very little new social housing for rental has been developed in recent years while awaiting the Whitehead Review and a new strategy for the sector. For a number of years there has been a moratorium on support by the States for any new developments by housing trusts. As a consequence, waiting lists are growing and the shortage of affordable rented housing is becoming acute. Developments of first-time buyer and "Homebuy" housing schemes have also dried up. Whilst we remain the largest provider of social rented housing after the States, and pride ourselves as caring and efficient landlords, our primary objective of developing new housing is now entirely unfulfilled.

The Transformation Programme is addressing the role and the functions of the housing trusts and their relationship with the Department. Housing trusts in Jersey are not-for-profit bodies controlled and managed by unremunerated trustees. They are seen as offering choice to social housing tenants, saving manpower costs to the States and giving some hope to applicants for accommodation who fall outside the strict criteria operated in the past by the Housing Department. The Jersey Homes Trust has funded the development of £100 million of new social housing by way of borrowing in the private sector, on account of its financial independence, the standing of its Trustees and its

excellent track-record for financial management and reporting.

JHT is participating enthusiastically with the Transformation Programme and we are fully supportive of its aims. We are more than appreciative of the level of consultation taking place. We wish the Minister well and look forward to a new era in Jersey when the needs of social housing are better understood and supported. Under review in particular at the present time are the arrangements that cap rental increases, the setting up of the Affordable Housing Gateway and the proposed regulation of the sector.

JHT rentals are capped under the “fair-rents” scheme which ensures that JHT rents are no higher than those of equivalent homes in the public sector. Rental increases in recent years have been set at levels well below the rate of inflation. We are content that our tenants should enjoy this benefit, but it is also in the interests of our tenants that we meet our financial commitments, to offer continuity and efficiency of management and services and the proper maintenance of our housing stock. When the Housing Department operates as a private-sector landlord there will need to be a new formula that will set and govern social housing rentals, under the auspices of the regulator, who should himself be independent of the Minister and Government.

The Affordable Housing Gateway commences operation on the date of this report, 1st January 2012. The Gateway seeks to centralise the processing of all applications for all forms of social housing. In future, therefore, there will be a single waiting list for rental accommodation (as well as for the other forms of social housing, e.g. Homebuy). The housing trusts will have access to the list and will, in future, allocate homes to applicants from the list. The advantages include transparency, efficiency, better reporting, fairness and the avoidance of duplication. The Gateway will become an invaluable tool in the compilation of reliable statistics of housing need.

The practical implementation of the scheme has required extensive and close working together by our managers at Brunel with Dominique Counce and her Gateway team. The efficient working of the Gateway, the issues of Data Protection, information sharing, IT implications and documentation have all been addressed in a spirit of helpful co-operation. This has served to create a healthy environment and a sense of mutual understanding that I feel has been invaluable.

Although JHT has always allocated its homes on the basis of need, with very careful attention to fairness and matching the right home to the right applicant, there have been those in the community motivated to suggest otherwise. With the introduction of the Gateway we can finally put that disrespectful innuendo to rest. We shall continue to allocate our homes to those most in need of social housing and our allocation processes will be virtually unchanged.

When the Housing Department achieves independence, it is proposed that a single independent regulator will be responsible for the whole sector and that the re-constituted Housing Department will be subject to the same regulation. We have been asking for regulation for many years because it is vital that our operations command confidence and the support of the community. We are hopeful that the regulation will not be unduly bureaucratic or costly to administer.

When the JHT was established 17 years' ago there was a clear understanding of its role and the basis of its funding. The passage of time has resulted in some erosion of this understanding. All of our developments and acquisitions have been funded by the

borrowing of £100 million from Jersey banks, supported in some cases by capital subsidies from the States. The Trust is therefore very highly geared, much more so than housing associations in the UK. It has been able to enjoy these beneficial arrangements only with the support of the States, in the form of letters of comfort to the banking institutions concerned. Included in the letters is an undertaking by the States to subsidise some of the interest chargeable to the Trust as well as assurances that the borrowing is supported by the States. The letters have been crucial both in obtaining the funding and in achieving historically low rates of interest.

More recently the letters of comfort have not been so well understood and have been seen, by some, as an undesirable cost to the States. That is to completely misunderstand the reality. The development of 750 homes for social housing could not be contemplated or achieved, in Jersey or elsewhere, without substantial governmental interventions and subsidies. It is a responsibility of the States to provide social housing and in the most efficient manner achievable. Housing trusts exist to assist the States in this responsibility. The competitive rates of interest secured by JHT through the letters of comfort have actually saved the States considerable expense that otherwise would have been necessary to support the level of development required.

The low rates of interest payable by the Trust in the current economic conditions have not required interest subsidies from the States in the last two years. Moreover, the Trust has been able to accumulate some unreserved cash surpluses as a consequence of these low rates. Trustees are conscious that the primary objective of the Trust is to procure new social housing and that there is an acute shortage of social housing in Jersey. It is proper, therefore, that most of these surpluses should be reserved for further development. We are presently engaged in researching potential developments and I report regularly to the Housing Minister, whose support I am grateful to acknowledge.

The Trust understands that the fiscal challenges facing the States are good reason to consider the possible advantage of mitigating exposure to future subsidies. Discussions by Trustees with Treasury officials are ongoing. Utilising cash resources of the Trust in such connection would do nothing for social housing as it would rule out options for investing in new homes, which is our principle objective. The present arrangements have served the Island well. Should the States be required to re-commence payment of the subsidy, it would be in a situation of economic revival and a much improved fiscal environment. There would seem to be a clear case for investing present surpluses in new housing on terms requiring no additional subsidies from the States and to leave the historic arrangements unchanged. The cost to the States in supporting new housing would be merely a continuing affordable exposure under their existing commitment.

A large housing development would also be of benefit to a depressed construction industry and of economic benefit generally to the Island. Increasing the supply of affordable housing is the best means of alleviating poverty. Any large development by the Trust requires the relevant support and encouragement of the three key ministries of Treasury, Planning and Housing. My Trustees would welcome clear and unambiguous encouragement to engage and invest in a bold development initiative.

As part of the Housing Transformation Programme, a 30-year business model for the Trust has been constructed by consultants to the Housing Department. The main parameters driving the model are interest rates and rental growth. The rental growth predicted by the model might be difficult to achieve at times of economic austerity. It is also the case that interest rates are impossible to predict with any certainty. The model may, therefore, be

unreliable in its projections. Trustees will be willing to engage in discussions informed by the outcomes of the model. However, the model is not a suitable platform for strategic decision making. It cannot be relied upon to replace the existing subsidy arrangement, which is the core provision of the letters of comfort. It can never be utilised to transfer the interest-rate exposure from the States to the Trust.

In March 2011 the Trust conducted a satisfaction survey of all tenants on all the Trust's estates and properties. The response rate was 34%, considered high in marketing terms. Key responses included:

77% enjoyed living in their homes. A further 17.8% tended to agree.

73% considered the property managers polite and courteous. A further 18% tended to agree.

69% were happy with the way that repairs were handled. 22.6% tended to agree.

75.5% considered maintenance staff courteous. 20% tended to agree.

A question relating to nuisance from anti-social behaviour was posed for the first time. 76% agreed or tended to agree that they were not inconvenienced by anti-social behaviour.

77.7% would recommend a friend to live in a JHT home. 14% tended to agree.

105 respondents made individual comments. A proportion of respondents took the option of making anonymous responses. Every comment made, unless made anonymously, will be individually followed up by our property managers.

Our managers routinely send satisfaction questionnaires to tenants requesting maintenance call-outs. There were 1,887 call-outs referred to contractors in 2010. 86.4% of respondents expressed satisfaction with the service received.

The Trustees have decided that general satisfaction surveys of all tenants will be made every three years in future.

The Trust's website (www.jerseyhometrust.org.je) has been revamped and I am very pleased with the result. Comprehensive information is available from the site including the Trust's annual independently audited financial statements.

My discussions with States' bodies have been assisted by my informal meetings with the Chairmen of Les Vaux Housing Trust (Ken Hewitt) and CTJ Housing Trust (Diarmuid Lynes). I am grateful to them for their trust and friendship and I am sure that they too feel that they derive benefit from our exchanges. Our intention is to assist the Housing Minister in his discussions with the Trusts by endeavouring to avoid a fragmented situation which would be of no benefit to any of the participants.

I was delighted that Deputy Andrew Green was re-elected as Housing Minister and by an emphatic majority of States Members. Clearly they feel as I do that the Minister has started well and have confidence that he will be instrumental in delivering more and improved social housing and a better life for Jersey people. My Trustees join with me in congratulating the Minister and look forward to working with him in the challenging months and years ahead.

Annual benchmarking of performance:

There follows as usual our annual benchmarking review (compiled in 2011), 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.

THE JERSEY HOMES TRUST

Annual Benchmarking of Performance (2010) **against Performance of UK Housing Associations (2009)**

| | UK Associations | Jersey Homes Trust |
|----------------------------------|----------------------------|-------------------------------|
| Average stock | 4,666 | 741 |
| Vacant Stock unavailable to let | 1.0% | 0.0% |
| Vacant Stock available to let | 0.9% | 0.0% |
| Average re-let time (days) | 38.6 | 0.0 |
| Rent arrears at year end | 4.9% | 0.2% |
| Operating cost per unit; Weekly | £59.94 | £35.17 |
| Annual | £3,117 | £1,829 |
| excluding major repairs; Weekly | £49.92 | £35.17 |
| Annual | £2,596 | £1,829 |
| Management cost per unit; Weekly | £17.17 | £8.92 |
| Annual | £893 | £464 |

NOTES:

Sources:

The Tenant Services Authority websites.

The audited accounts and annual report of The Jersey Homes Trust and reports to Trustees by managing agents.

UK data selected for benchmarking:

Performance Indicators of General Needs stock.

The global accounts of housing associations over 1000 units (97% of homes in the sector).

Size of Associations: (Average no. of units owned)

The TSA website no longer offers the facility to filter on the basis of the size of associations.

It is reported by the TSA that larger associations benefit from economies of scale.

The JHT has 741 residential units and 3 commercial units.

Average re-let time calculated by number of void days divided by number of re-lets in year.

“**Operating cost**” includes costs of all **maintenance and repairs**, and all **administration costs** including management fees, audit, accountancy, insurances, legal & professional fees, bad debts and general administration..

UK costs are nett of depreciation and impairment costs (JHT does not depreciate).

JHT costs are nett of Foncier Rates (for which there is no UK equivalent).

JHT benchmarking is not suitable for comparison with UK Local Authority or States Housing Departments, which operate under different conditions.

Property Management Report.

A total of 744 units are presently under management.

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

La Folie Estate: St Lawrence. 30 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 houses and 10 flats.

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

Berkshire Court, La Motte Street, St Helier. 113 flats and 1 amenity unit.

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. 32 flats.

Le Coie, Springfield, St Helier. 96 flats and 2 amenity units.

Le Grand Clos, Mont-a-l'Abbe, St Helier. An estate of 54 houses and flats.

Clos Le Gallais, Mont-au-Pretre, St Helier. An estate of 13 houses.

Clos du Ruisseau, Maufant. An estate of 19 houses.

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

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

Rental: The current annual rental of the Trust's property is £7,412,792.

Voids & Arrears: Please refer to the benchmarking table above.

Acknowledgements

To:

Jim Bailey (Chairman's Assistant and JHT Monitoring Surveyor);
Marion Falle (our public relations consultant);
Stephen Van Neste and his team at Brunel Management (our property managers);
Tricia Redmond and the team at Moore Management (accountancy services);
Alex Nethercott-Parkes at Ogier (secretarial services);
Ian Gallichan (Chief Executive Officer at the Housing Department);

and to my Trustees (see below).

Thank you all for your services and kindnesses in 2011.

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 Philip Le Cornu, Secretary;
Martyn Scriven, Treasurer;
Ian Moore, Accountant;
Chris Clarke, Developments Director;
Paul Labesse, Estates Director.
Frank Dearie; Risk, Regulation and Compliance.