

Seventeenth Annual Report of the Jersey Homes Trust

1st January 2013

CHAIRMAN'S REPORT

IN THIS REPORT:

- ⌚ The Trust has been waiting for years for the opportunity to develop new homes. The inactivity has been due to political inertia arising mainly from a reluctance to recognise an increasing and actual housing need. Eventually the Affordable Housing Gateway, which consolidated all the waiting lists for social rented housing, confirmed the need for hundreds of new homes. The Trust is now being encouraged to start developing again.
- ⌚ We are where we are. It will take twelve months to design new schemes and obtain Planning consent. It will take another two years to build major schemes. Meanwhile the waiting list grows. The Trust will do all it can to commence substantial new development as soon as possible. This will be good for Jersey people in need of decent housing and good for the economy of the Island.
- ⌚ I support the objectives of the Housing Minister in the Housing Transformation Programme. The Housing Department, as an independent body, should be better placed to remedy years of neglect in the maintenance of States homes. Also, the setting of rentals will be freed from political control. The Minister will not have the resources for very much new development. He will have to rely on the housing trusts for that.
- ⌚ The office of a Regulator of social housing providers is proposed. Jersey has few housing trusts and they are well run. Do we need the luxury of a regulator? The transformation of the Housing Department may tip the balance. We hope to be able to support the Minister's proposals. Good regulation would be proportionate and not bureaucratic. Onerous regulation would deter Trustees, who are unpaid, from offering their valuable services.
- ⌚ In the UK, housing trusts are concerned that rental arrears will increase dramatically when Universal Credit is introduced. The Trust faced that challenge when Income Support combined most benefits, which were then paid direct to tenants. The Trust's arrears have been maintained at extremely low levels and there have been no evictions. Pro-active management and sympathetic engagement with tenants produces these results.

Working with Government

The Housing Minister's White Paper concentrates largely on measures to bring all States homes up to the Decent Homes Standard. Years of under-investment in the maintenance of homes in the public sector have to be remedied. The programme to achieve this will take years and it will blunt the Department's ability to invest in new developments. The White Paper does not envisage an increase in the number of public sector homes although it proposes some realignments, which would release some homes for sale. It is apparent, in this scenario, that any increase in the number of social rented homes must come from the activity of the housing trusts. The JHT is strongly desirous of playing a full part in this important work in partnership with the Minister and his Department.

In the past the Trust has looked to the States, and more particularly to the Housing Development Fund, for necessary capital and revenue subsidies to achieve viability for its developments. Over £11 million of capital subsidies were granted and millions more were provided by way of revenue subsidies to assist payment of interest. I am very happy to acknowledge this very commendable commitment and support to the Trust by the States and by successive Housing Presidents and Ministers. By the same token, I acknowledge that only by an active partnership with the Housing Department and its Minister can the Trust succeed in its objectives, which were set in the first place by a Housing President many years ago. I am very happy to report that I maintain close and fruitful contacts with Ian Gallichan, the CEO of the Housing Department, as well as the Minister, Andrew Green.

The Trust developed (or otherwise acquired) 750 homes for rental in the twelve years following its setting up, this in accordance with objectives set by Housing Presidents. The support and subsidies from the States assisted the Trust to obtain from banks the necessary funding of £100 million. In the present financial environment the Trust cannot realistically look to the States for further financial subsidy to achieve new development. Happily, as a result of the low interest rates currently payable, the Trust has been able to accumulate cash surpluses, which have been reserved to fund future development. In my report last year I was hopeful that the Trust would receive clear encouragement from Treasury and Housing Ministers to use its reserves for such purpose, rather than to reduce possible future exposure by the States to interest subsidies. I can report that we have received the clear advice and encouragement we felt we needed.

New Developments

We are now focused on committing to further development of social housing for rental as soon as we can achieve it. Large housing projects cannot be turned on and off like a tap. For some years political restraints have interrupted a process which should be continuous and we have to start again from scratch. During the last twelve months the Trust has worked with architects on possible schemes and this work is continuing. It will take rather more than twelve months before any work on any site can begin and two or more years after that to deliver badly needed homes to those in need. This is an optimistic timetable and a frustrating situation for my Trustees. Part of the success of the Affordable Housing Gateway is to produce statistics of housing need that were previously questioned by major players. It will take time to rectify the mistakes of the recent past.

The Trust is conscious that the development of many millions of pounds of new housing will stimulate the local economy at a difficult time. We are committed to employing, as far as possible, local consultants and contractors in order to maximise this beneficial effect.

Housing Transformation Programme

The Whitehead Review took three years to set up and report and the conclusions of the review remain the focus of the Housing Transformation Programme. The Housing Minister, Andrew Green, remains committed to bring in reforms intended to address the chronic under-funding of essential maintenance of States' rental homes. The solution he seeks is to transform the Housing Department into an entity at arms' length from States' control and bureaucracy, whilst remaining ultimately in States' ownership. This is a challenging initiative and I wish the Minister well.

The Transformation Programme has actual implications for the existing housing trusts, because the new States entity will itself be constituted as a housing trust. It is inevitable that the whole sector will achieve homogeneity of some kind, like it or not. This is already occurring in the very successful operation of the Affordable Housing Gateway, which now manages one waiting list for all social housing providers. The JHT, together with the other housing trusts, agreed to work with the Gateway, giving up in the process some measure of their independence.

Regulation.

It is proposed that the office of a Regulator of Social Rented Housing should be established. The Regulator is to have statutory powers to inspect, regulate and report on the activities of housing trusts in Jersey. I am pleased to report that an excellent level of consultation with the trusts has taken place and I am hopeful that sensible, proportionate and helpful proposals will emerge. Such regulation should set and encourage best practice. It should avoid unnecessary bureaucracy. The office will require professional knowledge and appreciation of housing issues. It should respect the integrity and track-record of the existing trusts and the professionalism of their boards. It should assist transparency and confidence. It may be an asset in obtaining future funding. Trustees, who are unpaid volunteers, should never have to feel that they give their services in a potentially hostile environment. On the contrary, they should feel understood, appreciated and encouraged. My Trustees and I will support enthusiastically regulation of that kind.

It should be understood that Regulation already exists through a bilateral and binding agreement between the States and the Trust. The agreement covers key issues, such as rental caps, allocations, tenant inclusion and cash surpluses of the Trust. The constitution of the Trust requires annual reporting of accounts to the Minister, who exercises power over the appointment of Trustees. Regulations attached to the constitution cover contractual and related party matters. This framework has served the Island well for 18 years. The Trust has endeavoured to assist transparency through its website, in which its annual audited accounts are published, and through its engagement with tenants by way of its regular publication of a beautifully produced newsletter.

Jersey is a small jurisdiction with only a handful of very well run housing trusts. The cost and necessity of a Regulator may well, therefore, be questioned at a time of financial restraint. If it's not broken, why fix it? It is also ironic that the best landlords on the Island face regulation whilst the rest of the private sector can go its own way. I believe that the transformation of the Housing Department into an arm's length body probably tips the balance of the argument. We will therefore be supportive of proportionate, respectful and helpful regulation.

Setting rents

A key element of the Housing Transformation Programme is to free social rents from political control. At present the Minister is responsible for setting the caps on rents that the trusts must observe. Over recent years social rents have fallen further and further behind the rate of inflation and also the levels of market rents. This is unhelpful in funding new development. It is largely unnecessary since those in need receive perfectly adequate support through the housing element of Income Support. It is also unfair to those renting in the private sector. The Minister plans that, in future, rents will be set at 90 per cent of market rents of equivalent properties in the private sector, whilst phasing in the impact on those adversely affected. I believe this is a sound and fair proposal and it has my support. It is proposed that a proportion of the increased rental receipts should be paid by the trusts to the Social Security Department in order to fund the increases in Income Support. The mechanism for the calculation and payment of this has yet to be announced and it remains a cause of some concern. In a perfect world a social landlord should charge a fair and sustainable rent and a tenant in need of assistance should receive the appropriate benefit from the State.

30-year Business Plan

The JHT has been pleased to co-operate in the development of a 30-year business plan by the Housing Department. I have worked closely with John Hamon, Financial Director and his able colleague, Lindsay Wood, in submitting and refining the extensive quantity of information required to populate the plan, which is largely based upon a template used by the Department itself. This does not prevent parameters of the JHT's choosing being utilised. For JHT, the plan will be a useful tool to postulate differing events and situations and to view the outcomes over many years. For the Housing Minister, the plans of all the trusts, taken together, will enable him to report to the States with greater clarity the position and the prospects of the entire sector. There are those who doubt the ability of any person or plan to forecast financial outcomes over so many years. I would not take issue with them. However, investment in housing is a long-term exercise and it must be sensible to have a long-term investment strategy, so long as the plan is updated year on year. It must be understood that JHT is responsible for its own investment strategy and its long-term agreements with the States must never be compromised by the outcomes of financial plans composed by third parties.

Scrutiny

I have had meetings, formal and informal, with the Housing Scrutiny Panel, who are reviewing the progress of the Transformation Programme and formulating their response to it. The Panel published an interim report on the Minister's White Paper, which was measured, informed and a credit to the scrutiny process. My recent informal meeting with the Panel, also attended by the Chairmen of the other two larger trusts, was interesting and respectful. I welcomed the opportunity of informing the Panel members about the history, work and objectives of the Trust. I hope we were able to make a positive contribution. I congratulate Deputy Kristina Moore on her Panel and on its methods and I hope very much that her efforts will be of positive benefit to the eventual outcomes of the Transformation Programme.

Housing Trusts in Jersey

I am pleased to report that I continue to meet, fairly regularly and informally, with the Chairmen of the Les Vaux and the Christians Together housing trusts, Ken Hewitt and Diarmuid Lynes. We share many views and experiences and I believe this is helpful to the process of useful consultation on the Housing Transformation Programme. We are not a lobby group and we do not necessarily always agree on some of the issues. That is not surprising since our history and culture are not the same and I respect and understand that. I think it is healthy that the sector should find room for different institutions with their own distinctive style and objectives. Long may that continue.

New Trustee

I am more than pleased to report that another Trustee was appointed in 2012. Jim Bailey recently retired as a surveyor and he had given many years of service to the Trust in that role. Trustees wished to retain the benefit of his wisdom and experience and Jim kindly agreed to the appointment. I am rightly proud of my team, most of whom have been Trustees from the beginning, 18 years ago. They give me unstinting support and the benefit of their individual professional skills. The JHT Trustees are unpaid for the work they do for the Trust. They have served the Island well.

Benchmarking our Performance

There follows a table, produced annually, which benchmarks the performance of the Trust in crucial areas against the performance of UK housing associations. This exercise confirms that in comparisons of rental arrears, voids and re-let times, the Jersey Homes Trust is managed particularly successfully. In comparisons of cost, it further confirms that the Trust has a low-cost base, this in a high-cost environment. I submit, therefore, that this benchmarking demonstrates excellent value-for-money in the Trust's costs and expenses. This is important since the Trust continues to favour an outsourcing model rather than establishing its own premises, staff and chief executive.

Much of the outsourcing is contracted through firms having a connection with Trustees. All such contracts are confirmed by our auditors as having been set up in accordance with the Regulations of the Trust and are fully reported in our published annual accounts. These arrangements are well understood and have been of benefit to the Trust over many years and have contributed to its financial and management success. Trustees are enabled to maintain a "hands-on" and day-to-day involvement in the business of the Trust and to secure keenly priced services. The contracts are professionally reviewed annually.

Good News.

In the UK, pilot studies have been conducted to measure the effect on rental arrears when housing benefits are paid direct to social housing tenants when Universal Credit commences in 2013. The initial findings indicate that arrears will rise to as much as 8% of annual rentals, which is a matter of great concern to housing associations. Also, Shelter recently reported that close to 200,000 households in England were threatened with eviction. It is feared that the problems arising from Universal Credit will only increase this statistic. When Jersey adopted a universal benefits system, Income Support, the JHT then faced a similar challenge. I can report that not a single eviction has occurred over the intervening years and our rental arrears remain at remarkably low levels.

JHT takes the view that it is in the interests of its tenants to actively manage rental arrears and not to allow them to accumulate. Tenants otherwise can face a debt mountain which appears daunting and beyond redemption. Those in arrears receive reminders, failing which they are summoned without further delay to the Petty Debts Court. We also operate a debt repayment programme to assist tenants manage their repayments, and this has proved to be very successful. It is evident that the new benefits system has bedded in and we can report, with some relief, a significant reduction in Petty Debts proceedings in 2012. I report with great satisfaction that our rental arrears, as at December 2012, stand at just 0.25% of annual rental.

This remarkably low level of arrears should not be taken as evidence that JHT tenants are well-healed in comparison with the tenants of other providers. The vast majority of our tenants were nominated by the Housing Department and the remainder were allocated homes on a needs basis. I venture to suggest that conscientious management, understanding the needs and difficulties of tenants, produces outstanding results.

Acknowledgements

To:

Nigel Sweeny (our 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);
Sylvia Lennon at Ogier (secretarial services);
Ian Gallichan (Chief Executive Officer at the Housing Department);
John Hamon (Finance Director, Housing Department)

and to my wonderful Trustees (see below).

Thank you all for your services and kindnesses in 2012.

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 fideicommis 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.
Jim Bailey; Surveyor

THE JERSEY HOMES TRUST

Annual Benchmarking of Performance (2011) **against Performance of UK Housing Associations (2010)**

	UK Associations	Jersey Homes Trust
Average stock	6,413	744
Vacant Stock	2.2%	0.0%
Average re-let time (days)	33.2	0.0
Rent arrears at year end	4.4%	0.2%
Operating cost per unit; Weekly	£58.65	£35.24
Annual	£3,050	£1,832
excluding major repairs; Weekly	£49.69	£34.95
Annual	£2,584	£1,817
Management cost per unit; Weekly	£17.00	£12.24
Annual	£884	£637

NOTES:

“**Management Cost**” includes all administration costs, management fees, accountancy and audit fees, property insurances, P.I. Insurance and legal and professional fees.

“**Operating Cost**” includes all the above, all repairs and maintenance and bad debts.

To achieve like-for-like comparisons:

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).

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

UK data selected for benchmarking:

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

Sources:

The Tenant Services Authority website.

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

JHT benchmarking is not suitable for comparison with UK Local Authority or the States of Jersey 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 £7,642,866.

Arrears: Rental arrears are 0.25% of annual rental.