

STATES OF JERSEY



LES QUENNEVAIS PARK FLATS: LOAN SCHEME (P.19/2021): COMMENTS

Presented to the States on 16th April 2021
by the Environment, Housing and Infrastructure Scrutiny Panel

STATES GREFFE

COMMENTS

[P.19/2021](#) - Les Quennevais Park Flats: Loan Scheme (hereinafter the “Loan Scheme”) was lodged au Greffe on 9th March 2021 by the Minister for Housing and Communities to approve, in accordance with Article 6 (4) of the Public Finances (Jersey) Law 2019, a variation to the purpose and terms of the 99-Year Leaseholders Fund (hereinafter the “Fund”) which would enable monies from the Fund to be lent to individual property owners for the repair of balconies on properties in Blocks A to H, Les Quennevais Park Flats under the terms set out in the Report of the proposition. The Fund was considered as the most appropriate means for providing the required support to residents.

The Environment, Housing and Infrastructure Panel, (hereinafter the “Panel”) was briefed on the Loan Scheme by the Minister for Housing and Communities and his Officers on Tuesday 13th March 2021, ahead of the States Assembly debate on the proposition scheduled for the 20th April. The Panel was provided with a background of the history of the Les Quennevais Park Flats and the rationale for the proposed Loan Scheme. It was noted that the flats had been constructed on behalf of the former Housing Committee in 1964 and had been sold on a 99-year leasehold basis. Subsequently, during recent maintenance of the flats, defects were identified on several balconies and it was concluded that the defects had stemmed from the original construction method. The rationale for the proposed Loan Scheme was to provide financial assistance to the residents to undertake the works as outlined in the proposition. It was highlighted that, in the absence of the Loan Scheme, residents, many of whom were elderly, would not be in a position to raise the funds required commercially.

Noting that the defects to the balconies had been identified during recent maintenance, the Panel questioned whether any alternate opinions had been sought regarding the matter. The Panel was informed that Brunel Management Limited, who would oversee the programme of repairs, had received advice from a local civil and structural engineering consultancy firm. In addition, meetings had been held between co-owners and engineers. It was noted that a co-owner had taken a second opinion on the matter which had confirmed that the balconies were structurally flawed.

During the briefing, the Panel raised questions regarding the purpose for the Fund and its workings. It was explained that the Fund had originally been established to provide loans for 99-year lease properties and had been used for that purpose to date. However, it was noted that one complication with the mechanism of the Fund was in relation to it being able to provide the appropriate source of funding at present. It was explained that the current Fund could only provide loans to lease holders, however, the Les Quennevais Park Flats now comprised both leasehold and flying freehold flats. It was highlighted that the approval of the proposed proposition would enable accessibility of the loans to both leasehold and flying freehold residents which was not possible under the structure of the existing Fund.

Noting that some of the flats were flying-freehold, the Panel raised a point of concern that some residents may choose to opt out of repairing the balconies and asked whether this would be an option. It was explained that all residents would be obligated to have the work undertaken as the balconies formed part of the Les Quennevais Park Flats common area. Therefore, in line with the declaration of the Association, all flats would be required to contribute their assigned percentage to repair the balconies. The importance of ensuring that all balconies were repaired was highlighted as the insurance

of the Les Quennevais Park Flats depended upon this given that the balconies had been declared as defective to the insurer by Brunel Management Limited.

The Panel questioned whether all of the balconies were defective and, if not, whether they would all need to be repaired. It was explained that it was possible that some of the balconies would not have suffered in the same manner as others because renovations to some flats had meant that several of the balconies were now under cover and protected from the external elements. However, it had been identified that the existing concrete beams that had been used for the balcony structure could not handle force, so work would be required for all the balconies, nonetheless. It was clarified that even where residents had renovated, and the balconies were protected from the weather, that the precast beams would still require support to be provided.

The Panel asked for clarity regarding whether the monthly payments on the loans would be paid into the same Fund. It was confirmed that would be the case. Noting that the loans would bear fixed interest at a rate of 2% per annum for the period of the loan, the Panel questioned the reasoning for posturing the interest rate at 2%. It was explained that existing legislation had required an interest rate of 7.5% to be charged, however, the Fund would allow for this rate to be amended to 2%. In addition, the loan would not be secured so the rate was considered appropriate for the low level of risk associated with provisioning an unsecured loan to residents.

The Panel questioned how it was concluded that the loan would deliver a low level of risk. The Panel was informed that it was recognised through the expression of interest for the Loan Scheme that had demonstrated approximately 40 of the 96 flats would apply for a loan and the monthly payments were considered relatively low in value. It was noted that the highest monthly payment would be £130 per month over the 10-year period of the loan. The Panel was informed that a further protection measure would be the ability to utilise the Petty Debts Court to recover debts, where necessary. Therefore, when considering all of these factors, it seemed appropriate to categorise the risk level as low.

Considering the flats belonged to many elderly residents and that the loans would be provided, unsecured, over a lengthy period, the Panel raised a point of concern regarding a means for debt recovery. It was explained that a loan agreement had been produced by the Law Officers' Department and that the main route of debt recovery would be via the Petty Debts Court. It was noted that the decision was taken to provide the loans on an unsecured basis due to the low value of the loans that would be required.

The Panel questioned whether any legal obligation existed on the Government to provide assistance regarding the repairs outlined. It was explained that there was no legal obligation on the Government to provide support, however, as the fault was resultant of the original construction method, it was felt that a moral duty existed to provide a means of assistance to rectify the issues.

The Panel understands the rationale in relation to the Government's moral obligation to residents, however, raised a point of concern regarding the potential precedent that the Loan Scheme may set going forward, should the proposition be approved by the States Assembly. The Panel questioned whether consideration had been given in that regard and whether any knowledge existed in relation to any prevailing issues with other estates where assistance may be sought in the longer term. It was noted that there was currently no evidence to suggest that other properties were experiencing similar issues, however,

a risk of a precedent being set for similar schemes could not be discounted. It was highlighted that a media release of the proposed Loan Scheme had been published in March and that to date it had not prompted any enquiries from other estates regarding any issues.

The Panel questioned whether any mitigation measures had been put in place to safeguard against requests of further loans over the longer term for areas outside those outlined in the proposition. It was clarified that the proposed Loan Scheme was for the purpose of reconstructing and repairing the balconies alone, and that going forward, any further work would depend on the type of improvement that was required and the reasons for that improvement. It was noted that the Loan Scheme had clearly established that the loans would only be for the balconies and that the money would be paid directly to the contractor to settle the payment.

Noting that Les Quennevais Park Flats were nearly 60 years old, the Panel questioned whether consideration had been given to the complete redevelopment of the flats rather than its continual maintenance, as would be required with any older building. It was explained that, although it was not likely to have been discussed at length by the Association, the Association would likely not decide to redevelop and that the route of continual improvement would be the preferred option because many of the residents would not be in a position to redevelop. It was highlighted that it may be different for properties that are not privately owned.

The Panel questioned whether the one block of the Les Quennevais Park Flats owned by Andium Homes would also be considered under the Loan Scheme. It was explained that it would not as Andium Homes was responsible for the maintenance of that block. It was noted that the block that was under the ownership of Andium Homes had already undergone refurbishment about five years ago.

The Panel asked whether the work on the balconies would enhance the value of the properties. It was thought that it would and would aid in the sale of the properties as currently owners wishing to sell had found it challenging due to the significant structural concerns and the insurance issues that this posed.

It was noted that to arrive at this point had taken nearly a decade and that Brunel Management Limited was content with the proposed arrangement. The Panel highlighted that it had been aware that this was an ongoing issue for many years and was pleased to see an advancement to finally resolve the challenge that the flats' residents were facing.

Subsequent to the briefing, it has been brought to the Panel's attention that there is potential ambiguity over whether Brunel Management are expecting to recoup the costs of repairs over a 10 year period from flats which are tenanted or whether the capital appreciation aspect will be taken into consideration. Additionally, in the event that tenants of the flats are in receipt of income support, whether these costs will be compensated. We would request that the Minister for Housing and Communities clarifies the position on these queries during the debate.

Conclusion

Subject to its concerns highlighted above, the Panel is satisfied with the purpose and rationale for the proposed Les Quennevais Park Flats: Loan Scheme to provide the

required support to residents as outlined in the proposition. It will, therefore, be supporting the proposition.