

# STATES OF JERSEY



## **COST OF LIVING CRISIS – MEASURES AFFECTING ANDIUM HOMES RENT INCREASES (P.92/2022) :COMMENTS**

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**Presented to the States on 4th October 2022  
by the Council of Ministers**

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**STATES GREFFE**

## COMMENTS

### Introduction

We understand and share the concerns of States Members and Islanders around housing costs in general. However, we would strongly urge Members to reject this Proposition.

This Proposition, well-intentioned though it may be, does not in practice provide assistance to those in most need. If approved, will create a two-tier system for Andium tenants. At the same time it will reduce the rental income that Andium relies upon to provide new affordable homes to Islanders.

The Proposition seeks to suspend any rental increases, for a period of a year, in the event of existing tenants of Andium Homes Limited (“Andium”) moving within the Andium portfolio to a refurbished home, following which incremental increases would be applied. The justification for this approach is to allow “...time for those drawn into an income support claim to be given advice in applying for this support to meet the increased rental cost.”

The Council of Ministers is also very aware that many households are struggling with the cost of living, although are not in receipt of income support.

We would also preface these comments by noting that it is assumed that Deputy Ward, in lodging this Proposition, has in mind the Le Marais properties, which is the only significant refurbishment project undertaken by Andium over the past two years into which existing tenants have moved.

## COMMENTS

### Sudden rent increases

Members should be assured that the refurbishment of the Le Marais properties is not a project that was “sprung” on tenants. The previous Assistant Minister for Treasury & Resources approved the refurbishment project by MD-TR-2020-0160 on 1 September 2020 and the project was the subject of an Oral Question by Deputy G.P. Southern of the previous Minister for Housing and Communities on 21 May 2021 (OQ.107/2021).

The refurbishment project has therefore been running for a couple of years with each of the four tower blocks being refurbished in turn, work on the final block has just commenced. Existing tenants in each block have been offered the opportunity to move either into a newly refurbished apartment in one of the other blocks at Le Marais or elsewhere in Andium’s portfolio, with those new tenants paying different rates to those who have moved within the system.

Andium work closely with their tenants to understand their needs when they are required to move, including providing advice on access to Income Support, which unlike the private rented sector, is available up to the full rental amount charged by Andium.

In addition, Andium assists tenants with the costs associated with moving home, including providing carpets, removals and disconnection and reconnection of appliances such as washing machines and cookers.

Most recently, 27 tenants moved from Block E at Le Marais into the newly refurbished La Tour Dunlin (formerly Block F). These tenants have been aware of the phased refurbishment of the buildings and the need to move since work commenced in 2020. Any tenants who moved in more recently were told about the need to move again and were only offered short term tenancies on that basis.

In February 2022 all residents of E block were invited to open viewings at La Tour Grebe (formerly G Block) which was just completing so that they could see the quality of the new homes they were being offered at La Tour Dunlin when it completed. In April 2022 further discussions took place with those tenants on an individual basis where moves were discussed in more detail and rents and the option of Income Support was discussed. No moves took place until August.

15 of the 27 tenants who moved from E Block to La Tour Dunlin were already in receipt of Income Support in their previous home and so any increase in rent as a result of their move had no financial impact on them. This is because the housing component within Income Support mirrors the social housing rent charged and so fully compensates for any increase.

The remaining 12 tenants were not on Income Support and may have seen an increase in the rent they pay if they did not apply for Income Support or if they applied and were not considered eligible. If they are not considered eligible this will be because their Income Support assessment has indicated that they have sufficient income to meet their day to day living expenses. The process for applying for Income Support was discussed with all of these tenants in April this year, indeed I understand that 2 of those 12 tenants have now accessed income support.

The Minister for Housing and Communities' response to WQ.166/2022 provides further details of the existing tenants that have moved to a refurbished home over the last two years.

This goes to the heart of the rationale of Deputy Ward's Proposition. Tenants have clearly not had sudden and/or shock rent increases. Tenants have either already been in receipt of Income Support or they have had several months to review their arrangements.

Members may question why rents increase for new tenancies. This is as a result of the effect of the social rents policy, as discussed further below, and the extensive investment that Andium applies to its refurbishment projects, bringing properties up to a much higher standard.

The 224 Apartments at Le Marais are being extensively refurbished. The works include new kitchens, new bathrooms, new lifts, new heating, rewiring and the addition of fire retardation sprinklers. This all represents an investment of some £86,000 per Apartment. The sprinkler installations have been installed by Andium in the wake of the Grenfell Tower disaster as part of a comprehensive set of measures put in place by the company to ensure the highest levels of fire safety for all of its 601 high rise homes.

### **Social rents policy**

It is we think worth summarising for Members how our social housing rents policy works.

The Social rents policy approved by the States Assembly in adopting P.33/2013 The Reform of Social Housing on 16 May 2013, amended by the Amendment to the Government Plan 2022-2025 (P.90/2021), is sometimes referred to as the 80% rents policy (or formerly the 90% rents policy).

When the policy was introduced, the States decided to only apply the policy to new tenancies which started after 1st April 2014. Andium tenants with tenancies which commenced prior to that date continued to pay rents based on their previous arrangements. In many cases these rents were well below the 90% and the 80% level.

Members will be aware that the Government has required Andium to freeze its rents for 2021 and 2022 as a result of the global Covid pandemic and today the majority of Andium tenants are charged below 80%. It is worth noting that on average Andium charges 70% market rents and nearly 20% of all Andium tenants pay rents at 60% of market or less.

An Andium tenant entering into a new tenancy with Andium only pays rent at 80% of the market value on day one of their tenancy and so the effect of the social rents policy is that it is a policy of rents at up to 80%. Thereafter tenants are protected by the rents policy which only has one increase per annum which is capped at a maximum of 4%, benefiting tenants considerably in times of high inflation and a rising rental market. At least 60% of tenants are assisted with their rent payments through the Income Support scheme.

In general, tenants who have long-term tenancies which pre-date the social rents policy have benefitted from lower rents. When these tenants move to a much improved and refurbished property, it is appropriate for their rents to have parity with new tenants moving into social housing from the Gateway.

The potential unintended consequences of this proposed change in policy are significant and far reaching.

### **Financial implications**

We understand the intention behind Deputy Ward's proposition. However, we think that it is unnecessary because increases in rent are not sprung on tenants at short notice and, for c.60% of tenants, rent increases are completely neutral being funded by income support.

Unquantified and unfunded policy changes such as this should be approached with caution and be subject to rigorous assessment and scrutiny to ensure that the right people are being helped in the right way and that unintended consequences are at least identified and appreciated by the Assembly.

The Report states that the effect of this Proposition represents a minimal cost to the Government of Jersey. Whilst this may be true in respect of the small number of affected Le Marais tenants, it establishes a policy that will have a significant and a compounding effect on the Andium business model, as other future refurbishment projects are undertaken, and new homes are delivered. Andium has 4,700 tenants and provides homes for 10% of our population.

Members may be aware that the move to the up to 80% social rents policy, approved in the Government Plan 2022-2025, significantly reduced the future rental income Andium

will receive, and that effect compounds each year, reaching a projected £4.4m per annum by 2030 and £6.4m per annum by 2040 (in real terms). This Proposition, if approved, has the effect of further “chipping away” at the Andium business model. This is estimated to be at least £200k per annum for the existing homes plus the additional impact on newly built homes, where existing tenants move into those new homes. The additional uncertainty thus created will have the effect of jeopardising the financing of Andium’s capital programme for the longer-term delivery of additional social housing homes.

### **Future new tenancies**

Many tenants will naturally move within the Andium portfolio as their individual circumstances change and they should be encouraged to right-size when appropriate. The delivery of additional housing stock each year as Andium pursue their capital programme provides opportunities for such moves within the portfolio by existing tenants, alongside new tenants from the Gateway list.

The social rents policy ensures that tenants can have the confidence that they will only ever pay up to 80% market rent on the commencement of a new tenancy. Where the new tenancy is created by an existing tenant, Members can be assured that Andium work with their clients to understand their individual circumstances and provide assistance and advice.

### **Conclusion**

For the reasons set out above, we ask Members to reject this Proposition – it does not consider the longer-term impacts on Andium’s finances, which needs to be sustained in order to secure the delivery of more affordable homes.

In rejecting this Proposition, Members will be allowing Andium to continue to assist its tenants to move to significantly improved accommodation, working with them in a fair and sensitive manner, whilst ensuring the Andium capital programme to develop 3,000 social housing homes by 2030 can continue.

We would be delighted to work with Andium to consider alternative, sustainable options to assist tenants whilst protecting the business model of this social enterprise and its delivery of affordable, new properties for Islanders.

### **Comment under Standing Order 37A**

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This comment was provided late to the States Greffe due to an administrative delay.

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