

2.15 Deputy G.P. Southern of the Minister for Housing regarding the rationale underpinning the use of 90 per cent of market rents as the basis for social or affordable rents in Jersey:

Can the Minister explain what rationale, if any, underpins the use of 90 per cent of market rents as the basis for social or affordable rents in Jersey? Why is the basis of 80 per cent of market rates not used, in line with U.K. authorities?

Deputy A.K.F. Green of St. Helier (The Minister for Housing):

I have fully investigated the option of 80 per cent rent policy. It does not produce sufficient revenue on its own to support the investment that is needed to meet the Decent Homes standard for all social housing tenants, which is my main priority. I have secured a cap to the annual return that will be paid by the proposed housing company, but if this is not paid then there will be a shortfall in public finances that would have to be funded in another way. I am not in the business of creating problems. I am in the business of solving them. It could be argued, to those that want to keep the rent level at 80 per cent, that they are protecting better-off tenants from paying the fair rent level when they could afford to do so. My proposal will put the whole social rented sector on a sustainable level. It will ensure Decent Homes standard for all tenants. It will remove the unintended hidden subsidy for those tenants who can afford to pay more over time. Introducing a lower rent policy provides a considerable level of hidden subsidy which is not sustainable. A 90 per cent near market rent is just that. It is near but not at market rent. The size of the social sector in Jersey means that there is no evidence that it will drive up rents in the private sector, and the States economist has confirmed that. I have explained in recent States questions that the impact of the sector will not drive market prices up or cause rent inflation. The biggest factor in driving up market costs is a lack of supply. I have had the support of the Council of Ministers and the Minister for Planning will be bringing forward new sites fairly shortly.

2.15.1 Deputy G.P. Southern:

The Minister for Housing mentioned a cap on the return to Treasury. Is it not the case that the difference between 90 per cent and 80 per cent in sustainability is down to the return to Treasury?

Deputy A.K.F. Green:

As I said, I live in the real world. I have said this before. That money comes from the rent rebates scheme and the rent abatement scheme which was administered by Housing before the changes. If we are going to fundamentally change that, then we need to look at it, this time, whether we are not going to spend money in health or education or elsewhere or whether we are going to increase taxation. I live in the real world. 90 per cent gives us the answer we want. That has been confirmed, by the way, by independent work carried out by the Scrutiny Panel's advisers. 90 per cent is the right way to go.

2.15.2 Deputy G.P. Southern:

The Minister failed to answer one of my questions, which was that he talks about a cap on the return to Treasury. As far as I know, according to the H.T.P. (Housing Transformation Programme) there is no cap. It is set at 3.5 per cent annual inflation increasing over the 30 years of the plan. Can he talk about it in more detail and explain what cap he thinks he has put in place?

Deputy A.K.F. Green:

The cap maintains the contribution in real terms going forward. So the cap will be increased by whatever the R.P.I. (retail price index) is but it maintains it in real terms. That means as the rent

take increases, then my new company - I was going to say my department - if accepted by the States will continue to keep more of its rental return, which it can then in turn invest in new housing or maintaining Decent Homes standards. If we always do what we have always done, we are always going to end up with the same problem. I am solving the problem of underinvestment in housing at the present time and that requires a reasonable income.

2.15.3 Deputy M. Tadier:

Can the Minister confirm whether he has control over market rents?

[11:15]

Deputy A.K.F. Green:

No, I do not have control over market rents but what I do know from the small amount of economics I did when I was at school is that inflation is caused by too much money chasing too few goods. The best answer we can do is to increase the supply.

2.15.4 Deputy M. Tadier:

Would the Minister confirm if he has no control over what the market does, the market with its vagaries could see a hike when the wages and spending power of ordinary people in his tenants can stay static and therefore he will be locked in to what the private sector does, even though it may bear no relation to the reality that his tenants are feeling. They could end up with hikes in rent when he should be protecting them and not linking it to the market. Is that not a concern for the Minister?

Deputy A.K.F. Green:

We can all come up with scenarios that may or may not happen, but I come back to the fundamental problem here, which is lack of supply. I have got good support from the Council of Ministers and excellent support from the Minister for Treasury and Resources in terms of money. The only problem is the supply of sites and the Minister for Planning has worked very hard and will be making a statement on that in the near future. Increase supply, we solve the problem.

2.15.5 Deputy G.P. Southern:

Does the Minister accept, as he hints at in his answer to question 19, that over the first 5 years of his so-called plan, tenants will see between 21 per cent and 29 per cent rises in their rents?

Deputy A.K.F. Green:

No, I do not accept that because what the Deputy has failed to do ... yes, there is this increase in rental income, but he has failed to acknowledge that a lot of that increase comes from new rents from new build, which I intend to put in place.

2.15.6 Deputy G.P. Southern:

In that case, why does he state in his answer to question 19: "Tenants will see aggregate increases of 21 per cent by years 5 on the full business case"?

Deputy A.K.F. Green:

The rent policy says very clearly that we will be 10 per cent below market policy. For those tenants that we are protecting, for those tenants that are not on income support, and two-thirds are on income support and will find themselves fully protected from any increase, from those that we are protecting, they will have an increase in line with R.P.I. plus 0.75 per cent.