

2.13 Deputy G.P. Southern of the Minister for Housing regarding the assumptions within the summary financial projection of £240 million for the proposed new Housing Company for rental incomes in years 1 to 5.

In the light of the 2011 total rental income of £36.1 million, will the Minister explain to Members what assumptions have gone into the summary financial projection of £240 million for the housing company for rental income in years one to 5 and which of these factors apply across the 30-year plan to produce growth in rental income of up to 4.8 per cent annually?

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

Rental income in 2012 totalled £38.4 million and is forecast to be £40.2 million in 2013. The business model, which begins in 2014, with a forecast rental income of £41.4 million rising to £55.6 million in 2018, that is year 5 of our plan. What these rental figures do not show is the significant number of new units which will be added to social housing stock during this period. I am absolutely delighted that an additional 523 new units are expected to be completed and let during this period. I expect to see the demolition of 156 worn out units at Le Squez and La Collette and sales of 95 affordable units of accommodation leaving a net increase of social rented stock of 272 units by 2018. The assumptions that have gone into the summary financial projects apply across the 30-year Business Plan and are: current tenancies will be subject to an annual inflation linked rent increase to get up to 90 per cent of market. New tenancies will be let at 90 per cent of market level. Inflation assumptions are taken from the States Jersey Statistics Unit projections and properties are re-let at a rate of 7 per cent per annum. To address the inherent uncertainty using long-term assumptions, a sensitivity analysis has been performed to evaluate the robustness of the new company's business model. This is well documented in the business case, section 5.7, pages 72 to 86.

[11:00]

2.13.1 Deputy G.P. Southern:

Is one of the assumptions that rental income will be raised by inflation plus 0.75 per cent?

Deputy A.K.F. Green:

Yes.

2.13.2 Senator A. Breckon:

On the same theme, could I ask the Minister if the proposed increases of the retail price index plus three-quarters of a percent, could I ask him where they sit with the States anti-inflation policy which is 2.5 per cent?

Deputy A.K.F. Green:

What is not understood here is we have a gap between the rent required in order to invest in renovations and to invest in new properties. The position I want to get my organisation, my new company, into is one where it provides homes. Those needing support to access those homes should come from Social Security. That support comes from there. Anybody receiving the rent supplement from Social Security will notice no difference. Some people will think that is moving money around but it is very important that Housing runs the business of housing, Social Security runs the business of support and that is the whole basis how I am working and that is fundamentally why we failed in the past.

2.13.3 Deputy M.R. Higgins:

Could the Minister just tell me, in the past, many States rental homes have had their heating provided as part of the rent? With the move to electricity and people now paying this separately, does that mean that their rents have gone down?

Deputy A.K.F. Green:

It means their rents have not gone up as much as they may have done but it is an important point because by insulating homes properly, by making them wind and watertight, by putting appropriate heating in over which tenants have proper control, then they are not encouraged ... if you have no - how do I put it - if you have no incentive to save on energy, then you are just going to control the heating in the building by opening and closing the windows. If you have incentive to save because you are paying for it, then I suggest that people are careful, but with that comes an obligation from the landlord and that is to ensure that we have well insulated buildings. I have got one example at Pomme d'Or Farm where they told me that in the recent cold snap, they were spending £50 a week less on supplementary heating because of the insulation.

2.13.4 Senator S.C. Ferguson:

The Assistant Minister for Treasury and Resources says that social housing should be self-financing. Now, the capital cost of financing, according to the Minister's written answer, was 5 per cent so this means that rents must be at least 5 per cent of the capital cost so would the Minister like to confirm or not whether that is the case?

Deputy A.K.F. Green:

What I can confirm is that if we had the right rent policy and interestingly enough the U.K. (United Kingdom) Government issued a similar document yesterday saying that if you have the right rent policy, then you can invest in maintaining your homes and building new. It is not rocket science. Most of us, when we bought our own homes, bought a home that we could not afford to pay cash for and we made sure that we had a regular income in order to have a mortgage. The business case over 25 years for each site stacks up if the rent is at 90 per cent. We have got to get real in terms of as I say, Housing is about housing, Social Security is about supporting those people who need support to pay for that housing.

2.13.5 Deputy J.A. Martin:

I would not follow the U.K. They have got the highest young men between 35 and 45 on the streets at the moment but if that is the way we want to go, why not. My question is 90 per cent behind market rents, can the Minister inform how much Social Security will be behind market rents, not for the existing tenants, for the new entries that he keeps saying that people already on benefits will not notice. Those jumping in, he says in his written answer they will be made very aware of what they have got to pay before they are allowed to move in. How much will be the support given by Social Security?

The Deputy Bailiff:

That is not within the Minister's remit, Deputy.

Deputy J.A. Martin:

He brought that twice up ... supplementaries normally work in something that they bring into the argument. He brought the argument of Social Security into 2 of his supplementaries so I am just stretching it a bit like he did.

The Deputy Bailiff:

I think, in fairness to the Minister, he said Housing was housing which is obviously his and social security is Social Security which is obviously a matter for the Minister. Minister, are you able to answer that?

Deputy A.K.F. Green:

I am not able to answer fully other than to say first of all I would like to pick up on the comment about the greatest number of homeless in London. Obviously, that is a matter for the U.K. Government, not a matter for us. What I do know is that I want to widen the criteria and that is

something to be looked at later on in the answer I gave to Deputy Southern because I share his aspirations. I want to widen the criteria for people who have access to housing but to do so at the moment would be dishonest when there is a shortage of supply. What I do know is that with regard to Social Security, obviously the Minister for Social Security is aware of what is required, the responsibility I am putting on his department, and I am very grateful that he has worked with me on it.

2.13.6 Deputy M. Tadier:

The Minister spoke about incentives a moment ago. Will he confirm that he still has long waiting lists for social housing for people who desperately need housing and cannot afford it in the private sector and that if he is using tenants to pay for this project going forward, he has no incentive to get rid of people in housing who can afford to live in the private sector and by putting rents up to 90 per cent, he is stopping people who could be in housing who need those houses to be used and it is just a cash cow for his department?

Deputy A.K.F. Green:

No, it is not a cash cow for my department but it is an interesting point the Deputy makes because there is one other area that I feel that we have failed in in the past or at least not given enough attention to. For families whose circumstances improve, and I think we would all say that when people come to social housing because they need it, if their circumstances improve because they work hard and get better jobs, then we would want to celebrate that. But at the end of that time, when perhaps the family have grown up and the parents have got good jobs, they can no longer, under current systems, get a mortgage and we need to be creative. They cannot get the mortgage because they cannot afford to pay it back in the 20 or 25 years; they would be too old. We need to get creative around shared equity schemes, around other schemes, to encourage these people to move on. We want to reward people that work hard and encourage them with incentives and not beat them up because they have done well.

The Deputy Bailiff:

I am sorry; we are not going to go into shared equity schemes. The question is about rental income and Senator Breckon is on the list next.

2.13.7 Senator A. Breckon:

Does the Minister believe it is appropriate for existing and future tenants to pay for the lack of investment in the past by the States in refurbishing and maintaining properties?

Deputy A.K.F. Green:

Somebody has got to pay for it so we have got to get real, have we not? We have got to get real. We want a new hospital and we have agreed to have the Medium-Term Financial Plan and we have agreed to have balanced budgets. So where is the money going to come from? Are we not going to have the new hospital? Are we not going to have liquid waste strategy? Are we not going to have [Aside] ... no, it is the real world, Deputy. Are we not going to have other things like Les Quennevais School? We have got to live in the real world. This will work, this is self-financing and, just as importantly, will improve the quality of the accommodation for my tenants and tenants to come.

2.13.8 Deputy M.R. Higgins:

I wanted to follow up on the earlier answer of the Minister. He mentioned about people commenting on the improved heating and so on. Is the Minister aware that some people are not heating their homes because they cannot afford to under the new arrangement with electric heating? If so, does he have any proposal to assist them?

Deputy A.K.F. Green:

I am not aware of that but I do have plans to ensure that every home is properly insulated and has adequate heating systems.

2.13.9 Deputy G.P. Southern:

Will the Minister get real and pay attention to the words of Professor Whitehead where she remarks that having a commitment to make a return of £23 million per annum to the Treasury must be addressed? Has the Minister addressed that in his Housing Transformation Plan and what is the impact of now £27 million returned to the Treasury ongoing? What effect does that have on his Housing Transformation Plan and the rents involved there?

Deputy A.K.F. Green:

I am not going to repeat what I said before but what I will say is I have got real. I live in the real world. There is a corporate responsibility as well as a housing responsibility and I have addressed the problem because it will no longer increase. It will just be maintained at its current level.