

2019.12.10

11 Deputy R.J. Ward of the Minister for Children and Housing regarding the increase in Andium Homes' rents: (OQ.308/2019)

Will the Minister explain what the justification is for annual increases in Andium Homes' rents at a time when the States has recognised income inequality as a major issue for the Island; and will he state how much this year's increase in rents will raise and where these monies will go?

Senator S.Y. Mézec (The Minister for Children and Housing):

The question asks for what "the" justification is, not what "my" justification is and those would be 2 very different questions. So, the justification is that, in 2013, the States of Jersey adopted P.33, which was the Reform of Social Housing, which set a new rents policy for social housing in the Island, which aims to bring rents up to 90 per cent of the market rate. This would not be done in one go, but would be done either on a tenancy being renewed, or to be raised by R.P.I. plus 0.75 per cent, until it got to 90 per cent and that is what is due to happen next year, in line with that decision that was made in 2013. The increase is expected to generate approximately £1.8 million, which will fund inflationary increases in things such as maintenance and the annual return that Andium provides back to the Government.

3.11.1 Deputy R.J. Ward:

Is it not the fact that the setup of Andium, as an arm's-length organisation, the arm nature of it is getting longer and longer? This demonstrates a lack of control of our housing stock and really constitutes a loss of social housing as a principle.

Senator S.Y. Mézec:

I was not in the Assembly in 2013, but in 2014, when I joined it, I voted against the enabling Regulations to introduce this particular rents policy, because I think that it is flawed. I find it incredibly frustrating that we cannot simply take unilateral action to change it. That is why I have asked for a review on the 90 per cent market rate rule to be conducted, that will be done, across departments, to work out what viable alternatives there may be. They will be reporting back to me by the end of this year on what some of those alternatives may look like.

3.11.2 Deputy K.F. Morel:

Would the Minister please confirm the amount of the annual return last year to the States of Jersey from Andium Homes and would he confirm whether he believes that this money, rather than passing it back to the States, would be better spent in reducing the rent levels for tenants?

Senator S.Y. Mézec:

The return this year is due to be £30 million; last year it was £28.7 million. I am not sure what he is shaking his head at, but that is the fact, that is what it is. He has asked would I not prefer that money to be reinvested back into housing. Yes, I absolutely would. I do not like the current setup; I voted against it, when I was able to, in 2014. But, whatever replaces that system, has to be a viable system that enables Andium to continue building new homes, so we can meet the demand that there is and that there will be a bottom line somewhere and that has got to be met. I do not like the fact that that bottom line is currently met by tenants, who are of the lowest incomes in the Island; I think that is a bad system.

3.11.3 Deputy K.F. Morel:

Sorry, I was not saying no at the fact, I was just aghast at the amount. Given that £30 million is being returned to the Treasury, does the Minister believe that this ridiculous situation perpetuates a kind of benefit dependency, because that is then recycled back to tenants, who cannot afford to pay their rent through benefits?

Senator S.Y. Mézec:

I think that is the case. Two-thirds of tenants, in Andium Homes, receive their income from income support and we know that the income support budget is supplemented from tax money, so it is money that is swirling around the system. I do not, necessarily, think that that is a healthy thing and I would like to see a system where rents are not set so close to the market rate that I think there is a chance that they are acting as a benchmark for the market, influencing it that way, rather than being influenced the other way around, so I think there is a lot of sense in what the Deputy is saying.

3.11.4 Deputy R. Labey:

The Minister, as I understand it, has capped any annual rent increase at 4 per cent; does he know, over the last 5 years, how often has the rent increase gone above 4 per cent?

Senator S.Y. Mézec:

That is a good question and the honest answer is that I do not know. Andium Homes has, of course, only existed since 2014, so I am sure it would be easy to get that information. That is probably accessible. If you look at Statistics Jersey's website, you can find the R.P.I. figures there and simply add 0.75 per cent. That was avoided last year, because we were set, because of the rate of R.P.I., for a particularly big rent increase, that simply was not justifiable. We were able to avoid that, but that was only able to be done because of discussions with the Minister for Treasury and Resources and the Minister for Social Security that meant we had to deviate from what we anticipated the return would be. That is, essentially, a sticking plaster on an open wound, though and more has got to be done and that is work that will have to take place in the new year.

3.11.5 Deputy M. Tadier:

With the 90 per cent market rate, social housing tenants, or what were once social housing tenants, in my view, are now finding a scenario where their costs are effectively the same as they would be in a private sector property. When they move into the property, they find there are no carpets there, because Andium has a policy of providing a blank concrete, or wooden, floor, which they can ill-afford to put a carpet in. Have we lost our way when it comes to social housing and do we need some kind of urgent reforms? If so, what does he envisage they might be?

Senator S.Y. Mézec:

He asks if we have lost our way. Well, to be honest, even before we adopted these systems, there were serious problems with social housing, where investment was not being made in social housing stock, where we were well behind on decent home standards. So, the benefit of where we are now is that, at least, we are now at decent home standards, but I think the cost that has been paid to get to that point must now be looked at again. Even if you were somebody who supported P.33, when that was first adopted in 2013 - and I know Deputy Tadier was one of those who did not support it - surely it makes sense 6 years later, now that we are at 100 per cent decent home standards, now that so much of the housing bond has been spent on improving homes and building new homes, it is the natural point for a review anyway to say: "How can we improve the system?"

3.11.6 Deputy C.S. Alves:

The Minister stated that the increase, as per the 2013 decision, is R.P.I. plus 0.75 per cent. Can the Minister clarify whether that is June, or September's, R.P.I. and whether that would be applied universally to all tenants, as there have been some concerns raised with me recently, following the decision to increase rents in January?

Senator S.Y. Mézec:

I will have to double-check which version of R.P.I. it is, but I am also aware of tenants looking at their rent increase and, by their own maths, looking as if it is not necessarily what it is meant to be. In those instances, I ask them, in the first instance, to get in touch with Andium and query this, but, if not, to then get in touch with me. It is a case that R.P.I. plus 0.75 per cent is meant to get tenancies up to 90 per cent and, if they are already at 90 per cent, then they should not be paying the plus 0.75 per cent on top of that, because they should be capped. So, there is a view that, sometimes, it is unclear whether that is the case and that is something we have to improve procedures on to deal with.

3.11.7 Deputy C.S. Alves:

Where can we find the market values that Andium are working towards?

Senator S.Y. Mézec:

I do not think you can and that is part of the difficulty. They have their procedure for working out what market rate rent is. Supposedly, they have their professionals, who they work with to try and establish what it is. That is not a process, which the Minister for Children and Housing, nor the Government of Jersey, is particularly heavily involved in. There was talk, initially, that there ought to be a social housing regulator, that could play an active role in ensuring that those procedures were working properly and that what they were coming up with was accurate. The previous Assembly voted not to introduce that social housing regulation. But now that substantial improvements have and are being made in private sector rent regulation, I think that it is worth revisiting how that would apply in the social housing sector, to make sure that procedures, that are adopted to meet whatever our rents policy is, are working, because, right now, Government is not involved in that process.

3.11.8 Senator S.C. Ferguson:

A previous Minister for Housing decided to set rents at 90 per cent of market. Since Andium is effectively the market leader setter and, hence, sets the standard and level of rent, is the Minister going to re-evaluate this sort of circular setting of rents and start looking at it realistically?

Senator S.Y. Mézec:

Yes, I think that is what my answers to previous questions indicated.

3.11.9 Deputy R.J. Ward:

Lots have been answered already. Would the Minister accept that the world has moved on and we now are effectively in a housing crisis on this Island? The contract of Andium and the bond that was being repaid has become dysfunctional for our housing and social housing situation; therefore, will he, dare I say, pledge to do something about that, as urgently as possible, so that we can restore genuine social housing to this Island?

Senator S.Y. Mézec:

He asked if we had moved on: I reiterate, I never supported the policy in the first instance, so I have not had to move on. I disagreed with this being implemented from the outset. Yes, there quite clearly is a housing crisis. The Income Distribution Survey, produced a few years ago, showed that the cost of housing was the single biggest contributing factor to people living in relative low income. Look at all of the R.P.I. figures that have come out since then, we can only anticipate that that may well have gotten worse. So, it is a crisis; for many people it is an economic crisis, because of the effect it is having on their personal finances.

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There is no easy implementable solution to that. The Housing Policy Development Board is doing work, which is looking at the overall housing market. That is going to be reporting back, with its final report, in April next year and I will want to present it to the Assembly as soon as possible after that, certainly for an in-Committee debate, to establish Members' views on how we can move forward on those recommendations. But, in the passing of the Government Plan last week, the Assembly has given me funding to get on with some things that I can move forward on: improving tenants' rights in the private sector and on establishing a rent tribunal, as well. But, we also have the landlord licensing scheme coming to the Assembly early next year, which I hope we do adopt, because that will enable us to make interventions in the private sector, when people's lives are not at the standard they ought to be, because of the quality of their homes.