

2020.07.13

**12 Deputy C.S. Alves of the Minister for Treasury and Resources regarding rent freeze: (OQ.205/2020)**

Given that Andium Homes rents were frozen in 2018 because of a particularly high inflation rate that year that could have led to a rise in rents that tenants would have found difficult to cope with, will the Minister, as shareholder representative, consider giving approval for a further rent freeze in 2021 to assist tenants post-COVID-19?

**Deputy S.J. Pinel (The Minister for Treasury and Resources):**

I thank the Deputy for her question, but the decision to freeze social housing rents does not sit with me but with the Minister for Children and Housing, as was the case when he took the decision to amend the fair rents policy in 2018. Just a bit of explanation, as part of this process the Minister will consult with myself and with the Minister for Social Security to understand the full impact of any changes to policy. For example, any rent freeze will have a corresponding impact on the annual return to the guarantor and also impact the future revenue streams of both Andium Homes and the housing trusts who provide Jersey's affordable homes. In particular, Andium Homes will be significantly impacted by any rent freeze. This is currently estimated at £1.6 million of lost revenue for 2021 based on the current R.P.I. forecasts. This amount will, of course, compound into future years. This lost revenue has a major impact on the provision of affordable homes in the future. While I fully appreciate the sentiment of the Deputy's question, I believe there are a number of considerations which need to be taken into account by the Minister for Children and Housing before he would consult with the relevant Ministers on any freeze in the current rent policy.

**3.12.1 Deputy C.S. Alves:**

The Minister quoted I think it was £1.6 million. Given that a significant amount of that will be covered by the income support component pay-out, would the Minister be able to give us an idea of what the real cost of a rent rise would be?

**Deputy S.J. Pinel:**

As I said in my opening remarks, any increase or freeze, as the Deputy asked, would be within consultation with myself and the Minister for Social Security. The Deputy is quite correct in saying that most of any increase would be covered by income support, hence the demand on income support increasing. With the current situation of the COVID crisis, then income support is giving up quite a considerable amount of money to help people individually as well as those on income support, so I cannot ascertain at this current moment exactly the figure that would be saved on the rental or costing the rental.

**3.12.2 Deputy R.J. Ward:**

May I ask the Minister what the nature of that consultation is? If the final say is with the Minister for Children and Housing, what effect on that final decision does the Minister for Treasury and Resources and Minister for Social Security have?

**Deputy S.J. Pinel:**

I think, as the previous questioner said, it has a direct impact on income support, how that is going to be funded, but at the last point it is the Minister for Children and Housing who makes the final decision to freeze or not with the impact from the other Ministers.

**3.12.3 Deputy R.J. Ward:**

The Minister mentioned the repayment to the ... sorry, I have forgotten the words she used. I think it is to do with the Andium homes loan. Is the Minister saying that that repayment is directly linked to levels of rent that is charged by Andium Homes?

**Deputy S.J. Pinel:**

I think the Deputy is referring to what I mentioned as an estimated £1.6 million of lost revenue for 2021 if there was a rent freeze. This is based on current R.P.I. forecasts, which is what the rental increases are based upon, and that is on the basis of 2.7 per cent from March 2020, which is within the range set by the Minister for Children and Housing.

**3.12.4 Deputy R.J. Ward:**

I was referring to the repayment that the Minister mentioned. Forgive me, I just cannot remember the word she used for a group that she mentioned. I understand about the income being different but it seemed to be that one of the things that influenced the decision was the repayment. Is that the repayment to the loan taken out by Andium rents and, therefore, directly linked to the rental level?

**Deputy S.J. Pinel:**

I am not quite sure what repayment the Deputy is referring to. I did say there would be a major impact on the revenue but I am not quite sure what the Deputy is referring to when he says "repayment". The monies I mentioned would be lost revenue if there was a rent freeze.

[16:00]

**The Deputy Bailiff:**

I think we need to leave that there.

**3.12.5 Deputy C.S. Alves:**

Can the Minister confirm that the Minister for Children and Housing would still have to have authorisation from Treasury in order to freeze rents to reduce the return?

**Deputy S.J. Pinel:**

I think, Deputy, it is done in conjunction with Treasury and Social Security because it impacts across the board but it is the final decision of the Minister for Children and Housing in conjunction with, of course, Andium.

**3.12.6 Deputy G.P. Southern:**

While the Minister for Treasury says that it is a shared decision between her and the Minister for Children and Housing, does she not accept that as the shareholder representative she, effectively, has a veto over rents?

**Deputy S.J. Pinel:**

No. I said in my opening remarks that it is a decision ... and in answering this question we have been consulting with the Minister for Children and Housing, so he is fully aware of what the answer was going to be, and it is his decision to freeze rents but it is in consultation with Treasury and with Social Security because of the across the board effect it has.

**3.12.7 Deputy G.P. Southern:**

Would it be part of her remit to balance out the missing income going to the bond with, given a freeze in rents, the reduced amount spent on income support? Would there not be a balance there to judge, make a judgment on whether or not a rent freeze was (a) doable and (b) suitable?

**Deputy S.J. Pinel:**

I think also, as I have mentioned before, that a rent freeze would have to be in balance with building new houses. There is a huge demand for new social housing and if Andium do not get the income or if their income is reduced, it will have a knock-on effect on that. So everything has to be balanced. There is not a black and white answer to any of these questions.