
STATES OF JERSEY



DEFERRAL OF THE ANNUAL RENT ADJUSTMENT POLICY IN 2022

Presented to the States on 9th December 2021
by the Minister for Housing and Communities

STATES GREFFE

REPORT

The Minister for Housing and Communities has requested that Andium Homes Limited (“Andium”), acting through the Minister for Treasury and Resources as the guarantor, give effect to the rent policy adjustment. This will mean there will be no annual rent increase applied to existing Andium tenancies in 2022.

This will be the second consecutive deferral of the annual rent adjustment policy, following the deferral in 2021 (as set out in MD-H-2020-0017). The rent deferrals are exceptional measures that have been taken to help address the unprecedented economic impact of Coronavirus. The Minister of Housing and Communities continues to support Andium Home’s strategic business plan and capital programme.

Resource implications for the Government of Jersey

The States social housing rent policy normally requires an annual rent increase of the September Jersey RPI figure+0.75%, with a minimum increase of 2.5% and a maximum of 4% (unless the increase is +90% of market rent, in which case it is capped at 90%).

The June 2021 Jersey RPI was 3.5%. On the expectation that the September RPI figure will be similar to the June figure, Andium would have been required to raise rents by 4% on 1 January 2022 without the deferral of the rent increase.

The deferral of the rent increase has been co-ordinated with a parallel adjustment in Andium Homes’ return to the Treasury and Exchequer (Guarantor’s return) that had been expected 2022 and all subsequent years. While not directly linked to the Guarantor’s return, the impact of the rent deferral will also reduce government expenditure on Income Support costs for 2022 and all subsequent years.

The Treasury and Resources Minister has agreed to accept a reduction in the Guarantor’s return to take account of the net effect on government resources and the government will also absorb the net cost of the deferral for 2022, drawing from the Covid Recovery Fund (as set out in the Government Plan). The net cost of the deferral of the rent increase for the remaining years of the Government Plan Period (2023-25) will be considered as part of the Minister for Housing and Communities’ social rents review (to be completed in 2021).

A 3.65% increase in Andium rental income is forecast to generate an additional £2.253M in income

A 2.9% increase in the Guarantor’s return is forecast to represent an additional £0.875M

A 3.65% increase in Andium rents is forecast to generate extra income support costs of £1.502M

The net impact of a deferral of the rent policy is an adjustment to the return to provide for a reduction in 2022 of £1.378M. This will result in a return in 2022 of £28.816m.

The Guarantor's return is re-based at this amount and, thereafter, increased in line with Andium Home's Transfer Agreement with the Guarantor.

A parallel Ministerial Decision to provide for the reduction in the Guarantor's return will be issued by the Minister for Treasury and Resources.

Further information on this decision can be found on www.gov.je under the following Ministerial Decision reference –

- *MD-H-2021-0014*

which was signed on 8th December 2021.