

## CHAPTER 3

### POLICY INSTRUMENTS

3.1 Housing policy in Jersey is directed primarily towards the affordability issue. Price controls are applied both on owner-occupied housing and rental housing and subsidies are given to holders of States loans, occupiers of states rental property and, more recently, occupiers of private rental property.

#### States Housing and Subsidies

3.2 Table 1 showed that 4,037 households (13.1% of all households) lived in States and Parish rental housing at the time of the 1989 census (for convenience the term "States housing" is used in this paper to include both States and Parish rental housing). The States has been building about 150 States houses a year, and the proportion of households housed by the States has increased slightly, from 12.5% in 1981. This represents a marked contrast with the position in the United Kingdom and other countries where there has been a concerted attempt to sell publicly owned housing to sitting tenants and to reduce the level of new construction. It should be noted that recently built States housing has largely been one bedroom units for occupation by the elderly.

3.3 Table 4 shows an overview of the characteristics of households in States housing.

Table 4 States Housing, Characteristics of Households, 1989

Characteristic	States Tenants	All Households
No of persons per room	0.71	0.52
Households under 30	7.9%	14.8%
Households over 65	35.1%	23.2%
Divorced	12.3%	7.9%
Widowed	22.6%	13.0%

Source: *Report of the Census for 1989, States of Jersey, 1990, Tables 9A and 9B.*

It will be seen that there is a significantly higher number of persons per room in States housing compared with all households, a higher than average proportion of widowed and divorced people, and a significantly higher average age.

3.4 There is a dual system for setting rents on States houses. On dwellings built or significantly improved since 1974 (accounting for over 60% of all States dwellings in 1990) fair rents are set which reflect the sort of rents tenants would have to pay for similar accommodation in the private sector. They reflect the size and standard of accommodation together with the relative amenities of the area in which the accommodation is situated. Rents are increased annually in the context of a triennial review. For example, from 1 April 1989 average fair rents were increased from 21%, being the third phase of the triennial review carried out in November 1986. As a result of

## C H A P T E R 4

### P O L I C Y I S S U E S

4.1 Leaving aside the much wider question of immigration controls, current housing policy in Jersey raises three major issues -

- (a) The distributional consequences of subsidy policy.
- (b) The effectiveness of policy designed to improve the demand/supply balance.
- (c) The extent of State involvement in housing.

#### Distribution and Impact of Subsidies

4.2 The previous chapter briefly described the various policy instruments. It is clear from these that subsidies are involved in respect of the States loan scheme, States housing and, from recently, private unfurnished property. The purpose of subsidies is to help people occupy housing that otherwise they would not be able to afford. It follows that subsidies should predominantly be directed to low income people and should be income-based. It is clear that this is not the case in respect of all housing subsidies in Jersey. Table 9 shows the subsidy position of the various tenures in 1989.

Table 9 Subsidy Position of Housing Tenures, 1989

Tenure	No of Households	Percentage of Households	Subsidy
Owner-occupiers without States loan	12,564	40.6	None
Owner-occupiers with States loan	3,008	9.7	Subsidy of difference between market interest rate and rate paid of 3-10%
States tenants paying full fair rent	326	1.1	None
States tenants paying maximum rent without subsidy	900	2.9	Subsidy caused by rents being held artificially low
States tenants with abated rent	2,897	9.4	Income related subsidy
Private rented unfurnished tenants	6,145	19.8	Income related subsidy
Other tenants	5,213	16.8	None
Total	30,967	100.0	

Source: Tables 1 and 5.

Notes: 1. It is arguable that all owner-occupiers with mortgages benefit from tax relief on loan interest. This point is discussed in paragraphs 3.9 and 3.10.

## C H A P T E R 6

### SUMMARY AND CONCLUSIONS

#### The Housing Situation

6.1 There are 31,000 houses in Jersey of which just over 50% are owner-occupied and 13% are rented from the States. Housing conditions in Jersey are good and have been improving. House prices are on a par with those in the South East of England and have increased at a similar rate. The housing finance market is dominated by the States which is by far the largest lender.

#### Housing Problems

6.2 Like most other communities Jersey perceives itself as having a housing problem with demand running ahead of supply. This is exacerbated by the strong immigration pressures.

6.3 Similarly, like most communities, Jersey has an affordability problem in that people in the lower income groups cannot afford to house themselves without significant government subsidies. The distribution of subsidies inevitably raises the question of equity between people in otherwise similar circumstances but in different sectors of the housing market.

#### Policy Instruments

6.4 The main policy instruments used by the States are -

(a) The provision of States housing (accounting for 13% of all households) with all States tenants being eligible for an abated rent dependent on income and a significant proportion being subject to a maximum rent that is well below the market rent.

(b) The States loan scheme offering loans at between 3% and 10% on houses valued up to £65,000, combined with a capital subsidy in the form of an artificially low land price.

(c) Controls on private sector rents together with a rent rebate scheme.

(d) Price controls.

#### Issues for Consideration

6.5 The objectives of the Housing Committee are to maintain a reasonable balance between supply and demand and at the same time assist those people unable to house themselves. States housing and the States loan scheme have been successful policies in this respect but some aspects of their operation now need review. In a review of housing policy the following points should be considered -

- (a) The housing stock can be increased only if new houses are built. Is there a need for a review of planning policy, in particular in respect of high density dwellings?
- (b) Are rent and price controls justified given the absence of any proof of their effectiveness and given that if successful they must have the effect of reducing the supply of accommodation?
- (c) What initiatives such as the attempt to bring into use flats above shops could increase the supply of accommodation in the short term?
- (d) States tenants, especially those subject to maximum rents, have been very well treated by housing policy. What is the justification for maintaining a group of tenants subject to maximum rents?
- (e) What justification is there for differences between the rent abatement scheme for States tenants and rent rebates for private tenants, and should there be an objective of removing these differences as soon as possible?
- (f) In the light of the increasing cost of housing generally is it reasonable to base rent rebates and rent abatements on a comparatively low proportion of income (25%)?
- (g) Is it satisfactory that the States loan scheme now appears capable only of giving huge benefits to a small number of new home buyers? Would it not be preferable to widen eligibility for the loan scheme, by increasing the price and loan ceiling, while reducing the amount of subsidisation, particularly in the later years of a loan?
- (h) Regardless of their effect on the supply of housing, is the policy of the States in attempting to fix both rents and house prices justified in the light of lack of evidence of the effectiveness of the price control scheme, the depressed owner-occupier market, and now the existence of a rent rebate scheme in the private rental sector?
- (j) In the long term would it be preferable for any government subsidy on mortgage loans to be operated through private sector institutions rather than through States loans?
- (k) In the longer term should housing associations be encouraged which could take over the management of rented housing on a non profit making basis, either from private landlords or from the States?
- (l) Should States houses be sold to sitting tenants?
- (m) Would the quality of debate on housing policy and the formulation of policy be improved by establishing a more formal consultative network embracing all the institutions involved in the housing market?

## Conclusions

6.6 The people of Jersey have a tendency to be self-critical. Generally this is a healthy sign as it clearly indicates a desire for improvements. Reading press comment and debate in the States about housing one would think that Jersey is faced with a critical housing problem and that housing policy has been a failure. This interpretation is wholly incorrect. Compared with many other communities Jersey has a very satisfactory housing situation and there have been significant successes in the conduct of housing policy, in particular -

(a) Over the years the States loan scheme has helped families become owner-occupiers who, in other countries, would have been destined to spend their lives as public sector tenants. In the long run this has probably led to a saving of public expenditure as the government has not had to face the cost of maintenance of the houses.

(b) A realistic rent policy has been pursued in respect of the majority of houses owned by the States and every effort has been made to move tenants from the maximum rent to the fair rent system. There is not, therefore, the huge subsidisation of all public sector tenants as has been the case in many other countries.

(c) The rent rebate scheme has recently been introduced, initially on an experimental scale, but with the objective of bringing it into line with the rent abatement scheme for public sector tenants. This removes a glaring anomaly in the previous support system for housing. It should also play a part in contributing to an improved balance between supply and demand. If elderly people can be encouraged to remain in their own homes with the help of rent rebates then this will reduce the need for new States accommodation.

Generally, the inequitable effects of housing policy measures are much less in Jersey than in the United Kingdom. While the Island authorities have exercised more controls over the housing system than have most governments, these have generally been exercised in a reasonably efficient way. While the case for both rent controls and price controls is very weak, there is little evidence that the implementation of the controls has been such as to cause the major damage that is evident in so many other countries.

6.7 The areas highlighted for consideration in this report are for the most part relatively minor. They include the question of bringing the rent rebate scheme and the rent abatement scheme into line, something which already appears to be government policy; the phasing out of maximum rents which again must already be an objective, and a restructuring of the States loan scheme so that a larger number of people are able to benefit from smaller subsidies. These measures would make it easier to abolish both rent controls and price controls, which have already been made largely unnecessary by the current state of the housing market together with the introduction of the rent rebate scheme.

6.8 In the longer term, there is a need to consider whether the efficiency of the housing market could be improved by the privatisation of States houses, either through sales to sitting tenants or through transfers to a housing associations, and also for the privatisation of the States loan scheme.