



States of Jersey

Health, Social Security and Housing Sub–Panel

Social Housing Property Plan Review

Report

14 June 2007

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Executive Summary

Introduction

1. ConsultCIH has been employed by the Health, Social Security and Housing Scrutiny Panel of the States of Jersey to review the *Social Housing Property Plan 2007-2016*.
2. This confidential report has been written for the sole purpose of the Scrutiny Panel and may not be used by others without the permission of the Panel.
3. ConsultCIH have spent a total of 15 person days reviewing documentation, researching issues and visiting the island. During the Island visits time was spent meeting the scrutiny panel, the Housing Minister and Housing department figures, The Jersey Homes Trust, Peter Seymour The Mortgage Shop. We would like to thank all those people for their cooperation and support.

Background

4. Whilst acknowledging the very different situation in Jersey ConsultCIH has used our experience of option appraisals in the UK to inform our assessment of the Housing Department's Plan.
5. Our review covers the need for capital funding to improve the islands stock, housing demand/supply and the proposals for a shared equity scheme. It is based on the scrutiny of the information provided to us and was undertaken over a limited period of time between April and May 2007.
6. We note that the Housing Department has already decided to commission a separate review of the future of social housing.

Appraisal of the Property Plan

7. We note that the overall aim of the Housing Department property plan has been to address some of the objectives set it by the States Strategic Plan in particular:
 - to bring all the States' homes up to the UK decent homes standard; and
 - to introduce a shared equity scheme to promote home ownership.
8. In considering both the duties placed on the Department and the details of the resultant Plan our overall conclusion is that:
 - a) assuming no fundamental changes to Jersey's housing system the Plan is reasonable - with some important caveats as detailed below (see paragraphs 9-19);
 - b) despite this conclusion (and again, assuming no fundamental changes to Jersey's housing system), there are a number of potential alternative options that could – and we would suggest should - be considered before the Plan is approved as outlined below (see paragraph 27);

- c) again, without reforming Jersey's housing system we would suggest that, had the 2 objectives been treated separately different solutions would have been recommended.
- d) but neither a) or b) or c) above addresses the more fundamental problem of the existing housing subsidy system – and this last issue should be addressed as a matter of priority (see paragraphs 38).

a) Caveats on the existing Plan

- 9. If there is no change to Jersey's overall housing finance system, we can understand why the Housing Department has produced the Plan it has. Faced with a shortfall in the amount of money needed to make the stock 'decent', the requirements to pay 73% of its rental income on a payment to the Social Security Department to provide rent abatement and rebate to some of the poorest persons in Jersey society, the apparent mismatch between housing supply and demand, the desire to increase owner-occupation by introducing a shared equity scheme and a lack of alternative sources of capital and revenue, any responsible landlord would seek to propose a plan such as the one set out.
- 10. The Plan sets out the proposition that approximately £75 million is needed to bring the homes up to a decent standard and it suggests it is desirable to have a realigned states rental housing stock of approximately 3500 homes (page 30 of the Plan). To address the need to raise both capital and revenue funding, the apparent mismatch of demand / supply, allied to the desire to introduce a shared equity scheme. It has suggested that it sell 22 non-core prime location properties on the open market and 800 (200 of which have already been approved) properties to existing tenants as part of a shared equity scheme (approx 18% of the current stock portfolio, and £167m of public assets). This will generate a cash receipt of £146m. £45m of which is needed for improvements, (£30m has been earmarked by the States capital programme). The balance of £101 m will be placed in a ring-fenced 'pot' which will yield £5m pa to fund on-going revenue from the interest. In conclusion, the Plan responds to the challenges set for the Housing Department by the States.
- 11. This conclusion does not, however, imply that we assess the Plan as being robust in all areas. Our concerns with it include:
 - housing supply/demand mismatch;
 - shared equity/affordability;
 - funding improvements to existing stock;
 - sheltered housing; and
 - lack of consultation with residents
- 12. **Housing supply/demand mismatch.** We have some concerns about the robustness of the arguments concerning the mismatch of housing supply and demand – specifically:
 - i. good UK practice in relation to housing demand analysis would be to use a wider set of sources than the local authority's waiting list – including an assessment of demand/supply across all tenures;

- ii. we understand that 'Planning for Homes' has also been used as a basis of the 'realignment' assumption but that the robustness of these figures is now being questioned¹;
 - iii. the Department's transfer list appears to indicate an unmet need for 3 and 4 bed homes on the basis of current over-crowding. Selling a disproportionate number of family homes will make it harder to meet this current demand but may also result in future households remaining in overcrowded housing for longer;
 - iv. there is evidence from the UK that selling family homes (through RTB) has had a negative impact on the social housing sector – contributing to residualisation;
 - v. we are concerned that the implications for future housing demand as a result of changes to the residency rules have not been adequately assessed;
 - vi. similarly, we are concerned that future economic growth/success may be jeopardised by a lack of affordable housing – particularly given our understanding of current in-migration levels².
13. As a result of these concerns we would question the validity of the assumption that there is limited future demand for family housing.
14. ***We would therefore recommend the completion of an Island-wide housing needs analysis – based on the economic strategy for Jersey – as part of the 'future review of social housing' work.***
15. **Shared equity/affordability.** We have concerns about the robustness of the proposed shared equity scheme – and therefore of the value of the income that can be generated for the Housing Department from the sales strategy. Our specific concerns in relation to this are as follows:
 - i. we are concerned about the overall level and timing of sales for the 22 non-core properties given the commitment made by the Minister to existing tenants – namely that they don't have to buy or move;
 - ii. we are concerned about the apparent lack of a robust and transparent methodology/process for the valuation of the housing stock;
 - iii. a decision must be made as to whether the strategy should secure the maximum value for a public asset (supporting the decent homes programme) or to provide opportunities for low cost home ownership;
 - iv. we are concerned that the assumptions made concerning the households likely to take-up the shared equity are not robust – in particular that:
 - there may be an insufficient number of households with an income that enables them to buy (either at all or the specific properties for sale) – particularly given the age profile of the tenants identified as likely to buy;
 - we are not sure that it is safe to assume that those existing tenants (approx 20%) who pay full rent are all likely to buy; and

¹ ConsultCIH has not assessed Planning for Housing

² REF for 2700 figure

- or, conversely, there may be an over-demand for houses for sale and it is not clear on what basis successful applicants would be determined;
 - v. we are concerned about the rationale for the selection of the properties for sale. We believe that the properties chosen for disposal have been selected to both 'rebalance' or 'realign' supply and demand (demographic trends are argued to indicate a future demand for 1 bed sheltered flats) and to achieve an improved 'mix' through the introduction of owners into problematic social rented estates. We are concerned on a number of fronts:
 - that these properties will be the more expensive and so may not be affordable to low income households; and
 - that once a 3 bed house has been sold the Department loses its current ability to move under-occupying households on to smaller properties;
 - vi. we would question the VFM of improving homes that will subsequently be sold:
 - whilst we understand the Department's rationale for wanting to avoid the future disrepair of owned stock – it could be that, if these houses weren't improved a smaller number of units could be sold.
16. Given the above concerns we would question the robustness of the shared equity scheme. ***We recommend that the projected sales income is remodelled – on the basis of robust, property specific valuations and an assessment of the ability of households to afford the homes for sale - before any decision to adopt the Plan is made and that, before the Plan is approved, the Housing Department provides additional information on the basis on which the 800 properties have/will be chosen.***
17. **Sheltered housing.** We understand that the Housing Department intends to provide an additional 400 units of sheltered housing (in part to replace the 800 units sold). Our concerns in relation to this issue are:
- i. that we cannot find any evidence in the Plan concerning who will provide/fund these additional units;
 - ii. have the implications capital and revenue implications of these additional units been identified and resourced.
18. ***We therefore recommend that, before the Plan is approved, the Housing Department outlines the funding arrangements for the additional 400 sheltered housing units.***
19. **Funding of the improvement programme.** We are concerned about the robustness of the assumptions to raise so much funding. The department has already been allocated £30 million in capital, already has approval for the disposal of 208 properties at Le Squez and Le Maris (this should raise at least further £20 million), and if £10 million is raised through the disposal of the 22 non-core properties it has only a small amount of additional capital to raise.
20. ***We recommend that, before the plan is approved a further review of the amount of capital funding required is undertaken.***

21. **Subsidy arrangements.** We are concerned that the States as a whole have not fully assessed the implications of the transfer of rent abatement and rent rebate from Housing to Social Security.
- i. In particular the exact amount of money to transfer has not been identified/agreed (reference in the plan is for £25 million, however in evidence figures of between £21m and £23m were mentioned)
 - ii. if rents are increased after the improvement plan who is to pay for the additional subsidy
 - iii. if a higher proportion of the remaining residents in States Housing are in need of rent abatement this will mean a higher overall subsidy bill.
22. ***We recommend that before the plan is approved a full assessment of the proposed transfer of subsidy is undertaken.***
23. **Consultation.** We are concerned about the lack of consultation with tenants. Good UK practice in relation to option appraisals is to ensure that tenants are fully involved in the appraisal process from the start – this appears not to have been adopted in Jersey in relation to the Plan. In England option appraisals would only be ‘signed-off’ by the Department of Communities and Local Government (DCLG) if robust consultation could be evidenced – including the provision of independent advice to tenants.
24. The Scrutiny Panel has conducted its own survey of tenants – achieving a response rate of 28% - and indicating an appetite on the part of tenants to be included in the debate³.
25. ***We recommend that, before the Plan is approved, a robust consultation exercise is completed – including potential future tenants as well as existing tenants – and ensuring that the findings from this exercise are taken into account in preparing a revised Plan.***
26. **Additional points:** A number of more minor concerns include:
- i. Stock figures in the plan appear inconsistent
 - ii. is it equitable to offer houses for sale only to existing States tenants
 - iii. is there an option to re-phase the £75m maintenance programme

b) Alternative options within the current system

27. Again, assuming no fundamental change in the housing system there are a number of alternative potential options that could – and we would suggest should – be considered before the Plan is approved. These alternative options include:
- i. a Jersey version of the Decent Homes Standard;
 - ii. regenerating some estates on a mixed tenure basis;
 - iii. the possible claw-back of subsidy from the existing Housing Trusts;
 - iv. alternative options for the tower blocks; and

³ Although the survey findings are included as Appendix X the findings have not been used to inform this report.

- v. alternative ways of increasing home ownership.
28. **Decent Homes.** A *'Decent Homes Standard'* was introduced in England in 2000. Even at the time it was seen as a minimum and 'excellent' landlords have sought to bring their stock up to a *'decent homes plus'* standard. In addition, in the 7 years since the standard was set in England, standards including, in particular, environmental standards have improved.
29. ***We recommend that the Housing Department review the decent homes standard and that the States adopt a Jersey Decent Homes Standard.***
30. **Regeneration.** It might be possible to regenerate entire estates through demolition and sale to a private developer – generating income to either refurbish existing homes elsewhere and/or provide new social housing for affordable rent.
31. ***We therefore recommend a full review of this option.***
32. **Housing Trusts and The Housing Development Fund.** We understand that no account has been made of the potential source funds which might be available from the surpluses generated by Housing Trusts through the Housing Development Fund.
33. ***We recommend that a full review of this potential source in income is explored.***
34. **Demolishing the tower blocks.** The Plan proposes the demolition of two tower blocks and we have some concerns about this decision. In the UK tower blocks that are essentially sound (as we understand the Jersey ones are) have been successfully converted for sheltered housing.
35. ***We recommend that further option appraisal work is undertaken to determine the future of the two blocks before this element of the Plan is approved.***
36. **Increasing home ownership.** In the UK government policy over a considerable number of years has been to promote the expansion of home ownership through a variety of low cost home ownership (LCHO) schemes. Whilst we note the duty placed upon the Housing Department to establish a shared equity scheme (and confirm that the Plan delivers against this duty) we would point out that it is possible to increase home ownership through a variety of alternative mechanisms.
37. ***We recommend that further home ownership options are explored.***

c) Reforming the housing subsidy system

38. As noted above, the Plan provides a solution for the Housing Department given Jersey's current housing system and, from this perspective; it is reasonable (with the caveats outlined above). This does not, however, address the more fundamental problem of what we would identify as significant flaws in the overall housing finance system in Jersey.

39. We suggest that the root of the problems with the current housing system is the subsidy system – which is arguably inequitable and ‘out-of-control’. At the moment the Housing Department’s rental income is used to provide rental subsidy for some of the poorest people in Jersey, the current system provides barriers for low income households to improve their income and the very high rents particularly in the private sector are fuelling further demands for rent rebate.
40. We also note that responsibility for the rent subsidy is transferring from the Housing Department to the Social Services Department and that a cap will be placed on the amount of income taken from States rental income however the overall funding of rent subsidy on the Island needs to be reviewed as it currently limits the future housing options.
41. The Social Housing Plan projects total rental and other income (post disposal, including interest) of £33.3m in 2016, of which a budgetary transfer of £25m is projected in respect of income support costs. The figures for 2006 are £34.3m and £25m. In short, 73% of the income generated or potentially generated by the State’s social housing stock is currently earmarked to provide income support to the States poorest residents in respect of their housing costs, and this is projected to rise to 75% after the disposal of a number of properties on the open market in order to provide funding for repairs to the remaining stock.
42. ***We recommend that a full review of housing subsidy on the Island is undertaken.***
43. **Timing/urgency.** Finally, we are concerned about the Department’s assertion that the Plan has to be agreed as a matter of urgency to enable it to start work on bringing properties up to the decent homes standard. We understand both that the ‘*future of social housing*’ work has already been commissioned and that the Department has been allocated £6m pa for 5 years to spend on housing improvements. These facts, together with our recommendation that the 22 non-traditional properties are sold, should enable the Department to programme decent homes work for the next 12 months whilst the ‘*future of social housing*’ work is completed.
44. ***We recommend that, consideration of the Plan should be delayed until the ‘future of social housing’ work has been completed.***

The way forward

45. On the basis of the work we have undertaken ConsultCIH recommends that the Scrutiny sub-panel:
- approves the disposal of the 22 non-traditional properties as detailed in the Plan – although we suggest that the Housing Department should be required to complete further modelling to establish that the projected income figure can still be achieved given the Minister’s promise to existing tenants;
 - approves the introduction of the shared equity scheme as outlined in the Plan – although we suggest that the housing department should be required

to produce a more detailed policy on the operation of the scheme covering, for example, the selection of the property for sale, the valuation process to be used and the eligibility criteria for purchases;

- approves the element of the Plan that related to the need to provide additional sheltered housing units – although we suggest that the Housing Department is required to explain who will provide/fund these additional units;
- approves the proposal in the Plan to suspend any further transfers of States' houses to housing trusts until the fundamental review of the future of social housing is complete; and
- does not approve any further property disposals (over and above the 208 properties already identified in the Plan) until the completion of the fundamental review of the future of social housing on the Island is undertaken;
- recommends that an Independent Advisory Panel be established to oversee the future of social housing review based on terms of reference that, in addition to the issues identified in the Plan, including:
 - the possible reform of the States' rent subsidy system;
 - the possible introduction of rent controls;
 - the possible introduction of a Jersey Decent Homes Standard;
 - the possible use of investment options based on private borrowing; and
 - the need for a balanced housing market to underpin the socio-economic success of the Island;
- recommends that no further decisions are made without full consultation with tenants.

1. Introduction

- 1.1. ConsultCIH has been appointed by the Health, Social Security and Housing Scrutiny Panel of the States of Jersey to review the *Social Housing Property Plan 2007-2016* (the Plan) and to provide initial advice on the issues raised by it.
- 1.2. This report is **CONFIDENTIAL** and is solely for the use of the Scrutiny Panel.

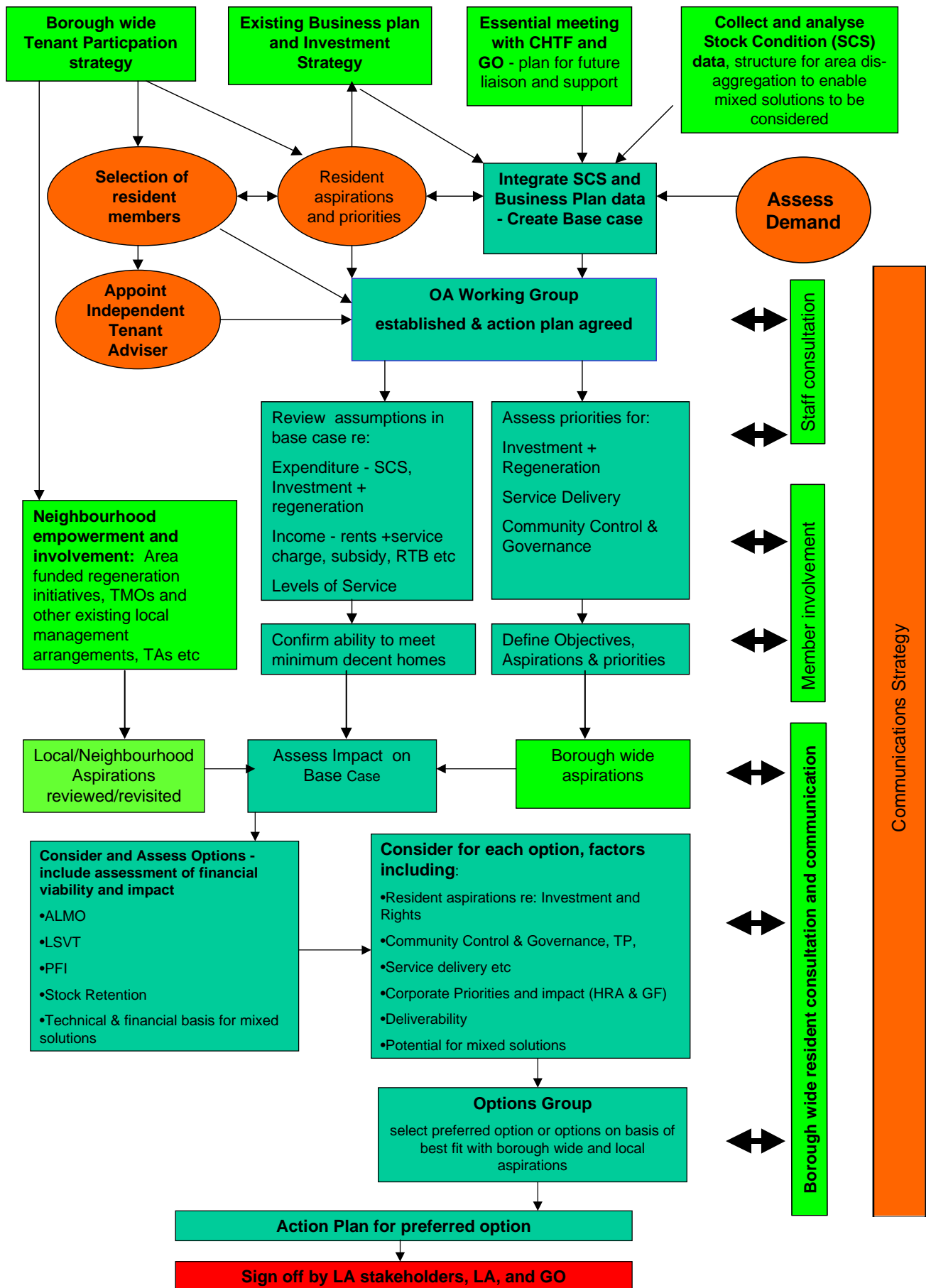
2. Background

- 2.1. The plan, published by the Minister for Housing, primarily sets out the Housing Department's proposals to address the States plan's two key objectives for social housing namely the urgent need to provide adequate funding to bring the existing homes up to a decent standard and to improve opportunities for home ownership among States tenants.
- 2.2. In summary the plan indicates that in order to bring the Island's social housing stock up to the UK Decent Homes Standard, in the region of £75m (at 2006 prices) is needed in addition to the annual maintenance programme. The plan indicates that capital funding of this magnitude would not be available from the Council of Ministers, though it is acknowledged that £6m a year has been made available for each of the years 2007-2011 that will contribute towards this shortfall. As a result and with the aim of achieving the other objective highlighted above the plan proposes to raise these funds by selling 22 non traditional properties on the open market and selling a further 800 properties (208 of which have already been approved) to existing tenants on a shared equity basis.
- 2.3. The plan also explores other housing issues facing the department and the Island generally, which include the need to "regenerate certain key areas", in particular "high-rise flats"; the housing subsidy regime including the transfer of the administration of the fund from Housing to Social Security department; the future demands for social housing including demographic changes (the need for more homes for older persons); the current "mix" of social housing stock (the mismatch of supply and demand); the cessation of the transfer of existing states rental stock to Housing trusts; and the purpose of social housing (subject to a separate review to be undertaken later this year).
- 2.4. We have reviewed the documents that have been made available to us, which we understand to be all that are currently available, and the contents of this report are based upon these together with evidence gathered during visits to the island including interviews with The Department for Housing, The Jersey Homes Trust and the Property Shop (Peter Seymour).
- 2.5. This report seeks to advise the panel on the key issues under review and builds on our specialist knowledge and experience of social housing in both the UK and other countries. We set out to compare the process undertaken by the Housing department with similar experiences in the UK, recognising entirely that the circumstances in Jersey are somewhat different.

3. A decision making framework

- 3.1. The States of Jersey are considering a major policy decision that will have a long term impact on the quality, quantity and nature of housing that local people will be able to afford to rent and buy in coming years. The issues raised by this decision cross over into aspects of wider social and fiscal policy. This section of the report compares the issues raised in the Plan with accepted models of good practice in the UK.
- 3.2. The Social Housing Property Plan recommends a preferred option to address the problems of under investment in the State's housing stock and the extension of home ownership. The Island finds itself in a position familiar to numerous UK Housing authorities facing apparently irreconcilable demands on resources and the consequences of under investment in housing stock over a period of time. Allied to this are the implications in the plan concerning the future of housing subsidy, and the future demand for social housing on the Island.
- 3.3. There is a substantial body of experience in appraising options for investment in social housing in the UK, particularly at a local or estate level dating back to the late 1980s and the Government "Estate Action" programme.
- 3.4. However, the appraisal of investment options at a stock wide level is a more significant and complex task than an estate based option appraisal (OA), with more far reaching implications and greater inherent risk for the authority.
- 3.5. The key principles of a sound process to appraise options for stock investment are:
 - Ensuring that the data on which the process is based is robust (Stock Condition, Housing Needs and Financial)
 - Identifying and involving stakeholders (including residents) in order to agree a decision making framework and a shared initial vision
 - Ensuring that all potential options are tested and evaluated, and that potential delivery risks are identified and understood.
 - Ensuring balance between strategic priorities such as the delivery of minimum conditions standard, meeting resident aspirations and priorities, addressing State's wider housing duties (service standards, supply and demand etc), local regeneration issues, reconciliation with wider States duties and fiscal priorities and ensuring corporate "buy in".
- 3.6. When the UK Government introduced a requirement that councils carry out such Stock Options Appraisals (SOA) in 2002, it also issued guidance on best practice and this remains the most comprehensive currently available. UK LA's were assessed against this guidance as an initial condition of access to additional funding via the stock transfer, arms length management, or the private finance initiative. The Government was keen to ensure that the principles outlined above were complied with and that the preferred option was selected after an open, robust and transparent process. The guidance issued by ODPM regarding Stock Option Appraisals included a process map and this is attached on the following page (fig 1).

Fig 1



- 3.7. The Process Map identifies the following key stages in conducting robust option appraisals:
- Identifying the key stakeholders
 - Managing the process
 - Defining the objectives
 - Establishing information needs
 - Resourcing the option appraisal
 - Establishing the base position of the Council
 - Identifying and evaluating the alternatives
 - Agreeing on a decision for the way forward
 - Communicating on an ongoing basis
- 3.8. The model project plan was also produced that broke the project down into a number of tasks and task groups, and further clarified potential routes through the decision making process. If stock condition surveys (SCS) and housing needs data required collection or updating the process was expected to take in the region of 15 months.
- 3.9. The Department for Communities and Local Government had clearly defined sign off criteria and evidential requirements for options appraisals and these are attached as Annex 1. However a summary of these (from the UK OA guidance) is set out below:
- Robust information on stock condition and on demand and supply on which to base the appraisal.
 - Residents involved from the outset with a central role in decision making and access to good independent advice from the start. The first stage of the option appraisal to involve developing their capacity to engage in the process and exploring aspirations.
 - Should be part of a wider strategy for neighbourhood renewal, linked to other initiatives where appropriate. The regeneration needs of the communities affected by this process identified early and factored into the decision making process.
 - Consideration given to mixed-model solutions within a clear overarching strategy for the whole stock particularly for authorities with large or heterogeneous stock.
 - A preliminary assessment of issues around choice of landlord, including community-based models, under stock transfer.
 - Consideration of the potential for improvements to service delivery as well as capital investment as part of the options appraisal.
- 3.10. The Government would expect evidence that a proper process was followed to be provided and this would include:
- Feedback from consultation with the wider body of tenants including surveys, meeting reports, ITA report.
 - Details of consultation and input from a range of stakeholders as agreed in the Communication Strategy.
 - Details of elected member involvement and endorsement of the chosen option.
 - Completed financial assessment including details of how this was disseminated and explained to tenants and members.

- Details of investment gap to meet decent homes and that needed for any higher standard adopted, with methodology.
 - Details of stock condition work completed together with arrangements for keeping up to date.
 - Copy of the objectives and criteria for the option appraisal with details of how these were arrived at and any weighting applied.
- 3.11. Jersey's circumstances are not the same as the UK, and the Scrutiny Panel is not in the same position as the UK Government when evaluating the proposals of a housing authority. However the need to engage stakeholders, agree a baseline, identify and evaluate options are not significantly different and the Panel may find the UK assessment framework to be of assistance in considering the Plan before it.
- 3.12. Having reviewed the documentation made available, we believe that any appraisal of options to address the problems facing Jersey's housing department should recognise a distinction between the three main issues that are identified in the Housing Plan. These issues are:
- The need to balance the housing budget while ensuring adequate future funding for management and maintenance of the stock
 - The Housing Subsidy System – it is apparent that the relationship between Jersey's "Housing Subsidy" system and the HRA is at the heart of the housing resource problem, and before addressing the financial issues within the core HRA, this matter needs to be considered.
 - The aspiration to support increased home ownership. This is a distinct policy objective and though there may well be opportunities for synergy, should be properly considered after baseline Subsidy and HRA issues have been clarified and alongside other options in the context of the HRA.
- 3.13. In section 4 below we will consider those components of the option appraisal process that are likely to directly influence the HRAs need for capital and revenue resources, and other headline factors likely to be an issue in balancing the HRA.

4. The options appraisal process – review of the Plan

- 4.1 In this section we will consider those components of the option appraisal process that are likely to directly influence the HRAs need for capital and revenue resources, and other headline factors likely to be an issue in balancing the housing finances.

Stock Condition Survey

- 4.2 Local Authorities in the UK are now very familiar with the concept of regular surveys of stock condition. The Government issued guidance in 1993 to assist LAs in delivering effective surveys, and updated this with a three volume guidance manual in 2000, followed by further supplementary guidance in 2002 arising from the need to collect and analyse data in a manner that informed the appraisal of options for meeting the new Decent Homes Standard (“DHS”).
- 4.3 In this context Local Housing Authority Stock Condition Surveys (“SCS”) have four primary interrelated purposes:
- Collection, validation and reporting upon both attribute and condition information for the purpose of improving existing records and future planning of maintenance and energy efficiency of the stock.
 - To identify the expenditure needed to achieve and maintain the DHS, by providing accurate and statistically reliable information concerning repairs, maintenance (and improvement) costs in the reporting categories forecast over a 30 year term
 - To identify the expenditure needed to achieve and maintain any other standards to which the Council is committed, beyond decency. These may arise from a need to ensure sustainability for the stock portfolio, the aspirations of residents or other commitments or requirements.
 - To provide a basis for long term business planning, and tenanted/continuing use valuation of the stock, and to provide a degree of comfort to funders should transfer of the stock to a new landlord, or Private Finance Initiative funding be considered.
- 4.4 Though there is no theoretical or practical reason why surveys should not be undertaken by in house teams where an LA is confident that it will be retaining it’s stock, the specialist knowledge required, together with resource constraints and the importance of accurate validated data in investment planning, and scrutiny of the LA by the Audit Commission and central government means that Stock Condition Surveys are normally conducted by specialist independent external consultants. Where for other reasons it is necessary to manage the survey in house, it is advisable to appoint a specialist to assist in the management of the project.
- 4.5 Pre and post survey planning are essential in order to maximise the benefit obtained from the survey, to ensure the new data’s consistency and integration with that already held by the LA and to ensure that in house staff are both an effective client and able to maintain the new data when handed over.

- 4.6 LAs have often found that despite significant expenditure, upon completion SCS data is not fit for purpose. Problems often arise from poor specification, the appointment of inappropriate consultants, or in house surveys that do not enable the interrogation of data to provide the necessary detail - for example, an adequate level of geographic analysis of DHS failure.
- 4.7 If the survey is to be used to secure private funding, it is important to ensure that the surveyors are required to provide collateral warranties to funders.
- 4.8 Though it is important that the survey is able to inform key investment decisions (existing and newly arising non-decency, SAP ratings etc), neither should the survey be over specified (too much detail) in respect of attributes that serve no purpose and are therefore not subsequently updated. Nevertheless in order to predict future failure, information on the age of building elements is essential.
- 4.9 An SCS does not normally require a 100% survey of the stock. A sample survey will usually be undertaken, but the size of the initial sample will vary depending upon the purpose to which it is intended to put the survey, the nature of the stock and the options under consideration. The following points should be considered:
- Consideration of the nature of the stock in determining sample size should include, age of the stock, purpose built vs rehabilitated, homogeneity (prevalence of one or more designs), number of houses vs flats, numbers of estates and size of estates.
 - The sample size relates to the internal survey of individual units. Normally communal and external areas, and the structures of blocks will normally be subject to 100% survey.
 - If a PFI scheme is being considered the survey will ideally need to provide the information necessary to enable the construction of a detailed output specification
 - While a certain sample size may provide the necessary statistical rigour to enable broad decisions to be made about (for example) a stock of 10,000 units, if smaller scale regeneration project is to be planned on an estate of say 1000 units, a larger sample is likely to be required. This issue of potential disaggregation for specific investment projects as opposed to long term investment planning should always be addressed at design stage.
 - Though the selection of individual properties should be random, the overall sample should be designed on a stratified basis in order to ensure that a representative mix of property types and other circumstances are reflected in the results.
 - A sample size that is too small may not only present difficulties in disaggregation for specific project, but introduce significant margin of error into cost estimates. However, large samples can result in significantly increased costs without proportionate increases in accuracy (ie are not cost effective).
 - It is common practice to conduct a survey with an initial 10-20% sample, a clone of data within identified property types and then engage in ongoing annual rolling surveys (often in house with validation) in order to update the survey and replace cloned data with actual results.

- 4.10 Core SCS data is primarily concerned with the condition of existing building elements. A key part of investment planning in social housing is also about the need to improve rather than repair stock, and plan works to communal areas and the surrounding environments that were often designed between 1930 and 1980 to ensure that they meet the aspirations of residents in the 21st Century. Work such as new or improved lighting, car parking, security and landscape improvements will contribute to the stock remaining lettable, retaining its value and fulfilling its function as decent social housing that provides the basis of decent sustainable communities.
- 4.11 Approaches to the collection of this data vary (though the methodology was covered in part in ODPM guidance on the Decent Homes Option Appraisal process). Best practice is to integrate this with the collection and analysis of SCS data to ensure consistent pricing and to draw on the professional expertise of surveyors already commissioned. This will assist in identifying potential improvements and engaging with residents in defining priorities and reconciling aspirations to budgetary constraints.
- 4.12 High rise and in particular non-traditional properties often require additional specialist surveys. They may involve inherent defects particular to a specific system or design type (particularly if they involve pre-cast reinforced concrete - PRC) systems which require further specialist knowledge and cannot adequately be assessed within the core SCS brief. If the LA does not already hold detailed data in respect of these properties, which can be integrated with the survey dataset, a supplementary brief can be developed as part of the SCS, possibly involving a higher percentage sample than the wider survey.
- 4.13 The property plan refers to "non-standard" property having higher maintenance costs and being in some cases earmarked for disposal. However it is not clear from the report whether this stock was constructed using non-traditional methods or has other latent defects, and whether any detailed surveys of this stock have been carried out in order to assess condition and investment need. It is noted that the Asset Management Policy (HD18) refers to "Non-Traditional" buildings, which is a more specific term than "non-standard".
- 4.14 Other potential specialist components of an SCS include surveys of underground drainage, and removal of asbestos based building materials. The Asset Management Policy states that the SCS is currently being updated to cover asbestos.
- 4.15 The energy efficiency of dwellings is a key concern of the UK Government and since the Home Energy Conservation Act 1995 (HECA) every UK local authority with housing responsibilities ("energy conservation authorities") has been required to prepare, publish and submit to the Secretary of State an energy conservation report identifying practicable and cost-effective measures to significantly improve the energy efficiency of all residential accommodation in their area; and to report on progress made in implementing the measures. SCS data is a key tool for LAs in assessing the energy efficiency of dwellings, completing monitoring returns for Government and planning energy efficient investment. SCS data is used to produce SAP ratings for social housing.
- 4.16 Costings are generated by using a schedule of rates that reflect normal local market rates.

- 4.17 The number of leaseholders has risen significantly in recent years in the UK and consequently it is important that landlords are aware of how much work can be recharged to them. As part of the SCS project, existing leases must therefore be checked and data structured in such a way that accurate estimates of potential leaseholder recharge can be calculated.
- 4.18 The maintenance and updating of SCS data once collected is important. Updating is not just about changes in condition, but can involve four main elements:
- Changes in stock numbers, due to acquisitions, demolitions and sales
 - Updating of condition information from rolling surveys
 - Recording of works completed and effect on condition and outstanding works, and bringing forward works previously estimated as required in future years, but now outstanding
 - Adjusting prices for build cost inflation
- 4.19 In assessing the adequacy of a local authority SCS as a planning tool for Decent Home Standard delivery strategies in the context of a Stock Option Appraisal, the UK Government would make an initial assess compliance with basic good practice broadly checklists similar to that below. This would provide a high level assessment of whether a stock condition survey is likely to be fit for purpose. Should there be a lack of evidence, or evidence of non compliance, further questions would be asked and each case would be considered on its merits.

<i>Issue</i>	<i>Test</i>
Is there a clear primary purpose	Investment planning, ideally as basis for an asset management strategy and to populate the stock condition module of an integrated property management system
Age of the data	Survey should be no more than 5 years old, ideally 3, with yearly 20% update surveys.
Properly conducted survey, properly validated?	Internal surveys should be externally validated. Ideally an external survey commissioned by detailed brief and independently validated, with full warranties
Methodology	Is there a clear methodology which can be repeated and adjusted while retaining internal consistency in future year updates.
Sample size and stratification	Few hard and fast rules, but evidence of appropriate planning necessary and informed decisions based on factors outlined above. Ideally 100% survey of external fabric (though less can be acceptable), minimum 400 data sets, and one would normally expect 20% sample for 5-10,000 units.
Is it adequate for a DHS OA	Must cover Major Repairs Allowance archetypes (necessary for FfP business planning), life cycles of DHS building components, aspirational works and a 30 year cycle. Does the data and analysis system provide a projection of future failures? Does the data enable separation of basic decent homes work from

	other priorities, and enable HHSRS assessment? SCS data collected prior to the issue of 2002 ODPM guidance was often adequate for this purpose following further desktop analysis.
Energy	Does the data enable the calculation of SAP ratings and the system allow for reporting, analysis and modelling?
Project team established	Does a strong client exist, are internal staff familiar with SCS principles and can they manipulate the data themselves?
Appropriate internal database, properly updated.	Can staff fully utilise the database? Ideally database would be integrated with other management systems and automatically updated from other maintenance systems. However a properly updated standalone system will also be adequate. Ongoing rolling programme of surveys to ensure data updated.
Costings	Should be based at least upon national index adjusted for recent local experience. Ideally from recent local tender prices reflecting the range of different types of work, based upon the components of each planned programme and reflecting planned procurement methodology.

- 4.20 We have been provided with a spreadsheet containing data relevant to the DHS which we understand has been drawn from the SCS. We have also been provided with a copy of the asset management policy which also provides some background material regarding the SCS. The information supplied is not in itself adequate to come to a definitive conclusion on the adequacy of Jersey's SCS as a DHS planning tool, but the nature of the survey described suggests that it is likely to provide a solid foundation; assuming that a sound methodology was followed.
- 4.21 The Asset Management Strategy refers to updating of the SCS by surveys prior to refurbishment. A rolling structured sample of surveys in future will enable the database to be maintained as it would appear likely that relying on surveys prior to refurbishment will introduce a bias and lead to condition data in respect of those properties not currently seen as an investment priority gradually becoming out of date.
- 4.22 The spreadsheet with which we have been supplied appears to summarise a number of key UK DHS attributes for 100% of State's stock (including some leasehold properties) from a (presumably) cloned data set.
- 4.23 We understand that the survey was carried out in 2003, and in these circumstances one would expect (in a UK context) that the survey design would take into account the 2002 ODPM supplementary guidance (Decent Homes: Capturing the Standard at the Local Level"). This guidance specifies the data requirements for identification of a decent home including indicators of age, condition and design for a number of key building elements. Where surveys did not collect this data, a less robust but often adequate estimate of existing and projected non-decency can be established by analysis of data that may not be fully compliant.

- 4.24 **From the data we have been supplied with it is not clear whether the underlying data complies with UK guidance. For example, the DHS criteria D covers the provision of “a Reasonable Degree of Thermal Comfort”. The spreadsheet provided refers to “Adequate Heating” on a simple Yes/No basis and it is unclear whether:**
- **this judgement takes account of the full range of factors determining compliance with criteria D, and**
 - **what the data underlies this assessment of adequacy.**
- 4.25 **The data does not appear to cover noise insulation or the layout of common areas, which are components of the UK DHS.**
- 4.26 **In a UK context the Survey data is also approaching the end of its life. Though not in itself a reason to reject the SCS as inadequate for SOA purposes, some reassurance would be sought regarding the maintenance and updating of condition and pricing information underpinning the Property Plan.**
- 4.27 **On the basis of the data supplied, issues that could usefully be investigated further include:**
- **Updating and maintenance of the data since 2003**
 - **The basis of DHS assessment and projections of newly arising failure**
 - **The size and structure of the sample in respect of communal/external areas, non standard dwellings and regeneration areas.**
 - **The costing module**
 - **Energy assessment**
 - **Validation methodology**
 - **Identification and costing of improvements and aspirational works**
 - **Future updating**

Resident aspirations, participation and involvement

- 4.28 **Prior to the introduction of the UK DHS and the Stock Option Appraisal (SOA) process that followed this, UK councils offered a wide range of different levels of involvement to residents in the planning of repairs and investment decisions. These were often founded on the long established principle that a key function of housing departments was to ration scarce investment resources, and that residents were given the opportunity to comment prior to a decision being made on the composition of the major works programme.**
- 4.29 **The requirement that council housing meet the DHS by 2011 and that councils consider all possible options including transfer (LSVT), Arms length Management Organisations (ALMO) and the Private Finance Initiative (PFI), for all or part of their stock, as well as retention, and that they involve residents in the selection process changed the nature of most Councils engagement with their residents.**

- 4.30 The viability of any or all of the options being considered often depended to a large degree upon the extent to which there was an intention to deliver works beyond the minimum DHS. When consulted residents would normally articulate aspirations that exceeded minimum standards. These aspirations would often extend to the physical improvements mentioned above (in the section on Stock Condition Surveys), and also cover issues such as the future quality and organisation of the housing management service, the role of tenant management, provision of community facilities, stock balance and lettings policies.
- 4.31 However the resources to achieve such aspirational investment were not often available without compromises elsewhere in the business plan, and in these circumstances resident buy in throughout the option appraisal process was not only regarded as desirable but a significant factor in ensuring delivery.
- 4.32 In short, those options which many residents initially found most unpalatable (LSVT and PFI, or other stock disposals), were those which were often most likely to be able to deliver the maximum additional investment. Following an assessment of stock condition and likely available resources, stock retention might only be able to deliver basic decency and enable the LA to meet statutory obligations, whereas a mix of other options might enable an increasing level of resident aspirations to be met. For example, transfer might enable a better central heating system to be installed more rapidly to all homes, demolition and rebuilding of the worst properties and a full range of environmental and security improvements to others. The preferred option was likely to be determined by priorities for investment and service delivery. Residents have a legitimate interest in these priorities and were expected to be involved in the selection of options.
- 4.33 This requirement had a number of benefits for different participants in the process:
- It accorded with overarching Government policy regarding the empowerment and involvement of communities
 - Government policy was generally that it was necessary to demonstrate resident support for any option before proceeding (for example there is a demanding statutory framework for Government consent to LSVT involving a formal test of opinion). Though resident involvement in the in principle decision to pursue an option at SOA stage was not sufficient in itself to demonstrate this, such involvement makes it more likely that effort expended in working up a detailed option will not be abortive due to eventual lack of resident consent.
 - By involving residents in decisions that were likely to generate a level of opposition and controversy, political risk was mitigated.
 - The process empowered individuals and raised the capacity communities, providing a basis for future regeneration initiatives and a framework for future consultation and involvement.
- 4.34 The process of appraising options for the future of the housing stock was lengthy as outlined in section 3 above. It was an informed process that balanced different potential investment priorities against the costs and benefits of different management strategies and financial options. The exact process would

normally be determined by local circumstances, often involving a “Panel”, “Commission” or “Jury” of varying status and differing mixes of residents, officers, members and other stakeholders. This body would lead a wider process of consultation with residents.

- 4.35 The process map (Fig 1 above) identifies the various demands that groupings of residents and other stakeholders might make on investment outcomes (decent homes expenditure, service levels, area regeneration, community governance, rent and service charge levels etc), and the framework in which these can be considered and assessed. The model project plan published by the UK Government provided further detail.
- 4.36 Resident involvement in complex strategic financial planning can create challenges both for residents and housing authorities, particularly if there is not a history of high level resident involvement. It can be helpful in the context of a stock options process to develop plans at an early stage to support capacity building and communication with residents and to monitor progress against these plans. This was a requirement of the UK process.
- 4.37 Given the significance of the proposals in the Jersey property plan, a similar plan for resident participation in the decision making process would be good practice.
- 4.38 The identification of resident aspirations for investment, and a structured approach to resident involvement is seen as a key component of the Stock Option process in the UK.
- 4.39 The Asset Management Policy refers in a number of places to a role for residents, but does not set this in the context of the Property Plan. We have also been provided with a copy of a short leaflet that informs residents of the proposed Property Plan. It does not propose any structure in which residents can participate in the process or invite comments from residents.

We understand that there has been very limited consultation with residents prior to the publication of the Plan, and so conclude on the evidence that we have seen, the extent to and process by which the States intend to involve residents in the development and adoption of the Property Plan would be inadequate to enable the UK Government to sign off an English LAs Stock Option Appraisal. This would require a comprehensive project plan, with resident involvement and participation at its core, which earmarked adequate time for meaningful discussion with various constituencies and a proper understanding of key issues and sensitivities appropriate to various levels of participant to the process. This model would require the States to defer a decision on the Plan until it had been able to establish and consider the various views that emerged from such a process.

Asset management strategy

- 4.40 We have been provided with a copy of The States of Jersey Property Plan 2007-16 and the Asset Management policy (HD18). These both have similarities to an Asset Management Strategy (AMS) of the type now common among UK social landlords. It should be noted that an AMS was not an explicit requirement of the

SOA process in the UK, as the long term viability, ownership and management of the housing asset base was the fundamental issue under review. The final SOA report, could be seen as a de-facto AMS. Nevertheless it might be useful to review the approach that a UK landlord would take in drafting an AMS for retained stock.

- 4.41 The Asset Management Strategy of a social housing landlord should recognise that it has made a substantial investment in its housing stock and that not only does it have an interest in maintaining the stock in good condition but also ensuring that it is in the right location and of a design that meets the needs of the use to which it is, or is planned to be put. It is a strategy that covers the range of activities that ensure that the landlord's housing stock meets the needs and standards required now and in the future.
- 4.42 An Asset Management Strategy (AMS) is drawn up to complement and inform the business plan and to set priorities for the physical care and improvement of the housing stock recognising that there are limited resources to expend, which must be managed and directed to derive maximum benefit.
- 4.43 An AMS must recognise the organisation's overarching strategic objectives such as the tenure mix the landlord hopes to maintain, and the quality standards to which it aspires; but is intended to provide a policy framework to assist the organisation in delivering specific outcomes such as :
- Meeting the decent homes standard
 - Developing cost effective maintenance programmes
 - Bringing properties up-to-date and in line with current and projected customer expectations and demand
 - Ensuring compliance with current and prospective regulations
 - Ensuring appropriate mix of responsive and cyclical repairs and capital investment
 - Reflecting local diversity in its approach
 - Linking lettings, stock renewal and disposals strategies
- 4.44 An AMS would normally include summaries of :
- Strategic context, organisational, local, regional.
 - Organisational arrangements – how the organisation maintains and delivers on its AMS and action plan.
 - Consultation arrangements
 - An asset profile: - property type, location, numbers, construction type, potential obsolescence and assessment methodology, etc
 - Demand
 - Stock Condition (currently to include DHS compliance)
 - Valuation
 - Planned maintenance programmes
 - Cyclical maintenance programmes
 - Responsive repair and void works
 - Energy efficiency & environmental impact
 - Special considerations such as asbestos management, legionella risk assessments, non traditional stock, disabled adaptations etc

- Strategies to achieve best value including for example, improved quality control, customer perception & satisfaction monitoring, cost control of responsive repairs.
- A review of resources available to finance the AMS, including the resources required and sourcing in respect of the programmes referred to above. A review of potential income including the impact of disposals.
- Planned development, new acquisitions and disposals and decision making framework.
- A modern social housing AMS would also consider the role of neighbourhood regeneration, community development and sustainability.
- Procurement – a significant topic in this context. Review wider economic, policy and good practice framework in respect of new build, major works, day to day repairs and other supplies.
- An action plan to deliver the commitments in the strategy.

4.45 In addition to condition and costs of major and minor repairs, this means considering in detail:

- asset value
- potential uses and purposes
- current outstanding debts and grants
- functionality
- letting difficulties
- future investment requirements due to legislative or regulatory changes
- complaints from tenants or client requests
- location
- transfer requests and past and future changes impacting on desirability
- political factors
- impact on the image of the landlord and the locality and regenerative potential
- access to the service and diversity impacts
- stakeholder views
- social factors
- vandalism
- nuisance complaints
- tenant association views and community development

4.46 Taken together the Asset Management Policy and Jersey Social Housing Plan show most, but not all, of the characteristics of a fit for purpose AMS of a UK social housing landlord. On the basis that the assumptions underpinning the property plan are valid, these two documents, taken together would require little work to cover the range of technical issues required by an AMS, or bearing in mind the broader process and validation issues referred to elsewhere, a Stock Option Appraisal report.

Business planning and financial modelling

4.47 A key component of a UK council's SOA is the related financial models. The financial models underpinning a UK social housing business whether a Council HRA, RSL or PFI project are generally based on 30 year projections and are expected to demonstrate that with a prudent set of assumptions the business will

remain viable over this period. In the context of an SOA they are also necessary to assess the relative costs and benefits of the options to the various stakeholders.

- 4.48 We have not had sight of the financial models underpinning the Property Plan and therefore the following observations are of a limited and general nature. Further comments in Section 5 – Housing Subsidy, should also be considered.
- 4.49 Financial modelling will be a key tool in the evaluation of the various options and at very least the selected option should be subject to a number of sensitivity tests with a narrative that will also address the key delivery risks. The SOA process would normally involve the modelling of HRA viability and cash flows, and a valuation of the stock in order to assess potential borrowing capacity and underlying strength of the asset base.
- 4.50 The Property Plan indicates that “Stock valuation before capital programme investment or sales is £960 million (based on an assumed average value of £208,000)”. This would appear to be an open market valuation (OMV), or “vacant possession” valuation of the housing stock.
- 4.51 Stock valuation is an important tool in business planning of the UK social landlords. Though Housing Associations in particular need to be aware of the vacant possession value of the stock for security purposes, the normal approach is to use what is known as a Tenanted Market Value (TMV), or Existing Social Use Valuation, for which standard models have been provided by the Government.

A TMV recognises that the social housing stock will continue in use as social housing for the duration of the planning period (normally 30 years) and considers the likely income and expenditure for this period. The TMV projects forward rental income and deducts the costs of management, maintenance and major works, taking into account voids, arrears, day to day maintenance, catch up repairs and improvements, planned maintenance and build cost inflation to arrive at a projected operating surplus or deficit. In the case of a proposed stock transfer, these surpluses reflect the loan that a new landlord can afford to take on while achieving agreed standards and are used to value the stock.

- 4.52 In the UK it is not uncommon for poor quality stock with low social rents to generate a negative valuation that consequently required central government support to enable transfer. The UK Government currently requires a discount of between 6-8% pa real to be applied to the cash flows to reflect both the risks taken by a new landlord and the interest to be paid by it.
- 4.53 This approach not only provides an indication, given a set of reasonably prudent assumptions, of the true value of the stock or the social housing business in its current use but also whether the current management strategy will provide the resources necessary to maintain it at the required standard. This is more realistic than a valuation based on emptying the stock of the current residents and was a key component of UK Stock Option Appraisal. Local Authorities with very strong positive TMVs were very uncommon given the history and nature of the subsidy system, but overwhelmingly based a decision to retain their stock on a positive valuation that reflected a strong underlying HRA.

- 4.54 As noted throughout this report, the proposals in the Jersey Property Plan appear likely to be sensitive to a number of key assumptions regarding stock condition, priority improvements, the future need for social housing, HRA income and expenditure etc. In these circumstances the States and its tenants need to be confident that the financial models underpinning the property plan have been subject to robust sensitivity testing and risk analysis.

This is particularly the case where planned reductions in stock numbers are likely to increase the sensitivity of the HRA to future externalities.

- 4.55 We understand that the reduction in stock numbers and the loss of rental income has been taken into account in the financial modelling. However we are unclear what consideration has been given to the loss of the most affluent tenants via sales to sitting tenants. It appears likely that these will be the residents paying the highest unabated rents and that this will have a disproportionate impact on the remaining HRA if this still retains a liability for "housing subsidy".
- 4.56 It would be useful to understand the impact that different levels or profile of investment on the achievement or maintenance of an agreed property standard, and the different standards that could be achieved at various funding levels.
- 4.57 We understand that there has been some debate regarding the extent of any ring fence of receipts generated by property sales to the HRA. In the UK context the use of receipts has varied according to the policy priorities of central government and the increasing sophistication of the subsidy system. Initially local authorities were able to spend receipts as they wished, followed by a period where LAs with outstanding debt were required to use 75% of receipts to repay debt, resulting in a number of debt free councils. A number of loopholes and "holidays" were introduced to this system at various times. More recently (as receipts have fallen) councils have been able to use receipts more freely. Throughout this period tension between the priorities of housing departments whose stock tended to generate the bulk of the receipts and of other corporate investment needs have been a local feature of the system. Most recently the Government became involved again in these local debates where a local authority may have wished to continue to use a significant proportion of housing receipts for corporate purposes while also looking for further subsidy to enable an LSVT, ALMO or PFI proposal to address a lack of investment in the housing stock and achieve the DHS. The availability of receipts is a key component of the Property Plan and the Scrutiny Panel should satisfy itself that the assumptions made in the financial modelling accord with clear policy commitments as far as possible, though it is recognised that inevitably a degree of uncertainty is involved in such forward planning of corporate resources.
- 4.58 We understand that the proposals in the Property Plan have been subject to a financial evaluation and that the necessary modelling has taken place, although we have not had an opportunity to consider these. We note that the Property Plan indicates that:

"capital investment of £75 million is needed, over the next ten years, to bring the social housing stock up to an acceptable standard, and to regenerate key areas, particularly within St. Helier"

and proposes the investment of £45m from sales receipts into the stock, together with the £30m capital allocation already planned. The 10 year capital expenditure analysis in the AMS indicates an investment need of £87m over 10 years and indicates a £57m investment from receipts.

The Scrutiny Panel should seek clarification of which figures have been used in the financial modelling.

We are also unclear whether the £30m capital allocation is a credit approval with loan repayments to be met from the HRA, or approval to spend receipts and if this is the case, from where those receipts were generated.

- 4.59 **The Scrutiny Panel should have the opportunity to consider this modelling, seek clarity regarding these and other assumptions, and satisfy itself that it has confidence in the approach taken prior to a decision being made. It may also be helpful to conduct a TMV exercise if this has not already been done.**

A Jersey decent homes standard?

- 4.60 Planned investment in social housing in the UK has since 2000 arguably been dominated by the concept of a national physical standard below which it was felt that social housing should not be allowed to fall. The launch of the English Decent Homes Standard (DHS) recognised that much social housing had fallen into an unacceptable condition and that resources had to be made available in order to bring it up to standard.
- 4.61 We are not aware that the States have formally adopted a local DHS, but it does appear that the Property Plan takes the English DHS as the minimum standard to be achieved.
- 4.62 To assist the Panel in considering the DHS and its potential applicability to Jersey, we set out below a background to the development of minimum social housing property standards in the UK.
- 4.63 The English DHS was established in 2000 and was followed by a series of policy announcements by the Government that set a framework to ensure that local authorities delivered on the target via a “Stock Option Appraisal” process that required them to:
- assess the proportion of their stock which met the DHS,
 - determine what level of investment was required to bring up to standard those properties which did not comply, and
 - as outlined above, conduct an appraisal of options (the SOA) to arrive at an agreed local standard (the DHS as a minimum/trigger point) and agree a method of obtaining the financial resource to achieve it.
- 4.64 Following the introduction of the DHS in England, the Welsh Assembly launched a “Welsh Housing Quality Standard” in April 2002, and the Scottish Executive issued the “Scottish Housing Quality Standard” in February 2004.

- 4.65 The DHS, WHQS and SHQS provided a clear and agreed framework against which LAs and residents could assess the quality of the social stock, arrive at a quantitative assessment of the need for investment, and then evaluate priorities and options.
- 4.66 Given the circumstances in which Jersey now finds itself in respect of its own housing stock, as outlined in the Property Plan, there is a case to be made for the definition of a Jersey standard as the basis for wider discussion about investment options. A Jersey standard could simply replicate an existing standard or be a development or refinement of one.
- 4.67 A very concise summary comparison of the DHS, WHQS and SHQS follows in table 1. It must be emphasised that behind all three standards there is a variety of explanatory and qualifying supporting documentation. However, the table gives a strong flavour of the differing approaches taken.

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Table 1

DHS	Must meet all four criteria	WHQS	The requirements are considered to be an acceptable minimum	SHQS	Must meet all four criteria. Failure by single element apart from secondary building element (two)
A) Must meet the current minimum statutory standard for housing	Previously the Fitness Standard, now must be free from Category 1 hazards as defined by the housing health and safety rating system (HHSRS, which is a risk assessment procedure rather than a standard)	2) Safe and secure	Must be free from evident safety hazards, particularly in respect of: stairs and landings, kitchens, fire escape, electrical & heating installations & appliances, security, outside the home. Further guidance is provided on these elements.	Healthy safe and secure	<ul style="list-style-type: none"> • Healthy: Lead free pipe work, mechanical ventilation where necessary (condensation), external noise insulation, • Safe: smoke detector, electrical system, gas & oil appliances, stairwells, lifts, lobbies, courts etc in good and safe order, adequate internal and external/communal lighting • Secure: FED, DES and secure rear access to enclosed common areas
B) It is in a reasonable state of repair	No one key building element <u>or</u> two other building components can be <u>old and</u> need major works due to condition	1) In a good state of repair	<ul style="list-style-type: none"> • Structurally stable • Free from dampness prejudicial to health of occupants • Free from disrepair Key building components must be in a good condition, and other components in reasonable condition	Free from serious disrepair	No one Primary building element <u>or</u> two secondary building element failing
C) It has reasonably modern facilities and services	Must not lack 3 of following: <ul style="list-style-type: none"> • kitchen <21yrs old • kitchen with adequate space and layout • bathroom <31yrs old • appropriate location of bathroom & wc • adequate external noise insulation • adequate size and layout of common entrance areas in flats 	4) Contain up to date kitchens and bathrooms	<ul style="list-style-type: none"> • Kitchens <16 yrs old, unless in good condition and meet space & layout criteria • Adequate washing & drying facilities • Bathroom & wc <26 yrs old unless in good condition and meet defined minimum requirements 	Modern facilities and services	<ul style="list-style-type: none"> • Kitchen fittings in good and usable condition safe arrangement & adequate storage, worktop at least same width and depth as cooker. 6 power sockets • Bathroom to include wc bath or shower and wash hand basin in good and usable condition

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D) Reasonable degree of thermal comfort	Must have efficient heating: - either gas or oil programmable c/h, or electric storage heaters, warm air system, under floor system. Programmable LPG/solid fuel ch, or similarly efficient systems developed in future. The insulation standard depends of the heating system installed (but SAP<35 is proxy for Cat 1 HHHSRS hazard excess cold).	3) Adequately heated, fuel efficient and well insulated	Must be capable of being adequately heated at an acceptable cost to the tenant. Minimum requirements are specified including SAP ratings (based on 1998 SAP) ranging from 58-70.	Energy Efficient	Full fixed central heating (more than 50% of floor area with heating controlled from a single point). Gravity or semi gravity systems, direct appliances (eg room heaters) <21yrs old. 100mm loft insulation, & cavity insulation where appropriate (new insulation must comply with building regulations). Insulation of pipes Minimum SAP of 50 (60 for non gas c/h dwellings)
		5) Rented housing must be well managed	Must be fairly, efficiently and well managed to address the needs of tenants as individuals & part of a community (Guidance outstanding)		
		6) Located in attractive and safe environment	Must be located in an environment to which tenants can relate in which they can feel proud to live. Guidance appears to accept that scope for this may be limited but suggests that all opportunities for improvement should be taken.		
		7) Suit specific requirements of household as far as possible.	<ul style="list-style-type: none"> • Sufficient space and appropriate for household numbers • Meet cultural needs of household • Adequate internal and external storage 		

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			<ul style="list-style-type: none">• Provide necessary aids and adaptations• Reflect the changing needs of the household <p>Some minimum standards specified</p>		
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- 4.68 The DHS is seen as a trigger for action rather than a minimum standard. Guidance recommends that landlords should plan for sustainability (particularly in respect of packages of works to flats) and cost efficiency in procurement, and notes that Building Regulations should be used as a guide where these exceed the DHS.
- 4.69 The WHQS is due to be updated in spring 2007, but the revised document is not available at the time of writing.
- 4.70 Revised guidance on the DHS issued in June 2006 re-emphasises the Government's commitment to sustainable communities and community based and tenant led ownership and management.
- 4.71 Of the three standards, the English DHS is arguably the lowest, but most tightly defined. It is apparent that both the Welsh and Scottish standards have followed a similar approach to the DHS. The Welsh standard formally extends the criteria into the local environment and communal areas (which are dealt with more under the "aspirational" component of the English SOA guidance), the specific circumstances of each household (a home could meet the standard for one household, but not another as it takes into account household numbers).

The Scottish standard is closer to the DHS, but reflects the slightly different nature and form of Scottish social housing.

In both cases the safety criteria arguably suffer from a lack of exactitude in comparison with the English system which relied first upon the statutory fitness standard and latterly the HHSRS.

The English standard for kitchens and bathrooms is arguably less generous than the Welsh or Scottish standard.

- 4.72 These standards establish universal baselines for all local and governmental/local authority discussions about investment priorities, setting a definitive minimum standard.
- 4.73 Given the unitary nature of Jersey government, a minimum standard would not have exactly the same role as in the UK in wider discussions regarding stock options. Island wide debate about an acceptable level of investment could take place without a DHS standard being defined in advance, or a DHS could be defined and each locality or estate could be given the opportunity to redefine it (up or down) based upon local priorities.

However, the adoption of a pre-defined standard as a recommended minimum, would appear likely to assist in creating a transparent decision making framework for the future of the Islands social housing, and if based broadly upon similar standards used elsewhere would have the advantage of evidencing a degree of fairness and objectivity at the foundation of the OA process.

Our recommendation is that such a standard is adopted.

- 4.74 Should the States wish to introduce a Jersey standard, the DHS might provide the most appropriate foundation on which to build, without a need to expend resources on a "re-invention of the wheel". It also appears that this standard has

already been used as a driver for the development of the Property Plan.

The public adoption of a clear standard will offer an opportunity to update and refine the DHS to better meet local circumstances and aspirations.

Regeneration assumptions – particularly the high rise block

4.75 Regeneration programmes are generally understood to include, depending on local circumstances, a mix of physical, social, economic and community programmes and activities that will result in:

- repairs and improvements to the physical environment
- demolition and clearance of existing buildings where necessary, which may or may not result in,
- the replacement or new provision social and market housing where necessary
- improved quality and access to local services, particularly for groups such as the elderly, children, young people, young families and ethnic minorities who may have difficulty access existing services
- an environment for improved economic performance that will benefit local people
- reduction in crime and anti-social behaviour
- community capacity building to enable future self help initiatives.

4.76 Such programmes are likely to involve a review of the use of existing powers and deployment of resources across a number of sectors including education, health, planning, policing and economic development in addition to housing.

4.77 For many years it has been accepted in the UK that regeneration is about “more than bricks and mortar”, and it is also recognised that the communities affected by regeneration proposals should not only be properly consulted, but should be active participants in defining needs and priorities and in drawing up the detailed proposals. As outlined elsewhere, this approach was reflected in the UK Government’s guidance to Councils conducting Stock Option Appraisals in recent years.

4.78 Jersey’s 10 year Property Plan refers to “The need for regeneration in key areas”. This focuses on a number of “high rise” blocks

1	Convent Court Caesarea Court
2	De Quetteville Court
3	Le Marais (four blocks)
4	La Collete Flats The Cedars Hue Court

4.79 It is noted that these blocks provide an “awkward mix” of family and older persons accommodation resulting in management problems, and that the blocks are the least popular on the island.

4.80 The States regeneration plans propose the demolition of the group 1 blocks to be replaced by new general needs housing, group 2 to be demolished and replaced by new sheltered housing, and “serious consideration” to be given to demolition and replacement of group 3 in the later years of the plan. Group 4 would be retained and remodelled as sheltered accommodation.

4.81 These proposals are not unreasonable in themselves and accord with strategic approaches to high rise properties now common in the UK where a mix on refurbishment and demolition is the norm.

However, the following observations may be helpful to the Scrutiny Panel.

4.82 Jersey does have an unusually high number of high rise blocks in comparison with similar size rural district councils, and most large towns and cities in SW England. Glendinning and Muthesius’ in their definitive history of high rise housing suggest that 639 multi-storey dwellings had been built on the Island by the late 1970s. The table below provides a comparison of these figures with those for the rest of SW England.

	Number of Multi story dwellings constructed	Population 2001 Census (000s)	Current population per m/s dwelling constructed
Poole	363	138,000	380
Plymouth	368	241,000	654
Swindon	323	180,000	557
Bristol	4844	380,000	79
SW England (remainder)	801	3,989,000	4780
Jersey	639	87,000	137

It should be noted that the table above compares 2001 census population figures with numbers of dwellings constructed (source Glendinning and Muthesius 1994). It does not take into account subsequent demolitions.

4.83 The refurbishment of tower blocks is notoriously costly and carries a significant level of risk due to the use of specialist techniques in the construction of these building (regardless of any further issues arising from the use of non-traditional building systems). The robustness of the costings and planning underpinning the tower block proposals is not clear from the report (see also section on SCS).

Similarly, the proposal to give “serious consideration” to the future of the Le Marais blocks appears to introduce a degree of uncertainty that must be evaluated in the context of the financial models underpinning the business plan.

4.84 The Panel should note that although latent defects in non-traditional building systems have been identified in many multi-storey blocks, and there have been a number of circulars issued by Government alerting UK housing authorities to known problems with these forms of construction, it has recently come to the attention of a number of authorities that the dangers of progressive collapse are not limited to blocks identified in the circulars. For a variety of reasons it has been found that blocks below the previously identified height threshold suffer from similar problems and may not have all benefited from strengthening work

following the Ronan Point collapse in the 1960's.

The Panel should seek reassurance that the Property Plan has considered this issue, if any of the defective systems were used on the Island.

- 4.85 Notwithstanding the qualifications above, and although high rise properties have a poor image in the popular consciousness, generic or specific problems with blocks of this type are not always irremediable.
- i. Structural and physical problems may arise from the use of inappropriate or poorly supervised, or inherently defective non traditional building techniques (such as large panel or in situ concrete) or dangerous materials (eg asbestos or glass fibre), and it can be extremely costly to resolve the physical problems of such blocks. Nevertheless in areas of high demand, land scarcity and limited resources, retention can often still be the most cost effective option, particularly if the quantifiable costs of homelessness arising from a reduction in the overall affordable housing stock are also factored into an option appraisal (it is acknowledged that the situation in Jersey is different to that in the UK).
 - ii. Traditional forms of construction (concrete frame or monolithic) are likely to suffer from fewer inherent defects and may be remediable at a more acceptable cost, but as noted above robust and appropriate stock condition data is a pre-requisite of any decision making process.
 - iii. It is assumed that high rise dwellings have been constructed to at least UK fire and safety standards, but even in this case there are a number of health and safety issues arising from certain non traditional designs of which a landlord should be cognisant.
 - iv. A substantial body of research and good practice has demonstrated that the problems and unpopularity of many high rise blocks arise from weaknesses in housing management practice as much as physical design. In particular it is not regarded as good practice to house families with children in high rise units due among other reasons to safety issues and the problems of giving children easy access to safe outdoor space in which to play under parental supervision. Similarly the movement of groups of children in and out of the building and up and down the lifts makes it more difficult to maintain security and can lead to conflict with other residents.
 - v. Restricting high rise lettings to young and childless couples and the elderly has been found to transform the attractiveness of high rise apartments (which after all retain desirability for such demographics in the private sector).
 - vi. An inherent feature of some high rise forms (in particular the tower or point block) is the ease with which they can be made secure and on this basis appeal to certain groups. However the cost of security systems in addition to other high cost items such as lifts, particularly where a staffing resource is required, can result in significant additional management costs for these blocks. This can affect the viability of or demand for these blocks and needs to be considered in planning refurbishment,

particularly if these service charge costs are not pooled across the stock as a whole, or rent subsidy/HB/income support is not available to residents on low fixed incomes to assist in covering these costs.

- 4.86 Though there are likely to be a number of historic reasons for the uncharacteristically large amount of high rise housing in Jersey, it is likely that a perceived shortage of land for housing was one contributory factor. This gives rise to an apparent paradox in Jersey's position - in normal circumstances there is a case for keeping high rise blocks where there is a high demand for social housing and high land values and consequently rural areas are not normally seen as the natural home of high density development.

The demolition of such schemes and replacement by low rise housing is likely to result in a net loss of social housing units, which should land use constraints still apply, may be difficult to subsequently replace should the need arise. Such considerations often lead mainland councils to retain a proportion of high rise stock. Therefore it is important that the States are confident in housing need projections before approving this option.

- 4.87 **Bearing in mind the issues outlined above, on the evidence that we have seen we would conclude that:**

- **The case for the demolition of high rise properties is unproven and that refurbishment may prove more cost effective in the long term than demolition.**
- **Irrespective of wider issues regarding the option appraisal process, the Scrutiny Panel may wish to consider the detailed financial modelling underpinning the options for the high rise blocks, and the investment and stock conditions projections upon which these are based.**

- 4.88 The other activities referred to in the property plan relate to the disposal or refurbishment of other elements of the States social housing portfolio and do not appear to be what would normally be described as regeneration activity.

- 4.89 It may be the case that the need for "regeneration" activity in the sense understood in the UK context is extremely limited due to a lack of social and economic disadvantage among States residents, anti-social behaviour and the good physical environment in which States properties are located.

It is certainly the case that a community such as Jersey, like many rural communities in SW England, is unlikely to experience the same problems and need for intervention to resolve them that deprived urban communities elsewhere in the UK are likely to require.

Nevertheless, given the long term nature and significance of the strategy under consideration a review of potential wider regeneration needs and evidence of community engagement in defining and prioritising those needs would probably be regarded as normal practice in the UK. This might be based upon a desktop analysis of existing data, or could be a specific piece of new research in its own right, depending on the information already available. For example, how do the education and health opportunities and outcomes of social housing residents as a whole or by area, compare to the general population, what priorities do

residents have, and how might that affect investment decisions by service sector and geographic area?

Demand for social housing

- 4.90 The Plan stipulates that “the social rented stock is larger than necessary overall to meet social housing need and demographic changes mean that it is the wrong ‘mix’ to meet predicted need (particularly for sheltered housing) in the medium to long term” (1.10 and 1.11 of the Property Plan). The evidence for such assumptions seems to be based almost exclusively on analysis of the department’s waiting list, evidence of the increased time taken to let larger homes, and the analysis set out in ‘Planning for Homes’.
- 4.91 Stock option appraisal work must be informed by data on current and likely future demand for social housing in the area. This will ensure that investment is not made in homes for which there is no medium/long-term demand, or that the potential call on resources for the provision of additional affordable homes that may be required is considered as part of the overall resource planning.
- 4.92 Demand assessment must identify any areas or types of property which are difficult to let and the SOA must look at alternative strategies for addressing this such as demolition, replacement, refurbishment, regeneration to improve the attractiveness of a particular area, conversion of unpopular dwelling types, or sale of existing dwellings.
- 4.93 Until March 2007 UK Government guidance was contained primarily in “Local Housing Needs Assessment: A Guide to Good Practice” (ODPM 2000) . It was with this that Council assessments of demand underlying SOA were expected to comply, taking into account regional, sub-regional and neighbourhood data and studies and a wide analysis of supply and demand that should normally (like the SCS) have already existed to underpin the Council’s Housing Strategy.
- 4.94 However, The SOA guidance also made clear that Tenants were to be involved in the study of demand for their housing:
- Tenants were to be involved from an early stage
 - Tenants were to have an opportunity to offer suggestions on the information to be used to assess demand
 - Summary information on the reasons for the study, the methodology to be employed and the stages involved in the process were to be provided to tenants.
- 4.95 In Jersey it is reported that there is potential oversupply, the guidance is worth quoting in full:
- “Involvement of tenants and provision of regular information on the progress of needs assessment work is particularly important where the supply of council housing in some parts of the authority may exceed demand. Existing tenants in these areas will obviously be concerned about the future of their home and neighbourhood - engagement of tenants must be sensitive to individuals’ and communities’ aspirations and fears to avoid paralysing the process and delaying the taking of important decisions.”*

- 4.96 Current UK Government guidance on needs assessment was published in March 2007, “Strategic Housing Market Assessments Practice Guidance” (DCLG) and brings together the 2000 Good Practice Guide and a number of complementary publications. Tables 3 & 4 list the minimum outputs and process requirements required in order for such an assessment to be regarded as robust and credible in the UK.

Table 3

Strategic Housing Market Assessment core outputs

1.	Estimates of current dwellings in terms of size, type, condition, tenure
2.	Analysis of past and current housing market trends, including balance between supply and demand in different housing sectors and price/affordability. Description of key drivers underpinning the housing market
3.	Estimate of total future number of households, broken down by age and type where possible
4.	Estimate of current number of households in housing need
5.	Estimate of future households that will require affordable housing
6.	Estimate of future households requiring market housing
7.	Estimate of the size of affordable housing required
8.	Estimate of household groups who have particular housing requirements eg families, older people, key workers, black and minority ethnic groups, disabled people, young people, etc.

Table 4

Strategic Housing Market Assessment process checklist

1.	Approach to identifying housing market area(s) is consistent with other approaches to identifying housing market areas within the region
2.	Housing market conditions are assessed within the context of the housing market area
3.	Involves key stakeholders, including house builders
4.	Contains a full technical explanation of the methods employed, with any limitations noted
5.	Assumptions, judgements and findings are fully justified and presented in an open and transparent manner
6.	Uses and reports upon effective quality control mechanisms
7.	Explains how the assessment findings have been monitored and updated (where appropriate) since it was originally undertaken

- 4.97 The new guidance also repeats the need “involve local communities and stakeholders from the earliest stages of plan preparation, which includes evidence base work like strategic housing market assessments”.

4.98

- 4.99 The guidance sets out in more detail the research questions that need to be addressed in order to arrive at an assessment of the market which will include

an assessment of the demand for social housing. These questions are summarised in Annex 3.

- 4.100 Consideration of these questions will confirm that a key purpose of such studies is to assess underlying and concealed demand in addition to apparent demand as might be evidenced by council waiting lists or stated aspirations. In this context assessments not only of household size, but of affordability and over and under occupation are key tools. Guidance for example identifies the need to compare lower quartile income distribution to lower quartile house prices (there is a case to be made here for consideration of mortgage costs and sensitivities in addition to house prices) but points out the need to correct for distortions introduced by small numbers of high incomes in the analysis.
- 4.101 As in the case of SCS data, SOA assessment does not demand that housing needs data comply entirely with the latest guidance, but assessors would be seeking evidence that a Council had:
- a) broadly complied with good practice in collecting the data,
 - b) that when collected it was robust and comprehensive, and
 - c) that where the data was ageing, that this had been taken into account in the SOA process and
 - d) that where necessary steps had been taken to update or revise if a new assessment was regarded as not yet being required.
- 4.102 **We do not believe that the information and analysis set out in the report is sufficiently robust to meet the UK comparison. We also understand that the assumptions on future demand stated in 'Planning for Homes' are under review, which further questions the robustness of the report.**

In conclusion we are pleased to report that the issues covered in the Property Plan reflect those expected to be covered in a UK stock option appraisal. However, to achieve sign off in a UK context, there would need to be:

- **More evidence of stakeholder (particularly resident participation)**
- **Evidence of the financial modelling of the various options considered**
- **Evidence of "internal" options explored to right size the HRA and plug any funding gap**
- **Further validation of stock condition information**
- **Further validation of housing demand information**
- **Evidence of more detailed consideration of local regeneration needs**
- **Clarity regarding the quality standard to be achieved (including resident aspirations)**

5. The housing subsidy regime

- 5.1. It is apparent that the “Housing Subsidy” system is the foundation upon which both the problems and solutions identified in the Social Housing plan are resting.
- 5.2. The issues arising from the provision of direct affordable housing by the State and the need to provide a level of support to the residents of not only directly provided social housing, but also households unable to afford a full market rent in the private rented sector are not unique to Jersey and will benefit from some comparison with the UK system.
- 5.3. As a pre-amble it is worth noting that the balance between the need for “bricks and mortar subsidy” to enable the direct provision of social housing, and the need for direct income support to residents to enable them to afford both the rents of such housing that has already to some degree benefited from subsidy, and of private sector housing, dates to the beginnings of social housing provision, and continues to this day. It is not in the scope of this paper to provide an academic treatise on the history of housing subsidy, or to explain in detail the UK housing subsidy system, which is at best, an abstruse subject. It should also be noted that in the UK context the term “housing subsidy” refers to financial support for affordable council housing by central government. Contributions towards individual tenant’s rents are currently known as Housing Benefit (HB). The HB system covers both public and private sector tenants.
- 5.4. However some key points can be identified which have a very significant impact on the terms of the debate regarding the future of Jersey’s social housing.
- 5.5. **The Social Housing Plan projects total rental and other income (post disposal, including interest) of £33.3m in 2016, of which a budgetary transfer of £25m is projected in respect of income support costs. The figures for 2006 are £34.3m and £25m. We understand that final figure has not been agreed, but is likely to be between £21m and £23m. In short, 73% of the income generated or potentially generated by the State’s social housing stock is currently earmarked to provide income support to the States poorest residents in respect of their housing costs, and this is projected to rise to 75% after the disposal of a number of properties on the open market in order to provide funding for repairs to the remaining stock.**

A proportion of this is effectively rent forgone from the State’s own stock, and the balance is a wealth transfer from residents of State housing to the less well off residents of private sector housing.
- 5.6. In the early years of this century, a campaign was run on the UK mainland against perceived transfer of council tenants rents within the national HRA to subsidise the HB system.
- 5.7. UK housing finance is complex, and in practice few people understand it. The Rt Hon Tony Crosland described it as “a dog’s breakfast” in the early 1970’s and since then it has undergone iterative revision and refinement to become a sophisticated tool by which central government can control a local authority’s housing expenditure.

- 5.8. Every local authority in the country is required to maintain a "Housing Revenue Account" (HRA) which is substantially "ring fenced" to prevent the council directly subsidising Council housing from local taxes beyond the level desired by central government, or from using housing rents to prop up other services. However, concisely, the HRA has benefited from a range of historic subsidies and charges administered by central government, and until recently this included the cost of paying of housing benefit to council tenants and a related subsidy from central government of almost 100%. Housing benefit payments to and subsidy in respect of private sector tenants was administered outside of the HRA.
- 5.9. The housing benefit subsidy was one of a number of notional and real calls on or credits to the local HRA and it was apparent to campaigners that in a number of cases rental income exceeded actual expenditure on management and maintenance costs, and that the actual subsidy paid into the account from central government was often less than the cost of housing benefit paid to council tenants.
- 5.10. This led to a campaign to end this system and the removal of council tenant HB and related subsidy from the HRA. This simplified and consequently introduced greater transparency into the housing subsidy system and it consequently became more apparent that many councils were in what is now referred to as "negative subsidy", whereby they make payments to the Treasury from the HRA rather than receive payments from it (previously these surpluses would have been set against HB subsidy from government). Apparent local subsidy of HB from rents was revealed more clearly as having been a function of what was a de facto "national housing revenue account" that redistributed housing rental income from "rich" authorities with strong HRAs to those requiring subsidy. The total of payments now made to the Treasury from "negative subsidy" Councils broadly balances those received from the Treasury by those in "positive subsidy" (the Minister has just however announced that the Treasury made a contribution of £200m in 2005/6).
- 5.11. Consequently, given the key tools of the HRA "ringfence" and the subsidy system (which also effectively determines the rents which Councils can set) it has been observed that the UK arguably has a system of "national" social housing, rather than "council" housing (Financing Council Housing – Audit Commission 2005). Despite the complexity of the system, which is barely touched upon here, it is an effective tool that enables the Treasury to turn on or off the tap of public support for council housing, and the geographic distribution of that support, by adjusting a variety of notional allowances and other income and expenditure assumptions. Crucially it enables money to be pumped into or out of the "national HRA".
- 5.12. Despite the popular perception that council housing benefits from ongoing support from general taxation, in practice the national HRA is now broadly in balance and has been for some years. Conversely, the current transparent system followed a campaign against the arguably inaccurate presumption and perceived inequity of council tenants who were now selected on strict needs based criteria contributing to the income of the very poorest among them.

- 5.13. The comparison with Jersey is striking in that the rent rebates and allowances of not only all public sector, but also private sector tenants appear to be funded directly from the rental income of State's Housing tenants.
- 5.14. A relevant point to make here is that although the transfer of council homes from a council in negative subsidy in England will cost the Treasury the income from the Council's HRA, the loss will hit the national HRA which will then require adjustment or additional subsidy from the Treasury, independent of the welfare benefits system. In Jersey, the loss of stock from the HRA is likely to directly increase the contribution that remaining tenants make via the HRA to the welfare benefits system.
- 5.15. Subsidy to homeownership: The contribution of States tenants to the welfare benefits system contrasts with subsidy from general tax revenues (to which States residents also contribute) that is made to home owners with a mortgage irrespective of circumstances via Mortgage Interest Tax Relief. In 1998 the estimated cost of MITRe was £16m ("Housing in Jersey" LECG 2000), and the (2000) cost of rent abatements and rebates was £13.1m and £5.7m respectively. There is also a continuing direct subsidy to home ownership from the general tax base via the States' loan scheme, the Dwelling Houses Loan Fund, although it is understood that this is now being run down. Evaluation of the benefits of Mortgage Tax relief led to its final abolition in the UK in 2000.
- 5.16. A continuing criticism of the UK housing finance model is that the ability of the Treasury to "tinker" with allowances within the system, and consequently adjust the resources available for councils on an annual basis, though attractive to the Treasury, makes long term planning very difficult particularly given the significant level of fixed costs within the average HRA.
- 5.17. The "housing subsidy" budget contribution from the States' HRA appears to be unadjusted between 2006 and that projected in 2016. If this is because a cap is to be applied (as we understand is intended) this will remove some uncertainty from the HRA planning process. The "housing subsidy" system is demand led, and consequently without an annual limit on rental subsidy expenditure (which would be unacceptable due to the hardship likely to be caused), the potential call on housing resources is potentially unlimited and hard to plan for.
- 5.18. The mechanism by which firm limits will be applied to the housing contribution to rental housing subsidy these costs in future is unclear. It is recommended that a clear and predictable basis for calculating any contribution made by Housing towards income support costs is agreed in order to improve the reliability of financial forecasts and the business planning process.
- 5.19. Irrespective of capping, the size of the call on the housing revenue account for "housing subsidy" contributions would also appear to leave little headroom in the financial models and be likely to result in a high level of overall sensitivity to other risks and uncertainties.
- 5.20. It is unclear from the report what sensitivity testing has been undertaken on the revenue account projections referred to, but it is noted that as outlined the plan requires year on year savings of £100k. It would be interesting to note the impact of increased voids, arrears, build cost inflation or a slump in property values, for example, upon these projections.

- 5.21. The UK housing finance system was recognised as a very important element in the overall balance of predicted investment needs and resources and was consequently an important component of local authority stock options appraisal exercises.
- 5.22. The leaflet sent to Jersey tenants regarding the 10 year property plan does not refer to the impact of the rental subsidy system on the resources available for maintenance and improvement works.
- 5.23. Not only does the existing Housing Subsidy system have a direct impact upon the investment options within the current housing account, but the use of States tenants rents to subsidise private sector tenants incomes, means that a key option available to UK public sector landlords is not available. UK Councils have the option of disposal of social stock to other social landlords who may be able to raise investment resources off the public sector balance sheet. Under the current system this is not an option for Jersey because the remaining States tenants would still have to fund the "housing subsidy" in respect of the ex-States social stock.
- 5.24. The property plan includes an explicit proposal to dispose of a significant number of properties to sitting tenants. The report indicates that the loss of rental income from these properties has been properly modelled in the evaluation of this proposal.
- 5.25. It is understood that should sitting tenants not wish or be able to purchase these properties at OMV, then they will be offered to other States tenants. It therefore appears likely that the most affluent States tenants will leave the social rented sector and become homeowners. These are likely to be the tenants who make the largest individual contributions to the HRA by virtue of not paying abated rents. It should be confirmed that this has also been taken into account in the financial modelling.
- 5.26. We have compared the extent of the current and projected call on the Jersey HRA with that for similar local authorities in England. We have considered the HRAs of 96 LAs with stock between 2000 and 6000 units for the year 2005/6, the last for which audited accounts are available. Of these all but four were in negative subsidy.
- 5.27. The highest amount of negative subsidy was being paid by a council with 5777 units at a rate of £1,506 per unit, with the highest amount of positive subsidy in a local authority with 3,853 units being £360 per unit. The median subsidy was negative £614 for an authority of 3,613 units, and the average was negative £635.
- 5.28. On the basis that the States of Jersey have 4,602 units within the HRA (Property Plan 1.11) and that the net negative subsidy is the Rent Subsidy contribution of £25,050k minus the current expenditure cash limit of £1,651k and additional requirement of £2,496k, the net unit subsidy being paid to the Treasury by States tenants is currently £4,531 per unit.
- 5.29. On the basis of the reduced property numbers outlined in appendix E in 2016 (3435), fixed real contribution to the rent subsidy system, and a slightly

increased additional requirement for GF support of £2,496k, the net unit subsidy being paid back to central government by States tenants is projected to rise to £6,480 under the proposals in the Property Plan (if it is assumed that the interest generated by sales reduces the rent contribution to subsidy rather than contributing to the repairs budget this is reduced to £5,013 per unit).

- 5.30. It might also be noted that the UK housing subsidy system historically has tended to favour councils with disproportionate numbers of flats and high rise stock, which are likely to be lightly represented among the 96 councils considered above. Jersey does have disproportionate numbers of such stock.
- 5.31. This high level of subsidy has a relevance to the setting of rents, which also appears high in relation to the UK, though we have not seen detailed rent data.
- 5.32. Demand issues are considered in detail elsewhere in this report. However it should be noted that States rent and subsidy system is likely to have a significant self limiting effect on the demand for social housing in comparison with the UK which may be at odds with the strategic objective of providing good quality accommodation for all.
- 5.33. In the absence of homelessness legislation similar to that in the UK, the only evidence of pressure on States rental stock is the waiting list. However the current system is likely to introduce a degree of self limitation to the waiting list. Not only does it appear likely that a limited number of groups (1, 2, and 3 in 1.13 of the Property Plan) have access to the waiting list, but given the high level of rents (in comparison with the UK), the States rental sector will possess limited advantages in comparison with the private rented sector.
- 5.34. Not only would “hidden households” such as couples without children, or with older children, or adults still living with parents not apparently be eligible for States rental housing, but eligible households may see little point in applying if rents approach private levels (particularly if there is a stigma attached to States rental housing).
- 5.35. **The State’s policy on “rental subsidy” is the “elephant in the room”. It is the key driver and constraint on all the options under consideration. Key questions regarding this policy are:**

1. Are the States prepared to consider the revision of this policy?

Options for revision include:

- **An incremental shift over time of all housing related welfare benefit funding (“housing subsidy”) from the HRA to the general fund as is mainland practice,**
- **The incremental removal from the HRA of private sector rent rebates only. The sums involved appear likely to be adequate to fund the necessary works to States stock (the 2003 budget indicated £7.4m for rent rebates, and the property plan a £2.5m maintenance gap in 2006 with a £45m 10 year capital gap assuming a £75m need and £30m allocation). Contributions could if felt appropriate be limited to a formulaic balance remaining after real or notional management, maintenance and major works expenditure was accounted for. This would have a certain logic in establishing the principle that the first**

function of the State's housing stock is to provide adequate housing to residents, and would to a limited degree mirror the formulaic but transparent nature of the UK housing finance system.

- **A thorough review of the cost and effectiveness of the "housing subsidy" system, including States rent levels, which could provide an evaluation against practice and levels of support elsewhere and may result in a revision in levels of support and structural changes to the fund.**

It is acknowledged that such changes would have significant implications for the Treasury.

- 2. If this policy is to continue in broadly its current form, should the proportionate contribution from social housing rents to income support be reduced?**
- 3. If the policy is to continue, should a predictable formula be constructed to generate the level of contribution from social housing rents (irrespective of demand) in order to aid in business planning?**
- 4. The exact amount of 'transfer' has yet to be agreed and this is a major constraint to the approval of the strategy.**
- 5. Do the States intend to publicly discuss this issue as part of the consultation on the Property Plan?**

6. Review of the proposed options

- 6.1. The options outlined in the report reflect the core options that UK housing authorities consider in similar circumstances. However, the position of the State of Jersey as both a “unitary authority” in UK terms, and also as the “national government” responsible for collecting and distributing public income and expenditure require a number of different perspectives on familiar problems.
- 6.2. The Property Plan proposes five options to address the headline problem of a lack of resources necessary to maintain the island’s stock.
1. Reduce expenditure
 2. Increase the budget
 3. Transfer some stock to trusts, either in good repair or in need of refurbishment
 4. Sale of selected properties on the open market
 5. Sales to social housing tenants

Reduce expenditure

- 6.3. The Property Plan indicates that the States already provide a lean housing management service and that reductions in management expenditure in order to release funds for investment is unlikely to be a realistic option.

It is not within the scope of this report to assess the value for money offered by the States housing management service. Though we agree with the reports assumption that in comparison to UK local authorities, performance and costs are better than average.

Increase the budget

- 6.4. As noted elsewhere, the possibility of increasing the budget or the level of Treasury support is closely intertwined with the issue of the rent subsidy system, and is equally an issue will be parked at this point in the analysis.

Nevertheless it might be noted that the level of housing revenue account support for “housing subsidy” to the poorest residents of States and private sector housing (£25m in 2006) is significantly larger than that received by the HRA (cash limit of £1.65m). Therefore this might arguably be more accurately described as the option of reduced housing support to welfare benefit budgets.

Transfer to Trusts

- 6.5. The transfer of tenanted social stock to Trusts or other social landlords, particularly the worst stock in need of major works, is a key option for UK councils. This approach has the advantage of retaining stock in the social housing sector to continue meeting housing need and divesting the landlord and the remaining stock of a disproportionate liability thus freeing resources for investment elsewhere, while enabling capital funds to be raised on the basis of

the rental stream (without a call on the public purse) to bring it up to current standards or beyond.

- 6.6. The states fostered the development of “housing associations” through the creation of housing trusts on the island approximately 15 years ago. There are a total of 4 trusts all are relatively small in terms of stock numbers. The largest is the Jersey Homes trust which has approximately 700 units in management.
- 6.7. The Trusts are funded by way of loan assistance with guaranteed borrowing with interest rates at 4% for brown field developments and 6% for Greenfield developments. The Trust receive a “letter of comfort” from the States which is provided to the lenders. Revenue subsidy is provided to tenants via the rent rebate scheme and rents are charged at the maximum “fair rent”. Funding is contained within the Housing Development fund.
- 6.8. The Housing Department has 80% nomination rights for all trust vacancies albeit that the Trust has a right to refuse a nomination if it believes the potential tenant is unsuitable. The States policy is not to nominate any tenant in rent arrears and it was reported that nominations for family accommodation had “almost dried up”. Approximately 50% of trust tenants are former tenants of the States housing department.
- 6.9. The Trust is accountable to the Housing department and finance ministry through various protocols and agreements. One such agreement requires the Trust to pay back “uncommitted” funds, (surplus monies after maintenance, both day to day and long term, management and finance costs) to the States. It is expected that the Trusts will have substantial uncommitted funds in the next 10 – 15 years. The Plan does not take into account the future of the Housing Development fund and whether this can be used as a potential funding source.
- 6.10. We are pleased to report from the evidence we have seen that the Jersey Homes Trust is well managed and that its key performance indicators (KPI's) show exceptional performance when compared to UK Housing Associations and the Housing Department. It should be noted however that the size and nature of the stock makes such comparisons difficult. That said rent arrears at 0.07% compares to an average of 5.7% with UK HA's with stock between 500-1000 units. Average rents are however considerably higher £167 per week compared to £63.46 in the UK.
- 6.11. Previous plans from the States housing department indicated that there would continue to be a transfer of stock from the States to Trusts. The trusts would then improve the homes. The Trust would borrow the money to fund the improvements as above. The current plan if approved rules out this option, as the report notes, the Jersey rent subsidy system renders this option of little value as long as the remaining HRA has to fund rent rebates for Trusts tenants.
- 6.12. We agree with this assessment however if changes to the subsidy system were an future option the transfer to trusts would be an attractive model.
- 6.13. It has been indicated that Trusts would continue to have a future developing new homes including sheltered housing units. The issue of future subsidy for these units will need to be addressed.

Sales on the open market

- 6.14. The Property Plan proposes the sale of 22 properties on the open market and indicates that such sales are estimated to have the potential to “yield about £10m”. The disposal of vacant properties for open market value can generate a very significant receipt and is a common tool used by both Councils and RSLs in the UK as a key component in their asset management strategies. However this approach is normally a carefully managed and limited option because the high level of potential receipts achieved have to be balanced against the loss in stock and reduced ability to meet housing demand. Furthermore, it is often the most attractive stock, most highly valued by residents, that is most likely to accumulate disproportionate repair bills (large elderly, possibly listed houses) and be considered for disposal.
- 6.15. It is our understanding that all the properties on the disposal list are tenanted and that the existing tenant will be given the first opportunity to purchase. It is unclear why they will need to purchase at full market value and not be offered to buy under the shared equity scheme referred to below.
- 6.16. We also understand that these tenants have been assured by the Housing Minister that they will not be forced to move out if they do not wish to buy and given that they are all tenanted it is possible that the sales programme will not be fully achieved.
- 6.17. **Overall any proposal to dispose of a limited number of high value properties on the open market in order to maximise receipts generated accords with good practice. The ability to achieve the sales in the existing tenanted population will, however, have to be closely monitored.**

Sale to existing tenants

- 6.18. The Property Plan proposes the sale of 235 flats and 543 houses to sitting tenants under the States Shared Equity scheme or at full value, and with first-time buyer conditions attached. It is noted that the disposal of 208 of these has already been approved. The policy of sales to existing social tenants now has a lengthy pedigree in the UK social sector and between 1980 and 2003 1.59m homes were sold under the RTB scheme introduced in the 1980 Housing Act. Government’s key purpose in introducing the policy was to extend home ownership and accordingly a key component was the availability of discounts to enable tenants who would not otherwise be able to afford to, to buy their homes.
- 6.19. Apart from any wider public policy benefits arising from increased home ownership it is now widely accepted that a range of tenures within historically mono-tenure social housing developments bring a number of advantages in terms of community cohesion, capacity building, economic regeneration and other benefits arising from reducing concentrations of disadvantage.
- 6.20. The RTB was also a significant direct state subsidy that enabled traditionally asset poor groups to acquire an asset that underpinned a substantial extension to their life choices. As previously noted the capital receipts generated from these disposals have been used at various times to reduce outstanding housing

debt (thus reducing Treasury subsidy), or to increase investment in repairs and maintenance.

- 6.21. Conversely it is also recognised that the loss of the so many social dwellings, often the best stock, initially houses, later flats on the more desirable or better located estates has contributed to the stigmatisation and residualisation of remaining social housing. For these and other reasons in recent years the discounts on RTB sales have gradually been reduced in areas of high social housing demand and disposals have dropped to a fraction of peak levels. Nevertheless the continuing attrition of even low levels of RTB sales is expected to negatively affect the continuing viability of smaller transfer RSLs and ALMOs.
- 6.22. The further development of mixed communities on previously mono-tenure council housing estates now often relies upon regeneration schemes that involve a degree of demolition and disposal of sites for redevelopment or other densification initiatives.
- 6.23. In this context the proposal to dispose of stock to existing tenants has a solid foundation in UK experience. However as noted above, the proposal could be better evaluated if there was clarity over the policy objective driving the proposal – home ownership or capital receipt generation. There may be distinct and separate ways of generating the necessary levels of receipt, and of offering existing tenants affordable home ownership without such a high level of sales, but the Property Plan does not suggest that such alternatives have been fully evaluated.
- 6.24. The proposal is unusual that it also appears to be intended to refurbish properties prior to disposal. Refurbishment to a social housing standard is unlikely to be ideal to maximise value for disposal, and social housing landlords wouldn't normally have experience of developing specifically for the market. If the policy objective of the disposals is to balance the generation of receipts with the extension of homeownership to existing tenants or those otherwise unable to afford, it may make more sense to allow purchasing tenants to refurbish the properties to a more expansive timescale. This will enable tenants to benefit from their own "sweat equity" and ensure that works meet their own requirements, rather than being required to take on additional borrowing at purchase to fund works over which they will have at best limited control.
- 6.25. The department has suggested the reason for the refurbishment is to ensure that the homes for sale are in as good a condition as the remaining tenanted stock and this certainly has considerable merits. However, internal works, kitchens, bathrooms and decoration may be best left to the purchaser.
- 6.26. We understand that the properties are to be valued as "first time buyer homes". The department has indicated that values will be determined by "local estate agents" rather than RICS valuer. (a valuation by an RICS valuer would be required by lenders) The plan illustrates the scheme using an assumed first time buyer full value of £280,000. It is expected that the purchaser opts for a discount of up to 25% meaning they will need to raise a mortgage of £210,000. The discount would be repaid to the States on the sale of the property or earlier if required. It is unclear if the receipts from these future sale proceeds have been included in the plan.

- 6.27. Average values for properties on the island are continuing to rise. It is reported that a 2 bedroom terraced property in Gorey village was recently sold for £320,000 and that average prices on the island have risen to over £400,000 for the first time.
- 6.28. The issue of valuation and affordability is a key consideration for the viability of the plan. The departments assumptions do not appear to be particularly robust and we have not seen real evidence of prospective future valuations. The issue not only impacts on the level of income received but more crucially the affordability and therefore the if the plan can be achieved.
- 6.29. The department argues that “demand” for the Shared equity homes will come from the approximately 22% of states tenants who do not receive rent subsidy. They suggest that the incomes of these families or individuals will be sufficient to afford a mortgage. The department also indicate that they have over 200 persons who have expressed interest already. The plan also indicates that demand will come from housing Trust tenants as well.
- 6.30. It is unclear if any analysis has been done as to the age profile of these potential purchasers. Whilst age is on longer a barrier to obtaining a mortgage, the cost of borrowing increases as the length of the repayment period decreases. If the profile of tenants in the 22% is older say persons over 50 the cost of mortgage finance would increase.
- 6.31. The issue of affordability is a very crucial issue. Peter Seymour in his evidence to the scrutiny panel indicated that “if they (property prices) go above £250,000 to £3000,000 that they will be priced out of the market of the majority of people who are occupying States rental accommodation.
- 6.32. The plan allows flexibility on behalf of the purchaser to determine the amount of “discount” up to a maximum of 25%.
- 6.33. It should also be noted that once a person takes up a mortgage they will be entitled to mortgage interest tax relief, the cost of this housing subsidy will have to be paid for by the States. If the new home owner was a tenant not in receipt of rent rebate the overall “subsidy cost” to the States will have increased.

Provision of sheltered housing

- 6.34. The property plan at paragraph 1.10 states that ‘Planning for Homes 2006’ indicates that an estimated 350 sheltered housing units are needed within the next 5 years. It is reported that this figure may infact have already risen to over 400. the plan indicates that the “Department will be working in collaboration with Planning as part of future revisions to ‘Planning for Homes’ in order to ensure provision of last-time buyer homes.”
- 6.35. During our review it was reported that some of these additional units would be for rent as well as sale and it is also unclear as to who would provide them. The Housing department indicated that they would provide some, the minister indicated that Trusts would be encouraged to provide some and parishes have

also played a key role in provision. The issue of who and how these units are provided needs to be fully agreed.

Fundamental review of social housing

- 6.36. The plan indicates at paragraph 1.13 that the housing department is to commission a major report during the second half of 2007 that will focus but not exclusively on
- The purpose of social housing
 - Affordability
 - Allocations Criteria
 - The nature and extent of any currently unmet social housing need
 - How it should be regulated and by whom
 - The long term future of housing trusts and States rental accommodation
 - Links to other corporate policy areas, such as the eradication of poverty and the assurance of housing supply to meet the needs of key workers or returnees
 - Medium and long-term costs and options
 - Potential for greater inter-agency co-operation and/or organisational change.
- 6.37. In particular the proposals contain the paradox that a reduction in stock numbers reduces the revenue base upon which the “housing subsidy” system is currently founded.
- 6.38. We would emphasise that resolving these questions will require clarification of the balance between States policy priorities driving the disposal of these properties (eg: maximisation of receipt, conservation, sustainable home ownership, opportunities for existing States residents)
- 6.39. It is vital that the review is robust and we suggest that an Island-wide housing needs analysis is completed – based on the economic strategy for Jersey – as part of the ‘future review of social housing’ work. We also recommend that an Independent Advisory Panel be established to oversee the future of social housing review based on terms of reference that, in addition to the issues identified in the Plan, including:
- the possible reform of the States’ rent subsidy system;
 - the possible introduction of rent controls;
 - the possible introduction of a Jersey Decent Homes Standard;
 - the possible use of investment options based on private borrowing; and
 - the need for a balanced housing market to underpin the socio-economic success of the Island

7. Home ownership options

- 7.1. As we have noted above it would be helpful to separate the overall policy objective of increasing the level of home ownership in Jersey, from the immediate need to balance the HRA. It is noted that the States Strategic Plan places a duty on the Housing Department to introduce a shared equity scheme.
- 7.2. The home ownership proposals outlined in the Property Plan focus on the potential to dispose of stock to existing tenants, thus addressing the HRA deficit and contributing to wider home ownership targets. The plan considers
- Shared ownership
 - Homebuy
 - Grants to vacate
 - Sales at a discount
 - Right to Buy
 - Shared equity
- 7.3. There is a degree of overlap between these options which in the UK have at various times and in different circumstances been targeted on both existing social tenants and other potential beneficiaries of Low Cost Home Ownership (LCHO) initiatives, and include both statutory and rights based programmes, and local discretionary schemes.
- 7.4. The UK National Audit office have noted that in 2004/5 “Low cost home ownership products are typically helping households with incomes from £20,000 to £38,000 for non-key workers and £24,000 to £40,500 for key workers” (A foot on the ladder: LCHO assistance - NAO 2006). The Panel will note that the top end of this range of incomes accords roughly with the thresholds for access to social housing in Jersey which suggests that the wealthier States tenants are likely to be an appropriate target group for sustainable LCHO initiatives.
- 7.5. Nevertheless the Jersey Household Expenditure Survey 1998-9 found that 22% of households to be in poverty based on UN definition (<50% median income = £13k at that date (LECG 2000 p23). It would appear reasonable given the income thresholds for access, to assume that large numbers of these households are States tenants and accordingly LCHO options, particularly those that are not founded on a substantial discount will also be inappropriate for many.
- 7.6. There is no question that a multiplicity of sometimes confusing LCHO initiatives have proliferated in the UK over recent years, and in addition to those listed above and other local schemes developed by individual RSLs and local authorities, national policies include the First Time Buyers Initiative, the Right to Acquire and the Preserved Right to Buy. Recently the UK Government has attempted a degree of simplification by the consolidation of various programmes into two arms – roughly the Right to Buy and Right to Acquire for existing LA and RSL tenants, and Homebuy for new purchasers. Homebuy is now divided into New Build Homebuy, Social Homebuy and Open Market Homebuy in which there is some overlap between older shared ownership approaches and shared equity.

- 7.7. It should be noted that shared ownership is similar to shared equity in that the resident and provider share the equity of the property, but in the former case the purchaser pays a rent on the residual equity share, whereas in the latter case the provider relies on a rising market to recover a deferred capital receipt or maintain affordability at subsequent sales, and accordingly the product is more attractive to purchasers.
- 7.8. Nevertheless, the identification of broad options that could apply to the extension of home ownership opportunities to existing social tenants, reflects the essence of the various options and is entirely valid in the context of the Property Plan, though there is little clear distinction between “Homebuy” and “shared equity” as described.
- 7.9. A full evaluation of LCHO delivery options could consider
- the value for money and cost to central government (in this case the States of Jersey)
 - the vfm and cost to the provider (in this case the Housing Department),
 - the affordability to the applicant
 - the numbers of each particular applicant group that might benefit from the scheme from a fixed budgetary input
 - the capacity of the scheme to free up social housing
 - capacity to retain or attract key workers.
 - the amount of private finance levered in by the scheme
 - the ability of the proposal to maintain affordability of the unit in future transactions.
- In this case it might also consider the receipts generated by the scheme.
- We note that these criteria might not all be appropriate in a Jersey context.
- 7.10. It is normally to be expected that the reach of a scheme (the number of potential beneficiaries and minimum income band) is broadly in direct relation to the level of subsidy by the Government or provider.
- 7.11. As has been noted in the case of the Property Plan the options do not appear to have been fully evaluated in the context of efficacy in delivering LCHO, but more narrowly in terms of potential benefit to the HRA and a broad assessment of potential attractiveness to applicants and the housing department.
- 7.12. If the Scrutiny Panel wished to broaden the consideration of LCHO options to include the wider context of States policy in this area, the criteria outlined above (7.9) would provide a foundation.
- 7.13. In the remainder of this section we will review the narrower consideration that has been given to the options in the Property Plan.
- 7.14. It should be initially noted that although the UK has at times suffered from a multiplicity of LCHO products, this has had the advantage of meeting a range of different individual needs and circumstances on the part of both applicants and social housing providers. The States may wish to consider implementing a number of the options proposed as opposed to only one and note that the discretion implicit in the introduction of a new scheme means that any proposal could be targeted on a selected group of properties.

- 7.15. Shared ownership has been concisely summarised in the report. It is one of the most well established of the LCHO options in the UK, continues as a component of the "Homebuy" matrix and is familiar to UK lenders. However, the observation that it is generally of limited attractiveness to purchasers in comparison with shared equity models during an era of generally low interest rates is accurate. It may however be worth keeping this option under review.
- 7.16. Homebuy. As has been noted above, the "old" Homebuy model described is effectively a Shared Equity variant and can be considered along with that approach. However, it should be noted that the Homebuy model described in the Property Plan was (like shared ownership) a product targeted at new purchasers rather than existing social tenants who could benefit from the RTB or RTA.
- 7.17. Grants to Vacate are described as having been limited to a small number of local authorities. However it might be also noted that the RSL tenants Right to Acquire is effectively also a grant to vacate, and though never as popular as the Right to Buy (arguably because of the limited level of the grant in the UK), has been a fixture in the LCHO marketplace for some years. If this was to be targeted as another option for residents of properties of which the States wished to dispose, any grant could be set against the receipt to be generated and the system regarded as a "transferable discount". Alternatively if as is also proposed an interest free loan was offered this would appear to become a variant on the shared equity model, similar to Open Market Homebuy as offered in the UK (interest free loans or shared equity to reduce borrowers commitments enabling the balance of the purchase price to be met by a conventional mortgage).
- 7.18. It is unclear why as suggested this would only be targeted on the poorest tenants. LCHO should be sustainable and targeting first the least wealthy tenants would not appear to meet this objective, although some form of means test could ensure targeting on need.
- 7.19. Sales at a discount are effectively a discretionary RTB approach as used by a number of UK councils prior to and occasionally since the 1980 Housing Act. This approach would presumably enable the States to apply the discount to only those properties that it would wish to sell, and to set the discount at a chosen level.
- 7.20. The narrative in the report appears to presume a fixed and uniform discount level of 10% to the disadvantage of the States where resident who do not need it benefit, and to that of those that need more, who do not benefit.
- 7.21. We are unclear why if this scheme was to be selected a variable discount could not be introduced to reflect the nature of the stock or the circumstances of the purchaser. For example the UK RTB discount was based upon length of tenancy and property type, and presumably the States could if they chose base the discount on the financial circumstances of the applicant and or property type and location in order to achieve any of a number of possible policy objectives. Further consideration might be given to the use of discretionary discounts in the context of the current Property Plan.

- 7.22. Right to Buy. A UK style RTB is rejected for a number of reasons including the danger of residualisation, lack of focus on need and loss of strategic control. To these one might also add that the generous discounts that applied to the UK RTB would detract from the objective of plugging the HRA deficit. The small size of the Jersey housing stock is also an argument against introducing a system based on a Right to Buy, as this would be likely to magnify the negative impacts on the local housing economy and the ability of the States to address housing need. .
- 7.23. In the absence of the policy priorities and circumstances of the UK Government in 1980, the rejection of the RTB model is understandable and probably wise.
- 7.24. Shared Equity. The intention to pursue a shared equity approach to disposals reflects developing UK experience where the gradual reduction in RTB discounts has paralleled a growth in the use of shared equity products, initially as an option for leaseholders in regeneration projects, more recently as the national Open Market Homebuy scheme.
- 7.25. As outlined above Shared equity has distinct advantages for the purchaser over shared ownership, and self evidently for the provider over unfunded discount based models due to the retention of an equity stake. The retention of an equity interest by the State will not only provide for a continuing interest in the property that has the potential to be realised at later sale, and enable some ongoing control regarding the use of the property, but, for better or worse limits the large windfall profits following substantial discount accruing to beneficiaries, that characterised the RTB on the mainland. Of course the inverse benefits and dis-benefits for each party also apply in each case.
- 7.26. States retention of an equity share will also enable this to be held at further sale should the States wish, ensuring unlike a discount at point of first sale, that the property remains affordable to future purchasers.
- 7.27. The Panel may find it useful to note that UK Social Homebuy shared equity product which is available to tenants who do not wish or who are ineligible for the RTB or RTA is more similar to a traditional shared ownership model, with an element of discount. Tenants must buy at least 25 per cent of the value of the property and pay a rental charge of not more than three per cent of the market value of the remaining equity owned by the landlord. This is often charged monthly. The amount of discount received will be in proportion to the share of the property purchased.
- 7.28. **Given the assumption and options outlined in the Property Plan, the proposal to pursue a simple shared equity approach is reasonable. However, benefits both in terms of the delivery of home ownership options to existing tenants, and the attractiveness of the proposals to affected residents may be enhanced by the introduction of a mixed bag of LCHO options for tenants affected and this might also include grants to vacate and a structured discount scheme. Clearly the design of such a portfolio of options would require further work.**

8. Variations and additional HRA options

- 8.1. This section considers some variations on the options considered in the Property Plan, and possible alternatives arising from the experience of UK social housing landlords. Examples of alternative approaches to the delivery of affordable home ownership are mentioned in section 6 above.
- 8.2. **Increasing rents** – The report refers to a policy commitment to keep States rents at least 10% below market levels. This differential is substantially less than is normally the case on the mainland, although other research (LECG 2000) indicates that the differential may be greater than this. If the differential is 10% it would appear to offer little scope for significant increase if the stock is to retain any price advantage for residents over the market sector. A key advantage of direct provision of social housing by a dedicated public sector or voluntary organisation is that as the stock matures and historic debt declines, it can offer housing at below market rents without a call on the public purse resulting from reliance on income support.
- 8.3. Jersey appears to have utilised this underlying strength of the HRA to develop a highly distinctive rent and subsidy system.
- 8.4. **Options to increase rent appear limited and as mentioned above in the section on subsidy, there is a prima facie case to be made for a review of the entire rent and subsidy system.**

Options to increase income are referred to below (Housing revenue account efficiencies).

- 8.5. **Procurement, works costs and DLO efficiency:** LECG notes that build costs in Jersey were “substantially higher than in the UK”. This accords with island experience elsewhere and is likely to be replicated in the maintenance sector. The island environment does impose additional costs upon major building projects, but as noted, a limited sector size also results in some constraint on competition.
- 8.6. Given the substantial programme of investment in repairs and new building the potential to introduce long term partnering with and competition from large UK construction firms should be evaluated and it is noted that the AMP (HD18) identifies this opportunity.
- 8.7. **Housing revenue account efficiencies:** it is noted that the Department is “recording value for money measures that would place it among the very top performing social landlords in the UK”. The Scrutiny Panel may wish to investigate these matters further if it has not already done so. In addition to maintenance and staffing costs, factors considered by mainland councils in similar circumstances include:
- Improve income collection – voids and bad debts? The report does not specifically mention income collection performance in comparison with other similar landlords.
 - Recharge repairs: Certain works to rented properties are properly the responsibility of the landlord; others should be carried out by the tenant. It has often been found that a “culture of generosity” can develop whereby

the landlord funds a wider range of day to day repair or even improvement work than is necessary. Reviews of housing management practice may identify such a problem.

- Leasehold service charges and major works contributions. Where a landlord has disposed of properties on leases, particularly where there is no history of leasehold service management, it has been found that service charge income and recharges for major works sometimes suffer from low collection rates.
- Reduce central recharges: In some Councils, particularly where the HRA is perceived to be a strong revenue generator and the general fund is severely constrained, it has been found that recharges to the HRA for central services do not fairly reflect the cost of services provided. A review of such recharges can provide significant savings to an HRA.
- Commercial properties: HRAs often include a significant commercial property portfolio in respect of shops, pubs and other facilities provided as part of a housing development. Though the active commercial management of these properties has to be balanced with the service needs of disadvantaged communities, these portfolios can provide significant opportunities for active asset management strategies to support the HRA.
- Decentralised services and Neighbourhood offices: It is presumed that the States run an efficiency focussed, centralised housing management service. Nevertheless a review of the efficiency and distribution of front line services, and more recently the use of call centre and one stop approaches to the delivery of services has resulted in savings for UK councils.

- 8.8. We have considered the repairing obligations as set out in the tenants Handbook, and although these are possibly slightly less generous than is common in the UK (for example the obligation to take out insurance to cover fire damage to decorations), differences do not seem so great as to be likely to have a significant impact on repairs budgets.
- 8.9. The annual investment per general needs unit recorded for Housing Associations of between 2000 and 6000 units in the SW region of the UK varies from £998 to £3166. However it should be noted that:
- these figures are likely to include RSLs with very different stock profiles (far fewer high rise dwellings) than Jersey, and
 - they are likely to include a number of transfer RSLs achieving high level of catch up spend following transfer.
- 8.10. The figures include the cost of all repairs (routine, planned and major works categories) from an RSL's income and expenditure account plus the cost of capitalised major repairs and improvements for general needs stock.
- 8.11. The total investment indicated in the Property Plan 2006 base budget of £4541k would achieve a unit investment of £987, and the adjusted budget of £7,037k, a unit figure of £1,529. The projected 2016 budget would result in £1,693 per unit which would be close to the current national median quartile for RSLs.

UK DHS delivery options.

- 8.12. Solutions developed on the mainland generally involve local partnerships between the public and private or voluntary sector to carry out works to social housing which minimise the need for additional public expenditure to fund these works.
- 8.13. Thus the stock transfer programme developed from initially limited, generally local initiatives whereby a small number of district councils were able to realise the tenanted value of their (generally good quality) social rented stock and free it from the constraints of the "national HRA", into a centrally sponsored programme to enable RSLs to undertake private sector borrowing to refurbish stock in poor repair, in place of a need for Councils to take on more public debt.
- 8.14. The Private Finance Initiative for HRA refurbishment is similarly a tool to enable the private sector to enter into a long term contract with a Council to refurbish LA stock, without the debt accruing to the public sector, although central government provides additional subsidy to cover the revenue costs of the long term contract.
- 8.15. We understand that there has been some discussion regarding the establishment of an Arms Length Management Organisation (ALMO) as has occurred in the UK. This would not address Jersey's problem because: it would not address the issue of housing rental subsidy to the welfare benefits system.
- 8.16. HMOs in the UK are still currently locked into the national HRA. ALMOs have effectively been a means by which the UK Government seeks to increase the performance of UK council housing departments in exchange for additional resources.
- 8.17. For the sake of clarity it should also be noted that ALMOs do not involve the transfer of ownership of the stock.
- 8.18. It is self evident that none of these models is relevant to the situation in Jersey where the HRA would appear to be in a very strong position if it was not required to contribute almost 75% of income to the welfare benefit system. This system militates against transfer of the stock to the private or voluntary sector, while having first call on the income stream that would normally be utilised to maintain it.
- 8.19. In summary, given the constraint imposed by the current system, and acceptance of the probable assumptions made in the financial modelling underpinning the proposal, the Property Plan appears to be a rational response to a very difficult position.
- 8.20. However the proposed reduction in numbers of social housing units and in particular, family sized accommodation appear counter intuitive in a region of high value and by extension, generally high demand. It is therefore necessary to establish whether the proposal is advanced because it is the only viable proposal for the maintenance of the stock currently in States ownership.

- 8.21. As outlined above this requires robust validation of the assumptions behind the proposal, both in respect of stock condition, investment need etc, and also future housing demand which we consider elsewhere in this report.

9. References

Tower Block, Modern Public Housing in England, Scotland, Wales and Northern Ireland
– Miles Glendinning and Stefan Muthesius, Yale University press 1994

Financing Council Housing – Audit Commission 2005

A foot on the ladder: LCHO assistance – National Audit Office 2005

Annex 1

UK housing option appraisal assessment criteria

Criteria	Evidence checklist
<p>1. Tenant and leaseholder involvement:</p> <p>From the outset of the option appraisal process and consultation with all tenants throughout.</p>	<ul style="list-style-type: none"> (a) Tenant empowerment strategy agreed with tenant representatives and CHTF (b) TP structure and level of representation at beginning and end of process (including BME groups and disadvantaged and other hard to reach groups) (c) Input from tenants and authority's response (d) Training and development – identifying gaps and provision (e) Analysis of the quality of the tenant involvement criteria against Compact criteria e.g. Timeliness, accessibility, clarity etc. (f) Arrangements for leaseholder consultation
<p>2. Consultation</p> <p>A communication strategy covering all stakeholders should be agreed with CHTF at the beginning of the process.</p>	<ul style="list-style-type: none"> (a) Communications strategy covering quality and use of different methods of information giving needs to be agreed with stakeholders and CHTF (b) Level of member/staff engagement and involvement (c) Method for briefing all staff throughout the process and assessing the level of understanding (d) Approach to identification of other stakeholders (e) Level of understanding amongst stakeholders of financial situation (especially where consultants used)
<p>3. Financial Appraisal</p> <p>Clear information about the financial impact of each option is essential HRA and impact on the general fund. Where this is outsourced to consultants tenants, staff and councillors should be aware of the implications and assumptions behind these. The ITA will have a role in helping tenants understand and contribute to this process.</p>	<ul style="list-style-type: none"> (a) Sensitivity analysis of assumptions and risks identified for all options or mix of options (b) Consistency between the investment appraisal and latest business plan. (c) Analysis and consideration of the application of usable receipts and management cost base including recharges to the HRA. (d) The reasonableness of the financial assumptions including impact of planned possible changes

<p>4. Stock Condition Survey</p> <p>An authority must have robust, accurate and up to date data on which to base their appraisal. All stakeholders must be aware of this information and it should be externally verified. The level of backlog of repairs, major repairs and improvements to meet decent homes must be clear. The investment gap should be identified.</p>	<ul style="list-style-type: none"> (a) A recent stock condition survey commissioned on the basis of good practice contained within the guidance <i>Collecting, Managing and Using Stock Information</i>. (b) A lead member of staff to work with external consultants to ensure quality and usefulness of outputs. (c) A robust in house system and database for properly updated information (d) A clear picture of decency amongst the stock including newly arising need (e) Testing of costings/assumptions against current tender prices and build cost inflation. (f) Comparison of stock investment programme from the survey against total resources.
<p>5. Analysis of Demand</p>	<ul style="list-style-type: none"> (a) Future needs for affordable housing in the area (b) Identification of low demand is it generic or localised? What are the key factors and possible solutions (c) Identification of gaps in affordable housing provision and what are the best options for dealing with them
<p>6. Mixed Solutions</p> <p>Authorities should as part of the process look at mixed model solutions and partial options but only as part of an overarching strategy for the whole stock.</p> <p>[NB will not apply to all LAs]</p>	<ul style="list-style-type: none"> (a) Analysis of the impact of partial options within the context of an overarching strategy (b) A method for dis-aggregation of information to assess needs at a local level and right fit with options. (c) Levels of service area based solution could provide (d) Quality of the depth of consultation and involvement of tenants and other stakeholders in an area
<p>7. Tenant Management and tenant led solutions</p>	<ul style="list-style-type: none"> (a) Engagement with existing and potential tenant management organisations (b) Promotion and awareness of use of Section 16 funding to explore options for local tenant led options (c) Information on stock condition and the housing market made available to local level organisations

<p>8. Wider strategy for neighbourhood renewal</p> <p>An authority's option appraisal should show clear links to initiatives such as low demand pathfinders, Local Strategic Partnerships, Health Improvement Plan and New Deal for Communities.</p>	<ul style="list-style-type: none"> (a) Links with other initiatives and funding on neighbourhood level (b) Awareness amongst key partners of option appraisal process (c) Details of wider consultation and methods, feedback (d) Assessment of potential contribution of each option to local regeneration
<p>9. Objective robust evaluation of options</p> <p>VFM, sustainable DH, improving services, tenants priorities, deliverability, local priorities, regional, national</p>	<ul style="list-style-type: none"> (a) Establishment of clear, defined objectives with a balance of local and national priorities. (b) Early involvement of stakeholders. (c) Housing service priorities and f current performance. (d) Objective evaluation of costs and benefits of each option, including choice of landlord within the stock transfer option, against agreed criteria.
<p>10. Decision making process</p> <p>Tenants should be at the heart of the decision making process. Support should be demonstrated for the chosen option by tenants and councillors.</p>	<ul style="list-style-type: none"> (a) Feedback from tenant representatives and other tenants involved in the process. (b) Clear audit trails of tenant influence and involvement in decision making (c) Political commitment to the outcome
<p>11. Change management process</p> <p>Focusing on staff, unions, resourcing, leadership, capacity and skills.</p>	<ul style="list-style-type: none"> (a) Clear change management plan in place (b) Work with CHTF and others to gather and implement best practice.
<p>12. Management of the process</p>	<ul style="list-style-type: none"> (a) Establishment of a project team and working group with representatives from stakeholders. (b) Level of resources made available, early assessment of capacity and skills to deliver. (c) Timetable agreed with CHTF and GOR. (d) Member involvement and engagement in the process.

Annex 2

Documents reviewed

Social Housing Property Plan 2007-2016

Tenants Handbook

Ten Year Property Plan 2007-2016 (leaflet for tenants)

States Strategic Plan Extract (2006)

Boleat Report Extract 1990

Public and Private Sector Housing Rental Subsidy Schemes – report of States Greffe 3-6-2003

Report on 2004 Housing needs Survey – Executive Summary

Housing in Jersey – LECG 4-10-2000

Asset Management Policy HD18

Sheltered Rental Waiting List Information (March 2007)

Sheltered Rental Transfer List Information (March 2007)

Scrutiny Panel Questionnaire & Survey May 2007

Attac - submission to Sheltered Housing Scrutiny Panel 20 April 2007

Eleventh Annual Report of Jersey Homes Trust 1 January 2007

States of Jersey Housing Business Plan 2007

States of Jersey Rezoning of Land for Category A & Lifelong Dwellings for over 55's
May 2007

Transcription of evidence to Scrutiny Panel 3 May 2007 and 4 May 2007

Treasury & Resource Dept letter to Panel dated 18 May 2007

Jersey and Social Survey 2006

Jersey House Price Index Fourth Quarter of 2006 Report

States of Jersey Results of ISAS Barometer July 2004

States of Jersey Income Distribution Survey 2002

Report on Jersey Household Expenditure Survey 2004/05

Jersey Resident Population 2005

Planning for Homes 2006

Jersey Housing requirement 2005-2009

Report on the 2004 Housing Needs Survey Executive Summary

Annex 3

Strategic housing market assessment - research questions

Concept (Chapter in Guidance)	Stage	Research Question
The current housing market	1. The demographic and economic context	<ul style="list-style-type: none"> • What is the current demographic profile of the area? • What is the current economic profile? • How have these profiles changed over the last 10 years?
	2. The housing stock	<ul style="list-style-type: none"> • What is the current housing stock profile? • How has the stock changed over the last ten years?
	3. The active market	<ul style="list-style-type: none"> • What do the active market indicators tell us about current demand, particularly house prices / affordability? • How has demand changed?
	4. Bringing the evidence together	<ul style="list-style-type: none"> • How are market characteristics related to each other geographically? • What do the trends in market characteristics tell us about the key drivers in the market area? • What are the implications in terms of the balance between supply and demand and access to housing? • What are the key issues for future policy/ strategy?
Future housing market	1. Indicators of future demand	<ul style="list-style-type: none"> • How might the total number of households change in the future? How are household types changing, eg is there an aging population? • How might economic factors influence total future demand? • Is affordability likely to worsen or improve?
	2. Bringing the evidence together	<ul style="list-style-type: none"> • What are the key issues for future policy/strategy
Housing need	1. Current housing need	<ul style="list-style-type: none"> • What is the total number of households in housing need currently (gross estimate)?

	2. Future need	<ul style="list-style-type: none"> • How many newly arising households are likely to be in housing need (gross annual estimate)?
	3. Affordable housing supply	<ul style="list-style-type: none"> • What is the level of existing affordable housing stock? • What is the likely level of future annual supply?
	4. Housing requirements of households in need	<ul style="list-style-type: none"> • What is the current requirement for affordable housing from households in need? • What are the requirements for different sized properties? • How is the private rented sector used to accommodate need?
	5. Bringing the evidence together	<ul style="list-style-type: none"> • What is the total number of households in need (net annual estimate)? • What are the key issues for future policy/strategy? • How do the key messages fit with the findings from Chapters 3 and 4?
Housing requirements specific household groups	Families, Older People, Minority and hard to reach households and households with specific needs	<ul style="list-style-type: none"> • What are the housing requirements of specific groups of local interest/importance?
	Low Cost Market Housing	<ul style="list-style-type: none"> • What is the scope for addressing demand through the provision of low cost market housing?
	Intermediate Affordable Housing	<ul style="list-style-type: none"> • What is the scope for addressing need through the provision of intermediate affordable housing?

Annex 4

Review of HRA financial plans/models - basic checklist

General

1. Do year 1 figures match actual HRA budgets?
2. Does the model reflect actual subsidy payments and requirements (not “rent subsidy” but transfers to and from central government/Treasury – in the UK there would be a number of specific checks against various elements of the complex subsidy system)? This should include the impact of capital allocations.
3. Inflation – RPI would normally be fixed across the model, sensitivity is to differential inflation in particular components. Build Cost Inflation in the UK tends to have a cycle distinct from the RPI and though Government evidence suggests that in the long term BCI matches RPI, prudent short term planning should be based upon an industry index such as the RICS Building Cost Index, or locally appropriate dataset. Similar detailed consideration should be given to management and maintenance costs and the various separate income streams.

Repairs and Maintenance

4. Do the figures reflect the likely costs of undertaking planned maintenance, catch up and improvement works identified by the SCS?
5. Do costs (in particular day to day costs) reflect recent real life experience and do they reflect the future impact of planned works costs, of further deterioration and necessary temporary and interim works?
6. Are variable costs realistic?

Major investment

7. Are works costs derived from a robust and reliable SCS compliant with good practice and updated as appropriate?
8. Does the work include all to agreed minimum local standard (likely to be DHS+) and have all likely enhancements to basic like for like repairs been accurately priced (eg secure FEDs, single glazing replaced with double)?

Management

9. Are variable costs realistic?
10. Has there been senior management or corporate buy in to proposed savings generating restructuring, adjustments (eg to corporate recharges)?

Income

11. Do rents and service charges reflect agreed national policy and accommodate the implications of any housing benefit (“rent subsidy”) caps or requirements?
12. Are projected levels of voids and bad debts realistic?
13. Do projections reflect realistic assumptions regarding future changes in stock numbers (in the context of Jersey this would also appear to require consideration of socio-economic mix of tenants)?
14. Are any projected increases in rent levels (or other charges) sustainable and if relevant do they reflect planned improvements in the quality of the stock?
15. Does projected income from sales reflect values recently achieved (sensitivity modelling is very important with these figures – for this reason Right to Buy

estimates have generally been excluded from Stock Transfer valuations in the UK and normally dealt with under RTB sharing agreements)

Sensitivities

16. It is essential that key sensitivities are identified and modelled, and these would normally include the following,:
- Rent levels within acceptable policy parameters
 - Variable management and maintenance costs
 - Voids and bad debts
 - Sales income determined by numbers and valuations
 - Build cost inflation
 - Likely variations in subsidy and capital allocations
 - Potential impact of phasing of works

It should be noted that the circumstances of each HRA will differ and require varying emphases.

Other

17. Where new delivery vehicles are being considered, set up costs must be included in the modelling.
18. Has the impact of the preferred option on the general fund been assessed?

ANNEX 5

Glossary

RTB	–	Right to Buy UK Council house tenants have the right to buy their homes at a discount
VFM	–	Value For Money
DCLG	–	Department of Communities and Local Government UK Government department responsible for housing policy
LCHO	–	Low Cost Home Ownership
OA	–	Option Appraisal
SOA	–	Stock Options Appraisals
ODPM	–	Office of the Deputy Prime Minister Previous name of Government department responsible for housing policy (see DCLG above)
ITA	–	Independent Tenant Advisor Person or organisation appointed to provide independent advice to tenants in the transfer process
HRA	–	Housing Revenue Account Housing departments income and expenditure account
SCS	–	Stock Condition Survey
DHS	–	Decent Homes Standard
WHQS	–	Welsh Housing Quality Standard
SHQS	–	Scottish Housing Quality Standard
SAP ratings	–	Standard Assessment Procedure
PFI	–	Private Finance Initiative
LSVT	–	Large Scale Voluntary Transfer Transfer of Council houses to a housing association
ALMO	–	Arms Length Management Organisation A company set up by a local authority to manage its housing stock
RSL	–	Registered Social Landlord Another name for a housing association
OMV	–	Open Market Valuation
TMV	–	Tenanted Market Valuation

AMS	–	Asset Management Strategy
HHSRS	–	Housing Health & Safety Rating System
HB	–	Housing Benefit UK's rent rebate/abatement equivalent
MITRe	–	Mortgage Interest Tax Relief
RICS	–	Royal Institution of Chartered Surveyors
DLO	–	Direct Labour Organisation Council organisation owned maintenance company
HMOs	–	Homes in Multiple Occupation