



3rd July 2012

Deputy Andrew Green MBE
Minister for Housing
The Housing Department
P.O.Box 587
St Helier
JE4 8XT

Dear Andrew

White Paper
Achieving Decent Homes.

I refer to your e-mail of April 12 and to our quarterly meeting at the end of April, I wish to advise that I and my fellow Trustees have considered all the detail of the White Paper.

My colleagues and I are very supportive of the principle of the aims contained within this paper but there are a few points where we have some reservations. I think it best to give our comments under the various headings contained in the document.

Proposal 1- Establish a Strategic Housing Unit (SHU).

We fully support this initiative and we feel that this will help us in the way forward particularly in identifying and prioritising resource allocations for this sector. As a small organisation it is difficult to acquire land/buildings for development in the open market.

We support the new Gateway and will sign up the letter of engagement once one or two issues are clarified for us. In particular, we would like the possibility (in the unlikely event) to be in a position to exit from this agreement; this is mainly due to concerns of The Trust not being able to have any say over the allocation policy.

The Trustees are concerned that in future years the policy may become more restrictive and therefore we would not be able to house the kind of mixture of tenants that are required on large Social Housing estates and to house the people of the Island that the Trust was created for. Our constitution states that it is the objective of the Trust "to provide residential accommodation to persons in the Island considered by the Members in their absolute discretion to be in need of such accommodation". In this respect it is important that the Trust can retain its independence to an appropriate degree to be able to fulfil the objectives of its Constitution.

We would feel, that more emphasis needs to be concentrated on "affordable homes" and we would prefer, once the final review has taken place, that the housing trusts could be involved in this subsector and in particular, share ownership.

It is noted that it is proposed that a Senior Officer from the existing Housing Department will head this unit up. We see that there is a possible conflict-of-interest and it may be prudent to have an independent party heading this department from inception.

Proposal 2-Create an Affordable Housing Regulator:

We are fully supportive of this and the aims of this Department, however we have the following concerns:

- The regulation will need to be light touch and not overbearing. In relation to our Trust, our Trustees are from various professional backgrounds and give their time on a voluntary basis. We do believe that CTJ Trust is run extremely professionally with tight financial constraints, maintaining our property stock, albeit relatively new, in very good condition.
- We would worry if the regulations were intrusive to a point whereby we would have to employ staff to cope with whatever regulatory demands and questions are raised.
- We have no objection in providing whatever reasonable information is requested and at the moment our accounts are openly shared with government and in fact are available on our website.
- While the housing trusts that rely on support from the States are being regulated, we find it incredible that both other social housing providers who do not rely on support, and the private rental market, are not recommended for regulation at this stage. The lodging house market is highly regulated so, as the States are now introducing regulation for the social rented market, we strongly feel the private market should be regulated also at this stage. In fact, one of the prime reasons some of our tenants have chosen to come to us is that we can offer security of tenure and a good quality product.
- It is noted that this post will be a part-time appointment. Regrettably, if this department is to be run efficiently, we find it difficult to see how it can be run and get direction with somebody who is only working on a part-time basis.
- We note that it is proposed that the Strategic Housing Unit (SHU) will be responsible for setting policy and introducing regulations. We feel that this is somewhat of a conflict of interest for policies and regulation, in particular that relating to rent policy and the use of reserves etc, to be introduced by the SHU. For example it would not be appropriate for the SHU, being a States' body, to introduce policy that dictates in specific terms what the Trust should do with its reserve funds. If it is the intention of SHU to introduce policy that dictates the Trust must pay the reserve funds to the States Treasury for the SHU to distribute the money out in accordance with what they consider to be an appropriate use of the funds – this would not be acceptable and you can see where this conflict of interest will start to become contentious. These policies should be recommended by an Independent Regulator with experience in this field. Instead, regulation should be light-touch enough to monitor the Trust's accounts to ensure that these reserve funds are being used appropriately by the Trust for the purpose of either acquiring new units of social housing or maintaining and refurbishing their existing accommodation or to further aid their loan obligations.
- When the final framework for this unit is being put together, we believe that there should be some further consultation with the various trusts.

Proposal 3-A New Wholly States Owned Housing Association.

We are in support of this proposal but as it will be a housing association it will have the same financial constraints that are applied to the existing trusts. It is recognised that the majority of the existing staff will migrate to this unit and they will continue to have their existing terms and

conditions. However, their expenses will be far greater than the existing trusts whose expenses are really the management fee of their management agents with repairs and refurbishment. In performing his duties the regulator, when comparing this new trust to the existing ones, must take cognizance of their staffing and support services.

With regard to the composition of the board, it is vital that those appointed will have experience of the sector and we agree with tenant representation but would question whether it is on the Main Board or Tenants Forum.

Proposal 4-Transparency in Rents.

In your paper you mention that up to 50% of those in housing trust properties do not claim income support and by inference you say that these individuals are obtaining a hidden subsidy. The main thrust of your paper and supporting documentation is to eliminate this subsidy.

Unfortunately, this stated policy has frightened many of our tenants and attached to this submission are some of the replies we have received. We are quite certain that many of those who would be affected are struggling to make ends meet and we see no evidence in our estates that our tenants are so comfortable to the extent that they can pay in some circumstances in excess of 20% increases in their rent. It is reassuring that there will be a period of 10 years whereby support would forthcoming to alleviate any hardship but we would not wish that some of our tenants would be forced to go to private landlords where their accommodation will not be as good as ours.

We would also like to highlight the fact that it is a result of previous decisions taken by the Housing Department to freeze rents that has led to this lack of transparency in rents. Is it fair to expect the Trust to increase its rents and have its tenants bear the burden of the shortfall that has accrued as a result of these past decisions made by the Department?

It is not easy to fully calculate the financial implications of the proposals when the detailed rules and the financial position of our tenants not claiming benefit are both unknown; however it is likely that all of the additional rent that the Trust collects will be reclaimed under the Housing Department's agreement for some years.

Social Housing Rent Policy should set a maximum fair rent for Social Landlords not to exceed – not impose a policy that enforces Landlords to increase their rents. Again, enforcing a proposal such as this would result in a significant loss of independence for the Trust.

The Trust already has an agreement with the Housing Department whereby they have given a guarantee to protect the Trustees in the event that the States or its agents fail to maintain fair rents at appropriate levels to the market. No mention is made in the White Paper as to where responsibility for payments under this guarantee will rest.

One issue that is not mentioned throughout the documentation is what will the position be should rents decrease as has happened in other countries. While in the past Jersey has weathered the downturn, it is now experiencing unemployment and many of the private properties, particularly flats, remain vacant. As this continues developers/landlords will be forced to rent out properties and overall rental is decreasing albeit gradually.

Financial and resource implications.

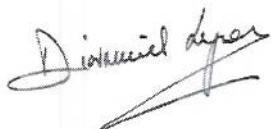
Implications for the regulated housing trusts.

A meeting took place recently with our Primary Bankers HSBC, which was very satisfactory and we were informed that should we put a good business case to them that we will obtain favourable terms. However, the question of obtaining committed funding in excess of 20 years is questionable. A ten-year loan would be feasible but most likely a review would be called for in seven years. We were informed that they were very happy with our performance but stressed that our letter of comfort, particularly the interest rate cap, must stay.

The Trustees are concerned as to the inference that the current cap on interest rates on existing loans would be removed in the future. The Treasury Department have confirmed to us during the consultation process that there is absolutely no intention to change the terms of the existing loans. We understand that the States has looked at buying caps to hedge any interest rate exposure but have decided against doing so.

The Trust has been working very effectively over the last 5 years and we look forward to growing over the coming years with the help from the States through SHU, however, we hope that with the proposed changes and regulation, we will not be hindered in our growth.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Diarmuid Lynes', with a long horizontal flourish extending to the right.

Diarmuid Lynes
Chairman

Registered as a charity by the Royal Court of Jersey

Chairman: J F Lynes

Secretary: E G Le Quesne

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