

# STATES OF JERSEY

## Corporate Services Scrutiny Panel Comprehensive Spending Review Public Hearing with the Minister for Housing

**MONDAY, 21st JUNE 2010**

**Panel:**

Senator S.C. Ferguson (Chairman)  
Deputy T.A. Vallois of St. Saviour  
Mr. M. Oliver (Economic Adviser)

**Witnesses:**

Deputy S. Power of St. Brelade, Minister for Housing  
Chief Officer, Housing Department  
Finance Director, Housing Department

**In attendance:**

Mr. M. Robbins (Scrutiny Officer)

[14:07]

**Senator S.C. Ferguson (Chairman):**

Welcome to this public hearing for the Corporate Services Scrutiny Panel on the Comprehensive Spending Review and welcome to the Minister and his Chief Officer and Finance Director. Now, I wonder if, for the purposes of the lady who does the transcription, you could say your name and position please.

**The Minister for Housing:**

I am Sean Power. I am the recently elevated Minister for Housing.

**Chief Officer, Housing Department:**

Chief Officer.

**Finance Director, Housing Department:**

Finance Director.

**Mr. M. Oliver (Economic Adviser):**

Michael Oliver, Economic Adviser to the panel.

**Deputy T.A. Vallois of St. Saviour:**

Tracey Vallois, Deputy of St. Saviour.

**Senator S.C. Ferguson:**

Sarah Ferguson, Chairman of the panel.

**Mr. M. Robbins (Scrutiny Officer):**

Mick Robbins, Scrutiny Officer.

**Senator S.C. Ferguson:**

What would the Minister like to see Housing offering the Island?

**The Minister for Housing:**

I hinted at this recently in the election for Minister. I think the Housing Department in its present form needs to change and one of the ways of doing that would be to transfer the asset base, the 4,600 houses and flats we have, into a commercial vehicular trading company and association or something like that and that would give the department, as it exists now, or the Housing Association as it will be, I hope, subject to States approval, a far better service for the Island and the community and the people that we serve.

**Senator S.C. Ferguson:**

So, Housing would still be managing the 4,000 or so units?

**The Minister for Housing:**

Essentially, yes. We would transfer the asset base into a trading operation and we would transfer the Housing Department and its staff, as we see it at the moment, out of the States sector and into trading status.

**Mr. M. Oliver:**

How does that improve the situation for everyone?

**The Minister for Housing:**

Well, the biggest single problem we have is there is duplicity and bureaucracy with the work we do. For instance, if we want to sell a house or a number of houses in a particular housing estate, and let us take a specific example of Grasset Park in St. Saviour, we do the due diligence to sell that house to the sitting tenant, we then have to submit that case to Property Holdings on behalf of Treasury. So, there is another team at Property Holdings doing exactly what we do and we have 2 sets of officers doing exactly the same thing. If we were to achieve trading status we would then be accountable to a new regulatory authority or a governing body which has to be determined and in that case then the trading operation that owns the ... the public will own the stock, but it would be a trading company like the J.E.C. (Jersey Electric Company) or Jersey Telecoms, or whatever. The association would then be answerable to a board, but it means that those 4,600 houses and flats worth somewhere between £900 million and £1 billion, we can borrow money, and we can borrow in tranches of significant amounts that would allow us to accelerate refurbishment, accelerate the realignment of stock, and provide more housing. Because I think, from the statistics we have internally at the moment, the demand for social housing is going to increase because the supply of affordable housing is not increasing.

**Senator S.C. Ferguson:**

You do not see any conflict between Housing being both regulator and administrator?

**The Minister for Housing:**

I do. At the moment there is no regulatory authority. The Housing Department has no regulatory ability over the trusts or over the private rental sector. If we were to become a housing association you would then have the Jersey Housing Association owning the stock of assets, beside that would sit the trusts, and beside that would sit the private rental sector. Above that there would need to be a new regulatory authority called The Jersey Housing Authority or Jersey Housing Commission. Up there will sit a Minister or an Assistant Minister with a group representing the association, the trusts and the private rental sector and that would be the regulatory authority for Jersey Housing.

**Mr. M. Oliver:**

So, it saves money because you stop duplication, enables you to borrow more money, improves social housing, anything else at all?

**The Minister for Housing:**

It gives us a degree of independence over our own destiny, which at the moment we do not have. As you know, we have a turnover this year of £37 million; £23 million of that is returned to Treasury, so we have £14 million to maintain 4,600 houses and flats and run the department. It simply does not work. So, we have to find another way of doing it. When I was on Scrutiny in 2007 and we scrutinised P.6, the sell-off of the property plan, we said then that the elephant in the room was funding. Well, even though the department has sold 120-odd units of stock to its tenants the elephant remains in the room which is funding. It is in my opinion unsustainable to keep selling stock to maintain assets, so we have to find funding another way. We have got to find another funding model and I think one of the ways to do that is through incorporation and the ability to be able to trade.

**Mr. M. Oliver:**

Can I come out of real left field here and say, why do you not flog off the entire, if possible, 4,600 units? Perhaps there might be a couple of hundred you cannot get rid of, but could you do the whole lot at a reasonable price? Get rid of them?

**The Minister for Housing:**

There are 3 models that I studied while on Scrutiny on housing authorities, or housing associations, governments who sold off the complete stock to a private operator or a trust or whatever. One was German and 2 were English. The German one turned out to be a complete disaster because they sold it to a private trading company who in turn allowed the stock to be sold and sold and sold and turned and turned and turned, so that particular city ended up after 8 years having to replace all the stock it sold in the first place. There are 2 models in the U.K. (United Kingdom) that again I have looked at and to me, looking at the cost of living in Jersey and looking at how difficult it is to get on the housing ladder, I think we will always need a vehicle, whether it is an association or whatever, controlled by the States of Jersey to administer its own stock of social rented housing.

**Senator S.C. Ferguson:**

So, what is Housing going to offer the Island after 10 per cent savings have been made over the next 3 years?

**The Minister for Housing:**

Well, there is an easy to answer to this and I hope you do not interpret the answer as glib. We already return £23 million a year to Treasury so, as I have said, we operate on £14 million a year to maintain 4,600 houses and flats and run the department. We feel that as we head down the route to explore trading status our whole *modus operandi* will change and we will become, I think, a busier department or a busier operation and that would allow us to provide better services, perhaps at a lower cost because we would be creating more activity. We have achieved what we have been asked to achieve this year.

[14:15]

Next year is another year and I am assuming that the States will support us to go into trading status. If there is a delay we will do the very best we can to achieve those 10 per cent savings.

**Senator S.C. Ferguson:**

But if you go into trading status, to some degree it will be the same as before, the same as you are now, the only difference being that you can go out and borrow money. So, where is the saving in that?

**The Minister for Housing:**

With the current operating base we believe we can increase activity which means that our operating costs would reduce pro rata with the activity of the new operation.

**Senator S.C. Ferguson:**

Which activity? When you say “increase activity”, I am sorry, which activities? I am only a politician.

**The Minister for Housing:**

When I say “increasing activity” I mean increasing the stock of social housing on the Island through a number of different schemes; one is social rented housing, the other one has to be the provision of more shared equity and more products like Home Buy. By doing that we can enable people to get out of the rental market and get out of the social housing and get into home ownership. So, the Housing Association will have a dual purpose; one is the provision of social rented housing, the other one would be to increase the model that is now Home Buy and is shared equity. I think that is a big job of work to do in the next 2 to 5 years and I think that the information we have from the first Home Buy pilot and the information we have from selling to tenants is that we need to revisit and re-examine the 2 schemes to make them better and to enable people to get into home ownership. So, we would be wearing 2 hats and we think we can do that with the same team which means we would be increasing activity, so it would be better value for money for the owner, which is the States of Jersey.

**Mr. M. Oliver:**

So, in terms of that activity question that the Chairman mentioned, do you see the vision of Housing providing more social housing rather than less 10, 15, 20 years down the road?

**The Minister for Housing:**

I cannot think that far ahead but if you look at the demographics of the Island, at the moment 18 per cent of the population is over 65. By 2025 33 per cent to 35 per cent of the population will be over 65. We are going to need to have many younger fit, able people to pay taxes and to do the work that is carried on now. So, we are going to have to provide housing for people who are in retirement and who are not economically active and we are also going to have to provide housing for those who are key workers, and I think there will be an increase in that type of accommodation. It is happening in a lot of the boroughs in London and in Manchester and Birmingham where you provide key worker accommodation and I think we may be the vehicle to do that. So, the answer to your question is, yes, I think there will be an increase.

**Senator S.C. Ferguson:**

So, what are your choices to meet the savings over the 3 per cent and the 5 per cent?

**The Minister for Housing:**

We have achieved our 2 per cent departmental cuts in the figure of £280,000, John?

**Finance Director, Housing Department:**

£286,000, yes.

**The Minister for Housing:**

£286,000. Some of that will be done in specific areas. For instance, short term response repairs are very intense in terms of response time and cost and by tackling response repairs in a slightly different way we will be able to save on the budget that we have for immediate response repairs. Areas like that within the Housing structure we will be able to save some of these savings and certainly we are optimistic that we will achieve between 3 per cent and 5 per cent. There are also some services that may be delivered in other ways but it is quite a detailed thing, and how we manage void properties and how quickly we turn over a void property. I visited one this morning in an absolutely shocking state where we have had to send in bug people to clean up vermin running around the place and normally when we get a house back we take 3 to 4 weeks to redo it. That normally includes painting and decorating and putting it in a condition where the new customer can go in and live in it pretty quickly. This one we are going to have to strip out the bathrooms, we are going to have to strip out the kitchen and the kitchen is not an old kitchen. The kitchen is absolutely caked in vaporised grease and fat and stuff like that. So, normally we would like 3 weeks to turn around the average property; that one is the exception and I think the lesson we have learned from this particular one is that we need an early warning system when a property gets that bad and disappears under the radar. Overall we will change the way we deal with voids and we will change the way we deal with areas like short term response repairs.

**Senator S.C. Ferguson:**

But part of dealing with voids requires you to have an accurate list of who is looking for property and if you extend it you need an accurate list also of people who are looking to buy. Can you be sure that the lists you have are accurate?

**The Minister for Housing:**

I think they are accurate. There is a difference between those who want to buy, the sitting tenant, and those that are on our waiting list. We have a waiting list and a transfer list. We gross the 2 together; the transfer list is different and we are realigning people, somebody who might have been in a 3-bedroom house and the children have left if they have got married or they have gone to college and some people want to downsize and some people want to increase because of the arrival of another child. So, the transfer list is very accurate; it is done on a weekly basis. The waiting list is also accurate and I think it is updated on a fortnightly basis and we know exactly the tenants that do want to buy because we work with them very closely in helping them arrange finance. We work with them all the way through the process of their eligibility, their credit ability and the timescale to buy the property, then to transfer the property to them. So, in my opinion, our waiting lists, our transfer lists, and our tenants that want to buy, they are accurate.

**Senator S.C. Ferguson:**

Yes, because one hears anecdotally that people put their name down with all the housing trusts as well as the Housing Department. Have you managed to sort that problem out?

**The Minister for Housing:**

One of the areas that my predecessor, Senator Le Main, was concerned about was how we work towards a common waiting list with the trusts and with the parishes because the parishes are developing their own stock of housing now, particularly over 55 housing, and in actual fact we have already had one meeting in the last 4 months with the Comité des Connétables and we are going to have another one, I think, in the next 2 weeks to discuss something else, but common waiting lists will come on the agenda. We cannot check if we have a family or somebody on our waiting list and that person is also on the waiting list of the trusts, or on a waiting list at St. Ouen. We do not know that. The system does not work for us that well and that is why it is important that we try and get to a common waiting list. So, you could have the one person on 3 waiting lists. They could be offered a property by us first, or they could be offered a property by the trust first, or they could be offered a property by the parish first. For us it does not work, so the waiting lists are accurate but we cannot cover the duplication. We do not have access to the other waiting lists.

**Deputy T.A. Vallois:**

Is that not something you can address in the migration law?

**The Minister for Housing:**

How could we do it in the migration? On the migration policy?

**Deputy T.A. Vallois:**

Well, the migration law requires you to establish your residency in the Island, so could there not be a central contingency for moving in and out through the social security system which would be used on that basis?

**The Minister for Housing:**

I have to confess I had not thought about the overlap between what we do and what the Population and Migration Office does. I know that Social Security do not have access to that information but it is something I will think about.

**Senator S.C. Ferguson:**

The 3 per cent and 5 per cent cuts are going to need some harsh, intrusive, and fundamental political decisions on the structure of the department and the delivery of the services. What resolution does the Minister have to complete such a strategy? Does he think that he can get it through the rest of the politicals?

**The Minister for Housing:**

The answer to the last part of your question is that I do not know. The answer to the first part of your question is that in Housing I think I have already explained to you that we want to move toward association status and trading status but in the immediate term we are going to have to learn how to do things differently. I think the department will have to start taking a different approach to certain areas and that will be wrapped up in this 3 per cent to 5 per cent. We are not going to do anything dramatic that will affect the relationship we have with our customers and our tenants but we are also not going to repeat mistakes that have been made in the past, which is lack of maintenance and letting things go on a long finger. What we need to do, and that is why I keep saying that the association needs support, we need to have a long term funding plan to deal with a portfolio of this size and that is what I will be working with with my Assistant Minister and this team in the next 6 to 8 months to put a long term funding plan in place so that we are not living hand to mouth, which is what we are doing at the moment.

**Senator S.C. Ferguson:**

Yes. Bearing in mind that we are trying to stop people living in silos, have you started talking to Property Holdings about this, because they have experience of administering large estates?

**The Minister for Housing:**

Did you want to come in, Ian?

**Chief Officer, Housing Department:**

Not social housing estates and not property accommodation. I think the important thing here is that we look after 4,500 homes; there are only a few hundred homes that come under the control of Property Holdings. So the expertise, I have to say, in terms of landlord-tenant relationship sits with us. Frankly, what you might want to see is some of the other departments' property accommodation coming under us in terms of being looked after.

**Senator S.C. Ferguson:**

Yes, although the maintenance aspect is something that there is a wealth of experience of in that department.

**The Minister for Housing:**

Can I just come in here and then I will let Ian come back. The Property Holdings Department is mandated to maximise the return for its owner, which is the public purse, on how it manages and disposes of States assets. We are a social housing provider. You cannot carry out the same exercise and maximise the return to the public purse when you are a social housing provider. It is like comparing a hierarchy of land values. The difference between ... a prime site for a commercial property like an office block is a completely different value to the hierarchy for a hotel or for a hostel for the homeless or something like that. We have a different way of approaching it. As Ian said, we provide 4,600 homes for 13,000 people, one in 8 of the Island's population; 88 per cent of those earn less than £12,000 a year and a lot of them are inactive economically. You cannot apply a Property Holdings type approach to social housing.

**Senator S.C. Ferguson:**

I was only talking about the maintenance side of it. Maintenance is maintenance is maintenance, surely.

**Chief Officer, Housing Department:**

I think the important thing to say there is if you look at the fiscal stimulus bids and you compare the 2 departments I think you will see that Housing is, frankly, some considerable way ahead in terms of delivery on fiscal stimulus. It is not so much boasting but Housing is the best landlord in the Island by a considerable margin and I would challenge any other organisation in Jersey to turn around void properties, deliver the planned maintenance programmes and our capital programme better than us. I am absolutely convinced that we are the best. Where we suffer is that we should be allowed to manage this portfolio of properties, bringing in the expertise that we may need from time to time, in a manner which is free from the States machine. I say that because you cannot manage a portfolio unless you can acquire, unless you can dispose of and unless you can manage in the long term this portfolio.

[14:30]

I think what we have suffered from is short-termism and, frankly, not being allowed to get on with the job but I am absolutely 100 per cent convinced that we are up to it, that we do not get some of the praise that we deserve. We do suffer from negative publicity at times but there is not anyone in this Island who can deliver landlord responsibility for 4,500 homes as we can, absolutely convinced.

**The Minister for Housing:**

With 40 people.

**Chief Officer, Housing Department:**

Professor Whitehead said that we were about 50 per cent below what she would have expected to see in the U.K. for a similar size.

**The Minister for Housing:**

In staffing, yes. I think the fiscal stimulus loan that we have got from Treasury to do Le Squez phase 2A of £8.5 million, £8.6 million, we know that our business plan and presentation to Treasury was of a very high standard and that is why we went through

fiscal stimulus so quickly and that is why it is the biggest project under fiscal stimulus at the moment on the Island.

**Chief Officer, Housing Department:**

Importantly, if you do not mind me interrupting, if you look at the actual programme of works for fiscal stimulus, even putting Le Squez to one side, there is programme after programme after programme and we have achieved, we have achieved, we have achieved. I am more than happy to undergo that sort of scrutiny on that programme and I am sure my Finance Director ...

**Senator S.C. Ferguson:**

We shall be returning to the fiscal stimulus so we are bound to come and talk to you again.

**Chief Officer, Housing Department:**

I am sure but I think it is important in terms of when we talk about maintenance we say where expertise lies. There is a difference between managing properties and being a social housing provider, there really is, and how you manage those properties. The way we look at planned maintenance, the way that we look at our response repairs, the way that we look at our capital programme is highly professional but there has to be a social dimension to what we are doing, there has to be. I would cite as a further example look what happened to the Ministry of Defence when they outsourced the maintenance and management of military homes. It was just maintenance, nothing to do with soldiers, et cetera. It was just maintenance. Let us look at what has happened there. It has not delivered.

**Senator S.C. Ferguson:**

Absolutely. Sixty per cent of them are substandard, I believe.

**Chief Officer, Housing Department:**

Absolutely, and I think they broke that link with their tenant who was the military personnel. Very important.

**Senator S.C. Ferguson:**

Right, but returning to our little problems, 35 per cent savings on T.V. (television) aerial contractors. That was going to happen anyway due to the digital switchover so can you really count that as a real saving or is it just a convenient place to put it?

**The Minister for Housing:**

We can. The actual figures are the department is currently spending £194,000 on the installation of additional wiring and equipment to prepare nearly 3,000 units of accommodation for the switchover. Some of our new stuff is already done. The department is recouping about £160,000 from its tenants. Without this work the savings would not be achievable and we have an obligation to make sure for all our tenants at the external provision of digital switchover that the external signal comes to the building and they do the rest themselves, whether it is Freeview or Sky.

**Senator S.C. Ferguson:**

Yes, but you were going to do it anyway so it is perhaps stretching a point to include it as a saving, specifically for the C.S.R. (Comprehensive Spending Review).

**The Minister for Housing:**

I do not think so. We are going to recoup £160,000 on a spend of £195,000, so I think the figures speak for themselves.

**Senator S.C. Ferguson:**

Going through all the departments we have seen various movements of savings where a department says: “We are not going to do it any more, we are going to give to somebody else to do” which is stretching the point with regard to savings. What we are, I suppose, trying to establish is what had you not thought about before the C.S.R. popped along and is therefore a genuine saving. We have been asking every department this. It is not specifically yours.

**The Minister for Housing:**

Well, because a digital switchover would have cost us nearly £200,000, that would have been our obligation to the tenant. It is not going to cost that, it is going to cost us £200,000 but we get £160,000 back so we are going to save £35,000. John, do you want to come in on anything else on that?

**Finance Director, Housing Department:**

I think we need to put this in context. The department has suffered from an under-funding in its maintenance for many years and that still continues. So we had already embarked, before the C.S.R. came along, on a number of activities to save money in various areas to try and put more money into the planned maintenance area. This is one of those things. I think just because we were already doing something does not negate the validity of the saving. It just means that we are offering that up rather than cutting something else. If you were to look at another one of our savings to do with our electrical heating replacement, that is something we have been working on for a long time and there are various reasons we can go into if you like why that is a good idea. It means that we are investing a lot of money in replacing heating systems. In 2011 we will offer up £76,000 worth of servicing savings to the C.S.R. process. There will be further savings in 2012 and 2013 as the programme is rolled out and in total that will mean that £350,000 worth of savings is delivered through that programme and we will be left with up-to-date heating systems that are in the long term going to be much more financially beneficial to the department but would also be easier to maintain and provide the tenants with a controllable heating source, adequate heating source, long into the future.

**Senator S.C. Ferguson:**

Remind me, are these being funded by the fiscal stimulus?

**Finance Director, Housing Department:**

The first phase, the electrical installation work, £2.4 million, is. The remainder for next year and the year after we are funding ourselves from our own budgets.

**Deputy T.A. Vallois:**

Can I just ask, because we are talking about fiscal stimulus again now, that a lot of money is being put in. Obviously there was money transferred from the housing dwelling fund anyway, so technically bidding back the money that was there, but the

monies that have been spent on the maintenance so far for housing how much has that reduced your backlog in maintenance? Do you have a figure at the moment?

**Finance Director, Housing Department:**

Excluding Le Squez, we will spend £5.8 million on backlog maintenance from the fiscal stimulus pot.

**Deputy T.A. Vallois:**

But how much is your backlog maintenance now? Originally it was £78 million.

**Finance Director, Housing Department:**

Well, obviously these things are only correct at the time you estimate them. We are undertaking a condition survey this year to redo those figures and we would expect that to be a lot less than the £75 million-plus, excluding Le Marais. To get an up-to-date position we would need to complete that condition survey.

**The Minister for Housing:**

So we are about to do a condition survey right across the whole estate.

**Deputy T.A. Vallois:**

That will be ready for the next part?

**Chief Officer, Housing Department:**

It is constantly informing. We have to do that every so many years to inform on the capital programme, to update it, and also our planned maintenance programme. But certainly in terms of works there is more work going on now than there ever has been in the history of the Housing Department.

**Senator S.C. Ferguson:**

What is likely to happen in the cleaning and gardening areas? Are you likely to outsource?

**The Minister for Housing:**

The answer is we do not anticipate any dramatic changes in 2011 - just to give you some figures - but we will be looking at 2012 and 2013 because we do believe there are big savings to be made. At the moment we contract for T.T.S. (Transport and Technical Services) about £860,000 to clean our estates and a further £204,000 on garden maintenance for T.T.S. We now also spend over £100,000 a year with private gardening contractors. At the beginning of this year we tendered again for a new 3-year contract with a private operator and that saved us £37,000. We are concerned about T.T.S.'s price increase of 2.5 per cent and we are obviously concerned about getting best value from T.T.S. and that is something we will be looking at in 2012 and 2013. So not much will change in 2011 but there certainly, I think, will have to be changes in 2012 and 2013.

**Senator S.C. Ferguson:**

You do not do any of it yourselves now? It is all either T.T.S. or outsourced?

**The Minister for Housing:**

Yes. That is why the Housing Department employs so few people.

**Senator S.C. Ferguson:**

Yes. Under the Finance Law there are restrictions relating to debt redemption models, meaning you cannot borrow on the strength of future rents. How does this influence your business and what changes would you like to see or are needed?

**The Minister for Housing:**

I alluded to this when I first came in. It is a huge problem, and I mean that. It is a huge problem. I have already said we have an estate worth between £900 million and £1 billion which is debt free, and you may think that is a good thing or a bad thing. I think having a debt free estate worth somewhere between £900 million and £1 billion is not a good thing. I refer back to what I said, my earlier remarks about wanting to achieve trading status, I referred in a previous question to the demographic needs of the population changing, and I will be working very keenly with the Minister for Treasury, and to a lesser extent with the Minister for Planning, to fund new build, having been approved by the Minister for Planning. There are many models in the U.K., both within trusts and associations, where this has worked. I think that is roughly where we are. I think had we had a model like the previous housing development fund perhaps we would not be in the situation we are now but it is my determined wish to seek approval from the States and my colleagues on the Council of Ministers to change the status of the Housing Department as fast and as quickly as can be done and head towards the new chapter of Jersey housing, Jersey publicly owned housing.

**Deputy T.A. Vallois:**

In the Strategic Plan you mentioned that there would be an examination of whether borrowing would be an alternative and optional way forward for long term capital projects. How far have you got with the Minister for Treasury in that respect?

**The Minister for Housing:**

Given that I have been Minister for Housing for less than 2 weeks ...

**Deputy T.A. Vallois:**

Assistant Minister before that.

**The Minister for Housing:**

Yes, I have a seat at the table. I had discussed moving the department into a corporation with the Minister for Treasury when I was the Assistant Minister and we have made some progress to the extent that the officers and I had a successful meeting with the Minister for Treasury in the Housing Department about 6 or 7 weeks ago where he indicated very strongly that he was very keen for us to move towards incorporation and trading status. It is my job now to write the business case for that move and that involves an awful lot of work for the officers, including the legal framework, the accounting framework, the incorporation itself, and doing it in what I would regard as a relatively indecent amount of time but I do think that we have to achieve trading status ideally in 2011.

**Senator S.C. Ferguson:**

Have you done any work yet on the financing side, what you can expect to get in the way of loans, in the way of debt and so forth? Have you done some work on that already?

**The Minister for Housing:**

What we are doing right now this minute is working with John as our Finance Director and Ian as the Chief Officer to pull all of that together into one cohesive report and plan and basically to prepare the Council of Ministers for where we would like to go. As you can imagine with an estate of this size we have a lot of work to do to estimate our capital ... we know what we need to spend. We need to factor in also realigning the stock within the housing estate and we have to factor in a legal framework, not only a legal framework for the Housing incorporation but a regulatory framework. So there is a lot of work to be done there but we will pull all of that together into one report. I do not know whether you want to say anything, John?

[14:45]

**Senator S.C. Ferguson:**

I just wondered if you had done the work on the financing first just to see if it was a goer.

**Finance Director, Housing Department:**

We know that it is a goer because the debt redemption model used by the trusts by many years, they are successfully working to that model and have done since the mid-1990s. So that model allows for sufficient maintenance and management costs to be deducted from the ongoing rental stream and the remainder to repay the interest and borrowings over 25 years. Clearly some sites may require additional sums put in, particularly in the town area, but in terms of tying up capital you have a strong rental flow on new build so rather than using funds out of the capital fund why not use that rental flow to service those loans.

**Senator S.C. Ferguson:**

The thing about the housing trusts, the debt redemption model, was that those are all supported by a guarantee from the States. You would still want that?

**Finance Director, Housing Department:**

Well, it would depend.

**Senator S.C. Ferguson:**

Or can you secure it on the property that you have got already? It is that sort of investigation I was wondering about.

**Finance Director, Housing Department:**

Right, okay. It is the interest rate cap, is it not? That is the key thing. At the moment the trusts are surviving without any interest subsidies whatsoever because they are on liable plus three-quarters of 1 per cent so they are paying 1.6 per cent, something like that, so they are gaining all the interest charges below 4 or 6 per cent which are built into the models.

**Chief Officer, Housing Department:**

I think, Chairman, what we would say is that is a very interesting amount of money that is being built up as a reserve.

**Deputy T.A. Vallois:**

Will the income support system cause any problems for you moving to a trading ...?

**The Minister for Housing:**

I do not think so. Income support will remain as it is. Income support works whether it is the Housing Department, a trust or private rental sector. Whether we are incorporated and we have a new financial model or a new financial base, we will still provide accommodation for those with no income, bad credit, no credit, out of prison. We do all that; the trusts do not. We also provide an assisted living team, that the trusts do not provide, and we will continue to do all that because we are governed and owned by the public of the Island.

**Deputy T.A. Vallois:**

I am just aware that you used to provide the rent rebate and rent abatement system and that got moved to income support. Have you any idea of whether that is still as high as it was back in 2007?

**The Minister for Housing:**

Are you talking the differential between abatement and rebate, the figures?

**Deputy T.A. Vallois:**

Yes.

**The Minister for Housing:**

I think the figure has increased.

**Chief Officer, Housing Department:**

The link has been broken between the housing subsidy scheme now that you have got the housing component of income support. So, having done that, it does not make sense to then turn round and say to the department: "Well, any increase in expenditure has to come off your rental income or any increase in your rental income has to be sliced off to pay for the subsidy bill" because you might as well have kept it. I think a good example of that was the 2.5 per cent rent increase that Housing was proposing; all of that increase disappeared to the Treasury for the housing trusts; they kept the lot.

**Deputy T.A. Vallois:**

If you became an association would that still happen?

**Chief Officer, Housing Department:**

It is part of the negotiations. As Senator Ferguson said, let us be realistic, the Treasury are not going to say: "Here is your £23 million that you pay us, best of luck and we will see you some time in the future." There is a £23 million funding issue there but we need to discuss the rents and where the rents sit and how they are constructed. Also there are ways of longer term pulling us out of that system but it is long term. We have done quite a bit of work on that and how we are going to do it. There is no magic chest, unfortunately.

**Senator S.C. Ferguson:**

What appetite have you for abolition of complete sections or products rather than just slicing from the top?

**The Minister for Housing:**

I think this is a fundamental view of how we could carry out our business. We have already referred to the fact that we do not have manual workers any more, we subcontract out to the private sector or to T.T.S. Then there are core areas of our business, such as the allocation of properties, maintenance of our properties, the compliance team, noisy neighbours, music in the middle of the night, alcohol problems, delinquent children, we get all of that stuff. We have our tenancy agreements and we provide services to those that are very vulnerable. As I said earlier, some of the trusts do not do that. We have an assisted living group so there are people in society who find it difficult to live, they find it difficult to manage and live independently. We provide that service, which the trusts do not do. I think Ian is probably better qualified to describe this but we have outsourced many, many areas of core activity over the years and it is our plan that this is a management team that manages 4,600 houses and flats and that is what we do, that is what we are good at. I will give an example. There is £20 million worth of contracting out at the moment with another £8 million finishing and another £50 million going out. So there is a lot of scaffolding being used by the Housing Department at the moment and this is what this team is good at. Yes, we can outsource gardening, yes, we can outsource plumbing, heating repairs, electrical repairs. It is the skill within the management team that has got the department to where it is and so we will keep those core services but we will continue to outsource.

**Senator S.C. Ferguson:**

Yes, the £8 million is outsourcing a building project, a development project.

**The Minister for Housing:**

We do not have our own building team, we do not have our own contracting company. We contract all that out. We go out to competitive tender.

**Senator S.C. Ferguson:**

So who is project managing that?

**The Minister for Housing:**

The Le Squez phase 2A is being project managed by one of Ian's directors, Carl Mavity, and he will see the project through to completion. He has managed a number of other large projects in the recent past, such as The Cedars which is at the top of the tunnel on the big roundabout there, the big high rise. What was that one, Ian?

**Chief Officer, Housing Department:**

6.3.

**Senator S.C. Ferguson:**

Forgive me if I am being a little dumb but if you are a social housing provider and so on, is project management of a large development part of that?

**The Minister for Housing:**

It is because we have got a very big estate.

**Chief Officer, Housing Department:**

I was going to say it does not matter where you are procuring this from, be it a school or a housing project, you are going to put together a team of professionals, be they Q.S.s (quantity surveyors), architects, et cetera, and that is the same at Housing. You would not be expected to undertake a project of that size without that team around you. That is of vital importance. The project management of it does sit with the capital projects team overseeing the whole project. I think it is terribly important not to lose sight of the fact of the link that we have with the people who live there. The Cedars was a classic example about the amount of time that went into managing that project with people living on the estate. While there was one person who appeared, I believe, in the *J.E.P. (Jersey Evening Post)* moaning about it, actually it was staggering the number of people that did not complain, because they do not have a voice, because we had somebody permanently based there and dealing with the tenants' concerns, of which there were many. This was a building site and people were living there, we had to keep people living there as part of the rental income, but an enormous amount of work went into those links with those tenants and that is really important. It is important about how we structured some of those works because of some of the people who live there. I think you lose that if you turn round ... I think maybe what you are alluding to is saying: "Okay, we will pick that up and we will give it to somebody else and they can come back to us when they have finished it." There is an enormous amount of expertise sitting in the department knowing their tenants. We all wish it was plain sailing. It never is on any big project.

**The Minister for Housing:**

A much smaller contract that we did last year was Clos des Quennevais opposite the Co-op and the surgery at Quennevais. We have got 16 units out there. One complained, which put us on page 3 or page 5 of the *J.E.P.* The other 15 did not complain and it turned out to be an extremely successful project and contract and they are much nicer, easier to heat units after completion. So I think it is one of these things that we are damned if we do and we are damned if we do not, but we have got broad shoulders.

**Senator S.C. Ferguson:**

Looking at the large structural changes, what are the issues, savings or risks, particularly risks, with the department becoming a trust?

**The Minister for Housing:**

Again, I have indicated that we would like the Housing Department to achieve trading status and become an association and that may not be a trust. Professor Whitehead dealt with some of the options in the *Whitehead Report* and the one I think appeals to me most, both as an Assistant Minister and now a Minister, would be to achieve trading status rather than being trust status and I think that is where we will go.

**Senator S.C. Ferguson:**

Yes, because I think one of the alternatives was Housing being a purely regulatory body, and you do not like that?

**The Minister for Housing:**

That is not an option I am going to pursue as long as I am Minister for Housing.

**Senator S.C. Ferguson:**

I suppose the question after that is there was quite a media frenzy on the back of the *Whitehead Report*, and you are quite happy that the department is fit for purpose?

**The Minister for Housing:**

The *Whitehead Report* did not state that the department was not fit for purpose.

**Senator S.C. Ferguson:**

No, there was a media frenzy.

**The Minister for Housing:**

There was one journalist who in my view used language that was inappropriate. I came into the Housing Department at the beginning of 2009. Having scrutinised it - I did not really know what they did on an operational basis - I now know what they do and it is an extraordinary piece of work. It is an extraordinarily efficient department. I think I said in my pitch for the position of Minister for Housing that it is the work that they do that really motivates me.

**Senator S.C. Ferguson:**

Following on from that, the figures in the *Whitehead Report* suggest that 64 per cent of States tenants are in receipt of income support. How many of them are having their rent paid by the system and how sustainable is it?

**The Minister for Housing:**

I alluded to some of this when I said that over 80 per cent of our tenants earn less than £12,000 a year. This is linked to this. It is a fact that nearly two-thirds of our tenants receive income support but that does not mean that income support pays all their rent. Some of them pay a portion of their own rent. The vast majority pay something towards their rent and only those in the lowest income bands have their rent completely paid by income support. Typically the department receives 43 per cent of its income directly from the tenant.

**Senator S.C. Ferguson:**

Is this sustainable, do you think?

**The Minister for Housing:**

We have to house people that nobody else will house. I think those figures can be improved on. It is all to do with how we align the stock, how we manage the estate and how we produce a better income stream. Yes, I think we can improve on that. Ian, did you want to come in here?

**Chief Officer, Housing Department:**

Yes. I think the interesting thing, having got into the housing benefit system, the private rent rebate and the in-house abatement scheme, is the in-house abatement scheme looks something very largely like a cottage industry of shuffling bits of paper around to give people a benefit within our own system. More importantly than that, the States introduced a private rent rebate scheme to give people assistance in the

private sector, which included trusts. Obviously within that you have got debt redemption models which the trusts are using, which they need the income from their tenants to pay the loans, and then you have the private sector.

[15:00]

So, disentangling yourself from that system is very difficult but there is a debate to be had and the Minister is going to have that, ask the States to debate what they want to do with rents. You could reduce the rents and reduce the subsidy in the schemes but then you are going to affect housing trusts and private sector. It is a complicated position that we are now in, having made a decision many, many years ago to introduce a private rent rebate scheme.

**The Minister for Housing:**

At the moment our rents are always behind the private rental sector and there is a case that that disparity, that difference should continue in some cases. In other cases we have to examine how the rent structures exist at the moment and how we can change them. Obviously when you see that stark statistic that 64 per cent of our tenants are in receipt of income support we also need to have customers who can pay full rent. That is very important to us as well and that does not mean that we are housing people we should not be housing. There is a fine band of people in there that we justifiably house but they do pay full rent.

**Mr. M. Oliver:**

It is very difficult, because if you are talking about spending an awful lot of money upgrading your properties and you have still got a differential between public and private then it breaks down into the public system in a way because you are getting a very good deal. I am not saying that all your clients are doing it for a good deal at all but where is the incentive for them to get out of the public sector into the private sector, and it is a very difficult question I am sure.

**The Minister for Housing:**

It is a balancing act. We need some of our customers to pay full rent; we also need to have other ones get out of the public sector. One way of doing that is to create more affordable housing and the other way is obviously to means test more often.

**Mr. M. Oliver:**

Yes. What are your views on means testing?

**The Minister for Housing:**

This is a casualty of income support. We were aware of most of clients' incomes until income support came in. We now do not have access to those figures so I think I would broadly be in favour of means testing. I think we may be housing some people that perhaps we should not be housing. That is not to do a sort of massive clearout. It means that it would allow us to house people that we need to house. Again it goes back to what I said: we do need people to pay full rents as much as we have to house people who are on income support.

**Chief Officer, Housing Department:**

I think the other thing just to mention with the U.K. is that the percentage of social housing in Jersey is quite small compared to the U.K. The private sector is much bigger here.

**Deputy T.A. Vallois:**

Is the private sector regulated?

**Chief Officer, Housing Department:**

In the U.K.?

**Deputy T.A. Vallois:**

Over here.

**Chief Officer, Housing Department:**

Well, you have got the rent control tribunal.

**The Minister for Housing:**

But in terms of proper regulation of quality and standards, no.

**Deputy T.A. Vallois:**

Do you think that may be an additional hindrance to yourselves, that people may turn to social housing rather than private purely because of the price and also the quality?

**Chief Officer, Housing Department:**

I think one thing that Professor Whitehead did say is we have got more of a traditional view of social housing in Jersey. I think in the U.K. and certainly in Europe they have changed their view about what social housing is and they have changed the name to more affordable housing or affordable housing. I know the Minister is considering this about the parameters are set fairly tight in Jersey whereas the modern approach is to widen the scope of people's access to good quality, reasonably priced rental accommodation in society, if that makes sense. So, by expanding the social housing sector, not the government ... one of the things about putting us at an arm's length where we can come into the market and play a very active part is that if you increase the provision of those homes in that area then you are going to have an effect on the market which would be beneficial.

**The Minister for Housing:**

I think one of the difficulties I have as Minister for Housing is that we do have what we loosely call the qualified sector and the unqualified sector. In the qualified sector by and large standards of accommodation in the private sector are probably somewhere approaching acceptable. It is because we have a 2-tier sector that some of the quality that is available to those that are not qualified is substandard and not acceptable and unfortunately then I do not have jurisdiction over that except in housing law where we have one inspector who does go out and check lodging houses and the conditions that they are presented in. But one of the recent problems I had on an inspection is we discovered that the planning law is not retrospective. So you can have poor conversions of accommodation, for instance you can convert a loft or a loft has been converted in the past where the only standing headroom is along the middle of the pitch which means that there are no walls to put wardrobes against and obviously insulation standards are poor, and that is the kind of area that needs to be

looked at. It is just kind of slightly off pitch but there are areas of accommodation out there that I think when and if the migration policy comes through we can look at it.

**Senator S.C. Ferguson:**

But this brings us back to the sustainable and perhaps the comments one would get are that the locals should be looked after first.

**The Minister for Housing:**

Yes, I have got absolutely no problem with that and there is no suggestion that those that are residentially qualified, those that were born here or who have lived here for a long period of time would be discriminated against in any way. My simple premise is that let us all aim for a higher standard of accommodation on the Island but let us bring up the level that is now not at a sufficient level without penalising those that are born here or local.

**Mr. M. Oliver:**

But at the same time making sure you do not trap people in social exclusion. That is the wrong word, exclusion, but within the public sector. I think that is a very real threat of what you are saying you are going to do. I am concerned for that balance: at what point can you offer incentives to leave or disincentives to stay, so to speak?

**The Minister for Housing:**

I make one very important point here and that is we do have people in social rented accommodation and in the private rental market and they are there because there is not a sufficient supply of affordable housing. One of the areas that I am going to attach an enormous amount of priority to is further shared equity and further home buy, and that means we can get people out of social housing or out of the private rental sector and into home ownership and we need to bring up the percentage of home ownership on the Island. That applies exactly to the type of people Senator Ferguson is referring to, those people who were born here and those people who are qualified residentially but who cannot raise a mortgage beyond £200,000 or £220,000. I would like to see a gateway scheme, and I have to work with the Minister for Treasury and the Minister for Planning, to provide shared equity accommodation for flats, which is not available at the moment, and shared equity for houses. I do not see any reason why we cannot provide shared equity, where the States, through the housing association or whatever, cannot provide a shared equity flat for a figure in the region - ballpark figures at the moment - of £180,000 to £220,000 and, as we have already done, houses up to £250,000. That has got to be an achievable aim. Just remember that we have done the home buy model 46 times at La Providence in the most difficult market conditions last year when there was a huge global credit crunch, no credit available, a kind of meltdown in the international global markets, and we managed to get 46 mortgages for first time buyers. We have done 120-odd shared equity models across our estate where we sold a house to the sitting tenant. So we know what we are doing and what we need to do is exactly the point you have made, that we need to get people out of private rental and out of social rental and become home owners, and that is a big priority for me.

**Senator S.C. Ferguson:**

I am sorry, we have run over slightly. Is that all right?

**The Minister for Housing:**

My next meeting will have to wait.

**Senator S.C. Ferguson:**

That is kind. Thank you. It is very quick. We have already discussed the fact that you are trying not to undertake anything that is not a core activity so, apart from taking the main Housing Department into a trading organisation, is there anything else where you can move towards a private-public partnership?

**The Minister for Housing:**

There are one or 2 areas. We do have a number of interesting sites and estates across the Island, and I will give you one specific example. At the bottom of Green Street we have the La Collette flats complex. We have got one high rise, which you will know of, which we are about to spend a lot of money on, and we have a series of low rise which is down near the waterfront. All of those buildings are what are called B.L.I.s, they are all buildings of local interest because they were built in the late 1960s and they represent a time and a period of architecture in Jersey and they should perhaps be preserved. I do not agree. I am going to keep the high rise. I am going to put a strong case to the Minister for the Planning and rehabilitate that building but that we should be allowed to demolish at some time the low rises rather than rehabilitate them and then in the place of that large site we have done a feasibility study where we can perhaps put another 90 to 100 units of accommodation on that site. So that is the kind of thing we would like to do in a public-private partnership. Some of those new units, were it to go ahead and be approved, would be for us and some would be to be sold.

**Senator S.C. Ferguson:**

What obstacles do you see in achieving the overall process?

**The Minister for Housing:**

As I said to the Bailiff 2 weeks ago, how long have I got? Any delivery of a 10 per cent cut is not going to be easy right across the board but if we move towards the new structures we are talking about I think we will be able to achieve some of them. It will be difficult and I intend to work as a Minister, in collaboration with my other colleagues, in achieving that 10 per cent. The timescale that the Minister for Treasury has given for this in my view is difficult but we will do the very best we can to achieve our 10 per cent. I am not quite sure whether other departments will be able to do it but we feel that if we are given sufficient time we can get that type of saving structure but it will not be easy.

**Senator S.C. Ferguson:**

There are 2 viewpoints we are getting. There are the ones who are doing 2 per cent as a sort of holding measure and then looking at the 3 and 5 and those who are looking at the 10 per cent and then allocating the 2, 3 and 5. So where do you put yourself?

**The Minister for Housing:**

I put myself in clearly having achieved the 2 per cent and regarding the rest as a challenge but not impossible. That is where I see it. Some of my colleagues are struggling with the 2 per cent and that is their problem, to be honest, although it is a collective problem. As to whether some departments that do not have income streams

can achieve 10 per cent savings - some of the bigger departments should be able to achieve somewhere between 2 and 10 - I do not know. It really has to be led politically. The political responsibility must direct a department along the lines that he or she wishes. I think all politicians in positions of responsibility have got to lead and sometimes that leadership involves taking what I regard as calculated risks but that is what we have to do. We are elected to make decisions. We are not elected to make easy decisions, we are also elected to make difficult decisions. Some of the changes I want to make within the stock of social housing are going to be extremely difficult and extremely challenging but I can only see that it will produce a different and a better housing operation.

**Senator S.C. Ferguson:**

Excellent. I am sorry, this probably does not apply to you but it may apply to your officers: how does this spending review differ to the one that was produced in 2005?

**The Minister for Housing:**

You are right, Senator Ferguson. I will let them answer that.

[15:15]

**Chief Officer, Housing Department:**

I have got a very bad memory so I cannot really remember that far back. **[Laughter]** I think we have got to be wary of the fact that those savings, the change programmes that went on, it is not a critique of it but we brought together operations under a generic heading. I think that it is what I was discussing with you just then about maintenance is you do not necessarily deliver savings by bringing them under a generic heading. So I think this is different. What I would say is from the Housing Department's point of view we have been asked to find 10 per cent, we will find 10 per cent, no ifs, no buts. That was the task we were set.

**Senator S.C. Ferguson:**

Super. Thank you very much indeed, Minister, and gentlemen.

**The Minister for Housing:**

Thank you, Senator. Thank you, Deputy.

**Senator S.C. Ferguson:**

I am sorry, was there anything else?

**Deputy T.A. Vallois:**

No.

**Senator S.C. Ferguson:**

Thank you very much. I am sorry we have run over. I apologise. You were talking too much, Minister.

**The Minister for Housing:**

Was I? **[Laughter]**

[15:16]