

STATES OF JERSEY
Public Accounts Committee
Public Hearing

TUESDAY, 11th JANUARY 2011

Panel:

Senator B.E. Shenton (Chairman)
Connétable J.M. Refault of St. Peter (Vice Chairman)
Senator A. Breckon
Mr. A. Fearn
Mr. C. Swinson
Mr. K. Keen

Witness:

Mr. I. Gallichan (Chief Officer, Housing Department)

In Attendance:

Ms. M. Pardoe (Scrutiny Officer)

[13:00]

Senator B.E. Shenton (Chairman):

Right. Ian, if I could ask you to introduce yourself for the purposes of the tape, and then we will work our way round the table so that you know who everyone is round the table.

Chief Officer:

Yes. Ian Gallichan, Chief Officer, Housing.

Ms. M. Pardoe:

Mel Pardoe, Scrutiny Officer.

Senator A. Breckon:

Senator Alan Breckon, a member of Public Accounts Committee.

Connétable J.M. Refault of St. Peter:

Constable John Refault, Vice Chairman of the Public Accounts Committee.

Senator B.E. Shenton:

Senator Ben Shenton, Chairman of the Public Accounts Committee.

Mr. C. Swinson:

Chris Swinson, Comptroller and Auditor General.

Mr. K. Keen:

Kevin Keen, independent member of the P.A.C. (Public Accounts Committee).

Mr. A. Fearn:

Alex Fearn, independent member, P.A.C.

Senator B.E. Shenton:

I just have to read you a little bit of housekeeping: the proceedings of the panel are covered by parliamentary privilege through Article 34 of the States of Jersey Law 2005 and the States of Jersey (Powers, Privileges and Immunity of Scrutiny Panels, P.A.C. and P.P.C. (Privileges and Procedures Committee)) (Jersey) Regulations 2006 and witnesses are protected from being sued or prosecuted for anything said during hearings, unless they say something they know to be untrue. This protection is given to witnesses to ensure that they can speak freely and openly to the panel when giving

evidence without fear of legal action, although the immunity should obviously not be abused by making unsubstantiated statements about third parties who have no right to reply. The panel would like you to bear this in mind when answering a question. This is the last public hearing of this session of the review. We saw Mr. Oberk(?) from the Law Department yesterday and Andy Skate and Peter Thorne from Planning. You will have just passed Mr. Flowers from Property Holdings. The Committee decided to carry out these initial hearings but then digest what we hear, and there may be further hearings in due course with other individuals or interested parties. A very simple question to start: which department, ultimately, is responsible for Homebuyer?

Chief Officer:

The Homebuyer proposition was taken to the States by the Minister for Planning and Environment on the ability to create Homebuyer on the remaining H2 sites. It could not have been done without the whole proposition coming to the House, asking for amendment to policy H1. So in terms of the scheme, we would say that the Minister for Planning and Environment and his department were responsible for developing the Homebuyer concept and Housing helped implement the Homebuyer scheme. Initially we were going to be setting up the Gateway, et cetera, and then latterly we became the not-for-profit body.

Senator B.E. Shenton:

Right. The reason I ask that question is because you are the fourth person that we have had into the hearing, and on the other 3 hearings, when we have asked questions, everyone has come up at some point or another: "Well, that is not my area, it does not cover me." So that is why I ask you who is responsible, overarching, for the whole of

every aspect of the Homebuyer scheme. Are you saying that no one is responsible, because Housing is responsible for some parts and Planning for others?

Chief Officer:

No, I am not saying that. What I am saying is that the legal framework for introducing Homebuyer was only possible by a report and proposition to the States asking for an amendment to policy H1 of the planning. Without that, the designation on the H2 sites could not have been changed. There is no request from the Housing Department to the Minister for Planning and Environment to change the designation on the H2 sites.

Senator B.E. Shenton:

Who was the main driver, then, of the initial proposition, was it the Minister for Housing or the Minister for Planning and Environment?

Chief Officer:

No. My understanding was that this was a manifest, a commitment from the Minister for Planning and Environment.

Senator B.E. Shenton:

Was there a personal manifesto commitment or was it a States policy?

Chief Officer:

It was personal. Yes. He said in Hansard - there is a quote in Hansard in the debate - that he had had more enquiries about shared equity, as he called it then, than any other subject. It was something that was dear to his heart and he wished to trial the scheme.

Senator B.E. Shenton:

All right. Another general question: what lessons has your department learned from the trial at La Providence?

Chief Officer:

I think we have learned a huge number of things, in terms of process. I think we have learned a lot of issues regarding the development of policy. When you are looking at the Island Plan this is a huge document. It is a document that has a 10-year life span and clearly if you are going to change that or aspects of that Island Plan, then you clearly need to do it very carefully. The other things that we have learned is that, of course, Homebuy, despite some of the coverage, has been very successful in providing 46 homes for people who would not have been able to purchase them, but it has also highlighted the complexities in the law when you amend such a policy as Policy H1. I do not think it has been reported (it is something I hope we can discuss today) is the amendment of Policy H1 of the Island Plan that gave the Minister additional powers. Legally those were the only additional powers that he required to consider the Homebuy scheme on the remaining H2 sites. He did not need any legal authority to agree the scheme with the States; that was given to him in that amendment in the approval of it. That was the advice of the Solicitor General.

The Connétable of St. Peter:

Ian, we just need to understand it. Can you give us an example of what additional powers it gave him by the H1 Policy to H2 sites?

Chief Officer:

Yes. The original policy was the re-zoning of the 45-55. When you are looking at the 45 per cent on a re-zoned site that was designated as social rented housing, the amendment to the policy allowed the Minister to consider changing the 45 per cent of the social rented to social rented, Homebuy or a mixture. That was probably, in addition to the planning obligation agreement, one of the most significant events of this whole project.

The Connétable of St. Peter:

Thank you. Can you take us a little bit further down the road of the planning obligation agreement? Obviously I thought they were quite interesting yesterday. Can you give us your views on this, the planning guidance, planning obligation agreement?

Chief Officer:

Well, on this site there was a planning permit which mentioned the Homebuy scheme. There was an initial planning obligation agreement which mentioned social housing and the Homebuy scheme. There was, obviously, the report and proposition which gave the Minister the powers to adjust the 45 per cent, and then there was the final planning obligation agreement entered into by the parties and signed before any of the properties are bought and sold. The advice from the Solicitor General was that the planning obligation agreement once signed becomes a statutory document. It is

registered in the Public Registry and in those terms the Public Registry is quite rightly seen to be sacrosanct. It details the usage and the ownership of land and once that planning obligation agreement had been signed the designation on this site changed.

Senator B.E. Shenton:

You mention the advice of the Solicitor General. The Solicitor General also advised that it would be better to enact the scheme through legislation and also advised that on the planning obligation agreement that no properties should be sold by the developer until it had been formally agreed and lodged, and yet properties were sold by the developer.

Chief Officer:

Right. In terms of the legislation - and I think this is really, really important - you do not need any new legislation to introduce a deferred Homebuy scheme in Jersey. She was not referring to introducing legislation in respect of a Homebuy deferred payment scheme.

Senator B.E. Shenton:

No, she said you cannot have a shared equity scheme under current Jersey law.

Chief Officer:

It would be very difficult for a lender to secure a charge against the shared ownership, but she was not actually referring, I do not think, to that either. I think she was referring to quite a technical point about human rights. I think it was Protocol 1 where she was talking about compelling a developer to sell property to a not for profit

body such as the States. But I do reiterate this point: planning obligation agreement once signed, once registered changed the designation of this site. It was no longer a States rental 45 per cent ...

Senator B.E. Shenton:

But going back to the fact that a planning obligation ... the recommendation of the S.G. (Solicitor General) was that no properties should be sold by the developer prior to the Homebuy properties being sold, why was that not adhered to?

Chief Officer:

I do not know. My understanding was that the final planning obligation agreement amended that. I do not know that answer as to why that was amended.

The Connétable of St. Peter:

Is there not a conflict there, Ian? On the one hand you were just telling us earlier on an obligation that once signed goes into the Public Registry and cannot be changed, and you just said now it was changed later on.

Chief Officer:

No, no, sorry, that final planning obligation agreement amended the previous one, which said that no properties could be sold until the 45 per cent, whatever it was going to be, had been dealt with. Why some properties were sold I honestly cannot answer. That is not something that would have come through the Housing Department.

Senator B.E. Shenton:

Because, as you are aware, you can actually alter a planning obligation agreement.

Senator A. Breckon:

Can I just make a point on that, Ian? You said about change from social rental to Homebuy. We were told yesterday the evidence came from Housing to Planning that there was no requirement for any more social rental of that type. Can you tell us where the evidence for that came from?

Chief Officer:

Yes, certainly. I mean, I do keep hearing that the Minister for Housing said we did not need any more social rented housing. I do not recall him saying that. If he did say that, he certainly did not have that comment from us that we did not require any more. What we were saying is that the Island Plan 2002 had delivered very successfully on States rental homes, and when you looked at our States rental waiting list the demand for 3 beds was the lowest, frankly, we have recorded for a very long time. But really important to this is the States rental waiting list is one aspect of the advice that is given to the Minister for Planning and Environment and obviously considered by the Minister for Housing. The Housing Needs Survey, which was conducted by the Stats Unit and was independent, had assessed that the overall demand for opportunities to buy was the greatest or the highest that had been seen for many, many years. That Housing Needs Survey had also said I think it was out of 1,655 people who had said they were going to leave the Island in the next 5 years, 40(?) per cent of them were saying it was because: "We could not purchase homes. We wanted to purchase homes and we could not purchase them." So it was one

aspect of the evidence, the Housing rental waiting list. These are real people; they exist; you can meet them. But the Housing Needs Survey was the independent document which informed on the proposition.

Senator A. Breckon:

Was affordability not also an issue? It said that for most of the people who had an aspiration to own homes because of the multiplier effect it was not achievable.

Chief Officer:

Absolutely. Many of us will remember the first-time buyer opportunities under the States loan scheme, and very good that was, too. But the first-time buyer had gone up to approximately £400,000 at that stage and, frankly, that was out of the reach of people on moderate incomes.

Senator B.E. Shenton:

Could you just describe the Gateway scheme and how that operated?

Chief Officer:

Yes. The Gateway was very much designed, and this was our primary objective initially, to target this intermediate group, middle group, of folk in Jersey who were earning too much to join our States rental waiting list but not earning enough to be able to purchase in their own right. So we went about setting up a gateway. We needed them to be means tested, otherwise it was quite possible that these homes would be sold to people who, frankly, could have afforded to purchase in the open market. So we set about it. This was for 3 beds and obviously this was the only

product on offer at that time. We set up a gateway; we invited applications; people supplied an application form. We limited it to first time buyers; we limited it to people who had a dependent child; we limited it to people who had an income in the region of £40,000 to £60,000 per annum. As I say, £40,000 is the upper limit for acceptance on the States rental waiting list. So there were opportunities for people to rent below that figure. We also set about asking for documentary evidence, proof of identity, birth certificates were necessary, proof of earnings for the last 3 years, final proof of earnings, et cetera, and people were assessed on that basis.

Senator B.E. Shenton:

When you say ... I think one of the restrictions was they could not have owned property before.

Chief Officer:

No, that was ... they were allowed to own flying freehold or share transfer.

Senator B.E. Shenton:

They were not allowed to own previous properties.

Chief Officer:

Well, this criterion, which was approved by the Minister for Housing through ministerial decision, was that they were allowed to have owned previous property under flying freehold and share transfer.

[13:15]

Senator B.E. Shenton:

So they would not necessarily be first time buyers?

Chief Officer:

Well, they would not have transacted under a freehold basis. They would have had a share transfer or flying freehold opportunity.

Senator B.E. Shenton:

Some of the properties went to people without children. Under what criteria was that?

Chief Officer:

I am not aware of anybody who bought one of those properties without children. They had to meet those criteria; they had to have a dependent child and they had to demonstrate that they had a child and they were dependent upon them. So, I am not aware of anybody without any children purchasing these homes. There were a number of people who missed out because of not having children, but we thought a 3-bedroom home, it was a requirement. What it did show us was that if there is to be a Homebuy mark II is that we really want to be developing some 2-bedroom opportunities with the ability for people to extend.

Senator B.E. Shenton:

If there is a Homebuy mark II will you be offering this Homebuy mark II to people with £150,000 deposit?

Chief Officer:

Well, that is an interesting point. The vast majority of the people on the scheme had deposits, had moderate amounts of money. There were 3 individuals who had large sums. These people, who had owned flats, flats through flying freehold or share transfer, and one was a result of a marriage breakdown, when you looked at their incomes these were people who still were not able to purchase one of these properties in their own right. They would not have been able to raise the funds.

Senator B.E. Shenton:

You have just commented on marriage breakdown. One of the reasons that houses do get transacted over here is because of marriage breakdown. The way the scheme has been set, using the ancient law, is that the States has a stake in the property and a minimum amount gets repaid to the States. So the States are guaranteed to receive 8 million, or whatever it is. Property prices have been a bit flat of late. If you had a forced seller now, that actually the value of the house went down, not only would the property owner have to lose on the percentage he owns but he would also have to pay the loss on the States' share. Could you comment on that?

Chief Officer:

Yes. Firstly, I just want to be pedantic to say that the States do not have any stake or share in ...

Senator B.E. Shenton:

Or a bond over the property.

Chief Officer:

The only reason I say that is because it has been mentioned on numerous occasions that this is a shared ownership scheme and it is not. There is no ownership retained by the States.

Senator B.E. Shenton:

No.

Chief Officer:

What we were trying to do with the bond was effectively protect the States' position that the bond had a value that would not be diminished and, hopefully, with the way that properties go on over many, many years, and there have been peaks and troughs, that eventually the bonds would be realised and the States would benefit from ... when I say "the States", this is a sum of money that was ring-fenced and would be ring-fenced for future housing projects. Why do it that way? Well, as I say, it was designed to protect the monetary sum in the bond. If somebody has to sell property, what is the difference from somebody securing a mortgage and having to pay back a bank? This is an interest-free loan. It could be an interest-free loan for 30 or 40 years. In that respect, we felt that it was appropriate that the bond should not be reduced in value. It is a second charge on the property and in the event of insolvency the charges are called in reverse order.

Senator B.E. Shenton:

So if property prices decline and the individual does become insolvent or whatever, you will invoke your rights under the bond and take the full amount due to you, is that what you are saying?

Chief Officer:

What would happen is if that situation arose then the Minister for Housing would be advised in the report and advised by us on the action that he should take or she should take.

Senator B.E. Shenton:

Right. So what you are saying is you could forgo the debt ... because it is a debt. It is a debt to the States.

Chief Officer:

The Minister could exercise his discretion. If he did, I would be writing to Mr. Swinson.

Senator B.E. Shenton:

To ask ...?

Chief Officer:

Well, I would be advising Mr. Swinson that the advice of the department was that this was a debt owed to the States and it should be redeemed and the Minister had decided to take a different view. I think under Financial Direction 2.2 I would be advised to advise the Treasurer and the Comptroller and Auditor General.

Mr. C. Swinson:

Just in the interests of clarification, I just want to make sure that Mr. Gallichan is meaning to imply there that as a matter of principle the Chief Officer would take the view that recovery of the amount under the bond was necessary in any event and, therefore, in any situation you could be in disagreement if the Minister took a different view?

Chief Officer:

Yes, I would. I mean, I suppose we can all ...

Mr. C. Swinson:

I just mean that for clarification.

Chief Officer:

Yes. I suppose we can all envisage the situation which perhaps is so remote that it is highly unlikely.

Senator B.E. Shenton:

You say it is highly unlikely ... what, you are saying it is highly unlikely property prices will go down?

Chief Officer:

No, I am saying it is highly unlikely that there will be a situation where we would recommend to the Minister that he should forgo the sum of money to be returned.

Senator B.E. Shenton:

Well, I think if a wife's husband dies or something like that, in the circumstances would we ...? The States was looking to take ... regardless of the fall in the property, they would want the full price back?

Chief Officer:

Yes, but, Chairman, is this not a mistake the States makes continually, is that, frankly, if we are going to do these sorts of things then we are going to be creating precedents all over the place and it becomes unworkable?

Senator B.E. Shenton:

But does the Minister have the power?

Chief Officer:

The Minister does have the power, yes.

Senator B.E. Shenton:

What checks and balances to prevent the Minister abusing that power?

Chief Officer:

Well, the request ... a report would have to be written by me outlining the facts with my recommendation and the Minister would make a ministerial decision. Either he would agree with those facts and agree with the decision or he would disagree with it and make an alternative decision.

Senator B.E. Shenton:

So purchasers under Homebuy basically have a geared exposure to the property market on the downside?

Chief Officer:

Don't we all?

Senator B.E. Shenton:

No, we do not, no.

Chief Officer:

We do not?

Senator B.E. Shenton:

No. If the property market falls ... if you look at the amount they put in, if the property market falls by 11 per cent they have to pay back 16 per cent because they also have to pay the loss of the States' proportion.

Chief Officer:

Okay, but you have to balance this with £180,000 interest-free loan. It was another concession that people were exempt from stamp duty. Although it has been highlighted about a number of deposits, the vast majority of deposits were around the £30-£35,000 level. We're talking about people who will have benefited, hopefully, for many, many years from this scheme.

Senator B.E. Shenton:

I work in investment management and we have just witnessed a financial crash largely on a simplistic basis caused by the fact that in America they felt that the property market could not decline. We are seeing significant falls in the property markets throughout Europe. Throughout these hearings there seems to be a general perception that property will never drop in Jersey, which is maybe historically the case. The Solicitor General in her legal advice on Homebuyer was: "I am not clear what is intended to happen if the property has decreased in value." What work did your department do to stress test for falls in the property values in Jersey?

Chief Officer:

Well, we did not.

Senator B.E. Shenton:

You did not do any work?

Chief Officer:

No, we did not do any stress testing. If you look at historic values, and I am not talking about the huge explosion in property prices in Jersey, it has been a wise investment for many, many years. Over the long term this is a good investment but people are buying these homes to live in. How many repossessions have there been in Jersey over the last 20 to 30 years? Very, very few, even through some very difficult recessions where we have seen bigger drops. First-time buyer housing, I think we need to be clear about this. First-time buyer housing has not fallen in value. Other

property classifications have dropped, but first-time buyer homes have not. We have seen an increase in the valuations of our first-time buyer homes that we are selling under P.6.

Senator B.E. Shenton:

No, what I am saying is there is no certainty that that will always be the case and was your ...?

Chief Officer:

Well, there is no certainty in life, no.

Senator B.E. Shenton:

What you are saying is although you as the Chief Officer of the department can say that the full value of the bonds should be taken by the States, there is nothing to stop the Minister, who may be susceptible to a sob story or human heart, so to speak, from foregoing the debt that is due to the States of Jersey?

Chief Officer:

I think he or she would have to have very, very strong reasons for making that decision. I think the Minister would, hopefully, listen very carefully to the advice being given by the department. We have had some sales. We had 3 sales under P.6 already where the department has redeemed the bond and an uplift in the value.

The Connétable of St. Peter:

From La Providence?

Chief Officer:

No, not from La Providence, Esplanade(?) ...

Senator B.E. Shenton:

Yes, that is where the property market has moved up. How did the Minister for Planning and Environment determine the discounts payable in respect of La Providence, that they should be around 40 per cent rather than 35 per cent?

Chief Officer:

Well, this is as a direct result of the increase in values in property prices that you saw during the period of this scheme. The benchmark price we were looking at was £260,000 for a 3-bed house. This was the value that we had achieved or prescribed to sales of 3-bedroom houses under P.6 and if you look at the £260,000 valuation price for a 3-bed, it is ... as I say, through P.6, it was in the report and proposition and it was based on the value of a first-time buy house being £400,000. The position we found ourselves in, of course, was with the increase in prices and, having conducted a valuation ... and, incidentally, it has been said that we did not bother valuing these homes, but we did. A chartered valuer surveyor ... They had gone up to an average of £446,000. The dilemma we had was that if we had stuck to the 35 per cent then the affordability of these homes was hugely affected and those on our Gateway who had been assessed as able to purchase would not have been able to purchase them. You are looking at values of about £300,000. Now, following the valuation of these homes, meetings were held with Planning and discussed. There was a meeting held on 4th February in 2009 at which the Minister for Planning and Environment, the

Minister for Housing and members of Dandara were present in which it was made plain to them that 35 per cent was not going to be achievable because it put it out of the reach of people who were qualifying through the Gateway.

Senator A. Breckon:

Made plain by whom, Ian?

Chief Officer:

Well, by us in terms of the valuations coming back and that 35 per cent would have made them £300,000, which pushed them beyond the limit of the people who had come through the Gateway. It was decided at that meeting ... it was accepted that the deferred payment would need to increase. The Housing Officer was not at that meeting, it was a Planning officer, and a note was made of that meeting and sent to him. It was at that time that Dandara were saying that they would increase it to 42 per cent but they wanted to keep 7 per cent as an additional charge which would be interest bearing. That was totally unacceptable to us and the figure was £260,000 and it very much was a “take it or leave it”. Now, you are asking me about the 42 per cent. Absolutely when you look at this process what should have happened, I think, was that the Minister for Planning and Environment should have issued a ministerial decision increasing it from 35 per cent to 42 per cent. I do agree with that, there is no point in denying that, but had it not gone to 42 these homes would have become unaffordable. The other technical point here, and this is where the Solicitor General advised us in detail and we met on a number of occasions, is the £260,000 price was one that needed to be fair and affordable to the people who were purchasing these

homes, and she spent some considerable time talking about adequate compensation for the developer.

[13:30]

Now, we have heard, as I say, that these homes could have been bought for social rental value, and I say again the planning obligation agreement changed that designation. It was no longer possible to purchase them for social rented housing.

Senator B.E. Shenton:

Who negotiated the £260,000?

Chief Officer:

I do not think it was negotiated, it was in terms of I have heard comments that we negotiated with Dandara. We did not negotiate with Dandara; we did not sit there with a blank piece of paper and say: “Well, look, here we are, we have a house of this value,” et cetera. We had to value these homes in accordance with the advice that we were getting. What the planning obligation agreement did, effectively, was make all of these homes on that site first-time buyer homes.

Senator B.E. Shenton:

So where did the figure £260,000 come from?

Chief Officer:

£260,000 came from the affordability that we came to in terms of P.6, our own 3-bedroom home sales. It came from the £40,000 to £60,000 bracket, the lending multiples that were being given by the bank.

Senator B.E. Shenton:

So is this a figure you came up with and approached the developer with or was this the figure the developer came up with?

Chief Officer:

No, the developer did not come up with this figure, we came up with what we thought was a benchmark figure. We were trying to establish a benchmark figure for a 3-bedroom house.

Senator B.E. Shenton:

So who conveyed this figure to the developer?

Chief Officer:

Three bedroom house ... well, we would have done because they ...

Senator B.E. Shenton:

Is this documented?

Chief Officer:

Yes. They wanted the ... they accepted that the 35 per cent had to change. They wanted another 7 per cent as a charge, interest bearing, and that is when we said that the 260 was the figure that, frankly, made it affordable.

Senator B.E. Shenton:

So there were ...

Chief Officer:

Hold on, but it was the figure that was mentioned in the report and proposition, it was the figure that we used in P.6, and it was the figure that we used through the Gateway.

Senator B.E. Shenton:

How did you come to the figure of 260?

Chief Officer:

Well, I have just said, the 260 figure was a figure that we put together in terms of affordability. The Housing Needs Survey was talking about a quarter of a million pounds people were looking to borrow. It was done on multiples of income which stretched from 4.3 to 6, and we know that that was the affordable level on our P.6 sales because we had sold 130 of 140 - not all of them were 3 beds - on our P.6 sales, and obviously we have sold these homes for £260,000, 46 of them at Goose Green. Now, you have to start somewhere. When people talk about valuation, you have to start at the first-time buyer valuation and work back. You cannot merely ascribe the value ...

Senator B.E. Shenton:

The first-time buyer valuation would have been ...?

Chief Officer:

446.

Senator B.E. Shenton:

You mentioned that the discount was increased because of the affordability aspect.

Run me through then the affordability of the buyer that put down a £150,000 deposit.

Why could they not afford a 35 per cent discount? Why could they not have a home at a 35 per cent discount?

Chief Officer:

If they had had a home at a 35 per cent discount, everybody would have had a home at a 35 per cent discount. Then we would have been paying ...

Senator B.E. Shenton:

But the discounts were not the same for all the houses?

Chief Officer:

Yes, they were.

Senator B.E. Shenton:

No, they are not.

Chief Officer:

No, sorry, the £260,000 is the price that was paid for every single home.

Senator A. Breckon:

No, wrong. That is wrong. The prices vary.

Senator B.E. Shenton:

The discounts vary as well.

Senator A. Breckon:

The discounts vary.

Chief Officer:

Well, sorry, the average, I do apologise. The average, because some of the houses were £435,000 and some of them were up to £465,000. So, yes, you are right, I apologise, the average was £260,000. Some paid less, some paid more, but the discount ascribed to them was the same.

Senator B.E. Shenton:

Between 40 and 42.

Chief Officer:

Yes.

Senator B.E. Shenton:

41, 42, 43, 44. So, this individual had a £150,000 deposit. In the end they took out an easily affordable mortgage. So why ...

Chief Officer:

But they had a very small income.

Senator B.E. Shenton:

No, because if they had an income as small as you suggest they wouldn't have complied with the Gateway of the minimum of £40,000 income.

Chief Officer:

Well, then they must have lied on their form because they had a very small income. I say £40,000 joint income is a small income.

Senator B.E. Shenton:

Yes, but they have a ... with a £150,000 deposit you only need a £110,000 mortgage. Four times 40 is a lot more than 110, is it not?

Chief Officer:

Well, the bank would decide how much money they are going to lend these people. What you are saying is that effectively we would have paid more to Dandara for these homes.

Senator B.E. Shenton:

No, I was just wondering how you did the math. You know, here we have an individual that ...

Senator A. Breckon:

Who decides then ... if you have a Gateway scheme, is this on paper anywhere?

Because we have never seen it.

Chief Officer:

Yes, it is.

Senator A. Breckon:

How is that signed off to say this is Gateway, this is the policy? Who signed that off?

Chief Officer:

The Minister.

Senator A. Breckon:

Was that a ministerial decision or ...?

Chief Officer:

Yes.

Senator A. Breckon:

Where is that then, because we have never seen that?

Chief Officer:

Right, I can let you have that.

Senator A. Breckon:

Yes, okay. The other thing is with the purchase terms you seem to have some discretion here about people's circumstances, so where is the framework for the actual purchase terms?

Chief Officer:

The framework is to do with the income. We try to be, obviously, flexible because you will always be faced with positions where there are unique circumstances. We did not want to get bogged down in deposits because obviously the more money people put into their homes it was better for them. What we did look at was the affordability and although somebody had a larger deposit, yes, I think this particular one was from either a marriage settlement or ... I think it was. That made that house affordable for them on their income.

Senator A. Breckon:

Was there any capital declaration in the Gateway?

Chief Officer:

Yes.

Senator A. Breckon:

There was?

Chief Officer:

Yes.

Senator A. Breckon:

So you would know if somebody had a flat or whatever?

Chief Officer:

Oh, yes, yes, we do.

Senator A. Breckon:

Can I ask you then, of course, the sentiment of P.74 was that we were going to put people in these houses who could not normally afford to be there. It was things like: "To qualify as eligible for Jersey Homebuy housing, purchasers will need to satisfy the Minister for Housing that they genuinely cannot compete to purchase in the open first-time buyer market." You have also said twice 46 homes for people who would not be able to purchase.

Chief Officer:

Yes.

Senator A. Breckon:

You also said: "... could have afforded to buy in the open market." By the insinuation of what you said you are saying that the people we have helped now ... when we have looked at the figures there is probably 30 of the 46 who paid 5 or 10

per cent deposit who might be in that category, but when you get over that 11 of those 46 who purchased put a deposit down of £44,000 or more, 44, 46, 2 paid 55, 57, 75, 95,000, 106, 115 - there was 2 - and there was one who paid 150. Now, that is virtually 20 per cent of the people who have purchased.

Chief Officer:

Yes.

Senator A. Breckon:

Now, in your opinion, are those people who satisfied the Minister, who could not compete to purchase in the open first-time buyer market or any housing market, indeed, with that sort of deposit?

Chief Officer:

Yes. Well, I think you have to look at the employment and the income from these people.

Senator A. Breckon:

Where does that say that in Gateway? What have you got to safeguard that we have not set up a public sector scheme that has given these people the benefit that we cannot dream of giving to other people?

Chief Officer:

The basis for this was looking at the income. We were quite specific in terms of being very careful with the deposit. One thing about the deposit is if you start saying

that you are going to put a limit on deposits, frankly, what tends to happen is the maximum sum of money that people will find that they have got is £40,000 if that was the limit you were putting on it. I always remember the former Bailiff, Sir Peter Crill, when he was talking about price control in the old 80s in Jersey. He said it was a bad law that made people do bad things. What worries me is how far do you go in a criteria, the criteria that you set? Do you have bells and whistles, singing and dancing? How far do officers with limited resources go to check that people ... you know, what if somebody had a £100,000 car sitting in their driveway? Maybe they had a £50,000 car; maybe they had a £50,000 painting. Where does it end? What we were saying on most people who qualified for the Gateway, could this person buy a £446,000 home on this site, a first-time buyer home, with that deposit and their income? They could not. We made that assessment.

Senator B.E. Shenton:

You said that you asked for a capital declaration on the Jersey Homebuy form.

Chief Officer:

Yes. Everybody declared their ...

Senator B.E. Shenton:

Can you just tell me where it is on the form because I cannot see it?

Chief Officer:

Not on the form, sorry, but we asked in the ... no, we did not but we have got it on everybody's application form.

Senator B.E. Shenton:

How does it ... I mean, if it is not on the application form, how does it get to your department?

Chief Officer:

We ask for the information because we ask for details of savings accounts.

Senator A. Breckon:

This is in some policy somewhere, is it, that we have not seen? There is a policy for Gateway that says somebody will declare their assets or capital ...?

Chief Officer:

We asked everybody, in terms of gathering the information, to advise us as to the size of the deposit they were putting on the property and they declared that sum of money. We did not say that we would consider that capital sum unless it pushed them outside the Gateway. So, obviously, if there was a sum of money like that and they were earning £55,000 to £60,000 a year then that would have made them ineligible.

Mr. K. Keen:

Mr. Gallichan, if they had assets that would have allowed them to more or less buy the house without a mortgage but their income was still £40,000, are you saying that you would have said: "Well, that does not matter, they can only borrow ..."

Chief Officer:

No, we would not have said that. I cannot go into the exact circumstances of the individual concerned in terms of the marriage breakdown; I have probably said enough in that respect. But there are circumstances that the officers will be dealing with that they would have made that decision and I back them on the decision that they made.

Mr. K. Keen:

Can I just ask you about ... I think in the form, which is the one that they declare and certify, that only asks for income details?

Chief Officer:

Yes, it does.

Mr. K. Keen:

If you thought that asset details were important and, therefore, you collected them for some other matter, you did not have the benefit of this declaration, did you, really?

Chief Officer:

Not the declaration but we had the information on the forms that we collected from them. I mean, okay, I take the point. My concern is that we always disregard the 90 per cent of people who, frankly, had very ... some had no or hardly any deposit, some, as you say, had 5 or 10 per cent. You want us to exercise our discretion and I think, quite rightly, the officers did and they made a decision. I do not think, having looked at it, that those people purchased a home who could have purchased that in the open market. I do not believe that.

Senator B.E. Shenton:

It is my understanding ... I mean, looking at it in extreme, some of these people could have owned properties in France or something like that, but you would not have asked them.

Chief Officer:

They could have owned a car as well.

Senator B.E. Shenton:

No, well ...

Chief Officer:

Well, they could have done.

Senator B.E. Shenton:

I understand that a few years ago when the Housing Department was selling off the social rental housing, which was where people were living in subsidised homes, rental States accommodation, is it not the case that fairly substantial deposits suddenly appeared in that case as well?

Chief Officer:

If there was any substantial deposit appearing that had not been declared to us we investigated each and every occasion that that happened.

Senator B.E. Shenton:

What happened as a result of ...?

Chief Officer:

We found no evidence of any wrongdoing.

Senator B.E. Shenton:

So substantial deposits did occur?

Chief Officer:

No, I do not think they did. I mean, off the top of my head, I honestly do not know, but, no, I cannot think of any that did. You might have had some inheritance. I mean, inheritance does happen and I think some of our tenants had an inheritance, but I honestly cannot say to you hand on heart I know that the figures for ...

Senator B.E. Shenton:

Moving forwards in a future Homebuy scheme do you intend to pay more attention to capital assets?

Chief Officer:

I think the thing we would like to do, which we were planning to do at the end of this pilot scheme we are doing now, is review the whole scheme. This was a pilot scheme. It seems sometimes in Jersey we cannot learn, we become very defensive, and really what we are looking at for this scheme is what has it told us; what have we learned; what should we change; and what should we take forward? Basically, we

think this is good scheme. As I said to you, the biggest demand we are facing at the moment in terms of Homebuy, and there is a demand, is for 2 beds.

Senator B.E. Shenton:

Do you think that perhaps if we are going to have a ... I mean, the Law Officers said that this was not a Homebuy scheme at La Providence; it was a bespoke La Providence scheme as opposed to a Homebuy scheme. David Flowers said that the only way that he could sign it off was to look at it as a property transaction rather than a Homebuy scheme. Do you think that perhaps we should tighten everything up by formalising the Homebuy through legislation?

Chief Officer:

Not through legislation, no. I do not think you need to be that draconian. No. What I think you need is supplementary planning guidance and, frankly, that was going to be delivered, I imagined, as part of the pilot. It could have been delivered before. But it is the supplementary planning guidance, I think, that can tighten up on the Homebuy scheme, certainly on the Gateway. We have had 500 applications in the last 12 months for people to join the Gateway scheme. Out of that 200 people applied and there are 86 people who have passed through the system.

[13:45]

But yes, you will have a look at the Gateway and, as I say, you learn from the experience. That is the important thing about all of this, I would hope.

Senator B.E. Shenton:

Was your department involved in discussions at any level between ... with the bank with regard to the mortgage?

Chief Officer:

We met the Jersey Bankers Association on 18th February 2009. The reason for that was that a number of people who had come back to us had said that the message they were getting from lenders was this was a shared ownership scheme and they were very reluctant to ... well, they were not reluctant, they were not going to lend on a shared ownership scheme. We met with the Jersey Bankers Association and really made a presentation and advised them about what the scheme was. They had dealt with us, of course, on the P.6 sales and it was a deferred payment scheme with the same bond, the same contract ... As a result of that, a further meeting was advised where we gave a presentation to a whole host of banks and mortgage advisers. I think that was on 7th May 2009. We advised them of the scheme, and again from that meeting it was fairly clear that there had been some confusion about whether this was shared ownership and the States were retaining a share in the properties, so that is why we did that.

Senator B.E. Shenton:

Did you talk to them about the financial consequences of a fall in the property market or insolvency?

Chief Officer:

No, not to my recollection.

Senator B.E. Shenton:

They did not ask what would happen to their charge in those circumstances?

Chief Officer:

Well, we had advice from the Solicitor General in that respect so I am not sure we would have discussed that with them in terms of their first charge because they would have the first charge on the property.

Senator A. Breckon:

Is it true to say, Ian, that their preferred partner was the States and not housing associations or trusts?

Chief Officer:

I did not get that message, Senator. I think, of course, like you say, the States counts for something and I did not have that impression from them. I certainly never heard from anybody that they would not wish one of the housing trusts to be an ...

Senator A. Breckon:

Two issues, just going back to the Gateway, you will be able to supply us with some information about what this policy is and when it was signed, by whom and the date?

Chief Officer:

Certainly, yes.

Senator A. Breckon:

The other thing is the Minister for Planning and Environment. You mentioned a meeting of 4th February and in the proposition that went to the States in reference to the Minister for Planning and Environment it said this: "You will also give direction as to the level of discount to be provided for the Jersey Homebuy housing. Initially the discount is to be set at 35 per cent of the first-time buyer price." Can you provide us with any documentary evidence of where this took place, where the Minister for Planning and Environment agreed to the change?

Chief Officer:

I cannot provide you with the ministerial decision and I said to you ... I think I said to the Chairman ...

Senator A. Breckon:

You can?

Chief Officer:

No, I cannot. I said to the Chairman there should have been, in my view, a ministerial decision.

Senator A. Breckon:

So who actually, if the Minister for Planning and Environment did not take the decision?

Chief Officer:

Well, he did take it. Well, in our view, he ...

Senator A. Breckon:

Well, he could not have if there is not a ministerial decision. He could not have taken it because he would have to do it by ministerial decision, and you are saying there was not one. So who actually made the decision to increase the discount from 35 per cent to 40-odd per cent?

Chief Officer:

Well, when you say he did not make the decision, I think you are right in terms of there was no ministerial decision. So there is a formal decision process which, now looking back on it, of course, as I say ...

Senator A. Breckon:

It did not take place.

Chief Officer:

... it should have taken place and it did not. In terms of the discussions that took place with the Minister for Planning and Environment and the valuation issue, those meetings did take place.

Senator A. Breckon:

Was that with officers present as well, was it?

Chief Officer:

Yes. Well, I was not at the 4th February meeting but there was a planning officer present, and it was as a result of that meeting that the additional 7 per cent came about because it had to go up to about 42 per cent. In terms of who made the decision, well, I suppose Housing went ahead and said that the ...

Senator A. Breckon:

Not “supposing”; who made the decision?

Senator B.E. Shenton:

I should point out that Planning yesterday said that they had no ...

Senator A. Breckon:

Planning had no input to the ...

Senator B.E. Shenton:

They had no input.

Chief Officer:

Well, then they clearly do not remember the meeting of 4th February.

Senator A. Breckon:

That was the 2 senior officers from Planning ...

Chief Officer:

Yes, and I have to say that there were meetings that took place between Housing, Planning, with the Ministers present, the Solicitor General present. We certainly did discuss the issue of the valuation being £446,000 and not the 400 ...

Senator A. Breckon:

Where did the valuation come from?

Chief Officer:

The valuation came from Reynolds.

Senator A. Breckon:

There was just one valuation?

Chief Officer:

There was one valuation, yes.

Senator A. Breckon:

Was that challenged by anybody or was it accepted?

Chief Officer:

Yes.

Senator A. Breckon:

It was accepted on one valuation?

Chief Officer:

Yes.

Senator A. Breckon:

What was contained in P.74 about valuations, about a possible second or third valuation? Is that what the States ... about the Minister for Housing having discretion on price?

Chief Officer:

I do not recall that. We said or we agreed ... I think it was part of the working party ... the result of the working party or the scrutiny sub-panel where we sent the valuation process and how they would be valued and it was ... forgive me, I think it was either the working party or the sub-panel that said ... signed off I think it was valuation process number 2, which agreed that it needed to be a chartered valuer.

Senator A. Breckon:

You mentioned ... sorry.

Mr. C. Swinson:

Just to assist, Mr. Gallichan, it was the working party and you are absolutely right that it was option 2 that they went for. I am just seeking the minutes here to remind myself. I just thought it was helpful to confirm your memory of that time. Sorry, Senator.

Chief Officer:

Thank you.

Senator A. Breckon:

You mentioned the Statistics Unit before. Are you aware that when the discount increased, in other words the price held, the discount increased, their analysis of the market at the time was that prices had dropped by 5 per cent? Were you aware of that?

Chief Officer:

Yes, I am aware of that but that refers not to first-time buyer properties, that refers to mix adjusted and it refers to 3-bedroom homes. And this is one of the ... I think criticisms or observations that is made about the house price index is that you are talking about a house that goes from £500,000 to ... I think the highest one in that session was £1.4 million. Those house prices had dropped. First-time buyer prices had not dropped. We had not seen a reduction in the first-time buyer prices, well, for our properties, and it was the Director of the States went back to Reynolds and spoke to them about the valuation and at the end of the day he was satisfied that that valuation stood.

Senator A. Breckon:

I wonder if you could share with us the fact that the inference was that people were clamouring for these properties, there were 69 applications for 46 properties, lots were drawn and the inference was that we would buy them one day, sell them within the hour and it is virtually the toss of a coin. Can you tell me why it took 6 months to sell the last one?

Chief Officer:

I do not. I did not know it was 6 months.

Senator A. Breckon:

Yes. Just to give you some idea, on 17th July there were 11, 24th there were 15 and 31st there were 7. After that it was dribs and drabs and there was one sold on 29th January 2010.

Chief Officer:

That was the last one, yes.

Senator A. Breckon:

So from first to last there were 6 months and the impression was that everybody was ready to go, they had money, you had more applicants than property, so why did this take 6 months? There was quite a few in October, November and December, which is some time ...

Chief Officer:

I cannot recall if the entire site was ready at the same time. I know we ... I think it was 14 that we sold, bought and sold initially. Some people would have dropped out. There was an issue with the drainage rights. I cannot remember if that was resolved prior to that. Well, of course, we had hit quite a difficult time in terms of the lending criteria of banks.

Senator A. Breckon:

So it was not quite as straightforward as the States were told, that there were people wanting to get in by Christmas? Most of them did but not everybody.

Chief Officer:

Well, of course, initially when the scheme kicked off, people might have shot their dog to buy a house. It was 2007-2008 and the aspiration to purchase a house was phenomenal. But life has turned around and what we have seen is the demand is still there, the same demand is there, it is a shift in tenure.

Senator A. Breckon:

Do you have a Homebuy scheme that you can hold up and would translate to other properties, because that was the idea of ...? Because if we raise people's expectations that they can do this then, okay, we have done okay by some people but what do we do to the others, in your professional opinion, with regard to Homebuy?

Chief Officer:

I think you are absolutely right; we have raised expectations hugely that people would benefit from the scheme. I think what we really, really need to do is to develop a 2-bed product which people are able to perhaps extend into the roof space, et cetera, and bring the price down for ... there are a lot of people who do not have children who want to get on to the property ladder. There are some with one child, et cetera. So we think there is a range of products that could be used through Homebuy.

Senator A. Breckon:

Would you say you have a robust Gateway and purchase terms that will stand a test against that?

Chief Officer:

Yes, I think we do. Like anything in life, I think we have to look at it and we are looking at it and we are more than happy to mend it where appropriate. But, yes, we do think ... we have started this project and I think it can be successful, yes.

Mr. K. Keen:

Mr. Gallichan, can I ask, did you get a report ... one of the criticisms of rent subsidies was that their ultimate impact was just to drive rents up. Did you receive any economic advice about the impact of this scheme on house prices generally because I guess you would say that everybody would like a cheaper house and I struggle to understand how this is achieved. Either the other people are paying more for their houses or the developers are making too much money, or what? What economic advice do you have about the impact on the house prices generally?

Chief Officer:

Right. The discussions we had is that the number of first-time buyers in the market ... sorry, the first-time buyers designated properties in the market is very, very small. As a consequence of that, there is very little difference between a first-time buyer home and an open market home. So the idea was (and this is going back, as I say, to 2007-2008) was that by significantly expanding the Homebuy opportunities whereby you are creating a product to give people an opportunity to get on to the property ladder, and then when that property is subsequently sold it is deemed to be a first-time buy in

perpetuity and it joins the first-time buyer market. So the effect eventually was that had we been able to create significant numbers of Homebuy homes (and this is at a time, as I say, when people were aspiring to own a home and there were enormous numbers) is that you would swell the number of first-time buyer properties. If you swell the first-time buyer properties you will have an effect on the market. But 46 homes did not affect the market, it was just too small.

Mr. K. Keen:

But I suppose on the basis that it can be fair to others you would want a scheme that would suit as many first-time buyers that could not acquire a house in any other way. I just wonder what the consequences of that are for prices generally.

Chief Officer:

But what you were trying to do was to deliver a greater number of this product into the market over a period of time. So what I am saying is you start off with Homebuy, which is a first-time buyer property, and that subsequently drops into the first-time buyer market. The more first-time buyer houses you put into the market will ultimately affect price.

Mr. K. Keen:

Building more houses would be the answer, would it not, I guess?

Chief Officer:

Yes.

Mr. K. Keen:

Can I ask, when you talked about the £260,000 and negotiations about, you know, it is 260, take it or leave it, can you tell me who was present at that meeting?

Chief Officer:

I do not think it was a meeting that said we take it or leave it. I think the really important thing about the 260 is that we were developing a price that was fair and reasonable to the people purchasing.

Mr. K. Keen:

Understood.

Chief Officer:

But the Solicitor General had said that you have to have a price which is ...

Mr. K. Keen:

I understand the mechanics of that. What I am trying to understand is when the final agreement with the developer, with the vendor was agreed, for example, was Mr. Flowers involved in giving that advice that that was a fair price to pay or somebody from Property Holdings?

Chief Officer:

No, I suppose you could say the final negotiation is that a letter from Housing, subject to contracts, subject to ministerial decision, et cetera, et cetera, was sent that we would be prepared to pay £260,000 on average for these properties.

Mr. K. Keen:

That was the final part of the negotiation?

Chief Officer:

Yes. But I do think that ... I know you say you appreciate that, but there is that big issue about adequate compensation.

[14:00]

We sometimes believe that the States make a decision and the departments implement it and these people sort of on the periphery called “the public” have no say. They do, they interpret the legislation or, sorry, the States decision, and they have ... they are developers and they have lawyers, too. When the decision was made to change the designation on this site, or rather, when the decision was made by the States to give the Minister for Planning and Environment specific powers on these H2 sites, and the planning obligation was changed, it changed the whole valuation mechanism for these properties.

Mr. K. Keen:

Could I just have one more, just a final thing? If one of these properties was sold tomorrow or the day after, what would happen to the amount of money that was released, 35 per cent of the value, where would it go?

Chief Officer:

It would have to go back to the States Treasury where a specific fund would be created. I believe my understanding from the Treasury is you cannot create the fund until you have some money in it. A fund would be created which was ring-fenced which would have to be used for a specific project.

Mr. K. Keen:

So the appropriate legal framework exists to accommodate that money if a property was sold tomorrow or the next day?

Chief Officer:

Absolutely, yes. Well, you would have to create the fund. The fund does not exist because there is no money in it. You were looking at me, Mr. Auditor General.

Mr. C. Swinson:

I did not know that was a crime but could you ... **[Laughter]** ... refer me to the statute? **[Laughter]**

Senator A. Breckon:

The other thing, Ian, I mentioned before about the comment that was in P.74. This is about: “The Planning Minister will give direction as to the level of discount to be provided to the Jersey Homebuy Housing. Initially the discount will be set at 35 per cent of the first-time buyer price.” On 26th April 2009 there was a statement by the Assistant Housing Minister and he said: “I have with the Housing Department’s Chief Officer Ian Gallichan agreed on average price of £260,000 each or £11.96 million for 46 houses. This represents a 42 per cent discount.” I still cannot quite grasp how this

has happened between Planning and Housing that we have no evidence of how the price and the discount was arrived at. You have mentioned a number of meetings but I think we are going to, Chairman, have to ask for some documentary evidence that shows this: who met, who decided, how this price was struck.

Chief Officer:

Right. As I say, I think the valuation mechanism was set out to the working party and the scrutiny sub-committee and we followed that valuation process. It was getting it down to £260,000. But I take your point, yes, I appreciate that.

Senator A. Breckon:

We have got no paper trail. There is nothing that says anywhere ... Planning say it was not them, you say: "Well, it was us," but there is nothing that says how that was arrived at.

Chief Officer:

Yes. I think that we, just from our point of view, were fairly fixated on the 260 in terms of having established what we thought was an affordable price and adequate compensation which protected the States from any action.

Mr. K. Keen:

Driven by a multiple of somebody's earnings as to ...?

Chief Officer:

Yes, based on a first-time buyer valuation, let us start somewhere.

Mr. A. Fearn:

Just on that, the discussions about the 260, that took place over what sort of period?

Chief Officer:

That would have taken place after the valuation was received by Housing, which would have been in the latter part of 2008.

Mr. A. Fearn:

Okay. Just thinking about my knowledge of the housing market at that time was that there was severe dislocation in financial markets and the lending criteria even for first-time buyers ... the banks stopped lending at that time. So I am sure there would have been an impact, based on the knowledge I have, on banks' ability to lend at that time.

Chief Officer:

There was, yes.

Mr. A. Fearn:

So, therefore, in my mind then there must have been an impact on the value of houses.

Chief Officer:

Okay. That is not the message we got from the valuer. But do not forget, everybody buying ... well, you will know, would have had to have a bank valuation. The other thing is that a number of the first-time buyer properties full value were being sold at

the same time and those on average were £10,000 higher than the valuation that had been given to the properties we were talking about, and those were people who goodness knows what they were borrowing for a first-time buyer full price. They also would have had valuations. We never had anybody coming back saying that the bank was unhappy with the valuation on the property.

Mr. A. Fearn:

So, just to clarify, obviously with the discount so that ... were the banks taking account of the entire value of the property rather than lending the amount on the discount ...?

Chief Officer:

Yes.

Mr. A. Fearn:

Okay. Then, sorry, if I may, one other question, thank you, Mr. Gallichan. In relation to the trial period - we heard that there was a trial period - in your opinion when did that sort of scheme end with regards to the trial period?

Chief Officer:

Well, with the last sale at La Providence. I mean, it was relating to the remaining H2 sites but, in fairness, we have a review going on and obviously I think we would all like to see what the review comes up with. We have obviously got our own review going on because I think we are all wishing to make the scheme better. So we will have to see what happens for the remaining H2 sites, but they are only very small.

Mr. A. Fearn:

Yes, that is right. Therefore, the nature of my question is one would expect if it is a trial run that there is a checkpoint that says, okay, looking for lessons learned: “What do we need to do to improve on the next scheme, if anything?” So is there anything firmly set up between your department and other departments that are going to be involved in the next schemes that will tie all this down?

Chief Officer:

Yes. We have certainly met with Planning in terms of the supplementary planning guidance. Mr. Swinson has been conducting his review and he issued his report and then obviously the Public Accounts Committee are looking at it. So it would be premature for us to finish those deliberations before obviously we have the opportunity of hearing your feedback on it.

Senator B.E. Shenton:

You will, of course, be aware that the Minister for Treasury and Resources signed off the scheme under R68 but did document that he had a number of reservations concerning the way it had been put in place. Are you looking to speak also to Treasury about their reservations on this?

Chief Officer:

Absolutely, yes. Well, in fact, we have already met.

Senator B.E. Shenton:

One of the reservations was the definition of first-time buyer. You imply that a first-time buyer may have owned property in the past.

Chief Officer:

Only share transfer and flying freehold, not ...

Senator B.E. Shenton:

Yes. Is that a definition that you intend to keep ...?

Chief Officer:

I think we will want to look at that, certainly. I am hearing the comments from this group and we will want to look at it, definitely.

The Connétable of St. Peter:

Ian, the definition you use for general first-time buyer was Homebuy or not(?), is it not?

Chief Officer:

My understanding is that it is. I was not involved in the first-time buyer schemes with the old States loans scheme; that was our housing control section which is now part of a different department.

The Connétable of St. Peter:

Would you see to bring both ... have commonality between Homebuy and first-time buyer with regard to the definition of first-time buyer?

Chief Officer:

Yes. We have to look at first-time buyer in terms of perhaps some of these sites should be all Homebuy and not a 45-55 split. So 55 per cent are classified as first-time buyers; perhaps 100 per cent should be ... or 55 per cent should be Homebuy and 45 per cent should be social rented.

Mr. K. Keen:

How would the developer fund that then if you said they were 100 per cent Homebuy?

Senator B.E. Shenton:

He would have to have 2 sites.

Chief Officer:

He would have to reduce his profit margin. **[Laughter]**

Mr. K. Keen:

If most flats are sold either on share transfer or flying freehold, are you really saying that these are really second buyer houses on the basis that if you have owned a flat then it is likely that you bought them on share transfer or flying freehold; therefore, most people think first-time buyer is first-time buyer.

Chief Officer:

First-time buyer, yes. I think this relates to transacting in the Royal Court. Flying freehold and share transfer do not.

Mr. K. Keen:

That is just a legal nicety, it is not a ...

Chief Officer:

No. I think that is why it initially came about. I cannot remember. I was not part of that first-time buyer arrangement.

Senator B.E. Shenton:

No, but you did use the term it enables people to get their foot on the property ladder. I am sort of sitting here as well ... by your definition, if you have a flat you are not on the property ladder, but there you go.

Chief Officer:

Well, there are flats and flats.

Senator A. Breckon:

There was an issue that the flats could not be sold because people were waiting for houses. So it was said that if you buy a flat it does not disqualify you from a house. That was, I think, going back a long time.

Chief Officer:

Yes. It does release a flat into the market, of course, so I suppose that is one of the ...

Senator A. Breckon:

I just had another question, Ian. I mentioned the timescale about selling the properties and 46 were sold. You probably cannot do that now but I understand there were 69 applicants. Could you give us some background detail of how many of the 46 eventual purchasers were drawn out as the 46?

Chief Officer:

I see what you mean.

Senator A. Breckon:

How many of those were picked up from the 69 and how many have finished up with a house who were not on the list to start with? You probably cannot do that now but if you could supply it. It can be anonymised; we do not want any names.

Chief Officer:

Okay, no problem. I do not think it was actually very many but I cannot give you the precise figure, but I will.

Senator A. Breckon:

Thank you.

Senator B.E. Shenton:

Well, it is 2.10 p.m. Have we got any more questions?

Senator A. Breckon:

I do not think so.

Senator B.E. Shenton:

No? Well, thank you very much for coming in.

Chief Officer:

Thank you.

[14:11]