

STATES OF JERSEY

Health, Social Services and Housing Scrutiny Panel Housing Transformation Programme Sub-Panel Meeting with Les Vaux Housing Trust

TUESDAY, 25th JULY 2012

Panel:

Deputy K.L. Moore of St. Peter (Chairman)
Deputy J.G. Reed of St. Ouen
Deputy J.M. Le Bailly of St. Mary
Senator A. Breckon
Ms. A. Davies (Panel Adviser)

Witness:

Mr. C. Marsh (Management Agent)
Mr. D. Thérèzien (Treasurer, Les Vaux Housing Trust)

Also present:

Ms. K. Tremellen-Frost (Scrutiny Officer)

[14:02]

Deputy K.L. Moore of St. Peter (Chairman):

Thank you very much for coming. We do appreciate your submissions and those submissions that you have already sent in to us as well, which have been very useful. First of all, I just have to deal with some housekeeping. I just remind the members of the public as usual that they are aware of our code of behaviour, which I am sure they are very familiar with, and we will start by introducing ourselves. I am Deputy Kristina Moore, the Chairman of this sub-panel.

Deputy J.G. Reed of St. Ouen:

I am Deputy James Reed, sub-panel member.

Deputy J.M. Le Bailly of St. Mary:

Deputy John Le Bailly, sub-panel member.

Ms. A. Davies (Panel Adviser):

Abigail Davies from the Chartered Institute of Housing.

Senator A. Breckon:

Senator Alan Breckon, panel member.

Ms. K. Tremellen-Frost:

Kay Tremellen-Frost, Scrutiny Officer.

Treasurer, Les Vaux Housing Trust:

I am Dennis Thérèzien. I am the Treasurer of Les Vaux Housing Trust, a position I have held for about 6 years now. So I do not go back to the beginning of the housing trust, but I have got the history for at least 6 years anyway.

Managing Agent:

I am Chris Marsh from Voisin Hunter. We are the managing agents for Les Vaux Trust.

The Deputy of St. Peter:

Lovely, thank you. If we could just start by setting the scene a little bit and we are interested to know what, as a trust, are your objectives for providing social housing.

Treasurer, Les Vaux Housing Trust:

The first thing is to define what is social housing because it is something that has been discussed at length among ourselves as to what is social housing and, therefore, are we purely in the business (I think that is the right way of describing it) of providing social housing or are we there to fulfil another need. When we looked at it, we felt that, as a trust, we are there to provide affordable housing to members of the public who are in need of affordable housing. So that may not fit the same definition and criteria as the States may apply to the definition of social housing. Certainly, when we look at the implications of the *White Paper*, I think we are potentially not exactly on the same page as far as the provision of social housing because we do not necessarily see it as social housing being for people who are just on income support. There are some people who require affordable housing who may not be on income support and I think that is where we potentially fit in, in that we are able to provide affordable housing to people who are on income support and some who are not on income support. We also provide housing to Les Amis, for instance, where it is affordable housing to people with disabilities who potentially, again, would not fit the social housing criteria that would be set by the States otherwise. They would not necessarily be provided with housing within the States system, but we are able to do that because our constitution is really to provide affordable housing to people in need.

The Deputy of St. Peter:

Thank you for that. While we are on the subject, we have just heard from a previous witness that they felt those who are not on income support should be able to afford to buy their own property if there was affordable housing available at a reasonable price, say £200,000 a unit. What would be your view of that?

Treasurer, Les Vaux Housing Trust:

It is not black and white, obviously, by any stretch of the imagination because affordable housing can be both affordable rental and affordable to buy. If the affordable to buy was at a very low level, yes, I am sure there are a lot of people who are in rental accommodation now who would be able to afford to buy, but it does not necessarily follow that someone who is in rental accommodation wants to be a homeowner either. Some people are happy to be in rental accommodation for the whole of their lifetime because they possibly see the priority as not being, at the end

of the day, to own a home but rather to do other things. I do not necessarily agree that everybody who should not be in social housing should either, therefore, be in the private sector or be enabled to buy a home. I think there are people who sit in between that who possibly are not on income support but who still want to rent, but who cannot rent in the private sector because it is too expensive and who do not necessarily want to buy either, whether that be in the private sector or even a first-time-buy home within the affordable housing system.

The Deputy of St. Mary:

In that respect, States Housing wants to put the rents up to 90 per cent of the market value. Now, to be truly affordable housing, we should try to keep it as low as possible.

Treasurer, Les Vaux Housing Trust:

I agree, yes, and I think that principally one of our issues with the *White Paper* is the proposal to increase to 90 per cent of market rent. We would first of all say: "What is market rent," because there is certainly a difference in a 2 or 3-bedroom flat in certain housing estates that we manage and a 2 or 3-bedroom flat in the private sector, for instance, on the waterfront or in a high-class development. So when you start to set a market rent it is very difficult, I think, to be clear cut that a 2-bedroom flat is worth X amount in the market, a 3-bedroom is worth Y amount and, therefore, 90 per cent is a figure 90 per cent of that amount. We feel at the moment that our rents are at a level which reflects their value and which reflects the ability of our tenants to afford those homes. I think that if we were to put a blanket increase on all those rents up to a level which is put to us as being 90 per cent of the market, it could make the homes unaffordable to a certain number of our tenants. The whole ethos is to provide affordable housing, not to charge the maximum that you can. The ethos of the trust is to provide housing at an affordable level and if we, as a housing trust, can provide homes at a rent level and that rent level enables us to be able to maintain them to a decent standard, it enables us to manage them professionally and it enables us to pay both the interest and the capital on the loans that we have taken out in order to be able to acquire or construct those homes, then that is a rent level at which we have a sustainable model and it is, therefore, a rent level that we should be able to adhere to. It seems really very strange that the States would tell us that we must increase our rents over and above an amount that is required by us in order to provide those homes because our model is not to make a profit beyond which is required in order to maintain the homes. So really all we need to do is charge a rent that lets us maintain our homes and have a long-term sustainable model.

The Deputy of St. Peter:

Is that how you set your rent, purely based on your own figures for maintenance and servicing your loans and that alone?

Treasurer, Les Vaux Housing Trust:

The answer to that is probably yes and no and I will explain why. We have certain homes that are not as modern because they are older (a prime example is Troy Court, for instance) where our rent levels are not at what is the maximum fair rental under the present States system. So we are able to charge less than what is the maximum at the moment, but it is enough to be able to maintain them and to be able to afford to make the interest repayments and eventually pay off the capital that we borrowed in

order to acquire those homes. In that respect, yes, we have set a rent level that is below the fair rent and it is basically a rent level that suits our requirement. On the other hand, we have certain homes that are at the maximum fair rent level at the moment and they are at the maximum because the States Housing Department has effectively asked us not to charge any more than the fair rent levels. In that respect, I suppose we are not setting a figure that potentially we might wish to charge on certain homes, just very slightly more but it would not be significant.

The Deputy of St. Peter:

In that instance is some of your housing stock subsidising other elements of your housing stock or do you keep them as separate entities?

Treasurer, Les Vaux Housing Trust:

The loans are kept separate, but that is not to say that if there is a surplus on one property then it is not being used in order to pay off capital loans on other properties. We do not segregate our funds to the extent that we have a stream of income from one property and it only ever goes to look after that property as opposed to paying off loans of capital on another. So, although we maintain records to show what the individual loans are for each property and what the income stream is for each one and what the expenses are for each one, when there is a deficit or a surplus on one or the other they could be offset. In that respect I suppose you could argue that there is a cross-subsidisation between one property and another property. I do not see that, in essence, as a big issue because we would very much like to see our property as a portfolio of properties; that we have a certain amount of finance outstanding on all those properties and the rental globally and expenses globally enable us to make a surplus globally that will then mean that we can pay off the loans and the interest on all of our portfolio.

The Deputy of St. Mary:

On those properties where you have been asked to charge a reduced rent, if it was to go up to 90 per cent to match the Minister for Housing's recommendation I would imagine that would be far in excess of what you would have originally asked for.

Treasurer, Les Vaux Housing Trust:

Yes, definitely. It would be a significant hike. I think in those instances there are people, for instance, in some of our older estates (such as Troy Court, Perchage Court, Landscape Grove) who are paying less than fair rent at the moment. I do not mean less than the fair rent of what we deem to be a fair rent for the properties that we are renting out, but less than the fair rent as set by the Housing Department.

[14:15]

So they might be paying less but we still feel it is a fair rent for the accommodation that is being provided. If they then suddenly had a hike in their rental, which could be as much as 30 per cent or whatever increase, there are potentially quite a lot of people in there who are not claiming income support at the moment who would then suddenly become income support claimants. I think the whole issue of the model with regard to what is being suggested in the *White Paper* of the implications on income support are fundamentally flawed because we are just going to create a very

strange model where money is going to be going round the houses and at a significant cost, I believe.

The Deputy of St. Peter:

If you ruled the world, what would you do to break that circle of money from States housing stock to the Treasury and round?

Treasurer, Les Vaux Housing Trust:

I think there are a number of options and I understand that the housing model at the moment does not work particularly well in that they do not have the resources from their rental income stream in order to be able to maintain the homes to a decent standard, i.e. carry out the maintenance and repairs and refurbishments, and also potentially new developments that need to be done out of the existing system. I think that is partly because the way the finances are structured is that the rental income stream from the properties does not go, first of all, to pay off the maintenance and the upkeep and new development and any surplus from that then goes into the general Treasury budget. I think it works that the rental, first of all, nearly all goes (virtually, near enough) to the Treasury budget and then obviously the Housing Department has to ask for boats of money in order to do the refurbishments and the upkeep, etc. So primarily I think that is one of the fundamental flaws with the system. If that could be changed so that the rental income was first of all used to do the upkeep and so on then you would not necessarily need to increase the rent because the money would be there. Now, I understand that, politically, that is an issue because of the fact that historically the Treasury relies upon a certain source of income coming from the housing stock and if that were to change and the rental income all stayed within the Housing Department then there is a loss of income to the Treasury. The model that the housing trusts have employed works very well and we can prove that over a 20-year period since we were set up we have managed to acquire properties, maintain them to a decent standard, pay off loans that we took out initially and we are certainly looking at within a 3 to 4-year timescale now we will have paid off 7 of our 10 or 11 loans that we have taken out. So we can prove that that model works. Maybe an alternative is for the Housing Department to dispose of some of their stock to existing housing trusts, which can be funded within the housing trust sector by private loans from banks. It means then that the Housing Department end up with a capital sum that they can then use to refurbish and improve the remaining stock that they have. In that way the shift of the funding has been transferred from effectively the taxpayer into the private sector through bank funding and the housing trusts can manage that long term, over a 25 or 30-year period, and the model does work. Over a 25 or 30-year period we are able to repay the capital element of many of those properties.

The Deputy of St. Peter:

What about capital investment? How many extra units have you been able to build and are you contemplating building more in the future?

Treasurer, Les Vaux Housing Trust:

Chris might have some of the figures. Effectively we started from zero and we are now up to 368 units of accommodation. Now, initially the first year effectively we acquired Troy Court and Valley Court and Vale Court in very quick succession. There was about 150-odd units at the time. Obviously since that point we have delivered another 200-odd units, over a sort of 18-year period or thereabouts. In

recent times I think we have entered into a development in St. Mary, which you may be aware of, where there are 11 houses. They were new-build. Our previous developments to that were 26 one-bedroom flats in David Moon House, which was about 4 or 5 years ago. We also did John Le Fondré Court, which was another 18 flats about 2 years before that; so probably about 6 or 7 years ago now. Consistently every few years we try and add to our housing stock. I think the difficulty that we have now is finding either new sites in order to be able to build new stock or being allocated a site that in the past would have been done by the States of Jersey. So when we look back the likes of David Moon House and John Le Fondré Court were all owned by the States of Jersey. They were transferred to the housing trusts in order that we could then develop them, borrow the money privately with which to carry out that development and then have them obviously available as rental homes. Unless that sort of system starts again where certain sites are identified that are either already in States ownership which can then be transferred to us as a housing trust or there are new sites such as the one at St. Mary that is on a 45/55 per cent split, social rental housing and first-time buyer, it is going to be difficult for us to go into the open market and acquire any sites. I think that the value of open-market sites will make it unaffordable. We will be able to deliver homes for rental at a level that they can then be rented out in the social housing market.

The Deputy of St. Mary:

You have basically answered my question, but would you be interested in acquiring States social housing as it is at the moment?

Treasurer, Les Vaux Housing Trust:

Yes, I think we would be on the basis that we can see that we can effectively run that social housing, whether it is existing social housing within the States sector at the moment or potential new social housing that maybe has not yet been built. But I think we can see that our model works and that we can do it at a cost-effective and efficient manner. I think that is primarily where we see the difference between us and the States system at the moment; that we are more cost effective. I think our management costs are less than what they are within the States sector.

The Deputy of St. Mary:

In that respect you do not rely on subsidies to that extent?

Treasurer, Les Vaux Housing Trust:

The subsidies are a good point to bring up. We do not deny that we have had subsidies in the past and when interest rates were high our loans were subsidised over and above 4 per cent by the States so that when we were paying 6 or 7 per cent to the banks the States obviously subsidised us to the extent of anything over and above 4 per cent. We have had subsidies and over the period of 20 years that we have been in existence we have had about £1.6 million of subsidies over that period of time. In the last nearly 4 years, since interest rates dropped below the 4 per cent level, we have not had any subsidies. In a low-interest environment obviously we are able to manage without any subsidies at all. The other thing I would say as well is that the 2 or 3 more recent developments, even though they started off when interest rates were a little bit higher, we were told obviously that there would be no more interest rate subsidies coming. So we had to work out a way of being able to afford the interest rate payments without subsidy, which we have done. Obviously it meant that we had

to hedge our interest rates. We took out some financial instruments in order to hedge the interest rates so that, although that cost us a premium upfront, we know that our interest rates are not going to go beyond a certain level even though interest rates may go beyond that. From that perspective I think we are able to work within a system where no subsidies exist.

The Deputy of St. Peter:

But if you were allocated land by the States that would, in essence, be a subsidy of type.

Treasurer, Les Vaux Housing Trust:

There would be potentially a capital subsidy. Again, I think each parcel of land and the amount of units that can be built and delivered on that parcel will determine whether we can allocate a capital value to that parcel or land or not. If you look at the new development for instance, that was not a subsidised piece of land to us because effectively we bought the land at a value from the developer. He then entered into a contract with us in order to develop those houses. So when you look at that, where we have delivered some units of social housing, there has been no capital subsidy and no interest subsidy from the States on that development.

The Deputy of St. Peter:

Did you pay an open-market rate for the land?

Treasurer, Les Vaux Housing Trust:

I think that is a questionable point because the land was rezoned and it was rezoned on the basis that there would be 45 per cent social housing and 55 per cent first-time-buyer housing. So the developer who acquired the site had to do his calculations as to what would work in terms of how much could he charge for the land both to the first-time buyers essentially in the price of a new house and to us as the social landlords for the units of accommodation that were going to be built for us. We paid a figure for the site value. It probably is not open-market value to the extent that, if they had been either non-first-time-buyer homes or open-market homes, that land would have been worth more, but it was market value as far as social housing was concerned because certainly it was a significantly higher value than what the land was worth if it had not been rezoned. If that land had been purely agricultural and not been subject to a rezoning then it would not have been worth anywhere near the amount that we paid for it. So we did pay a market value, but a market value based on the fact that it was going to be social rented housing.

The Deputy of St. Peter:

Thank you.

Managing Agent:

What happens is, because the trust has a model which is calculated on the rent level, that model then works out how much the trust can afford to pay for the land. If the rents are higher, potentially the developer could look for a higher land value and, therefore, effectively you have a higher rent and a higher land value and the developer has a higher profit value.

The Deputy of St. Peter:

That is an interesting consequence. Thank you. That brings us neatly back to the question of rents because, as much as we would love to talk to you about Island Plan and policies for land use, it is a little off pitch for today's topic.

Treasurer, Les Vaux Housing Trust:

Yes, sure.

The Deputy of St. Peter:

Have you done any work and figured out how much extra income you would have perhaps if your rents were all increased to 90 per cent? I got the impression that some of your rents may be at 60 per cent of market rate and some 70 per cent.

Treasurer, Les Vaux Housing Trust:

Although we can take some ballpark figures as to what is the market value or market rental on our units of accommodation, until you test the market do you really know what the market value is? It is an interesting concept at the moment that if you look at rentals in the private sector that people are asking for, for vacant properties, inevitably there is an asking price in the same way as there is an asking price for a house that is for sale, but when it comes to what that property is rented for an awful lot of the time it is rented out for less than what the original asking price was because there is not a tenant there willing to pay what the asking price is. We would potentially have the same scenario. Let us look at one of our 3-bedroom flats in Troy Court. What is its market value? We could pick a figure and say it is worth £1,000 a month of rental. That is what should be asked in the open market and, therefore, 90 per cent of that is £900 a month. How can we test whether that £1,000 is the realistic open-market rental?

[14:30]

The Deputy of St. Peter:

I understand.

The Deputy of St. Mary:

The other thing is not all properties are going to be of the same quality and the same standard.

Treasurer, Les Vaux Housing Trust:

Exactly.

The Deputy of St. Mary:

So is it right to increase the rents to that level when somebody would be quite happy living in something that is not substandard but of a lower standard?

The Deputy of St. Peter:

Deputy, do you mind if we move on to a slightly different subject? I am conscious of the time. I do apologise.

The Deputy of St. Owen:

I just want to pick up one point, because you speak about States subsidy but you seem to ignore that you get indirect States subsidy through the Income Support Scheme

which secures and guarantees a rental figure that you rely on to support the model. Would that be the case?

Managing Agent:

The issue in Jersey is that a lot of open-market-value properties are subsidised by the States and that is the reason why their rent is so high. Whether you agree with that or not, there is an argument to be had. There are a number of our tenants who possibly could claim income support who chose not to and, if the rents are increased significantly higher, would struggle financially.

The Deputy of St. Ouen:

But you still do need that element of financial support coming from the Income Support Scheme to ensure that your model is effective.

Treasurer, Les Vaux Housing Trust:

In order to ensure that our model is successful we need a certain rental income stream. Whether that means that our tenants are on income support or not ... I do not want to say it is not our problem because obviously it is an issue. If income support was suddenly taken away completely then it would become our problem because our tenants would not be able to afford our rents, but then I think that is not just a problem for the housing trusts. It is for the whole of States sector as well, because most of the tenants that are in the States sector would not be able to afford to pay the rents that the States are currently charging if they were not on income support either.

The Deputy of St. Peter:

Approximately what percentage of your tenants are on income support?

Managing Agent:

We are waiting for the figures to come from income support. We believe that it is about 50 per cent.

Treasurer, Les Vaux Housing Trust:

Yes. As part of the process of taking on a tenant, we do not ask them that question: "Are you claiming income support," necessarily. Yes, we know that some of them are because the rent gets paid direct from the Department of Social Security to us. Those are the obvious ones, but there could be other people claiming support that we are just completely unaware of and we would not necessarily go and ask them that question.

Managing Agent:

The trust has eligibility criteria. As long you fulfil that eligibility criteria, whether you are claiming income support or not, is really the ...

The Deputy of St. Peter:

Yes. It is interesting you mention that criteria because the housing gateway came into operation in January this year. How are you finding it? I am quite interested to hear whether you have had to adapt your criteria to fit in with those set by the gateway.

Managing Agent:

I think the gateway was sold to Les Vaux and certainly to me and I think we agreed the principle of the gateway itself as a central waiting list because it saved tenants from going round different housing trusts looking for housing, filling in 4 or 5 applications and supplying the same information and potentially rejecting offers from different housing trusts and picking and choosing. If someone is in need of social housing in the Island they should be given a reasonable choice of which properties they go to, but maybe not 5 or 6 different choices. We believed that when Les Vaux signed up for the gateway they were going to extend the criteria itself so that there would be more people eligible to go on the list. Now, it seems what effectively has happened is that, while Les Vaux has joined the gateway and they have closed their waiting list and those applicants have been transferred over, because the trust had a slightly different eligibility criteria where it could potentially help people who may not have been eligible for the strict criteria of housing (who may have fallen slightly out of that but we still felt they really were in need), those people still cannot get on to the gateway itself. So effectively what has happened is the trusts have closed their lists and transferred it over, but we still have the same criteria that Housing imposed previously.

The Deputy of St. Peter:

So your criteria has narrowed?

Managing Agent:

Yes.

Treasurer, Les Vaux Housing Trust:

We see that as a problem and an issue for us because we do not want to be necessarily seen as being a mirror image of the States social housing provision. If that is the case, why are all the housing trusts not just completely wrapped up, closed and all the stock transferred back to the States run the whole shooting match?

The Deputy of St. Peter:

What happens to those tenants or potential tenants who do not fit into those criteria? You mentioned you already have people who are on the periphery and you are able to house them.

Managing Agent:

It is the reason why the trusts were established in the first place, going back to 1989 when Les Vaux was formed; because many people in Troy Court who were facing eviction with huge rent increases were not eligible for the States criteria and the States refused to buy Troy Court. There was a void, if you like.

Treasurer, Les Vaux Housing Trust:

That is where we see that the housing trusts potentially fill a gap in the market, because your criteria is not necessarily as strict that everybody has to be on income support and everybody has to be within this category of person. It is a little bit wider than that. It is affordable housing for people who need affordable housing but maybe cannot make the next step to be in the private sector. As housing trusts, if we can go to be the halfway house effectively, where maybe 80 per cent of our tenants fit in with the States social housing criteria but 20 per cent maybe do not, then we can bridge that gap before people are necessarily then into the private sector. I think, the way

that proposals are at the moment under the *White Paper*, we could all be seen to be having to provide exactly the same type of accommodation for exactly the same type of tenant and, therefore, there are some people who are not going to fit those criteria who potentially have got nowhere to turn to. They cannot turn to the housing trusts anymore because they are applying the same criteria as the States and they cannot go to the private sector because the private sector is too expensive for them.

The Deputy of St. Peter:

Have you taken this issue up with the Minister, what can be done about it?

Managing Agent:

We have had meetings with the gateway team and we have advised them of the fact that we are concerned (maybe in some of the older stock properties as well) that the demand maybe is not there on the gateway itself, where before we were a little bit more flexible as to who we could take for certain types of properties. They have said they would look at that, but at the moment I think they are still trying to collate all the lists together.

The Deputy of St. Peter:

Thank you. How many of your homes currently meet the decent homes standard, do you think?

Treasurer, Les Vaux Housing Trust:

It is a difficult one to say given that there is not a decent homes standard at the moment in Jersey. I think people are talking about the U.K. (United Kingdom) decent homes standard being applied in Jersey. It would be difficult to put an exact figure on it. However, I think what we can fairly confidently say is that we believe that if our homes were rated against a decent homes standard most of them would meet that standard. We do maintain our properties to a pretty high standard. They are maintained regularly, whether that be the standard of insulation, windows, decorations, updating of kitchens and bathrooms. Everything is done on a fairly ongoing rolling programme. So there is no big backlog on any of our properties, which again is something where we have differed over the last 20 years to the States Housing Department. The States, on certain of their properties, have just not done anything for an awful long time and then you get to the position where a massive capital expenditure is required on one estate. Everything needs doing to those properties because no kitchens have been upgraded, no bathrooms have been upgraded, there has been no external decoration, et cetera. When you look at our properties we do not even say that we are going to do one estate in one year and we go through it. We basically look at individual apartments and flats as they come up in between tenancies. If one in Troy Court needs a new kitchen because the previous tenant left it in such a state that it is not serviceable, then a new kitchen will be put into that flat. Similarly, there are rolling programmes as far as external maintenance, internal redecorations, common areas, et cetera, et cetera. I cannot put a figure on whether it is 90 per cent or 80 per cent or whatever that meet the decent homes standard, but I would have thought (and Chris will correct me if I am wrong) that the significant majority would meet a decent homes standard.

Managing Agent:

The trust have said that they would look at the decent homes standard in the U.K. and then effectively survey these properties and have asked us to have a look at that. I think it wants to make sure that their properties do meet that standard.

Treasurer, Les Vaux Housing Trust:

Yes.

The Deputy of St. Peter:

What is the view of the proposal for a regulator?

Treasurer, Les Vaux Housing Trust:

Obviously we did put certain things in our submission as to our view on the regulator and in broad terms we have no issue with their being a housing regulator. I think we welcome a housing regulator if it means that everybody is being treated in the same way and that all providers of affordable housing are expected to meet the same standards. From that point of view, we have not got an issue with a regulator per se. I think some of the detail of the proposals as to what regulation means from the *White Paper's* perspective, we have got an issue with. One of the primary issues, I think, is the fact that it is suggested that the regulation would only be applied to social housing providers that have had subsidies in the past; so social housing providers that have not had subsidies would not be subject to regulation. That, to me, seems a very odd way of approaching the issue of regulating social housing and from a number of fronts, because regulation involves a cost. Not only are you being regulated but you are having to pay for the privilege of being regulated and yet another social housing provider does not pay; so it has got less financial implications for them and they are not regulated. The parishes are one example. It is not suggested that they should be subject to regulation and yet I think there are 8 or 9 parishes that have now got social housing within their remit. Why are they not within the ambit of the regulation that is being suggested? Even further than that, I would say that there is possibly an argument that, within the private sector, the regulator should have a say so that decent homes standards are there not just in the social housing sector, i.e. the regulated social housing sector or the States of Jersey and the subsidised housing trusts, but the private sector. Why should someone who is renting at full market value not be entitled to a decent home? If someone is renting in the private sector at full market value they should obviously be entitled to a decent home as well. If regulation is going to be brought in which is going to look at decent homes as one of its criteria then that should apply across the board, to the whole of the rental market.

The Deputy of St. Peter:

Just to clarify, you think that the beneficiary of regulation is the tenant or should be the tenant?

Treasurer, Les Vaux Housing Trust:

Yes.

Ms. A. Davies:

Could there be any benefit to you as a trust from being regulated?

Treasurer, Les Vaux Housing Trust:

The way it is being suggested at the moment, no, I do not think there is any benefit. In fact I think the opposite is true because it is being suggested that the regulator would be enforcing certain policies and rules that might be set by the Strategic Housing Unit and I think those words are used, “enforcement” and “direction”. It is of concern to us that a Strategic Housing Unit could be set up, which we can talk about a little bit more as well, that would then ask the regulator to enforce and direct certain rules or certain proposals that have been put in place by the Strategic Housing Unit.

[14:45]

One of the things that we foresee that being applied is in the use of potentially cash surpluses made by a housing trust and it is cash surpluses arising in a number of ways. One is because of this increase of rentals to 90 per cent of market rent, in which case, yes, we end up with a surplus of income over expenditure potentially over and above what we needed in order to provide the social housing units that we do. If we end up with that surplus I think the proposal at the moment is that the regulator and the Strategic Housing Unit between them would agree with us as to the amount of money that would return back to the States so that it could go back into the system and refund the income support element. There are potentially an awful lot of issues that are going to arise out of that. How do you arrive at that calculation? How do you work out what the net gain to the trust has been, because it is going to be a moving target? It might be agreed on day one but I can assure you that a year down the road things will have changed and it will not be so easy to calculate any more. That is a problem, where surpluses could arise that we would be asked to effectively hand back money that we may not agree with the quantum or the calculation. Surpluses could also arise at the time where we have paid off loans on particular properties but we have got loans outstanding on others. At the moment we are very much geared “one property one loan” and we do not want to be in a position where regulation means: Oh, well, you have paid off the loan on that property. So any surpluses that you now make on that property, we are going to direct you as to how you apply that money.” We could see potentially a benefit for us to repaying different loans off so that then we have the ability in the future to develop new properties or to redevelop older properties. The direction that is proposed by the regulator I think is of great concern to us because we can foresee that our independence would be significantly eroded in that we will not be making our own decisions any more if we have got a regulator that is telling us and directing us what to do over the years that follow.

The Deputy of St. Peter:

At what level do you think the Strategic Housing Unit should intervene then or do you think that we do not need one at all?

Treasurer, Les Vaux Housing Trust:

I think, again, the principle of having a Strategic Housing Unit maybe at a top level is a good idea, but in the detail below it as currently suggested we do not necessarily think that it is an absolute requirement. If you divest the actual physical provision of social housing by the States of Jersey Housing Department into a States-owned housing company or into a housing trust or divest it into a number of housing trusts, for instance, then potentially you have reduced what is left in the Housing Department down to really just the Strategic Housing Unit. In discussion that we have had, we

feel why is that really necessary when the function of the Strategic Housing Unit could potentially be incorporated within the Population Office, the Chief Minister's Department and the Planning Department. Effectively, rather than having a Strategic Housing Unit, all you are really wanting is probably 2 or 3 other States departments to work well together so that the Population Office and the Planning Department talk to each other as to what is needed within affordable and social housing and what can be delivered in terms of Planning and the Environment. So if you get those 2 departments together effectively you are replicating what is probably required of the Strategic Housing Unit, i.e. you are asking the Government to put in place a policy that looks at what is required in terms of affordable and social housing within the Island. I think that is why we see that the Strategic Housing Unit might be an unnecessary body that is just going to be a cost centre for the States but are the benefits going to be there.

Managing Agent:

There is one point that is more of a managing point of view. The *White Paper* mentioned that the Strategic Housing Unit would be set up or run by a senior member of the Housing Department. I would have thought it would have been better for someone who maybe was not involved in the current Housing Department to oversee a unit such as that, if a unit was created, because surely you would have new ideas and maybe not ideas as to how the Housing Department as it is wants the new association to be run.

The Deputy of St. Peter:

Would you therefore support that person coming from a planning perspective, perhaps?

Managing Agent:

I think, as Dennis said, it might not be one person. It could be a number of different people in different States departments looking after it; someone from Planning, someone from the Population Office, or maybe even the chairmen from the housing trusts themselves getting together. There is a waiting list, you can see what the demand is. Planning can get together and work out how they are going to zone some of these units from the census details, for example. I do not see the need for an individual as such.

Treasurer, Les Vaux Housing Trust:

It might be better if it was more of a steering group that provides advice, whether it is to the Chief Minister or the Minister for Planning or whatever, so that effectively there is a direction by which policies can then be decided. If the power is vested in a Strategic Housing Unit I think we can potentially see that there are issues where maybe one or 2 people have got an awful lot of power. Who are they responsible, effectively, as well, because I am not too sure at the moment whether the Strategic Housing Unit is going to come within the Chief Minister's Office or not. The power effectively vested in that unit might be too significant, in our view.

The Deputy of St. Peter:

What sort of information would you like to see them give to you as a trust?

Treasurer, Les Vaux Housing Trust:

I think it is down to the demand for social and affordable housing within the Island and, therefore, not only us as a housing trust on our own but with the other housing trusts and also with the States departments co-ordinating who is going to provide what and when and how. Surely that has got to be the ultimate goal of everything that both Les Vaux are going, the States are doing and the other housing trusts are doing. We are trying to provide housing to the people who need it at an affordable cost and it just seems at the moment that the way it is being proposed does not necessarily do that in a cost-effective way. We see potentially there is additional cost being incurred by the States of Jersey in providing the social housing that they believe is necessary, which possibly can be done in a more efficient way without incurring all the costs that are potentially going to be racking up.

The Deputy of St. Peter:

Thank you. Can we move on now to talk about the housing association that the States-owned Housing Association has proposed? What are your views on that structure?

Treasurer, Les Vaux Housing Trust:

I think it could be an expensive structure to establish. We are not sure from the *White Paper* what the costs really are because I do not think the *White Paper* gives enough detail as to the establishment costs, the ongoing annual costs and the way it will be run. At the moment obviously the housing trusts are run by voluntary boards, effectively. The members are not paid for their time in terms of providing the overall management of the trust itself. Obviously as trustees then we employ professional people to provide services, whether that be managing agents for the property, audit fees to get the accounts audited, account preparation fees and legal fees for transactions; so the normal things. Whether it is us or the States of Jersey, there are expenses that have to be paid for in order to manage the property and the trusts. What we feel, though, is that the States-owned limited company that is going to take over from the Housing Department is likely to be a much more expensive structure than what the existing housing trust structure is, because I think it is suggested there is going to be a professional board of directors on there who are obviously all going to be paid. Then you have got the transfer, obviously, of the staff within the Housing Department to that company as well. The costs of full-time employees together with pension arrangements, et cetera, is probably more than what it would be if it was outsourced in the private sector. So I think that the whole model, as far as efficiency of cost is concerned, is likely to be more expensive than the model that the housing trusts at the moment follow.

Managing Agent:

Surely the goal of the States of Jersey is to provide decent homes at affordable prices. I feel maybe it is not necessary for a housing department to grow and have the majority of the stock.

The Deputy of St. Mary:

I was just going to say, should be it be Government providing the stock in the first place? Should it not just be provided from housing trusts?

Managing Agent:

I think the trusts can show that their model works and they do it well.

Treasurer, Les Vaux Housing Trust:

One of the thoughts that we certainly had is if the each of the existing principal housings trusts (Les Vaux, Jersey Homes Trust and C.T.J. (Christians Together in Jersey) are obviously the 3 principal housing trusts) were allowed to grow by acquisition of some of the existing States stock effectively to the point where possibly we become equal partners in an arrangement with the States as far as the provision of social housing, it does shift the burden of property management, long-term maintenance, et cetera, on quite a significant proportion of that housing stock to the quasi-private sector, effectively, albeit a non-profit-making private sector, i.e. the housing trusts. But we are not trying to make a profit for shareholders. We are only trying to make the income match the expenditure. If we can do that efficiently then surely that must be one thing that should be looked at seriously by the States; that there is already a mechanism in place that allows us to do that.

The Deputy of St. Ouen:

I would like to know to what extent has Les Vaux been involved in the development of the *White Paper* and the proposals contained within it.

Treasurer, Les Vaux Housing Trust:

I think very little involvement. We have been asked for certain bits and pieces of information but in terms of have we had an input in putting together any of the proposals then I would say no, we have not.

The Deputy of St. Ouen:

Are you also aware that in the recently published medium-term financial plan it makes specific reference to the housing trusts and the fact that, with the increase to 90 per cent rent, additional income will be generated for the trusts and that the housing trusts: “will make return to the States to recompense for their element of the increased cost of income support.”

Treasurer, Les Vaux Housing Trust:

I am aware that that has been put in, yes, and I am aware ...

The Deputy of St. Ouen:

Have you agreed or come to any agreement at all as to whether that is feasible or even fits the current agreements that are in place with the trusts?

[15:00]

Treasurer, Les Vaux Housing Trust:

I think it is possible that, yes, there would be a surplus made by the trusts. There are an awful lot of “ifs” in this obviously, but if our rents were to increase to 90 per cent of market value and it was deemed that 90 per cent of market value was more than what we are currently charging our tenants then obviously, yes, we would start to collect in more rents that what we are currently collecting. If we are collecting more rents than we are at present then we have got, technically, a surplus and that surplus is the element that the *White Paper* and also the 3-year medium-term plan is suggesting that we should effectively hand over to the States because it is surplus that we would not have had before. As to how they have calculated that figure, I do not know

because we have not had any involvement in putting that figure together. We have also, at the moment, resisted, to a certain extent, providing figures as to what that 90 per cent of market rent of our properties is because we do not want to be held accountable for having said: "Our properties in the open market should be rented for X amount and, therefore, 90 per cent is this figure and the difference between that and what we are collecting in at the moment is, for argument's sake, £500,000 a year." If we provide that information, that we believe that is what 90 per cent and therefore that we are going to make £500,000 additional income than we would be now, that is our figure that we are then going to be held accountable for: "Why are you not providing us with £500,000 a year?" So I think it is unfair at the moment to ask us to provide that figure because, as I said before, how can we establish what 90 per cent is without, first of all, testing the market; secondly, testing our tenants as to whether they are willing to pay 90 per cent if they are in our homes but are not claiming income support. The potential is that if you increase rents too much, and 90 per cent potentially is too much, some tenants will then potentially leave the housing trusts. If they leave the housing trusts and we end up with voids or periods of time where we have significantly increased voids then our rental income is going to drop. So although we might be getting more from the remaining tenants that are in situ, which means that we can fund our existing model, we might not be making the additional £500,000 that originally had been forecast because we have got void properties. So it seems to defeat the whole object of having increased the rents in the first place. The other thing that concerns us as well is it just seems a very odd situation where what happens if we refuse to increase our rents to 90 per cent of market, if we are told that 90 per cent of market is ... let us go back to an example I gave. A 3-bedroom flat is assessed at a market rent of £1,000; 90 per cent is £900 but we are only charging £700. Is the regulator honestly going to turn around to us and say: "That flat, you must charge £900 for it even though you are currently only charging £700"? If they are going to do that I would like to know (and there is no suggestion in the *White Paper*) who that will be enforced, what will the consequences of not abiding by an enforcement order that we must increase our rents to that level and what are the consequences then if we do increase the rental to that level, the tenant cannot afford it and suddenly we have got another tenant clambering for income support. It just seems a very, very odd situation that we would be, at any point, asked to increase our rents beyond what we thought were required in order to meet our ongoing commitments. If there is to be a level at which rent is set then it has got to be a maximum, not a mandatory: "You must increase your rent to 90 per cent." I do not think we would have an objection to the housing regulator saying: "We assess that the market rent on that apartment is £1,000 and 90 per cent of that £900. The maximum you can charge is £900, but if you choose to charge £700 because at the £700 level you can maintain that property, you can pay off your financial commitments on that property and you can provide a decent home to the person who is renting that off you," then I think we should be able to continue charging £700. I do not think we should in any way or at any time be forced to increase our rents up to 90 per cent. So it follows on that if the regulator is not going to force us to increase the rent up to 90 per cent because we can maintain our homes and all our commitments at a much lower level, then the forecast of £1 million surplus that the housing trusts are going to make could very easily disappear. Certainly any surplus that we could or would make if we increased our rents could all of a sudden be either zero or negligible because we would not necessarily have to increase our rents.

The Deputy of St. Mary:

Basically, to be asked to put your rents up to 90 per cent is morally wrong?

Treasurer, Les Vaux Housing Trust:

I believe so, yes.

Managing Agent:

Can I make a very quick point.

The Deputy of St. Peter:

Yes. I am very conscious that we have already run over time.

Managing Agent:

My concern as a managing agent could be potentially you would lose good tenants. Those tenancies would necessarily only be filled by people who are on income support and I think it is important to get a mixture of tenants on a housing estates to make sure that you have people on income support, people who are working privately and a mixture of both. I think the danger that you may have is that you may have a large housing estate where maybe everyone is on income support and the families will not be out working and that might lead to all kinds of other antisocial behaviours or whatever. I think it is important that you have a mixture of tenants on housing estates.

The Deputy of St. Peter:

That is a very good point with which to leave it. Thank you very much. It has been very interesting and we thank you for the time you have taken in putting all these submissions together. It has been very useful. Thank you.

Treasurer, Les Vaux Housing Trust:

Okay, thank you. Like I say, if you need us again or you would like to talk to us again we would be more than happy to.

The Deputy of St. Peter:

Thank you.

The Deputy of St. Ouen:

If you think of any matters that you feel you would like to bring up following this meeting you can contact us through the scrutiny office and send in additional information.

The Deputy of St. Mary:

Recommendations would be good.

The Deputy of St. Peter:

Yes, thank you. I close the meeting.

[15:08]