Cambridge Centre
for Housing &
Planning Research

A Review of Social Housing in Jersey

Main Report

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Section 1: Introduction

When the States of Jersey agreed the States Strategic Plan 2006-2011, it tasked the Housing Department with reviewing, developing and implementing strategies for the provision of social housing in the Island, including the long-term management of States' rental accommodation.

In setting out the task it was recognised that social rented housing plays a major role in providing good quality, affordable housing to a significant proportion of the population of Jersey and impacts on the way the whole housing market operates. It was also recognised that it was necessary critically to re-examine the ways in which social housing is provided to ensure that it is fit for purpose in the 21st century.

1.1 Terms of reference

The Housing Department set out the terms of reference for a research project to support this initiative in a tender document issued in 2007. The general purpose of the project was to take a longer term strategic view of the role of social rented housing in Jersey. To this end the consultants were asked to provide a comprehensive picture of current social housing provision in Jersey; to identify areas of strength and weakness; and to recommend approaches which could meet social housing need in a more sustainable and effective way.

The specific terms of reference, developed with the input of the Health, Social Security and Housing Scrutiny Sub-Panel, were as follows:

1. to establish the nature and extent of the need for social housing in the Island, including whether that need is primarily related to affordability or to access;

2. to identify the agencies, including housing trusts, presently providing social housing in the Island, and the nature and extent of their involvement in each case;

3. to establish the present overall and agency-specific costs, including grants, development and interest subsidies, of providing social housing in the Island;

4. to examine the extent to which those who are presently receiving the benefit of social housing in the Island are actually in need of that assistance;

5. to establish the nature and extent of any currently unmet social housing need and known future need, with particular reference to demographic changes;

6. if there is found to be any mismatch between provision and need, to estimate the costs and any other implications of moving to a position where Jersey social housing provision targets social need more accurately;

7. to analyse the present regulatory structure, compare it with regulation in other jurisdictions, and recommend a suitable framework;

8. to analyse current policy and systems for setting social housing rents, including differentials with open market rates, and recommend changes accordingly; and

9. to consider, and to make recommendations for the future structure/status of the States of Jersey Housing Department.

The detailed terms of reference concentrated almost wholly on the effective provision of social rented housing. However the Strategic Plan itself includes a much broader range of housing objectives, the achievement of which would necessarily impact on social housing provision. These broader objectives include:

- improving access to adequate housing and the operation of the housing market;
- increasing the levels of home ownership, including both transferring existing social sector stock into home ownership and the development of shared equity schemes;
- increasing equity with respect to access to the housing market;
- increasing standards both in the existing stock and for new provision; and
- improving the terms and conditions by which tenants occupy their housing.

The Strategic Plan also looked to (i) limit immigration to levels which could be accommodated within current estimates of the need for additional housing and land release (para 2.11) and (ii) to address the changing requirements of the ageing population.

1.2 The Changing Economic and Policy Environment in Jersey

Since the publication of the Strategic Plan a number of important changes have occurred that directly impact on the effective provision of social housing.

First, rapidly rising house prices in recent years have put additional pressure on housing affordability and reduced the potential effectiveness of schemes to increase owner-occupation. The current halt in this trend can be expected to have a positive effect on affordability but may, as elsewhere, result in increased risks, reductions in new supply, and a sluggish housing market;

Second, the introduction of the new Income Support system has changed the basis on which housing assistance is provided, setting it more firmly within the more general financial support available to low income households. This has implications both for affordability and for the most appropriate ways to set rents in the social sector;

Third, the complex regulatory framework which determines access to different types of housing, dependent mainly upon length of residency in the Island, has been significantly modified to increase the proportion of qualified households. This has directly affected the need for both social housing and income support;

Fourth, the previous economic environment in the Island has become more uncertain over the last few months in ways that are likely to put additional pressure on the provision of affordable housing and affect both levels of net migration and access to and mobility in the housing system, with both the availability of credit, and its terms, affected.

Over the past year, the financial tsunami that has hit markets across the world has further worsened the economic situation on the Island, while new regulatory frameworks may put recovery at risk. The current recession and further uncertainties directly affect both the health of Jersey's public finances and the housing market.

Thus, especially as the vast majority of households in Jersey are already well housed, there are increasing pressures to ensure that the social housing asset is used as effectively as possible.

1.3 Relevant Policy Documents

Over the last few years a number of important and relevant policy documents have been published. These include:

- the Social Housing Property Plan 2007-2016 approved by the States in 2007 which discusses whether the States-owned social rented sector is fit for purpose;

- the Housing Needs Survey – undertaken in 2007 and published in 2008, which estimates the potential housing requirements of households in Jersey for the forthcoming 5-year period 2008-2012 by analysing respondents' expected behaviour and aspirations;

- Planning for Homes 2006 – the latest in an annual series of statistical reports produced jointly by the Planning and Housing Departments;

- The Review of the Island Plan 2008 (which is currently completing the consultation process) – projects likely housing requirements and the availability and location of land to achieve required levels of output;

- Imagine Jersey 2035 – a consultation process to understand future social and economic challenges, the results of which were published in March 2008;

- Migration – Monitoring and Regulation (P25/2005) – the Report and Proposition from the Policy and Resources Committee, outlining a new system for controlling entitlement to employment and accommodation, which led to changes in the qualification rules, and the subsequent Consultation Papers on Managing Migration: New Mechanisms (June 2009);

- Social Policy Review (P47/2002) produced by the Social Security Department, which helps set priorities with respect to welfare in the Island;

- Income Support System (RC48/2004) which led to the Income Support (Jersey) Law (2007). (Revised edition 26.550, February 2008) which introduced the single access point and consistent eligibility rules for rights to social security, including support towards rental payments.

- Affordable Housing as a Proportion of Private Housing Development – currently being carried out by Kelvin MacDonald in parallel with the Review of Social Housing. This concentrates on understanding the need for affordable housing and the potential for using the land use planning system to achieve affordable housing in perpetuity. As such both studies draw on the same basic understanding of how the Jersey economy is operating and particularly of the demographic basis for additional housing requirements.

1.4 The Social Housing Property Plan

The most immediately relevant policy document is the Social Housing Property Plan 2007-2016 which sets out currently agreed policy. The Social Housing Property Plan was developed within the existing Strategic Plan and in the knowledge that a more fundamental review of social housing in the Island was to be undertaken.

The Property Plan was developed within the existing financial framework by which net rental income is inadequate to pay for improvement investment. Given this overwhelming lack of available resources, the only option available was to plan to sell off a proportion of the stock to realise the necessary finance. This had the benefits in supporting the government's policy of expanding homeownership but was fundamentally the only option available if standards were to be maintained

The Plan identifies the priorities as:

- dealing with refurbishment requirements;
- ensuring the States rental accommodation is fit for purpose with respect to scale, size and type;
- putting the Housing Department's budget on a sound footing;
- increasing the level of homeownership by innovative means; and
- putting an end to the previous strategy of transferring sites to Housing Trusts at nominal value

The plan puts the greatest priority on (i) maintenance and regeneration and (ii) the lack of funding to achieve this goal. To address these issues the refurbishment plan suggests sales of selected properties into the open market as well as sales to tenants in order to fund the required investment.

A further important priority was to provide for the housing needs of the rapidly growing population who are over 65 years old by an increase in sheltered as well as smaller accommodation. A higher proportion of households in the social rented sector are over 65 than in any other tenure.

In this context it was noted that as brownfield sites become vacant, especially in the centre of St Helier there will be significant potential to develop smaller lifetime homes (mostly in the form of flats) for the identified needs of older households.

Overall, the financial constraints in the social rented sector were to be overcome by reducing the size of the sector. The mix of future social provision was to move away from family housing to smaller units for older people and a higher proportion of new family homes were to be provided as affordable rather than social housing.

The Property Plan was a response to the constraints of a situation created by the combination of the policy of the States to fund investment from revenue, rather than from borrowing, and a backlog of repairs and improvements created by the chronic revenue underfunding of the Housing Department budget.

It is in this context that a more fundamental review of the role of social rented housing was commissioned. Two core elements of this review are (i) to assess whether the current system of provision through the Housing Department is fit for purpose and (ii) to examine the possible ways in which the governance and organisation of social housing might be changed. This latter includes in particular the possibility of restructuring the Department either as an independent management organisation or as an arms-length organisation agency or by transferring the stock into independent ownership.

Section 2: Issues Specific to Jersey

Jersey has both specific opportunities and particular constraints arising from its physicality; its history; its governance structure; its financing regime; and its regulatory framework.

2.1 Governance

First, as a result of its size and its constitution Jersey operates basically a single tier of government in terms of both policy and provision of housing. The powers and responsibilities of the parishes are relatively limited except to the extent that the Constables play an active part in the States. The vast majority of social housing is provided by a States Department, with a small minority provided by Trusts. This is a very different scenario from most other countries where central government makes the policy and sets the financial framework by which affordable housing is provided but the day to day operation is carried out at local level either by local authorities or independent non-profit landlords.

Second, the States operates on a non-political party basis. Elected members are directly responsible to their constituents as individuals without a defined policy platform. Members therefore act both to develop policy and to determine how the state finances housing activity. On the other hand they also act as the conduit for the concerns of individual constituents and of local communities. Again this is a very different scenario from most other countries with significant social housing sectors where locally elected councillors are involved in local and individual decisions while central government develops more general policy.

2.2 Finance

A second near unique aspect of Jersey is the way that public sector organisations are financed. In particular, services are normally provided through revenue rather than from borrowing. The majority of public services including social housing are provided by States Departments which operate under the financial terms specified by Treasury and the States budget. As such they are staffed by civil servants. Historically investment in social rented housing was funded from general state revenue streams. The social housing stock is thus debt free and does not pay for these assets through interest payments. On the other hand the Housing Department is expected to make a large contribution to States funds to enable other services (notably income support) to be funded from the housing revenue stream.

The most obvious comparator is perhaps Hong Kong where a large public sector, accommodating around one third of the population, has been funded through revenue and the rent levels are only just adequate to cover immediate operating costs. The major difference in Jersey is that the Housing Department is expected to contribute to general States finances.
Other activities, notably Jersey Telecom and Jersey Airport are wholly owned government enterprises with independent Boards of Directors and management structures. This model of privatisation is the only one yet operational in Jersey and does not enable the enterprises to make independent decisions on funding. Rather they may request permission from the Council of Ministers to borrow for investment purposes against a defined stream of future revenues under government guarantee. In addition the bus service is franchised to private management. However, as yet there are no fully privatised organisations with the capacity to borrow on their own account.

The implication of a revenue funded social housing system is that there will inherently be a surplus over-and-above the direct annual costs of managing and maintaining the existing stock. Decisions about investment thus involve a trade-off between returning funds to the centre to be used for other purposes and increasing expenditure on social housing. In Jersey this translated to a transfer of £21.8m in 2008 and a transfer of £22.4m in 2009. The consequence of this is that the Housing Department is not left with sufficient income to properly resource the services it is providing.

This is again a very different scenario from most other social housing systems that have a ring-fenced financial framework in place within which investment expenditure can be assessed and then financed through borrowing.

2.3 Migration controls and residential qualification

The small size of Jersey, relative to its population, and the attractiveness of the Island as a place to live and work, have resulted in a long standing policy of migration control and residential qualification linked to housing eligibility through the Housing Law of 1949 and its subsequent amendments and regulations.

The Housing Law sets out a wide range of criteria which control access to different segments of the housing market by households according to their status as residentially qualified or not qualified plus other criteria.

For most practical purposes, there are now five main groups:

- seasonal workers: every year, an estimated 4,000 seasonal workers enter the Island to work, primarily in the agricultural and tourist industries. They are housed mainly by their employers, and leave the Island at the end of the season;

- non residentially qualified households, who are resident on the Island, possibly for many years, who are not permitted to rent or own property in their own right, and who can thus only access the 'lodging house' sector of the housing market. In 2001, there were 4,380 non residentially qualified households, and 250 lodging houses with 5,550 rooms (see page 59). Since 2005, non residentially qualified households become residentially qualified after 12 years. Prior to 2005 the period was 19 years. A reduction to 11 years was agreed in May 2009;

- households who are residentially qualified under the 'j' category as essential workers. These households cannot own property in their own right, but can occupy property owned by a company of which they are the beneficial owner;

- a small number of households (averaging 4 per annum) who bring sufficient independent wealth to the Island are admitted as 'k' category residents;

- the majority of households who are qualified under categories a-h. These are households who have either been born in the Island or who have qualified by length of residence. This group of households may rent or own property in their own right.

The residential qualification system has a major impact on both total population and how housing in the Island is allocated. If it were fully effective, it would make it possible on reasonable assumptions to project the numbers of additional dwellings required to achieve a balance between requirements and supply.

In this context it is worth noting that there is a general agreement among the Jersey population that net migration levels should remain strictly controlled and a near majority, particularly among middle aged and older households, who want no increase in net migration in the future (Imagine Jersey 2035, 2008).

However, in practice the residential qualification system and the related Regulation of Undertakings and Development Law are fairly blunt instruments. Factors such as the marriage of locals to non locals, the return of residentially qualified people to the Island, and the reliance of the island on migrant labour, make it impossible to fine tune population levels. The current policy includes the following:

- Maintain the level of the working age population in the Island.
- Ensure the total population does not exceed 100,000.
- Ensure population levels do not increase continuously in the longer term.

In practice, it has proved difficult, if not impossible, to restrict inward migration to the Island. As recently as 1997, the States resolved that there should be a resident population no greater, or less, than that in September 1995 when it was 85,000. The current figure is 91,800. A practical housing policy cannot be based on population assumptions which are unrealistic.

The growth in non-residentially qualified households has led to a corresponding growth in the 'lodging house' sector, much of which now consists of good quality, self contained, accommodation operated by private house owners.

It should also be noted that the trend towards smaller households means that the demand for housing rises faster than any growth in population numbers.

2.4 Jersey's Land Use Planning System

Jersey's land use planning system is an outcome of the small scale of the Island and its economic and social success. Jersey is a small island of only 118 sqkm with a density of population of 770 people per sqkm[1], almost double the density in England. However, it is much less densely populated than comparable islands such as Guernsey, Bermuda or Malta, or indeed of the outer London Boroughs. Over the long term population growth has actually been less than that of England.

Within the total land area, a quarter is built-up, over half is cultivated and one-sixth is natural vegetation. In this context is not surprising that the land use planning system concentrates on preserving undeveloped land and supporting the re-use of brownfield land.

The principles underlying the Jersey land use planning system are based on the UK regulatory system first introduced in the UK in the Town and Country Planning Act 1947, which requires government agreement for any change of use.

The 2002 Island Plan set out a spatial strategy which includes: development within the main built-up area of St Helier; extension of this area by rezoning land for housing at its edge and possibly redefining the boundary; and supporting key workers and seasonal settlement development elsewhere in the Island. Notably, the 2002 Island Plan, although estimating a need for additional homes in the non-qualified sector, made no provision for supply in this sector, which was expected to come from the existing stock.

The Island Plan Review 2008 noted that:

> '*The land use planning system has a crucial role to play in providing an adequate supply of land to meet the housing requirements of the community. To this end, the island Plan is the primary mechanism governing the availability of land for housing*.'[2]

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[1] Jersey in Figures, p27
[2] Ibid, para 9.1.3

However, the Island Plan Review 2008 also commented:

> '*The location of new housing has been subject to ongoing levels of objection and increasing politicisation over recent years.*'[3]

It is in this context that decisions about migration; housing land allocation; new building and regeneration plans have been developed.

The outcome of Jersey's unique attributes with respect to social housing is that the vast majority of such housing is provided through a States Department with few powers of its own; the housing assets are completely unencumbered but cannot be used as security to enable further investment; the group who benefits from social provision is only a subset of those who experience problems in achieving adequate affordable housing; and yet it is unlikely that large scale new developments will occur to reduce pressure on the housing system.

The position with respect to social housing is very different in other countries (Whitehead and Scanlon, 2007; Scanlon and Whitehead, 2008).In all major European countries where significant social housing is provided the model of independent social landlords, usually operating at local or regional level, prevails. England used to be the exception but now has over 50% of the social housing sector owned by independent social landlords, in the form of housing associations, and a further 25-30% managed by independent organisations free of direct intervention in day-to-day decisions, in the form of local authority owned Arm's Length Management Organisations.

In terms of the appropriate organisation of social housing the main issues to be resolved include:

- does the States wish to divest itself of housing assets thus freeing up funds for investment elsewhere (including the possibility of additional housing investment), or does it wish to maintain ownership of a potentially valuable asset?

- does the States want to enable a more independent and focused landlord which takes day-to-day and strategic housing decisions within a clearly defined regulatory framework, or does it wish to maintain the social housing sector as a States Department so that the States remains directly responsible for the management, maintenance and allocation of the stock?

- does the States want to specify a regulatory and financial framework within which an independent landlord would have power to determine rents at least in the context of viability, or does it want to retain control over how rents are set, particularly in the light of the impact of rent rises on both the income support bill and the welfare of poorer households?

- does the States want to define and clarify regulations of access, security of tenure and other terms and conditions and hand over day-to-day responsibility to an independent landlord or does it want to maintain full responsibility and control over allocations and the terms and conditions of tenancies, not only setting general rules but also responding to individual concerns?

The current situation where a States Department has control over all these decisions has worked in the past, albeit with some difficulties. However it is a very traditional and

[3] Ibid, para 9.1.1

constrained approach and there are important reasons to re-examine options that can improve efficiency; enable the social landlord to be more responsive to changing tenant needs; and perhaps most immediately can better address the backlog of repairs and improvements required and better adjust the mix of provision for identified future needs.

To address these questions we first need to clarify how the overall housing system operates and the role that social housing plays in providing adequate affordable housing. This involves looking at overall demand and supply and its allocation between tenures; house prices and rents; and the specific attributes of social housing.

3. Housing in Jersey

The overall level of demand for housing in Jersey depends upon the specific demographics in the Island, and upon the wealth of the population.

3.1 Demographics

The total population of Jersey at the end of 2008 was estimated[4] to be 91,800, an increase of 3.9% since 2001. Four fifths of this increase was estimated to result from net inward migration, and one fifth from the natural growth of the resident population.

The proportions of the population below working age (18%), of working age (65%) and above working age (17%) have remained relatively constant for the twenty years to 2001. However, this is changing and the ratio of workers to non-workers is expected to fall from about 2.0 now to about 1.3 in 2035 mainly because of the aging population. This may have significant implications for States finances as well as for housing requirements.

In 2001 some 77% of the population aged 16 and over were in categories a-h which allows access to all parts of the housing market (although only persons aged 18 or over can purchase property); 2% came under categories j and k who have some restrictions on purchase; and 21% were non-qualified residents who could only occupy lodging houses with no security of tenure. This situation changed dramatically when the period of residency necessary to obtain qualified status was reduced from 19 years to 12 years in 2007 (with a further small reduction to 11 years in 2009). As a result the updated profile (JASS 2007) shows 85% qualified (i.e. categories a-h); 7% in categories j and k (partly reflecting the growth in the economy); and only 9% unqualified[5].

This shift in the proportions of the resident population that are also residentially qualified does not necessarily have any immediate impact on the housing market: previously non-qualified people who had lived in Jersey for more than 12 years prior to 2007 may continue to live in the same house. The number of households, and the number of homes, on the Island are not affected by any switch in the proportions of qualified and non-qualified households.

The total number of private households resident in Jersey[6] at the end of 2007 was estimated[7] to be 37,900, an increase of 6.6% since 2001. The number of households is therefore rising faster than the total population so that average household size has fallen from an average of 2.38 in 2001 to an average of 2.33 in 2007, a trend similar to that occurring in all European countries.

If current population trends are simply projected forward to 2020, and there were to be no net migration, the total population of Jersey would grow very slowly, by natural increase alone, by 1.7% to a total of 92,350 in 2020.

On present trends the number of households would increase much more rapidly. The Island Plan Review 2008 for instance assumed[8] that household size would continue to decline linearly, to an average size of 2.2 people by 2020. This would result in an increase from 37,900 in 2007 to 42,000 by 2020, an increase of 10.8%.

3.2 Net housing requirements

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[4] Jersey's Resident Population 2008, Statistics Unit 2008.
[5] Figures are rounded and do not total 100.
[6] The number of private households excludes those living in communal establishments such as hotels, guest houses or nursing homes.
[7] Jersey's Resident Population 2007, Statistics Unit 2007.
[8] Ibid, para 9.3.4.

The Island Plan of 2002 was based on the assumption of net immigration levels of 200 heads of households per annum – which has been the average observed in the following five years.

The new Plan included a planning assumption within it of 250 heads of households (540 people) based on the Imagine Jersey 2035 findings that, while public participants were strongly opposed to new building on greenfield sites, they would accept new housing developments of good quality in St Helier and to a lesser extent elsewhere as long as they are affordable to ordinary citizens.

However, it should be noted that this planning assumption of an increase of 250 households, and 540 people, is less than the actual average increase of 660 people per annum over the last few years.

The 2008 Island Plan Review identified:

- current and future housing land availability, through existing planning permissions, zoned sites for different categories or for sheltered/retirement purposes;

- opportunities for development at the St Helier Waterfront; and

- windfall developments in the built-up area and some brownfield development outside the built-up areas.

The Review concluded:

'*it is anticipated that the supply of required new homes in the 'qualified sector' over the next ten years will come from a range of sources, similar to those identified in the current Island Plan - but notably not from the re-zoning of any green field sites'*[9]:

This conclusion follows from the analysis of new supply and demand with different in-migration assumptions used to estimate net housing requirements (table 3.1). Based on demographic projections and planned land supply alone, housing requirements can be met without the additional release of land. It is thus considered that there are no grounds for any large scale release of additional land as long as immigration is limited to around 250 additional households per annum.

However, it should be noted that the Review refers primarily to housing demand resulting from increases in the qualified population. Increases in the non-qualified population, only a small proportion of whom stay long enough to become residentially qualified, will increase demand in the so-called 'lodging house' sector. As standards rise is this sector, with more self-contained apartments, this will put pressure on the existing housing stock in the Island.

[9] Ibid, para 9.4.1.

Table 3.1 Net Housing Requirements 2008 - 2013

Net migration assumptions	+150 net in-migrants		+250 net in-migrants		+325 net in-migrants	
Total estimated demand	3,000	1,300	3,600	1,900	4,000	2,300
Total estimated supply	3,200	2,500	3,200	2,500	3,200	2,500
Net requirements	+200	+1,200	(-4000)	+600	(-800)	+200
Totals	**+1,400**		**+200**		**(-600)**	

Source: Island Plan Review 2008, p.xx

3.3 Projections of overall housing demand and supply

Using the Housing Needs Survey 2007 the Statistics Unit has projected the total demand for and supply of dwellings over the period 2008-2012 by tenure, property type and size on the assumption of zero net immigration. This is a gross flows analysis including all movers as well as new forming immigrating households and those who leave through death, care and out-migrants. It also distinguishes between qualified and non-qualified households.

This projection shows overall demand from 10,730 households over the five year period and suggests that less than 10% of demand will be in the non-qualified sector, while nearly 60% of identified demand (more strictly preference) is for owner-occupation. This is significantly the result of the changes in eligibility for qualification.

On these figures, taking no account of any net immigration, there is an excess of supply over demand (assuming baseline vacancy rates) of around 150 units; and a massive mismatch between the supply of small flats and the demand for houses (table 3.2).

Table 3.2 Five year requirements by type and size of dwelling unit

Type/size		**Total supply**	**Total demand**	**Surplus**	**Shortfall**
Flat	1 bed	3,125	1,800	1,325	**-**
	2 bed	2,350	2,360	-	**(10)**
	3 bed	295	215	80	**-**
House	1 bed	185	130	55	
	2 bed	1,370	1,780	-	**(415)**
	3 bed	2,405	3,075	-	**(670)**
	4 bed	780	1,080	-	**(300)**
	5+ bed				**-**
Total		**10,885**	**10,730**	**1,550**	**(1,395)**

Source: Table 3 in Housing Needs Survey 2007, p.7

The Housing Needs Survey also tracks the tenure of gross flows and projects an oversupply of private rented and social rented housing offset by an excess demand for owner-occupied homes. This is true even when the survey responses are adjusted in relation to number of rooms per household (table 3.3).

Table 3.3 Realistic aspiration five-year requirement (supply-demand) by tenure of size and dwelling unit

Tenure/ Size	Owner Occupier	States Rental	Housing Trust/ Parish Rental	Private Rental	Private Rental (NQ)	Registered Lodging	Staff/ Service	Private Lodging	Total
1 Bed	(70)	140	(55)	835	255	105	5	50	1,265
2 Bed	(1,390)	105	(110)	765	45	5	(15)	-	(570)
3 Bed	(740)	(10)	(30)	285	70	5	(25)	-	(440)
4 Bed	(155)	(10)	10	30	30	-	-	-	(100)
5+ Bed	90	-	-	25	-	-	-	-	115
Total	(2,265)	225	(185)	1,970	400	110	(35)	50	270

Source: Table 10 in Housing Needs Survey 20078, p.16

These estimates take account of affordability only to the extent that households themselves have realistic expectations about their capacity to purchase their own homes. However, the evidence on who is in the private rented sector suggests that these may well not be realistic at least under present conditions. Although there is a proportion of younger people who are living in the private rented sector as a transition to owner-occupation, a large proportion is very unlikely to be able to afford to buy without some assistance and so renting without assistance is likely to be a life long tenure.

3.4 Housing stock and tenure

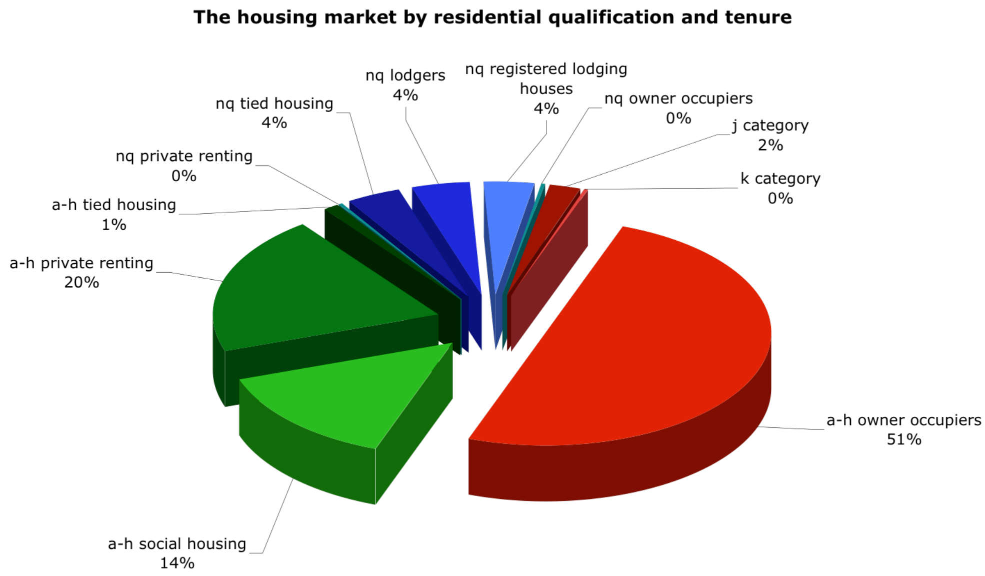
The total stock of housing in Jersey in 2001 was some 32,700 units, of which around 6% were vacant. This compares with the number of households of 35,560, and implies that households exceeds occupied dwellings by some 15%, although this discrepancy may reflect the Census definition of a 'dwelling'.

Almost 60% of dwellings were houses and a further 20% were purpose built flats – thus roughly 20% plus were either in converted commercial or temporary structures. These figures suggest that while the vast majority of households are accommodated in adequate housing, a significant proportion are either sharing (mainly in lodging houses) and/or in non-purpose built homes, although there is a significant, but unquantified, number of flats in converted town houses.

Within the overall total of households some 30,300 were in categories a-h (i.e. fully qualified); 780 were category j i.e. essential workers limited to renting or share transfer; 100 were weekly migrants; and almost 4,400 were non-qualified. This last group lived in some 250 lodging housing with 5,500 rooms or in private lodgings.

As is shown in figure 3.1 the pattern of housing tenure is significantly determined by residential qualifications with 51% households being owner-occupiers; 14% in social rented housing (all within categories a-h); 2% share transfer property; and 34% renting privately. In particular social housing is only available to households with an a-h residential qualification. Among the residentially qualified population, 57% are owner occupiers, 23% are private renters, and 16% are social housing tenants (Figure 3, page 67).

Figure 3.1



3.5 House prices, rents and affordability

House prices in Jersey in the 4th quarter of 2008 were 132% above those in the South West of England and 52% higher than in Greater London. Average house prices in Jersey rose by 53% between 2002 and 2008. The most rapid increases were observed in three-bed houses and houses (as opposed to flats) purchased by first-time buyers. Flat prices rose by less than half the average rate. However it should be noted that the numbers of transactions for first-time buyers are small and vary considerably from one year to another.

The evidence in the private rented sector on the other hand suggests that rents in new transactions were relatively stable between 2003 and 2006, before rising by 8% in 2007 and by 10% in 2008.

The evidence on house prices and rents over the last few years suggest a relatively reasonable balance in the rental market and limited pressure for flats but very significant pressure among larger houses. Thus the main reasons for house price increases (as opposed to price levels) relate to income growth and growing aspirations rather than demographics.

It has been suggested to us[10] that the policy of the States in restricting the range of financial institutions that are permitted to operate on the Island may be contributing to an uncompetitive mortgage market, and hence to higher costs and lower affordability of house purchase in Jersey.

The most obvious impact of increasing house prices has been worsening affordability. Table 3.4 below provides an example of the type of property, and the segment of the market, in which a household in each income quintile could afford to purchase, assuming borrowing at 5 times income and a 15/20% deposit.

[10] Communication from Mark Boleat.

Table 3.4: Affordability of house purchase

Household income quintiles	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5
Household income at midpoint of quintile*	<£17,000	£22,750	£34,000	£51,500	>£63,000
Maximum borrowing @ 4.75 x income**	£80,750	£108,000	£161,500	£244,625	£299,250
Maximum price affordable @ 80% LTV	£100,938	£135,000	£201,875	£305,781	£374,063
	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house
Mean house price in Q4 2008	£234,000	£325,000	£400,000	£518,000	£677,000
Mean lower quartile house price in Q4 2008	£147,420	£204,750	£252,000	£326,340	£426,510

*Borrowing calculated at maximum income for Quintile 1 (£17,500) and minimum income for Quintile 5 (£63,000)
** Income multiple of 4.75 average of current multiples offered by RBS and HSBC: Loan to Value ratio of 80% virtually standard at June 2009

The table shows that households in the lowest income quintile (under £17,500) cannot afford to purchase; that households in the second income quartile (between £17,500 and £28,000) could only afford a one bedroom flat in the lowest house price quartile; and that while households in the third income quintile (between £28,000 and £40,000) could (barely) afford the average one bedroom flat, they could only afford a home with two bedrooms by buying a flat in the lowest quartile of prices.

Buying a house as a family home is effectively only possible for the two upper income quintiles, with incomes in excess of £40,000 per annum. Younger households, single people, and those on lower incomes cannot afford to become owner occupiers, and must rent their accommodation, either from private landlords or in the social housing sector, unless they have access to significant savings or loans from parents or others.

It is worth noting that in 2008, the average price of the 12 flats sold under the First Time Buyer scheme was £306,000, and the average price of the 48 houses sold under the FTB scheme was £392,000. These prices are unaffordable below the top two income quintiles without additional assistance.

The average level of house prices and its relation to average incomes suggest that fundamental inflexibilities in the supply of land and new housebuilding result in price/income ratios far much higher then in the UK, where it is generally accepted that there are long run supply constraints which adversely affect the competitiveness of the economy as well as the stability of the housing market.

3.6 The Social Rented Sector

The social rented sector in Jersey consists of some 6, 200 units. Three-quarters of the social housing stock is owned by the States and a fifth by six Housing Trusts (table 3. 5)

Access to the States rented stock and to States nominations to the Housing Trusts, is tightly controlled and rationed. Access to the States housing waiting list is only available to residentially qualified households, who must either have young children, or be over 50 years of age, or have medical, physical or mental disabilities and need special types of housing. In addition, applications are restricted to households with incomes less than defined maximum limits, which roughly equate to the bottom two quintiles of the income distribution in Jersey, and effectively below the level at which a household qualifies for Income Support.

Table 3.5: Social housing in Jersey by landlord type and bedsize

	Bedsit	1 bed	2 bed	3 bed	4+ bed	Total
Parishes	20	90	32	0	0	142
Charities	108	54	4	15	11	192
Trusts	16	492	433	293	26	1260
States	369	1681	1547	875	143	4615
Total	**513**	**2317**	**2016**	**1183**	**180**	**6209**

Restrictions in the range of household types eligible for States housing mean that roughly half of all households are ineligible. The means test further restricts eligible households to the lower 40% of incomes. In effect, only 20% of the population appears to be eligible to be considered for States housing (or nomination to a Housing Trust). Within this group vacancies are allocated to those in the greatest housing need.

Since 12% of the total housing stock in the residentially qualified sector is owned by the States, and a further 4% by the Housing Trusts, it appears that the majority of households who are eligible to apply for social housing do so, and are actually accommodated.

States housing tenants are characterised by:

- low incomes: 80% of tenants are in the bottom two quintiles, with household incomes less than £28,000 per annum and only 1% in the top quintile, with incomes over £63,000 (Figure 10, page 86). 64% of States tenants are in receipt of Income Support (Table 25, page 95, from Income Support statistics);

- high proportions of pensioners (32%) and single parents (13%) (Table 9, age 64: nearly a half (44%) of all States tenants are separated, divorced or widowed women (Table 10, page 71);

- lower levels of economic activity compared to other tenures: over half (55%) of States tenants are economically inactive. Nearly half of the economically inactive (44%) are retired, over a quarter (27%) are either homemakers or in full time education, and over a fifth (22%) are long term sick or disabled (Table 10, page 71).

Consequently, the overwhelming majority of social housing tenants are likely to be lifelong renters. Even among those tenants who leave States housing every year, nearly 80% continue to rent, moving into care, to the Cottage Homes, to the Housing Trusts or into the private rented sector. Only 10%, or some 20 tenants each year, move to owner-occupation (Table 17, page 84), reflecting the gap between the average levels of earnings among States tenants and house prices in Jersey.

The characteristics of the social sector population mean that housing managers play an important role in supporting their tenants by providing housing related services and access to other assistance.

The Housing Department has nomination rights to a proportion of Housing Trust vacancies based on the provision of land and financial guarantees from the States. The Trusts are responsible for letting the balance of their dwellings. The Trusts have open waiting lists and do not apply strict income limits on allocation. The outcome of this is that the average income of Trust tenants is some 16% higher than that of States tenants. The rents of Trust properties are also higher than those of States properties but are set within fair rent limits and are therefore below market levels.

3.7 The management of social housing

The Housing Department faces significant expenditure constraints. The management of the Housing Department are civil servants and the staffing, at fewer than 40 Full Time Equivalent staff in parsimonious. A comparison with the London Borough of Kingston upon Thames is useful. Kingston upon Thames, with a similar sized stock owned by the local authority, of 4,832 units, and with a similar proportion of flats to houses, in a similarly high house price/high pressure market, is allocated a housing Management Allowance of £3.402m, a Housing Maintenance Allowance (for day to day repairs) of £6.027m, and a Major Repairs Allowance (for major repairs and improvements) of £3.895m, a total of £13.325m in revenue expenditure.

Since wages and salaries in Jersey are significantly higher than in England, a similar calculation for Jersey would produce a proportionately higher figure. Appendix 10 shows that Kingston employs roughly twice as many staff as Jersey in housing management and maintenance, in part reflecting a different performance and regulatory regime and in part the much lower available budget.

The Trusts are managed by Boards of volunteers, and mostly outsource their housing management and maintenance functions. As a consequence, their ability to cope with tenants who cannot manage their finances or who exhibit difficult or anti-social behaviour is limited. As a result, the States housing stock also tends to function as the ‘landlord of last resort’, even within the social housing sector.

4. Role and Organisation of States Housing

In this section we identify the main factors which determine the role of social housing in the Island and ask whether the current structures are fit for purpose. There are two distinct sets of issues – those relating to States policy and decisions made by the States, and those relating to the management of the social sector stock.

4.1 Policy Framework

High level decisions on social housing policy and the role of the Housing Department are formally made by the States but responsibility for developing policy rests with the Council of Ministers. The most important decisions relate to:

i) the desirable tenure mix in the Island;

ii) eligibility rules for social housing;

iii) the States Housing rent regime;

iv) the Housing Department budget; and

v) the Housing Department Property Plan, all of which lie within

vi) the framework set by the Island Plan and other broader policy documents.

i) ***Tenure mix*** The Strategic Plan clearly states that the emphasis should be on increasing owner-occupation and long-term self-reliance with respect to housing based on the community demand for a greater degree of home-ownership. In this context the Housing Needs Survey identifies a shortfall of some 2,250 owner-occupied units over the five year period 2008-2012 based on the survey evidence of demand. However it is clear that a significant proportion of these household are very unlikely to be able to afford to purchase without some significant assistance. They will therefore either remain in the private rented sector or become social tenants.

ii) ***The current eligibility rules*** are based on length of residence and household characteristics: notably having young children, being aged over 50, or having special needs with respect to housing as well as having incomes below a defined maximum which equates to the bottom 40% of the income distribution. These imply that States housing and States nominations to the Housing Trust should only be available to those in need both of greater assistance and security (as well as specific dwelling attributes). These can, of course, also be obtained in the private rented sector, where relevant with the help of social security. Social housing is not therefore to be seen as generally available to those unable to afford owner-occupation. Given these constraints, it is inherent that the tenant profile includes large proportions of lone parent, economically inactive and older households. It is equally not surprising that there is apparent excess supply as the population of households from which demand can be drawn is probably very little larger than the stock of social rented housing. On the other hand many qualified households currently accommodated in the private rented sector might be better served by social housing.

Social security payments are now available to all those who have been resident for more than five years.

iii) ***The rents regime***. The current assumption of States policy on rents in the States sector is vague although it is often seen to be based on a view that rents should be set at around 90% of market levels.

Concerns about inflationary pressures, and the Income Support bill, have meant that rents have drifted down to perhaps an average of 80% of market levels and in some cases perhaps below 70%. In a more relaxed allocation system this would have generated increased waiting lists for social housing. However as neither housing affordability nor the standard of housing achieved in the private rented sector enter the eligibility rules this has not been observed. Trust rents are set in relation to States housing in that rents may not be greater than the Fair Rent Cap for the relevant category in States housing. However the stock is newer and often of higher quality and the allocations are based on demand rather than stringent eligibility criteria.

The current rents policy and its implementation raises two main issues. First, is the objective to provide a subsidy to all social tenants through below market rents or rather to provide better value for money for tenants at near market rents? Second, can the policy anyway be implemented given the more general pressures that face the States at the time of the annual determination of rent increases?

iv) ***The Housing Department budget.*** The vast majority of Housing Department income comes from tenants' rents. Gross rent income in 2008 was £33m.

The annual expenditure on the running costs of managing and maintaining the housing stock are £11m. As a result, there is a substantial surplus of gross rents over costs of £22m. This is paid into the States' central budget.

The States have recognised that annual expenditure of £11m. is insufficient to ensure the adequate repair and modernisation of the States housing stock, and that this has resulted in the backlog identified in the Property Plan. To support the renovation programme the States has budgeted for a contribution of a total of £30m over the five years 2007 to 2011 – i.e. about £6m per annum. It has also agreed in the Property Plan that properties should be sold to finance larger scale improvement programmes.
Prior to 2008, a rent rebate scheme was administered by the Housing Department, but this has been superseded by the introduction of Income Support. This has formally separated the decisions about rent setting and rental income (made by the States and implemented by the Housing Department) and the level of assistance provided through rent rebates (made by the States and implemented by the Social Security Department).

Even so, at the present time income and expenditure on States housing match one another in that there is a 'surplus' of £22m over direct operating costs but a similar amount is being expended by the States through the contribution to investment (£3.55m) and the payment of income support to States tenants (£19m). Thus taken together States Housing could in some sense be said to wash its own face. However this funding model does not enable long term investment in the existing stock. Moreover the States contributions will not be continued after 2011. Thereafter under current conditions there would be no option but to sell off even more of the stock to pay for required improvement investment.

v) ***The Housing Department Property Plan 2007-16*** was adopted by the States in July 2007. The plan addresses the issue of how both revenue and capital funds can be made available to ensure adequate standards by setting out a programme of sales to sitting tenants and the wider market of up to 800 States rental homes over a ten year period. Such a programme is seen to meet three distinct goals: providing the funds for reinvestment in the remaining stock; helping to expand owner-occupation; and changing the mix of States housing.

In this context the Property Plan makes it clear that new building by the Department should be restricted to the provision of lifelong homes for older people mainly on brownfield sites in St. Helier. This provision will partially offset the reductions from sales. New build family homes, on the other hand, would be provided through the Jersey Homebuy scheme and more general first time buyer schemes. This policy has been agreed by the States and led to the approval of the Jersey Homebuy scheme in July 2008.

The Plan is predicated on the assumptions that the size of the sector should decline and that there should be a shift towards life-long homes. However while these will clearly be of a higher standard the potential outcome is not wholly consistent with the Housing Needs Survey which shows an excess supply of small, flatted units (although these would be to much lower standards than life-long homes) and a small shortfall in the numbers of larger units even based on current allocation rules. Nor does it directly address the question of what size the sector should be. This is explicitly left to the more fundamental review.

These high level policy decisions are strongly interlinked. Moreover they raise important issues both with respect to the fundamental role of social rented housing and to the implementation of housing policy and its day-to-day management. Of particular importance are questions relating to the feasibility of expanding owner-occupation to the extent envisaged in the Housing Needs Survey; the scale and effectiveness of HomeBuy schemes to assist homeownership; and the extent to which private renting can effectively provide adequate standard housing for those who are currently ineligible for social rented housing and unable to access owner-occupation. These in turn determine the appropriate size of the social rented sector.

4.2 The governance and organisation of States rental housing

A large number of issues about the operation of States rental housing emerged from our discussions and analyses (see Appendix for a list of those with whom we held detailed discussions). These related both to current plans as specified in the Property Plan and to more longer-term constraints and opportunities.

The following tables seek to categorise these issues into the necessary conditions for a well-operating social rented sector and the constraints on achieving the required outcomes.

Table 4.1 sets out the most important conditions and helps to clarify the extent to which the current organisational structure is fit for purpose and the factors to take into account in assessing the most appropriate approach to a possible reorganisation of States rental sector.

Within the table Section A lists the immediate concerns. The views expressed reflect the frustration that is inherent in a system where large scale rental revenues are raised but the funds remaining after the allocation of £22m of its rental income to central finances are inadequate to maintain the stock and undertake improvements. Equally they reflect the extent to which uncertainties about rental income and the proportion remaining with the Department make forward planning more difficult.

Section B sets out more fundamental problems. They relate to the overall framework within which social housing might be provided in the future. Many follow from the uncertainties about the relationship between policy and implementation.

Section C raises broader issues which affect other Departmental and overall States decisions. They need to be addressed at the same time as any decision is made about organisational structure.

Table 4.1: The necessary conditions for a successful sector

A.	***The immediate problems for the organisation***
A.1	Improving the existing stock to adequate standards
A.2	Financing that improvement
A.3	A rent regime that is achievable and provides adequate funding into the longer term
A.4	Ensuring a satisfactory service to existing tenants
B.	***More fundamental problems within the social rented sector – enabling choice as well as adequate standards***
B.1	Devising a financial regime which enables proper standards of improvement and the management of the portfolio
B.2	Agreeing a rent regime which provides for financial requirements and is consistent with the rationale for providing social housing
B.3	Determining a property rights regime for tenants which meets reasonable expectations
B.4	Ensuring a level playing field among social providers and putting appropriate incentives in place, to ensure efficient provision of relevant services across the providers
B.5	Ensuring that the available social sector stock is effectively targeted to maximise social benefit
B.6	Building the capacity to provide an adequate proportion of social housing to meet the needs of the Jersey community
B.7	Clarifying the relationship between social rented housing and Low Cost Home Ownership
C.	***Social housing within broader housing and financial environment***
C.1	Achieving value for money for the States from social housing assets
C.2	Financing social housing without States borrowing, which rules out the most obvious means of achieving financial flexibility
C.3	Ensuring affordability within the new social security regime
C.4	Ensuring adequate housing standards across all tenures – which may involve changing the private rented sector regime
C.5	Achieving adequate levels of new build in total, suggesting a need for changes in the planning system

Table 4.2 sets out the most important areas of constraint that have emerged in discussion. The most immediate relate mainly to the current financial regime. The more fundamental issues relate to the role that social housing should play in relation to the broader welfare regime as well as in providing adequate accommodation for all households and using available resources as efficiently as possible.

Table 4.2: The Constraints

A.	***Immediate constraints***
A.1	Lack of capacity to borrow to undertake investment
A.2	A rent regime which increases to limits of 2.5% per annum which will not keep pace with cost increases
A.3	The size of the contribution required to the social security budget and uncertainty about how this contribution might increase
A.4	Location and types of housing available to meet identified needs within current allocation rules
A.5	Traditional approach to tenant's rights and responsibilities limiting tenant choice. Including the full occupancy policy
A.6	The extent of political and personal intervention in the day-to-day operations of the Department
A.7	The growing politicisation of decision making processes
B.	***More fundamental issues***
B.1	The range of services to be provided into the future
B.2	The capacity to provide choice and security to tenants through a range of options
B.3	Concerns about tenant capacity to pay – incomes are much lower than in other tenures and social security will not be so generous in the future
B.4	Increasing concentrations of households with additional needs in the sector
B.5	Increasing costs of management, maintenance and administration
B.6	The tightly constrained allocations policy
B.7	The physical attributes of States Housing and social housing more generally
B.8	The lack of a clearly specified financial framework within which value for money can be evaluated.
B.9	The lack of a specified regulatory framework
B.10	What agency/agencies should provide social housing?

Section 5: A potential framework for organisational change: the options

In order to clarify what options are feasible with respect to the organisation and management of social housing a number of decisions are required. They help determine the nature of the financing regime; the appropriate set of rights and responsibilities of tenants; the regulatory framework in which the social housing should operate; the ownership of that housing; and ultimately the scale of provision.

5.1 Setting social housing rents

Current rent setting policy

While current States policy sets no formal requirement there is a general understanding based on an unstated assumption that rents should be set at around 90% of open market levels. The system of setting 'fair' rents has existed for many years and has not been revised following the introduction of the Income Support system in 2008. It applies both to States housing and to housing provided by Trusts.

Current rent setting in practice

In recent years rent increases have been set at no more than 2.5%, albeit in 2008 the increase was set at 3.7% and was specifically set at a level to coincide with a similar increase in Income Support benefits.

This has had two consequences:

- the real value of the income collected from rents has gone down, but the costs of managing and maintaining the stock have generally increased in real terms.
- an increasing gap has opened up between the rents in States housing and market rents.

The emergence of significantly submarket rents appears to be in contradiction both to the policy direction of Income Support and social policy in Jersey which is that households should work (the labour participation rate is higher than in England) and that Income Support should then provide assistance with expenditure of all types.

Current rents policy provides implicit subsidy through sub-market rents both to States tenants who enter the sector under stringent eligibility criteria and Trust tenants where allocations are not means tested, and are related more to demand.

Income Support and maximum rent limits

The Income Support system operates a policy of setting maximum limits to the rents which will be eligible for Income Support (see Table 32 on page 105). This gives an incentive to tenants (particularly in the private rented sector) to choose properties with lower rents, and avoids any open-ended commitment to pay Income Support on rents at the upper or luxury end of the market.

In practice, the rent limits for Income Support are set on the basis of the fair rent cap in States housing. As a result, 517 out of the 1,734 private sector tenants (or 30% of the tenants in the private rented sector who receive Income Support), have rents above the fair rent limit, which means they must top up their payment from income meant for other necessities.

Setting a limit to the maximum rent eligible for Income Support also assumes that there is a sufficient supply of homes at rents below the limit. It is unlikely that any shortfall in supply will automatically be met by the private market. One of the functions of a social rented sector is to ensure a supply of homes at rents appropriate for lower income households.

Should rents be set at market levels?

Setting rents in social housing by market mechanisms is not obviously compatible with the purposes of social housing, to supply homes of a minimum acceptable standard to households on lower incomes. However the outcome would almost certainly be either a very much more generous Income Support scheme or poorer households forced into low quality, poorly located and overcrowded conditions. If instead a social housing sector which deals with priority needs is to be provided, then setting rents at market levels will not achieve the desired outcome.

Setting sub-market rents: European and English experience

In many other European countries sub-market rents are set either to cover costs (including interest charges), or to ensure that rents are affordable for low income employed households. In England, for instance, the definition of social housing includes that rents should be set below market levels. Rent levels are set to generate a certain quantum of income that is enough to enable the stock to be adequately maintained. Rent relativities within the sector are based on a mix of capital values and local incomes in order to enable both affordability and a consistent pattern of rents

The more targeted the group in social housing the greater the financial benefit for sub-market rent for households with little economic capacity to transfer between tenures. Sub-market rents reduce the work disincentive associated with income related benefits.

Rent settings options for Jersey

There is a spectrum of possible options in Jersey which runs from setting rents to generate an amount of money necessary to run the business, at the lower end, to increasing rents to market levels over a period (say 5 years), at the upper end.

To the extent that the selected policy sets rents which are below market levels there will be queues or constraints on allocation which will have to be managed. In this context the current concern is that, on valuations, rents are well below market levels but there are relatively limited queues. This suggests either that allocations policy is very constrained or that valuations do not reflect true market rents for the particular stock, for instance because of the stigma attached to social housing.

A rather different issue is whether raising rents to market levels would actually generate additional net income. Unless the Housing Department's budget for expenditure on managing and maintaining the stock is also increased, any increase in rent income will simply produce a larger 'surplus' to be returned to the Treasury. Since 64% of tenants are in receipt of some element of Income Support, the majority of any increase in rents will be met by a corresponding increase in Income Support payments (see Figure 14, page 98).

Rent setting policy is a difficult political issue and one which may be more easily addressed in the context of stock or management transfer. At the present time rents are set neither by the Housing Department nor by social security and their objectives may not be achievable given the rental decisions made.

5.2 Reassessing the eligibility criteria for social rented housing

The current eligibility criteria are extremely constraining. They inherently mean that the majority of tenants are vulnerable (and often segregated) and are likely to remain as life-long tenants. They also mean that many households in need of adequate standard housing are excluded from the sector. This is reflected in the apparent very large excess of households over dwellings in Jersey which implies large numbers of households living in shared or non self contained accommodation, although in reality this apparent excess may simply reflect the current definition of 'lodging houses' .

A second issue is eligibility with respect to income. Were the income constraint to be raised another group of poor households who might be better accommodated than in the private rented sector would become eligible for social housing

A more fundamental issue is whether social housing should be available to a wider range of lower income households with no additional vulnerabilities. Where low income households are likely to be in long-term housing need the case for social housing provision can be strong (as in the Netherlands, Scandinavia, and to a lesser extent the UK). In the Jersey context however, any such change would involve a significant shift away from current policy.

5.3 Increasing security of tenure

The terms and conditions on which tenants rent their property are an important element in determining both the financial value of the social sector stock and its value in use to tenants.

At the present time social tenants have no security of tenure with respect to the individual dwelling. Tenants can expect to move if their needs change. In particular if the size of the household decreases, tenants can be required to downsize within the social sector stock and away from their locality.

This level of insecurity is extremely unusual. In most European countries security of tenure with respect to the specific property is seen as a major benefit of being a social tenant and tenants have security for life as long as they pay the rent. Obviously there are important trade-offs between tenants rights and the management of the stock to achieve the highest possible utilisation. In this context there has been some discussion in Jersey about modifying security of tenure with respect to both the private and the social sector. The issue would need to be determined if any significant change in the organisation of the sector were proposed.

5.4 The appropriate regulatory structure

At the present time there is no separate regulatory framework for States housing because it is within a States Department. However there is a complication in that while the Department of Housing in principle has the responsibility to regulate Housing Trusts, in practice there are no resources to make this possible. There are also potential conflicts of interest, if one housing management organisation is required to regulate another. Any transfer of ownership and/or management would bring with it the need to delineate the relationship between the States and the independent landlord or manager more carefully.

In any restructuring of responsibilities, policy making would remain with the States – including setting a viable financial framework; principles of rent setting and allocation; and rules with respect to disposals and investment. On the other hand, implementing this framework and day-to-day decisions would lie with the landlord/manager.

There can be three distinct ways in which the relationship between the States and an independent housing organisation would need to be mediated:

First, there is the possibility of including elected members on the Board of the independent institution. This is for instance the norm in England, with local authority members on ALMO boards, where the authority still owns the assets, and on the Boards of LSVT housing associations, where the assets have been transferred to an independent landlord. This arrangement is almost unknown with traditional housing associations.

Second, there is the possibility of introducing an Ombudsman who can address the concerns of individual tenants. This is the norm in many countries and can readily be incorporated within a more general consumer based service. An Ombudsman approach would provide an alternative for much of the current 'day-to-day' intervention by States members and help ensure consistency in decisions.

However, the small size of Jersey makes an ombudsman scheme difficult. It would probably be necessary to seek to persuade an existing ombudsman to take on the task but even this would be costly as ombudsman schemes have to relate to the particular legal and other circumstances.

Third, a regulatory body would be required to monitor the independent social housing organisation, to enforce the license framework and to ensure financial viability. This would be a completely new requirement and is both one of the costs of any change and a significant benefit if it helps to provide clarity, transparency and consumer orientation. Again, Jersey is so small that a regulator would be expensive.

A rather different issue relates to the Housing Trusts. Even under current circumstances there is agreement that the Department's role in regulating Trusts is inappropriate. We would therefore expect that were an independent regulator to be set up Trusts would come within the same regime (see below).

Our discussions with potential regulators within the States of Jersey suggested that there is no appetite to take on this regulatory role among established regulators on the Island. Housing is very different from other areas of regulation such as water or transport, and these other areas are growing. They therefore do not think that the relevant expertise is immediately available.

The most obviously comparable organisation is the new Tenants Services Authority (TSA) which started work in England on December 1st 2008. This new organisation is the result of a government decision to separate investment and regulation based on the report by Professor Martin Cave. The TSA has been given the basic remit that we have identified as necessary for Jersey, except to the extent that in the English system the Audit Commission still carries out efficiency checks.

Regulatory rules are necessarily complex and resource cost intensive. The benefits of 'borrowing' these rules, with appropriate modifications, is therefore large. Implementation of regulation also involves economies of scale and learning economics. The case for contracting out the regulatory process is therefore also very strong, assuming that an existing regulatory body is willing to take on this role in Jersey.

5.5 The role of the Housing Trusts

Over the last decade the States has supported the growth of one relatively large and a number of small housing trusts, in part to enable additional affordable housing investment which could not be undertaken by States housing. These organisations have received subsidies and guarantees in the form of an exchange of letters with respect to interest rates on borrowing. In return the Housing Department has nomination powers that range from 80% to as low as 20% of lettings where there is no letter of guarantee. Trusts may however refuse to accept specific nominations.

The average income of tenants in Trust property is some 16% above that of States housing tenants reflecting the mix of States nominees and the Trusts' direct allocations[11].

Rents in Trust properties are limited to a maximum of the fair rent in social housing but this means that they are higher than in States housing because most of their properties are relatively new or have just been renovated. The Housing Trusts collect the full (or gross) rent, and no surplus is returned to the States. Any surplus is retained by the Trusts and can be reinvested in housing. The full cost of any rent assistance through provided to Trust tenants Income Support is paid from general States finances.

The Trusts provide some alternative to States provision. However there are concerns:

1. In the main the Trusts appear to be housing households at the upper end of the social sector and above. Even so some Trusts face problems with rent collection as a result of the shift to the new Income Support regime.

2. Only one Trust has a strong enough asset base and the potential appetite for reasonably rapid growth, including perhaps the possibility of buying a small proportion of the existing States stock.

3. There is no level playing field between States Housing and the Trusts because of direct and indirect payments to Trusts; because States housing returns funds to the centre and because States Housing is the provider of last resort and so accommodates far larger numbers of vulnerable tenants, who require significant support, and therefore additional resources.

There are two possible approaches to developing a coherent social sector including both States Housing or its successor and the Trusts:

(i) bringing Trusts wholly within the same financial and regulatory framework as the restructured States Housing and enable them to compete on equal terms. This would be likely to reduce the numbers of Trusts that develop and might incentivise the merger of existing smaller Trusts. However it would be complicated to make such significant changes to their current framework and the benefits would probably be limited: or

(ii) Trusts could be subject to a similar, but simpler, regulatory framework (as applies to small HAs within the TSA style model) with investment funded on a much clearer understanding of objectives in terms of target groups and rental policy. This appears the less costly option.

It is unlikely that the generality of Trusts can play a significant role in any restructuring of States Housing or indeed in large scale additional social housing provision. The only exception might be the Jersey Homes Trust, particularly if they wished to bid for part of the existing States Housing stock. In this case they could expect to be subject to the same license framework as other buyers.

[11] Source: Table 22 on page 90

5.6 The role of rented and social rented housing

A final issue that must be addressed before assessing options is the appropriate size of both the rented sector and of social renting within that sector. Our analysis suggests that the rented sector overall if anything will expand. Similarly, given the relative price and quality of housing in the private and social sectors there is a strong case for expanding rather than contracting the social sector although in a rather different format.

Does Jersey need 40% of its housing stock to be rented?

The proportion of owner occupiers looks low as compared to many other European countries and the States has called for a higher proportion of owner-occupiers. However the low proportion arises significantly from the combination of stringent controls both on the use of existing housing stock and on building new housing. Given present policies, it is unlikely that that any surplus of housing sufficient to reduce prices will emerge. Indeed over the longer term prices are likely to continue to rise. If the price of owner occupation remains high, a large rented sector is inevitable unless large subsidies are provided to households to enable them to buy – driving up prices further, in the absence of any increase in supply.

The composition of households in the social sector suggests that very few social tenants are ever likely to be able to buy without large subsidies. Sales to sitting tenants have been in line with the Property Plan but almost certainly could not be increased without much larger discounts or a shared ownership approach. Nor is owner-occupation necessarily desirable for the generality of households currently accommodated in social housing, since many would be over-stretched to afford even Jersey Homebuy prices.

The opportunities for the expansion of owner-occupation come from the private rented sector. The latest Housing Needs Survey suggests that almost half of private tenants would like to be able to buy. It also shows that the majority cannot afford to do so. Equally there is clearly a flow into owner-occupation – but this is replaced by other private tenants as the cohorts work though the housing system. Shared equity and shared ownership programmes would enable some to purchase – especially if the current ‘Section 106’ style policies could be expanded. Brownfield developments tend to include large numbers of small units that could be owner-occupied– but are often more appropriate as rented units. In current circumstances (even with low interest rates and lower house prices in the short term) owner-occupation at best is likely to increase only very slowly.

Does Jersey need one third of its rented housing to be social housing?

The evidence suggests that the private rented sector and the social rented sector are catering for fundamentally different groups of the population (albeit with some overlap). This in itself provides evidence on what the specific nature of social housing should be.

The private rented sector caters mainly for younger households, with high proportions (81%) in employment, and with higher incomes than social tenants (86% had household incomes above £17,500, compared to 46% of social housing tenants: see Figure 10). Many private renters both aspire to become owner occupiers, and have the income to do so. The Housing Needs Survey 2007 estimates that 50% of the first time buyer demand for owner occupation over the next five years will come from households currently in the private rented sector, with 30% coming from households in the owner occupied sector, and only 6.5% coming from households in the social housing sector (205 households over the five year period, significantly through sales to sitting tenants).

The social housing sector caters particularly for single adult households, mainly headed by women, with relatively high levels of economic inactivity and correspondingly low incomes. A small number of social tenants leave States housing each year to become owner occupiers. This number is consistent with the levels of aspiration and ability to afford identified in the Housing Needs Survey 2007.

The long term, probably lifetime, need to rent among this group is probably best met by landlords with an institutional interest in the very long term provision of rented housing and in supporting their tenants. This does not necessarily mean that social housing needs to be directly owned by the States. Long term social renting could be provided by a range of institutional forms, from direct state ownership, to trusts, to charities, to non-profit distributing companies, to co-operatives and no doubt others.

There are growing concerns about the aging of the population. Undoubtedly the social rented sector will need to accommodate at least all those who are currently in the social sector – but also perhaps others from private renting as that tenure becomes less suitable as people age. This has been identified as a major area for social sector activity. However there must also be concerns about whether the supply envisaged will be regarded as suitable by that aging population.

Whether the social sector should be enabled to expand depends on the best way of meeting the needs of slightly better off less vulnerable households who will almost certainly never be able to afford to buy. If this is seen as best met by social providers there would be a strong case for expanding the sector to some degree – although probably within a rather different policy framework and probably through a different organisational structure where funding to support expansion and restructuring could be provided by the market.

Should a large proportion of the social rented stock be owned by one landlord?
This is probably the best option. The States housing stock, at 4,600 in 2007, is not large and is currently projected to reduce to 3,850 by 2016, assuming the acquisition of some 400 life-long homes.

A break up of the States housing stock between landlords would create a number of small organisations without generating any significant benefits of competition.

There would be an inevitable loss of economies of scale. The Housing Trusts, operating with less than 1,000 units (and in most cases much less) outsource the majority of their functions. It is noticeable that at least two of the Trusts currently employ the same managing agent, suggesting that economies of scale will be achieved in practice, albeit by a different route – but that this will limit any significant diversity in approach.

In England, the minimum size of housing association thought to be both self sufficient and viable over the longer term is probably around 2,000 to 2,500 dwellings. In practice, there would be an inevitable pressure for merger between the new landlords, which would merely recreate the current situation.

Should the States of Jersey continue to own the current States housing stock?
The States housing stock represents a very considerable asset. The market value of the States housing stock, if sold on the open market with vacant possession, was estimated in 2008 to be some £955m. The value of the States housing stock, if it were to be sold tenanted, would be very much less – perhaps around half that sum (after allowing for the costs of management and maintenance), or some £508m.

The States housing asset is owned debt free, and currently contributes a very substantial surplus. However, it is recognised that the current levels of expenditure from revenue income are too low to maintain the stock in an adequate condition, and it is not the policy of the States to finance investment from borrowing. This has led to the current strategy, proposed in the Social Housing Property Plan 2007-2016, of substantial asset sales, amounting to up to 1/6th of the current stock, in order to fund the necessary ‘catch up’ reinvestment, realign the stock through the acquisition of around 400 new homes which will offset losses of rental revenue.

Any case for transfer lies in greater efficiency and flexibility in operation not in terms of the capital sum realised – especially as the States is not particularly financially constrained. It must also be grounded in ensuring that more people obtain a better housing outcome. The options are set out in the next section.

Section 6: Restructuring States Housing: The Options

We now turn to the spectrum of options that might be considered with respect to the governance, management, financing and ownership of States housing in the future. Not all are likely to be acceptable, but it is important to understand the full range of possibilities so that relative strengths and weaknesses can be clarified.

At one extreme is the possibility of maintaining the status quo. At the other it would in principle be possible to sell the stock off to a private landlord under a license clarifying powers and responsibilities. In between are a range of possible options involving different management structures; different funding streams; and different owners. Here we examine the main options (based on experience elsewhere as well as Jersey specific issues).

6.1 The range of option

Option 1: The Status Quo

This is the most readily defined as all the attributes are already in place. These include:

- A housing stock where there is an identified need for large scale refurbishment as well as higher annual expenditure on repair and maintenance.

- Improvement investment is to be funded by sales of both vacant possession and tenanted property at discounts currently running at 25% of valuation.

- Some increase in the provision of housing for older people located close to services and public transport. This will be paid for from sales receipts, with the costs of development reduced by planning obligations to provide affordable housing.

- The result will be to reduce the size of the States owned sector by around 25% by 2016 to around 4,200 units.

- It will also change the mix of dwellings. By 2016 almost 60% of the stock is expected to be in the form of one or two bedroom units, of which over 80% would be flats.

- Rents are generally well below the 90% of market valuation target – maybe by as much as a further 10% on average, and in some cases by more than 30% as compared to 2008 market transactions.

- Rent increases are set to rise too slowly to cover increasing costs, let alone meet rising aspirations.

- As a States Department, management has little flexibility to move forward and can be subject to considerable intervention on day-to-day matters. It has little control over rent increases or the scale of funds that are returned to the centre. As a result it is difficult to plan.

- Most importantly under current financial arrangements there appears to be little chance that the Department can retain adequate funding to maintain and improve the stock into the longer term without a continuing programme of sales.

In looking at whether this structure is fit for purpose there are a number of questions to be addressed:

i) Is there oversupply? The current plan is based on the assumption that there is over-supply of States housing. Under current rules there is likely to be over supply unless structures and regulations and the nature of the stock can change. Whether there will be over-supply in the future depends on the rents charged; how allocation rules are set; the services provided and the constraints under which States Housing has to operate. But it is clear that if the housing stock owned by the States were to shrink to 10% of the total housing stock, this would not be enough to meet the long term housing needs of low income households, unless social and subsidised housing could be provided from other sources.

ii) Can the political framework be modified to allow more independent decisions by States Housing? The answer to this appears to be certainly not – there are too many people with reasonable direct interests in the outcomes with respect to both rents and allocation/management decisions. This position is inherent while housing remains a States Department;

iii) Can more money and more stability of income be obtained within the current structure of ownership of the stock? Again the answer is probably not, even with goodwill, because of the history of rent determination and the extent to which funds are expected to be transferred back to the centre;

iv) Can residualisation be avoided? Again the answer is probably no, especially given the declining size of the stock and the increasing proportion of smaller units. Ensuring mixed communities within the social sectors would require additional investment by both States Housing and other suppliers; and

v) Can the Trusts take over the role of increasing housing investment if States Housing is constrained? The answer to this is they probably can do a little more, especially in the context of a larger overall building programme, but there are major constraints. Only one Trust appears to have both the appetite and some resources. Moreover, at least as currently structured, the Trusts do not address the long term needs at the lowest end of the market.

Our conclusion is therefore that, while in principle, the status quo might appear to be the cheapest and easiest option it is fundamentally unsustainable, and it is unlikely that the flexibility necessary to generate a modern social sector could be achieved without major changes. Maintaining the status quo would simply lead to an increasingly segregated, inadequate and inefficient sector, and one which is increasingly out of line with the general approach to the provision of public services in Jersey.

Option 2: Separating management and ownership

Option 2A: An Arms-Length Management Organisation

This involves setting up an institutional arrangement, similar to the English ALMO framework, to manage the existing stock. This organisation could be a company wholly owned by the States and could essentially be the existing Housing Department reconstituted and moved arms length from day-to-day States control much as was done by local authorities in the UK. This would have the benefit of retaining the existing staff and their much specialised expertise to the benefit of the tenants.

Such an organisation would be subject to a regulatory framework that, within the policy set by the States, would determine rents and their increases; specify management agreements on standards of service, the range of provision and required outcomes; criteria for allocations; and financial procedures. The organisation would have no borrowing powers, but might be given the right to manage the portfolio by sales and purchases within a specified budget. The governance structure would almost certainly involve both members of the States Assembly and tenant representation, as is the case in England.

In England, ALMOs are companies, wholly owned by the local authority, and governed by the Companies Acts. The relevant staff are transferred from the local authority to the ALMO, and become employees of the ALMO, thereby retaining existing expertise. A similar approach could be used in Options 2a, 2b and 4 below.

The rationale for this approach is that it provides independence for the management while maintaining the ownership of communal assets by the state. The model could involve a set of local (estate or parish) ALMOs or a single national organisation. Both are possible but economies of scale would suggest the second is more appropriate. The approach could also either use the existing management team or look to bring in expertise from outside the current system. In England it has always involved the existing management team.

The benefits of such an approach include:

i) it narrows the mission of the organisation, allowing it to concentrate on high quality management within a well defined framework;

ii) it puts the emphasis on cost effectiveness, especially as rents would be regulated within the framework;

iii) it can enable a process of achieving improvement up to say the English Decent Homes Standard through initial funding or ongoing subsidy;

iv) it identifies a role for local politicians, tenants and others enabling them to set frameworks but not giving them the powers to intervene on immediate management issues;

v) it puts in place an institutional framework for possible later transfer; and

vi) it could at least in principle introduce new blood into management.

The difficulties that can be readily envisaged include:

i) it is likely, at least initially, to increase rather than reduces the States financial commitment; both because of high upfront direct costs and because of the higher minimum standards which would be part of the contract;

ii) it provides an inflexible financial framework for the managers;

iii) determining the framework would be difficult both politically and practically even though many of the elements already exist, particularly because the new arrangements would make all elements more transparent;

iv) it gives only a partial answer to the States' concern that they should not be directly involved in providing services;

v) there would probably be considerable tenant and community opposition to the idea of management transfer, especially if new management teams were involved; and

vi) benefits arise only through the improvements in management efficiency – which in turn are likely to depend on clarity of objectives and policy at the centre.

In England the ALMO model has been regarded as successful, in part because most ALMOs have a narrowly defined mission based on achieving the Decent Homes Standard and because they have received additional funding to achieve this objective. To make the approach work in Jersey would almost certainly involve setting higher standards which in turn would mean either higher rents and/or (more likely) greater States commitment

One important question would be how the funding structure would work. The most likely approach would be to include in the contract a leasing clause by which the ALMO pays an annual sum to the States to offset the loss of the current £22m contribution. This could enable some flexibility in funding over time – e.g. if the annual sum were indexed to inflation.

This option requires relatively little change and does not carry with it the stigma of selling off the family silver. It may therefore be the most politically acceptable approach into the medium term. It could be seen as an effective way of achieving the Decent Homes agenda. Giving the organisation powers to enable sales and portfolio management would add complexity to the design of the financial framework, but without such powers the organisation might well stagnate.

Finally, the approach has no immediate financial benefits except those of efficiency. Perhaps most importantly there would be no capital sum for government because it would still own the assets. Moreover the public would still probably blame them for any problems. So the organisational change might end up doing little to overcome the current constraints on management freedom unless the States are prepared formally to delegate their involvement in management to the Board.

Overall therefore the approach has some important benefits in terms of transparency; independence with respect to day-to-day decisions; and potentially in developing the baseline for eventual transfer. However its effectiveness would depend on setting a robust framework for independent management.

Option 2B: A Trading Company Hybrid Model

This would involve giving the organisation additional powers to request borrowing capacity from the government, subject to a clear business plan. This approach already exists in Jersey with respect to e.g. the airport. Any agreed loans would be raised on the private market under government guarantee.

This would give the organisation greater capacity to pay for its own refurbishment, to adjust the housing portfolio and to invest in additional housing, subject only to the rental stream being available to support repayments. This model has both the benefits of an ALMO and the potential to overcome capital constraints. The financial benefit to the government would depend on their preparedness to allow private finance to be substituted for public – probably with associated rent increases at least for new tenants.

Overall the trading company hybrid option provides greater flexibility than the management organisation and would ensure the transparent assessment of investment decisions. Such an approach would be one step closer to an independently operating social landlord, but would provide no capital sum for government.

However there is a fundamental problem: rents are inadequate to fund the large scale borrowing necessary to support the required investment programme. So either more subsidy would be required or the continuing of sale of housing assets.

Option 3: Sales to sitting tenants

The objectives here would be:

(i) to expand homeownership in line with government policy
(ii) to provide opportunity for tenants to gain equity and to meet aspirations, and
(iii) to help maintain mixed communities.

The Right-to-Buy has been one of the most successful policies in England over the last 25 years – but it depended on large discounts. Many of the dwellings sold were houses in good quality areas and at the time it was implemented there were a large numbers of relatively well-off tenants living in social renting. None of these elements are in place in the Jersey context.

In England, there are now growing problems because of the lack of re-lets available as those who bought reach the age where they would have left vacancies. There are also difficulties arising from the pepper-potting of ownership, which makes it difficult to undertake large scale improvement and regeneration projects. On the other hand, there are the obvious benefits of enabling home ownership and mixed communities. There have also been very significant benefits to the UK public finances through reductions in revenue subsidies and income related benefits.

In Jersey the current sales are based upon a 25% deferred payment, secured by a second mortgage, similar to the principle of the Homebuy scheme, reflecting the capacity to pay of even the better off tenants. This rate is still well below the UK starting point of 33%, and it is not obvious that it is enough to make the option financially attractive to large numbers of established tenants (although it is understood that an increase in the discount to 35% is under consideration). Nor is it obvious that tenants have the incomes to maintain payments and to undertake improvement.

The vast majority of social tenants have little capacity to buy even with quite large discounts, or deferred payments. Very few currently transfer to owner-occupation; equally not that many have a secure income stream from earnings. To increase sales significantly it would probably be necessary to increase discounts to very high levels – reducing the financial benefits from transfers, while still increasing costs of management and improvement.
Another possible approach would be to develop a larger scale programme of shared ownership and shared equity which would enable more tenants to buy – but this has not been successful in England. Overall, given the income profile of tenants even the current plan may be over-optimistic unless social tenants are assisted by other members of the family or even further by government subsidy.

Evidence from other small countries – where people tend to know their potential neighbours – suggests that even large discounts might not increase take up to very high proportions. States Housing would anyway be left with the less desirable stock and with estates which would be more complex to run.

Any large scale sales to tenants would almost certainly need to be accompanied by a larger programme of building to meet the continuing flow of lower income households in housing need.

Given the income distribution within the social sector, it is probably better to try to meet the government's objective of achieving higher levels of owner-occupation mainly from the private rented sector where there are large numbers of households with reasonably stable incomes from employment. Some Trust tenants may also be able to afford to become owner occupiers.
Our conclusion is therefore that this option is not feasible at levels much higher than those already envisaged, without increasing the discount to heights that would be close to giving the stock away. Such a policy would not address how the stock could be maintained. Nor would it help to provide for the continuing flow of emerging needs.

Option 4: Sale to one or more social landlords

Here there are two main possibilities, both with variations:

Option 4A: The sale of estates or parts of estates to tenant co-operatives, to existing Trusts; or possibly to newly established social landlords;

Option 4B: The freehold sale of the whole portfolio to a single social landlord which could be an existing Trust; a newly set-up landlord, probably based on the existing management as with the majority of LSVTs in the UK; or an existing social landlord from the UK or even possibly France or the Netherlands.

Option 4C: The leasehold sale of stock to a single social landlord for a period of between 30-50 years with the option to renegotiate a further lease at the end of the period.

Option 4A: Partial sale to a range of landlords

With respect to option 4A, looking at each ownership option in turn:

(i) there is no tradition of co-operatives in the housing sector in Jersey and they have proved fragile elsewhere. The tenants would have few assets to bring to the table. Newly set up groups would therefore face major risks and responsibilities that they are unlikely to wish or be able to take on at least without additional government subsidy

(ii) there is only one Trust that shows any wish to grow significantly – the others appear to feel under financial and management pressure even at current levels of involvement. Their asset bases are limited, so their ability to take financial risks is not strong. The one larger Trust could in principle play a role, but the overall impact would be small. Moreover taking on existing properties might reduce the Trust's capacity to be involved in new affordable housing investment: and

(iii) there are no obvious potential social landlords wanting to buy properties. In particular, the management of States Housing, while it has strong local involvement and commitment, is fundamentally centrally organised– so there would be no internal capacity for partial management buy-outs.

Our conclusion on Option 4A is that, from the point of view of government, there is little benefit from partial sales unless there is strong political pressure for the sale of specific schemes. The financial benefits would be limited; funding would be difficult to arrange; and scale economies in management would be lost.

Equally there are few benefits from the point of view of tenants or potential owners as there a significant risks, limited returns and ultimately relatively little freedom. We therefore do not regard this as a viable option, except perhaps to the extent already envisaged in the Property Plan.

Option 4B: Freehold Sale to a single independent social landlord

The sale to a single social landlord could be either in the form of a 100% debt financed transfer to a new landlord, utilising the existing management and staff of the Housing Department, or a sale to an existing social landlord.

The option would involve identifying an organisation able to raise debt finance on the open market, probably in the form of a twenty five or thirty year mortgage secured against the income stream of the properties. This is very much the model for Large Scale Voluntary Transfers in the UK where they have worked, in many ways effectively, for over two decades.

One option, which was the option chosen by the UK, is for the sale to be based on the sale of the freehold of the property. This is probably the easiest approach at least to financing especially when the sale is to a restored Department. The value that can be achieved will then depend on the terms and conditions of the sale which help determine the costs and benefits of ownership. There are a large number of issues which would have to be determined before the value – or indeed viability of a sale could be determined:

First, the rental stream: the assumption in the UK was that an organisation could raise rents up to market levels if circumstances required it – as LSVTs came under the 1988 Act which gave HAs very considerable freedom. This provided a significant cushion available were problems to arise. Moreover the rent regulation regime involved annual increases of RPI plus 1% – later 0.5% – so at least rental income covered general inflation. There is now concern that this is inadequate and the chances are it will return to RPI plus 1%. In Jersey the current regime does not keep pace with inflation. There would therefore have to be a clear-cut rental policy which enabled financial viability into the long term embedded in the sale contract (license agreement) which specifies terms and conditions.

Second, in the UK the rental income was supported by a very strong Housing Benefit system which ensured rents would be paid with the money coming directly to the Association. This was seen as a core commitment on the part of government. Even now there is no reason to believe that social housing will be brought under the Local Housing Allowance Scheme that is being introduced incrementally in the private rented sector. The Jersey social security scheme is not housing specific, and is less generous in operating a £ for £ withdrawal as incomes rise, rather than the 'taper' system operated in the UK. Large proportions of tenants depend upon it. The form of assistance currently available would generate real concerns about the rental income stream – affecting potential financial viability and therefore the risk premium on the mortgage.

Third, transfer would require a redefinition of property rights for tenants. This would be necessary to define the operating rules and to ensure tenants were comfortable with the transfer. In the short term these rights would almost certainly include a 5 year guarantee that rents would not increase by more than a set amount (built into the price). It might well also include giving tenants greater, perhaps lifetime, security of tenure, reducing the capacity to manage the use of the stock as effectively as is currently the case. Further aspects of the licence would relate to quality of management and levels of service. While specifying these elements at the time of transfer increases transparency and the certainty of the environment in which funds have to be raised it would also almost certainly impose additional costs and therefore reduce the sale price.

Fourth, there would have to be a clearly determined financial and regulatory structure with respect to sales of property either to tenants or on the open market. The social landlord could be expected to have a mission statement that their role is to provide social housing so sales could be limited to portfolio adjustment. This could also include a clawback clause by which some of the benefits return to government if sale prices rise. But there would have to be further rules e.g. about what type of on-sales of the whole operation might be enabled. This again would be built into the licence.

Fifth, there would need to be a protocol on demolitions and replacement – as there is an incentive to demolish dwellings that are adding more to cost than to revenue which may not be consistent with government objectives.

Finally, there would have to be a protocol on allocations to ensure that the new organisation would be prepared to take on the most 'costly' tenants. This has been done in England by giving the local authority the responsibility to set the strategy for housing those in housing need as well as for accommodating homeless households. The local authority then has allocation rights over the housing stock owned by the independent landlord. A similar approach in Jersey could be achieved in that the States, through the Housing Department, could retain the right to nominate tenants up to 100% of the net voids. This right might not need to be exercised in full, depending upon the fluctuations in the Jersey housing market more generally.

On possible purchasers:

These include the current States Housing Department management; a UK Housing Association; or possibly a French Habitation à Loyer Modéré, or a Netherlands Housing Association. However, the political issues relating to sale to an outside organisation would probably be too great to contemplate any international option at this stage.

This would suggest a transfer to a newly created landlord as the only immediate option, although such an approach would not rule out the potential involvement of a UK housing association group, either at the outset or in future years, were this to be seen as desirable. This could increase the potential benefits of scale economies and increase productive efficiency.

On funding feasibility:

It has been estimated that based on current rental income a sale of the total States housing stock as a going concern might realise a capital receipt to the States of perhaps £480 million – based on a social landlord raising a loan against value. The basis of valuation of the stock as tenanted would allow the receiving body to borrow sufficient funds in the market, assuming a relatively low risk premium, to carry out necessary reinvestment, and to repay the initial loan over a 25-30 year period.

The £22 million currently allocated to the States to support social security would have to be replaced. If this were to be funded from investment income, it might require a capital sum of perhaps £440 million.

There is thus an apparent surplus of £40m. However, a risk premium relating to uncertainties about the rental stream, property rights, social security etc could reduce this figure significantly. It would therefore be extremely important to undertake a detailed analysis of the financial implications.

A freehold sale has the benefit of a clean break – but it also has the possibility that significant long term capital gains would be lost to the States.

Overall:

The benefits are the reverse of those under option 1. Sale to a single social landlord would have the potential to address the list of issues, problems and constraints. However it is also not a simple option and in particular could be politically problematic, especially in the current financial climate.

The financial viability assessment of the option is quite problematic in that there is only £40m between the estimated capital value of the stream of current transfers to government as compared to the internal valuation of the sale. This valuation takes limited account of market perceptions of the specific risks involved. Unless the license is very tightly drawn and enables some upside benefits to the purchaser and the more general policy framework, including the role of Income Support is clear, it is quite likely that it will not only generate a limited surplus to the States. The main benefit is that it is the only way to allow the States fully to disinvest itself of a role that it sees as inappropriate, while allowing the States to concentrate on providing an appropriate regulatory and financing framework.

Option 4C Leasehold sale to a single social landlord

The general principles would be exactly as 4.B but with a leasehold contract (plus licence) for a period of years.

The most likely possibility would be to sell the assets on a leasehold basis for say 30 years – i.e. a conservative view of the end of the loan period. At the end of the lease, the housing stock would revert to the ownership of the States. At this point, in principle, the stock could be leased for a further 30 year period, in return for a further capital receipt.
A major concern with respect to this apparently desirable option is whether the market would lend at the same interest rate if there was no upside benefits built into the initial sale. Moreover, were the rental stream to be less than projected or costs to rise, the outcome would be reduced expenditure on management, maintenance and improvement thus a lower value at the end of the period. At least partial allocation of potential benefits to the purchaser would almost certainly have to be built into the sale.

This option has some similarities with option 2.A except that there would be a capital sum realised as compared to an annual payment under 2.A.

Option 5: Sale to the private sector

The difference between option 4 and 5 is the possibility of sale to profit oriented organisations. In order to make such a sale viable the private landlord and its funding organisation would have to see the potential for significant profits to offset the regulatory and political risks- notably those relating to Income Support; rent control; and restrictive allocations policies.

The option has been implemented in Germany where US private equity organisations own a number of cities' social housing stocks and employ management organisations (including the existing management) to run the business. The licence frameworks are fairly generous towards the owners and they have considerable rights to sell off vacant possession units; capacity to achieve vacant possession over time; and to demolish properties that are not cost effective.

There are also a number of examples of private landlord organisations taking over part or all of the social stock in smaller towns. The terms and conditions can involve a dowry rather than a capital receipt and suggest quite a high risk premium.

The advantages of this option are therefore:

- Full privatisation subject to a very carefully defined license setting out powers and responsibilities, would ensure a clear financial framework in which social housing would be provided. It would also define the rights and responsibilities of the landlord and subject the organisation and management to market pressures.

The disadvantages of this option are:

- To achieve a full sale, license frameworks tend to have to be generous towards the owners, giving them considerable rights to sell off vacant possession units; the capacity to achieve vacant possession over time; and the right to demolish properties that are not cost effective

- The terms and conditions can involve paying a dowry rather than receiving a capital receipt and can imply a high risk premium

- Potential bidders will require an exit strategy, a problem which has not been solved in the German examples.

Our conclusion is that this option is not worth immediate consideration – although as the market evolves it might become a resale option after some years of operation as a social landlord.

6.2 Overall assessment

The current system is not fit for the purpose if a twenty first century social housing system is to be provided. If it were to be maintained the sector would become smaller, quality would decline and there would be more residualisation. In part this is an outcome of the policy framework which places controls on access to States housing. In part it is the result of the governance and financing structures, which inhibit the adequate management, maintenance and upgrading of the housing stock.

Options that involve significant sales to existing tenants; partial sales to a range of landlords, or sale to the private sector do not appear to be viable – in part because of a lack of available experience; in part because of issues of financial viability; in part because of political constraints. They also do not appear desirable. All would undoubtedly leave large gaps in social provision which would require additional States funding if they were to be filled.

This leaves three main options each of which have potential net benefits:

- an arms length management organisation either with the existing team or potentially buying in some additional skills;

- a trading company hybrid which could reduce the demands on the public purse with respect to improving the existing stock and possibly enable some additions to the stock – as long as rents are allowed to rise;

- sale to a single independent landlord – almost certainly in the form of a transfer to a newly created landlord (possibly with support from a UK based housing association), which would realise the capital value of the stock in the form of a one off payment to government (possibly with the option of a leasehold arrangement).

Each option has different costs and benefits. However they are not mutually exclusive. One scenario might be for instance initially to set up an arms length management organisation based on the existing Housing Department team. This could then be supplemented by partnership with other organisations (perhaps a UK housing association) to bring in additional skills. Once the system is working well, additional borrowing powers could be agreed based on the trading company model – thus reducing the need for States finance. Thereafter to achieve greater flexibility and to use the value of the stock more effectively the stock could be sold to an independent social landlord perhaps with an extended remit not only to provide social housing but also to play a major part in neighbourhood management.

6.3 Options for restructuring States homes

Choosing between options is as much a political as a financial issue. The value of some of the options depends heavily on the States preparedness to forego income in order to achieve better services and perhaps expand the role of social housing into a wider range of options.

All options need to address the key shortfall in funding:
- Day-to-day repairs are underfunded by £2.5m. per annum
- Planned maintenance and improvements are underfunded by £5m per annum

Day to day repairs can only be funded from current income from rents. There are two options available: either the States can forgo £2.5m. from the current Housing Department surplus; or rents in States housing can be raised. To produce an additional £2.5m. per annum, net of Income Support, would require an average rent increase of around £35 per week.

A rent increase of this size for States tenants would result in the fair rent limit being raised by a similar amount in the private rented sector. A £35 per week increase in private sector rents would cost approximately £3.5m. per annum in additional Income Support.

Longer term major works of planned maintenance and improvements can be met from a variety of sources: additional rent income; borrowing; or the sale of assets.

The table below sets out some of the core issues for comparison.

Table: Comparing the Options

Option	Current shortfall	Sources of funds to meet shortfall	Capacity to improve/expand services
Current regime 'The Status Quo'	Maintenance: £2.5m pa Repair & Improvements : £5m. per annum	• Reduced payment to the centre • Rent increase • Sales of properties.	Nil – without increasing rents or selling more properties.
Option 2A ALMO	The shortfall would have to be addressed in the terms and conditions for management transfer which would have to include a	• Reduced payment to the centre • Rent increase • Sales of properties.	Limited, unless at the time of transfer there was a commitment to reduce the contribution to the centre and /or allow rents to rise.

	financially viable business plan.		
Option 2B Hybrid Trading Co	The shortfall would have to be addressed in the license – identifying a viable business plan.	Differs from Option 2A by allowing borrowing against future rental income.	Probably not worth doing unless rents rise and there is capacity to keep additional income to fund borrowing and investment.
Option 4B Sale to a single social landlord based on debt finance	The shortfall would be addressed through the capital value. The capital value achieved would substitute for the annual payment to the centre.	License would specify powers and responsibilities re allocations, rents; sales etc – and so determine the capital value. Estimated value if stock to be maintained and improved but rents not allowed to rise: Freehold: £390m Leasehold: £250m. If rents were allowed to rise to 85% of overall market rents to reflect differences in quality - freehold £500m; leasehold £360m.	Depends on license terms – if capital values allow for required expenditure and do not take account of rent increases there would be considerable flexibility to improve and expand services. If instead the license were set to ensure a larger capital value to contribute to the loss of the annual allocation to the centre then there would be very little capacity to change.

The table can only be regarded as an exemplification, in that each option has many different attributes. In particular any net revenue from rent increases would depend on how that rent increase were implemented. If for instance the increase was achieved by raising fair rents there would be an additional cost as more private tenants became eligible for income support. Formally separating social from private rent determination for the purposes of income support might be one way to address this issue.

A second uncertainty relates to the estimated capital values in the table, and to Appendix 12 in this report. These estimates assume that the investment would be regarded as relatively low risk. However this depends on the quality and specificity of the license. The value might also be adversely affected by current financial conditions.

Section 7 Conclusions and Recommendations

The starting point

The objective of this report is to provide the basis for a full strategic review of the role of social housing in the Island's housing system and in particular to advise on the most appropriate structure and status of the States of Jersey Housing Department.

The economic and financial environment in which the project was conceived has changed dramatically over the period of the research. As a result there are likely to be larger numbers of households in need of assistance than had been projected in 2007. Equally important is that current financial circumstances limit the potential for options involving borrowed finance. Yet, the States budget is significantly more constrained than was expected in 2007 – which may change attitudes to asset realisation.

The detailed analysis provided here shows that the current objectives of social housing are well defined but that these have not been reassessed in the light of broader changes in the economy and policy. In particular the social sector as currently organised cannot play a major role in addressing issues of access and affordability to adequate housing in what, over the long term, will remain a relatively highly priced housing market; the question of how the sector should operate in the light of the new income support system has not been addressed; and the rules for eligibility for social housing appear to be out of line with those for broader government support to individual households. Equally the structure and status of the Housing Department provides little flexibility to make it possible for social housing to meet changing needs and little incentive to enable effective use of available resources.

Preliminary issues

Data availability

In undertaking our analysis a number of issues emerged with respect to available data. In particular there was very limited information about the dwelling stock on the Island – as opposed to the households living in that stock. Given both the apparent quite high vacancy rates, and the even higher multiple occupancy rates, more information on the nature of the dwelling stock and its condition would be valuable. Data on the lodging house sector is particularly limited.

Linked to this is the need for data on the nature of the stock of housing categorised as lodging houses and the extent of any transfer of stock between the rented housing and lodging house sectors. By imputation quite significant numbers are being transferred, impacting on market pressure.

The second major gap relates to household formation – at the present time there is good data on the housing needs and aspirations of existing households but nothing on potential household formation. As a result it is not possible to provide projections of housing requirements which take account of all elements of future need.

The States objective of increasing owner-occupation

The analysis provided here suggests that the States' objectives of increasing owner-occupation are unlikely to be realised. Very few States tenants are in a position to buy without very large scale subsidies. Large numbers of those living in the private rented sector will almost certainly never have the capacity to buy at market prices – and those who do are replaced by other private tenants. More fundamentally, even if prices fall in the short term and affordability apparently increases, as the economy improves prices will rise again. Much of the increased demand, and hence price pressures, comes from increased incomes rather than from pure demographic factors, and therefore as long as the economy thrives affordability is unlikely to improve.

The only practical way to increase owner-occupation in Jersey is to ease the restrictions on new housing supply so that price inflation is moderated. Other policies are unlikely to be successful if this fundamental issue is not addressed. It also appears possible that mortgage rates are higher in Jersey than in England. The extent to which this is the case needs to be examined and if necessary policy measures taken to improve the position.

This has major implications for the appropriate size and nature of the social rented sector. In particular there are likely to be larger numbers of family households in need of support. New build shared equity cannot be enough to meet these potential requirements. We would therefore argue that there should be a careful re-assessment of the current policy that seeks to reduce the provision of family homes in the social sector on the grounds of an apparent lack of demand. While sales to sitting tenants simply changes the tenure of the property in the short term, in the longer term there will be a reduction in the number of relets that become available.

The role of the social sector

The objective of providing social housing is to help ensure that everyone in Jersey has decent accommodation that meets their requirements at a price they can afford. For the majority of households this can be achieved in the private sector. The social sector accommodates a very large proportion of those who meet the eligibility criteria. An issue therefore is who lies outside these two categories. However there are clearly many low income households who are not eligible

The most fundamental question that has to be answered before any restructuring of the sector takes place is exactly what the States Assembly wants the social sector to achieve. If it is to address the needs of a relatively narrow range of poor and vulnerable households then the current scale of the sector is appropriate. What is then necessary is to ensure a more coherent and flexible arms length management structure.

If it is to address the requirements of those in longer term housing need then our analysis suggests that either the size of the social sector must be increased or the private sector needs to be incentivised to provide more 'social' housing - i.e. adequate accommodation for poorer households who need to rent for the longer term. This would require a much more fundamental reorganisation of the housing system.

This analysis has clear implications for current planning both with respect to the sale of a significant proportion of the States housing stock and the appropriate mix of dwellings that should be provided.

Addressing the specific terms of reference

The terms of reference for the research project identified some nine specific issues. The answers to these questions, taken together, help to evidence the choices available with respect both to the overall role of the sector and the ways in which the Department might be reorganised. We address each of these in turn:

1. The nature and extent of need

This question gets to the heart of the question of why the States should provide social housing – as opposed to providing income support to enable households to rent from the private sector.

At the present time, access to States housing is limited, by formal policy, to residentially qualified households who are either over 50 or vulnerable families, notably single parents, on low incomes. Income limits on entry are well below Income Support levels. On these criteria the data suggest that the vast majority of eligible households are already accommodated in the sector – and this is reflected in the lack of waiting lists for most property types and locations: the waiting list is effectively restricted to match the vacancies that become available for letting.

On the other hand the Trusts, which provide subsidised housing but with far fewer constraints on access, do have waiting lists.

More fundamentally, the number of households is very significantly above the number of dwellings in the Island – suggesting that many private sector households are paying more for poorer quality accommodation. While the majority are younger working age single people who are unable to afford adequate housing in the current environment, a significant minority are families and pensioners on lower incomes, who overlap with the population in social housing.

Thus, if limited to the current eligibility criteria, and taking account of the nature of the stock available, the size of the sector appears to be about right and perhaps slightly too large. However, on the one hand, were investment to be undertaken to bring the stock up to the Decent Homes standard and to manage the portfolio, and, on the other, to adjust eligibility criteria to include those in long term housing need, the appropriate size of the sector would probably be at least 20% and perhaps as high as 25% of the qualified stock. This would be consistent with evidence from the UK and northern Europe, even in countries that have more generous income support systems than that currently available in Jersey.

The identified problems include both access to adequate standard housing among poorer but not otherwise vulnerable households in long term housing need, and affordability among those living in the private rented and lodging sectors who have no reasonable expectation of ever becoming owner occupiers without some form of additional subsidy.

2. Who provides social housing?

Some 6,200 homes are provided in the social sector. The States owns and manages through the Housing Department almost 75% of this stock; with a further 20% owned by Trusts and 5% by charities and parishes. Together this accounts for some 16% of housing in the qualified sector. The details of ownership are provided in appendix section 1 but it is worth noting that only two Trusts hold significant numbers of units and only one is of a scale which might be regarded as long term viable in the UK – where it would almost certainly be part of a wider group structure.

This proportion of social housing is projected to fall to around 14% by 2016**,** as on current plans the States stock will fall to around 10% of the total (as a result of the sales envisaged in the Property Plan – assumes no acquisitions) and there is little capacity to expand the Trusts' housing stock significantly.

Some 46% of the social stock has one bedroom or fewer. Only twenty two percent have 3 or more bedrooms – which is closer to the aspirations of most Jersey households. If projected portfolio management plans are carried out the mix will move further towards small units, although a higher proportion will be physically suited to older households.

At the present time only the Trusts have some capacity to provide additional social housing through planning obligations. States Housing plans with respect to new building look to sell existing units and replace a proportion with lifetime homes for older households.

3. The costs of running the social sector

In financial terms, the income and expenditure on States Housing nominally almost balances. The gross revenue from rents is rebated to cover Income Support for States tenants. Once expenditure on management, maintenance and regular repairs is taken into account some £22.5m is returned to the centre. At the present time the States provides some £3.5m towards large scale improvements, an arrangement which will cease in 2013 when the total amount of capital paid will reach £28.5m. Thus the States contribution is currently around £19m per annum.

However this near balance has been achieved by running down the stock to the point where there is a backlog of some £75m of work required, in addition to the major regeneration of Le Squez and Le Marais which was also necessary, at a projected additional cost of £58m. Moreover the vast majority of improvement and regeneration is being funded by the sale of housing assets and in particular the sale of up to 500 family homes.

These are cash flow measures of the costs of running the system and they depend on the specifics of accounting. In particular the States are able to pay for Income Support for States tenants because they directly own the large debt free housing asset. Income Support for Trust tenants on the other hand has to be paid for through general taxation.

In the case of the Trusts, they receive financial guarantees in return for nomination rights and obtain land or property at lower cost as a result of planning obligations. These again involve no cash payments. However, as noted above, Income Support for Trust tenants is not covered by rents and so represents a direct expenditure by the States.

A rather different question is whether the rents charged by States Housing represent a subsidy to tenants. To the extent that fair rents are below market levels a subsidy is provided which benefits those tenants who pay their own rent. The policy is that fair rents should be set at a small discount to comparable market valuations. However in recent years rents in the States sector have not been increased in line with inflation or underlying real cost increases. On this measure therefore the level of subsidy is increasing. Allowing rents to drift in this way is inconsistent with current policy.

Another relevant issue is the current organisational structure within the Housing Department. Staffing levels at some 39.4 FTE are probably less than half those that would be employed in comparable English local authorities and housing associations. This is in part a reflection of efficiency but is also because of the relatively limited service provision associated with a highly constrained sector.

4. Do those receiving assistance need that help?

Our analysis suggests that very few States tenants can afford to purchase their own homes at full market value. Moreover, any significant sales to existing tenants would have to be heavily discounted - and therefore would only make sense if the States wants, as a matter of policy, to provide large subsidies to increase owner-occupation among poorer households.

Levels of income support in States housing, at 64%, suggest that it would be difficult and counter productive to increase targeting. The only alternative for most States tenants is the private rented sector which provides lower quality housing at higher cost – and therefore would further increase the bill for income support.

The situation among Trust tenants is rather different as a significant proportion of households have incomes above that which makes a household eligible for States housing. Even so, we estimate that at least 50% receive income support, and a number of Trusts report rent arrears problems, suggesting that many tenants face financial difficulties.

Overall, therefore, as long as it is generally accepted that social provision is appropriate for more vulnerable households and perhaps those in long term housing need, then only a very small minority of those currently housed in the social sector are not in need of that assistance.

5. Unmet need

Given current allocation rules unmet need is relatively limited. Marginal changes in allocation rules would almost certainly bring forward additional needs from poorer, but not currently eligible, family households, including more two parent and even two income households, and from relatively vulnerable non family households under the age of 50.

Similarly, any reduction in the residential qualification period to that prescribed for eligibility for Income Support would bring forward more households in long term housing need.

The major unknown is in terms of the needs of newly forming households. The Housing Needs Survey only examines the needs of households that are already formed. Migration data mainly deals with population at the point of entry, although net immigration is the main driver of population and household change. There is therefore a large gap in our understanding of housing requirements into the longer term. Unless affordability on the private sector can be improved very significantly, evidence from the UK and other Northern European countries would suggest that at least 25 – 30% of newly forming households would require some subsidy. Given relative house prices in Jersey the proportion might be higher.

The available evidence on housing needs is not adequate to determine potential tenure requirements. Many households currently identified as desiring owner-occupation will almost certainly not be able to afford to buy. These households either need assistance to achieve owner-occupation – e.g. by an extension of low cost home ownership products including shared equity for purchase of existing homes; more stable forms of private renting; or perhaps cost rental housing provided by the social sector. These are all areas where a restructured social landlord could hope to take the lead.

Using broader based evidence on incomes and housing circumstances suggests that there may be considerable unmet housing need among lower income working age but childless households who are currently ineligible for social housing as well as among those with incomes just under the eligibility criterion for social housing. There must therefore be concern about a policy that envisages a decline in the scale of the social sector and increasing emphasis on the provision of accommodation for older households.

The alternative to enabling a larger role for social landlords to help meet housing requirements is to rely more on private renting with a more generous support system together with subsidies to owner -occupation. This is a much more open ended commitment and does not play to the very real success – and capital values- of the existing social sector. The benefits from increasing flexibility and ideally providing some additional resources are considerable.

6. Mismatch and cost implications

There appears to be some mismatch between the long term reasonable aspirations of social households and the nature of the accommodation available. A large minority of units are one bedroom or less – yet even older single households will need at least this level of provision. If changes are not made the sector may become mainly suited to younger single households rather than to the core groups in long term housing need.

As has already become clear the optimal size of the sector depends upon the States Assembly's views of the role of social housing – which itself will be influenced by the capacity to manage States housing provision more effectively. On a reasonable view of a sector addressing longer term housing need, the scale of provision would have to be increased. This could best be done by borrowing against the value of the housing asset. This in turn means changing the financing and governance structure of States housing either to a hybrid trading company or a large scale voluntary transfer.

7. Regulation

The regulatory framework for housing is not strongly developed. At the present time States housing is a States Department and is thus regulated through the political system. Trusts are formally regulated by the Department – which is clearly inappropriate. Within social housing provision another issue is the potential role for Trusts or other social landlords. This role appears likely to remain limited. However were policy to change to enable them to play a more significant role, this would have to be based on the same financial and regulatory regime as that put in place as a result of restructuring the Housing Department.

Regulation in the UK has lately been completely revised and a new body, the Tenants Services Authority (TSA), has been set up to provide an independent regulator. Given the costs of developing a regulatory framework and implementing it for a small number of organisations, an ideal might be to outsource the regulatory process, for example to the TSA. This view is reinforced by the fact that the existing regulatory services in Jersey are overstretched and see housing as very different and outside their remit.

However, it cannot be assumed that the TSA would be willing to take on this role. It has only recently been established and has a substantial amount of work to do to get on top of its mainstream task. Jersey could not be simply bolted on, because of the different legal and policy frameworks, and the TSA (even if willing, and legally able), would probably expect a significant fee for taking on such a role. However, it would be sensible at least to explore the issue with the TSA.

8. Rent setting

The current formal framework for rent setting calls for rents to be around 90% of market valuation. It also requires the maximum rents for Trust properties to be no higher than the States fair rent for similar properties. In practice, as a result of States decisions on rent increases, and rent structures which do not fully reflect relative values, rents in the States sector vary from around 90% to as little as 65% of equivalent market valuation (based on 2007 transactions).

In the Trust sector rents are some 16% higher than in the States stock, in part because of the age and quality of the properties; in part because of their need to cover higher direct costs.

There must be some doubt as to the true extent to which States housing rents are below market for these properties, given current constraints on allocations, as the usual definition of sub-market would result in queues for the properties. On the other hand it is highly undesirable to use rent setting powers to achieve a wider agenda that includes limiting inflation or income support costs. These would both increase uncertainty for managers and reduce efficiency.

While social housing rents can be used to provide a subsidy across the whole sector (and most European countries do) Jersey's approach is rather to provide an Income Support scheme which provides assistance to housing costs equally across both social and private sectors.

On the other hand a pure market system (which would require different allocation rules and would result in a very different set of relative rents) would make it extremely difficult to achieve social objectives. We would therefore support a policy that rents should generally be determined at around 85 – 90 % of comparable market valuation.

9. The future structure/status of the States of Jersey Housing Department

The current structure is not fit for purpose. It cannot operate effectively; it cannot manage its portfolio; and it cannot invest where required. An organisation more at arms length needs to be put in place.

An Arms Length Management Organisation

We have examined all the main alternatives in the light of evidence from stakeholders in Jersey and evidence on appropriate structures from other European countries – notably the UK but also the Netherlands; France; Scandinavia and Germany. We consider that an Arms Length Management Organisation provides a significant improvement on current arrangements and is readily achievable within a short period, as long as the principles under which it will operate – in terms of rents, tenancy terms etc – are clearly specified by the States.

Achieving an effective arms length organisation would involve specifying the responsibilities and powers of the organisation. This would normally be done through a license from the States. This would clarify the principles by which rents must be determined; levels of service provision, allocation rules and other policy requirements.

One issue within the licence would relate to the terms and conditions on which tenants will rent their properties. Currently States housing tenants have no security of tenure with respect to their individual properties. This helps to manage the use of the stock as those who are under-occupying can be required to move a smaller property. On the other hand it reduces the value of the tenancy to many tenants who want to remain in their existing home.

The question of whether there should be increased security of tenure for tenants who have kept their side of the contract has already been a matter of discussion. This issue would have to be clarified as part of the licence agreement with any arms length management organisation, trading company or transfer.

There would be a range of other detailed issues to determine within the license e.g. on the allocation of funds in the event of sales to sitting tenants and the capacity to buy and sell properties to improve portfolio management.

Borrowing Powers

To achieve the crucial objectives of higher levels of investment and effective portfolio management would require borrowing powers. The current Jersey model for this is a hybrid trading company which allows the company to request that the States borrow for specific investment purposes. The obvious issue with respect to housing is that the investment may well not generate adequate additional revenues to ensure repayments without the sale of assets. Even so, there are strong grounds for recommending that this option be considered in more detail as soon as possible because the formal framework for such an option already exists and it is consistent with the States more general approach to funding.

Full transfer of ownership of the stock through a large scale voluntary transfer, on either a freehold or perhaps more appropriately leasehold basis, would provide a more flexible approach to ensuring both adequate investment and effective management of the existing assets. A large scale voluntary transfer would also raise very considerable upfront funding for the States, providing the funds to cover the costs of assistance with rents through Income Support. However the process is complex and time consuming, and might prove difficult in the current economic social and financial environment. In this option, it may be helpful to utilise the existing expertise of a UK housing association with experience of the process of large scale voluntary transfer.

Overall
Whatever the decision about the future scale of the social sector, current governance and financial structures limit the opportunities for the best use of resources to maintain and improve the existing social sector and to make it more responsive to changing needs. This suggests strongly that there must be innovation, involving at a minimum greater separation between on the one hand, policy and the broad framework for social provision, and, on the other, day-to-day operational decisions.

Implementing any significant change must involve fundamental decisions by the States on the role that they wish social housing to play, especially in the context of the Income Support system; on rent, allocations and security of tenure policies; and on the governance and financial arrangements under which social housing is provided.

ANNEX: List of Consultees in Social Housing Review

Senator T J Le Main	Minister for Housing	
Deputy J A Hilton	Assistant Minister - Home Affairs (previously Assistant Minister – Housing Department)	
Deputy S Power	Assistant Minister for Housing	
Senator F Cohen	Minister for Planning & Environment	
Mr W Ogley	Chief Executive	Chief Ministers Department
Mr I K Gallichan	Chief Officer	Housing Department
Mr I Black	Treasurer of the States	Treasury & Resources
Mr C B Mavity	Director of Estate Services	Housing Department
Mr J C Hamon	Finance Director	Housing Department
Mrs D F Caunce	Director of Tenant Services	Housing Department
Mr R Foster	Assistant Director – Finance & Strategy	Treasury & Resources (Property Holdings)
Mr A Gottard	Principal Planner	Planning Department
Mrs S Duhamel	Policy Principle	Social Security Department
Mrs K Baker	Income Support Manager	Social Security Department
Mr T Gales	Social Policy Advisor	Chief Ministers Department
Mr D. Gibaut	Head of Statistics	Chief Ministers Department
Mr C Russell	Chairman	Tenants Forum
Mrs A Brown		Tenants Forum
Mr M Morris		Tenants Forum
Miss C Le Voguer		Tenants Forum
Mr C Brown	Chief Executive	JCRA
Mr M Van Neste	Chairman	Jersey Homes Trust
Mr E Le Quesne	Chairman	Christians Together in Jersey Housing Trust
Mr K Hewett	Chairman	Les Vaux Housing Trust

TECHNICAL APPENDICES

A.1 The housing stock in Jersey

A total of 30,742 dwelling units were recorded as occupied at the time of the 2001 Census. The total dwelling stock was 32,804 units. [12] There was thus a vacancy rate of some 6%. No other data are collected specifically about dwellings. All detailed data are household specific.

The Census showed that the number of households in the Island was much greater than the number of dwellings. In 2001, there were 35,590 households living in only 30,472 dwellings, as shown in Table A.1:

Table A.1: The extent of sharing: number of households per dwelling

Occupied dwellings	28,500	1,282	393	567	30,742
Households	28,500	2,564	1,179	3,391	35,562
Excess of households over dwellings	0	1,282	786	2,852	4,820

Source: (Census 2001)

Just under 5,000 households were sharing dwellings, but only 1,000 households actually shared amenities. The remainder occupied accommodation with their own cooking facilities, bathroom (or shower) and toilet, even if this accommodation was contained within an overall dwelling shared with other households.

Table A.2 shows the numbers of households by type of dwelling. Fifty nine percent of all households live in houses and a further 21% in purpose built flats the rest are in converted, commercial or temporary buildings.

Table A.2: Private Households by Type of Dwelling Occupied, 2001

Type of Dwelling	Number of private households	Percent of all private households
Whole house or bungalow		
Detached	10,401	29
Semi-detached	6,782	19
Terraced	3,879	11
Flat, maisonette, apartment		
Purpose built	7,510	21
Part of converted house	5,799	16
In a commercial building	1,068	3
Temporary or mobile structure*	123	<1
Total	**35,562**	**100**

*includes 115 households in temporary or mobile units
Percentages may not add to 100 due to rounding
Source: Census 2001

The current breakdown of the housing stock by tenure is not available, but an estimate can be made, based on households from the data collected in the Census 2001.

[12] In the census a dwelling was defined as a building or part of a building which provided separate living accommodation, whether occupied or unoccupied (vacant).

Table A.3: Households by tenure

Tenure type	Number	Percentage
Owner occupier	18,030	50.7
Social rented	5,020	14.1
Private rented	7,850	22.1
Tied accommodation	1,710	4.8
Private lodging	1,540	4.3
Registered lodging house	1,280	3.6
Total	**35,590**	**100.0**

Source: (Census 2001)

The geographical distribution of households by tenure are shown in Table A.4. One third of all households are located in St Helier and a further third in St Clement, St Brelade and St Saviour.

Table A.4: Tenure of private households by Parish: numbers

	Owner-occupier	Private rental	Social rented	Tied (staff)	Private Lodging	Registered lodging house	Other	Total
Grouville	1,125	415	120	105	50	20	10	**1,845**
St Brelade	2,690	645	215	130	205	5	15	**3,905**
St Clement	1,775	485	685	95	135	60	10	**3,245**
St Helier	4,320	3,485	2,820	550	505	965	40	**12,685**
St John	650	220	25	65	30	0	5	**995**
St Lawrence	1,180	425	90	100	85	15	15	**1,910**
St Martin	895	280	50	100	55	15	5	**1,400**
St Mary	385	110	5	40	50	0	5	**595**
St Ouen	885	290	55	105	75	5	20	**1,435**
St Peter	965	385	85	135	65	45	5	**1,685**
St Saviour	2,500	895	870	185	230	135	15	**4,830**
Trinity	665	220	0	95	50	0	0	**1,030**
Total	**18,030**	**7,855**	**5,020**	**1,705**	**1,535**	**1,265**	**145**	**35,555**

Source: (Census 2001: Table 4.10a)

Table A.5 shows the geographic distribution of households who rent their accommodation. The table shows that nearly half of all the households in Jersey who rent their accommodation live in St Helier, and that in St Helier, two thirds of households rent.

Table A.5: Renting and owning by Parish

	Total households	Non owner occupier households	% of total households
Grouville	1,845	720	39.0
St Brelade	3,905	1,215	31.1
St Clement	3,245	1,470	45.3
St Helier	12,685	8,365	56.9
St John	995	345	24.7
St Lawrence	1,910	730	38.2
St Martin	1,400	505	36.1
St Mary	595	210	35.3
St Ouen	1,435	550	38.3
St Peter	1,685	720	42.7
St Saviour	4,830	2,330	48.2
Trinity	1,040	375	36.1
Total	**35,560**	**17,530**	**49.3**

Census: (Census 2001)

The Social Housing Stock

Table A.6 shows that social housing stock by dwelling size and owner.

Table A.6: Social housing in Jersey by Landlord type and bedsize

	Bedsit	1 bed	2 bed	3 bed	4+bed	Total
Parishes	20	90	32	0	0	**142**
Charities	108	54	4	15	11	**192**
Trusts	16	492	433	293	26	**1260**
States	269	1681	1547	875	143	**4615**
Total	**513**	**2317**	**2016**	**1183**	**180**	**6209**

Source: Census 2001

Three-quarters of the social housing stock is owned by the States, and a fifth by six Housing Trusts. Parishes and charities own very small numbers of dwellings mainly for single people.

Table A.7: Housing Trusts: housing stock by bedsize

	Bedsit	1 bed	2 bed	3 bed	4+ bed	Total
Jersey Homes Trust	0	279	316	98	14	**707**
Les Vaux Housing Trust	16	165	111	23	0	**315**
Christians together	0	2	6	73	11	**92**
Clos de Paradis Housing Trust	0	28	0	54	0	**82**
FB Cottages Housing Trust	0	12	0	33	3	**48**
Richie Brocken West View	0	6	0	12	1	**19**
Total	**16**	**492**	**433**	**293**	**29**	**1263**

Source: Census 2001

The Trust housing stock is also highly concentrated, with 81% being owned by two Trusts (Jersey Homes Trust and Les Vaux Housing Trust) (Table A.7.) The extent of concentration is in practice even greater, since both Trusts employ the same housing management company.

A2. The characteristics of the Jersey housing market

The Jersey housing market is characterised by two features:

- The complex categories of residential qualification, which not only control total population numbers, but also control access to different segments of the housing market
- The stringent controls both on the use of existing housing stock, and on the building of new housing stock, which result in prices significantly higher in proportion to incomes than the average in England (and incomes are themselves significantly higher than in England).

Residential qualification and tenure

Access to accommodation in Jersey varies according to the residential qualification of the head of household, as determined by the Housing Law.

There are four broad groups of residential qualification:

1. Categories a-h of the Housing Regulations (30,305 households in Census 2001) include:

    - people born in Jersey and who have lived there for a total aggregate period of ten years
    - people who have been in essential employment under Regulation (j) for a continuous period of ten years
    - people who have had twelve years continuous residence in the Island.

2. Category (j) (780 households in Census 2001) covers people classified as essential employees who have lived on the Island for less than ten years: j category residents may rent property, but can only purchase property via a company, either owned by their employer or by themselves, known as 'share transfer' properties.

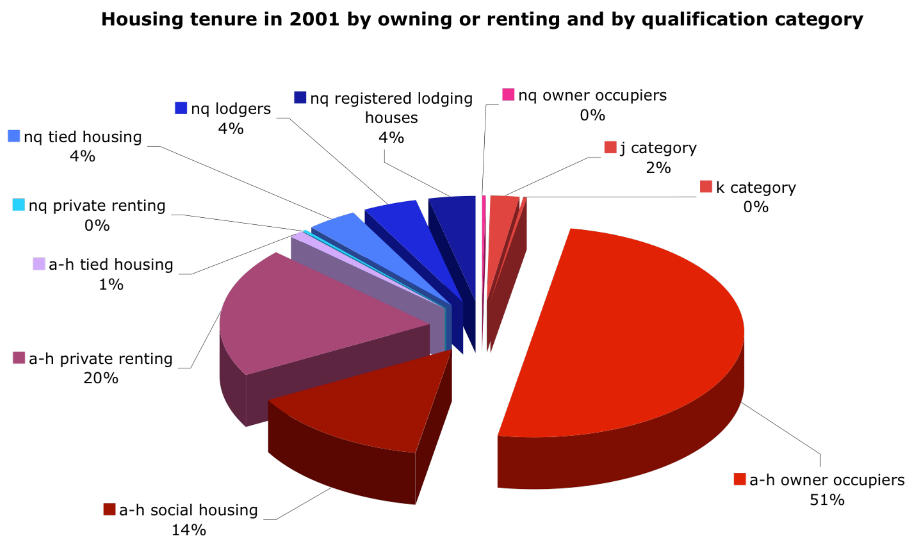
3. Category (k) (The Wealthy Immigrant Provisions) (100 households in Census 2001) allows the Minister to grant consent to an individual to purchase or lease property where 'the consent can be justified on social and economic grounds'. A small number

(roughly 5 per annum) of such consents are granted. The Census 2001 counted 100 households in this category, 75% of whom occupied properties with 10 or more rooms.

4. Non-qualified residents (4,380 households in Census 2001) may only occupy tourist accommodation (hotels, guesthouses and self-catering units), Registered Lodging Houses (250 lodging houses, totalling 5,550 rooms, ranging from bedsits to self-contained apartments) or private lodgings. None of these offer any security of tenure.

The Figure below shows the proportions of households by both residential qualification and by tenure.

Figure A.1

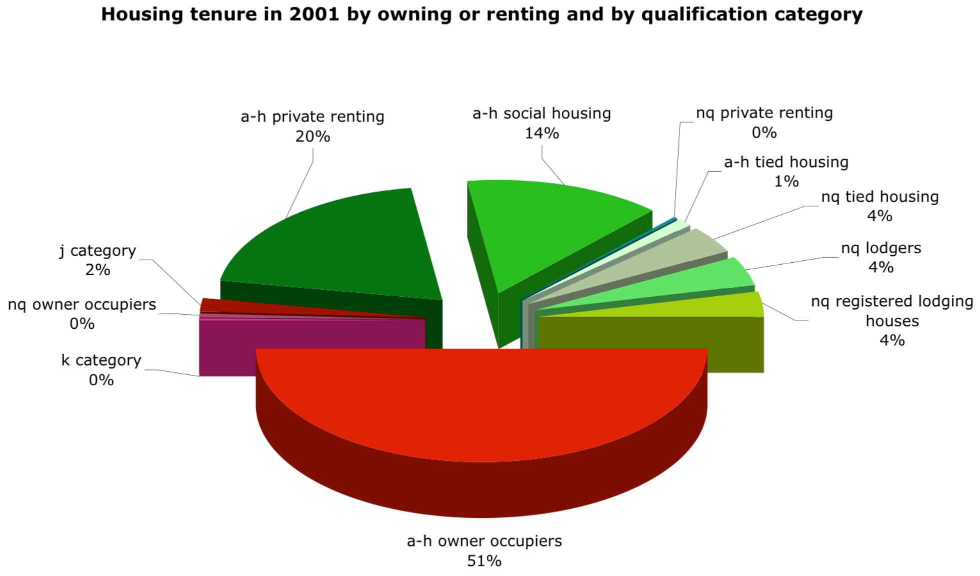


Source: Census 2001 (A category showing 0% indicates that there is a positive number, but less than 0.5%, and therefore rounded downwards)
Note: Social housing includes States, Housing Trust and Parish tenants

Figure A.1 clarifies that just over half (51%) of homes on the Island were owner occupied, with the remainder split between share transfer properties occupied by j category residents (2%), the private rented sector, occupied by 34% of households, and the lodgings sector, occupied by 13% of households, all of whom were residentially non-qualified.

Figure A.2 clarifies the same data re-arranged to show the broad split of tenures between owning and renting.

Figure A.2

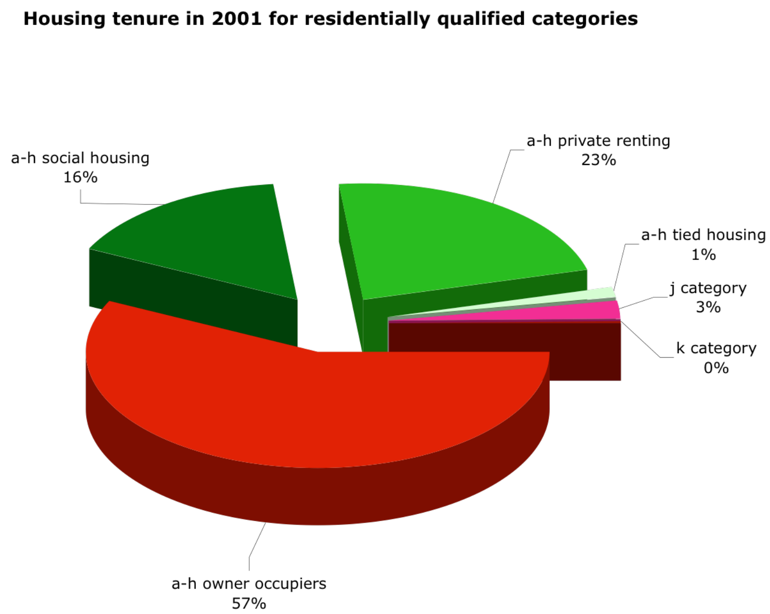


Source: Census 2001 (A category showing 0% indicates that there is a positive number, but less than 0.5%, and therefore rounded downwards).
Note: Social housing includes States, Housing Trust and Parish tenants

The Residentially qualified sector

Figure A.3 clarifies the tenure split for residentially qualified households only.

Figure A.3



Source: Census 2001 (A category showing 0% indicates that there is a positive number, but less than 0.5%, and therefore rounded downwards)
Note: Social housing includes States, Housing Trust and Parish tenants

The Figure shows that among the residentially qualified population, 57% of households are owner occupiers, 3% of households occupy share transfer properties, and the remainder, 40% of households, rent their accommodation.

Key points

- The high price of housing in Jersey, and effect of the Housing Regulations, means that nearly half of the total population rent rather than buy their homes
- Among the residentially qualified population, 40% rent their accommodation
- The majority of households that rent do so in the private sector: social housing only represents 40% of the rented market

The non-residentially qualified sector

Non residentially qualified households cannot own or lease property in their own right, but must live in lodging accommodation, which does not have any security of tenure.

Table A.8: Non qualified households by tenure and household size

	Number of households	**Number of persons in households**	**Average household size**
Non-qualified			
Lodger in a reg. lodging house	1269	2388	1.88
Lodger in a private dwelling	1539	3390	2.20
Occupier of tied accommodation	1292	2615	2.02
Licensee of a whole dwelling	149	397	2.66
Owner-occupier	129	296	2.29
Total non-qualified	**4378**	**9086**	**2.08**

Source: (Census 2001 Table VIII)

At the time of the 2001 Census, the period of residence required for residential qualification was 19 years. This has subsequently been reduced to 11 years, but the current distribution of non qualified households between the different types of lodging accommodation is not known.

Only a proportion of the non-residentially qualified households entering the Island in any one year remain long enough to attain residential qualification: around a half of in-migrants leave the Island within five years of arrival, and only about one-third stay long enough to qualify for a-h residential status.

A.3 Household types and tenure

Household type is strongly associated with housing tenure. The proportion of the different tenures occupied by each household type is shown in Table A.9

Table A.9: Household type by tenure in 2001 (% of each tenure by each household type)

Household type/tenure	Owner-occupier	States, housing trust	Private rent	Other (mainly non-qualified)	Total
Couple with at least one dependent child	21	21	16	20	20
Couple with all children aged over 15 years	10	7	4	2	7
Couple (both not pensioners)	17	5	21	32	18
Couple (with one pensioner)	4	3	2	1	3
Single parent and at least one dependent child	2	13	4	2	4
Single parent with all children aged over 15 years	3	6	2	1	3
Person living alone (not pensioner)	9	10	26	32	16
Person living alone (pensioner)	12	25	9	1	12
Two or more pensioners	12	7	4	1	8
Two or more unrelated persons	2	0	4	2	2
Other	8	3	8	7	7
Total	**100**	**100**	**100**	**100**	**100**

Source: Special tabulation from Census 2001

Table A.9 shows that single people and childless couples below the pension age are overwhelmingly housed in the private rented and lodging house sectors. Together, these sectors provide 35% of the accommodation in Jersey, but house half (49%) of all childless couples and nearly two thirds (63%) of all single people.

The proportion of households in each tenure with younger children is very similar, but falls rapidly in the private rented and lodging sectors as the children become older, falling by 80% from 18% of all households across both sectors to only 3%. This obviously suggests that these groups are moving into owner occupation as they become older and their economic circumstances improve.

Similarly, the proportion of households above pension age in both sectors is significantly lower than the proportion of accommodation provided by each sector. The lodgings sector (including tied accommodation) provides 13% of all accommodation on the Island, but only 2% of the sector consists of pensioners. The private rented sector provides 22% of all accommodation on the Island, but only 13% of the sector consists of pensioners.

Again, this suggests that households are moving from the private rented and lodgings sectors, both into owner occupation and into social housing, as they become older and reach retirement age (particularly for those households in tied accommodation).

In the owner occupied and social housing sectors, the main difference between the two sectors is that couples are more likely to become owner occupiers, and single women with children are more likely to become tenants in social housing. Given the high price of housing in Jersey relative to income, and the high labour participation rate among women (making the joint income of dual earner households almost double that of single earner households), it is unsurprising that households with only one income will be in the rented sector, and that single parents (the overwhelming majority of whom are women) will tend to be rehoused in the social rented sector.

As a consequence of this process, the social housing sector also has a much higher proportion of accommodation occupied by single parents, at 20%, than the owner occupied sector, at 5%, although the numbers of single parent households in the two sectors are virtually identical, at 926 in owner occupation and 956 in social housing.

However, although the numbers of single parents in the two tenures are similar, the numbers with younger and older children are almost exactly reversed. In social housing, 658 of the single parents had at least one dependent child (under 16 years of age) while 298 had children all aged 16 or over. The numbers were reversed in owner occupation, with 358 of the single parents having at least one dependent child (under 16 years of age) and 568 having children all aged 16 or over.

This suggests that relationship breakdown at earlier ages, while households are living in the private rented sector, or have not yet built up sufficient equity in owner occupation, is likely to lead to the single parent being rehoused in the social rented sector. The breakdown of a relationship when children are older, and the household has built up a greater proportion of equity in the family home, may lead to the new single parent remaining in the family home, and therefore remaining in owner occupation.

The low proportion of social housing occupied by 'other' household types is noticeable, and suggests that the 'rules' for the allocation of social housing are focussed on traditional nuclear family types (singles and couples, with or without children), to the exclusion of more complex households, such as three generation households, elderly parents sharing with adult children, households of unrelated adults, and others.

The results of these movements of single parents between tenures are illustrated in the Table A.10:

Table A.10: Marital status of households by tenure

<table>
<tr><th>Marital status/ Household tenure</th><th>Owner-occupier</th><th>States, housing trust</th><th>Private rent</th><th>Other (mainly non-qualified)</th><th>Total</th></tr>
<tr><td>Single</td><td>18</td><td>27</td><td>30</td><td>47</td><td>53</td></tr>
<tr><td>Married</td><td>49</td><td>22</td><td>26</td><td>29</td><td>30</td></tr>
<tr><td>Re-married</td><td>9</td><td>7</td><td>6</td><td>2</td><td>4</td></tr>
<tr><td>Separated</td><td rowspan="3">24</td><td rowspan="3">44</td><td rowspan="3">38</td><td rowspan="3">22</td><td rowspan="3">29</td></tr>
<tr><td>Divorced</td></tr>
<tr><td>Widowed</td></tr>
<tr><td>Total</td><td>100</td><td>100</td><td>100</td><td>100</td><td>100</td></tr>
<tr><td>% of total households</td><td>62</td><td>13</td><td>18</td><td>7</td><td>100</td></tr>
</table>

Source: Special tabulation from JASS 2005/06/07

Table A.10 shows that 44% of all households in the social rented sector are headed by someone who is separated, or divorced, or widowed, compared to 24% of households in the owner occupied sector, and 29% across all households in Jersey.

The Table also suggests that there may be some movement occurring between tenures following remarriage, with a slightly higher proportion of owner occupiers being remarried than either social renters or private renters.

The preponderance of childless households in the lodgings sector also means that the average household size of non-qualified households is markedly smaller than that of the residentially qualified population.

The average household size of all households in Jersey has been declining, in common with experience in most developed countries, for many years, although the rate of decline has slowed in recent years.

Figure A.4 clarifies the average household size of the total population at successive Census dates, together with the latest available estimate, and the average household size of the qualified and non-qualified populations at the Census 2001.

Figure A.4

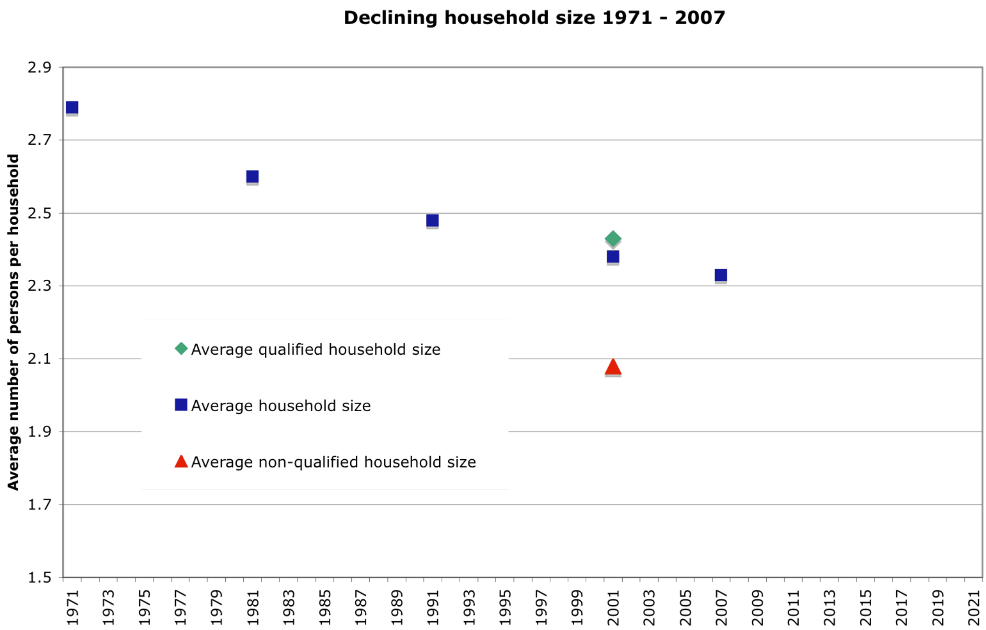
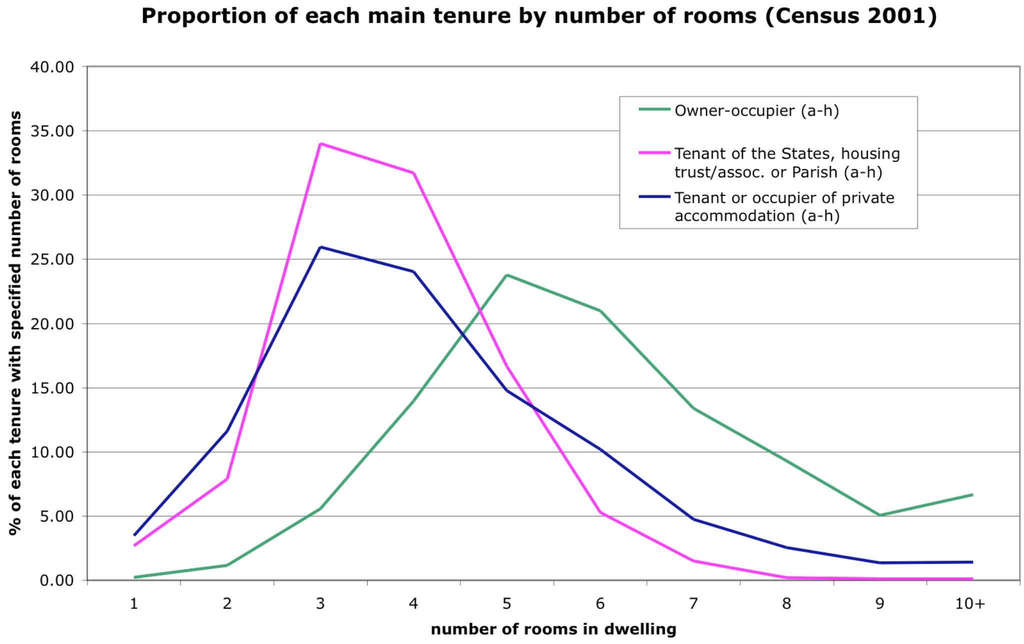


Figure A.5 clarifies the proportions of the three main tenures for the residentially qualified population by the numbers of rooms in homes.

The Figure shows that the numbers of rooms in both private renting and social renting are very similar, despite the population structure of the social rented sector being more similar to that of the owner occupied sector, and that owner occupiers are living in homes with markedly more space and rooms.

Figure A.5

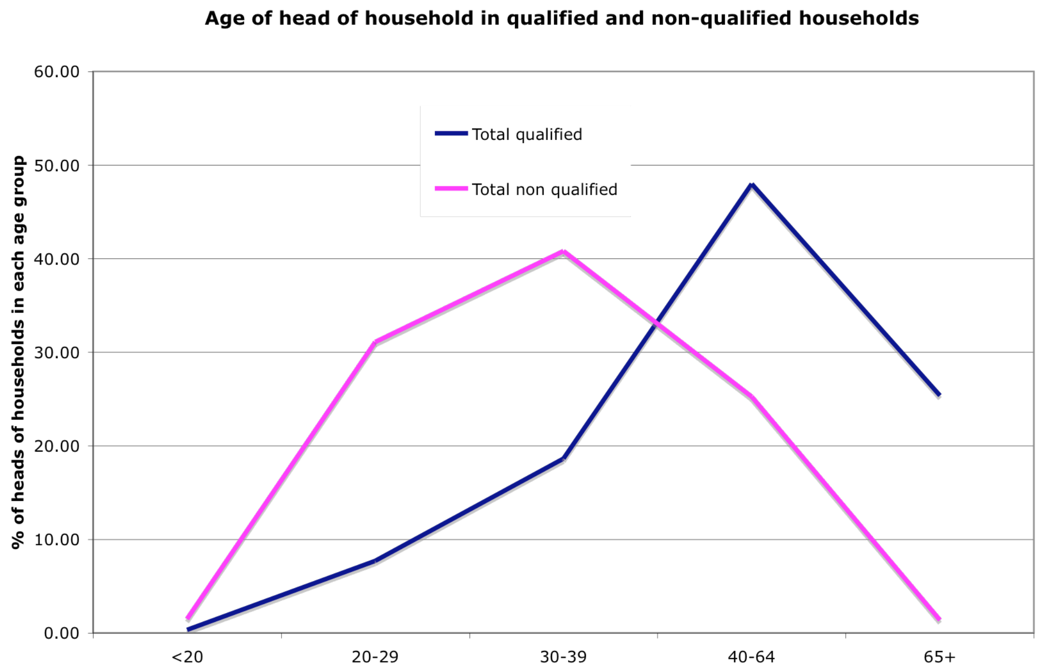


A.4 Housing tenure by age of household

In general, there is a strong correlation between the age of a household and its tenure. This pattern is reinforced in Jersey by the policy that the non-qualified households cannot own property, or rent in the private sector, but are restricted to the lodgings sector.

The age distribution of heads of households in the qualified and non-qualified sectors is markedly different, as shown in Figure A.6

Figure A.6



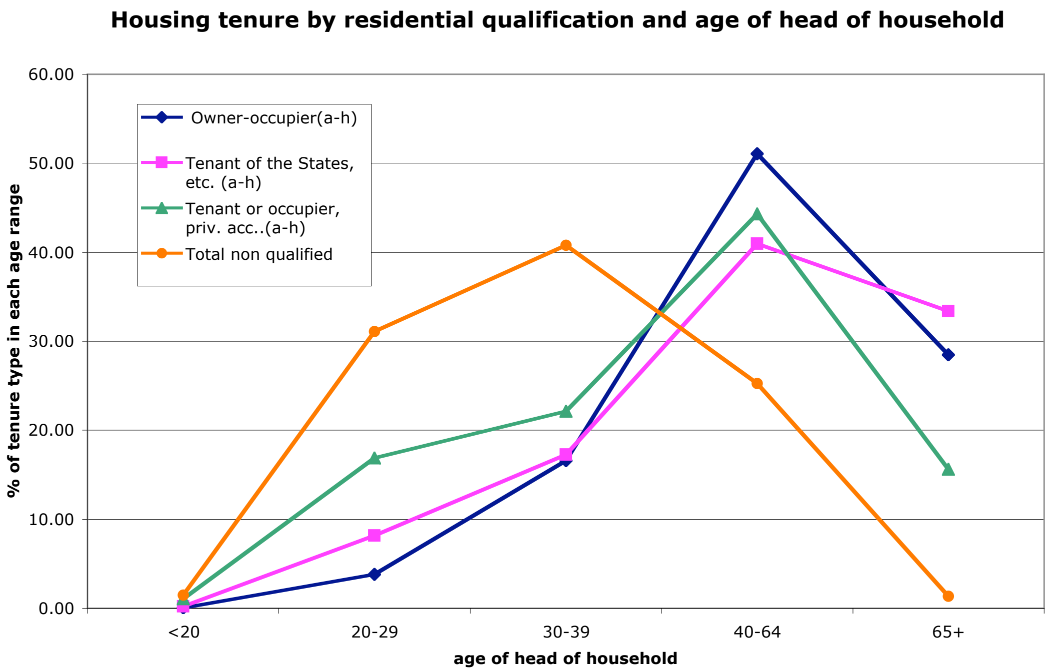
Nearly three quarters (72%) of non-qualified households are in the age range from 20 to 39, while nearly three quarters (73%) of qualified households are aged over 40.

This difference partly reflects the pattern of lower birth rates and increasing longevity, leading to an ageing population and gradually increasing dependency ratios, but also to the transfer of non-qualified households to the qualified sector upon becoming residentially qualified. Since qualification is dependent upon the prescribed number of years' residence on the Island, the proportion of the non-qualified population in the higher age ranges is likely to decrease as households reach the residential qualification period of residence. Few non-qualified households are likely to enter Jersey after the age of 45-50, and therefore nearly all non-qualified households remaining on the Island will have become residentially qualified by the normal retirement age.

A high proportion of non-qualified households do not stay on the Island long enough to become residentially qualified: according the Census 2001, there were 505 non-qualified households on the Island who had arrived during 2000, but there were only 165 non-qualified households on the Island who had arrived during 1988, twelve years earlier. This implies that two thirds of all non-qualified households entering Jersey will have left the Island before achieving twelve years' residential qualification.

figure A.7 clarifies the proportion of households in each tenure that are in each age group:

Figure A.7



In all tenures, the proportion of independent households aged under 20 is negligible.

For a-h residentially qualified households, the proportion of each tenure in each age group follows a roughly similar pattern, with between 40% and 50% of households in each of the tenures being in the 40-64 age band, and around 20% of each in the 30-39 age band. There is a wider dispersion in the 20-29 age band, with a higher proportion of households in the private rented sector in this group, and in the over 65 age band, with a higher proportion of social housing tenants in that age band and a sharply lower proportion of

private renters. The chart suggests that there may be a movement of households from private renting to social housing around the retirement age.
For non-qualified households, the pattern is different. Nearly a third (31%) are in the 20-29 age band, and 41% in the 30-39 age band. Only a quarter are in the 40-64 age band, and barely more than 1% in the over 65 band. This is consistent with the younger ages at which non-qualified households are likely to have entered the Island, and the subsequent effects of the 19 year residential qualifying period that existed at the time of the Census 2001.

At the time of the Census 2001, there were a total of 15,300 adults not residentially qualified, and the Statistics Unit estimate[13] that this number had reduced to about 8,500 by 2007, reflecting the reduction in the residential qualification period from 19 years prior to 2001 to 12 years by 2007.

The total number of non-qualified adults includes the non-qualified partners of a-h qualified residents and j category residents, and any other family members aged 16 or more not born on the Island and not yet qualified by length of residence.

Assuming that the reductions in the residential qualification period affect all non-qualified residents proportionately, whether heads of households or not, then the number of non-qualified households would have reduced from the 4,380 in the Census 2001 to about 2,430 in 2007.

Table A.11: Changes in tenure associated with reduction in residential qualification period

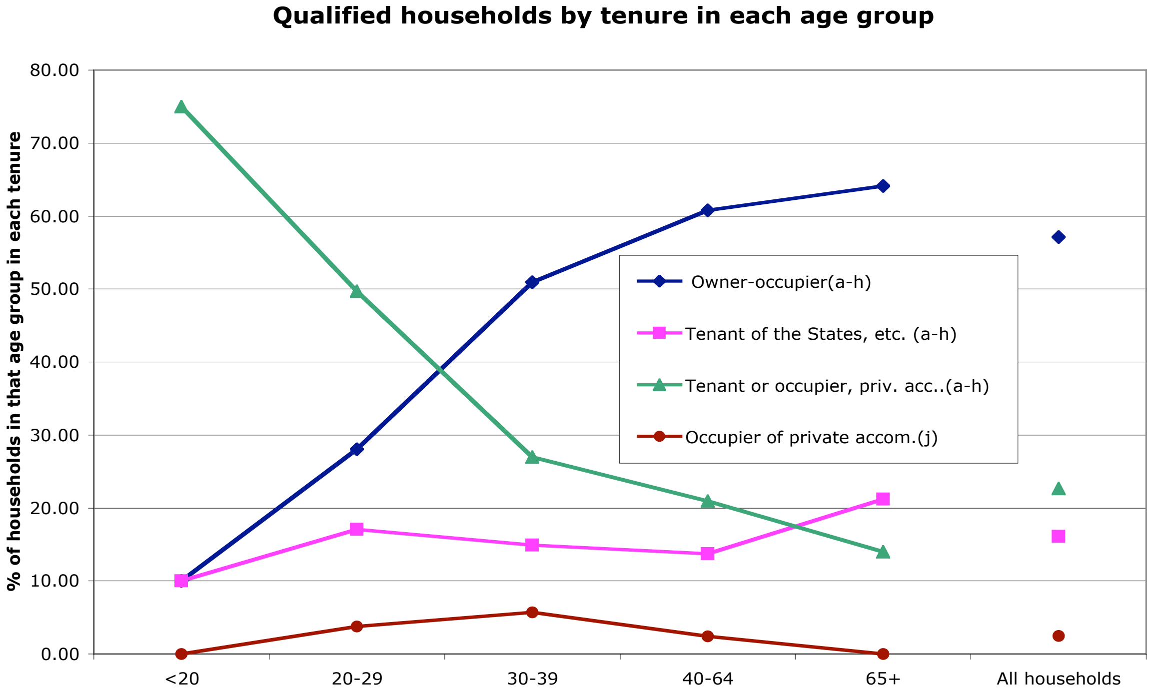
	2001 Census	**Updated profile**
Tenure	Percentage	Percentage
Owner occupied	51	52
States/Housing trust/Parish rental	14	16
Private rental (Qualified)	22	24
Non-qualified	13	9
Total	**100**	**100**

Source: Table A1 in: Jersey's Housing Assessment 2008-12, Report on the Housing Needs Survey, 2007

Among the residentially qualified population, the tenure of households at different ages exhibits clear differences, as shown in Figure A.8:

[13] Jersey's Resident Population 2007.

Figure A.8



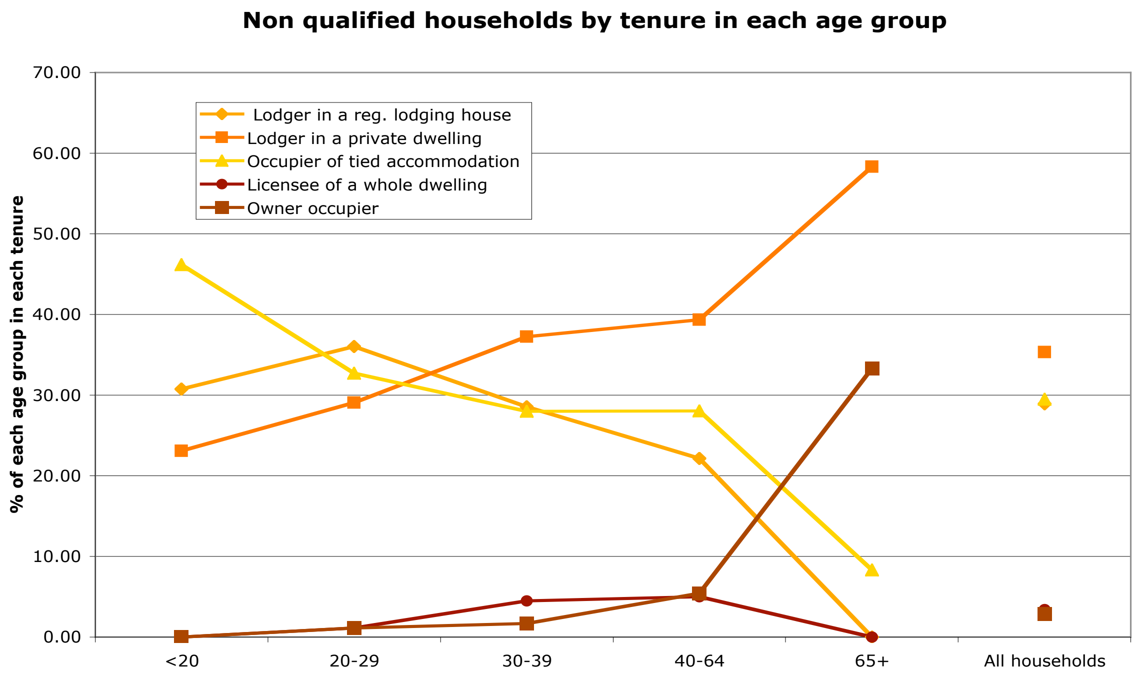
While there are very few independent households aged 20 and below, three quarters of them rent privately, and the proportion of private renters in each age group falls as age increases.

The proportion of owner occupiers in each age group rises as age increases, and it is reasonable to assume that nearly all lifelong residents of Jersey who are able to afford owner occupation will have become owners by the age of 50, the continuing increase in home ownership is supported in the age range from 40-64 and above by the transfer of households from j category and non-qualification to the a-h categories in middle age.

Social housing however exhibits a different pattern. Nearly a fifth (17%) of households aged 20-29 are social tenants, and the proportion of social tenants within each age group then declines slightly up to the pension age, before increasing again to just over a fifth (21%) of households aged 65 and over. Since social tenants are unlikely to experience greater longevity than other groups (evidence from the UK suggests the contrary), this suggests that there are a number of households moving into social housing in old age.

The distribution of non-qualified households across different types of accommodation in each group is shown in Figure A.9:

Figure A.9



The two largest sources of housing for nonqualified households aged between 20 and 29, tied accommodation and lodging houses, decline sharply with increasing age, and have virtually disappeared by the retirement age.

The proportions at older ages need to be read with caution: although lodgers in private dwellings and owner occupiers represent over 90% of non-qualified households over the age of 65, there were only 60 households in total in this age group at the Census 2001.

The small numbers of non-qualified heads of households who are owner occupiers are presumably the divorced or separated partners of residentially qualified owners, and who have remained in the matrimonial home.

Overall, the effect on the housing market of formerly non-qualified households achieving residential qualification is a change in tenure, from lodging to renting or owning.

Non-qualified households, despite the fact that nearly three quarters (72%) are between the ages of 20 and 39, tend to have smaller household sizes than the qualified population, as shown in Table A.12:

Table A.12: Households by residential qualification, tenure and household size

	Number of households	Number of persons in household	Average household size
Qualified (a-k)			
Owner-occupier (a-h)	17803	45422	2.55
Tenant of the States, etc. (a-h)	5017	11921	2.38
Tenant or occupier, priv. acc. (a-h)	7075	14890	2.10
Tenant or occupier, tied acc. (a-h)	408	1012	2.48
Occupier of private accom. (j)	782	2192	2.80
Occupier of private accom. (k)	99	275	2.78
Total qualified	**31184**	**75712**	**2.43**
Non-qualified			
Lodger in a reg. lodging house	1269	2388	1.88
Lodger in a private dwelling	1539	3390	2.20
Occupier of tied accommodation	1292	2615	2.02
Licensee of a whole dwelling	149	397	2.66
Owner occupier	129	296	2.29
Total non-qualified	**4378**	**9086**	**2.08**
Total all households	**35562**	**84798**	**2.38**

Source: (Census 2001 Table VIII)

Given the length of the period of residence required for qualification, the average household sizes shown in the Table suggest that those households that establish a residential qualification may be entering the renting or owning housing market on the Island requiring relatively smaller homes than the already qualified population.

A.5 The allocation of States housing

The Allocation Policy

The States Allocation Policy seeks to balance the limited supply of lettings in States housing, and nomination rights to Housing Trust vacancies, by a housing needs based points system for allocating available vacancies.

Access to the housing Waiting List is restricted to households who:

1. are residentially qualified,
2. have lived on the Island as their principal place of residence for a minimum of six months,
3. and are aged 18 or over.

Access is further restricted to three types of household:

1. People with medical, physical or mental disabilities, who need special types of housing, but who cannot afford such accommodation in the private sector.
2. Families with young children, on relatively low incomes.
3. People aged 50 or over, on relatively low incomes.

Within these categories of household, applications are restricted to households with incomes less than the maximum limits set out in Table A.13:

Table A.13: Income limits for eligibility for States housing

Family with one child	£575 per week (£29,900 p.a.)
Family with two children (same sex)	£650 per week (33,800 p.a.)
Family with two children (opposite sex)	£725 per week (37,700 p.a.)
For each additional child	£50 per week (2,600 p.a.)
Single persons over 50	£450 per week (23,400 p.a.)
Couples over 50	£450 per week (23,400 p.a.)

Source: Housing Department Allocation Policy (Policy HD7, April 2007)

Households with savings in excess of £50,000 are expected to house themselves in the private sector, irrespective of income.

Households that are eligible to apply for housing within the above categories are then assessed for their degree of housing need, using the following criteria:

Group 1: Urgent (60-100 points)

- Homelessness – 100
- Eviction with court date set (other than those being evicted for rent arrears or anti-social behaviour who we will not usually consider) – 100
- Tied accommodation (with eviction date set) – 100
- Decant / refurbishment of estate – 75
- Family in a 3-bed or 4-bed home seeking transfer to smaller unit – 80
- Individual or family with an immediate medical priority – 60
- ASBU / Arrears relocation – 60

Group 2: High priority (40-59 points)

- Family with opposite sex children (one over 7 years old) – 40
- Family overcrowded in current accommodation – 40
- Individual or family with a moderate medical priority – 40
- Financial (urgent) – 40

Group 3: Moderate priority (20-39 points)

- Eviction no date yet set (other than those being evicted for rent arrears or anti-social behaviour who we will not usually consider) – 30
- Financial (moderate) – 30
- Individual or couple in a 2-bed unit wanting to transfer to a 1-bed unit – 20

Group 4: Low priority

- Over 50 (not a case of financial hardship) – 15
- Tied accommodation (eviction not imminent) – 15

When a vacancy of a suitable size becomes available, the lettings staff in the Housing Department will then 'match' the dwelling to the requirements of households (such as waiting time, location of children's schools or area preferences), until the most appropriate 'match' is found. Applicants are therefore not necessarily housed in points order.

The Waiting and Transfer Lists

Table A.14shows the numbers on the Waiting List at 1 January in each year since 2003, and at 1 November 2008, together with the number of applicants in the highest housing needs points group (Group 1), and the number of applicants rehoused from the Waiting List during each calendar year.

Table A.14: States Rental Waiting List

States Rental Waiting List							
	1-Jan-03	1-Jan-04	1-Jan-05	1-Jan-06	1-Jan-07	2-Jan-08	1-Nov-08
Total waiting list	246	275	225	265	243	254	292
of which, Group 1 need		90	38	27	15	17	14
Rehoused during year	350	307	263	370	207	n/a	n/a
Transfer List	n/a	n/a	n/a	461	n/a	440	348

The Table shows that the total number of households on the Waiting List has fluctuated around an average of 257 over the last seven years, although it has risen by 20% over the past two years.

There has also been a significant fall in the number of people on the Waiting List in the greatest housing need (Group1), which has fallen each year from a high of 90 in 2004 to a low of 14 by November 2008.

The number rehoused from the Waiting List however has fallen by 40%, from 350 in 2003 to 207 in 2007, partly the result of a slowdown in the number of vacancies naturally occurring from one year to the next, and partly as a result of an increase in the number of tenants decanted for major works or redevelopment.

Between 2003 and 2007, an average of 280 households were rehoused each year from the Waiting List, which nevertheless continued to average 250 over the five year period. This implies that the numbers of households joining the Waiting List each year was at least 280, and probably in excess of 300 (in order to balance those households who will leave the Waiting List each year, no longer requiring housing).

The restrictions on eligibility for registering on the Waiting List effectively mean that only a diminishing proportion of the residentially qualified population is eligible for States housing.

Firstly, the range of eligible household types effectively excludes all households with older children, and all childless couples and single people, unless they are either over 50 years of age or have a physical or mental disability. The Census 2001 showed that more than half the households on the Island are of a type that is probably ineligible for States housing:

Table A.15: Households probably ineligible for States housing

Household type	% of all household types
Couple with all children aged over 15 years	20
Couple (both not pensioners)	7
Single parent with all children aged over 15 years	3
Person living alone (not pensioner)	16
Two or more unrelated persons	2
Other	7
Total	**55**

Secondly, the maximum income limits are currently set at levels which exclude anyone with an income above the level at which they would be eligible for Income Support (and a small proportion of households with earnings above the maximum for States housing are also eligible for Income Support).

The combination of these eligibility criteria mean that a significant proportion of people for whom renting is likely to be a life long tenure (40% of the residentially qualified population rent their homes) are effectively excluded from States housing, and reliant upon the private rented sector.

Potentially, moves by tenants who are under-occupying their current properties could release family units for reletting, either to other tenants who are overcrowded in their current properties, or to applicants from the Waiting List. The Table below shows that 79 family homes could be released for reletting if all the tenants who are currently underoccupying their homes and who are registered for transfer could successfully be made offers of alternative accommodation.

Table A.16: Bedsizes of properties required by Waiting and Transfer Lists

	Bedsit	1 bed	2 bed	3 bed	4+ bed
Waiting list	9	133	108	40	2
Required by Transfer List	2	170	102	54	20
Released by underoccupiers			-40	-25	-14
Net total demand	11	303	170	69	8

However, the ability to achieve underoccupation transfers is in practice limited by the availability of acceptable vacancies to offer to current tenants. Given that many of the underoccupying tenants eligible for a move to a 1 bedroom property are likely to require ground floor accommodation, and therefore will be competing with other transfers and applicants requiring the limited supply of ground floor flats or bungalows, only a limited number of underoccupation transfers are likely to be achieved in any one year.

A.6 Turnover and lettings in the States housing stock

A key factor in the supply of lettings for rent in the social housing sector is the rate at which existing properties become empty, or ‘void’, as a result of either the existing tenant moving out of the social housing sector, or dying.

In the States housing stock in 2007, there were 269 ‘true voids’ created in the stock either by the death of the tenant or by the move of the tenant out of States housing. This rate of turnover is 5.85% of the total housing stock of 4,602 units, and by English standards represents a low rate of turnover, typical of high demand housing market areas such as London.

Table A.17:

<table>
<tr><th>Reason for property becoming void</th><th>Number</th><th></th><th></th><th></th></tr>
<tr><td>Left the Island</td><td>1</td><td rowspan="2">32% created net void on Island</td><td rowspan="2"></td><td rowspan="2"></td></tr>
<tr><td>Deceased</td><td>67</td></tr>
<tr><td>Gone into Care</td><td>47</td><td rowspan="2">19% moved to elderly accommodation</td><td rowspan="4">53% continued to rent</td><td rowspan="3">30% moved to other social sector accommodation</td></tr>
<tr><td>Moved to Cottage Homes</td><td>3</td></tr>
<tr><td>Moved to Housing Trust</td><td>30</td><td rowspan="2">35% moved to other rented</td></tr>
<tr><td>Moved into Private Sector</td><td>63</td><td rowspan="2">31% moved to private sector</td></tr>
<tr><td>Purchased Property</td><td>21</td><td>8% moved to owner occupation</td><td></td></tr>
<tr><td>Moved in with Family</td><td>8</td><td rowspan="4">7% may create future need</td><td></td><td></td></tr>
<tr><td>Detained in Prison</td><td>2</td><td></td><td></td></tr>
<tr><td>Eviction</td><td>5</td><td></td><td></td></tr>
<tr><td>No Forwarding Address</td><td>4</td><td></td><td></td></tr>
<tr><td>Total</td><td>269</td><td></td><td></td><td></td></tr>
</table>

The Table shows that nearly a third of net voids were created either by death or emigration from the Island.

Table A.18 shows the same data, but concentrating on the moves of former tenants remaining on the Island that have created a void for reletting to an incoming tenant.

Table A.18:

<table>
<tr><th>Reason for tenant moving</th><th>Number</th><th></th><th></th><th></th></tr>
<tr><td>Gone into Care</td><td>47</td><td rowspan="2">27% moved to elderly accommodation</td><td rowspan="4">78% continued to rent</td><td rowspan="3">44% moved to other social sector accommodation</td></tr>
<tr><td>Moved to Cottage Homes</td><td>3</td></tr>
<tr><td>Moved to Housing Trust</td><td>30</td><td rowspan="2">51% moved to other rented</td></tr>
<tr><td>Moved into Private Sector</td><td>63</td><td rowspan="2">46% moved to private sector</td></tr>
<tr><td>Purchased Property</td><td>21</td><td>11% moved to owner occupation</td><td></td></tr>
<tr><td>Moved in with Family</td><td>8</td><td rowspan="4">10% may create future need</td><td></td><td></td></tr>
<tr><td>Detained in Prison</td><td>2</td><td></td><td></td></tr>
<tr><td>Eviction</td><td>5</td><td></td><td></td></tr>
<tr><td>No Forwarding Address</td><td>4</td><td></td><td></td></tr>
<tr><td>Total</td><td>183</td><td></td><td></td><td></td></tr>
</table>

The Table shows that:

- A quarter of all moving tenants went into specialised accommodation for the elderly
- Half of all tenants moving out of States housing continue to rent: two thirds of these have moved into the private rented sector and one third into Housing Trust properties
- One in ten have moved to become owner occupiers (and have presumably bought at open market prices)
- One in ten may have moved out, but may also reappear at some point in the future as new housing need.

The small number of tenants actually leaving to become owner occupiers is consistent with the findings of the Housing Needs Survey, which found that out of the 3,115 households expressing the intention of purchasing a property for the first time within the next five years, only 145 were from the social rented sector: 100 existing households, and 45 concealed households.

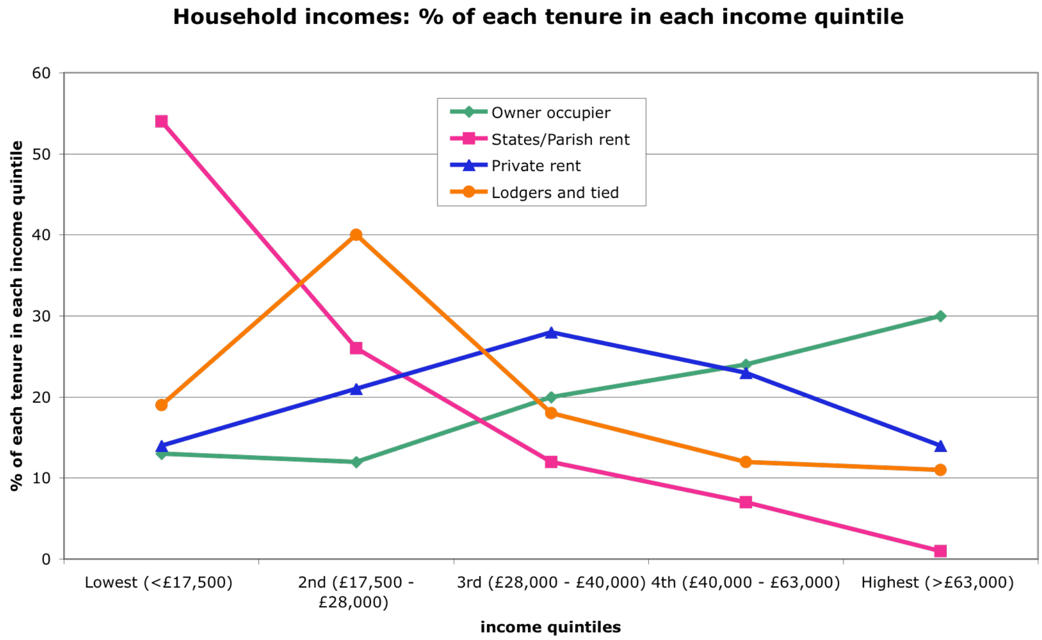
Since the number of tenants who actually left States housing in 2007 in order to purchase was 21, or exactly one fifth of the 100 households intending to do so over the next five years, this suggests a degree of realism among States tenants about their practical prospects for home ownership.

A.7 Household incomes, employment and qualifications

Housing tenure, and the ability to exercise choice between tenures, is closely linked to household income, which in turn is linked to labour market participation, and to the type of employment.

The Figure below shows the proportions of each tenure in each quintile of the income distribution in Jersey.

Figure A.10



The Figure shows that social housing tenants are heavily concentrated at the lower end of the income distribution. 54% are in the lowest income quintile, with a household income of less than £17,500 per annum, and a further 26% are in the second from lowest quintile, with household incomes in the range from £17,500 to £28,000 per annum.

Only 7% of social housing tenants are in the second highest quintile, with household incomes between £40,000 and £63,000 per annum, and only 1% are in the highest quintile with incomes over £63,000 per annum.

By contrast, 54% of owner occupiers are in the top two quintiles (and three quarters are in the top three quintiles), while 37% of private renters are in the top two quintiles (and two thirds are in the top three quintiles).

Table A.19shows the composition of household types within each income quintile.

Table A.19: Type of household by income quintile

	Couple not pensioners	Couple with at least one dependent child aged under 16	Single parent with at least one dependent child aged under 16	Person living alone not pensioner	Person living alone pensioner	Two or more pensioners	Other
Lowest	6	4	10	27	33	14	6
2nd	18	16	8	27	10	14	8
3rd	21	20	5	23	5	9	16
4th	32	31	1	11	1	6	18
Highest	27	40	0	2	-	7	23

Source: Report on the Jersey Household Expenditure Survey 2004/05: Table 2.2: Percentage composition of quintile by household structure

The Table shows that two of the three largest household types in social housing, single parents and single pensioners, together making up early half (44%) of social housing tenants, are concentrated in the bottom two quintiles of the income distribution.

The distribution of household income is primarily dependent upon earned income, and particularly so with the Income Support system in Jersey, which has a 100% taper, withdrawing Income Support pound for pound with increasing earned income.

The Table below shows the relationship between household employment status and tenure.

The Table shows that social housing has the lowest percentage of households in employment of any tenure.

Very high proportions of all households in the private rented and lodging house sectors are in employment, which is consistent with the proportions of younger and childless households in those sectors.

Despite the greater similarity between the household types in the owner occupied and social rented sectors, there remains a significant difference in their employment patterns.

Two thirds of owner occupied households are in employment, compared to less than half (45%) of social renting households. Half of this difference is accounted for by the much higher proportion of owner occupiers who are self-employed, an employment status almost unknown among social renters.

Social renters are more likely to be retired, a homemaker, in full time education, or unemployed, than owner occupiers, although in most cases by only two or three percentage points.

The largest single difference in employment status between owner occupiers and social renters however is in the proportion of social renters who are unable to work due to long term sickness or disability. Although only 3% of households in Jersey are unable to work due to long term sickness or disability, and only 1% among owner occupier households, the proportion rises to 12% among social renters.

Table A.20: Employment Status and Household Tenure

Employment Status and Household Tenure	Owner-occupier	States, housing trust	Private rented	Other (mainly non-qualified)	Total
Economically Active					
Working for an employer	55	44	73	93	59
Self employed, employing others	7	0	3	1	5
Self employed, not employing others	4	1	5	1	4
Total active:	**66**	**45**	**81**	**95**	**68**
Economically inactive					
Retired	21	24	10	2	18
Homemaker	5	8	3	0	4
In full time education	5	7	1	2	5
Unable to work due to long-term sickness or disability	1	12	3	1	3
Unemployed, looking for work	1	3	1	0	1
Other	1	0	0	0	0
Unspecified	0	0	0	0	0
Total inactive:	**34**	**55**	**5**	**5**	**32**
Total	100	100	100	100	100
% of total households	**62**	**13**	**2**	**2**	**100**

Source: Special tabulation from JASS 2006/06/07

Not only is a smaller proportion of social renting households in employment than households in other tenures, but the nature of their work is more concentrated in lower skilled, and therefore lower paid, employment categories.

Table A.21 shows the proportion of each tenure by occupational sub-group.

Table A.21: Occupational sub-groups by tenure

Occupation sub-groups/Household Tenure	Owner-occupier	States, housing trust	Private rental accommodation	Other (mainly non-qualified	Total
Employed					
Administrative occupations	10.0	14.1	13.2	10.1	11.2
Business and public service associate professionals	9.0	2.7	7.5	5.7	7.4
Business and public service professionals	4.6	0.6	3.2	2.4	3.3
Caring personal service occupations	1.7	8.1	3.2	2.2	2.8
Corporate managers	20.3	3.0	12.2	12.2	15.1
Culture media and sports occupations	1.8	0.6	1.5	0.9	1.4
Customer service occupation	0.4	0.4	0.6	0.6	0.5
Elementary administration and service occupations	3.6	16.1	4.7	12.2	6.6
Elementary trades and storage related occupations	1.5	5.1	2.8	13.6	4.4
Health and social welfare associate professionals	2.1	1.5	3.8	1.1	2.3
Health professionals	1.1	0.0	1.3	0.2	0.9
Leisure and other personal service occupations	1.2	3.2	2.3	3.2	2.0
Managers and proprietors in agriculture and services	6.9	1.0	4.0	5.9	5.5
Process plant and machine operatives	1.5	2.7	1.8	1.2	1.7
Protective service occupations	2.3	0.3	1.2	0.4	1.5
Sales occupations	2.8	12.8	4.5	4.9	4.5
Science and technology associate professionals	1.4	0.5	1.3	0.7	1.2
Science and technology occupations	3.6	4.7	4.2	2.4	3.6
Skilled agricultural trade	2.7	2.7	3.2	4.2	3.1
Skilled construction and building trades	7.1	6.7	6.9	6.0	6.8
Skilled metal and electrical trades	4.4	3.0	4.4	2.2	3.8
Teaching and research professionals	3.6	0.3	3.8	0.4	2.7
Textiles, printing and other skilled trades	1.5	3.1	1.9	3.7	2.1
Transport and mobile machine drivers and operatives	3.3	6.6	4.9	2.7	3.9
	100.0	100.0	100.0	100.0	100.0
Not employed					
Retired	76.7	60.8	61.4	37.2	28.8
Other	23.3	39.2	38.6	62.8	71.2
	100.0	100.0	100.0	100.0	100.0

Source: Special tabulation from Census 2001

Nearly two thirds (63%) of employed social tenants are to be found in six occupational subgroups: administrative occupations, caring personal service occupations, elementary administrative and service occupations, elementary trades and storage related occupations, sales occupations and transport and mobile machine drivers and operatives.

None of these occupational groups requires a significant level of training or skill, and this reflects the low level of qualifications generally possessed by social tenants.

Table A.22 shows the educational qualifications of heads of households by tenure.

Table A.22: Educational qualifications by tenure

Educational qualifications of head of household by tenure					
Qualification Tenure	Owner-occupier	States, housing trust	Private rental accommodation	Other (mainly non-qualified	**Total**
Higher degree (e.g. PhD, MA, PGCE, post-graduate certificate/diploma	5.0	0.2	6.1	3.4	**4.4**
First Degree (e.g. Ba, BSc)	7.4	0.5	7.5	6.3	**6.3**
NVQ level 4-5, HNC, HND	1.8	0.3	1.2	2.0	**1.5**
2+ A levels 5+ CSE (grade 1), 5+ GCSE)grades A-C) School certificate	6.8	1.3	5.7	7.1	**5.8**
NVQ level 3, advanced GNVQ	0.5	0.7	1.4	1.2	**0.8**
1+ A level/AS level	3.5	0.9	2.6	3.1	**2.9**
5+ O levels, 5+ CSE (grade 1), 5+ GCSE (grades A-C), School certificate	16.3	7.6	16.1	15.6	**15.0**
NVQ Level 2, intermediate GNVQ	0.4	1.0	0.9	1.0	**0.6**
NVQ level 1, foundation GNZQ	0.3	1.0	0.9	0.9	**0.6**
1+ O level/CSE/GCSE/ (any grade0	9.9	7.0	12.5	10.0	**10.2**
Other qualification (e.g. City and Guilds, RSA/OCR, BTEC/Edexcel)	6.2	4.6	6.6	6.2	**6.1**
No formal qualifications	41.7	73.8	38.5	43.0	**45.7**
	100.0	100.0	100.0	100.0	100.0
Source: Special tabulation from Census 2001					

The Table shows that social tenants only exceed other tenures in the proportion possessing a qualification at NVQ Level1, possessed by just 1% of social tenants.

Nearly three quarters (74%) of all social tenants possess no formal qualifications whatever.

A.8 Housing costs and tenure

Social housing tenants have the lowest net household incomes both Before Housing Costs and After Housing Costs of all tenure groups, as shown in Table A.23

Table A.23: Mean net weekly household income by tenure, before and after Housing Costs (£ per week)

Tenure	Net income before housing costs	Net income after housing costs	% change due to housing costs
States tenancy	393	250	-36
Parish or housing trust/ association	455	226	-50
Private tenancy (including lodgers)	547	380	-31
Owner occupier without mortgage	708	695	-2
Owner occupier with mortgage	1,029	840	-18
Other	722	537	-26
All households	**698**	**562**	**-19**

Source: Table 3 in Jersey Income Distribution Survey 2002, Statistics Unit

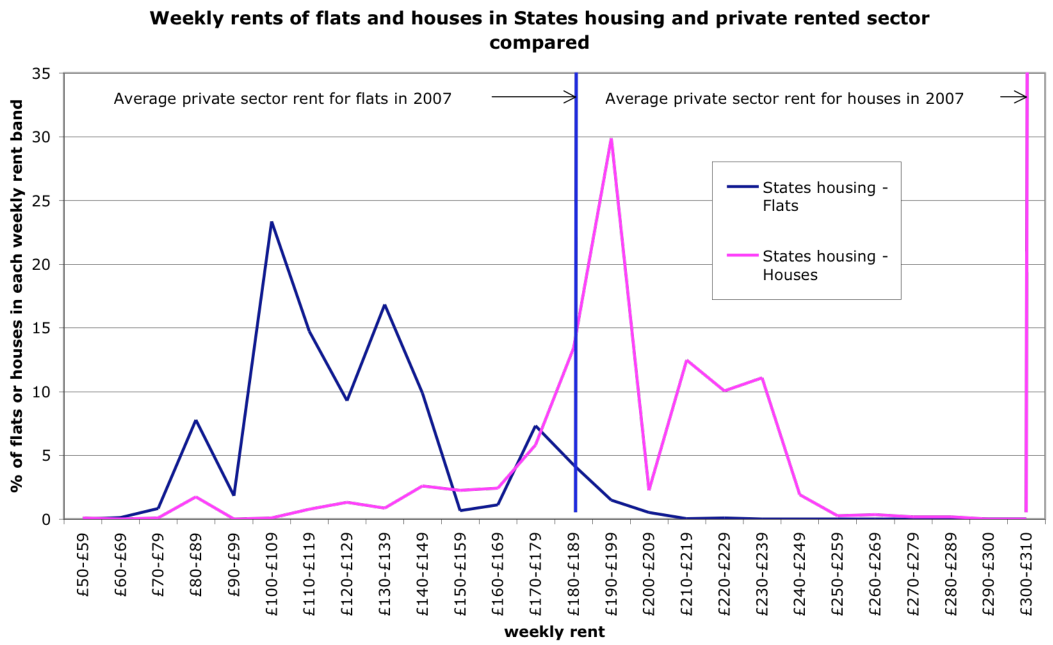
The Table shows that the impact of rents (after accounting for rent rebates) on social housing tenants is greater than on any other tenure, including that of owner occupiers with a mortgage.

The Table also shows that tenants of the Parishes and the Housing Trusts have incomes some 16% higher than those of States tenants, but pay rents that are 60% higher than those in States housing. As a result, net weekly incomes for Parish and Housing Trust tenants are lower, After Housing Costs, than those of States tenants.

The States' policy for rent fixing in States housing is that rents should be set in accordance with assessed 'fair rents', generally presumed to be approximately 90% of market levels. However, over recent years this policy has become eroded, and the rents of States housing have drifted significantly below open market levels.

Figure A.11 clarifies the pattern of weekly rents in States housing for flats and for houses, and compares these to the average private sector rent for flats and houses charged in 2007.

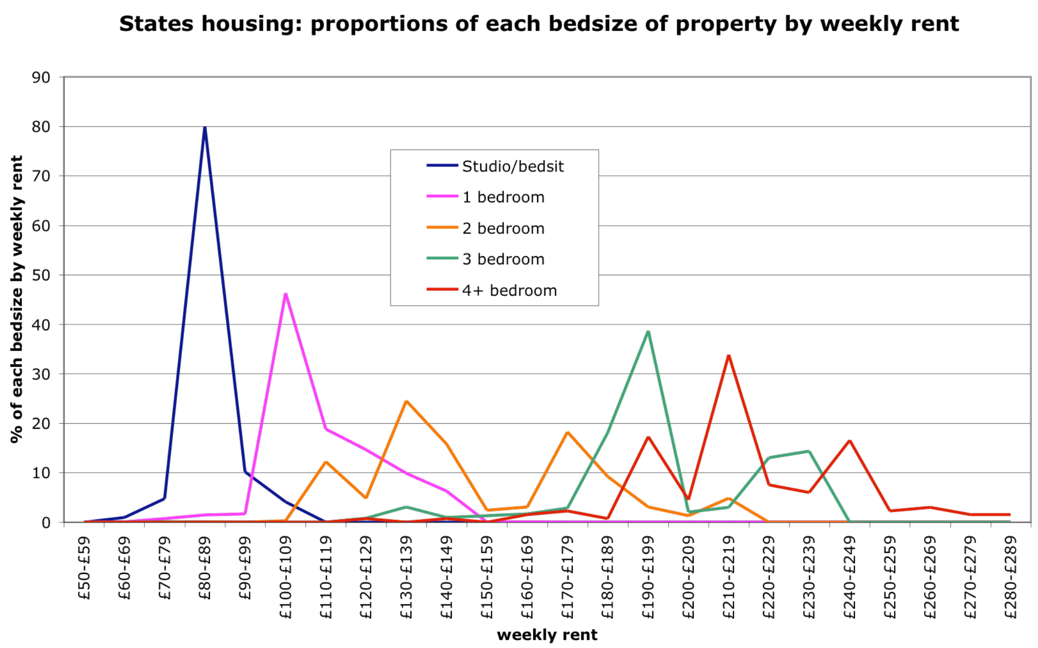
Figure A.11



The Figure shows that current rents are approximately two thirds of current open market transactions in the private rented sector.

Figure A.12 clarifies the more detailed pattern of weekly rents in States housing by the bedsize of property.

Figure A.12



The Figure shows that:

- 80% of studios and bedsits have a weekly rent in the range £80-89 per week
- 65% of 1 bedroom properties have a weekly rent in the range from £100 to £119 per week
- 40% of 2 bedroom properties have a weekly rent in the range from £130 to £149 per week, and a further 27% have a weekly rent in the range from £170 to £189 per week
- 57% of 3 bedroom properties have a weekly rent in the range from £180 to £199 per week, and a further 27% have a weekly rent in the range from £220 to £239 per week
- 41% of 4+ bedroom properties have a weekly rent in the range from £210 to £229 per week, and a further 22% have a weekly rent in the range from £230 to £249 per week

A9 Rent income and expenditure in States housing

Rent policy and rent setting

Rents across the social housing sector, both for States housing and for the Housing Trusts, are set in relation to 'fair rents'. These are set by the Housing Department, and represent an upper limit for the rent of a property with a given number of bedrooms. A property may have a lower rent than the 'fair rent', if this is justified by its condition or location, but not higher.

'Fair rents' are also used in the Income Support system. A household's actual expenditure on rent is taken into account in the calculation for Income Support, but only up to the 'fair rent' level: any expenditure on rent above the 'fair rent' must be met by the household from its remaining income. A third of tenants in the private rented sector who receive Income Support have rents above the 'fair rent' maximum.

A 'fair rent' is not precisely defined in legislation, which states only that 'fair rents' should 'follow, but not lead' the market.

In practice, this has been taken for many years to mean that a 'fair rent' should be set at about 90% of the open market rent for a comparable property.

However, in recent years, 'fair rents' have not been increased to follow comparable open market rents. Successive decisions to limit annual rent increases in 'fair rents' to around 2.5% have opened up a widening gap between 'fair rents' and comparable open market rents.

The creation of this gap between 'fair rents' and market rents has a number of consequences:

- Firstly, it imposes costs on those tenants in the private rented sector who are in receipt of Income Support but paying open market rents. As market rents rise faster than 'fair rents', more private sector tenants will have rents above the 'fair rent' limit, and must make up the increasing difference from their remaining income. This has the effect of an additional tax on lower income private tenants.
- Secondly, it creates an unplanned 'subsidy' for social housing tenants. As 'fair rents' fall further below market rents, there is an increasing financial advantage to being a tenant in social housing, especially for those tenants not wholly dependent upon Income Support.
- Thirdly, this unplanned financial advantage in becoming a social tenant is an important factor in the lengthening of waiting lists for Housing Trust properties. (Anyone can register on the waiting list of a Housing Trust, whereas only those who meet very restrictive criteria can register on the waiting list for States housing.)
- There is also a fourth consequence which affects the financial position of the Housing Department. At the present time, the Housing Department is prevented from raising the rent of a property following its modernisation. This policy effectively increases the 'subsidy' of low rents for States housing tenants, but also reduces the income to the Housing Department for the future management and maintenance of the housing stock.

Rents in States housing

The Table below shows that the average weekly rent in States housing is £145 per week, but the average conceals large differences between the average rents of flats, at £127 per week, and the average rents of houses, which are £197 per week.

Table 24: States housing: average bedroom size and weekly rents of flats and houses

Dwelling type	Number of units	Average no. of bedrooms	Average rent
Total flats	3310	1.4	£126.79
Total houses	1155	2.8	£197.12
Total stock	4465	1.8	£144.98

Note: 315 bedsits counted as 0.5 bedrooms

The States housing stock is heavily weighted towards smaller flats. Flats constitute 74% of the States housing stock, and with an average number of bedrooms of 1.4 each, are half the size of houses, which have 2.8 bedrooms on average.

Table A.25 shows the distribution of rents between the different dwelling types in more detail.

Table A.25: States housing: weekly rents by dwelling type (% of each dwelling type by weekly rent)

Dwelling type	Number of units								Total
		<£80	£80-99	£100-129	£130-149	£150-179	£180-229	£230-289	
Studio/bedsit	315	6	90	4	0	0	0	0	100
1 bedroom flat	1583	1	3	81	15	0	0	0	100
house	50	2	0	44	52	2	0	0	100
2 bedroom flat									
house	253	0	0	0	5	38	56	0	100
3 bedroom flat	134	0	0	4	25	23	48	0	100
house	702	0	0	0	0	3	80	17	100
4+ bedroom	133	0	0	1	1	4	64	31	100
Total stock	4465	1	8	36	21	9	22	4	100
Total flats	3310	1	10	47	27	9	6	0	100
Total houses	1155	0	2	2	3	10	68	14	100

Rents in States housing compared to other tenures

Data from the Jersey Income Distribution Survey in 2002 (see Section 8 in the Technical Appendix) showed that States tenants had average housing costs of £143 per week.

Tenants of the Housing Trusts had average housing costs of £229 per week, reflecting both the generally newer and more attractive stock owned by the Trusts, but also their ability to set rents at or near to the 'fair rent' level.

From the same survey, private sector tenants had average rents of £167 per week, but this included the rents paid by non-qualified households in lodgings.

Analysis of new transactions in the private rented sector during 2007 (see Section 8 in the Technical Appendix) showed that private sector rents for new transactions were nearly 50% higher on average, at £185 per week for flats, and £305 per week for houses, than average rents in States housing.

Evidence from an analysis of Income Support data (see Section 9 in the Technical Appendix) shows that among tenants in receipt of Income Support, the median rent in the private sector is some £25 per week higher by the fourth decile, rising to £45 per week higher than States housing in the top decile. Given the financial pressure exerted through the Income Support system on tenants in the private rented sector, it is to be expected that they would occupy the cheaper and less desirable properties in the sector.

Rents, incomes and Income Support

The Income Support system in Jersey (see Section 9 in the Technical Appendix) does not make any separate payment directly related to housing costs. Housing costs are simply treated as one element among others in a household's expenditure: if a household's necessary expenditure is in excess of their income, then Income Support makes up the difference.

The total amount of Income Support which a household receives might therefore be sufficient only to cover part of their rent, or it might equate to the whole of their rent, or it might be in excess of their rent. For tenants in the private sector (including those in the Housing Trusts), Income Support is paid direct to the household, and it is then up to the household to manage their budget, and pay their rent, from their total household income, including any element of Income Support.

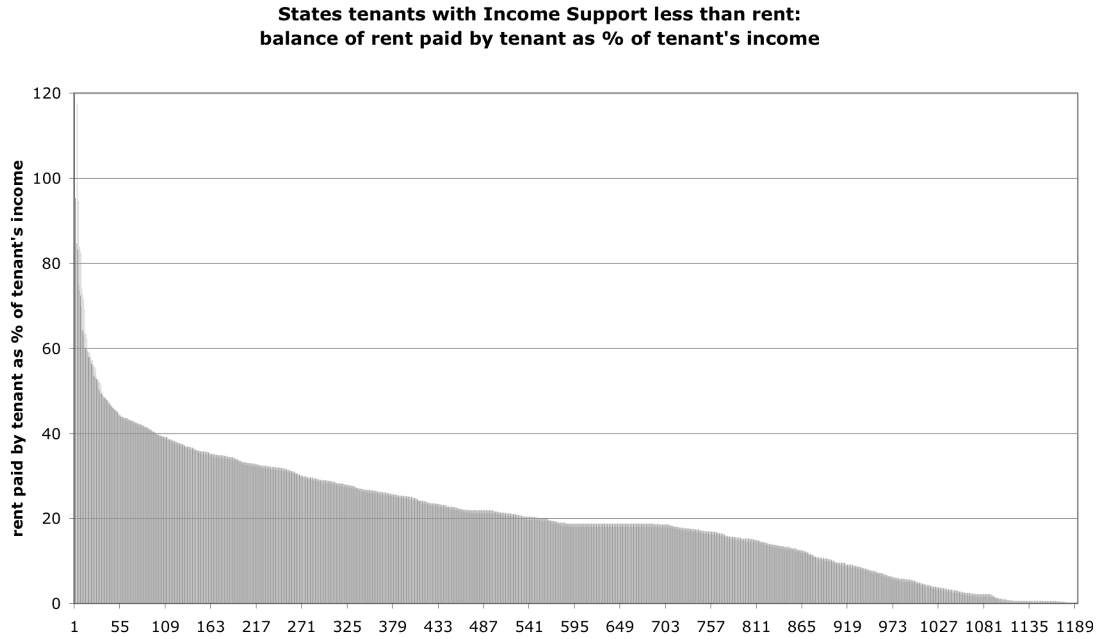
In the case of States tenants, however, all Income Support, up to the whole of their rent, is paid direct to the Housing Department. Only if the tenant is entitled to any Income Support in excess of their rent, will the balance then be paid to the tenant.

Among the 4,465 States tenants, a total of 2,839, or 64% of the total, are in receipt of Income Support. Of these, 1,650 tenants receive amounts of Income Support in excess of their rent, and therefore all their rent is paid by Income Support. A further 1,189 tenants are in receipt of Income Support that is less than their rent, and therefore pay part of their rent themselves.

Income Support is withdrawn pound for pound as a household's income increases, and the system can lead to high proportions of income being spent on rent.

Figure A.13 clarifies the proportion of gross (before tax) income which States tenants in receipt of Income Support less than their rent are paying, when they pay the balance that is not covered by Income Support.

Figure A.13



The Figure shows that among tenants who receive Income Support that is less than their rent, 559 are paying in excess of 20% of gross household income on rent, and 97 households are paying more than 40% of their income on rent.

The Income Support system assumes that any savings, or capital, owned by households will be utilised to contribute to household expenditure, and the figure below shows the amount of capital, or savings, owned by tenants who are in receipt of Income Support, but who pay more than 40% of their gross income in rent.

Figure 14

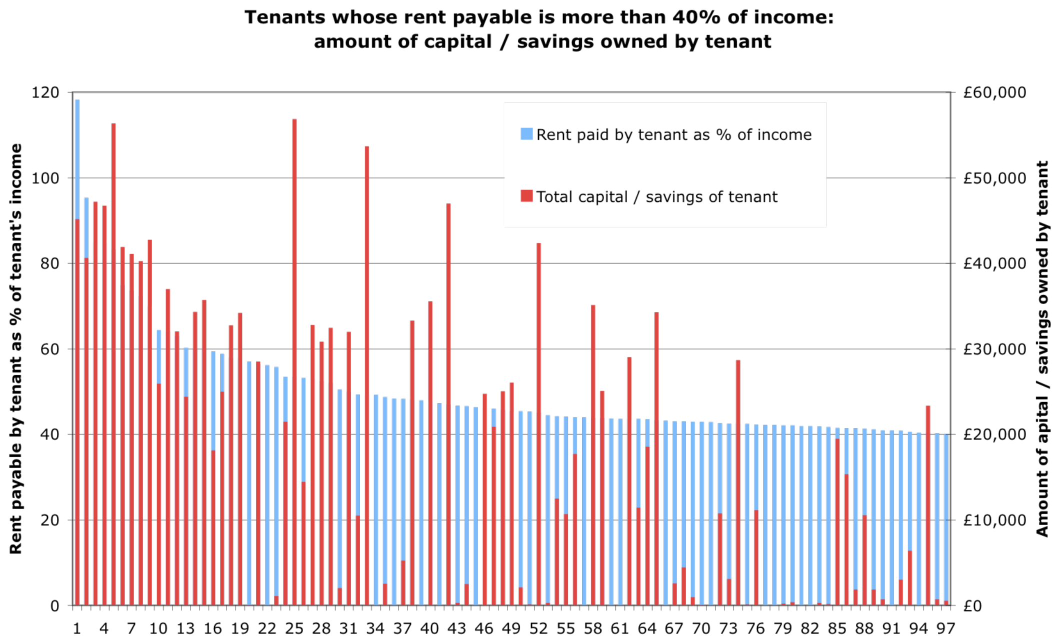


Figure A.14 shows that in some extreme cases, of households with capital of around £40,000 but low incomes, rent payments can amount to more than 100% of income.

However, the Figure also shows that there are many households with no capital who are paying more than 40% of their gross income in rent.

Typical examples of households in this position are:

- A single person, under 65, earning £17,664 per annum and living in a 2 bedroom flat with a rent of £177 per week, is entitled to Income Support of £13.37 per week, and pays 48% of their gross income in rent.
- A couple, no children, earning £9,000 per annum and with invalidity benefit of £14,000 per annum, living in a 1 bedroom flat with a rent of £144 per week, is entitled to Income Support of £1.47 per week, and pay 47% of their gross income in rent.

The vast majority of households who receive some Income Support, but who pay more than 20% of their gross income in rent are childless, as shown in Table A.26:

Table A.26: Tenants in receipt of Income Support less than weekly rent (% of gross household income (before tax) paid in rent by tenant)

	Rent as proportion of weekly income				
	> 40%	30% to 39%	25% to 29%	20% to 24%	**Total**
Single parent with children	1.03	9.77	8.46	5.06	**6.62**
Couple with children	0.00	8.62	20.00	13.92	**11.27**
Single person <65	48.45	29.89	18.46	39.24	**33.09**
Single person >65	39.18	31.61	29.23	22.15	**29.70**
Couple no children <65	7.22	12.64	13.08	12.66	**11.81**
Couple no children >65	4.12	7.47	10.77	6.96	**7.51**
Total	100	100	100	100	**100**

The Table shows that 63% of tenants receiving some Income Support, but paying more than 20% of their gross income in rent, are single people, and that nearly 20% are childless couples.

Table A.27shows the numbers of households in each category.

Table A.27: Tenants in receipt of Income Support less than weekly rent: % of gross household income (before tax) paid in rent by tenant (number of households)

Household type	> 40%	30% to 39%	25% to 29%	20% to 24%	**Total**
Single parent with children	1	17	11	8	**37**
Couple with children	0	15	26	22	**63**
Single person <65	47	52	24	62	**185**
Single person >65	38	55	38	35	**166**
Couple no children <65	7	22	17	20	**66**
Couple no children >65	4	13	14	11	**42**
Total	97	174	130	158	**559**

Rent income and the Housing Department budget

In 2007, the Housing Department expended a total of some £32.3 million, of which some £10.3m. was spent on the management and maintenance of the housing stock. The balance, a surplus of some £24.3m. was transferred to the States Treasury.

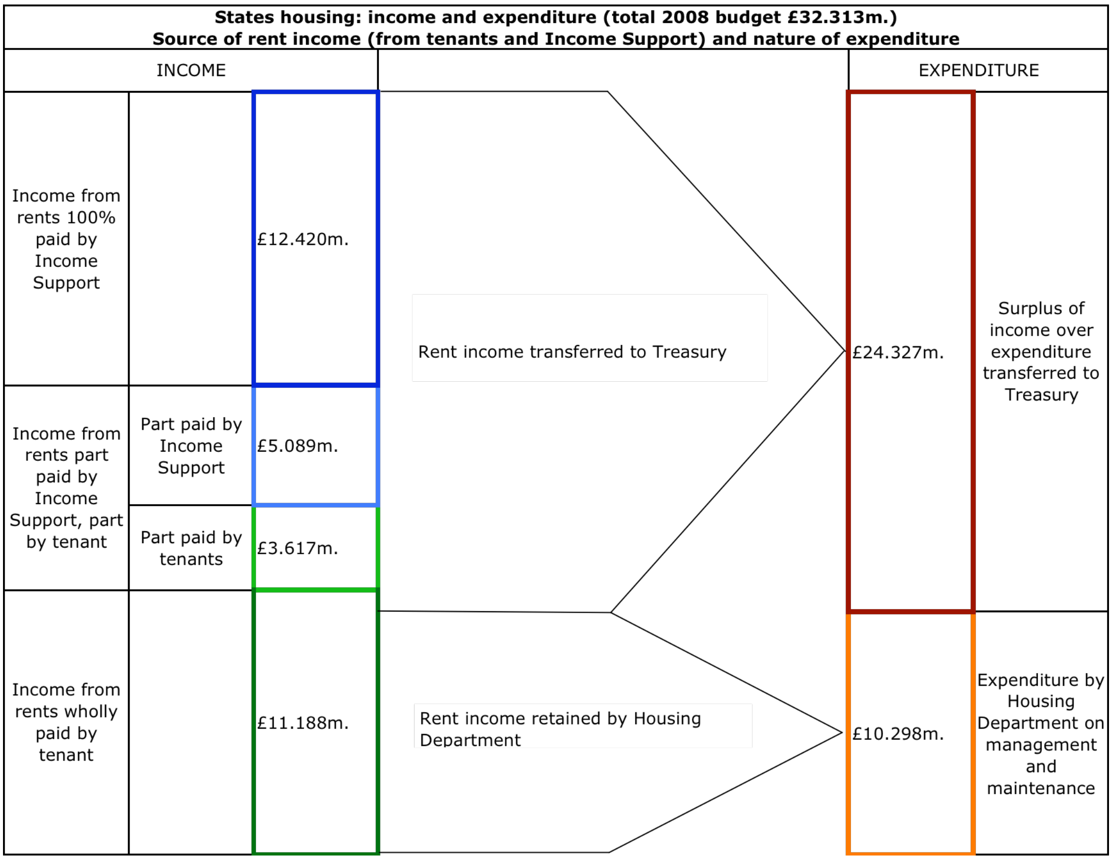
Figure A.15 clarifies where the income came from, and what it was spent on.

The Figure shows that of the total income from rents of £32.3m. some £17.5m. came from Income Support, and some £14.8m. was collected from tenants.

The total payment of Income Support to tenants, of £17.5m. was less than the surplus of income over expenditure on managing or maintaining the housing stock, that was transferred to the States Treasury. Therefore, there was no net contribution by the taxpayer to the cost of Income Support for States tenants.

In addition, the equivalent of some £4.5m. collected directly from tenants also contributed towards the surplus of income over expenditure on managing or maintaining the housing stock, and was transferred to the States Treasury.

Figure A.15


States housing: income and expenditure (total 2008 budget £32.313m.)
Source of rent income (from tenants and Income Support) and nature of expenditure
INCOME
EXPENDITURE
Income from rents 100% paid by Income Support
£12.420m.
Income from rents part paid by Income Support, part by tenant
Part paid by Income Support
£5.089m.
Part paid by tenants
£3.617m.
Income from rents wholly paid by tenant
£11.188m.
Rent income transferred to Treasury
Rent income retained by Housing Department
£24.327m.
Surplus of income over expenditure transferred to Treasury
£10.298m.
Expenditure by Housing Department on management and maintenance

A.10 Housing and Income Support

Jersey introduced a new Income Support scheme in January 2008, which created a comprehensive system of Income Support, replacing a variety of individual benefit schemes, including the previous rent rebate and rent allowance schemes.

A number of recipients of benefits under the old system will be entitled to lower, or no, benefit under Income Support. As a transitional measure, these groups had their current benefit amounts frozen until October 2008, and this transition has now been extended in he light of current economic conditions.

The scheme is based on Income Support units, which can consist of:

- A single person
- A couple (married or unmarried)
- A family, living at the same address, with children in full time education

Separate IS Units are set up for single adults living together with another household.

Entitlement to Income Support is dependent upon the residence condition, requiring at least five years' residence in Jersey, and upon the work condition.

This requires all adults in the IS Unit to work full time (at least 35 hours per week), unless they are in one of the exempt categories. The main categories are:

- Persons aged 65 or over
- The primary carer for children under 5 years of age

All adults in the following categories are expected to work at least part time, unless their individual circumstances prevent this:

- The primary carer for children over 5 years of age
- Having a medical condition that limits the capacity to work
- Being on an approved education or training course
- Caring for someone with a serious medical condition

Unemployed adults are only entitled to receive IS if they have a 'Job Seeker's Agreement' with the Work Zone.

Income Support is calculated for an IS Unit by adding up the various components of support to produce a maximum amount that the IS Unit can receive. Any income of the IS unit is then deducted from this maximum: if there is a positive amount, then this is paid weekly in advance to the IS Unit.

The Income Support scheme therefore deducts £1 in Income Support for every £1 of income, although there are small disregards for the earnings of single parents and pensioners, and for capital sums.
In the balance between incentive and compulsion, the Income Support scheme clearly relies primarily upon the work condition.
There is little, if any, incentive for the low paid to undertake part time work. The low paid in full time employment will also be dependent upon partial Income Support. The Minimum Wage in Jersey is currently £5.80 per hour, or £203 for a 35 hour week. A single parent with one child would be entitled to a household component of Income Support of £226.52 plus an earnings disregard of £15.68, and therefore wholly dependent upon Income Support for housing costs.

In the case of States tenants however, the whole of any rent component is paid direct to the Housing Department, and the tenant receives the remainder.
The housing component is only available to households aged 25 or over, unless they are responsible for a child or cannot continue to live with their family.

Home owners receive a small component to assist with the costs of taxation, but for renters the housing component is the actual rent paid up to a maximum depending upon the size and type of property occupied:

Table A.28: Maximum weekly rents eligible for Income Support

Type of accommodation	Weekly maximum rent
Hostel	£70.00
Bedsit/lodgings	£100.45
1 bedroom flat	£143.50
2 bedroom flat	£180.46
3 bedroom flat	£205.03
4 bedroom flat	£217.35
5 or more bedroom flat	£225.54
1 bedroom house	£163.03
2 bedroom house	£212.24
3 bedroom house	£236.81
4 bedroom house	£256.27
5 bedroom house	£278.81
6 or more bedroom house	£292.18

The maximum rents shown in Table A.28 appear to coincide with maximum rent currently charged in States housing, but are significantly below the current rents charged in the open market.

Income Support: analysis of caseload

Households are entitled to Income Support if they have five years' residence on the Island. The Income Support caseload therefore cannot be split between residentially qualified and non qualified households. A significant proportion of non qualified households, with less than five years' residence, will be ineligible to receive Income Support.

When Income Support was introduced in 2008, transitional protection was given to households who had received various elements of support under the previous arrangements. In the light of economic uncertainties, this transitional protection has been retained. The Table below shows the numbers of households who receive only a transitional payment, and the numbers of households in receipt of Income Support, by tenure.

(Income Support data do not distinguish the tenants of the Housing Trusts separately, including them in the private rented sector.)

Table A.29: Households in receipt of Income Support, or transitional payments only, by tenure

Tenure type	Transitional payment only	In receipt of Income Support	Total
Accommodation provided	6	7	13
Homeless	1	12	13
Hostel	8	62	70
House/flat share	5	24	29
Living with relatives	115	382	497
Lodger	13	99	112
Owner occupier	534	345	879
Private rent	628	1734	2362
States housing	480	2838	3318
Total	**1790**	**5503**	**7293**

Some households in receipt of Income Support are also in receipt of transitional payments, but these payments are excluded from the analysis below.

It is not possible to distinguish which households in the various subdivisions of private renting (including those sharing accommodation with family or friends) are residentially qualified and which are not.

The Table below shows that households in receipt of Income Support are overwhelmingly renting their homes: only 345 owner occupier households are in receipt of Income Support, or just over 6% of the 5,503 total of Income Support recipients.

Table 30: Percentage of households in receipt of Income Support, by main tenures

Tenure type	Total	Not in receipt of Income Support	In receipt of Income Support	% of households in receipt of IS
Owner occupier	23000	22655	345	2%
Private rent (inc. Housing Trusts	7935	6201	1734	22%
States housing	4465	1627	2838	64%
Total	**35400**	**30483**	**4917**	**14%**

Source: Total private households from Population Update 2007, adjusted for qualified households, numbers of owner occupiers pro rata to Census 2001, States housing stock from departmental records, private rental as residual

Nearly two thirds (64%) of tenants in States housing are in receipt of Income Support, compared to just under a quarter (22%) of tenants in the private rented sector. The proportion of Housing Trust tenants in receipt of Income Support cannot be distinguished, but it might be reasonable to assume, given the higher average incomes of Housing Trust tenants, that around 50% might be in receipt of Income Support.

Table A.31 shows the actual rents paid by tenants in receipt of Income Support. Although rents for the lowest priced properties, in the bottom two deciles of the range, are similar, the median rent in the private sector is some £25 per week higher by the fourth decile, rising to £45 per week higher than States housing in the top decile.

Table A.31: Median rents in each decile, by tenure, £s per week

	Private rent	States housing
Decile 1	79.68	79.95
Decile 2	111.23	108.65
Decile 3	134.62	108.65
Decile 4	143.50	118.90
Decile 5	150.00	125.05
Decile 6	163.75	133.25
Decile 7	180.40	149.65
Decile 8	205.00	180.40
Decile 9	236.78	195.78
Decile 10	265.00	220.38

Table A.32: Recipients of Income Support by household type and tenure (number)

Households by household type by tenure							
Tenure type	Pensioner single	Pensioner couple*	Single <65	Couple <65	Single parent	Couple with children**	**Total**
Accommodation provided by employer		1		1	3	2	**7**
Homeless			11	1			**12**
Hostel	4		53		5		**62**
House/flat share	7		13		3	1	**24**
Living with relatives	35	4	307		32	4	**382**
Lodger	40	12	36		8	3	**99**
Owner-occupier	186	75	41	10	18	16	**346**
Private rent	394	64	553	67	372	284	**1,734**
States housing	908	167	674	200	553	336	**2,838**
Total	**1574**	**323**	**1688**	**279**	**994**	**646**	**5504**

Table A.33: Households in receipt of Income Support by household type and tenure (%)

Households by household type by tenure							
Tenure type	Pensioner single	Pensioner couple*	Single <65	Couple <65	Single parent	Couple with children**	**Total**
Accommodation provided	0%	0%	0%	0%	0%	0%	0%
Homeless	0%	0%	0%	0%	0%	0%	0%
Hostel	0%	0%	0%	0%	0%	0%	**1%**
House/flat share	0%	0%	0%	0%	0%	0%	0%
Living with relatives	1%	0%	6%	0%	1%	0%	**7%**
Lodger	1%	0%	1%	0%	0%	0%	**2%**
Owner-occupier	3%	1%	1%	0%	0%	0%	**6%**
Private rent	7%	1%	10%	1%	7%	5%	**32%**
States housing	16%	3%	12%	4%	10%	6%	**52%**
Total	**29%**	**6%**	**31%**	**5%**	**18%**	**12%**	**100%**

Table A.33shows that just over half (52%) of all recipients of Income Support are tenants in States housing, that a third (32%) are private sector tenants (including tenants of the Housing Trusts), with the remainder split largely between owner occupation and households (mainly single pensioners and single parents) living with other relatives.

Table A.34: Households by household type and tenure (%)

Households by household type by tenure							
Tenure type	Pensioner single	Pensioner couple*	Single <65	Couple <65	Single parent	Couple with children**	**Total**
Accommodation provided by employer	0%	0%	0%	0%	0%	0%	**0%**
Homeless	0%	0%	0%	0%	0%	0%	**0%**
Hostel	0%	0%	3%	0%	1%	0%	**1%**
House/flat share	0%	0%	1%	0%	0%	0%	**0%**
Living with relatives	2%	1%	18%	0%	3%	1%	**7%**
Lodger	3%	4%	2%	0%	1%	0%	**2%**
Owner-occupier	12%	23%	2%	4%	2%	2%	**6%**
Private rent	25%	20%	33%	24%	37%	44%	**32%**
States housing	58%	52%	40%	72%	56%	52%	**52%**
Total	100%	100%	100%	100%	100%	100%	100%

The Table shows that although childless couples under 65 years of age are only 5% of the Income Support caseload, more than three quarters of them (72%) live in States housing. Single parents form a higher than average proportion of tenants in both States housing and in the private rented sector. States housing also has a higher than average proportion of single pensioners (possibly reflecting the aging of former single parents). Single people under 5 years of age are a lower than average proportion of States housing tenants (reflecting the eligibility criteria for States housing), but represent the majority of those households who share with relatives.

Table A.35: Households by household type band tenure(%)

Households by household type by tenure							
Tenure type	Pensioner single	Pensioner couple*	Single <65	Couple <65	Single parent	Couple with children**	**Total**
Accommodation provided by employer	0%	14%	0%	14%	43%	29%	**100%**
Homeless	0%	0%	92%	8%	0%	0%	**100%**
Hostel	6%	0%	85%	0%	8%	0%	**100%**
House/flat share	29%	0%	54%	0%	13%	4%	**100%**
Living with relatives	9%	1%	80%	0%	8%	1%	**100%**
Lodger	40%	12%	36%	0%	8%	3%	**100%**
Owner-occupier	54%	22%	12%	3%	5%	5%	**100%**
Private rent	23%	4%	32%	4%	21%	16%	**100%**
States housing	32%	6%	24%	7%	19%	12%	**100%**
Total	29%	6%	31%	5%	18%	12%	**100%**

The Table shows that single people under 65 years of age are overwhelmingly the largest household type that are homeless, in hostels, sharing with others or living with relatives. Pensioners are more than three quarters (76%) of the small number of owner occupiers in receipt of Income Support.

Rent is only one of the elements which enters into the calculation of Income Support, rather than being calculated as a separate element, as in the system of Housing Benefit in England.

In the case of States housing tenants, however, the payment of rent has a prior claim over all other expenditure, because the amount of any rent rebate is deducted from the total amount of any Income Support to be paid to the tenant.

In the case of a tenant in the private sector, the tenant receives the appropriate amount of Income Support and must manage their own rent payments accordingly.

Table A.36 shows the numbers of tenants in the two sectors where the total weekly amount of Income Support is below, or above, the actual rent which the tenant must pay.

Table A.36: Income support: numbers of tenants by whether Income Support sufficient to cover all or part of weekly rent

	Number in receipt of Income Support	Weekly Income support < actual rent	Weekly Income Support > actual rent
Private rent (inc. Housing Trusts	1734	920	814
States housing	2838	1669	1169

The actual rent paid by tenants is only taken into account for calculating Income Support up to a cap, depending upon the type of accommodation occupied and the needs of the household. The Table below shows that while the rents of States housing rarely exceed the limit rent, nearly a third (30%) of tenants in the private rented sector have rents in excess of the limit.

Table A.37: Income support: numbers of tenants with actual rent above limit rent

	Rent less than limit	Rent more than limit
Private rent (including housing)	1195	517
States housing	2812	26

The restriction of the rent element of Income Support to the limit rent means that any tenant may find that their Income Support is sufficient to pay only part of the limit rent, or at least the limit rent but less than the actual rent, or more than both the limit rent and the actual rent.

The Table below shows the numbers of tenants that fall into these three situations.

Table A.38: Income support: numbers of tenants with actual rent > limit rent

	Weekly Income Support < limit rent	Weekly Income support > limit rent but < actual rent	Weekly Income support > limit rent and < actual rent
Private rent (incl. Housing Trusts	248	51	218
States housing	17	0	9

A.11 A comparison of Housing Department staffing levels between Jersey and an English local authority

The London Borough of Kingston upon Thames is possibly the English local authority with the most similar housing situation to Jersey. Kingston is a high price, high demand area with a similar size local authority owned housing stock, and with a proportion of flats to houses similar to that in Jersey.

Table A.39 shows the comparable numbers of staff employed in both and Jersey, by broad staff functions.

The Table comes with a strong ‘health warning’, since comparisons of job titles and functions can never be exact matches.

Table A.39: Comparative numbers of staff in Jersey and Kingston

		Kingston Headcount	Jersey Housing Department Headcount	Jersey 'Other Public Sector Department' Providing Service
Total Staff Employed		**238.5**	**39.4**	**29**
Less: Private Sector functions		18	0	
Subtotal for social housing functions		220.5	39.4	29
Services not applicable in Jersey		58	0	
Subtotal for comparable functions		**162.5**	**68.4**	
Chief Officer & PA		2	1	
Direct Service Provision				
	Applications, Allocations & Lettings	21	6	
	Estate Management	58.5	17	23
	Property Services	13	3	
	Sub Total	**92.5**	**49**	
Support Services				
	Customer Contact	26		5
	IT	12	1.8	1
	Finance	23	10.6	
	Sub Total	**61**	**18.4**	

Nevertheless, the different levels of staffing between the two organisations are striking. Some of the key differences are:

- The acute housing demand in London results in large waiting lists – at least 10 staff are employed in Kingston to manage applications
- The volume of requests and contacts from the public in Kingston is reflected in the number of Customer Services staff employed. In Jersey initial customer contact is handled by the States Customer Service Centre where around 5 FTE staff are employed on Housing related work
- With a similar number of flats in its stock, Kingston employs 10 caretaking staff. In Jersey, the Housing Department previously had a team of 23 mobile caretakers who

now form part of the Cleaning Services division of Transport & Technical Services where the service is provided on a contracted basis.
- Some staffing levels reflect different levels of provision – Kingston has 13 specialist schemes for the elderly, compared to one in Jersey
- Property services in Kingston employ more specialist surveying staff than Jersey
- IT functions (including performance monitoring, reflecting the different regulatory regime) are much more developed in Kingston. In Jersey 1 post is dedicated to performance management and 1 part time post to IT management. Some IT service is provided by a centrally managed Information Services Team.
- The finance function in Kingston includes 11 staff responsible for income recovery (arrears collection), split between the finance and estate management sections: a much more intensive provision than in Jersey
- As staffing numbers increase, the need for additional layers of management grows, adding to the overall total (as a simple example, the 13 housing schemes for the elderly in Kinston each have a scheme manager, which in turn require a management and support structure – the 3 staff in Jersey can be managed as a minor part of another manager's workload).
- The support services in Kingston also support a larger private sector function than in Jersey, together with the large section dealing with homelessness: the directly comparable support staff might be two thirds or less of the total of 61 shown in the Table.

Conclusions:

1. While it is impossible to provide an exact match of functions and staff numbers, it would be reasonable to conclude that Kingston employs roughly twice as many staff to provide its core housing management functions as does Jersey.
2. The overall national policy context is significantly different between England and Jersey, with a different performance and regulatory regime in England.
3. While the lower staffing numbers in Jersey may reflect some greater degree of 'efficiency', there must come a point at which lower staff numbers are indicative of a more limited service provision.

A.12 States housing: current financing and future options

1. Outline of current position

Over the years, the States of Jersey has built up a stock of some 4,465 homes, rented to tenants of the States. These homes have been constructed or acquired from the States' budget surpluses, and therefore the stock is free of debt. After the management and maintenance costs of the stock have been taken into account, the rent income (£33m in 2008) provides a very substantial surplus. In the past, this surplus was used to cover the costs of rent abatement in both the social and private rented sectors. Since the introduction of the Income Support Scheme, the surplus income from States housing (£22m in 2008) has been transferred to the general receipts of the States.

The 2009 Housing Department budget is shown below:

Housing

Net Expenditure - Service Analysis

2008 Estimate £		2009 Gross Revenue Expenditure £	2009 Income £	2009 Net Revenue Expenditure £
	Estate Services			
5,044,600	Maintenance	5,105,500		**5,105,500**
1,980,400	Operations	4,553,000	(2,585,900)	**1,967,100**
1,051,900	Cleaning	996,700		**996,700**
	Tenant Services			
324,800	Assisted Living	361,800		**361,800**
231,400	Tenant Participation	246,000		**246,000**
1,665,200	Lettings	1,689,900		**1,689,900**
	Finance Services			
(32,312,900)	Rent and Fee Collection	600,400	(33,329,600)	**(32,729,200)**
-	Rent Subsidy			**-**
-£ 22,014,600	**Net Revenue Expenditure**	**£ 13,553,300**	**(£35,915,500)**	**(£22,362,200)**

Capital Programme 2009 - 2013

	2009 £	Start Year	2010 - 2013 £
Social Housing - Rolling Allocation	5,000,000	2010	12,750,000
Social Housing - funded from Housing Capital Receipts	12,770,000	2010	66,649,000
	£17,770,000		**£79,399,000**

The extent of the Social Housing Programme is dependant upon the achievement of the required level of capital receipts

However, it is generally recognised that the level of reinvestment in maintaining and improving the States housing stock has been inadequate for many years. This has created both a backlog of investment, estimated at some £75m.[14], in order to bring the stock up to the equivalent of the Decent Homes standard adopted in England. There is also a need to increase the level of spending on the ongoing, annual basic maintenance of the stock to some £7m. per annum, compared to a current budget provision of some £4.5m.[15], in order to prevent the stock continuing to deteriorate in the future.

2. Asset sales and reinvestment

The Social Housing Property Plan proposed a programme of asset sales in order to fund the modernisation of the existing stock, without requiring the need for borrowing. Asset sales would comprise both stocks sold on the open market with vacant possession, and stock sold on a equity sharing basis to existing social housing tenants.

A detailed forward capital programme has been designed which includes modelling the anticipated sales to tenants and others which are necessary to meet the financial demands of the programme. At the time that the Property Plan was published the proposals required a sales programme as follows:

- Open market sales already achieved have generated £2.775m, already reinvested in stock improvements
- 22 further open market sales are proposed between 2007 and 2016, estimated to generate a further £10m.
- 208 properties are currently being sold to existing States tenants, the first 18 at a 10% discount to market value and the remaining 198 at a 25% discount to market value, to produce some £50m for reinvestment in the redevelopment at Le Squez and Le Marais. (This scheme is in addition to the £75m estimate of works required to the remaining stock).
- 570 further sales to social housing tenants, on an equity sharing basis, are proposed between 2007 and 2016.
- The financial projections estimate that roughly half of the sales to social housing tenants will be at full market value, and that half will be at a 75% equity share, with the remaining 25% repayable in cash on any future sale.
- This would produce an immediate receipt of £146m and a deferred receipt of £21m. It is proposed that £45m of the receipts would be reinvested in the stock (to be augmented by a further £30m from the normal capital programme to total the £75m required). The balance of £101m would either be invested at a 5% yield to produce some £5m per annum to support the housing revenue budget, or used to acquire some 400 life-long homes for the over 55s. The deferred equity share of £21m would be invested as it becomes available to produce further income to offset the effects of inflation, or additional life-long homes if required.

The total effect of these sales would be to reduce the available States housing stock from 4,602 in 2006 to 3,471 in 2016, as shown in Table A.40:

[14] Social Housing Property Plan 2007-16, States Greffe 2007, p.11
[15] Social Housing Property Plan 2007-16, States Greffe 2007, p.9

Table A.40: States Housing stock numbers

	Housing stock in 2006	% of total	Housing stock in 2016	% of total
Bedsit	369	8.0	207	6.0
1 Bedroom flats	1593	34.6	1471	42.4
2 Bedroom flats	1158	25.2	745	21.5
3 Bedroom flats	123	2.7	66	1.9
1 Bedroom houses	86	1.9	82	2.4
2 Bedroom houses	388	8.4	265	7.6
3 Bedroom houses	752	16.3	536	15.4
4 Bedroom houses	120	2.6	92	2.7
5+ Bedroom houses	123	0.3	7	0.2
Total	**4602**	**100**	**3471**	**100**

Source: Social Housing Property Plan 2007-2016

The proposed programme of stock reductions would reduce the number of 1 bedroom units by 166, and family accommodation by 1,000.

The Property Plan comments that 'A retained stock of 3,500 units is sufficient to clear demand (need) for social housing in the long term.'

The potential acquisition of 400 life long homes is proposed to add 300 1 bedroom flats and 100 3 bedroom flats to the stock, which would result in a total stock of 3,871 in 2016.

A stock of 3,871 units would produce about 226 lettings to incoming tenants each year, if current turnover rates continue at 5.85% per annum.

3. The capital value of the States housing stock

The States housing stock can valued in two basic ways: open market value with vacant possession, or at open market existing use value.

Open market value with vacant possession

The first valuation method, open market value with vacant possession, is to assume that all the stock is vacant, and to value the properties at the prices which they would command if sold in the open market with vacant possession.

This is, of course, a theoretical exercise: the stock is tenanted, not vacant. Nevertheless it gives a valuation which is directly comparable with the values that are familiar through the operation of the owner occupied housing market.

However, if selected individual properties are sold when they become void, or at a discount to open market prices to existing tenants, as is proposed in the States Housing Property Plan, then the expected value is their open market value with vacant possession.

The market value of the States housing stock, if sold on the open market with vacant possession, was estimated, by the property consultants Drivers Jonas, to be some

£922m[16] in 2008. This is almost twice the total value of the States' Strategic Reserve, of £510m. in 2008.[17]

Open market Existing Use Value (OMEUV)

The second valuation method recognises that the stock is occupied by tenants who pay rent, and that this use will continue into the indefinite future.

The value of the stock is then the value today of the stream of future rent payments, less the costs of managing and maintaining the stock each year.

The value of the stock that results from this approach will vary, often by substantial amounts, depending upon which of a number of factors are selected:

- Whether rents are to rise in real terms, over and above inflation, in the future
- Whether the costs of managing, maintaining and upgrading the stock will rise, again in real terms, over the future
- The discount rate that is chosen to calculate the value today of the rent payments that will be made over future years
- The number of years over which the stream of future payments is to be discounted

Different combinations of these factors will produce very different valuations for the States housing stock, and the results of a number of these are illustrated below.

All use the discount rate of 5%, adopted by Drivers Jones, but it should be noted that the use of a higher discount rate will give a lower weighting to income and expenditure the further away it occurs in the future, while a lower discount rate would have the reverse effect.

Existing Use Valuation 1: Business as Usual

Drivers Jonas have prepared a 'baseline' Existing Use Valuation of the States housing stock assuming that the existing budget is simply carried on in future years. The income from rents, and expenditure on management and maintenance, is assumed to be the same, in real terms, over the next 50 years. (50 years is used partly because this represents a 'two generation' lifespan for a house, and partly because at a discount rate of 5%, income received beyond 50 years adds relatively little to the value today of income occurring in the distant future.)

No account is taken of the 'backlog' of repairs and improvements that are required, which are assumed to be funded from some other source.

On this basis, the OMEUV of the States' housing stock is estimated to be £506.06m., which is a sum almost equal to the States' Strategic Reserve, of £510m.

Existing Use Valuation 2: Increasing expenditure on maintenance

This valuation assumes that a more realistic figure for the ongoing costs of maintaining and improving the stock in the future, estimated to some £7m. per annum, or roughly £1,500 per dwelling, is included on the expenditure side, but that rents on the income side, remain unaltered. Again, the valuation uses a discount rate of 5% over a 50 year period.

On this basis, the OMEUV of the States' housing stock is estimated to be £477.66m.

Existing Use Value 3: Funding the 'backlog' of repairs and improvements

[16] Accounts Valuation, 31 March 2008
[17] Financial Report and Accounts 2007, States of Jersey

This valuation assumes that the £75m. of 'backlog' repairs and improvements to the stock is funded directly from income, rather than from the proposed mix, in the Social Housing Property Plan, of property sales and States' revenue funding.

The £75m. cost is spread equally over the first ten years of the period. Annual expenditure on repairs and maintenance is assumed to be at current levels, rather than the £7m. considered necessary for the future. Again, rent income remains unaltered, and the valuation uses a 5% discount rate over a 50 year period.

On this basis, the OMEUV of the States' housing stock is estimated to be £415.73m.

Freehold and leasehold disposal

The preceding three valuations have all assumed the effective freehold disposal of the States housing stock to a body able to borrow on the capital markets in order to provide a capital receipt to the States.

This is essentially the method that has been used in England whereby many local authorities have carried out the Large Scale Voluntary Transfer (LSVT) of their housing stock, usually to a housing association created for the purpose.

This approach requires the 'one off' disposal by the local authority of the freehold interest in the housing stock. The housing association borrows the acquisition value of the stock, usually from banks or building societies, in a relatively conventional mortgage structure, over a 25 or 30 year term. At the end of the term, the borrowing has been paid off, and the resulting free cash flow is then available for reinvestment in the housing stock, or the cross-subsidisation of providing additional social housing at sub-market rents.
An alternative possibility may be to lease the States housing stock for a limited period, perhaps 25 to 30 years. The freehold would be retained by the States, and at the end of the lease, the properties would revert to the States. The States would then be free to choose whether to retain the stock or enter into a new lease, thereby receiving a further capital receipt.

Two valuations on this basis are shown below.

Existing Use Value 4: Business as usual, 30 year lease

This valuation uses similar assumptions to the Drivers Jonas 'baseline' Existing Use Valuation of the States housing stock and similarly assumes that the existing budget is simply carried on in future years, with rent income and expenditure on management and maintenance remaining unaltered. Again, a discount rate of 5% is used, but this time over a 30 year period.

No account is taken of the 'backlog' of repairs and improvements that are required, which are again assumed to be funded from some other source.

On this basis, the OMEUV of the States' housing stock is estimated to be £356.5m.

Existing Use Value 5: increased reinvestment in stock, 30 year lease

This valuation assumes that while rent income remains unaltered, on the expenditure side, capital investment of £5m. per annum is funded from revenue, thus reducing the net cash flow.

Again, a discount rate of 5% is used, but this time over a 30 year period.

On this basis, the OMEUV of the States' housing stock is estimated to be £276.1m.

Rent income in States housing and market rents

The above valuations have all assumed that rent income remains unaltered, in real terms, throughout the valuation period, whether that is 50 years or 30 years.

At present, States housing rents are roughly two thirds of the average rents achieved in open market transactions in 2007, as shown in the Table below.

It is unlikely that States housing, in its present unimproved condition, with a £75m. backlog of repairs and improvements required, would be valued at similar rents to those achieved in the open market. Even if the stock were improved to modern standards, its location, appearance, and 'estate' factors would impact on any open market rental.

Nevertheless, it might be reasonable to assume that the rent of an improved States housing stock would be valued at 85% of open market levels, and that rents could be increased over a reasonable period of perhaps 10 years, in line with the progress of the improvement programme.

This would require annual rent increases of some £3 per week for flats, and £6 per week for houses, above inflation, for a ten year period, as shown in Table A.41.

Table A.41: Rent increases required to bring rents in State housing up to 85% of market rent levels

	Open Market transactions in 2007	Current States housing average	States housing rent @ 85% of market	Weekly rent increase required per annum over 10 years
Flats	£185.54	£126.79	£157.71	£3.01
Houses	£305.92	£197.12	£260.03	£6.29

If rents were raised in real terms by these amounts over a 10 year period, and were then maintained at that level without any further real terms increase, this would significantly affect the valuation of the stock, as shown in the two examples below.

Existing Use Value 6: Existing expenditure, 30 year lease and rent increase

This valuation is similar to Existing Use Valuation 4, assuming that the existing budget is simply carried on in future years on the expenditure side with management and maintenance remaining unaltered. However, it assumes that rents are increased to 85% of current open market levels over a 10 year period. Again, a discount rate of 5% is used, but this time over a 30 year period.

No account is taken of the 'backlog' of repairs and improvements that are required, which are again assumed to be funded from some other source.

On this basis, the OMEUV of the States' housing stock is estimated to be £466.0m., an increase of £110m. over Existing use Valuation 4.

Existing Use Value 7: increased reinvestment in stock, 30 year lease and rent increase

This valuation is similar to Existing Use Valuation 5, assuming that on the expenditure side, capital investment of £5m. per annum is funded from revenue, thus reducing the net cash flow, but that this is offset by increasing rents to 85% of current open market levels over a 10 year period

Again, a discount rate of 5% is used, but this time over a 30 year period.

On this basis, the OMEUV of the States' housing stock is estimated to be £385.6m., again, an increase of £110m. over Existing Use Valuation 5.