



Achieving Decent Homes

Housing
Business Plan 2014

Housing Department

Minister's Introduction

On 16th May 2013 the States made some of the most significant decisions it has ever made in respect of how it intends to see the housing needs of the island's population met.

With P.33/2013 I made a number of proposals for the future organisation of the Social Housing sector which also laid the foundations for longer term planning in the provision of all forms of Housing. Following a good and informed debate the States agreed to:

- The creation of a Strategic Housing Unit to develop a long term housing strategy for Jersey and to coordinate delivery.
- The return to the previously agreed States policy of having rents in the social housing sector at 90% of their market equivalent.
- The incorporation of the existing Housing Department as a wholly States owned company limited by guarantee by 1st July 2014.
- That the Chief Minister would prepare options for the regulation of the Social Housing Sector
- That the Treasury & Resources Minister would make arrangements for the funding of the new Housing Company.

There has been significant activity in the wake of those decisions and a number of key activities have already been completed.

The Strategic Housing Unit has already been formed and work on the long term housing strategy has already commenced. The Strategic Housing Unit has also taken on management responsibility for the Affordable Housing Gateway.

The approved return to 90% market rents will take effect for new tenancies created from 1st April 2014 and the Social Security Minister is making preparations to ensure that the necessary changes can be made to the housing component of Income Support so that those who need support to meet their rent commitments from that time are fully protected. The Social Security Minister was a member of my Political Steering Group throughout the Housing Transformation Programme and I have been grateful to have his support.

On 17th July 2013 the States debated and approved the Draft Social Housing (Transfer) (Jersey) Law 201-. This legislation is essential to the formation of the Company, which will be called Andium Homes, in July 2014 and has following States approval already had Royal Assent. The Regulations which will give effect to the Law and allow the transfer of assets and staff to Andium Homes are being prepared for debate by the States early in 2014.

Resolving the funding of the Social Housing sector is fundamental to achieving long term sustainable housing solutions. I am grateful for the significant assistance offered by the Minister for Treasury & Resources both as a member of my Political Steering Group and in developing a mechanism which will give the new company access to funding of £207m through a Bond issue. The business case developed for Andium Homes demonstrates that this level of funding will be necessary in the relatively short term to allow it to complete the programme of refurbishment and provide some 900 new homes.

The States have approved the membership of the Shadow Board for Andium Homes and it is intended that this Shadow Board will become the first Board of Directors of Andium Homes when it is formed on 1st July 2014.

Given everything I have said one could be forgiven for thinking that the Department's focus has been entirely on preparing for incorporation in 2014. Nothing could be further from the truth. The Department continues to deliver impressively on its refurbishment and new build programmes providing much needed stimulus for the local construction industry. This programme of work will continue in 2014 with a refurbishment scheme already underway at Osborne Court and schemes commencing later in the year at De Quetteville Court High Rise and 1-39 Hampshire Gardens. 148 new homes are already under development and an additional 44 will commence in 2014. All of this is alongside the normal and often unsung activity of supporting our 4,500 tenants, their families and the communities they live in.

2014 will be a significant year in terms of housing. The transfer of staff and assets to Andium Homes represents the end of one long journey in identifying the need for change, researching options, ultimately bringing forward proposals and seeing them delivered. It will though be the start of an even more challenging journey for Andium Homes, its Board, staff and customers. I know that together they are up to the challenges ahead and as a citizen of this fabulous island I look forward to seeing Andium Homes flourish and deliver the housing solutions which we need.

A handwritten signature in black ink, appearing to read 'A Green', written in a cursive style.

Deputy Andrew Green MBE
Minister for Housing

Who we are

Housing Minister
Assistant Housing Minister

Deputy Andrew Green MBE
Connétable John Martin Refault

Organisation

The Housing Department employs a total of 56.2 full time equivalent (fte) staff as follows:

Chief Officer: 1 FTE civil servant

PA to Minister & Chief Officer: 1 FTE civil servant

Commercial Directorate: 7 FTE civil servants

Operations Directorate: 30.6 FTE civil servants

Finance Directorate: 13.6 FTE civil servants

Marketing & Communications Directorate: 3 FTE civil servants

What we do

The Housing Department's principal roles include:-

- Responsibility for providing social housing services to some 4,596 properties
- Managing a capital development programme to create new accommodation and upgrade existing accommodation to meet the decent homes standard;
- Providing opportunities for affordable home ownership;

On 1st July 2014 the Department will become Andium Homes Limited a wholly States owned company limited by guarantee.

The Shadow Board of Andium Homes approved by the States in February 2014 is developing a 5 Year Strategic Business Plan for the company which will take effect from 1st July 2014.

Housing

AIM:

Ensure that long-term, sustainable and affordable housing is provided to meet the needs of all residents.

SUMMARY OF KEY OBJECTIVES AND SUCCESS CRITERIA

Key Objective 1: Effective management of the portfolio.

Success criteria:

- (i) All of the actions agreed by the States in P.33/2013 and necessary for the incorporation of the Housing Department as Andium Homes by 1st July 2014, are completed;
- (ii) The incorporation of Andium Homes takes place on 1st July 2014;
- (iii) The portfolio is managed so that:
 - a. plans remain on track for all social rented properties to comply with the Decent Homes Standard and other statutory obligations;
 - b. income is maximised to enable maintenance and refurbishment of the stock, into the future;
 - c. the portfolio is improved and grown in line with existing plans as set out in the Full Business Case R.15/2013;
 - d. sufficient sales are completed to meet the financing needs of the refurbishment and development programme;
 - e. additional opportunities for the acquisition of new homes or development sites are seized.

Key Objective 2: Greater emphasis given to the delivery of social landlord services.

Success criteria:

- (i) The necessary organisational, branding, communication and public relations strategies necessary for the commencement of Andium Homes operations are implemented by 1st July 2014;
- (ii) There is continued engagement, consultation and empowerment of customers so that they are increasingly involved in making decisions which affect them and establishing service standards;
- (iii) A partnership is developed with the States through the Strategic Housing Unit to ensure adequate pathways are established for those in housing need;
- (iv) Existing links with the third sector are enhanced to ensure that there is a focus on long term housing solutions for individuals;
- (v) Negotiations with the Parish of St Saviour for the delivery of housing management services for Parish Homes are completed.

Key Objective 3: Staff and resources managed to improve performance and provide value for money.

Success criteria:

- (i) Business Plan delivered within agreed cash limits;
- (ii) Value for money pursued, driving efficiency through setting individual and team targets, together with personal development plans, all of which will be reviewed regularly by the continuation of the appraisal process;

- (iii) Continuous improvement achieved through onward business process review, to ensure efficiency and value for money and allow for benchmarking performance against other equitable social housing providers;
- (iv) Further develop risk management demonstrating the link between high level strategic and operational risks;
- (v) The health, safety and welfare of colleagues, contractors, tenants and the public protected by the management of good health & safety standards and procedures.

Housing (excluding Incorporation)

NET REVENUE EXPENDITURE – SERVICE ANALYSIS

2013 Net Revenue Expenditure £		2014 Gross Revenue Expenditure		2014 Income £	2014 Revised Net Revenue Expenditure £	2014 FTE
		DEL £	AME £			
211,100	Strategic Housing Unit	-	-	-	-	-
-	Regulatory Functions	-	-	-	-	-
	Landlord Services					
	Estate Services					
17,850,700	Planned Maintenance	8,457,800	19,364,300	(26,000)	27,796,100	19.4
1,846,900	Response Repairs	2,042,100	-	-	2,042,100	4.9
384,000	Operations	2,537,400	-	(1,902,400)	635,000	-
926,300	Voids	720,000	-	-	720,000	-
	Tenant Services					
271,700	Assisted Living	572,300	-	(2,000)	570,300	4.9
765,300	Tenant Liaison	1,096,200	-	-	1,096,200	14.1
	Finance Services					
(39,373,500)	Rent and Fee Collection	1,193,100	-	(41,880,700)	(40,687,600)	12.9
(17,117,500)	Net Revenue Expenditure	16,618,900	19,364,300	(43,811,100)	(7,827,900)	56.2
9,681,000	Less: Depreciation & Impairments	-	19,364,300	-	19,364,300	
(26,798,500)	Net Revenue Expenditure	16,618,900	-	(43,811,100)	(27,192,200)	

Housing (excluding Incorporation)

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

2013 Net Revenue Expenditure £		2014 Revised Net Revenue Expenditure £
Income		
	– Duties, Fees, Fines & Penalties	–
(42,199,100)	Sales of Goods and Services	(43,743,100)
	– Investment Income	–
(50,700)	Other Income	(68,000)
(42,249,800)	Total Income	(43,811,100)
Expenditure		
	– Social Benefit Payments	–
2,845,100	Staff Costs	3,444,600
608,200	Supplies and Services	861,700
52,000	Administrative Expenses	79,500
11,869,600	Premises and Maintenance	12,068,900
60,600	Other Operating Expenses	158,100
14,700	Grants and Subsidies Payments	5,000
	– Impairment of Receivables	–
1,100	Finance Costs	1,100
	– Foreign Exchange (Gain)/Loss	–
	– Contingency Expenses	–
15,451,300	Total Expenditure	16,618,900
(26,798,500)	Net Revenue Expenditure	(27,192,200)
9,681,000	Depreciation	13,866,200
	– Impairment of Fixed Assets	5,498,100
	– Asset Disposal (Gain)/Loss	–
(17,117,500)	Net Revenue Expenditure	(7,827,900)

Housing (excluding Incorporation)

RECONCILIATION OF NET REVENUE EXPENDITURE

	2014 £		2014 £
Base Department Budget	(26,798,500)	<u>Approved Variations to Expenditure Limits since MTFP</u>	
Price Inflation – Dept Income	(47,400)	Service Transfers	
Price Inflation – Dept Expenditure	334,200	– Transfer of Rental and Service Charges budget for Jubilee Wharf from Chief Minister's Department, Economic Development and Treasury and Resources	104,200
Price Inflation – Provision for Pay Award	–	– Transfer upon the Disbanding of the Customer Services Centre from Chief Minister's Department	95,200
Price Inflation – Rent Increase	(1,459,800)	– Transfer of Strategic Housing Unit to Chief Minister's Department	(186,800)
Commitments from Existing Policies	–	– Transfer for Corporate Procurement Savings Recharge from Treasury and Resources	30,900
Department Savings	–	– Transfer in Relation to Rental Increase in October 2013 from Social Security Department	600,200
Department User Pays	–		
Departmental Transfers	–	Allocations of Central Growth 2014	–
Capital to Revenue Transfers	–		
MTFP Growth	–	Pay Provisions	
Proposed Procurement Savings	–	– Recurring effect of 2013 1% Consolidated Pay Award	26,900
Proposed Other Budget Measures	–	– 2014 4% Consolidated Pay Award	108,700
Net Revenue Expenditure per MTFP	(27,971,500)	Procurement Savings	–
		Capital to Revenue Transfers	–
		Other Variations	–
		Revised Net Revenue Expenditure 2014	(27,192,200)
		Depreciation per MTFP	9,772,000
		2014 Depreciation Adjustment	4,094,200
		Revised 2014 Depreciation	13,866,200
		Add: 2014 Impairments	5,498,100
		Revised Net Revenue Expenditure 2014	(7,827,900)

Housing (post Incorporation)

The Financial Implications of Housing Incorporation

"House our Community" is a key strategic priority for the States, as set out in its Strategic Plan 2012, with the aim that all Island residents should be housed adequately.

A quarter of States homes and a lesser proportion of Housing Trust properties require improvement to meet basic Decent Homes Standards and this proportion will worsen significantly over the next 5 years unless considerable investment is made. This is particularly pressing for the States' housing stock where current arrangements do not provide sufficient funding to enable existing standards to be maintained going forward.

In May 2013, the States Assembly approved a proposition entitled "The Reform of Social Housing" (P33/2013), brought by the Council of Ministers, which sought to:

- establish a new Strategic Housing Unit to coordinate a long-term housing strategy;
- bring forward proposals which are proportionate for Jersey in relation to the regulation of social housing for the approval by the States;
- establish a new, not for profit, wholly States owned Housing Company to improve the States owned social housing stock and with the financial capacity to develop new social housing when required on a sustainable basis; and
- return social housing rents to near market fair rent levels to ensure tenants who can afford to do so, pay a fair rent.

Whilst these proposals were largely in line with those set out in the Housing Minister's White Paper "Achieving Decent Homes – An Affordable Housing Framework for the Future", and those noted in the Medium Term Financial Plan 2013 – 2015, there were significant changes in the implementation of the return to near market rent levels and future increases in the Annual Return to the States.

It is now proposed to implement the return to near market rent levels only on new tenancies created from April 2014 and, in future, to maintain the current Annual Return to the States in real terms, by limiting any increases to those in line with RPI.

Financial Implications arising in the MTFP

There are a number of financial impacts resulting from the Housing Transformation Programme which are set out in the following table and the key elements are explained in more detail in below.

MEDIUM TERM FINANCIAL PLAN – EXPENDITURE

	2013 £'000	2014 £'000	2015 £'000	
Potential Expenditure Adjustments from Housing Incorporation				
– Removal of Contribution to Net Expenditure from Housing Cash Limit		14,220	28,534	Note 1
Social Security Department				
– Impact of New rents policy – additional I.S. (States sector)		300	700	Note 2
– Impact of New rents policy – additional I.S. (Housing Trust sector)		51	134	Note 3
– Impact of New rents policy – additional I.S. (Private sector)		750	1,000	Note 4
Increase in States Expenditure from Housing Incorporation	0	15,321	30,368	
Less: Medium Term Financial Plan – Central Growth Allocation				
Housing our Community				
– Impact of New rents policy additional I.S. (Private Sector)		(750)	(1,000)	Note 5
Net MTFP Expenditure adjustment from Housing Incorporation	0	14,571	29,368	Note 6

MEDIUM TERM FINANCIAL PLAN – STATES INCOME

	2013 £'000	2014 £'000	2015 £'000	
Potential Impact on States Income of Housing Incorporation				
– Indicative Return from new Housing Company		14,220	28,534	Note 1
– Indicative Return from Housing Trusts		51	134	Note 3
Net MTFP Income adjustment from Housing Incorporation	0	14,271	28,668	Note 7
Net MTFP Surplus/(Deficit) adjustment from Housing Incorporation	0	300	700	Note 8
Add back: MTFP Growth – Impact of New rents policy additional I.S. (Private Sector)		750	1,000	
Net cost to the States of Housing Incorporation	0	1,050	1,700	Note 9
Additional Item:				
– Housing Past Service Pension Liability Debt – repayment		2,135		Note 10

Notes

1. 2014 represents the period to July 2014 and in 2015 the full year effect is adjusted by RPI.
2. As per P33/2013.
3. To be confirmed in Trust Agreements following discussions between officers of Treasury and Resources and Housing.

4. As per Social Security forecasts from the MTFP.
5. Provided in original MTFP as growth so not part of required adjustment to MTFP for Housing Incorporation.
6. Net increase in total States Net Revenue Expenditure required as a result of Housing Incorporation.
7. Net increase in total State Income Targets required as a result of Housing Incorporation.
8. Net increase in States Deficit forecast and reduction in Consolidated Fund balance required as a result of Housing Incorporation.
9. Net cost to the States of Housing Incorporation being the increase in total States net expenditure less increase in States income.
10. Additional funds will be received on transfer in respect of the Housing past service pension liability which will be transferred to the Pension Fund.

Income Support Costs

The financial impact of the return to near market rent levels in the Social Sector is now significantly reduced from that previously detailed in the MTFP as the implementation will be phased over many years as new tenancies are created.

The additional Income Support costs arising from the return to near market rent levels will be met as follows:

- In the States sector, the additional cost estimated to be £300,000 in 2014, £700,000 in 2015 and potentially increasing to £2m by 2043, will be met from the Social Security budget for Income Support. The increases in Income Support in 2014 and 2015 will be topped up from Central Contingencies, if the current MTFP funding levels prove to be inadequate.
- In the Housing Trust sector, there is estimated to be a small additional cost of Income Support in 2014 and 2015, increasing to £1m by 2043. The increases in Income Support in 2014 and 2015 will be topped up from Central Contingencies, if the current MTFP funding levels prove to be inadequate.
- In the Private sector, it is proposed to implement the revised rates of Income Support with effect from April 2014. This additional cost has been provided as a growth bid in the current MTFP of £750,000 in 2014 and £1 million in 2015 which is proposed to be allocated to Social Security Income Support as part of the 2014 Budget allocation of Central Growth.

Housing's Annual Return to the States of Jersey

A key requirement of the Housing Transformation Programme is that the current level of the contribution from the Housing Department to the Consolidated Fund is maintained in real terms. This contribution will move upon the Housing Department's incorporation on 1st July 2014 from income to the States Net Revenue Expenditure to States Income as a return from a States owned and Incorporated body. Future increases in the incorporated Housing Association's Annual Return will be linked to RPI.

Proposals to agree the required changes to the MTFP 2013–2015

The changes required to the MTFP to reflect the financial impact as a result of the Housing Transformation Programme will be lodged by the Council of Ministers under Article 9(1) of the Public Finances (Jersey) Law 2005, as prescribed by Article 10 of the Social Housing (Transfer) Law 2013.

In summary the proposals will be:

- to increase States total net revenue expenditure in 2014 and 2015 to reflect the transfer of the contribution from Housing Department net revenue expenditure budget;
- to increase States Income targets to reflect the new annual return from the new incorporated Housing Association in 2014 and 2015; and
- to consider whether the States total net expenditure limit and the Social Security net revenue head of expenditure need to be increased to reflect the increase in income support estimated in the States sector and Housing Trust sector in 2014 and 2015.

The increases of £750,000 in 2014 and £1m in 2015 to Social Security from the Central Growth Allocation were agreed in the 2014 Budget.

Housing's Past Service Pension Liability Debt – Repayment

Housing Department employees will transfer to the new Company upon incorporation on 1st July 2014 as prescribed in Article 8 of the Social Housing (Transfer) Law 2013. These employees will retain their membership of the Public Employees Contributory Retirement Scheme and it will be necessary to discharge the Pre-1987 Past Service Pension Liability Debt before this transfer occurs, currently estimated to total £2.135 million.

Housing (post Incorporation)

NET REVENUE EXPENDITURE – SERVICE ANALYSIS

2013 Net Revenue Expenditure £		2014 Gross Revenue Expenditure		2014 Income £	2014 Revised Net Revenue Expenditure £	2014 FTE
		DEL £	AME £			
211,100	Strategic Housing Unit	-	-	-	-	-
-	Regulatory Functions	-	-	-	-	-
	Landlord Services					
	Estate Services					
17,850,700	Planned Maintenance	4,235,100	10,453,000	(13,200)	14,674,900	19.4
1,846,900	Response Repairs	1,018,300	-	-	1,018,300	4.9
384,000	Operations	1,362,700	-	(1,032,900)	329,800	-
926,300	Voids	360,000	-	-	360,000	-
	Tenant Services					
271,700	Assisted Living	283,900	-	(1,000)	282,900	4.9
765,300	Tenant Liaison	549,400	-	-	549,400	14.1
	Finance Services					
(39,373,500)	Rent and Fee Collection	595,500	-	(20,329,500)	(19,734,000)	12.9
(17,117,500)	Net Revenue Expenditure	8,404,900	10,453,000	(21,376,600)	(2,518,700)	56.2
9,681,000	Less: Depreciation	-	10,453,000	-	10,453,000	
(26,798,500)	Net Revenue Expenditure	8,404,900	-	(21,376,600)	(12,971,700)	

Housing (post Incorporation)

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

2013 Net Revenue Expenditure £		2014 Revised Net Revenue Expenditure £
Income		
	- Duties, Fees, Fines & Penalties	-
(42,199,100)	Sales of Goods and Services	(21,341,900)
	- Investment Income	-
(50,700)	Other Income	(34,700)
(42,249,800)	Total Income	(21,376,600)
Expenditure		
	- Social Benefit Payments	-
2,845,100	Staff Costs	1,723,200
608,200	Supplies and Services	430,800
52,000	Administrative Expenses	39,600
11,869,600	Premises and Maintenance	6,129,100
60,600	Other Operating Expenses	79,200
14,700	Grants and Subsidies Payments	2,400
	- Impairment of Receivables	-
1,100	Finance Costs	600
	- Foreign Exchange (Gain)/Loss	-
	- Contingency Expenses	-
15,451,300	Total Expenditure	8,404,900
(26,798,500)	Net Revenue Expenditure	(12,971,700)
9,681,000	Depreciation	6,933,000
	- Impairment of Fixed Assets	3,520,000
	- Asset Disposal (Gain)/Loss	-
(17,117,500)	Net Revenue Expenditure	(2,518,700)

Housing (post Incorporation)

RECONCILIATION OF NET REVENUE EXPENDITURE

	2014 £		2014 £
Base Department Budget	(26,798,500)	Approved Variations to Expenditure Limits since MTFP	
Price Inflation – Dept Income	(47,400)	Service Transfers	
Price Inflation – Dept Expenditure	334,200	– Transfer of Rental and Service Charges budget for Jubilee Wharf from Chief Minister's Department, Economic Development and Treasury and Resources	104,200
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Price Inflation – Rent Increase	(1,459,800)	– Transfer of Strategic Housing Unit to Chief Minister's Department	(186,800)
Commitments from Existing Policies	–	– Transfer for Corporate Procurement Savings Recharge from Treasury and Resources	30,900
Department Savings	–	– Transfer in Relation to Rental Increase in October 2013 from Social Security Department	600,200
Department User Pays	–		
Departmental Transfers	–	Allocations of Central Growth 2014	–
Capital to Revenue Transfers	–	Pay Provisions	
MTFP Growth	–	– Recurring effect of 2013 1% Consolidated Pay Award	26,900
Proposed Procurement Savings	–	– 2014 4% Consolidated Pay Award	108,700
Proposed Other Budget Measures	–	Procurement Savings	–
Net Revenue Expenditure per MTFP	(27,971,500)	Capital to Revenue Transfers	–
		Other Variations	–
		Transfer to States Income on Incorporation	14,220,500
		Revised Net Revenue Expenditure 2014	(12,971,700)
		Depreciation per MTFP	19,364,300
		Less: Transfer on Incorporation	(8,911,300)
		Revised 2014 Depreciation	10,453,000
		Revised Net Revenue Expenditure 2014	(2,518,700)

