

Housing Policy Development Board



Minutes of the Housing Policy Development Board Meeting 10 - Friday 16th October 2020, 2pm to 4:30pm

The meeting was attended by the following members –

Michael De La Haye, Independent Chair (the “Chair”)
Senator Sam Mézec, Minister for Children and Housing
Deputy John Young, Minister for the Environment
Deputy Kevin Lewis, Minister for Infrastructure
Deputy Gregory Guida, Assistant Minister for the Environment
John Le Bailly, Connétable of St. Mary
John Scally, Independent Lay Member

In attendance –

Darren Scott, Director of Partnerships, Office of the Chief Executive
Sue Duhamel, Head of Policy, Strategic Policy, Planning and Performance
Stephen Robinson, Head of Shareholder Relations, Treasury and Exchequer
Steve Skelton, Director of Strategy and Innovation, Strategic Policy, Planning and Performance
Jack Norris, Senior Policy Officer, Strategic Policy, Planning and Performance
Timothy Millar, Senior Policy Officer, Strategic Policy, Planning and Performance

Sends apologies

Deputy Carina Alves, Deputy for St Helier
Deputy Lindsay Ash, Assistant Minister for Treasury and Resources

1. Welcome and introduction

1.1. The Chair welcomed everyone to the tenth and final meeting of the Housing Policy Development Board.

2. Minutes of the last meeting 11th September 2020

2.1. The Board approved the minutes of the meeting held on 11th September 2020 and resolved that the Chair sign the minutes on behalf of the Board.

3. Matters arising from the minutes of the last meeting

3.1. There were no matters arising from the last meeting.

4. Housing Policy Development Board covering note to draft final report

4.1. The Board received a report entitled: ‘Housing Policy Development Board Draft Final Report - Covering Note.’ The Chair observed that the covering note would serve as a useful executive

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summary for senior readers. The Chair noted that the first seven paragraphs was limited to factual background information and confirmed that the Board was content with the conclusions it had set out in the note.

- 4.2. The Chair directed the Board's attention to the recommendations set out in the table of the covering note and introduced Recommendation S1 (*Strategic alignment of GoJ delivery bodies*). The Board discussed the need for the introduction of coordination in decision-making on housing developments and the supply of land. Head of Policy (SPPP) noted that £250,000 had been allocated in the Government Plan (2021-2024) to deliver a strategic coordination function. There was a high chance of achieving S1 should the Government Plan be approved by the States Assembly. The Chair noted that the Board was content with Recommendation S1 as worded; the other recommendations could not be achieved without it.
- 4.3. With respect to Recommendation S2 (*Government borrowing and cross-subsidy to fund additional new housing supply*), the Chair noted that at the last Board meeting there had been consensus that borrowing would be made by the state-owned housing developers (Jersey Development Company (JDC) and Andium Homes Limited ("Andium")) rather than the government.
- 4.4. The Board discussed the issue of cross-subsidy for Andium. The Treasury representative stated that Andium assessed economic viability on a site-by-site basis and queried whether recommendation S2 was intended to mean that Andium should assess viability on a site-specific basis or, alternatively, on a holistic basis. The Head of Policy (SPPP) observed that the existing wording would allow for both and advised the Board that Andium did not currently operate a cross-subsidy model. Head of Policy (SPPP) further advised that the draft Final Report had recommended the use of cross-subsidy, which would reduce the amount that Andium would need to borrow to fund its developments.
- 4.5. Board members expressed contrasting views on the desirability of recommending cross-subsidy, some of which are set out as follows:
 - A cross-subsidy model was not appropriate for Andium, particularly with reference to sites sought on the open market.
 - Cross-subsidy risked undermining Andium's primary mission of delivering affordable housing.
 - If a minority percentage of a development was ring-fenced for private sale, it would make it economically viable for Andium to finance affordable homes for a larger percentage of the development.
 - Cross-subsidy would allow Andium to compete for land on the open market.
- 4.6. The Chair noted that in the current economic climate it would be difficult to recommend that the government intervene as an alternative to cross-subsidy. The Board concluded that the qualifier "if necessary" should be introduced to the text of Recommendation S2. The recommendation would otherwise remain unchanged.
- 4.7. The Board agreed that the text for Recommendation S3 (*The use of Compulsory Purchase powers for both site-assembly and to discourage 'land banking'*) and S4 (*Delivery of new homes across a range of tenures and need groups*) should remain as currently drafted.
- 4.8. The Chair noted the Board's decision at its last meeting for Recommendation S5 (*Encouraging 'rightsizing' to improve the availability of family sized accommodation*) to be removed from the summary of recommendations in the draft Final Report (with the detail pertaining to S5 retained

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in the body of the report). The Chair gave reference to points that had been submitted by the Island Plan Team that supported the retention of S5 within the summary. The Minister of Environment also expressed support for retaining S5 in the summary, especially with regard to right-sizing in parish villages. However, the Board concluded that the decision to remove S5 should stand, given the risk that it would draw a disproportionate amount of attention away from the other headline recommendations.

- 4.9. The Board agreed that the text for Recommendation P1 (*Rezoning of land for specific residential classes*) and P2 (*Encouraging conversion of large residential dwellings into multiple homes*) should remain as currently drafted.
- 4.10. The Board accepted that Recommendation P3 - *setting a requirement for private developers to build a certain percentage of affordable housing within private housing developments ("Policy H3")* - would be controversial and hard for the Island Plan Team to deliver. However, the Board was unanimous that Recommendation P3 should remain unchanged and took note of the suggestion that an independent body could offer impartial analysis of the economic viability of introducing Policy H3.
- 4.11. With respect to Recommendation R1 (*Utilising GoJ legislation to improve security of tenure and tenant rights*), the Chair noted that the draft Final Report pressed the case for the rental market in Jersey to become a more attractive proposition. Altair, the external consultant appointed by the Board to draft its report, had used the case-study of the rental market in Scotland to good effect.
- 4.12. The Minister of Environment observed that proposition P.106/2019 (which had sought to introduce regulation to enforce tenants' rights) had been rejected by the States Assembly because the landlord's lobby had put forward an argument for a better balance between tenants' rights and the rights of landlords. The Minister of Environment stated, therefore, that there could be a case for introducing more balanced language into the draft Final Report on tenants' rights. The Minister of Children and Housing expressed disagreement with this view and listed a range of protections currently enjoyed by landlords. The Board concluded that it was content for the wording of Recommendation R1 to remain as drafted.
- 4.13. The Chair observed that it might be difficult for Recommendation R2 (*Rent stabilisation legislation and a Rent Commission or Board to monitor and decide on annual rent increases should be introduced*) to gain assent in the States Assembly. The Minister for Children and Housing agreed but stated that the government should still pursue what it believed to be the right course of action. Head of Policy (SPPP) said a well-researched proposal on rent stabilisation would be progressed in 2021 and was set out in the Government Plan.
- 4.14. The Board agreed that the text for Recommendation R3 (*Reform social housing allocations policy (expanding the current Gateway)*) should remain as currently drafted.
- 4.15. With respect to Recommendation R4 (*reform of social rent setting*), the Chair noted that the Board was not in a position to offer a solution to the recommendation. The Chair further noted that at its last meeting the Board had agreed that Recommendation R4 should be amended. Officers in SPPP had prepared three alternative options, which the Board had had the opportunity to review in advance. The alternative options were:
- Option 1: **R4. Investigate reform of social rent setting: Alternative models of social rent setting should be investigated to ensure that social housing rents are set and maintained**

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at an affordable level, taking account of the need to maintain a sustainable funding model for investment in social housing.

OR

- Option 2: **R4. Case for reform of social rent setting:** *Findings from separate review into feasibility of social rent reduction (referenced in the Government Plan) will be an opportunity to consider changing the existing social rents policy to ensure rents are set and maintained at affordable levels for tenants.*

OR

- Option 3: **R4. Strong support for reform of social rent setting:** *The existing '90%' social rents policy is considered too high and has potential adverse effects on tenants and the housing market. It should, therefore, be changed in order for social rents to be set and maintained at affordable levels for tenants.*

4.16. The Chair stated that the Board was free to select one of the options, a combination of the options or could put forward an alternative option. The Board expressed a range of views on social rent setting, which included:

- Social rents set at a maximum of 90% market rate offered no encouragement for people to enter the rental market and should be set at closer to 80%;
- There needed to be a better balance in the rate at which social rents were set. It should not be so high that it became inflationary (90%) or so low that it meant social tenants who wanted to move into the private rental sector could not afford to do so because the jump in cost was too great.
- The ability to access affordable housing should be linked only to income rather than tied up with the social security system.
- The link between housing and Income Support was beneficial because it helped people to access social housing and was also flexible, with the level of Income Support able to increase or decrease in response to a change in income.

4.17. The Board was advised as follows by the Treasury representative:

- Andium only applied the 90% market rate to new properties or those that had been refurbished.
- Keeping the rent at 90% or reducing it 80% would make no material difference to the approx. 63% of Andium tenants who claimed Income Support.
- Reducing social rent to 80% would have an impact on Andium i.e. in terms of the number of affordable homes it could build or the time it would take to service its debt.
- Option 2 looked like a reasonable compromise position relative Options 1 and 3.

4.18. The Chair noted that the points made by the Treasury representative were reasonable; the Board did not want to undermine Andium's funding model.

4.19. The Minister for Children and Housing stated that Option 3 was his preference and expressed his belief that Andium would support a reduction to an 80% rate; it was ultimately a question of political will in deciding whether or not to reduce the rate. Head of Policy (SPPP) advised the Board that Andium's main income-driver was from tenants who paid the 90% market rate. If the rate

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was reduced, then the shortfall would need to be subsidised from elsewhere or there would need to acceptance that there would be an impact on Andium’s ability to deliver its targets.

4.20. The Chair noted that there was consensus that the 90% market rate felt counterintuitive in the context of social housing but stated that any amendment to Recommendation R4 should include a requirement for sustainability (as set out in Option 1). Head of policy (SPPP) stated that in time, after Andium had paid down a significant amount of its debt and the value of its property portfolio had increased, Andium would be better placed financially to reduce rents to 80% market rate.

4.21. The Board concluded that the Option 3 should be chosen but with the last part of Option 1 added to it. The amended Recommendation R4 will read as follows:

***R4. Strong support for reform of social rent setting:** The existing ‘90%’ social rents policy is considered too high and has potential adverse effects on tenants and the housing market. It should, therefore, be changed in order for social rents to be set and maintained at affordable levels for tenants, whilst taking account of the need to maintain a sustainable funding model for investment in social housing.*

5. Conclusion of the work of the Housing Policy Development Board

5.1. The Chair noted that once he had received the updated covering note and amended draft Final Report he would review and sign them off on behalf of the Board.

5.2. The Chair stated his intention to submit the covering note and draft Final Report to the Chief Minister, ideally supported by a presentation from the Board.

5.3. The Chair extended his thanks to the Board and government officers for their contribution. On behalf of the Board the Minister of Environment extended his thanks to the Chair for his excellent chairmanship.

5.4. There being no further business, the Chair declared the meeting closed.

Signed:
Chair

Date:

Minutes agreed for publication –

Signed:
Chair

Date: