

Treasury and Exchequer Ministerial Decision Report

ANDIUM HOMES LIMITED - AMENDMENT TO TRANSFER AGREEMENT

1. Purpose of Report

To enable the Minister to approve an amendment to the Transfer Agreement (the “Agreement”) between the States of Jersey (“Guarantor”) and Andium Homes Limited (“Andium”).

2. Background

The States and Andium entered into the Agreement on 22 July 2014 and an Addendum to the Agreement on 21st June 2019, such Addendum reflecting the introduction of a ‘cap’ and ‘floor’ to the percentage uplift of the Annual Return Amount (the “Return”) payable by Andium to the Guarantor.

In signing MD-H-2021-0014 (**Appendix 1**), the Minister for Housing and Communities approved a further deferral of the annual rent adjustment required by the States Fair Market Rent policy which is applied to Andium tenancies. This adjustment is for the calendar year 2022. This deferral is in addition to the deferral agreed by MD-H-2020-0017 applied for the calendar year 2021, which was the subject of a further Addendum to the Agreement entered into on 8 January 2021.

This decision was taken in consultation with the Minister for Treasury and Resources given the link (through the RPI uplift) of both the rental income to Andium and the Return due to the Guarantor under the Transfer Agreement.

The decision to make the additional deferral will have an impact on the 2022 rental income of Andium and the Government of Jersey have agreed to absorb the net effect of that impact. The decision results in the reduction of the Guarantor’s return by £1.378 million, which is the net cost to Andium of the rent freeze of lost rental income of £2.253 million and the normal inflation-linked annual uplift to the Return of £875,000. There will be a reduction in the level of income support to be provided to Andium tenants in 2022.

The Government Plan 2022-2025, as amended, as approved by the States Assembly provided for the transfers necessary to accommodate the implications of the 2022 rent freeze, including a transfer of £901,000 from the Head of Expenditure for the Covid-19 Response.

Law Officers have been engaged to produce a further Addendum (**Appendix 2**) to reflect the adjustment to the Return.

The Government Plan 2022-2025 also provided for a New Social Housing Rents Policy (“New Policy”) whereby Andium rents would be capped at 80% of the market rate from 2022 onwards, rather than 90% of market. In discussions with the Andium Board, the Assistant Minister for Treasury and Resources has confirmed that, in recognition of the financial impact to the Andium finances through the reduction in anticipated rental income by the New Policy, it would be proposed that:-

- the corresponding income support savings in the move from 90% to 80% market rate would be “passed on” to Andium through a reduction to the Return calculated on an annual basis and agreed through further Addendums to the Transfer Agreement; and
- the interest rates applied on certain loans made by the Housing Development Fund to Andium would be reduced for the Government Plan period, the agreement for which would be the subject of a separate Ministerial Decision.

3. Recommendation

The Minister is recommended to approve and sign the new Addendum to the Transfer Agreement.

4. Reason for Decision

To reflect the decision made by the Minister for Housing and Communities to approve a further deferral of the annual rent adjustment required by the States Fair Market Rent policy, a similar adjustment is required to the Annual Return Amount.

This ensures that the full cost of the rental income freeze is borne by Government.

5. Resource Implications

There are no further financial or manpower implications as a result of this decision, since the implications were included in the Government Plan 2022-2025.

APPENDIX 1

**Please see attached Ministerial Decision summary – MD-H-2021-0014 as
a separate document**

APPENDIX 2

**Please see Addendum to the Transfer Agreement dated 22 July 2014
attached as a separate document**