



# BILLET D'ÉTAT

WEDNESDAY, 24th NOVEMBER, 2004

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# ***BILLET D'ÉTAT***

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## **TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY**

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I have the honour to inform you that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE, on WEDNESDAY, the 24th NOVEMBER, 2004**, immediately after the meeting already convened for that day, to consider the items contained in this Billet d'État which have been submitted for debate by the Policy Council.

DE V. G. CAREY  
Bailiff and Presiding Officer

The Royal Court House  
Guernsey  
5th November 2004

**PROJET DE LOI**

entitled

**THE INCOME TAX (BUSINESS PROFITS) (GUERNSEY) LAW, 2004**

The States are asked to decide:-

I.- Whether they are of opinion:-

- (1) To approve the Projet de Loi entitled “The Income Tax (Business Profits) (Guernsey) Law, 2004”, and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.
- (2) Considering it expedient in the public interest so to do, to declare, pursuant to section 1 of the Taxes and Duties (Provisional Effect) (Guernsey) Law, 1992, that the said Projet de Loi shall have effect from the 1<sup>st</sup> January, 2005, as if it were a Law sanctioned by Her Majesty in Council and registered on the records of the Island of Guernsey.

**PROJET DE LOI**

entitled

**THE CRIMINAL JUSTICE (SUPERVISION OF OFFENDERS) (BAILIWICK OF GUERNSEY) LAW, 2004**

The States are asked to decide:-

II.- Whether they are of opinion to approve the Projet de Loi entitled “The Criminal Justice (Supervision of Offenders) (Bailiwick of Guernsey) Law, 2004”, and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

**PROJET DE LOI**

entitled

**THE CRIMINAL INJURIES COMPENSATION (BAILIWICK OF GUERNSEY) LAW, 2004**

The States are asked to decide:-

III.- Whether they are of opinion to approve the Projet de Loi entitled “The Criminal Injuries Compensation (Bailiwick of Guernsey) Law, 2004”, and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

## HOUSING DEPARTMENT

### AFFORDABLE HOUSING - LEASEHOLD INTERESTS

The Chief Minister  
Policy Council  
Sir Charles Frossard House  
La Charroterie  
St Peter Port

21<sup>st</sup> September 2004

Dear Sir

#### EXECUTIVE SUMMARY

*As part of the Corporate Housing Programme (CHP), the Housing Department is progressing the development of a number of affordable housing schemes. These include Partial Ownership, Assisted Purchase, Leasehold Ownership and Self Build. This States Report deals specifically with the legislative issues associated with Leasehold Ownership.*

*Before the Department can recommend the development of an affordable housing scheme based on leasehold interest, certain legislative provisions need to be made in order that the issues surrounding the security of leasehold interest in a property in Guernsey can be overcome. This States Report outlines those issues and the legislative changes that are required.*

#### INTRODUCTION

- 1 At its meeting on 26<sup>th</sup> September, 2003 the States considered a Report from the Housing Authority entitled ‘Schemes for the Provision of Affordable Housing – Legislative Requirements’, which is to be found in Billet d’État No. XXI of 2003 at pp 2076 et seq. That Report outlined two types of scheme; Partial Ownership and Assisted Purchase; and also referred to a third option, based on Leasehold Ownership. At paragraph 16 of that Report, reference was made to certain problems with utilising leases in affordable housing schemes, principally because of the difficulties in obtaining and enforcing effective security over leasehold interests.
- 2 Paragraph 8 of that Report stated that the legislative measures that might be needed to implement and make effective schemes to provide affordable housing “might be regarded as property law reforms in their own right, and become part of our general law, whether or not the proposed schemes are introduced, but

they will be the minimum necessary for certain affordable housing schemes, as currently envisaged to be legally and practically deliverable”. That Report also envisaged that the legislation to make affordable housing schemes deliverable, i.e. effective and enforceable, would be enacted by Ordinance under enabling legislation. That enabling legislation entitled the Real Property (Housing Schemes, Leaseholds and Miscellaneous Provisions) (Guernsey) Law, 2004 is now laid before the States for approval. I am grateful to the Policy Council for agreeing that that legislation can be laid before the States at the same meeting as this Report.

## LEASES

- 3 The Report mentioned above referred to difficulties in creating security over leases. The reason for this is simple: a lease, or more accurately the interest of the leaseholder, i.e. tenant, under a lease, is classified as personal property for purposes of Guernsey law. In the usual situation, a borrower is buying, and borrowing against, his freehold house, and a bond (or mortgage) given to the lender – most usually a bank – is only effective as security over real property, i.e. the house; and Guernsey law provides by *saisi* a regime for the enforcement of security over real property in the event of default, e.g. in repayment of monies borrowed, but *saisi* would not extend to personal property, e.g. a lease.
- 4 H.M. Procureur has further considered the difficulties attendant on creating security over leaseholds, and has advised that there is no reason in law why the States, by Ordinance made pursuant to enabling legislation, should not:
  - (a) enable leases to be the subject of security, although there would need to be a separate register of charges over them; and further or alternatively
  - (b) enable leases of a prescribed minimum term (i.e. length), and with the agreement of all the parties, i.e. both the landlord and the tenant, to be deemed to be real property, either generally or only for the purpose of creation of security; and so a bond could be granted by a tenant householder over his leasehold interest, and in the event of *saisi*, the lease would be treated as real property.
- 5 Such provisions would need to be carefully worked out, particularly to balance the competing interests of, on the one hand, the landlord to whom the tenant is bound not only as to payment of rent, but also typically by repairing, maintaining, insuring and other covenants, and on the other hand, the lending bank.
- 6 It would be necessary for any lease offered as security to a lender which is deemed to be real property to be registered in the public property records, as is required of conveyances of real property. In any case, whether or not a lender is prepared to lend on the security of a lease, and if so on what terms, is a matter of commercial judgement.

- 7 The use of long-term leases as a means of acquisition of houses has not been commonplace in Guernsey, principally because of the difficulty in creating the security referred to above. However, long leases of commercial premises are commonplace, and it should be recognised that the ability to create security over a commercial lease may provide a useful facility for commerce and business.
- 8 In the context of affordable housing schemes, Leasehold Ownership has advantages in that, by virtue of its position as landlord, the housing provider is able to effect not only an effective management over individual householders, but also over all the estate, to ensure consistency and fairness in its treatment.
- 9 Accordingly, the Department desires to pursue research into the provision of Leasehold Ownership schemes as part of its series of measures framed to provide affordable housing. In this, the Department will be consulting with the Law Officers. The Department desires to stress that, although advised that the ability to charge leases, or to deem leases as real property so as to enable security to be taken, may have benefits for business and commerce, it is proceeding solely on the basis that the ability to create effective and enforceable security over a lease of a house in whatever way would provide a beneficial additional facility in the Department's continuing efforts to alleviate the current shortage of affordable housing.
- 10 The legislation contains (in Clause 2 headed Ordinances as to Leasehold Interests) enabling provisions by which a leasehold interest may be charged, and further or alternatively by which a leasehold interest may, in certain circumstances, be deemed to be real property. Whilst the Department has not progressed details of a scheme based on leasehold interests, it does not want to be constrained in the range of schemes it can consider, and believes that the States should be asked to approve of enabling provisions by which the principal difficulty in utilising leaseholds, i.e. the present inability to create security over them, be removed by Ordinance.
- 11 **The Department reminds the States that the proposals in Section 2 of the draft Projet are merely enabling provisions, and that the States will have the opportunity of considering in due course the details of any leasehold schemes that are proposed and, importantly, the details of any regime under which a lease may be charged, or deemed to be real property for the purpose of being charged.** H.M. Procureur advises that these are complex areas, but the existence of enabling legislation, and the ability to legislate by Ordinance, will give the Department the ability to deal with these difficult issues in a timely and expeditious manner.

## **RECOMMENDATIONS**

The Housing Department recommends the States as follows:

- i) to approve the contents of this Report; and
- ii) to approve the Projet de Loi entitled “The Real Property (Housing Schemes, Leaseholds and Miscellaneous Provisions) (Guernsey) Law, 2004”.

Yours faithfully

D Jones  
Minister  
Housing Department

**(NB The Policy Council supports the proposals)**

**(NB The Treasury and Resources Department has no comment on the proposals)**

The States are asked to decide:-

IV.- Whether, after consideration of the Report dated, 21<sup>st</sup> September, 2004, of the Housing Department, they are of the opinion:-

1. To approve the inclusion in the draft legislation regarding leaseholds of enabling provisions as set out in that Report.
2. To approve Projet de Loi entitled “The Real Property (Housing Schemes, Leaseholds and Miscellaneous Provisions) (Guernsey) Law, 2004” and to authorise the Bailiff to present a most humble petition to present a most humble petition to Her Majesty in Council praying for Her Royal Sanction thereto.

## **HOME DEPARTMENT**

### **PROTECTION FROM HARASSMENT LAW**

The Chief Minister  
Policy Council  
Sir Charles Frossard House  
La Charroterie  
St Peter Port

23<sup>rd</sup> September 2004

Dear Sir

#### **Executive Summary**

The purpose of this Report is to seek approval for legislation to protect individuals from harassment, sometimes referred to as 'stalking'. If approved, the legislation would be similar in principle to that enacted in the United Kingdom, namely the Protection from Harassment Act 1997.

It is intended to fill a gap in local legislation to protect victims from being subjected to this harrowing kind of behaviour.

#### **Introduction**

The Minister of the Home Department, in consultation with the Chief Officer of Police, recommends that legislation be drafted along the lines to that of the United Kingdom in seeking to reduce the incidents of harassment, similar in principle to the Protection from Harassment Act 1997, as amended.

Accurate local statistics to determine the extent of this problem are difficult to obtain, however the Police Domestic Violence Unit is aware of some recent local incidents where such legislation would have been useful.

#### **Background – United Kingdom Legislation**

In recent years it has become evident that increasing numbers of people have become victims of obsessive harassment, sometimes referred to as 'stalking'.



Although stalking affects both men and women, current estimates suggest that 79 per cent<sup>1</sup> of victims are women.

The Protection from Harassment Act was introduced to provide more effective protection and remedies for victims. Before the Act the situation was unsatisfactory for a number of reasons:

- Some offences contained elements difficult to prove in stalking cases, such as intent.
- The power of arrest for many offences was inadequate and in the case of civil injunctions, often non-existent.
- Penalties for many offences seemed insufficient to deter offenders.
- Offenders' conduct could be controlled before conviction through remanding suspects in custody or imposing bail with appropriate conditions. Courts had little scope for controlling offenders' behaviour after conviction.

The provisions of the Act are intended to overcome the above problems. They make it possible for police and victims to take action at an earlier stage than previously. The offences under the Act may be committed anywhere, they are all arrestable offences and there is no requirement to prove a specific intent.

The Criminal Courts now have the power to control offenders' behaviour after conviction of offences by means of a Restraining Order.

The key features of the Act are:

- a specific offence of harassment (sections 1 and 2);
- a civil remedy for harassment consisting of a civil wrong (or 'tort') and power for courts to issue an injunction (section 3);
- an offence of putting people in fear of violence (section 4);
- the Courts have the power to make restraining orders (section 5);
- breaches of non-harassment injunctions or restraining orders are criminal offences;
- the offences and breaches of any injunctions or restraining orders are all arrestable offences.

## **Section 1: Prohibition of harassment**

A person must not pursue a course of conduct (including speech) which amounts to harassment of another AND which he knows or ought to know amounts to harassment of another.

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<sup>1</sup> Home Office research study, an evaluation of the use and effectiveness of the Protection from Harassment Act 1997

## **Section 2: Offence of harassment**

A person who pursues a course of conduct in breach of Section 1 is guilty of an offence.

## **Section 3: Civil Remedy**

An actual or apprehended breach of Section 1 may be the subject of a claim in civil proceedings by the person who is or may be the victim of the course of conduct in question.

It is important to note that no actual harassment need have taken place. A person may make an application in respect of harassment which is apprehended, that is such behaviour is feared or anticipated. The claim may be for damages and/or for the granting of an injunction.

In civil courts, proof need only be 'on the balance of probabilities' rather than 'beyond reasonable doubt', as in criminal proceedings.

## **Section 4: Fear of Violence**

A person whose course of conduct causes another to fear, on at least two occasions, that violence will be used against him, is guilty of an offence if he knows or ought to know that his course of conduct will cause the other fear on each of those occasions.

## **Section 5 Restraining Orders**

Where a person is convicted of an offence contrary to Section 2 or 4, the court may make a restraining order to 'prohibit the defendant from doing anything described in the order'. There is no restriction with regard to the age of the offender therefore this could include juvenile offenders.

## **Penalties**

The Magistrate's Court may impose a maximum penalty of 6 months imprisonment and/or a £5000 fine and the Crown Court may impose a maximum penalty of 5 years imprisonment and/or an unlimited fine.

## **Definition of Harassment**

When the legislation was introduced in the United Kingdom, Parliament's intention was not to seek to define various categories of behaviour which might amount to harassment. During the debate in the House of Commons a Junior Home Office Minister stated:

*"Stalkers do not stick to the activities on a list. Stalkers and other weirdos who pursue women, cause racial harassment and annoy their neighbours have a wide range of activity which is impossible to define."*

Therefore the definition of what amounts to harassment is construed by reference to the actions of the defendant when considered against the ordinary standards of reasonable persons in society rather than prescribed by law.

### **Who may be a victim?**

The offence requires that the conduct amounts to harassment of another, that is any person may be a victim of such harassment regardless of relationship. This has been supported through case law. The law does not require the victim to know the offender or to be in a relationship with the offender to make a complaint of harassment.

### **Conclusions**

The aims of the Act have been widely supported and some of the strongest support has come from domestic violence agencies as the Act's principles largely mirror the domestic violence provisions within the Family Law Act 1996 whose purpose is 'to prevent violence, intimidation, harassment or pestering in the family home', but strengthen and broaden the scope of these provisions. For example the scope of the Family Law Act is limited to spouses, co-habitees, former spouses and co-habitees and associated persons'. That is it does not cover same sex relationships or incidents where there is no formal relationship between the parties. However, the Protection from Harassment Act does not require any proof of relationship for a complaint to be upheld.

The Act also goes further than the Family Law Act 1996 as it has wider provisions to prevent violence from escalating, through the use of Restraining Orders, which can be granted for an indefinite period of time post- conviction.

The domestic abuse magazine 'SAFE' (Summer 2002) indicated that research undertaken by the Refuge Service providers suggested that 70% of those surveyed, all victims of some form of domestic violence, believed that the Act had improved the protection afforded them.

In Guernsey there is legislation in place to cover specific offences such as assaults and conduct likely to cause a breach of the peace and there is also protection, by way of injunction, specifically covering domestic violence under the Domestic Proceedings and Magistrate's Court (Guernsey) Law.

Where a criminal offence is committed, if there is sufficient evidence, it is extremely likely the matter will proceed to court and a conviction may follow. Prior to the actual court hearing, if the offender is granted open remand, conditions are imposed which invariably include an order not to contact, directly or indirectly, the complainant. Although penalties can be wide-ranging, there are no provisions within these laws to impose any conditions (Restraining Orders) following conviction. Furthermore, these offences generally require some actual physical assault and/or intent to cause injury or fear.

In Guernsey Domestic Violence Injunctions are restricted to a man and a woman living together in the same household as husband and wife. This limits the scope for obtaining such protection as the victim may not have been cohabiting with the offender or indeed been in any sort of relationship. Further, such victims may be clearly intimidated by the actions of the offender's conduct which may appear to be innocuous in itself, for example, standing outside the home, watching, following, sending gifts. A one-off occurrence is unlikely, in isolation, to amount to harassment, but when it continues week after week the pattern of behaviour will take on a very different appearance. Further, in such instances such conduct is unlikely to provide sufficient grounds for a matrimonial injunction or indeed, any criminal prosecution.

The Home Department accepts that there is a clear gap in the law and as a result victims of this type of obsessive behaviour are suffering considerable harm but the options for the police and the Courts to take effective action are clearly limited. It therefore believes that the introduction of similar legislation to the Protection from Harassment Act locally would appear to be the most appropriate way to provide protection for victims of such behaviour.

The potential of Restraining Orders and the Court's penalties regarding breaches of these orders would assist in ensuring that victims of harassment will have added protection and recourse to Law.

The Domestic Violence Forum having been consulted and supports the principles of the Protection from Harassment Act 1997.

### **Recommendations**

In view of the circumstances outlined in this Report, the Home Department recommends to the States:

To direct the preparation of such legislation as may be necessary to give effect to the protection of people from harassment.

I should be grateful if you would lay this matter before the States with an appropriate proposition.

Yours faithfully

M W Torode  
Minister  
Home Department

**(NB The Policy Council supports the proposals)**

**(NB The Treasury and Resources Department has no comment on the proposals)**

The States are asked to decide:-

V.- Whether, after consideration of the Report dated, 23<sup>rd</sup> September, 2004, of the Home Department, they are of the opinion:-

1. That legislation be enacted to protect people from harassment as set out in that Report.
2. To direct the preparation of such legislation as may be necessary to give effect to their above decision.

## HOUSING DEPARTMENT

### PROPOSALS FOR A NEW STATES RENT AND REBATE SCHEME

The Chief Minister  
Policy Council  
Sir Charles Frossard House  
La Charroterie  
St Peter Port

24<sup>th</sup> September 2004

Dear Sir

#### **Executive Summary**

- 1) This States Report is the conclusion of a 3 year project that has involved careful examination of every aspect of social housing provision: from the need to charge rents at a level that is right for the proper management of a housing stock of approximately 2,100 properties, to the needs of the individual tenant whose financial and social circumstances dictate that without help with their rental charges they will be likely to suffer hardship.
- 2) The need to balance rents at an appropriate level and ensure that every tenant is charged a rent appropriate to their circumstances has been a problem that has beset successive Housing committees almost from the date social housing was first provided in Guernsey. Although intermittent reviews have taken place over the decades, this current report represents the most fundamental and comprehensive review of the issues ever to be undertaken.
- 3) Early in 2003 the Housing Authority submitted a policy letter to the States in the form of a 'green paper' in order to gauge States members' and tenants' opinions regarding new rent and rebate proposals. These proposals offered the opportunity to put in place a process that would introduce realistic rents and, importantly, maintain them by the use of a formula that took into account real values and costs associated with the provision, upkeep and administration of social housing.
- 4) Generally speaking the report received positive feedback. In the main tenants appreciated that the Department needed to charge more realistic rents; however, a considerable number of comments were raised regarding the methods of assessment used to gauge a tenant's ability to meet their

rental charge and the level of that rental charge. All of the main issues regarding assessment have been addressed in the body of this Report.

- 5) The rent proposals contained in this Report, should they be approved, will mean that gross Standard Rents (i.e. before the application of rebates) will increase on average by around 73% and that most commonly this will mean gross rental increases of around £60 per week. However, Standard Rents will range from a decrease of £18.28 per week to the highest increase of £119.28 per week (before the application of a rebate).
- 6) A typical 3 bed-roomed unit will attract a rental charge of £137 per week (increased from £78).
- 7) The substantially increased level of Standard Rents charged in respect of all tenancies will mean that the existing Income Related Scheme for High Earners (the “Surcharge Scheme”) - which attaches artificially inflated rental charges to some tenants - will no longer be required as a means of encouraging tenants to seek alternative accommodation when their income reaches a certain level. The Department, therefore, recommends that this Surcharge Scheme be revoked.
- 8) The Department has been willing to consider the implementation of, in some cases, substantial rental increases because of the existence of the rebate scheme. Recommendations are made to extend this scheme further to recognise the fact that many tenants who have never previously been required (or been entitled) to claim a rebate, due to the artificially low level of Standard Rents, will be required to do so for the first time. Every tenant will be able to apply for a rebate and it is forecast that 85% of tenants will qualify for a rebate of some kind.
- 9) The Department has, however, gone further than simply extending the rebate scheme to those tenants previously excluded. It is recommended that rent assessment allowances in respect of dependent children are increased and that childcare cost allowances are introduced for all those parents who incur such expenses as a result of their being in employment. It is also proposed that the basic rates of assessment are adjusted so as to ensure that those on the lowest levels of income (pensions and other social security benefits) are charged rents that do not erode their benefits or any pension increases awarded by the Social Security Department.
- 10) The Department is also recommending that those non-dependents residing in the household of a tenant be assessed as making an increased and realistic contribution towards the rent paid by the tenant. Such assessed contributions will not be in addition to the Standard Rent paid by the tenant but will only feature as part of the rebate scheme.

- 11) Combined application of the increased Standard Rents and the revised rules of rebate assessment will mean that 55% of tenants will experience a reduction in the actual rents they currently pay, whilst 45% will see their rent rise. There will, however, be considerable variation regarding the level of these increases due to the variable circumstances and income of tenants. 18% of tenants will see their rent increase by less than £20 per week, whilst 17% will see their rent rise by more than £40 per week.
- 12) The Department recognises that those tenants who experience large rental increases would be likely to suffer financial hardship in the event that they had to find the increase all in one year. The Department is, therefore, proposing transitional arrangements whereby the full effect of the larger rent increases are applied over three years.
- 13) The Department has carried out extensive testing of the proposals and estimates that once the full effects of the new arrangements are felt after 3 years, gross rental charges will increase by £5.4M, although the actual increase in net rents collected will only be £1.1M due to the effect of the rebate scheme and the recommended changes to its application.
- 14) This additional income will, as now, be retained in the States Houses Fund, and be used to maintain, refurbish, enhance and rebuild existing States' properties, and contribute to the funding of the Department's new build programme. Nevertheless, without the Department receiving the value of rent rebates awarded, there will be an ongoing need for additional capital allocations to be made to the States Houses Fund, for the Department to meet its Corporate Housing Programme commitments.
- 15) There will also be some increases in administrative costs as the number of rebate applications under the new scheme are likely to triple as more tenants will be eligible to apply for a rebate. In addition, the States has previously agreed that all tenants nominated by the Housing Department to occupy properties managed by the Guernsey Housing Association will be eligible for a rent rebate, such rebates to be administered by the Housing Department. As a consequence, the Department will require additional staff to deal with rebate processing, the pursuit of rent arrears, and fraud investigations. The actual numbers required are currently the subject of discussions with the Treasury and Resources Department, as part of a major reorganisation of the Department's staffing arrangements.
- 16) These increased administrative costs and staffing requirements are, however, outweighed by the benefits of introducing new methods of setting and rebating rents that:
  - are transparent;
  - reflect the true cost of social housing provision;



- **provide better financial protection for those tenants who really need it;**
  - **provide an incentive for underoccupying tenants to move to smaller properties (with lower rental levels);**
  - **will assist in the prevention of fraud;**
  - **will improve debt control; and**
  - **better encourage higher earning tenants to vacate States' property.**
- 17) **Finally, the Department (concurring with advice given by HM Procureur on the issue) believes that implementation of the new Rent and Rebate Scheme would be most efficiently and fairly effected by way of legislative provision. In that regard, it proposes that a *Projet de Loi* is enacted by the States giving powers to the Department to make regulations concerning the new Scheme. Furthermore, it proposes that the opportunity is taken to ensure that powers created under the *Projet* are sufficiently broad to enable the Department to regulate all matters relating to the occupation of States' houses by residential tenants. This proposal, if implemented, would reduce some of the administrative burden associated with management of the States' residential housing stock.**

### **Background**

- 18) In March of 2003 (*Billet d'Etat IV*), the Housing Authority presented to the States a comprehensive review of its Rent and Rebate Scheme in the form of a "green paper". The States resolved that the Housing Authority be directed to report back to the States with firm proposals based on that Report *"....setting out new levels of States' rents and a revised rebate scheme, and a date for their implementation, taking into account the views expressed by the States, together with consultations undertaken by the Authority with its tenants and other interested parties."*
- 19) The Housing Authority had hoped to return to the States with its final proposals during 2003. However this proved impossible because of the very complex nature of what was being proposed, and because Members were keen to ensure that what was proposed complied with the criteria set out in paragraph 38 of this report.<sup>1</sup>
- 20) In short, Authority Members wanted to ensure that rent levels applied were reasonable and that no tenant would be asked to pay more than they could reasonably afford.

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<sup>1</sup> As a consequence, with the exception of a small increase in 2004 to take account of increased water rates, States' rents have not been increased since May 2003.

- 21) **The very simple ethos outlined in the above paragraph forms a common thread throughout this report. The Department believes it has gone to unprecedented lengths to ensure that what is proposed is right for both tenants and their families and for the community as a whole.**

**Consultations with States' Members and States' tenants**

- 22) The primary purpose of the 2003 policy letter was to obtain the opinions of States' Members and States' tenants in relation to what was the most fundamental changes to rent setting and rent abatement that the Authority had ever proposed.
- 23) The Authority took the unprecedented step of sending an explanatory leaflet and writing individually to every States' tenant informing them of the Authority's proposals, and what their new rental charge and rebate would be if the proposals were implemented. The letter encouraged tenants to submit their views in relation to the proposals and enclosed a simple questionnaire the results of which are summarised in Appendix 1.
- 24) For those tenants for whom insufficient information was available to estimate their rebated rent, instructions were given on how to calculate their likely rent. This process proved most successful and tenants generally demonstrated a clear understanding of what was proposed. At the same time, the Authority organised a series of public meetings for the purpose of explaining the proposals in more detail and to seek further opinions, and dedicated telephone advice lines were established to enable tenants to ask questions of Authority staff. A presentation was also made to States' Members.
- 25) **The Department would like to thank all those tenants who took the time and trouble to respond to the questionnaires as well as all those tenants who attended the public meetings.**
- 26) In general terms, the proposals were well-received by States' Members, whilst many tenants quite naturally voiced their fears that they would be asked to pay rents that they could not afford. As was to be predicted, the scheme was generally well-received by those tenants who could expect to benefit from the proposals and less so from those tenants who calculated for themselves that they would be asked to pay more than they do now.
- 27) However, to state simply that some tenants were in favour whilst others were less so, would be to underplay greatly the level of response and indeed the wide variety of comments made. Over a hundred written comments were submitted by tenants, and these ranged over the whole spectrum of the problems associated with the provision of social housing as well as the Island's housing problems generally.

- 28) Tenants' comments tended to fall into one of the following areas:
- Negative responses on a wide range of issues but mostly those associated with the belief that increased rents would hit those tenants with only average incomes as well as those tenants trying hard to improve their circumstances;
  - Responses along the lines that what was proposed would be acceptable provided the quality of States' housing was improved and maintenance kept at a high standard;
  - Comments about the assessment process and in particular the fact that it was proposed to assess on gross income (i.e. before the deduction of tax and social security contributions);
  - Adverse comments concerning the proposal to include, in the rebate assessment process, charges for non-dependent persons resident in a tenant's household;
  - Comments about occupancy in general and under-occupancy in particular;
  - Tenancy issues; and
  - Positive responses from those tenants who believed that the proposals were entirely fair and reasonable.
- 29) In this States Report every attempt has been made to address those issues which relate directly to the Rent and Rebate Scheme. Other fundamental issues raised, such as the shortage of one- and two-bed units, are outside the scope of this Report, but are being addressed simultaneously through the States Corporate Housing Programme.

**Why was the Review of the Rent and Rebate Scheme necessary?**

- 30) The Housing Department has, by virtue of the fact it provides social housing, always accommodated some of the least well-off members of the community. As a consequence the Department has always sought, by various means, to balance appropriate rental charges with the ability of the tenant to meet those charges.
- 31) Just after the Second World War, and prior to the introduction of the Rent Rebate Scheme in 1972, the Housing Authority sought to introduce affordable rent levels that were attuned to the financial circumstances of individual tenants. As long ago as 1955 the Housing Authority recognised the importance of setting realistic rental levels, but was unable to do so due to the extraordinary circumstances that existed in the local housing market at that time. The result

was that, for many years, rents were based on minimum levels with additional charges for different family circumstances.

- 32) Even after the successful implementation of the 1972 Rebate Scheme, successive Housing Authorities made efforts to introduce reasonable rental levels while, at the same time, protecting the resources of the elderly and those tenants with relatively low earnings and large families.
- 33) While the Rebate Scheme has generally proved very successful, the Housing Authority's efforts to maintain reasonable rental levels has generally proved to be much less effective because no reliable mechanism could be found to adjust rental levels year after year. The Authority would get it right for one or two years (1989 and 1990 are prime examples) only to see rent levels lose their relevance because the means and resources constantly to review those levels were simply not available. As a result, for the majority of the last 30 years, the Housing Authority recommended annual increases in line with the increase in the Retail Prices Index. This practice has protected tenants, arguably unduly so, with the result that over the last 12 years in particular rental levels for States' properties have become increasingly out of step with the whole of the Island's housing market. This has very significant consequences not only for the management of States' tenancies, but also for the housing market in general. (See paragraph 36 below.)
- 34) The Authority, therefore, recognised that unless a mechanism for reliably and regularly increasing rents could be found it would forever be stuck in a cycle of managing to raise rents to a reasonable level, only to see them fall away again in subsequent years.
- 35) Not increasing rents to realistic levels has also resulted in the creation of an ever-increasing artificial subsidy over and above that granted in the form of any rebate. In effect, every tenant receives a substantial subsidy by virtue of the fact that every States' property is the subject of a heavily subsidised rent. In 2002 this subsidy was estimated at an average of £4,800 per annum per property, equivalent to just under £10M across the Department's entire housing stock at that time.
- 36) It is thus a fact that States' rents now only represent a fraction of the true cost of social housing provision. It is also a fact that every tenant is subsidised to a considerable degree whether they need such a subsidy or not. Such unnecessary subsidies resulting from artificially low States' rents:
  - Increases demand for States' housing;
  - Discourages movement within the Department's housing stock, leading to under-occupation of family homes;

- Discourages existing high earning tenants from seeking accommodation in the private sector;
  - Leads to an overall inefficient use of the Department's housing stock;
  - Hides the true cost of providing social housing; and
  - Helps to distort the operation of the whole of the local housing market (given that no such subsidies exist for private sector tenants, many of whom are ineligible for States' housing).
- 37) Consequently, it was against the above backdrop that the old Housing Authority and the new Housing Department has conducted the Rent and Rebate review.
- 38) In line with the very simple ethos outlined in paragraph 20 the objectives of the review have been:
- To design a system of rental setting that is transparent and carries no general hidden States' subsidy; and
  - To ensure that the Rebate Scheme will continue to provide financial protection for every tenant whose social and financial circumstances mean they will be unable to pay the true rental for their property.

#### **Setting Rental levels**

- 39) When formulating the level of rents it was determined at an early stage that the rent setting process (and the level of rents set) should:
- Be transparent;
  - Reflect the true cost of social housing provision;
  - Provide an incentive for under-occupying tenants to move to smaller properties (with lower rental levels);
  - Better encourage higher earning tenants to vacate States' property by moving to the private sector; and
  - Have some regard to the level of rents charged in the local private rental sector for accommodation of a similar size and quality.
- 40) The proposed process to set rents was based on a formula involving six separate elements:
- The reinstatement building cost of the property concerned;

- Administrative costs;
  - Minor repair costs;
  - A major repair cost;
  - A contribution to future capital expenditure; and
  - A voids charge in respect of those properties that are untenanted at any one time (e.g. while undergoing maintenance prior to re-letting).
- 41) The formula was calculated over a 25-year period to take into account the fact that most dwellings would be in need of a major refurbishment after that period of time.
- 42) Comments received from States' Members mainly related to the nature of the formula used and not the level of rents calculated. Indeed, there was general acceptance by the States that the level of rents proposed was appropriate.
- 43) On the other hand, while most tenants appreciated that those that could afford to pay an increased rent should do so, some States' tenants raised concerns as to the levels of increase in their rents and their ability to meet these increases without them suffering financial hardship. These concerns have been addressed in the general design and structure of the rebate element of the scheme and through the proposed transitional arrangements in particular. (See paragraphs 138 – 150.)
- 44) Addressing some States' Members comments, the structure of the rent setting formula has both been changed and simplified slightly to make it more transparent, more comprehensible and, most importantly, to ensure that, as far as is reasonably possible, it accurately reflects the true cost of social housing provision.
- 45) The rent setting formula now proposed by the Department is comprised of the following elements:
- **The reinstatement cost of the dwelling is the base element of the formula.** The reinstatement valuation of a dwelling is the cost of rebuilding that unit in the same style and to the same size, but using modern materials, modern practices, and providing up-to-date facilities. (NB This element of the formula has not changed although reinstatement costs have been increased to take into account the increases in tender price inflation since the original valuations took place in 2000 - see paragraphs 47 to 53.)
  - **A capital contribution based on one fiftieth (2%) of the reinstatement value.** This percentage represents the capital contribution

required over a fifty-year period (the theoretical life span of a typical unit of accommodation) to provide sufficient funds to rebuild the dwelling completely. It is acknowledged that many of the Department's units of accommodation have a current life span in excess of that age, but to maintain a viable capital programme of replacement and new build it is necessary to apply a maximum 50-year period.

- **An annual administration charge directly associated with the Department's management of its social housing stock, i.e. in dealing with tenancy issues, collection of rents, etc.** For the purposes of the formula, the annual gross cost has been divided equally between the 2,068 units of accommodation currently administered by the Department.
- **A minor repair charge**, representing the Department's annual expenditure on minor repairs, has been apportioned to each of the 2,068 units according to the approximate size of the unit concerned.
- **A major repair and refurbishment element** to provide long-term funding to meet the cost of the Department's major refurbishment programme, expenditure on which is currently running at around £5.5M per annum. The element included in the formula has been set at 60% of the reinstatement valuation spread over 50 years, which equates to a contribution of 1.2% of the reinstatement valuation per annum.
- **A voids charge** to take into account lost rental income from tenants who vacate a property either because they have left States' accommodation or have transferred from one States' property to another. After a tenant has moved the opportunity is taken to carry out whatever renovation work is necessary before the property is re-let. The nature of the renovation can vary from minor decoration to major works including re-wiring, new kitchens and bathrooms, etc. At any one time, 50 to 70 properties are unoccupied due to this process and, as a result, no rental income is collected from these properties. To compensate for this loss of income the formula adjusts the rent payable by 2%.

- 46) The sum of the constituent parts of the formula will be totalled and divided by 52 to produce a weekly rental figure.

#### **Reinstatement Valuations and Tender Price Inflation**

- 47) The original reinstatement valuations of the Department's housing stock were carried out during a comprehensive Stock Condition Survey in 2000. Since that time, the cost of rebuilding a unit of accommodation has risen significantly and the original valuations have had to be increased to ensure that the rent setting formula reflects, with a reasonable degree of accuracy, the actual rebuild costs in



2004.<sup>2</sup> The Department has been greatly assisted in this process by the Department of Commerce and Employment (DCE) and, in particular, through the use of that Department's economic model for monitoring and predicting Tender Price Inflation (TPI) within the local building industry.

- 48) The DCE, and its consultant advisors from Sheffield Hallam University, has gone to considerable lengths to provide the Housing Department with accurate historical data for the years 2001-2003 as well as predictions of future TPI.
- 49) Both the former Housing Authority and the new Housing Department were extremely concerned to note the degree of reported increase in TPI (79%) since the original valuations were obtained. Independent advice was, therefore, sought from a leading local Quantity Surveyor, but the detailed response received verified the percentages quoted.
- 50) As a consequence, the Department is confident that the starting rents for the new scheme are as accurate as possible. But it does have some concerns about the application of the formula in successive years if TPI continues to rise as significantly as in recent years, or fluctuates up and down from one year to the next.
- 51) The Department has found some comfort in the fact that the prediction is for future TPI to slow and then reduce significantly within the next few years. Nevertheless, the Department is still very concerned about the effect that TPI percentage changes will have on the formula and, as a direct consequence, on rent levels.
- 52) The Department has, therefore, examined in some depth the feasibility of inserting into the formula some form of smoothing process to mitigate the effects of extraordinary annual changes. Mathematically such processes inevitably depend on the accuracy of future predictions over a number of years and this, coupled with the tendency of the construction sector to expand and contract somewhat unpredictably, has caused the Department to conclude that trying to second guess future TPI rates had the potential to introduce inaccurate estimates into what otherwise is a factually based formula. Accordingly, the Department has concluded that the best process of increasing Reinstatement Valuations is to:
  - Apply the most recent and accurately computed TPI factors for the years prior to any rent calculation;
  - To include, should it prove necessary, an estimate of the TPI factor for any single year immediately prior to any rent calculation; and most importantly,

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<sup>2</sup> It is estimated that the total value of the Department's housing stock, based on the original valuations reflatd, is £378M.



- To ensure that regular reviews of the reinstatement costs of the Department's stock are conducted at regular intervals not greater than 5 years.
- 53) As a consequence of the above, the Department intends to carry out a further reinstatement valuation of all its stock in 2005. This new data will enable the Department to recalibrate the formula should this prove necessary.

**The major repair/refurbishment element of the formula**

- 54) One of the most common issues raised by tenants focused on the issue of charging substantially increased rents for properties that required varying degrees of renovation. Tenants argued that if two properties were of identical size and reinstatement value, but of very different standard internally, then it was unfair if they were charged the same rent.
- 55) Tenants, therefore, argued for a discount to apply to non-renovated properties.
- 56) The Department has carefully considered this matter, but has decided that it cannot recommend the introduction of discounted rents based on the condition of a property for the following reasons:
- It adds administrative complexity that contradicts the principles of establishing a clear and simple system for rent setting based on reinstatement values, with rebates based on financial and household circumstances. Applying discounts to certain properties makes the system less, not more, transparent.
  - The Department considers that not only will it be very difficult to determine the actual discounts to be applied to an individual property, but it will also be potentially overwhelmed by tenants requesting that their property falls within the discounted category. The time that would need to be taken in justifying every decision and dealing with appeals is potentially very significant and would certainly have staffing implications.
  - Where tenants are in receipt of a rebate, they might expect a further rent reduction if their property was non-renovated. However, a condition-related discount could only apply to the Standard Rent for a property, as the rent setting process is entirely separate from rebate setting. In other words, whereas there is an argument for reducing the Standard Rent for a property on condition grounds, if the tenant was in receipt of a rent rebate, they would, in all likelihood, not benefit from the reduction. The Department is not convinced that tenants on rebate will understand or accept the reasoning why they do not get a discount for a poorer quality property. Indeed, the fact that higher earning tenants on Standard Rents would stand to benefit from condition-related discounts would be

difficult to explain to tenants on lower incomes. It could be perceived as a rebate by another name.

- Discounting the rent on housing quality grounds reduces the incentive for high earning tenants to vacate to the private sector.
- It is illogical to introduce discounted rents when the income from those rents is to be applied to the maintenance and upgrading of the Department's housing stock, including the properties awaiting renovation. It will simply mean that the Authority will have an increased reliance upon annual capital allocations to the States Houses Fund. It is, therefore, in the interests of all tenants to pay the true costs of their tenancy when they have the ability to do so.
- While tenants may pay a Standard Rent for a lower quality property, they have an assurance that the Department will, albeit over an extended period of time, renovate and upgrade all States' properties.<sup>3</sup> If they transfer to another States' property it will, almost certainly, have been upgraded prior to occupation.

For all the above reasons, the Department does not recommend the introduction of condition-related rental discounts.

#### **Collection of rents over 52 weeks**

- 57) For many years the Department has physically collected rents over 50 weeks of the year. However, this is illusory as tenants actually pay over 52 weeks, with the rent for every week being increased by a factor of 1.04 so that during the course of 50 weeks the tenant pays 52 weeks' rent (Example  $52 \times £100 = £5,200$  and  $50 \times £104 = £5,200$ ).
- 58) The weeks not charged occur at Christmas and the above practice has given rise to the belief by many that tenants receive 2 rent free weeks when in fact tenants pay for these weeks during the rest of the year. The rationale behind the "no charge" weeks is that some tenants, especially those with limited resources, will need to purchase Christmas gifts and other Christmas fare, which will impact upon their ability to pay their rent. This can, in turn, lead to the build up of arrears. Experience has shown that the "no charge" weeks reduce the level and incidence of arrears to some degree.
- 59) However, in the case of new tenants there is a real element of a rent-free period, because a tenant who commences their tenancy in July will only contribute towards one of the two "no charge" weeks in December. Taking matters to the

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<sup>3</sup> For example, the Department has taken steps under its major refurbishment programme – the "Partnering Scheme" – to rectify this, and overall expenditure for 2004 is expected to reach £5.5M. Expressed as an average over all the Department's stock this represents very nearly £2,500 for each unit.

extreme, a tenant who is housed in December will pay rent for two weeks and then have two “rent-free” weeks.

- 60) Similarly, a tenant who leaves their tenancy prior to the end of the year might reasonably expect a refund of the additional contribution they have made during the course of the year. At the moment such refunds are extremely rare, but with significantly higher rents this is unlikely to be the case. A tenant who pays a standard rent and vacates their tenancy in November may expect a refund of several hundred pounds.
- 61) The Department holds mixed views on collecting rents over 50 weeks because while it does provide a rent break over an expensive period, the policy actually increases rent payments during the rest of the year. Whilst rents have been set at an artificially low level this was probably acceptable and will probably remain the case where a tenant will receive a substantial rebate. However, where a tenant will pay a new Standard Rent of say £150 per week the “no charge” weeks would add a further £6 to the weekly payment.
- 62) A further complication is that those tenants in receipt of Supplementary Benefit actually receive 52 separate weekly payments that have been reduced by Social Security to take into account the Housing Department’s “no charge” policy. Despite the 52 week allowance paid by Social Security these tenants are still charged rental by the Housing Department as though they were paying rent over 50 weeks. Presuming that these tenants pay their rent regularly then they are able to retain the extra 2 payments from Social Security; alternatively, if they are in arrears, they can pay the extra payments to Housing. Whatever the situation, the arrangement is far from easy to understand from a tenant’s point of view and somewhat contrary to the spirit of the 50 week rent year, especially bearing in mind the fact that the “no charge” rationale is specifically aimed at the least well-off.
- 63) The Department has, therefore, considered carefully the points raised above and has decided to recommend that the practice of collecting rents over 50 weeks of the year should be discontinued, and that rent collection should be over 52 weeks of the year. In reaching this conclusion, the Department has taken note of the fact that the Guernsey Housing Association has decided for similar reasons as those detailed above not to implement a “no charge” period, which has administrative implications for the Department as it will be dealing with rent rebate applications for the majority of the Association’s tenants.

**How do rents calculated by the above formula compare with existing rental levels?**

- 64) Due to the fact that the current process of rent setting differs fundamentally from that proposed, it is not possible to produce direct comparisons between overall classes of properties. However, typical examples of individual properties are compared in the table below.

**Table 1 A comparison of current and proposed rents**

Comparisons of typical current and proposed weekly rental charges (exclusive of water and occupiers' rates)

<b>1 Bedroom Property</b>	Example "A" (345 units)	Example "B" (122 units)
Typical Current Rental	<b>£55.62/£82.87</b>	<b>£70.94/£77.14</b>
Proposed Rental	<b>£82.99</b> (+ 20% on average)	<b>£102.18</b> (+38% on average)
<b>2 Bedroom Property</b>	Example "A" (167 units)	Example "B" (91 units)
Typical Current Rental	<b>£64.82/£75.02</b>	<b>£64.82/£85.32</b>
Proposed Rental	<b>£106.73</b> (+53% on average)	<b>£125.67</b> (+67% on average)
<b>3 Bedroom Property</b>	Example "A" (217 units)	Example "B" (537 units)
Typical Current Rental	<b>£77.78/£85.97</b>	<b>£73.74/£85.97</b>
Proposed Rental	<b>£130.83</b> (+60% on average)	<b>£137.02</b> (+72% on average)
<b>4 Bedroom Property</b>	Example "A" (34 units)	Example "B" (18 units)
Typical Current Rental	<b>£82.03/£95.90</b>	<b>£82.03/£86.70</b>
Proposed Rental	<b>£149.49</b> (+68% on average)	<b>£196.79</b> (+133% on average)

65) It is immediately apparent from Table 1 that:

- Under the current rental structure there is very little differentiation between the rental of a one bed-roomed unit and that of a much larger four bed-roomed property. Indeed, in some instances the rental of the larger unit is actually lower than the smaller unit. The proposed rents introduce a far higher degree of differentiation;
- The smaller percentage increases in rental charge apply to the lower rental properties, in some instances to the extent that the rental charge will go down;
- The largest percentage increases will, in most cases, apply to the larger properties, in particular the 4 bedded units. However, the number of units

affected by these large increases is in fact very small and represents just 2.5% of the Department's stock;

- The 3 bedded units will generally have rental increases in the region of 65% and, as these form over 50% of the Department's stock, this will be the increase most commonly associated with the rent proposals.
- 66) Quite clearly the Department does not expect tenants to meet such increases in one year, and transitional arrangements are proposed as part of the rent and rebate package. (These arrangements are explained in detail in the rebate section of this policy letters – see paragraphs 138 - 150.)
  - 67) The Department is also acutely aware that raising its rental charges by such percentages is bound to give rise to criticism that such a policy will be inflationary, and particularly so with regard to the levels of rent charged in the private sector.
  - 68) The Department has considered this issue and is confident that this will not be the case for the following reasons.
  - 69) Rental charges for properties of a similar size and type in the private sector are generally considerably more than those proposed by the Department in this report. For example, a 3 bed-roomed private property would typically be rented for around £1,100 a month, whereas the proposed average charge for a similar Department unit will be in the region of £650 a month (as opposed to the current charge of £340 per month).
  - 70) In this example, the proposed Department rental charge is thus just under 60% of the private sector rent, (which is considerably lower than the target figure of 95% of private rents set by the Housing Authority and agreed by the States in 1988/9).
  - 71) The Department also believes that claims that the Department will encourage private landlords to increase their rents by similar percentages are ill-founded. The Department can find no evidence to support such arguments; indeed, the Economic Study of the Guernsey Housing Market conducted by LECG in 2002<sup>4</sup>, found that increases in private sector rental levels had greatly outstripped increases in States' rental levels over the previous decade, when annual increases in States' rents were based on RPI.
  - 72) The Department also takes the view that by setting rents using a transparent formula it is setting a standard that other landlords might choose to emulate.
  - 73) Furthermore, the Department has no intention of increasing rents in one year, while the rent rebate scheme will substantially reduce the effects of any

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<sup>4</sup> Published as an appendix to the policy letter on " The Development of a Housing Strategy and Corporate Housing Programme" (Billet d'Etat II – February 2003) .

increased rents for the majority of tenants – a benefit not afforded to private sector tenants. Transitional arrangements will apply for 3 years and every tenant will be eligible to apply for a rebate from the commencement of the new scheme.

- 74) As explained in more detail below, this means that no tenant (other than those tenants who are reassessed under the normal rules due to a change in circumstances) will be expected to pay more than an extra £20 per week in the first year and most will pay significantly less than this. Furthermore, those tenants on low incomes will in some cases see their rent actually reduce. Therefore for the low paid the proposals might be regarded as anti-inflationary.

**In general terms what will be the effect of these very significant increases in rental levels?**

- 75) The proposals will affect different tenants in different ways, depending upon their financial and household circumstances:
- Virtually every tenant who is already in receipt of a rebate will continue to have their rent rebated so that the amount that they are required to pay will not generally increase; in some instances the level of the rebate may actually increase, i.e. the rental charge to the tenant will reduce;
  - Tenants who currently pay Standard Rents will have the opportunity to apply for a rebate so that they pay a rent commensurate with their income. (In other words, by charging more realistic rents more tenants will be drawn into the rebate net.)
  - A minority of tenants with higher levels of income will be able to pay the new Standard Rents;
  - Unless specifically excluded, for the reasons set out in paragraph 150, the effect of the increases will be brought in over a period of 3 years by the use of transitional arrangements.
- 76) However, the overall effect of the proposals can only be completely appreciated when considered in conjunction with the rebate proposals which are covered in the next section of this Report.

**The Rent Rebate Scheme**

- 77) The Housing Authority introduced the Rent Rebate Scheme in 1972 and, although it has been subject to relatively minor change since that date, in essence the scheme is very much as it was originally designed.

- 78) The scheme is based on the rationale that no tenant should pay a level of rent greater than they can reasonably afford and, in particular, the scheme should assist:
- Elderly tenants on limited incomes;
  - Those tenants in receipt of Social Security benefits;
  - Tenants employed in the lower paid industries;
  - Those tenants with large families; and especially,
  - Tenants on low income with large families.
- 79) The Department believes that the current scheme generally provides for the needs of the above groups of tenants. However, with the application of significantly higher rents, the Department is particularly keen to ensure that the Rent Rebate Scheme continues to provide a level of protection, not only for those tenants already identified as being unable to pay Standard Rents, but also for those tenants who will experience hardship if they are required to pay the proposed new increased rents.
- 80) Furthermore, based on its staff's long experience of operating the current scheme, the Department has identified some modifications that are necessary to ensure that the scheme continues to meet its objectives. These modifications have in some areas been developed in conjunction with the Social Security Department and take into account the position of persons in receipt of Social Security benefits, or those tenants with incomes similar to benefit levels.
- 81) The changes are also designed to ensure that those tenants who are among the groups of people identified in the Survey of Guernsey Living Standards (The "Poverty Survey") as most likely to be in relative poverty - single pensioners and single parents – receive appropriate protection via the Rebate Scheme. The changes can thus be viewed as a response, in part, to the findings of that Report.
- 82) The rules of the current Rent and Rebate Scheme are set out in detail in Appendix 2. These rules might be summarised as follows:
- All income is taken into account as a resource other than that specifically disregarded;
  - Family Allowance and Attendance Allowance, together with some war pensions, are wholly disregarded;
  - A weekly assessment allowance is made for each dependent child residing in the home of the tenant;



- A special allowance is applied to the earnings of single parents;
- Variable assessment criteria are applied to the level of income declared;
- The minimum proportion of income to be taken into account as available for the payment of rent is  $1/7^{\text{th}}$  (approximately 14%);
- The maximum proportion of income to be taken into account as available for the payment of rent is  $1/4^{\text{th}}$  (25%);
- Assessment charges are made in respect of non-dependents residing in the home of the tenant;
- Capital sums are generally disregarded, but the income derived from the capital is taken into account as a resource;
- Tenants with weekly income above a particular threshold (currently £431.00 per week) are not eligible to apply for a rebate;
- Tenants with an income above a particular threshold (currently £651.00 per week) are subject to rent surcharges.

### **The assessment of income**

- 83) As is stated in the previous paragraph, with the exception of certain forms of income, all income is taken into account as an assessable resource. When the Department sought tenants' views in 2003 it was the proposed policy of assessing all income that resulted in the most adverse comment.
- 84) A significant number of tenants believe that when assessing a tenant's ability to pay rent only basic pay or net pay should be taken into account. The arguments presented in support of these views are thus:
- Basic pay only should be taken into account because to do otherwise discourages tenants from improving their circumstances (e.g. by working overtime) due to the fact that because rent assessments are income-related, the Housing Department will seek extra rental, in addition to the increased deductions required for Tax and Social Security purposes. After these deductions, only around half of the original overtime payment is left and this is insufficient recompense to encourage additional effort in the first place;
  - All assessments should only be carried out on net pay, i.e. only after Income Tax and Social Security deductions have been deducted from gross earnings. Tenants believed that to assess on gross income is in effect to tax a tenant twice on the same income; and,



- Taking into account overtime and bonuses discourages saving and provides no incentive for States' tenants to seek alternative accommodation in the private sector.
- 85) The Department has considered these viewpoints extremely carefully and accepts that the proposed policy might appear somewhat unfair in some instances. However, the Department, whilst sympathetic to the views of tenants, has concluded that to assess income in a manner found acceptable by tenants is to ignore certain significant and very relevant facts:
- States' rents, despite the levels of increase proposed, are still only around 60/70% of those charged in the private sector for units of accommodation of a similar size;
  - Tenants in the private sector have no access to a mechanism requiring their landlord to adjust their rent according to their means, and are expected to pay the gross rent irrespective of what they pay to the Income Tax and Social Security Departments;
  - The fact that all States' tenants are able to apply for a rebate means that a tenant will only pay the Standard Rent of their property when their circumstances are such that the rent is equal to one quarter of their gross income or less. Given that many home owners and private tenants commonly pay a third of their income for their accommodation (and up to half of their income in some cases) means that most States' tenants are further substantially advantaged when compared with other householders;
  - The allowances granted in respect of dependents and childcare charges, combined with the rates of assessment for those tenants on low incomes, means that some tenants will pay less than even the lowest rate of assessment. In other words, they will pay less than 14% of their gross income as a contribution towards their rent. This is a fraction of what other householders expect to pay;
  - To enable tenants to retain overtime and bonuses provides no guarantee that that money will be put aside as a deposit for a house. Indeed, not to collect rental income due will place a greater burden on all taxpayers, as the States will need to increase the capital injections to the States Houses Fund accordingly, to meet the Department's maintenance liabilities etc.
- 86) **The Department therefore believes that to assess a tenant on their income net of such payments as overtime, bonuses and other enhancements, and to ignore payments to Income Tax and Social Security (payments that are made by private householders), would be to advantage States' tenants to such an extent that householders in the private sector could rightfully**

**object to the level of rents charged by the Department; objections that the Department believes are already commonplace.**

- 87) The above does not mean that some States' tenants will be asked to pay rents at a rate less than they can afford, but that the level of rents charged, when combined with the effects of the Rebate Scheme, will ensure that no tenant pays more than they can reasonably afford. To accept the arguments put forward by tenants would be to upset this balance.
- 88) **Consequently as has already been stated, the Department has concluded very firmly that the practice of assessing tenants on their gross income should continue.**

#### **Disregard of certain forms of income**

- 89) As noted above, the current Rebate Scheme disregards Family Allowance and Attendance Allowance paid by the Social Security Department, as well as certain forms of pensions associated with serving in Her Majesty's Armed Forces.
- 90) The Department recognises the importance of disregarding these forms of income and recommends that the revised Rebate Scheme should continue to do so.

#### **Allowances in respect of dependent children**

- 91) The current Rebate Scheme includes an assessment allowance for each dependent child in the full-time care of a tenant. This allowance is deducted from the assessed rent payable. The current allowance is £3.31 per dependent child per week. So, for example, if a tenant with three dependent children is assessed as being able to pay a rebated rent of £60.00 a week this will be reduced to £50.07 after taking into account the child allowance ( $-\text{£}3.31 \times 3$ ).
- 92) The assessment allowance is based on the simple rationale that those tenants with dependent children have less income available for the payment of rent than those tenants whose children are no longer dependent or have left the family home completely.
- 93) However, apart from the simple rationale mentioned above, no measures have ever been taken to establish the true value of the child assessment allowance or, indeed, whether it represents a reasonable deduction in relation to the cost of raising children.
- 94) Furthermore, since the assessment allowance was originally set at £1.00 per child in 1971 and the increase in the Retail Prices Index since that date is around 1000% this would indicate, given that all things were equal, that the child assessment allowance should now be set at around £10.00 per week. Quite

clearly if the allowance was set at that level some tenants with 3 or 4 children would pay very little rent despite earnings of £350 per week.

- 95) The Department recognises that the scenario whereby tenants (on levels of income well above benefit levels and with dependent children) could possibly pay very little rent, or no rent at all, is wholly unacceptable, but it also recognises a need to establish a rationale that goes beyond that described in paragraph 92.
- 96) In determining the rationale and any rate of child assessment allowance that should apply, the Department was mindful of a number of issues:
  - The Department disregards any income received in the form of Family Allowance paid by the Social Security Department;
  - The Housing Department is not mandated to provide assessment allowances that reflect the actual cost of raising children;
  - The Social Security Department provides general assistance in the form of Family Allowance in respect of all dependent children, and additional specific allowances in respect of the dependent children of persons in receipt of Supplementary Benefit and Public Assistance.
- 97) Nevertheless, in the absence of a general system of child allowances or Family Tax Credits, the Department considers it its duty, in response to the Poverty Survey, to ensure that families on low incomes have sufficient disposable income, after the payment of their rent, to support their families without causing hardship.
- 98) The Department has thus concluded that to avoid hardship, in particular in respect of the low paid, it is necessary to continue the practice of granting a child assessment allowance (which is a form of income disregard) in addition to disregarding the real cash allowances disbursed by the Social Security Department.
- 99) The major difficulty that confronted the Department in setting a reasonable allowance is that there is no reliable data available locally by which to gauge what “reasonable” could or should be. The Social Security Department sets requirement rates for dependent children as part of its Supplementary Benefit Scheme, but these are rates designed to provide for the whole time care of a dependent child. Furthermore, it is known that Social Security is examining its own rates to gauge how accurately they reflect the true cost of supporting a child.
- 100) What is known is that the “Poverty Survey” found that the Department’s tenants were amongst the least well-off in the community and the most likely to be deprived of sufficient income to provide the basic necessities of life. As a result,

the Department proposes that the current rate of child assessment allowance should be increased from £3.31 to £5.00. In addition, the Department will continue to disregard Family Allowances granted by the Social Security Department. (In pure assessment terms the joint effect of granting a £5 allowance against rent payable and disregarding Family Allowance is the same as disregarding approximately £25 of gross income per week per child.)

- 101) The cost of this proposal in relation to rental income foregone is £146,000 in a full year.

### **Childcare allowances**

- 102) Following on from the above, the current Rebate Scheme does not include provision for childcare costs associated with employment, but it does make an allowance to all employed single parents that is offset against gross earnings. Although the specific purpose of the allowance is unclear, it may be safely presumed that the original intention was to assist with the cost of providing childcare while the single parent went out to work. Examination of different cases has revealed that application of this rule can result in two parent families paying larger rents when they are on the same level of income as a single parent. This is anomalous and was never the intention of the allowance. The allowance in its present format should therefore be discontinued. Nevertheless, the Department does not wish to discourage single parents or any of its tenants from seeking employment.
- 103) The Department, therefore, proposes that the Single Parent Allowance be revoked, to be replaced by a Child Care Expenses Allowance granted to all tenants who can demonstrate that they have incurred legitimate child care costs and that these costs are directly related to employment. For assessment purposes the allowance will be offset against gross income.
- 104) Childcare costs vary dependent upon the age of the child, the type of childcare provided, and the number of hours the child is cared for. In some circumstances, the nursery or child minder will have to be registered with the Health and Social Services Department so validation of these expenses will not prove difficult. However, a child may be cared for by an unregistered carer in its own home, or a close relative of the tenant might care for the child outside of the child's home without that relative being registered. In such instances, validation of the actual payment made to the carer will be extremely difficult because a close relative will usually provide the care. There is obviously the potential to convert a casual arrangement into something more formal when a rebate is applied for, with a consequent cost to the Department.
- 105) In light of the above, the Department proposes that:
- In cases where the tenant can produce verifiable evidence of childcare expenses from a registered child minder, the expenses will be deducted

from the tenant's gross earnings so that only earnings net of child minding costs will be used in the assessment of a rebate;

- Where a tenant employs a child minder that is not registered with the Health and Social Services Department, an hourly rate will be applied based on the number of hours worked by the tenant or their partner;
  - The allowance to be applied in the case of unregistered child minders should be £2.50 per hour, and should be applied at that rate irrespective of the number of children cared for by the relative or friend.
  - Allowances in respect of registered or unregistered childcare will not be applied in respect of children over the age of 14.
- 106) It is not possible to estimate the costs of these proposals, but a considerable number of tenants may be eligible to receive these allowances.
- 107) Finally, the Housing Department is aware that the provision of assistance with childcare costs is being examined by the Health and Social Services Department, although no firm recommendations are as yet available. Given that, at some future date, an Island-wide scheme comes into operation, the Housing Department will review the Rebate Scheme appropriately.

#### **Income assessment and rates of assessment**

- 108) The current Rebate Scheme assesses income in the following manner:
- Unless otherwise stipulated, a tenant's income from all sources together with that of their partner (if they have one) is aggregated, and is subject to assessment by application of a variable element dependent on the level of income declared;
  - The sum derived from the application of the variable element is taken to be the basic amount available for the payment of rent. All allowances and charges are applied to the basic figure.
- 109) The current scheme applies two different scales of variable elements dependent upon the family circumstances of the tenant so that:
- A tenant who lives completely alone is assessed using variable elements "A"; whilst
  - All other types of tenants, no matter what their circumstances, are assessed using variable elements "B".
- 110) The current assessment scales are shown in Appendix 2.

- 111) The rationale behind the two rates of assessment is that generally a person who lives alone has a larger proportion of their income available for the payment of rent than a couple, due to the latter's higher living expenses.
- 112) The method of application of the two different scales, however, does, on occasions, mean that two tenants with very similar circumstances can be assessed differently. For example an Old Age Pensioner who lives completely by herself will be assessed using scale "A" whilst her sister (also an OAP but who has her son living with her) is assessed using scale "B". Both sisters live completely independently, but due to the simplistic method of assessment are treated differently. Such anomalies are commonplace under the current system.
- 113) In light of the above, the Department proposes that a tenant's income will be assessed differently according to their household composition. There will be three classifications of tenant:
- Tenants who live by themselves (i.e. without a partner but not necessarily without a non-dependent residing within their household) will be classified as "Single Householders";
  - Tenants who live with a partner (married or unmarried) but have no dependent children will be classified as a "Couple". (This classification will include tenants that have non-dependent children and other non-related persons residing in their household.);
  - Tenants who have dependent children will be classified as a "Family". (This classification will not differentiate between one and two parent families. Some family units will also have non-dependent children and other non-related persons residing in the tenant's household.)
- 114) The second and third classifications above will use the same basic rates of assessment, except that child allowances and childcare allowances (when required) will be applied to those tenants classified as a "family"
- 115) In setting the actual rates of assessment the Housing Department has taken note of the Social Security Department's policy set out in Billet D'Etat XX of September 2002; namely, to award single pensioners increased pensions in light of the findings contained in the "Poverty Survey" regarding single pensioner poverty. **The Housing Department has set the rate of assessment to ensure that the extra pension award is not eroded by rental charges. This will mean that in many instances tenants who are single pensioners will experience rental payment reductions when their income in the years 2003 and 2004 have increased well above RPI levels. Based on the proposals contained in the Social Security Department's report on Benefit and Contribution Rates for 2005 (Billet D'Etat XIV of September 2004) this situation will continue to be true even after that department has increased its pension rates for 2005.**

- 116) In the same vein, the Housing Department has set the rates of assessment to ensure that the basic rates of Supplementary Benefit (SPB), plus any rent allowance awarded by the Social Security Department, are not eroded when the SPB benefit limitation comes into effect. **In simple terms, the rates set should avoid, as far as is possible, those situations where a beneficiary's basic allowance for living is required to be spent on rental payments.**
- 117) The proposed rates of income assessment are set out in detail in Appendix 3.

#### **Maximum Income Limit for Rebate claims**

- 118) Under the current rebate rules, if a tenant's joint gross weekly income exceeds £431.00 per week the tenant is not eligible to apply for a rebate. With the introduction of substantially higher rents, the Department proposes that this limit is removed completely, enabling all tenants to be eligible to apply for a rebate. Not to remove the limit would mean that a significant number of tenants would be required to pay rental charges outside of their means.

#### **Assessment Charges for Non-dependents**

- 119) Under the current system of assessment where a tenant accommodates another person within their household, and that person is not a dependent of the tenant, their basic rent assessment will be increased by an assessment charge based on the type of non-dependent.
- 120) The current weekly assessment charges for non-dependents are set out below:
- For each child of the householder aged 18, but under 25 years of age - £9.43
  - For each child of the householder aged 25 and over and for each lodger - £20.00
  - For each additional family - £22.42
  - For each aged parent - £4.43
- 121) The Housing Authority's 2003 "green paper" proposed that assessed contributions in respect of non-dependents should be as follows:

Person under 18	NIL
Persons over 18 but under 25	£10.00
Persons over 25	£20.00
Family charge	£25.00
Aged relative	£5.00



- 122) Following publication of the “green paper”, a significant number of tenants made it clear both verbally and in writing that they considered the level of increased dependent contributions severe in the extreme.
- 123) On the other hand, and at the same time, a number of States’ Members were at pains to point out that the amounts by which rebates were reduced in respect of non-dependents are exceptionally low, and much less than the level of contribution towards the tenant’s rental that could be expected of working members of the household.
- 124) The Department has considered this particular issue very carefully and, during the course of its deliberations, it has taken into account the following facts:
- The Standard Rent of a property takes no account of the numbers of persons that occupy it or the circumstances of those persons;
  - Additional assessed contributions in respect of non-dependents will never be applied over the Standard Rent of a property, i.e. the maximum rent a tenant will pay cannot exceed the Standard Rent, even if the rent assessment indicates that a higher rent could be afforded.
  - The Supplementary Benefit Law makes specific provision for cash contributions towards rental payments by non-householders (non-dependents) at a level above that previously set by the Housing Authority and, in some instances, above that recommended in the green paper;
  - The same Law also provides that the award of a rent allowance to a householder is subject to the circumstances existing within a claimant’s household to such an extent that a claimant’s rent allowance can be halved or reduced by even greater proportions depending on the number of non-dependents or other persons residing in the claimant’s household. (In effect, Social Security’s assessment rules can require non-dependents to make contributions towards rental charges at a rate far higher than those that will be proposed by the Department.);
  - The Rent Rebate Scheme is a mechanism that provides relief from meeting Standard Rent payments and assessed, theoretical, contributions in respect of non-dependents are part of that scheme of relief. In other words, a tenant with a rebate that includes an element in respect of a non-dependent is still being charged a rent that is less than the Standard Rent of their particular property;
  - Actual board and lodging payments made by a non-dependent to a tenant are wholly disregarded no matter at what level these are made;



- Tenants in the private sector will be expected to pay the rent irrespective of their age and income and, indeed, the income or circumstances of anybody else who lives in their household. Generally speaking where more than one adult shares accommodation everybody clubs together to pay the rent and an individual's share is based on an equal share of the rent as opposed to a contribution. For example, where two adults share a flat the rental of which is £100 per week both will generally pay £50 per week and not one £70 and the other £30.

- 125) Taking all of the above into account, the Department proposes a scale of assessed contributions towards rental charges in respect of non-dependents that uses as its base element the current maximum allowance that can be granted to a non-householder under the Supplementary Benefit Law. This Law provides that the Department's Chief Officer may make an allowance of up to £15 a week for a beneficiary who lives in the household of another person.
- 126) The Housing Department has concluded that if a person in receipt of benefit can make a contribution of £15 per week towards the rent of the property they live in, then it is not unreasonable to use this as a guide in setting rental contributions for those non-dependents in States' accommodation who are employed and earning amounts many times higher than benefit rates.
- 127) Having applied the above rationale to the circumstances that commonly exist in its tenancies, the Department proposes that where a tenant in receipt of a rebate accommodates a non-dependent, the basic rebate assessment rates be increased in respect of that non-dependent person by the following amounts:

A person under the age of 18 in full time education	Nil
A person over 18 but under 21 years of age	£15.00
A person or family in receipt of a benefit of any kind	£15.00
An employed single parent	£15.00
A single Old Age Pensioner	£15.00
An employed person over the age of 21	£30.00
A couple over the age of 65	£30.00
An employed couple both under the age of 65	£60.00
A family with dependent children	£45.00

- 128) It is acknowledged that the above contribution rates are a significant increase on those proposed in the "green paper"; however, the Department believes that because the scale of contributions utilises as its base an allowance that is already accepted as reasonable the charges themselves are both well-founded and reasonable.
- 129) Nevertheless, the Department recommends one exception to the above scale of contributions; and that relates to a non-dependent with an income of less than £200 per week. The point has been made, and accepted by the Department, that persons over the age of 21 who, for whatever reason, have a low earning

capacity might find it difficult to contribute £30 per week. The Department, therefore, proposes that where a tenant can verify such low earnings, the Department will only apply a contribution in respect of the non-householder at the rate of 15% of their gross earnings; the minimum contribution to be made in such cases being £15 per week.

### **Treatment of Capital**

- 130) Very few tenants have capital resources of any note, and those that have accumulated moderate savings may have done so over many years. The Department has no wish to erode a tenant's life savings and, therefore, proposes that all capital sums and any income derived therefrom are disregarded for the purpose of rent rebate assessment.
- 131) The Department will, however, review applications for a rebate – and, for that matter, continued occupancy of a States' House - where there is evidence that the tenant has been the subject of a capital “windfall” – particularly where this relates to a share of an inherited property.

### **Summary of proposed rebate rules**

- 132) Taking account of the foregoing Appendix 3 sets out the new proposed rules of the Rent Rebate Scheme in detail.

### **Application of the combined Rent and Rebate Proposals**

- 133) The effects of applying the revised rebate rules are set out in Appendix 4, which sets out some simple assessment examples of tenants with varying family circumstances and levels of income. In these examples it will be noted that tenants with lower levels of income will generally experience a reduction in their current rental charge, but those tenants with higher levels of income, particularly above £500 per week, will generally experience increases; and, in some cases, these increases will be significant.
- 134) However, testing the new proposals against simple theoretical circumstances is a crude method of assessing the overall effect of combining significant rental increases with enhanced rebate factors. The Department has, therefore, applied the proposed level of rental increases and rebate changes to all those tenants whose circumstances are accurately known. **In this respect the Department would like to thank those tenants who have provided details of their financial circumstances specifically for the purpose of testing these proposals.** The data used by the Department includes:
  - Every tenant who is currently in receipt of a rebate (over 1,053);
  - Those tenants who have submitted applications but who were subsequently found not to qualify for a rebate (218);

- All those tenants currently paying the Standard Rent for their tenancy who have provided information for testing the proposals (328); and
  - All those tenants who pay a surcharged rent (50).
- 135) The Department is, therefore, aware of the precise circumstances of 1,649 of its tenants or about 83%. In relation to the remaining 349 tenants, the Department has reviewed their most recent reported financial circumstances and applied a best estimate as to their current financial position.
- 136) The Department is, therefore, satisfied that the database to which it has applied its proposals has enabled it to forecast with a very high degree of accuracy the effects of applying its proposals to its existing tenants.
- 137) **The findings of the data can be summed up as follows:**
- **Increases in gross Standard Rents are in the region of 73% across all units of the Department's accommodation;**
  - **55% of tenants (1,095) will benefit from a reduction in the actual rent they pay (i.e. after application of a rebate, where appropriate) due to the improved rebate factors;**
  - **45% of all tenants (903) will experience increases in the actual rent they pay, due to either the level of their income or the fact that their household includes non-dependents, or both these factors;**
  - **15% of all tenants (294) will be assessed as being able to afford the new Standard Rents;**
  - **Those tenants most likely to experience no change or a reduction in their rental charge are families on low incomes and pensioners, particularly single pensioners (see Appendix 4);**
  - **Those tenants most likely to experience an increase in their rent will be:**
    - **employed couples who have no dependents;**
    - **families with high incomes; and**
    - **tenants with non-dependents living with them.**
  - **Some tenants will experience increases because charges for non-dependents and additional families, currently abated by the low Standard Rents, will be added to the rental based on the tenant's**

**income. For many these charges will become effective for the first time since 1971.**

### **Transitional Arrangements**

- 138) Under the Department's proposals, the maximum gross rental reduction would be **£18.28** per week, whilst the maximum gross rental increase would be **£119.89** per week. However, these are the extremes, and more than half of all tenants would experience a gross rental increase between **£40** and **£60** per week, were these proposals to be introduced immediately.
- 139) **It must be stressed, however, that only a small proportion of tenants will see rental increases of the size described above translate into an actual increase in their rent payable, because the majority of tenants will become eligible for a rebate.**
- 140) As noted above, 55% of existing tenants would experience a rent reduction despite the introduction of substantially higher standard rents. In these circumstances, the new rents would take immediate effect upon the implementation of the new scheme.
- 141) 45% of existing tenants would, however, experience an increase in rent payable, either through an ability to pay the new Standard Rent or after application of a rent rebate. These increases vary in magnitude as shown in the figures below.

<b>Reductions in Rental Charge</b>	<b>Percentage of tenants</b>
	(Numbers of tenants in brackets)
£0.00 to £5.00	28 (555)
£5.00 to £10.00	10 (200)
£10.00 to £20.00	10 (200)
£20.00 to £40.00	4 (80)
£40.00 to £60.00	2 (40)
£60.00 or greater	1 (20)
<b>Increases in Rental Charge</b>	<b>Percentage of tenants</b>
	(Numbers of tenants in brackets)
£0.00 to £5.00	4 (80)
£5.00 to £10.00	4 (80)
£10.00 to £20.00	9 (180)
£20.00 to £40.00	11 (223)
£40.00 to £60.00	14 (280)
£60.00 or greater	3 (60)

- 142) The Department is sensitive to the fact that, for those tenants who will experience significant increases in rent, the prospect of financing such large increases would be difficult, and could be traumatic if the increase was to be applied with immediate effect. Indeed, the Department realises that it may not be

possible, even for tenants on above average earnings, to rearrange their finances from one week to the next without hardship being caused. Tenants experiencing large increases in their rent will thus need time to readjust their finances to pay the new rents. The Department, therefore, proposes, as it did at the time of the “green paper”, that transitional arrangements should be put in place that spread the rental increase over a defined period of time.

- 143) Transitional arrangements have, therefore, been designed so that tenants will progress by annual steps from their current rent level to the adjusted new rent levels applicable. At the end of the transitional period they will be paying either the assessed rent for the property, or the Standard Rent of their property dependent upon their means.
- 144) The Department proposes that transitional arrangements should apply for a maximum of three years. However, the full three-year period of transition would only apply to those tenants who would experience the largest increases in rent, the majority of tenants having reached the full assessed rents for their properties in a shorter time period under the proposals set out below.
- 145) The amount of the annual transitional increase set out in the following paragraph will only apply if the proposed rental calculated by the formula exceeds the current rental charged plus the transitional increases proposed for each year. **In other words transitional arrangements will not apply where a tenant has enjoyed a change in their circumstances that would ordinarily result in an immediate increase in their assessed rent payable – no matter what the size of that assessed rental increase. (See Paragraph 148.)**
- 146) The proposed rules of transition are quite complex to ensure that all tenants are treated fairly and equitably. There are at least 10 identifiable sets of circumstances where the rules of transition will apply in slightly different ways. However, the vast majority of tenants will only be subject to the three basic rules of transition that are set out below:
  - In the **first** year of transition the current Standard Rent for all tenancies would be increased by a maximum of **£20 per week** from the date the scheme comes into operation, (which includes a factor to take account of the fact that rents will not have been increased since May 2003, i.e. for two years). This will mean that those tenants who pay the current Standard Rent will experience an increase in their rent in the first year the scheme comes into effect no greater than £20 no matter what their circumstances.
  - In the **second** year of transition the Standard Rent for all tenancies would be increased by a further sum of **£20 per week**, together with any annual increase in respect of the second year.<sup>5</sup>

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<sup>5</sup> As referred to below, the Department is recommending that it has the power to set annual rental increases by Order rather than by reference to the States.

- In the **third** and final year of transition **the full new Standard Rent**, plus annual increases for years two and three, will be payable.
- 147) It should be noted, however, that tenants in receipt of a rebate are unlikely to notice any change in their rental charge unless their circumstances change. Where a rebated tenant does enjoy financially improved circumstances their rebated rent might increase by more than £20 but will never exceed the first year's limit of the existing Standard Rent + £20. (See Appendix 5, Example 2.)
- 148) The gradual implementation of phased rental increases via the transitional arrangements set out above will alleviate any hardship that may be felt through the immediate full implementation of new rents. Moreover, it is important to note that it has been ascertained that the majority of tenants will effectively be paying their new rents before the end of the three year transitional period because their circumstances make them eligible for a rebate at some point during this period. (Examples of how the transitional arrangements apply are shown in Appendix 5.)
- 149) In the “green paper” it was proposed that tenants who are currently paying a surcharged rent should not be subject to the transitional arrangements because these tenants were already accustomed to paying a high rent and, therefore, the question of possible hardship did not arise. Application of the proposals to the test data has, however, revealed that, in certain instances, some of these tenants will also experience considerable increases in their rental charge. The Department, therefore, proposes that surcharged tenants should also be permitted to undergo transition in cases where their current surcharged rental is increased by sums that exceed the annual transitional amounts.
- 150) There is, however, one group of tenants that the Department proposes should have the new Standard Rents applied without the benefits of transition, and this is people who become States’ tenants after the inception of the new Scheme. Almost without exception new tenants will be eligible to apply for a rent rebate from the outset of their tenancy. The full Standard Rent for their property will thus be immaterial, as the Rent Rebate Scheme will ensure that the actual rent paid is within their means.

#### **Surcharges (income related rents)**

- 151) In 1992, the States approved the introduction of income related rents (surcharges) to encourage tenants with incomes above those normally associated with persons residing in States’ accommodation to consider alternative forms of accommodation in the private sector.
- 152) The surcharge arrangements ignore the Standard Rent applicable to a unit of accommodation. Instead, the Department charges a rent that is a proportion of the tenant’s income (together with that of their spouse or partner should they have one). At the lower end of the surcharge scale tenants are charged 1/6 of



gross joint income, whilst the maximum proportion charged is 1/4 of joint gross income. The scheme is purely based on the income of the tenant and their spouse or partner, and makes no allowance in respect of dependent children or non-dependents in the tenant's household. Of the additional rent collected, 95% is refundable if the tenant vacates States' accommodation within 5 years of the date the surcharged rent was collected. Rent collected more than 5 years before the date of vacation is non-refundable.

- 153) The scheme has, over the last 14 years, had limited direct effect; for example, since 1998 only 48 tenants whose rent has been surcharged at some point have vacated their tenancies and claimed a refund in that period. However, the Department does not know how many other tenants have vacated their tenancies during this period in order to avoid having their rent surcharged. Certainly there is a belief that in the first few years rents were surcharged, significant numbers of tenants left States' accommodation for this reason. However, as the differential between States' and private sector rents has increased and house prices have escalated, so the effectiveness of the surcharge scheme in encouraging tenants to move to the private sector has waned.
- 154) As at June 2004, 50 tenants were surcharged. Other than a handful of cases, the Department is doubtful that their circumstances would permit an immediate move to the private sector either to rent or to purchase. Consequently, for these tenants the surcharge is more of a financial penalty than an inducement to vacate their tenancy. Indeed, it may be cheaper for the tenant to pay the surcharge than to move to the private sector, where rents are generally higher, where there is no rent rebate scheme, and where accommodation may be of a poorer standard.
- 155) In the "green paper" the Authority concluded that the Surcharge Scheme should cease when the effects of the new rental charges took full effect: the implication being that the Surcharge Scheme should continue to function for a further 3 years. The Department has reviewed this conclusion in light of the fact that combining the increased level of rents with the abandonment of a rebate application limit and generally higher rates of basic assessment makes any question of retaining the scheme, even in part, highly impractical if not impossible. (It is possible to be assessed under the Rent Rebate Scheme rules at a rental rate higher than if the rules of the Surcharge Scheme were applied. This does not mean that the Rebate Scheme is inadequate simply that such anomalies occur when two different schemes of assessment are overlapped for the first time.)
- 156) Furthermore, it would be impractical to consider applying a surcharged rent in addition to the proposed new rents because, in the majority of cases, the difference between the two would be nominal and certainly not sufficient to act as an incentive for tenants to seek accommodation in the private sector.
- 157) The Department, therefore, recommends that the Surcharge Scheme is revoked at the time the new Rent and Rebate Scheme comes in effect.

- 158) The Department is not concerned that the abolition of the Surcharge Scheme will have an adverse effect on tenants seeking accommodation in the private sector because tenants will have more encouragement to move to the private sector as the disparity in rents payable will be less dramatic. Furthermore, whereas only 50 tenants were surcharged in 2004, under the Department's proposals it is estimated that just under 300 tenants will be charged the new Standard Rents which, in many cases, would be little different to the present surcharged rents.
- 159) A further factor in helping the Department to decide to propose that the Surcharge Scheme should be abolished is the existence of the Guernsey Housing Association. By May 2005, when it is proposed the new rental scheme comes into effect, the Association will have over 120 properties to let and the Department will view high earning tenants as prime candidates for nomination for Association properties.
- 160) The combination of generally higher rents, plus the provision for the Department to make nominations to the Guernsey Housing Association, will thus achieve the same policy objective as that for which the surcharge arrangements were designed.
- 161) The Department, therefore, proposes that tenants who are currently surcharged will be assessed in the following manner:
- A tenant who pays a surcharged rent greater than the new Standard Rent, and is assessed as being able to pay the new Standard Rent, will immediately be charged the new Standard Rent (**i.e. their rent will go down**);
  - A tenant who pays a surcharged rent greater than the new Standard Rent, but is assessed as being able to pay a rent less than the new Standard Rent, will immediately be charged the new assessed rate (**i.e. their rent will go down**);
  - A tenant whose new assessed rent is more than their current surcharge, and is more or less than the new Standard Rent, will be subject to transitional rules based on the amount they currently pay plus a maximum increase of £20 (**i.e. their rent will go up**).
- 162) In addition, any tenant who has paid a surcharge prior to the arrangements being discontinued, and who vacates a property either by moving to the private sector or taking up a "non-nominated" - but not a "nominated"- Housing Association tenancy, will be refunded 95% of those surcharge payments, provided that they move within five years of the surcharge first being applied.



### **Effects on Total Rental Income**

- 163) Current gross rents charged annually by the Department (excluding voids and net of surcharges) total around £7.4 million, but net annual rental income is £5.3 million. The notional value of the rebate currently granted is therefore £2.1 million.
- 164) As shown in the table below, under the proposals in this Report the gross rents charged will increase to £12.9 million (excluding voids), whilst the rent that would be collected after application of the rebate would amount to £6.5 million. The value of the rebated rents granted would rise to their true value of £6.4 million.

	Current Standard Rents excluding Water Rate 2004	Total Proposed Rents excluding Water Rate	Increases
Gross Rents Charged	<b>£7,430,499</b>	<b>£12,868,046</b>	<b>£5,437,547</b>
Net Rental Income	<b>£5,366, 200</b>	<b>£6,513,356</b>	<b>£1,147,156</b>
Value of Rent Rebates	<b>£2,064,299</b>	<b>£6,354,690</b>	<b>£4,290,391</b>

- 165) Thus although gross rents charged increase by £5.4 million, the actual increase in rents collected is £1.1 million, i.e. net rental income increases by 21%.
- 166) However, it must be remembered that the Department's proposals are not to be implemented in just one year. Transitional arrangements will mean that the full effect of the proposals will not be experienced until the end of the third year, which impacts on the net rental income received in 2005 and 2006, as can be seen from the table below (which takes into account the effect of the 53% of tenants whose rent will reduce or stay the same in the first year of transition).

	Annual additional income received	Cumulative additional income received
Year 1 <sup>6</sup>	£ 414,583	£ 414,583
Year 2	£ 434,558	£ 849,141
Year 3	£ 298,015	£1,147,156

(Note: No inflation factor or real rental increase has been built into these estimates.)

<sup>6</sup> In the first year of transition the increase in rental income will represent a 7.7% increase over rents collected in 2004.

- 167) Furthermore, the Department would draw attention to the fact that when compared with average gross rental increases of 73%, this increased net rental income is comparatively small. However, it must be recalled that the objectives of the Rents and Rebate Review were to establish the true cost of providing social rented housing and to ensure that having done so, and adjusted Standard Rents accordingly, no tenant was caused financial hardship by paying a rent beyond their means.
- 168) The modest increase in net rental income reflects the fact that whilst a proportion of States' tenants can afford to pay higher rents, the majority will require a substantial rebate because their income levels are simply insufficient to meet the proposed increases. This is to be expected given that over 50% of tenants were in receipt of a rebate prior to the commencement of the review. Increases in rental income are, therefore, a welcome by-product of the proposals, rather than a prime motivation for the review.
- 169) On the other hand, the fact that the Department does not receive the gross rental income and that rebate values are income foregone, impacts very significantly on the Department's ability to manage and maintain its housing stock, and to provide new units of accommodation.
- 170) **Put simply, net rental income, even after the full effect of the proposals is realised, will be insufficient for the Department to fund its general maintenance and estate refurbishment programmes, let alone build new States' houses. There will thus be an ongoing need for the States to make capital injections to the States Houses Fund as part of the funding of the Corporate Housing Programme .**
- 171) Consequently, while acknowledging the overall position of States' finances, it is the Department's firm view that steps should be taken by the Treasury and Resources Department to provide the Housing Department with the value of rebates offered to States' tenants, as the Department is receiving less than 51% of the total monies that the application of the new rental formula establishes as necessary for the Department to meet the costs of providing States' accommodation.
- 172) **The Department accepts that to find £6.35M in one year is unrealistic, but recommends that the States directs the Treasury and Resources Department to make provision for rebate reimbursement in setting the capital allocation for the Corporate Housing Programme for 2005 and subsequent years.**

### **The Guernsey Housing Association**<sup>7</sup>

- 173) When the Guernsey Housing Association (GHA) was formed it was agreed that the rents for its dwellings would be based upon those charged for equivalent States' properties. It was also agreed that States' nominated tenants (who will form 75% of all Association tenants) would be eligible to apply for a rent rebate in relation to the Association's rental charges, and that the rules of rebate assessment that apply to GHA tenants would be the same as those that apply to the Department's tenants.
- 174) However, significantly, whereas rent rebates are income foregone for the Housing Department, the GHA receives the full gross rental for its properties. As a consequence, the Department is required to pay the monetary value of rent rebates (from the States Housing Association Fund) in respect of tenants occupying GHA properties who have been nominated by the Department to the Association. (If the Association only received net rents, this would significantly impact upon the level of its private borrowing and, in turn, may also result in higher capital grant payments needing to be made by the Housing Department to fund GHA development projects.)
- 175) Currently, GHA tenants nominated by the Department are paying rents that broadly equate to those charged by the Housing Department. However, upon the introduction of the proposed new scheme, GHA rents will also increase accordingly. As a consequence:
- The value of rebates paid by the Housing Department to the GHA will correspondingly increase;
  - Tenants of the GHA, currently in receipt of a rebate, will need to have transitional arrangements put in place by the GHA to mirror those being applied by the Housing Department.
- 176) **Irrespective of the above, the States is asked to note that the annual costs of rent rebates paid to the GHA will increase very rapidly in the next few years, as the GHA brings more and more properties on-stream. The Treasury and Resources Department will thus need to make compensatory annual capital allocations to the Corporate Housing Programme and to the States Housing Association Fund, to fulfil this contractual commitment that has been entered into by the States.**

### **NCH Youth Housing Project**

- 177) The States previously agreed that the Rent Rebate Scheme should also be applied to those young people housed in the seven training bed-sits at 17 Havilland Street that form part of the NCH Youth Housing Project.

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<sup>7</sup> The GHA has been consulted on these proposals and supports the Department's "approach to this sensitive but critical aspect of its responsibilities."

- 178) At the time of writing, the rents for these bed-sits have yet to be agreed, but further discussion has suggested that rent rebates are unlikely to need to be paid to their occupants. This will be kept under review.

### **Staffing and IT Requirements**

- 179) In its 2003 “green paper”, the Housing Authority made a number of points about staffing and IT requirements that might be summarised as follows:

- At the time of that report the staffing requirements to administer the new scheme had not been determined in detail;
- The Authority was investigating the introduction of suitable computer software to automate (and therefore speed up) assessment processing;
- It was estimated that with the introduction of the proposals the number of rebate applications made in a single year could triple to 6,000 per annum;
- Such an increase in processing requirements would impact on both the Social Security and Housing Authorities. (At that time Social Security part processed applications on behalf of the Authority.);
- It was estimated that up to four staff might be required to carry out the existing and increased processing (2 at Housing and 2 at Social Security);
- The increased administrative costs were greatly outweighed by the benefits of applying rent levels that reflected the true cost of providing social housing and the efficient use of the Authority’s social housing stock;
- The rent collection and arrears functions had, historically, been under-resourced and, in part, had led to an increase in the total arrears owing to the Authority. With the agreement of the Civil Service Board, the Authority had increased the number of staff dedicated to these functions through the employment of short-term contract staff.

- 180) Since the Authority reported to the States a number of circumstances have changed significantly:

- After careful review and, by agreement, the Social Security Department no longer processes rent rebate assessments on behalf of the Housing Department. This change has come about partly through the need to process rebates more swiftly (by removing inefficiencies and delays caused by double handling) thereby providing an enhanced service to tenants but, mostly, because, in future, the type of tenant applying for a

rebate will include more employed persons with families whose circumstances are more liable to change than current rebate recipients (mostly OAPs and Supplementary Beneficiaries). These persons are not generally eligible for welfare benefits and, therefore, their circumstances will be unknown to the Social Security Department. In short, the historical reasons why the Social Security Department assessed tenants on behalf of Housing are no longer valid. The discontinuation of the Social Security Department's involvement in rebate processing did not, however, result in any transfer of establishment to the Housing Department.

- The establishment of the GHA has led to additional rent rebate processing (for eligible GHA tenants), which will increase substantially as its tenant numbers grow in future years.
- Although their monetary value has reduced - to £480,000 at the time of writing - there has been increasing criticism from some quarters about the level of rent arrears owing to the Department. While the Department does not generally support the contention that increased rents are bound to lead to increased arrears - if tenants are paying fairly assessed rents this should not occur - it does believe that this will be the case if the Department is not adequately resourced to deal with those tenants who persist in paying their rent late or in some cases not at all. **In this respect the proper administration of the Rent and Rebate scheme is inextricably linked to the control and collection of rent arrears.**
- While the Department has been criticised in the past for failing to control its debt situation properly, it is now widely recognised that the burden of general debt and credit incurred by the community is growing. The Housing Department is not immune to such social issues. As the major provider of social housing to the least well-off sector of the community the Department can expect to be at the forefront of the Island's debt problems, not least because many of the Department's tenants have very poor money management and financial literacy skills. A detailed analysis of the circumstances of those tenants currently in arrears has revealed large numbers of families and other households with multiple medical, social and financial problems, which goes a long way to explaining the current level of rent arrears being experienced by the Department. Moreover, as is outlined in Appendix 6, addressing these issues can require far more than simply putting in place a repayment plan or initiating eviction proceedings for non-payment of rent.
- **Furthermore, debt is not a static problem, it cannot be solved or eradicated it can only be controlled, and then only with considerable and continual effort, which is highly labour-intensive. It is common for interviews with tenants in debt to take 1-1½ hours, because it is the case that non-payment is not always the result of wilfulness. The**

**Department's staff often find themselves addressing a wide range of social and financial problems of which the tenant's debt to the Department may only form only one element. Moreover, even once a repayment agreement has been put in place through such efforts, they need continual monitoring, as agreements are frequently broken and can require further action, including re-negotiation, within weeks or months.**

- There is reason to believe that there is a significant problem of false claims to rent rebates, which currently go undetected – and thus are not investigated - due to a lack of staff resources. With increased rents, the temptation for tenants to fail to declare material changes in circumstances will be that much greater. Consequently, the Department is of the view that it must employ a dedicated fraud officer in order to ensure that it collects all the rental income the Department is due.
- There is a need (and a wish) to introduce explicit service standards to ensure that rebate applications, for example, are processed and communicated in a timely fashion. This will assist in controlling debt, ensure tenants are not financially disadvantaged for any longer than is necessary due to adverse changes in their circumstances, while also providing the professional service that tenants should expect to receive.
- The Department has made significant progress with a comprehensive review of its existing and long-standing Tenancy Agreement. This agreement has remained unchanged for over 50 years and as might be expected no longer reflects the standard of agreement required between a tenant and landlord – from the perspective of either party.
- By means of legislative provision (see paragraphs 193 – 198 below) the Department now proposes to replace the terms and conditions set out in its existing tenancy agreement with new statutory terms and conditions.

181) With respect to IT:

- The Housing Department is in the process of undertaking a computer project to customise its existing software programs to enable automated rebate processing to take place. This project is well-advanced and it is anticipated that the programs will be suitably amended in time for the intended implementation of the proposals, i.e. 7 May 2005. The improvements to the existing software are intended to minimise the amount of time spent processing applications, improve the accuracy of processing, reduce the likelihood of arrears accruing to tenants' rent accounts, and generally enhance the service the Department is able to offer its tenants.



- In addition, special programs are having to be written to account separately for rent rebate payments to the GHA in respect of its tenants.
- 182) In light of all of the above, and, in particular, taking account of the improved efficiencies through the introduction of new IT, the Department has very carefully assessed the additional staff that will be required by the Department to assess and implement the new Rent and Rebate Scheme, including that required to control and monitor debt related to the non-payment of rent and maintenance charges.
  - 183) In so doing, it is important for the States to appreciate that for the past 18 months, the Department has fulfilled its mandate in relation to rent rebate processing and debt collection only by employing temporary staff. Of the 3.5 WTE currently employed in the Rent Section only **1.0 WTE** of them is **an established member of staff**, and this is to serve nearly 2,100 tenancies. The other 2.5 WTE are on temporary contracts, of which 2.0 WTE are primarily engaged in rent arrears collection.
  - 184) Recent independent external review has confirmed that not only is the Department under-resourced to meet the demands of administering the current Rent and Rebate Scheme, but it is also under-resourced to meet the demands presently placed upon its staff in respect of other tenancy management issues.
  - 185) As a result, a major organisational restructuring exercise has been embarked upon that is intended to improve efficiency, provide tenants with a better quality service, and spread the very heavy demands currently falling on a very small number of staff. This, however, has yet to be fully implemented, as it is heavily dependent on more staff resources to develop a modern, properly integrated, comprehensive tenancy management service, where individual staff members will have accountability for managing the whole tenancy, including the collection of rents.
  - 186) It is calculated that the new Rents and Rebate Scheme alone (including an allowance for arrears management) would require 5.0 WTE new staff above the current establishment of 1.0 WTE; **but constitution of the modern, properly integrated, comprehensive tenancy management service, briefly described above, requires 9.0 WTE new staff above the current establishment of 7.0 WTE in rents and tenancy combined. Without these extra staff, in some shape or form, the new Rent and Rebate Scheme set out in this Report cannot be implemented.** Discussions on this are ongoing with the Treasury and Resources Department, to whom a detailed case for additional staff has been made.
  - 187) In this context, it is important to note that the increased costs of the additional staff required for tenancy management purposes (including the proposed Rent and Rebate Scheme) will be outweighed by the additional rental income of £1.1

million, as only a small proportion of the increased income to the States Houses Fund is to be spent on new staff, i.e. they are self-funding.

- 188) Put another way, without the ability to generate additional income to the States Houses Fund of £1.1 million through employing these extra staff, the Housing Department will be even more reliant on receiving annual capital allocations to the States Houses Fund.

### **Future Reviews**

- 189) The Department recognises that major reviews of the Rent and Rebate Scheme have been far too few in number and as a consequence the time between major reviews, such as they have been, has been far too long.
- 190) In light of the above, the Department recommends that the Rent and Rebate Scheme should be reviewed in detail every five years, and that the results should be the subject of a States Report at that time.
- 191) However, the Department is also of the opinion that the existence of the rent setting formula combined with a well-structured rebate scheme will mean that it will be unnecessary for the Department to report to the States on an annual basis, between major reviews, in relation to rental increases and rebate factors.
- 192) Accordingly, the Department recommends that as part of the new legislation (referred to below), the Department be permitted, between quinquennial reviews, to apply annual increases in rental charges and rebate factors by Order.

### **Legislative Requirements**

- 193) To date the Rent and Rebate Scheme has been established and administered on the basis of various States Resolutions.
- 194) The Department believes that there would be significant advantages if the Rent and Rebate Scheme was now implemented and all terms and conditions of new tenancy agreements made effective by way of legislative provision. For example, such a process would obviate the necessity of concluding individual agreements with over 2,000 tenants (requiring, the formal giving of notice in each case).
- 195) On the basis of H.M. Procureur's advice, the Department proposes that a Projet de Loi is prepared giving the Department powers to make regulations providing for all matters relating to the occupation of States' houses by residential tenants. Without affecting obligations incurred under existing tenancies (e.g. rent arrears, breaches of tenancy conditions), regulations would terminate existing tenancies and create new ones (incorporating the new Scheme) as from the appointed date for the introduction of the new Scheme. Tenants would be given notice of the



changed arrangements and any accrued rights under existing agreements would not be affected by the new statutory form of tenancy agreement.

- 196) The Department believes that a statutory power to regulate States' residential tenancies will provide an effective management tool which, when used in conjunction with the extra staff, other resources and matters referred to in this Report, will greatly assist with the efficient administration of its housing stock.
- 197) The provision of any legislation would be structured so as to create a fair and reasonable regime governing occupation of States houses from a tenant's perspective. In particular, the Department hopes to use its powers to create statutory procedures for the resolution and determination of complaints and grievances.
- 198) The date upon which it is intended to bring the new scheme into force is 7 May 2005. In the circumstances the Department hopes the States will agree to support its proposals so that the necessary work can be undertaken now to enable the Scheme to have a legislative basis from that date.

### **Recommendations**

The Department recommends the States to agree that:

- i) A new States Rents and Rebate Scheme as set out in this Report, shall come into force with effect from 7 May 2005;
- ii) The States Rents and Rebate Scheme shall continue to apply primarily to tenants of the Housing Department, to the tenants of the Guernsey Housing Association, and to occupants of the NCH Youth Housing Project premises at 17 Havilland Street, but may also apply to such other persons as may be prescribed by the States or agreed by the Housing Department;
- iii) The formula to be applied for the setting of Standard Rents for Housing Department properties be as described in paragraph 45 of this Report;
- iv) The Standard Rents to be applied from the inception of the Scheme be as set out in Appendix 3, save that the transitional rules set out in paragraphs 146 - 150 of this Report shall apply to their implementation in respect of years 1, 2 and 3 of the new Scheme;
- v) Standard Rents shall be applied for 52 weeks per year;
- vi) The rules for the assessment of a Rent Rebate and the disregard of income shall be as set out in Appendix 3 of this Report;
- vii) As part of the rules of assessment:

- The rate of weekly child allowance be increased to £5.00 per week;
- The single parent employment allowance be withdrawn to be replaced by a variety of childcare allowances payable to employed tenants in cases where they incur childcare costs associated with employment, the rates of those allowances and the circumstances in which they are payable being as set out in paragraph 105 of this Report;
- The charges for non-dependents be as set out in paragraphs 127 and 129 of this report;

all such allowances and charges coming into effect from 7 May 2005 and being reviewed annually thereafter;

- viii) The gross income ceiling for eligibility for a Rent Rebate be removed completely;
- ix) The assessed rent to be paid by a tenant (i.e. after a rebate, if appropriate) shall never exceed the Standard Rent of the property occupied;
- x) The Income Related Rents Scheme (surcharges) be discontinued with effect from 7 May 2005, whereupon;
  - Tenants currently paying Income Related Rents shall be assessed in accordance with the rules as set out in Appendix 3 of this Report;
  - Tenants who have paid an Income Related Rent will still be entitled to reclaim the surcharge element of rent paid before that date if entitled to do so in accordance with paragraph 162 of this Report;
- xi) Legislation be prepared enabling implementation of the Rent and Rebate Scheme and the general regulation of the terms and conditions of occupation of States' residential housing as outlined in this Report;
- xii) The Housing Department be directed to carry out a fundamental review of the Rent and Rebate Scheme every five years and report the outcome of such reviews to the States;
- xiii) Between five yearly reviews, the Housing Department be empowered to increase Standard Rents and rebate assessment factors by Order;
- xiv) The Treasury and Resources Department be directed to make provision for the Housing Department to be reimbursed, in whole or in part, for the income foregone in rebating rents, through the annual allocation of funds to the Housing Department to fulfil its Corporate Housing Programme commitments funded by the States Houses Fund;

- xv) The Treasury and Resources Department be directed to make provision for the Housing Department to receive sufficient funds to meet the States' commitment to pay to the Guernsey Housing Association, from the States Housing Association Fund, the full value of rent rebates granted to Association tenants, through the annual allocation of funds to the Housing Department as part of the Corporate Housing Programme;
- xvi) Without the appointment of additional staff the new Rents and Rebates Scheme cannot be implemented and, therefore, to direct the Treasury and Resources Department to have regard to this in determining the number of staff that may be employed by the Housing Department.

Yours faithfully

D Jones  
Minister  
Housing Department

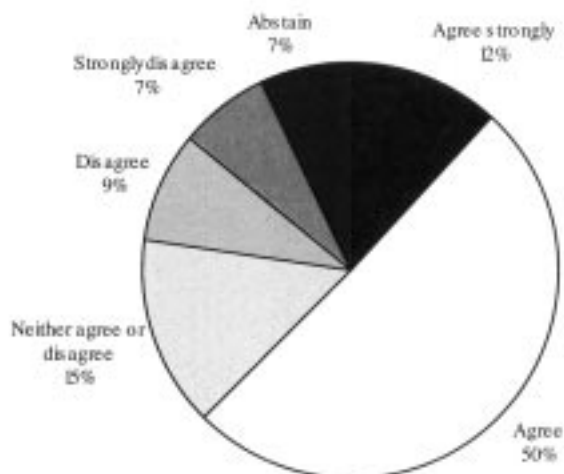
## APPENDIX 1 – RESULTS FROM RENTS AND REBATES QUESTIONNAIRES

Early in 2003, every tenant was sent a questionnaire that asked them to indicate a level of agreement in relation to a number of statements based on the proposals outlined in the explanatory leaflet and accompanying letter detailing the impact on their personal situation. The following charts indicate the nature of the responses:

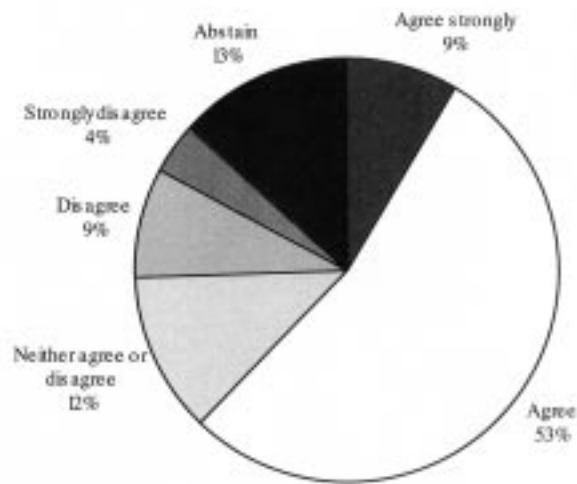
No. of forms posted  $\approx$  2000

No. of forms returned = 272 (14%)

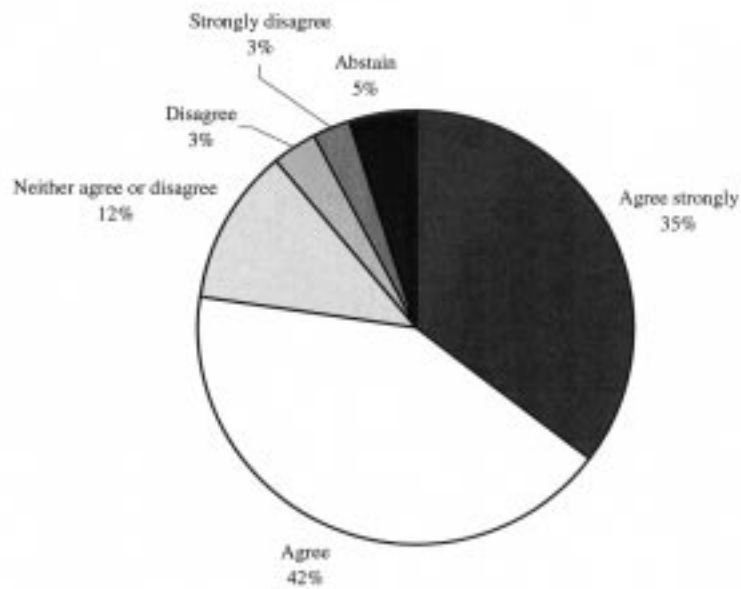
The new proposals seem fair to me:



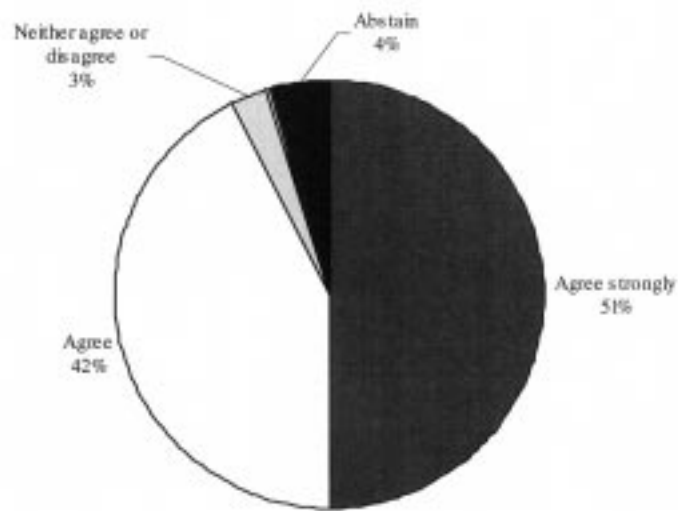
The new proposals seem fair generally:



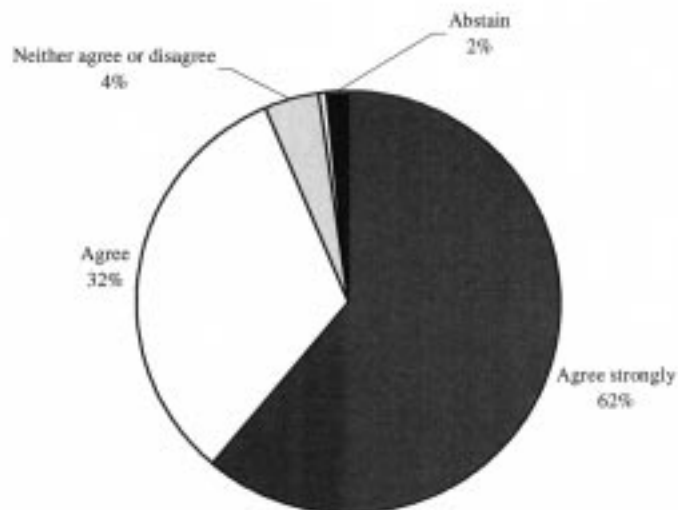
Those who can easily afford to pay more rent should do so:



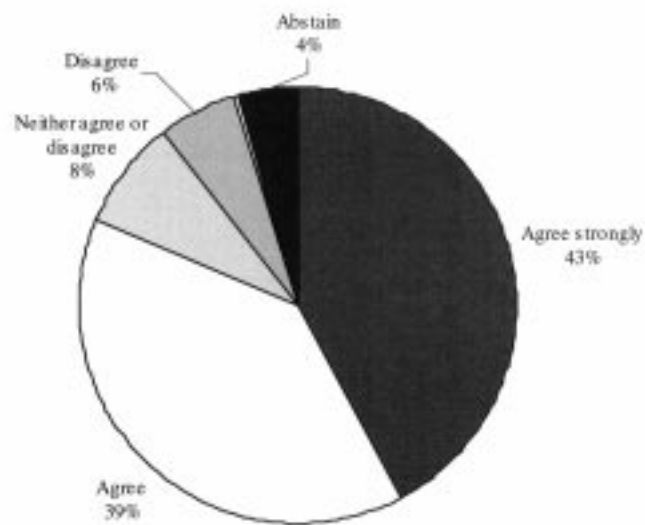
No tenant should pay more rent than they can reasonably afford:



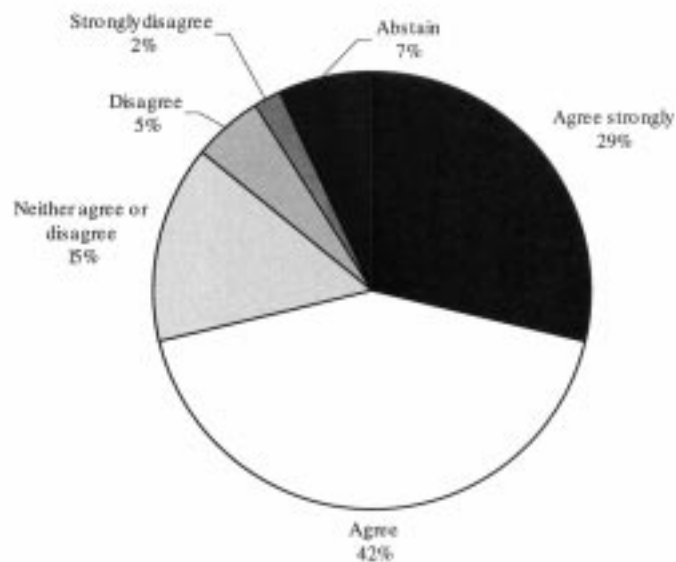
Money from States House tenants should only be spent on States Houses:



Every tenant should be able to apply for a rent rebate:

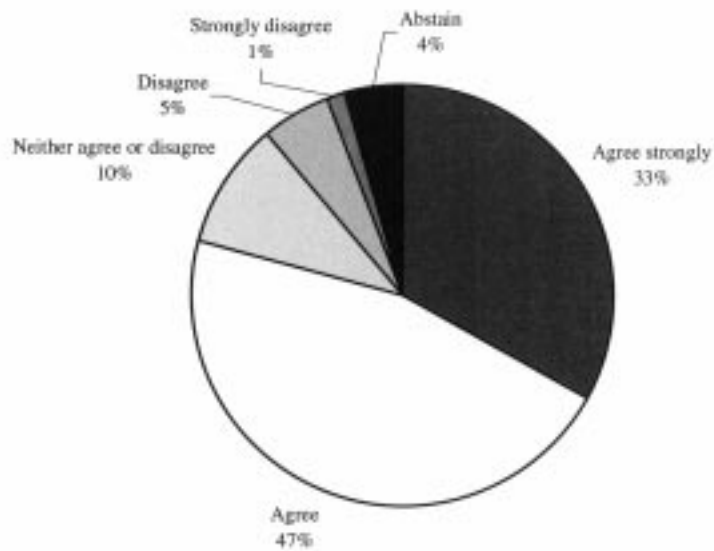


Some tenants paying higher rents is desirable if it leads to the best use of States Houses:

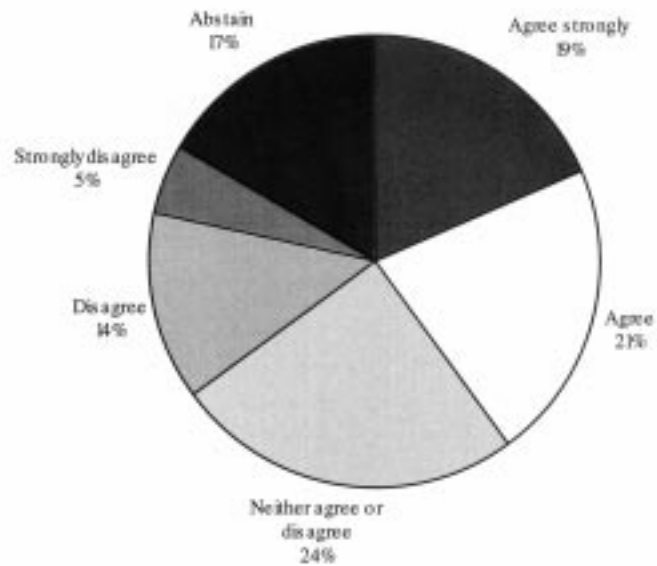




Some tenants paying higher rents is desirable if it leads to improvements in States Houses:



Paying a higher rent would encourage me to move to a smaller property more suited to my needs, if it had a lower rent.



## APPENDIX 2 – SUMMARY OF HOUSING DEPARTMENT RENTS AND REBATE SCHEME

### RENT SETTING

Standard Rents	Current Rental Structure (September 2004) (£ per week)					
The last major review of Rents took place over the years 1983 to 1986. At that time the objective was to set States' Rents at 95% of market rents. Since the late 1980's changes in Rents have been mostly limited to the increases in Retail Prices. Rents are generally now less than 50% of market rents.	Category	Bedsit	1 BED	2 BED	3 BED	4 BED
	12			95.66	110.21	
	11		82.87	91.98	105.88	
	10	55.78	77.14	85.32	98.29	114.29
	9	56.02	74.13	81.87	93.00	105.14
	8	51.33	70.94	78.48	90.07	100.55
	7	49.12	67.93	75.02	85.97	95.90
	6	46.97	64.82	71.75	81.87	91.35
	5	44.65	61.80	68.28	77.78	86.70
	4	42.50	58.71	64.82	73.74	82.03
	3	40.11	55.62	61.45	69.65	77.48
	2	38.02	52.22	58.01	65.55	72.83
	1	35.85	49.52	54.70	61.45	68.27

<b>RENT REBATE RULES</b>	
<b>Category of Assessment</b>	<b>Current Rebate Scheme (September 2004)</b>
<b>Classification of tenant type</b>	<p>All tenants are assessed as either:</p> <ul style="list-style-type: none"> <li>• Single householders; or</li> <li>• Married couples and other householders.</li> </ul>
<b>Gross income assessment</b>	<p>Rent payable assessed at different proportions in relation to weekly income.</p> <p>Single householders:  1/7 of weekly income between £83 and £129;  1/6 of weekly income between £130 and £170;  1/5 of weekly income between £171 and £256; and,  1/4 of weekly income above £257.</p> <p>Married couples and other householders:  1/7 of weekly income between £130 and £192;  1/6 of weekly income between £193 and £256;  1/5 of weekly income between £257 and £391; and,  1/4 of weekly income above £392.</p> <p>The assessment of income is graduated between the above proportions to ensure that anomalies between assessment rates do not occur.</p>
<b>Maximum income limit</b>	Tenants with joint gross income in excess of £431 per week are not subject to a rebate.
<b>Assessment of dependents</b>	<p>The weekly assessed rent is reduced by £3.31 for every child:</p> <ul style="list-style-type: none"> <li>• Of school age; or</li> <li>• Under school age; or</li> <li>• In receipt of full time education.</li> </ul>
<b>Charges for non- dependents</b>  (Charges will be added to the weekly assessed rent but not so as to exceed the Standard Rent.)	<p>Charges are as follows:  For each child of the householder aged 18, but under 25 years of age £10.00;  For each child of the householder aged 25 and over and for each lodger £20.00;  For each additional family £25.00;  For each aged parent £5.00.</p> <p>(N.B. The aged parent charge may be varied if the parent has owned property.)</p>

Capital	All income from capital is taken into account as a resource on a weekly basis. (The same as earned income.)
Disregarded income	Income from Family Allowances and Attendance Allowances is wholly disregarded.
Single Parents Allowance	In assessing gross income the first £2,372 of earnings of a one-parent family are disregarded.

### APPENDIX 3 – SUMMARY OF THE HOUSING DEPARTMENT'S PROPOSED RENT AND REBATE SCHEME

#### RENT LEVELS

<b>Reflated Reinstatement Valuation</b>	<b>1 Bedroom Weekly Rent</b>	<b>2 Bedroom Weekly Rent</b>	<b>3 Bedroom Weekly Rent</b>	<b>4 Bedroom Weekly Rent</b>
<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
116,589	82.99	89.61		
139,473	97.35			
143,418	99.83			
147,166	102.18			
148,153	102.80	106.73		
153,676	106.27			
155,057	107.14		114.98	
157,622	108.75			
165,513	113.70			
166,697			122.29	
168,472	115.56	119.48	123.40	
172,615		122.08	126.00	
174,982	119.64			
178,336		125.67	129.59	
179,717	122.61			
180,308			130.83	
182,281		128.15	132.07	
182,873	124.60	128.52		
185,161	126.03			
190,172			137.02	
193,920		135.45	139.38	
203,784			145.57	149.49
207,532		144.00	147.92	
215,226		148.83		
219,369				159.27
219,961		151.80		
227,062		156.26		
233,375			164.14	
241,266			169.09	
250,735			175.04	
255,470		174.09	178.01	
267,306			185.44	
279,143				196.76
290,979				204.22

**APPENDIX 3 – INCOME ASSESSMENT**

*(Figures in italics represent the rent payable before any additional charges in respect of non-dependents etc.)*

<b>Weekly Income in £20 Increments</b>	<b>Single Person</b>	<b>Couple</b>	<b>1 Dep. Child</b>	<b>2 Dep. Child'</b>	<b>3 Dep. Child'</b>	<b>4 Dep. Child'</b>	<b>5 Dep. Child'</b>
<b>20</b>	<i>2.80</i>	<i>2.80</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
<b>40</b>	<i>5.60</i>	<i>5.60</i>	<i>0.60</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
<b>60</b>	<i>8.40</i>	<i>8.40</i>	<i>3.40</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
<b>80</b>	<i>11.20</i>	<i>11.20</i>	<i>6.20</i>	<i>1.20</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
<b>100</b>	<i>14.00</i>	<i>14.00</i>	<i>9.00</i>	<i>4.00</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
<b>120</b>	<i>16.80</i>	<i>16.80</i>	<i>11.80</i>	<i>6.80</i>	<i>1.80</i>	<i>Nil</i>	<i>Nil</i>
<b>140</b>	<i>22.52</i>	<i>19.60</i>	<i>14.60</i>	<i>9.60</i>	<i>4.60</i>	<i>Nil</i>	<i>Nil</i>
<b>160</b>	<i>28.06</i>	<i>22.40</i>	<i>17.40</i>	<i>12.40</i>	<i>7.40</i>	<i>2.40</i>	<i>Nil</i>
<b>180</b>	<i>34.18</i>	<i>25.20</i>	<i>20.20</i>	<i>15.20</i>	<i>10.20</i>	<i>5.20</i>	<i>0.20</i>
<b>200</b>	<i>40.87</i>	<i>28.00</i>	<i>23.00</i>	<i>18.00</i>	<i>13.00</i>	<i>8.00</i>	<i>3.00</i>
<b>220</b>	<i>48.15</i>	<i>32.52</i>	<i>27.52</i>	<i>22.52</i>	<i>17.52</i>	<i>12.52</i>	<i>7.52</i>
<b>240</b>	<i>56.00</i>	<i>37.40</i>	<i>32.40</i>	<i>27.40</i>	<i>22.40</i>	<i>17.40</i>	<i>12.40</i>
<b>260</b>	<i>64.43</i>	<i>42.61</i>	<i>37.61</i>	<i>32.61</i>	<i>27.61</i>	<i>22.61</i>	<i>17.61</i>
<b>280</b>	<i>70.00</i>	<i>48.13</i>	<i>43.13</i>	<i>38.13</i>	<i>33.13</i>	<i>28.13</i>	<i>23.13</i>
<b>300</b>	<i>75.00</i>	<i>53.98</i>	<i>48.98</i>	<i>43.98</i>	<i>38.98</i>	<i>33.98</i>	<i>28.98</i>
<b>320</b>	<i>80.00</i>	<i>60.15</i>	<i>55.15</i>	<i>50.15</i>	<i>45.15</i>	<i>40.15</i>	<i>35.15</i>
<b>340</b>	<i>85.00</i>	<i>66.64</i>	<i>61.64</i>	<i>56.64</i>	<i>51.64</i>	<i>46.64</i>	<i>41.64</i>
<b>360</b>	<i>90.00</i>	<i>73.38</i>	<i>68.38</i>	<i>63.38</i>	<i>58.38</i>	<i>53.38</i>	<i>48.38</i>
<b>380</b>	<i>95.00</i>	<i>80.53</i>	<i>75.53</i>	<i>70.53</i>	<i>65.53</i>	<i>60.53</i>	<i>55.53</i>
<b>400</b>	<i>100.00</i>	<i>88.00</i>	<i>83.00</i>	<i>78.00</i>	<i>73.00</i>	<i>68.00</i>	<i>63.00</i>
<b>420</b>	<i>105.00</i>	<i>97.36</i>	<i>92.36</i>	<i>87.36</i>	<i>82.36</i>	<i>77.36</i>	<i>72.36</i>
<b>440</b>	<i>110.00</i>	<i>107.33</i>	<i>102.33</i>	<i>97.33</i>	<i>92.33</i>	<i>87.33</i>	<i>82.33</i>
<b>460</b>	<i>115.00</i>	<i>115.00</i>	<i>110.00</i>	<i>105.00</i>	<i>100.00</i>	<i>95.00</i>	<i>90.00</i>
<b>480</b>	<i>120.00</i>	<i>120.00</i>	<i>115.00</i>	<i>110.00</i>	<i>105.00</i>	<i>100.00</i>	<i>95.00</i>
<b>500</b>	<i>125.00</i>	<i>125.00</i>	<i>120.00</i>	<i>115.00</i>	<i>110.00</i>	<i>105.00</i>	<i>100.00</i>
<b>520</b>	<i>130.00</i>	<i>130.00</i>	<i>125.00</i>	<i>120.00</i>	<i>115.00</i>	<i>110.00</i>	<i>105.00</i>
<b>540</b>	<i>135.00</i>	<i>135.00</i>	<i>130.00</i>	<i>125.00</i>	<i>120.00</i>	<i>115.00</i>	<i>110.00</i>
<b>560</b>	<i>140.00</i>	<i>140.00</i>	<i>135.00</i>	<i>130.00</i>	<i>125.00</i>	<i>120.00</i>	<i>115.00</i>
<b>580</b>	<i>145.00</i>	<i>145.00</i>	<i>140.00</i>	<i>135.00</i>	<i>130.00</i>	<i>125.00</i>	<i>120.00</i>
<b>600</b>	<i>150.00</i>	<i>150.00</i>	<i>145.00</i>	<i>140.00</i>	<i>135.00</i>	<i>130.00</i>	<i>125.00</i>
<b>620</b>	<i>155.00</i>	<i>155.00</i>	<i>150.00</i>	<i>145.00</i>	<i>140.00</i>	<i>135.00</i>	<i>130.00</i>
<b>640</b>	<i>160.00</i>	<i>160.00</i>	<i>155.00</i>	<i>150.00</i>	<i>145.00</i>	<i>140.00</i>	<i>135.00</i>
<b>660</b>	<i>165.00</i>	<i>165.00</i>	<i>160.00</i>	<i>155.00</i>	<i>150.00</i>	<i>145.00</i>	<i>140.00</i>
<b>680</b>	<i>170.00</i>	<i>170.00</i>	<i>165.00</i>	<i>160.00</i>	<i>155.00</i>	<i>150.00</i>	<i>145.00</i>
<b>700</b>	<i>175.00</i>	<i>175.00</i>	<i>170.00</i>	<i>165.00</i>	<i>160.00</i>	<i>155.00</i>	<i>150.00</i>
<b>720</b>	<i>180.00</i>	<i>180.00</i>	<i>175.00</i>	<i>170.00</i>	<i>165.00</i>	<i>160.00</i>	<i>155.00</i>
<b>740</b>	<i>185.00</i>	<i>185.00</i>	<i>180.00</i>	<i>175.00</i>	<i>170.00</i>	<i>165.00</i>	<i>160.00</i>
<b>760</b>	<i>190.00</i>	<i>190.00</i>	<i>185.00</i>	<i>180.00</i>	<i>175.00</i>	<i>170.00</i>	<i>165.00</i>
<b>780</b>	<i>195.00</i>	<i>195.00</i>	<i>190.00</i>	<i>185.00</i>	<i>180.00</i>	<i>175.00</i>	<i>170.00</i>
<b>800</b>	<i>200.00</i>	<i>200.00</i>	<i>195.00</i>	<i>190.00</i>	<i>185.00</i>	<i>180.00</i>	<i>175.00</i>

## **APPENDIX 3 – PROPOSED RULES OF REBATE ASSESSMENT**

### **Rule 1**

Every tenant who applies for a rent rebate must complete a form providing details of:

- Gross income\* of the tenant and spouse or partner (if earning);
- The number and age of children in full time education or under school age;
- The number and ages of children in employment (earnings not required);
- The number of lodgers and/or additional families (earnings not required).

(\*Note: The term “Gross income” includes wages or salary from employment or business, bonuses, overtime, commission and part-time or casual earnings, all totalled before deduction of Income Tax and Social Security contributions or any other contributions deducted from earnings.)

### **Rule 2**

Verification of earnings and other information will be required as necessary; and in cases where false information is knowingly provided, appropriate action will be taken.

### **Rule 3**

All the income of the tenant, together with that of their spouse or partner, if they have one, is taken into account for assessment purposes – excepting those forms of income specifically disregarded. (See Rule 5)

### **Rule 4**

All income is taken into account in the week it is received and is assessed according to the factors set out at the start of this appendix.

### **Rule 5**

The following forms of income are wholly disregarded:

- Family Allowance payable by the Social Security Department;
- Attendance Allowance payable by the Social Security Department;
- Income derived from capital resources together with the capital resource; and
- War pensions.

### **Rule 6**

A tenant in receipt of a Rebated Rent must inform the Housing Department of any change in their circumstance that will, or is likely to, affect the amount of the rebate granted. (Such changes will normally take the form of an increase in wages or a change in the composition of the tenant’s household.)

### **Rule 7**

The weekly assessed rent will be reduced by £5.00 per week in respect of every child of school age or under in receipt of full-time education.



**Rule 8**

Allowances against gross income will be made where a tenant employs a child minder, either registered or unregistered, in those cases where such care is directly associated with paid employment.

**Rule 9**

The basic rebate assessment rates will be increased in respect of non-dependents by the following amounts;

➤ A person in receipt of full-time education	Nil
➤ A person over 18 but under 21 years of age	£15.00
➤ A person or family in receipt of benefit of any kind	£15.00
➤ An employed single parent	£15.00
➤ A single Old Age Pensioner	£15.00
➤ An employed person over the age of 21	£30.00
➤ A couple over the age of 65	£30.00
➤ An employed couple both under the age of 65	£60.00
➤ A family with dependent children	£45.00
➤ A person over the age of 21 on earnings of less than £200	15% of those earnings

**Rule 10**

No rebate will be allowed to a tenant carrying on a business unless they can produce irrefutable evidence that they are entitled to such a rebate.

**Rule 11**

Adjustments to the rent payable may be made in special cases of personal hardship e.g. invalidity, handicapped persons.

**Rule 12**

Rent charges and rebate assessment will be on the basis of a 52 week year.

**Rule 13**

The Scheme will be reviewed by the Housing Department annually and by the States on a quinquennial basis.

#### APPENDIX 4 – APPLICATION OF THE PROPOSALS – TYPICAL EXAMPLES

The cases detailed below represent typical rent and rebate changes after application of the proposals. The cases include:

- 1) A single Old Age Pensioner in receipt of a 'full' Old Age Pension;
- 2) A single Old Age Pensioner whose pension is 'topped up' with a Supplementary Benefit (SPB);
- 3) A pensioner couple in receipt of a 'full' pension together with other income;
- 4) A pensioner couple whose income is 'topped up' with SPB;
- 5) A single parent in receipt of SPB;
- 6) An employed single parent;
- 7) A couple with dependent children on a low income (around £300 per week);
- 8) A couple with dependent children on a higher income (around £650 per week);
- 9) A tenant with dependent and non-dependent children;
- 10) A tenant couple with non-dependent children;
- 11) A tenant couple with no dependents or non-dependents on low income (around £300 per week);
- 12) A tenant couple with no dependents or non-dependents on higher income (around £650 per week).

Example	Income	Assessed Weekly Rent on income	Allowances	Non – Depend -ent Contrib -utions	Weekly Rental Payable	Current Weekly Rental Payable	Weekly Rental Payable Decrease/ Increase
	£	£	£	£	£	£	£
<b>1) Single Old Age Pensioner Full OAP</b>	130.00	19.89	Nil	Nil	19.89	22.53	-2.64
<b>2) Single Old Age Pensioner OAP/SPB</b>	115.95 (SPB RR <sup>1</sup> )	16.24	Nil	Nil	16.24	19.59	-3.35
<b>3) Pensioner Couple with OAP/other income</b>	299.47	53.68	Nil	Nil	53.68	68.37	-14.69

<sup>1</sup> "SPB RR" is the Supplementary Benefit Requirement Rate. This is the basic allowance awarded by the Social Security Department (under the SPB Law 1971) in relation to a tenant's circumstances – it does not include any allowance for rent.

<b>4) Pensioner Couple with OAP/SPB</b>	171.75 (SPB RR)	24.08	Nil	Nil	24.08	28.55	-4.47
<b>5) Single Parent On SPB</b>	263.00	43.42	15.00	Nil	28.42	45.66	-17.42
<b>6) Employed Single Parent</b>	341.35	66.97	10.00	Nil	56.97	60.68	-3.71
<b>7) Couple with Dependent Children</b>	310.00	57.02	10.00	Nil	47.02	65.66	-18.64
<b>8) Couple with Dependent Children</b>	645.87	161.50 (Standard Rent is 137.02)	10.00	Nil	137.02 (Std. Rent)	77.68 (Current Standard Rent)	+59.24
<b>9) Tenant with Dependent And non-dependent children</b>	400.22	88.00	10.00	45.00	123.00	86.70 (Current Standard Rent)	+36.30
<b>10) Tenant couple with non-dependent children</b>	642.92	160.75 (Standard Rent is 149.49)	Nil	30.00	149.49 (Std. Rent)	82.03 (Current Standard Rent)	+67.46
<b>11) Tenant with no dependent or non-dependent children</b>	307.71	56.41	Nil	Nil	56.41	64.82	-8.41
<b>12) Tenant with no dependent or non-dependent children</b>	662.38	165.50 (Standard Rent is 102.18)	Nil	Nil	102.18 (Std. Rent)	77.14 (Current Standard Rent)	+25.04

As is stated at the start of this appendix the above examples are typical of the decreases and increases in rent that will be experienced by tenants. In **general** terms the changes might be summarised as follows:

- Old Age Pensioners and persons on SPB will see their rent assessment reduce;
- Families on low incomes will see their rent reduce – in some cases by significant amounts;
- Couples on higher levels of income will see their rent increase substantially and this is particularly true of those higher earners with non-dependents;

Finally, as shown in examples 8,10 and 12 despite being assessed as being able to pay a higher rent due to the non-dependent contributions, no tenant will be required to pay more than the Standard Rent – no matter what their circumstances.

## APPENDIX 5 – EXAMPLES OF HOW ‘TRANSITION’ WILL BE APPLIED

The cases detailed below represent how the ‘Transition’ rules will work after application of the proposals. The cases include:

- 1) A tenant whose rental charge reduces;
- 2) A tenant whose increase is due to both a change of circumstances and the rent and rebate proposals;
- 3) A tenant whose rental charge increases by more than £20.00 as a result of the proposals;
- 4) A tenant whose rental charge increases by more than £40.00 as a result of the proposals; and,
- 5) A tenant whose rental charge increases by more than £60.00 as a result of the proposals.

Example	Current Weekly Assessed Rental Payable £	Proposed Weekly Assessed Rental Payable £	Increase Or Decrease £	Weekly Rental YEAR 1 of Transition £	Weekly Rental YEAR 2 of Transition £	Weekly Rental YEAR 3 of Transition £
1) A tenant whose rental charge decreases	81.87 (Standard Rent)	60.85 (Rebated Rent)	(-21.02)	<b>60.85</b> (-21.02) (All decrease in year 1)	As per Year 1 Plus Annual Increase	As per Year 2 Plus Annual Increase
2) Rental increase* due to change of <u>circs</u> and the proposals	43.42 (Rebated as single parent) (Standard Rent 81.87)	125.00 (New partner moves in)	+81.58 (Increase based on change of circs)	<b>101.87</b> (+58.45) (Increase includes change of circs)	<b>121.87</b> (+20.00) (Normal transition for year 2) Plus Annual Increase	<b>125.00</b> (+3.13) (Balance of increase in year 3) Plus Annual Increase

\* From time to time a tenant’s circumstances will change significantly such that they might no longer be eligible to receive a rebate or the amount of rebate they receive is greatly reduced. In such cases the transitional arrangements will apply, but in the first year of transition the increase may be as high as the difference between their old rebated rent and the current Standard Rent plus £20.00 – as in the example shown. **(Increase in Year 1 = (£81.87 + £20.00) - £43.42 = £58.45)** This will mean that some tenants will see their rental payment increase by more than £20.00 in the first year. This has nothing to do with the proposals and would happen even if rents were not increased.

In the example above a single tenant has been permitted to house her partner who is in employment. The assessment therefore changes from that of a Supplementary Beneficiary to that of a couple with (in this case) 3 dependent children.

<b>Example</b>	<b>Current Assessed Rental Charge</b> £	<b>Proposed Assessed Rental Charge</b> £	<b>Increase Or Decrease</b> £	<b>Weekly Rental YEAR 1 of Transition</b> £	<b>Weekly Rental YEAR 2 of Transition</b> £	<b>Weekly Rental YEAR 3 of Transition</b> £
<b>3) Rental increase is £20+ due to proposals</b>	77.14 (Standard Rent)	99.83 (Rebated Rent)	+22.69	<b>97.14</b> (+20.00)	<b>99.83</b> (+2.69) (Balance of increase year 2) Plus Annual Increase	As per Year 2 Plus Annual Increase
<b>4) Rental increase is £40+ due to proposals</b>	85.97 (Standard Rent)	130.83 (Rebated Rent)	+44.86	<b>105.97</b> (+20.00)	<b>125.97</b> (+20.00) Plus Annual Increase	<b>130.83</b> (+4.86) (Balance of increase year 3) Plus Annual Increase
<b>5) Rental increase is £60+ due to proposals</b>	77.78 (Standard Rent)	170.71 (Standard Rent)	+92.93	<b>97.78</b> (+20.00)	<b>117.78</b> (+20.00) Plus Annual Increase	<b>170.71</b> (+52.93) (Balance of increase year 3) Plus Annual Increase

It should be noted that:

- 55% of tenants will experience a rental charge reduction on the date the scheme is implemented;
- A further 17% will experience rental increase of less than £20 and will therefore not require the transition arrangements;
- 11% of tenants will experience increases that will mean their income will be spread over 2 years; while,
- The remaining 17% of tenants will have their rental increase implemented over the full three-year period.

## APPENDIX 6 - HOUSING DEPARTMENT RENT ARREARS

- 1) The previous Housing Authority and the current Housing Department have often been criticised in recent years for the level of rent arrears in relation to the number of units of accommodation administered by the Department and the level of rents charged.
- 2) Since 1995 arrears levels have varied seasonally and annually as set out in the table below.

Year	March	June	September	December
1995	£103,000	£103,000	£111,000	£53,000
1996	£87,000	£102,000	£104,000	£45,000
1997	£101,000	£105,000	£108,000	£52,000
1998	£94,000	£123,000	£123,000	£78,000
1999	£131,000	£166,000	£203,000	£204,000
2000	£184,516	£195,044	£209,947	£161,195
2001	£200,542	£255,613	£300,954	£286,192
2002	£368,930	£461,853	£559,819	£497,507
2003	£526,990	£553,495	<b>£559,853*</b>	£464,581
2004	£493,401	£487,302	<b>£483,377*</b>	*August

- 3) The substantial increase in arrears from the beginning of 2001 to the summer of 2002 was a direct result of staff shortages and high staff turnover during that period. Unfortunately arrears accumulate at a much faster rate than the ability of tenants to pay them back, with the result that reductions in arrears are very hard to achieve in the short-term. This is further explained below.
- 4) The situation has, however, stabilised and since August 2003 arrears have fallen by £76,476 as the result of a continuous and concerted effort by staff, **all of whom are on temporary contracts, with no guarantees of renewal.** However, it is recognised that the continued reduction will slow as the Department eliminates short-term arrears and focuses on the relatively small number of tenants who have significant long-term arrears and relatively insignificant resources.
- 5) To appreciate this statement the arrears outstanding at the end of August 2004 may be broken down into the following value brackets.

Value of arrears	Number of Tenants	Total Value of Arrears	Average arrears value per tenant
Under £100	409	£20,327	£49.70
£100 - £250	152	£26,202	£172.38
£250 - £400	86	£27,353	£318.06
£400 - £1,000	88	£55,629	£632.15
Over £1,000	131	£353,866	£2,701.27
	<b>866</b>	<b>£483,377</b>	

- 6) It is immediately obvious from the foregoing that 73.2% (£353,866) of the Department's total arrears are attributable to just over 6% (131) of its tenants. At the other end of the arrears scale, 4.2% of the Department's arrears are attributable to 20% of its tenants; **the vast majority of this lower figure is a payment timing issue related to the method of rental payment chosen by tenants (direct debits and wage deductions made by employers for instance) and is not in fact true arrears.**
- 7) Although the Department is attempting to control all arrears across all sectors, it is the high value sector that contains the majority of arrears owed by a minority of tenants upon which most effort is expended. This sector contains the tenants who experience most difficulty in budgeting and who, in the majority of cases, are some of the poorest members of the community.
- 8) **The Department acknowledges that some of its tenants wilfully neglect to pay their rent, but would emphasise that the traditional explanations for arrears such as satellite dishes, cars, exotic holidays and other expensive pastimes, are a long way from an accurate reflection of the true causes of rent arrears for the majority of the Department's tenants.**



- 9) To better understand the profile of those tenants with arrears over £1,000 the table below breaks down the 131 tenants into various groupings associated with income types and levels. (Note. SPB = Supplementary Benefit)

Financial Groupings	Numbers of tenants	Total Arrears	Average per tenant	Paying Standard Rent	Paying Rebated Rent	Average Rebate Value
Elderly	4	£5,017	£1,254	None	4	£47.18
Single Parents SPB	25	£70,328	£2,813	None	25	£50.13
Family Units SPB	13	£32,132	£2,471	1	13	£46.16
Other SPB types	6	£16,221	£2,703	None	6	£50.68
<i>Sub Total</i>	<i>48</i>	<i>£123,699</i>	<i>£2,577</i>	<i>1</i>	<i>47</i>	
Single Parents	14	£38,187	£2,727	3	11	£39.29
Family Inc. <£400 per Week	24	£69,140	£2,880	12	12	£13.07
Family Inc. >£400 per Week	25	£65,705	£2,628	25	None	Nil
Others no Dependents	9	£37,143	£4,127	5	4	£34.59
Surcharge Cases	11	£19,989	£1,817	11 (Surcharged)	None	Nil
<i>Sub Total</i>	<i>83</i>	<i>£230,166</i>	<i>£2,773</i>	<i>56</i>	<i>27</i>	
<b>G/Totals</b>	<b>131</b>	<b>£353,866</b>	<b>£2,675</b>	<b>57</b>	<b>74</b>	

- 10) The statistics indicate that:

- Most importantly, of the 131 tenants with arrears over £1,000, 74 (or 56%) are in receipt of a current rebate as they are assessed as being unable to afford their current Standard Rent.
- Of these 74 tenants, some 48 are in receipt of Supplementary Benefit (SPB) or a benefit of some kind, while the total amount of arrears accrued by these 48 tenants amounts to £123,700 or 35% of the arrears over £1,000 and 26% of the total arrears figure.
- Of the 48 tenants in receipt of SPB, 38 have an arrears agreement or some other arrangement for the payment of rent and a contribution to their arrears.

- Of the 131 tenants with arrears over £1,000, the majority are currently the subject of a signed agreement to pay their rental payment (together with an additional sum in respect of their arrears) either direct from their social security benefit or direct from their employer.
- The 27 tenants in receipt of a rebate (but who were not Supplementary Beneficiaries) are, either single parents or family units on a low wage. Many of these tenants have incomes similar to, or just above, benefit levels.
- Of the 25 tenants with incomes in excess of £400, 24 are subject to a current agreement or employer's mandate to pay their rent and arrears direct from their wages.
- That 11 surcharge cases account for just under 6% of the Department's arrears over £1,000.

11) The following conclusions can be drawn from these statistics:

- The majority of tenant in arrears are either in receipt of a rebate or have been at some stage during the period their arrears have accrued: 55% of these tenants are still in receipt of a rebate and are, therefore, assessed as being unable to pay the current Standard Rent. A large proportion of these tenants are on benefit levels of income and are thus amongst the lowest income group in the community. (The aim of the Department in such cases is to obtain the highest rent payment that the tenant can make without causing hardship, i.e. the rebated rent, plus some payment in respect of the arrears.)
- The majority of serious arrears cases have been brought under control, but maintaining that control is extremely difficult and expensive in resource terms due to the constant changing circumstances of the tenants concerned. It is quite common for such cases to involve marital or relationship breakdown, health problems, unemployment and problems with children both dependent and non-dependent. Furthermore the experience of the Department is that these constantly changing circumstances can extend over a period of years and do not necessarily represent a temporary hiccup in an otherwise "normal" existence.
- Close examination of individual cases indicates that the causes of arrears in many instances are for reasons far more complicated than those popularly attributed to this problem.
- A proportion of tenants find paying even their rebated rent difficult; and, a further, smaller proportion, are so ill-equipped to manage their financial arrangements that the payment of rent only features as a side

issue in a lifestyle that can be blighted by a variety (and combination) of serious physical handicaps and social problems.

- 12) The Department has thus concluded that, as part of its continuing efforts to reduce arrears, it has to find a new approach in helping those of its tenants who for very genuine reasons are unable to organise their lives sufficiently to meet their key financial commitments.
- 13) However, the Department is clear that it cannot achieve this in isolation and progress will only be made with the co-operation and assistance of those other States Departments and non-governmental organisations that are, in many instances, also involved in these cases. Indeed, it is commonplace for the Health and Social Services, Social Security, Home and Education Departments to all be involved with the same family; and although there is some inter-agency working it is nowhere near the level required to address the wider social issues that lead to the non-payment of rent.

### **Summary**

The Department and its staff are dedicated to both controlling and reducing arrears further. However, arrears control is currently undertaken by temporary contract staff and for further improvements to take place will require adequate numbers of skilled and permanent staff who can deal with the serious social issues suffered by many tenants.

**(NB The Policy Council supports the proposals)**

**(NB The Treasury and Resources Department supports the proposals)**

The States are asked to decide:-

VI.- Whether, after consideration of the Report dated 24<sup>th</sup> September, 2004, of the Housing Department, they are of the opinion:-

1. That a new States Rents and Rebate Scheme as set out in that Report, shall come into force with effect from 7<sup>th</sup> May 2005.
2. That the States Rents and Rebate Scheme shall continue to apply primarily to tenants of the Housing Department, to the tenants of the Guernsey Housing Association, and to occupants of the NCH Youth Housing Project premises at 17 Havilland Street, but may also apply to such other persons as may be prescribed by the States or agreed by the Housing Department.
3. That the formula to be applied for the setting of Standard Rents for Housing Department properties be as described in paragraph 45 of that Report.
4. That the Standard Rents to be applied from the inception of the Scheme be as set out in Appendix 3 to that Report, save that the transitional rules set out in paragraphs 146 - 150 of that Report shall apply to their implementation in respect of years 1, 2 and 3 of the new Scheme.
5. That Standard Rents shall be applied for 52 weeks per year.
6. That the rules for the assessment of a Rent Rebate and the disregard of income shall be as set out in Appendix 3 of that Report.
7. That, as part of the rules of assessment:
  - the rate of weekly child allowance be increased to £5.00 per week;
  - the single parent employment allowance be withdrawn to be replaced by a variety of childcare allowances payable to employed tenants in cases where they incur childcare costs associated with employment, the rates of those allowances and the circumstances in which they are payable being as set out in paragraph 105 of that Report;
  - the charges for non-dependents be as set out in paragraphs 127 and 129 of that Report;

all such allowances and charges coming into effect from 7<sup>th</sup> May 2005 and being reviewed annually thereafter.

8. That the gross income ceiling for eligibility for a Rent Rebate be removed completely.
9. That the assessed rent to be paid by a tenant (i.e. after a rebate, if appropriate) shall never exceed the Standard Rent of the property occupied.
10. That the Income Related Rents Scheme (surcharges) be discontinued with effect from 7<sup>th</sup> May 2005, whereupon;
  - Tenants currently paying Income Related Rents shall be assessed in accordance with the rules as set out in Appendix 3 of that Report;
  - Tenants who have paid an Income Related Rent will still be entitled to reclaim the surcharge element of rent paid before that date if entitled to do so in accordance with paragraph 162 of that Report.
11. To approve the enactment of legislation enabling implementation of the Rent and Rebate Scheme and the general regulation of the terms and conditions of occupation of States' residential housing as outlined in that Report.
12. That the Housing Department be directed to carry out a fundamental review of the Rent and Rebate Scheme every five years and report the outcome of such reviews to the States.
13. That, between five yearly reviews, the Housing Department be empowered to increase Standard Rents and rebate assessment factors by Order.
14. To direct the Treasury and Resources Department to make provision for the Housing Department to be reimbursed, in whole or in part, for the income foregone in rebating rents, through the annual allocation of funds to the Housing Department to fulfil its Corporate Housing Programme commitments funded by the States Houses Fund.
15. To direct the Treasury and Resources Department to make provision for the Housing Department to receive sufficient funds to meet the States' commitment to pay to the Guernsey Housing Association, from the States Housing Association Fund, the full value of rent rebates granted to Association tenants, through the annual allocation of funds to the Housing Department as part of the Corporate Housing Programme.
16. To direct the Treasury and Resources Department to have due regard to the staffing implications for implementation of the new Rents and Rebates Scheme when administering the Staff Number Limitation Policy.
17. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.

**HEALTH AND SOCIAL SERVICES DEPARTMENT****JOHN HENRY COURT AND SITE DEVELOPMENT PLAN UPDATE**

The Chief Minister  
Policy Council  
Sir Charles Frossard house  
La Charroterie  
St Peter Port

19<sup>th</sup> October 2004

Dear Sir

**Executive Summary**

The prime purpose of this report is to seek the approval of the States to:

- (i) the construction of replacement staff accommodation at the Princess Elizabeth Hospital.
- (ii) entering into a long term ground lease with Les Cotils Trust for the building of replacement day centres for 'The Russels' and for people with dementia. The former facility is already based at Les Cotils site, while the latter is replacing the Port Soif Centre at the Castel Hospital. A number of clinic rooms will also be provided, again forming part of the ultimate closure of the Castel Hospital.

The opportunity is also being taken by the Health and Social Services Department to update the States on the progress it is making with its site development plan and associated projects.

In September 2003 (Billet d'Etat XXI), the States approved in principle the Board of Health's updated site development plan. Since then, a considerable number of the individual projects have either been completed or are in progress.

Although a considerable amount of progress has been made, there are still a number of major elements of the site development plan that remain to be completed. Schemes like Les Cotils Day Centres and the relocation of services to the St Martin's Community Centre are, in part, enabling schemes. They allow for the remaining mental health services to be transferred to the Princess Elizabeth Hospital site from the Castel Hospital and for the re-provision of medical services and services for older people, which are presently provided in sub standard and outdated accommodation.

On several occasions, the former Board of Health has laid before the States its overall site development plan. On each occasion, it has been made clear that the present nurses' home needs to be demolished in order to allow the new clinical block, the central plank of the hospital modernisation programme, to go ahead.

The timing of the construction of John Henry Court, which will provide this replacement accommodation, is therefore vital and is a key element on the critical path for the Department's site development plan. It is clear from the former Board of Industry's economic model that the ideal time to construct the new clinical block, which is by far the biggest element of the overall site development, will be around 2007. In order to make this timetable realistic, it is vital that the construction of John Henry Court goes ahead without delay. Consequently, it should be seen as enabling works for the clinical block as well as a much needed project in its own right.

There are dual imperatives for this project to go ahead. Firstly, the nurses' home, as explained above, has to be demolished to make way for the new clinical block, which has been approved in principle by the States on a number of occasions. Secondly, new, modern staff accommodation is essential in order to aid recruitment and retention in a world where international standards are constantly improving.

The plan is to provide a total of 66 high quality units in two buildings, to be known as John Henry Court, as a replacement for the existing nurses' home, which is too institutionalised and does not meet current standards. The provision of high quality, affordable residential accommodation will, it is hoped, encourage staff to come to the Island and remain for a substantial period. It will also cater for staff without personal transport.

The new building will replace the existing nurses' home, which is located in the centre of the Princess Elizabeth Hospital (PEH) site and has to be demolished to make way for the new clinical block.

The scheme has now been fully designed and tendered. It comprises linked 2 and 3 storey accommodation, consisting of 42 bed sits and 24 flats, together with ancillary, reception/entrance areas, communal social spaces, laundry and plant rooms.

The Health and Social Services Department has taken the opportunity of including, within the John Henry Court project, various enabling works packages at a cost of £1 million which have already been funded, following approval by the States in September 2003.

Additional funding of £5.9 million is required to complete the project. Traditionally, this sum would have been requested from the capital reserve but the Health and Social Services Department has proposed that, as there is an

income stream from staff accommodation, the majority of the funding for the project should be by Treasury loan, with the balance from the Capital Reserve. The Health and Social Services Department is proposing to take out an interest bearing £3 million loan, at the States Treasurer's rate of interest, repayable over 25 years. The balance of the project cost, £2.9 million being met from Capital Reserve. This method of funding has been supported by the Treasury and Resources Department.

## 1.0 **Site Development Plan Update**

In September 2003 (Billet d'Etat XXI), the States approved in principle the then Board of Health's updated site development plan. Since then, a considerable number of the individual projects have either been completed or are in progress, namely:

### 1.1 *Completed*

- Continuing Care Unit for confused older people at La Corbinerie (Phase 6A).

### 1.2 *In Progress*

- Child Development Centre, to be accommodated in Le Rondin development at the Forest. (See Billet d'Etat III 2003).
- States Analyst's Laboratory and Environmental Health Department, to be accommodated in new premises on the Raymond Falla House site. (See Billet d'Etat XIII 2003).
- 4<sup>th</sup> operating theatre and critical care unit at the Princess Elizabeth Hospital. (See Billet d'Etat XXIV 2003).
- La Corbinerie car park. (See Billet d'Etat III 2004).

### 1.3 *Progressing the Next Phase of the Site Development Plan*

Although considerable progress has been made, there are still a number of major elements of the site development plan to be completed. Les Cotils Day Centres, the relocation of services to the St Martin's Community Centre and the replacement of Oberlands House with smaller group homes amongst others are, in part, enabling schemes. Whilst necessary in their own right, they also allow for the remaining mental health services to be transferred to the Princess Elizabeth Hospital site from the Castel Hospital and for the re-provision of medical services and services for older people, which are presently provided in sub standard and outdated accommodation.



The proposed developments are as follows:

- Phase 5; clinical block, levels 1 to 3, including medical wards, assessment and rehabilitation services, medical investigation unit, renal dialysis unit, oncology centre and Institute of Health and Social Studies.
- John Henry Court; staff accommodation;
- Les Cotils; development to replace the Russels and provide a day centre for people with dementia;
- Phase 6B; acute psychiatric ward, day hospital, respite and assessment ward, day centre, consulting rooms and associated facilities;
- St Martin's Community Centre;
- Group homes for Services for People with a Learning Disability;
- Mignot Memorial Hospital, Alderney.

## 2.0 Clinical Block (Phase 5)

The clinical block is the major component of the first phase of the Princess Elizabeth Hospital site strategy. The intention is to replace wards and departments currently occupying sub-standard or inappropriately located buildings at the Princess Elizabeth and King Edward VII Hospitals.

On several occasions, the former Board of Health has laid before the States its overall site development plan. On each occasion, it has been made clear that the present nurses' home needs to be demolished in order to allow the new clinical block, the central plank of the hospital modernisation programme, to go ahead.

There is no doubt that these new facilities are long overdue. The existing medical wards were never designed for their present purpose. Rather, they were built as psychiatric wards in the 1930's. After 70 years, their useful life has more than come to an end, as their design precludes many aspects of modern medical care, including the use of nursing aids and equipment.

Contained within the new clinical block will be:

### 2.1 Ground Floor

- An Assessment and Rehabilitation Ward, primarily for older people.
- Occupational and Physiotherapy Departments, including an expanded Hydrotherapy facility.

- A Day Hospital for Older People.
- A replacement Renal Dialysis Unit.

## 2.2 First Floor

- Two medical wards as replacements for Arnold and Brock Wards.
- An integral Coronary Care/Medical High Dependency Unit.
- An expanded Medical Investigation Unit.
- Relatives' overnight accommodation.
- An Oncology centre - Bulstrode House.
- Medical staff facilities.

## 2.3 Second Floor

- A replacement facility for the Institute of Health and Social Studies, with integrated multi-disciplinary library.

## 2.4 The new building will be linked via internal corridors to the existing hospital complex and will have its own entrance, which will include waiting areas, vending machines, public toilets, lift and stairs.

The 'in principle' proposed footprint of the departmental layouts has been confirmed with the staff concerned and detailed design commenced. The provisional programme for the project is as follows:

Tendering	June to October 2005
States Report	January 2006
Start on Site	February 2006
Completion	March 2009

Accurate costs can only be provided when detailed design has been completed, but it is anticipated that, at 2004 prices and for planning purposes only, the Health and Social Services Department will be approaching the States in early 2006 for approval to commit approximately £25 million capital to the scheme.

## 2.5 The scheme will be completed in two parts to minimise on the cost and the disruption of decanting services. The first part will comprise the construction of

new Medical Investigation, Renal and Medical Library facilities, thereby preventing these services having to be moved temporarily from their present location. In effect, they will move straight into new accommodation in advance of the main construction phase, significantly reducing inconvenience to both patients and staff and the cost of the temporary decant accommodation.

- 2.6 Nevertheless there will be some services that will require temporary accommodation during the main construction phase of the scheme. The intention is to keep these to an absolute minimum, both in terms of number and cost, by using existing facilities at La Corbinerie which will be vacated in advance of the construction of the new adult mental health facilities (phase 6B). These departments will then move into accommodation within the new clinical block. However, none of these much-needed facilities can be created until the present nurses' home is demolished and this, in turn, requires replacement accommodation to be provided before the construction of the clinical block.
- 2.7 The timing of the construction of John Henry Court, which will provide this replacement accommodation, is therefore vital and is a key element on the critical path for the Department's site development plan. The Department and its predecessors have always been keen to assist with the corporate task of managing capital projects in order to achieve best value for money. With this in mind, the Department has had particular regard to the Economic Model drawn up by the former Board of Industry. It is clear that the ideal time to construct the new clinical block, which is by far the biggest element of the overall site development, will be around 2007. In order to make this timetable realistic, it is vital that the construction of John Henry Court goes ahead without delay. Consequently, it should be seen as enabling works for the clinical block as well as a much needed project in its own right.

### 3.0 **John Henry Court**

#### 3.1 **The need for New Accommodation**

There are dual imperatives for this project to go ahead. Firstly, the old nurses' home as explained above, has to be demolished to make way for the new clinical block, which has been approved in principle by the States on a number of occasions. Secondly, new, modern staff accommodation is essential in order to aid recruitment and retention in a world where international standards are constantly improving.

The most important resource of any health and social service is its staff. Every effort is made to recruit and retain local staff wherever possible but with an establishment of more than 800 nurses, it never has been, nor will be, possible to staff the service without recruiting from outside the island. Only the most senior nursing staff qualify for housing licences, with the rest having to be accommodated by the Health and Social Services Department in properties, which are either owned or leased by the States.

3.1.1 Traditionally, accommodation has been provided for five main categories of employee:

- i. Qualified single nurses of grades D and E, these being categories for which the Health and Social Services Department cannot obtain a housing licence.
- ii. Qualified single nurses of grade F and above who do not wish to take up a licence.
- iii. Subject to a maximum of six months, members of staff, married or single, who have just arrived on the island and have been issued with a housing licence.
- iv. Locum medical and professional staff, (usually no longer than 3 weeks).
- v. Other short term occupiers, such as students on work placements, temporary appointments from the UK etc.

There is now pressure to house other staff groups due to increasing recruitment and retention difficulties.

3.1.2 The Health and Social Services Department presently has 316 units of staff accommodation in Guernsey, of which 115 are leased and 201 are owned by the States. A significant proportion of this accommodation, whilst decorated and equipped to a high standard, does not offer what are now considered to be essential features such as en-suite facilities, study areas, lounge and kitchen. There are very few units of self-contained accommodation such as flats or bed-sits. This causes considerable and increasing difficulty in recruiting and retaining experienced staff who are vital to the skill mix of the service but who are not at a high enough grade to warrant an essential worker's licence.

Over recent years, the service has lost many key staff because of the unsuitability of the staff accommodation on offer. This has been particularly true of 'nursing couples' as there is virtually no accommodation suitable for double occupation. When such people decide to leave Guernsey, simply in order to live together, it is clearly a double loss to the service. The other group of staff who tend to be lost are more mature staff who understandably no longer find the confines of a single room with shared facilities acceptable. This has implications on both the continuity of the service and its skill mix, as well as the costs of recruitment.

In order to address these problems, it is vital that the Health and Social Services Department has a significant number of flats and bed-sits to offer staff. That is not to say that there will not always be a demand for more basic accommodation, particularly for younger staff who are in the island for a limited period and want to live as economically as possible. What is required is the right mix of accommodation to suit a range of aspirations and personal circumstances.

The various local nursing unions have long been urging the Health and Social Services Department (and previously the Board of Health) to modernise its portfolio of staff accommodation and in particular to provide more flats and units of independent accommodation.

- 3.1.3 The new building will replace the existing nurses' home, which is located in the centre of the Princess Elizabeth Hospital (PEH) site and has to be demolished to make way for the new clinical block.

The scheme has now been fully designed and tendered. It comprises linked 2 and 3 storey accommodation, consisting of 42 bed sits and 24 flats, together with ancillary, reception/entrance areas, communal social spaces, laundry and plant rooms.

The main factors that have influenced the Health and Social Services Department in the development of its proposals for staff accommodation are essentially threefold:

bed-sits with communal living space are acceptable to certain groups of staff;

to live independently, having their own cooking, sitting, laundry and bathroom facilities;

it is hard to predict how many of the Health and Social Services Department's staff will, in the future, be single or couples and units should, therefore, be provided which will accommodate both to give the greatest flexibility.

- 3.1.4 The plan is to provide a total of 66 high quality units in two buildings, to be known as John Henry Court, as a replacement for the existing nurses' home, which is too institutionalised and does not meet current standards. The provision of high quality, affordable residential accommodation will, it is hoped, encourage staff to come to the Island and remain for a substantial period. It will also cater for staff without personal transport.

It is intended that the new staff residences to be built on the site of John Henry House will be named John Henry Court, in order to continue

recognition of the work of the late John Henry, who was a much respected former President of the Board of Health.

Refurbishment of the nurses' home was discarded as an option due to the small size of the rooms, the difficulties of refurbishing a building of this type and the unacceptable number of units, which would have been lost from any re-planning. Retention of the nurses' home would also have adversely affected the siting of the new clinical block, creating longer distances to other wards and departments and hence compromising its clinical functioning.

- 3.1.5 The Health and Social Services Department already leases approximately 38% of its staff accommodation at a total cost of over £580,000 per annum. This is not the most cost-effective way of providing the accommodation but, because of the lack of suitable alternatives, has had to be used. However, it would be sensible not to increase the amount of investment in leased properties any further. In addition, following extensive investigations and enquiries, there are insufficient suitable properties currently available in the market to replace the 78 units of accommodation to be demolished at the Princess Elizabeth Hospital site.

The replacement of the nurses' home is only the first stage of the Health and Social Services Department's plans to upgrade all of its staff accommodation to the same standard as that identified above. The Health and Social Services Department recognises, however, that the provision and management of accommodation for its staff is not part of its core business and would welcome working with either a housing association or key worker housing developer to undertake the upgrading and ongoing management of staff accommodation at no capital cost to the States. The same would apply to any new accommodation purchased by the Health and Social Services Department. Currently, however, given the limited availability of leased property and inadequate interest from third parties in providing Housing Association or key worker accommodation, in the short to medium term, the only viable option is to construct replacement facilities.

- 3.1.6 In accordance with the Corporate Housing Programme Action Plan agreed by the States in July 2004 (Billet d'Etat XII 2004), the Health and Social Services Department will work in co-operation with the Strategic Property Unit and the Housing Department on the development of key worker housing and would be agreeable, if appropriate, to John Henry Court being transferred to key worker housing in the future.

### 3.2 Design Status

The only realistic location at the Princess Elizabeth Hospital for the new staff accommodation is the current John Henry House site, extending onto the adjacent car park area and bungalow.

- 3.2.1 A number of option studies and scheme appraisals have taken place to establish a design solution that is acceptable to the Health and Social Services Department, the Environment Department and the adjacent property owners. The initial schemes for three circular blocks and subsequently two rectangular 3-storey blocks, were unacceptable to both, the then Island Development Committee and adjacent property owners due to their height and close proximity to the boundary. Alternative options were discussed that reduced the height of the development and at the same time relocated the buildings away from the boundary.
- 3.2.2 The Health and Social Services Department has had extensive consultation meetings with the Environment Department (and former Island Development Committee) over the past 9 months and continues to do so. Changes have been incorporated to reflect the advice given in order to develop an acceptable scheme. A formal planning consultation application was submitted to the Environment Department in April 2004. Confirmation of acceptance of the project was received from the Environment Department at the end of June 2004.
- 3.2.3 Following an intensive internal sign off process over the past 6 months, the Health and Social Services Department has approved a design solution with a reduced density that will provide 24 flats and 42 bed sits. The design comprises 2 buildings with a linked communication stairwell and reception foyer/entrance.

One building will comprise flats, each with a living room, bedroom, bathroom and kitchen. These will be suitable for either individuals or couples. The other building will be bed-sits, suitable for individuals, comprising combined bedroom/sitting room with a small kitchen and shower room. There will also be communal living rooms provided for each group of seven bed sits. This proposal achieves high density residential development whilst retaining a good aspect and pleasant surroundings for each building.

### 3.3 Procurement Route

Alternative procurement options have been evaluated by the Design Team, including design and build, traditional specification & drawings and management contract routes.



- 3.3.1 The main benefits from design and build, where a contractor could influence design and buildability to achieve cost efficiencies, could not be realised on this project. By necessity, the design brief was very specific in respect of room layouts and equipment and the proposed location is on an extremely tight site. At the same time, the extensive negotiations with the Environment Department and adjacent property owners have resulted in a fully designed solution achieving sign off. Consequently, the opportunity for any contractor design input, other than to reduce quality of materials or finishes, was considered minimal.

Management contracting would provide benefits of an overall improvement in the project programme, where time is of the essence, but at the detriment of having to proceed with the contract works to a budget cost only, with actual costs being established as work progresses.

Having, therefore, fully designed the building to address the brief and to resolve the third party issues as far as possible, the traditional specification and drawings procurement route is recommended, as the client maintains control on quality issues, whilst at the same time maximizing contractor interest and hence competition. The works are, therefore, fully designed, with bills of quantities produced, to identify construction rates for accurate control of cost movement through out the project.

### 3.4 Tender Process

Expressions of interest were sought through the Guernsey Press and four prospective contractors responded submitting details requested in a Pre Qualification Questionnaire.

Following evaluation of the initial submissions, interviews were held with all four contractors in March 2004, and 3 locally based contractors were invited to tender. The fourth contractor was considered not to have the necessary relevant experience for this particular project.

The closing date for the return of tenders was originally the 10 September 2004. At the request of the three tenderers, this was extended to the 20 September 2004.

Only two of the three tenderers eventually returned tenders. The third tenderer declining to tender due to pressure of work.

The lowest tender received was from R G Falla Ltd. Discussions have subsequently taken place between the design team and R G Falla to clarify various aspects of the project, the final costs being detailed below.



### 3.5 Timescale

Subject to the States resolving to support the Department's proposals, the anticipated contract would commence in January 2005, with the building being ready for occupation in the early spring of 2006.

### 3.6 Enabling Works

In order to facilitate the redevelopment of the Princess Elizabeth Hospital, it has been necessary to develop a site wide infrastructure strategy, comprising packages of work to implement the necessary improvements across the estate.

La Corbinerie car park is the first such enabling works package. Within the John Henry Court development, it is proposed to include the following additional packages of work, the costs for which have already been approved by the States in September 2003.

- Demolition of the existing John Henry House and adjacent bungalow.
- Formation of a contractors' compound area, adjacent to the existing library, for the storage of materials, plant and equipment.
- Re alignment, alterations and improvements to the Rue Mignot off Le Vauquiedor.
- Enhancements to the incoming electrical supply and upgrading of the existing high voltage transformers.
- Upgrading of the mechanical plant within the existing Calorifier Room 'A'.

### 3.7 Costs

#### 3.7.1 Capital

As referred to above, the Health and Social Services Department has taken the opportunity of including, within the John Henry Court project, various enabling works packages that are required on the Princess Elizabeth site in readiness for the planned future redevelopment. All of these have already been funded, following approval by the States in September 2003. The following schedule summarises the key elements of the total scheme costs that make up the John Henry Court project.

	£m	£m
Construction Costs		5.1
Costs approved by the States in September 2003		
Infrastructure Costs	0.7	
Design Costs	<u>0.4</u>	1.1
Furniture, fittings and equipment	0.6	
Design and Clerk of Works fees	<u>0.2</u>	0.8
<b>Total cost of project</b>		<b><u>7.0</u></b>

### 3.7.2 Revenue

There will be no additional revenue costs or staffing implications resulting from the project.

## 3.8 Rental Strategy and Return on Capital Investment

3.8.1 The Health and Social Services Department and the former Board of Health have long been aware that charges for staff accommodation were so low as to be unrealistic. This was particularly problematic as the shortage of units meant that they had to be restricted to those not allowed to live in the community because of the Housing Control Law. Consequently, some local staff have argued, with some validity, that non-local staff enjoy an extra benefit in the form of subsidised housing, albeit that the non-local staff are disadvantaged by not having a choice over where they live. Moreover, in the present economic climate, there is rightly pressure on all States departments to maximise their income in order to minimise their demands on general revenue.

3.8.2 Both of these matters have led the Department to carry out a full review of the rents charged for all its staff accommodation. It could be argued that the simplest approach would be just to charge market rates for all accommodation. Certainly, that would remove at a stroke accusations of unequal treatment and the Department would also be seen to be maximising the return on its capital assets.

Unfortunately, such a stance, with its inevitable considerable increase in rents charged, could also be seen as grossly unfair on current occupants and have a hugely negative impact on recruitment and retention. Instead, the Department has decided to go for a middle ground, which in itself

will involve significant increases in most rents while still maintaining an element of subsidy against the very high market rents currently being experienced in Guernsey. There is a valid argument that most of the qualified nursing staff are not given housing licences and are, therefore, very restricted in where they are allowed to live.

- 3.8.3 This is not the time to report on that exercise in its entirety but the outcome is that, for John Henry Court, the bedsits will initially be charged at £437.50 per month and the flats at £525 per month.
- 3.8.4 This means that the additional annual rental income from John Henry Court will be about £240,000 per annum when compared to the income from the current nurses' home. Whilst this is clearly not a full commercial rate, it represents a big improvement on the past and is, in the view of the Department, as far as it is possible to go without damaging recruitment and retention and thereby the staffing of Guernsey's health service.

### 3.9 Funding

- 3.9.1 It is proposed that the majority of the funding for the project should be by Treasury loan, with the balance from the States' Capital Reserve. The Health and Social Services Department is proposing to take out an interest bearing £3 million loan, at the States Treasury's rate of interest, repayable over 25 years. The balance of the project cost, £2.9 million being met from Capital Reserve.
- 3.9.2 By adopting a more realistic approach to the provision and management of its staff accommodation and by looking to cover a significant proportion of the project cost itself from rental income, the Health and Social Services Department will be reducing its demand on the States' Capital Reserve which, it has been advised, stood at £51.7 million as at 31 August 2004.
- 3.9.3 The Health and Social Services Department would be prepared to consider similar funding arrangements in the future for capital projects where there is an appropriate income stream.

### 4.0 Les Cotils Day Centres

This scheme involves the construction of a facility to:

- (i) replace the existing Russels building;
- (ii) provide a day centre for people with dementia to replace facilities at the Castel Hospital;

- (iii) provide office and clinic space for the Community Mental Health Team for Older People;
  - (iv) house the Memory Clinic.
- 4.1 A revised approach to this development was agreed in principle in early 2004 between the former Board of Health and Advisory and Finance Committee, whereby the States will meet the initial capital costs for design and construction of the building (including landscaping) plus paying an appropriate ground rent to Les Cotils Trustees, as already happens for 'The Russels'. This is also the preferred option of Les Cotils Trust. The Treasury and Resources Department subsequently approved the novated arrangements for the design team and detailed planning is well advanced.
- 4.2 It is proposed to enter into a long term ground lease with Les Cotils Trustees. It would not be the intention for the lease to be signed in advance of States agreement to the construction of the facility. Indeed, the lease would be subject to States agreement to fund the construction of the day centres. Commitment to the lease at an early stage would, however, shorten the overall timescale for the day centre project, as construction could be commenced once the States have given approval. An approach to the States seeking approval to the construction of the facility is anticipated in Spring 2005

#### 5.0 **Adult Mental Health Services (Phase 6B)**

- 5.1 It is still the Health and Social Services Department's intention to vacate the Castel Hospital site. The continuing care units, at La Corbinerie (known as phase 6A), have now been completed, which has allowed for the transfer of confused older patients. Plans for the next phase of development at La Corbinerie (known as Phase 6B) will ultimately allow the transfer of the other mental health services from the Castel Hospital. Phase 6B will comprise a 24-bed adult acute mental health ward, a 12-bed assessment and respite ward for confused older people, a psychiatric day hospital and a social and therapeutic day centre, plus clinic and office space for the mental health service.
- 5.2 The main benefits of the new wards and day facilities, compared to the existing premises at the Castel Hospital, can be summarised as follows:
- segregation of sleeping and day areas to allow for separation, as necessary, of male and female patients and of people with different types of mental health problem;
  - all bedrooms with en-suite facilities;
  - improved 'extra care' facilities, including well located control and observation bases;

- provision of domestic skills and complementary therapies areas;
  - improved staff and patient security.
- 5.3 To comply with Environment Department advice, development has been restricted to the northwest of La Corbinerie site. It will be a mixture of new buildings and re-use of the existing Mignot Centre and stable block. This complex of buildings is of historical and architectural significance, so the Health and Social Services Department would not wish to see them demolished. They can be re-used for the supporting facilities, patient areas being in the new buildings.
- 5.4 It will be necessary to undertake various enabling works to clear the site before Phase 6B can proceed. Replacement facilities for the following will be needed:
- Mignot Centre and the headquarters for services for people with a learning disability - as mentioned below, it is planned to transfer these services to the Community Centre in St Martin's;
  - Oberlands House – to three 6-person group homes in various locations around the island;
  - a flat used as accommodation for a client with a learning disability– a suitable replacement location has been found;
  - Gateway Club premises – the Board's officers are in discussion with the Gateway Club regarding the future provision of the club's facilities.
- 5.5 The Phase 6B brief and layouts have been agreed and detailed design is well advanced. The provisional programme for the project is as follows:

Tendering	April to August 2007
States Report	October 2007
Start on Site	November 2007
Completion	November 2009

Accurate costs can only be provided when detailed design has been completed, but it is anticipated that, at 2004 prices and for planning purposes only, the Health and Social Services Department will be approaching the States in the autumn of 2007 for approval to commit approximately £14.3 million to the scheme.

## 6.0 **St Martin's Community Centre**

The current base for day services for adults with a learning disability (Mignot Centre) and the headquarters office accommodation for services for people with a learning disability as a whole will have to move from the current premises at La Corbinerie to facilitate the transfer of the remaining mental health services from the Castel Hospital.

The current Mignot Centre building is also far from ideal in terms of location, access for disabled people, size and layout.

The Health and Social Services Department has entered into a joint funding arrangement with a Trust established by St Martin's Church for the construction of a building, part of which would be leased as a new base for day services for adults with a learning disability, plus the HQ offices for services for people with a learning disability. Tenders for the construction have been received and it is hoped this will commence in late 2004, with a completion date in early 2006.

## 7.0 **Group Homes for People with a Learning Disability**

As stated above, for the remaining adult mental health facilities to transfer from Castel Hospital to La Corbinerie, it will be necessary to find a replacement for Oberlands House. The Strategic Property Unit has already purchased, on the Health and Social Services Department's behalf, two properties, with a third under negotiation, which will, over the next twelve to eighteen months, be converted into 6 bedded group homes for clients with a learning disability. Conversion costs will be approximately £900,000 for each property. In addition there will be increased revenue costs due to the higher number of staff required to run three homes instead of one large one. An approach to the States for this development is anticipated in the Spring 2005, with completion in the spring of 2006.

## 8.0 **Mignot Memorial Hospital**

The Health and Social Services Department is fully committed to replacement of the Aurigny Wing and refurbishment of the acute hospital areas at the Mignot Memorial Hospital.

- 8.1 Older people are currently accommodated in the Aurigny Wing of the hospital. It is proposed to replace this temporary structure with a permanent building, adjacent to the existing ward. At the same time, the opportunity is being taken to refurbish the acute in-patient and outpatient areas of the hospital. The Health and Social Services Department has sought to achieve the best possible solution for Alderney, taking full account of the logistical, financial and demographic constraints affecting the project.

- 8.2 The current programme for the scheme is for completion of detailed design by the end of November 2004, a start on site by late summer 2005, and completion in the spring of 2007.
- 8.3 This is a later completion than had originally been planned. The delay has been brought about primarily by a re-assessment of the method of procurement and construction. Earlier advice was that by utilising a high level of off site construction, costs would be less than £3 million at 2003 prices. This has proved not to be the case.
- 8.4 Following the appointment of Gleeds Management Services as project managers and Nightingale Associates as scheme architects, a full and detailed assessment was carried out on possible construction options and costs. This identified that off site construction to the scale previously envisaged would not be possible and that the cost of replacing the Aurigny Wing and the refurbishment of the acute hospital areas would be significantly in excess of the £3 million budget agreed by the States in September 2003 (See Billet d'Etat XXI).
- 8.5 Outline functional content and layout drawings have been agreed with the professional staff and 'Acceptance to proceed certificates' have been signed, which gives the design team the authority to proceed with detailed design. This, as indicated above, is due to be completed by the end of November this year.
- 8.6 Accurate costs will then be provided and the appropriate approvals sought from the Treasury and Resources Department before proceeding to tender.
- 8.7 Following the receipt of tenders, a report on costs will be produced by the Quantity Surveyors that will be considered by the Health and Social Services Department. If, as anticipated, the cost is in excess of the £3 million budget, then a report will be brought to the States in early 2005, seeking additional funding to enable the scheme to proceed. The current facilities at the hospital, particularly for older people in the Aurigny Wing, are unsatisfactory and in need of urgent replacement.

## 9.0 **Conclusion and Recommendations**

The Health and Social Services Department strongly believes that it is necessary to continue to improve the facilities and infrastructure of the services it provides to ensure that its staff can continue to provide the standard of health and social care that residents of the Bailiwick have come to expect and require.

The Department recommends that the States:

1. note the progress made by the Department in implementing its site development plan since its last report on this matter in 2003;

2. (a) to approve the construction of new accommodation at John Henry Court at a total cost of £7 million (including consultants fees etc already approved of £1.1million.);
- (b) to authorise the Treasury and Resources Department to loan the Health and Social Services Department a sum of £3 million, repayable over 25 years with interest to be charged at the States Treasurer's rate;
- (c) to authorise the Treasury and Resources Department to approve the acceptance of all tenders in connection with this project;
- (d) to vote the Health and Services Department a credit of £2.9 million such sum to be charged to the capital allocation of that Department;
- (e) to authorise the Treasury and Resources Department to transfer an appropriate sum from the Capital Reserve to the capital allocation of the Health and Social Services Department; and
3. to authorise the Treasury and Resources Department to negotiate a long term ground lease of the new day centres from the Trustees of Les Cotils, subject to the final approval of the Law Officers of the Crown and States approval of the construction of the centres;
4. to direct that, under the Corporate Housing Programme, the Health and Social Services Department and the Housing Department investigate the feasibility of introducing a key worker housing association to the Island to manage John Henry Court and other similar accommodation for key workers employed by the States.

I should be grateful if you would lay this matter before the States with appropriate propositions.

Yours faithfully

P J ROFFEY  
Minister  
Health and Social Services



**(NB The Policy Council supports the proposals)**

**(NB The comments of the Treasury and Resources Department are set out below)**

The Chief Minister  
Policy Council  
Sir Charles Frossard House  
La Charroterie  
St. Peter Port

20<sup>th</sup> October 2004

Dear Sir

**JOHN HENRY COURT AND SITE DEVELOPMENT PLAN UPDATE**

The members of the Treasury and Resources Department, by a majority, support the Health and Social Services Department's States Report in respect of the above.

In deciding to support the development of the construction of replacement staff accommodation at the Princess Elizabeth Hospital, members were particularly concerned about its timing. The proposed timing of the project will mean that the majority of the construction work will be carried out in 2005, a time when the construction programme is already overheated.

However, the majority of the members of the Department were persuaded that the project had been devised in such a way (by the use of off island prefabrication wherever possible) to reduce its impact on the local industry. Furthermore, by carrying out this part of the project in 2005 it will enable the replacement of the clinical wards at a time when the construction demand is anticipated to be much reduced.

Any delay in the construction of the nurses accommodation will cause a consequential delay in the clinical wards work and not enable them to be built at a time when the construction industry will be seeking work more competitively.

Deputy Mark Dorey is not persuaded that the project should be carried out at this time or that the clinical wards should be progressed in advance of other capital projects until they have been prioritised.

The members of the Department, however, all agree that it is essential that the development of the nurses accommodation must be carried out as part of a coordinated approach on key worker accommodation within the previously agreed Corporate Housing Programme.

The funding arrangement proposed for the scheme has been constructed such that it is less of a draw on the Capital Reserve (31 August 2004: £51.7 million). However, it does mean that sufficient rents will need to be collected in order to service and repay the loan.

The entering into the long ground lease for the building of replacement day centres is supported as it is an important step in the closure of Castel Hospital.

Yours faithfully

L S Trott  
Minister  
Treasury and Resources Department

The States are asked to decide:-

VII.- Whether, after consideration of the Report dated 19<sup>th</sup> October, 2004, of the Health and Social Services Department, they are of the opinion:-

1. To note the progress made by the Department in implementing its site development plan since its last report on this matter in 2003.
2. (a) To approve the construction of new accommodation at John Henry Court at a total cost of £7 million (including consultants fees etc already approved of £1.1million.).
- (b) To authorise the Treasury and Resources Department to loan the Health and Social Services Department a sum of £3 million, repayable over 25 years with interest to be charged at the States Treasurer's rate.
- (c) To authorise the Treasury and Resources Department to approve the acceptance of all tenders in connection with the construction of new accommodation at John Henry Court.
- (d) To vote the Health and Services Department a credit of £2.9 million such sum to be charged to the capital allocation of that Department.
- (e) To authorise the Treasury and Resources Department to transfer an appropriate sum from the Capital Reserve to the capital allocation of the Health and Social Services Department.

3. To authorise the Treasury and Resources Department to negotiate a long term ground lease of the new day centres from the Trustees of Les Cotils, subject to the final approval of the Law Officers of the Crown and States approval of the construction of the centres.
4. To direct that, under the Corporate Housing Programme, the Health and Social Services Department and the Housing Department investigate the feasibility of introducing a key worker housing association to the Island to manage John Henry Court and other similar accommodation for key workers employed by the States.

***ORDINANCE LAID BEFORE THE STATES***

**THE HEALTH SERVICE (BENEFIT) (RATES OF MEDICAL BENEFIT)  
ORDINANCE, 2004**

In pursuance of the provisions of the proviso to Article 66(3) of the Reform (Guernsey) Law, 1948, the Health Service (Benefit) (Rates of Medical Benefit) Ordinance, 2004 made by the States Legislation Committee on the 26<sup>th</sup> February, 2004, is laid before the States.

***STATUTORY INSTRUMENTS LAID BEFORE THE STATES***

**THE RABIES ORDER, 2004**

In pursuance of Section 4 of the Rabies (Bailiwick of Guernsey) Law, 1975, the Rabies Order, 2004, made by the Commerce and Employment Department on 29<sup>th</sup> September, 2004, is laid before the States.

EXPLANATORY NOTE

This Order establishes the conditions under which animals that are susceptible to rabies may be imported into the Islands. The conditions are intended to permit the movement of certain pet animals where the risks of the spread of the disease are considered to be low.

The Order also establishes the powers available to the department to deal with an outbreak or suspected outbreak of rabies in the Islands.

**THE SOCIAL INSURANCE (CLASSIFICATION)  
(AMENDMENT) REGULATIONS, 2004**

In pursuance of Section 117 of the Social Insurance (Guernsey) Laws, 1978-2003, the Social Insurance (Classification) (Amendment) Regulations, 2004, made by the Social Security Department on 1<sup>st</sup> October, 2004, are laid before the States.

EXPLANATORY NOTE

These Regulations provide that social insurance contributions are not payable in respect of remuneration received by voluntary workers for their duties as members of the Alderney ambulance service.

**EDUCATION DEPARTMENT**

**ST SAMPSON'S SECONDARY SCHOOL: VALIDATION REPORT**

The Chief Minister  
Policy Council  
Sir Charles Frossard House  
La Charroterie  
St Peter Port

15<sup>th</sup> September 2004

Dear Sir

I enclose the summary of the validation report and the Department's response for the above school. I shall be grateful if you will arrange for this to be published as an appendix to the Billet d'État for November 2004.

Copies of the full report will be made available for any member of the public to inspect at both the school and the Education Department.

Yours faithfully

M A Ozanne  
Minister  
Education Department



# EDUCATION

A STATES OF GUERNSEY GOVERNMENT DEPARTMENT

## **Response to the Validation Report on St Sampson's School**

The Education Board and St Sampson's School are delighted with and fully accept the very good Validation Report of March 2004.

The School has made "commendable progress" since the previous inspection in 1998 and there has been particular pleasing progress since the Follow-up Report of 1999 in the areas of leadership, management, morale and behaviour.

The Education Board is pleased to note that the strong leadership of the School has led to the establishment of a calmer and more purposeful ethos and more effective teaching and learning. Particularly commendable was that 52% of lessons were deemed either good or excellent in the quality of teaching, learning and attainment and the high number of lessons that were judged to be satisfactory or above (90%). These statistics were recognised as being a "marked improvement" on the 1998 figures. Students enjoy their lessons and have a responsible attitude towards their work, responding well to tasks that are suitably challenging. Levels of attainment have been improving steadily, with a noticeable improvement in the percentage of students achieving A\*-B grades at GCSE. There is a satisfactory or better value added achievement in nearly every GCSE subject and in KS3 in 2003, the overall achievement at Level 5 or above in Science and Mathematics was above national expectations. Assessment has developed well with a clear and thorough policy that is producing consistency across the School. Students have a good awareness of their own attainment and progress. Reporting to parents is good. The valuable role the Year Heads and tutors make in supporting the learning of the students is recognised, as is the good quality of the specialist provision for students with special needs.

The School is described as a "caring school which encourages a sense of community" where "good standards of behaviour are expected" and "students feel safe" and "feel valued." Provision for spiritual, moral, social and cultural development is identified as one of the strengths of the School. Students know what their responsibilities are as members of the school community, respect school rules and conventions and behave well in lessons and around the school. The environment is a stimulating one in which to work and the school is clean and well maintained. There was a high and supportive response from parents by means of the questionnaire which confirmed widespread satisfaction with the School's work. Communication with parents and the local community is effective and the learning of the students is enriched by the good links with the community. The School Office is praised for its efficiency and welcoming approach and

The School's Self-Evaluation Report provides an accurate account of the areas for continued improvement with those listed below being the key ones that will be addressed.

- Improvement in literacy, especially in relation to boys across the curriculum
- Effective use of data both with individual students and across the School
- Developing further the systems of monitoring of all aspects of the School
- Development of e-learning as a means of raising achievement further
- Increasing opportunities by the incorporation of 14-19 curriculum developments
- Developing a coordinated and cohesive Citizenship programme and the structured use of tutorial time

The School is in the process of developing an improvement plan that will identify the strategies needed to build on the good progress that it is making and so continue to raise achievement.

**ISLAND'S FEDERATION FOR THE EVALUATION OF SCHOOLS  
(IFES)**

**CONFIDENTIAL**

**Summary of the Validation Report**

**ST SAMPSON'S SECONDARY SCHOOL  
GUERNSEY**

**MARCH 2004**



## **SUMMARY OF THE VALIDATION REPORT**

### **ST SAMPSON'S SECONDARY SCHOOL**

St Sampson's is a non-selective secondary modern school for boys and girls aged 11 – 16

There are 554 students on roll, 304 & 250 girls

They are taught by 41 members of staff, providing a student/teacher ratio of 13.8 : 1

#### **Background**

The validation team consisted of thirteen experienced inspectors. Twelve were Ofsted inspectors from the UK and one was an education adviser from Jersey, all of whom had completed the Islands' Federation from the Evaluation of Schools (IFES) training course. The team was led by a former senior HMI and Ofsted Registered Inspector.

The team was introduced to staff at an information meeting on Sunday evening, and then spent four days inspecting the school.

The school provided a range of documentation and information in advance of the visit, having spent a year working on its self-evaluation activities. Most staff had attended the Education Department's IFES Internal Evaluator training course on how to carry out a self-review.

The evidence base to validate the school's findings was collected through:

- observation of 172 whole or part lessons;
- scrutiny of a wide range of whole school and departmental documentation from the last three years, including School Improvement Plans, minutes of meetings and examination results;
- examination and discussion of teachers' planning;
- attendance at assemblies, form tutor periods and some extra curricular activities;

- examination of students' current and previous work;
- approximately 26 hours of planned discussions with teachers and other staff, students and parents;
- observation of students on arrival and departure from the school and at other times around the buildings and grounds;
- scrutiny of 40 letters and 286 returns from the parental questionnaire.

At the end of the week, heads of department received an oral feedback on their subject area from the specialist inspector. On Friday, the team leader and deputy leader reported the main findings of the inspection team to the headteacher and her two deputies at the school. This was followed by a verbal report to the Director of Education.

### **Main Findings**

- St Sampson's has made commendable progress in many aspects of its work since the previous inspection in 1998.
- The headteacher provides strong leadership and has overseen a number of initiatives which have led to the establishment of a calmer and more purposeful ethos and more effective teaching and learning. Improvements include the establishment of clear school aims, values and policies, the development of the leadership role of middle managers, the regular monitoring and review of the curriculum, and better planning and documentation.
- It is particularly pleasing to note the progress which has been made since the Follow-up Report of 1999, when concerns were expressed about leadership, management, morale and behaviour.
- The recent appointment of a second deputy head and the subsequent reorganisation of senior management team (SMT) responsibilities are providing more effective support for the headteacher, and establishing more cohesive patterns of management. It is expected that a more stable staffing situation will enable the school to continue its good progress.
- Relationships and behaviour in the school are good. Students are usually courteous and they benefit from a calm, well ordered and caring atmosphere which staff work hard to sustain. A high percentage of parents report that their child is happy at school. There are clear procedures for dealing with the small number of recalcitrant students.
- The school's self-review was conducted in a professional manner, with appropriate contributions from both teaching and non-teaching staff, and from relevant officers at the Education Department. The internal self-evaluation report provides a largely

accurate account of the school's strengths and areas for development. It will be invaluable in the drawing up of the next school improvement plan (SIP).

- The inspection team observed 172 lessons. Of these, 90% were of at least satisfactory standard, and a commendable 52% were either good or excellent in the quality of teaching, learning and attainment. This is a marked improvement upon the figures from the 1998 inspection, which were 83% and 46% respectively.
- Most lessons are carefully planned, with appropriate tasks and resources, and with clear leading objectives. Students respond well to praise and encouragement, and to teachers with high expectations of standards of work and behaviour.
- Almost all subject areas provide several examples of effective teaching and learning. The small percentage of unsatisfactory lessons relate to a few staff whose work is being monitored and supported by the headteacher and her SMT, and by the appropriate heads of department.
- The school is now well documented, and has established a wide range of appropriate policies and schemes of work at whole school and departmental levels. There is a total compliance with all requirements of the National Curriculum (Guernsey).
- As in all the Island's secondary schools, the NC(G) is taught within the constraints of a weekly time allowance of 23.5 hours (25 hours minimum in the UK). The school is currently investigating the feasibility of moving to a fortnightly timetable in order to increase curriculum flexibility. It is also rightly addressing Island 14 – 19 curriculum initiatives, the further extension of vocational courses, and the introduction of citizenship.
- The headteacher and her staff are also embarking on important curriculum initiatives relating to PSHE and tutorial time, and whole school approaches to the development and management information systems (MIS), ICT, special educational needs (SEN) and literacy. Policies for the further development of numeracy, equal opportunities and inclusion are also needed, together with a better co-ordinated programme of continuing professional development (CPD) and in-service training which is closely linked to the SIP.
- While steady progress is being made in the areas prioritised for attention in the SIP, there has been significant slippage in meeting the targeted completion times. The next SIP, would benefit from fewer targets and more realistic timescales. Similarly, the focus and length of management meetings could usefully be reviewed.
- Attainment levels have been improving steadily since 1998, particularly for girls. The number of student achieving the higher A\* and B grades at GCSE has improved from 19.5% to 24.5% over the past four years. The school is making good progress in the use of Yellis data to analyse achievement and value added at KS4. It is rightly seeking to strengthen its assessment of entry data at Y7 and its use of MidYis and CAT to set targets and track progress at KS3, and to raise the attainment levels of boys.

- Sound progress has been made in the development of practices for assessment, recording and reporting. A clear ARR policy is producing greater consistency within and across subject departments, and NC levels are regularly used to indicate attainment at both key stages. Reporting to parents is informative, with both full and summary reports and a parents' consultation evening. Students are aware of their progress and attainment levels. Monitoring remains necessary to ensure consistency in marking and setting of homework.
- Good quality specialist provision is organised for students with SEN. The school is rightly seeking to strengthen subject department strategies for SEN within a whole school policy for inclusion.
- Students' academic work is supported well by heads of year and most tutors who seek to ensure that the pastoral system provides appropriate personal, educational and vocational guidance. A more coherent PSHE and tutorial programme has yet to be established.
- Provision for the spiritual, moral, social and cultural development of students is a strength of the school. Morning assemblies provide a calm and purposeful start to the day and are often linked to the school's stated aims.
- There was a high response to the parental questionnaire (Appendix A) with 286 returns (60%) and 40 letters. They reveal widespread satisfaction with the headteacher's leadership and many aspects of the school's work. Several parents expressed their appreciation of the school's efforts in tackling instances of bullying.
- Communication with parents and the local community is effective. Good support for the school is provided through the Home/School Link which has helped to provide such things as the CCTV security system. Students themselves raise money on a regular basis for a variety of charitable causes.
- The small percentage of parents who expressed concerns about aspects of the school refer to the previous high turnover of staff, disruption of some lessons and by poorly motivated students, inconsistency in the setting and marking of homework, the need for more curriculum information, and the cramped accommodation and outside space. The building of the proposed new school is eagerly awaited.
- The school makes efficient use of its available staffing and accommodation resources. Significant improvements have been made to the library and ICT facilities. Financial systems are secure, and good oversight is provided by the senior administrative assistant and the headteacher. Budget allocations to subject departments are appropriately based upon an agreed formula.
- The school office is efficiently run and provides a welcoming first point of contact for parents, students and visitors. The site is well cleaned and maintained.

### **Key Issues that the School Needs to Address**

- The findings of the school's internal report identify twelve main areas for attention, and these are endorsed by the validation team. In particular, it is recommended that the headteacher and her senior management team should address :
  - the drawing up of a strategic SIP which focuses upon agreed priorities;
  - the secure establishment of the new SMT roles, enhanced leadership and monitoring by middle management, and the continued raising of attainment levels, particularly for boys;
  - the development of effective departmental systems for addressing whole school issues such as the implementation of MIS, ICT, literacy, SEN and inclusion, numeracy, behaviour, CPD and Performance Management, timetabling and the 14 – 19 curriculum;
  - the introduction of a co-ordinated programme for PSHE, citizenship and tutorial work.

*The school is responsible for drawing up an action plan after receiving the Report, showing what it is going to do about the issues raised and how it will incorporate them in the school's Improvement Plan. A follow-up visit to the school will be made in spring/summer 2005 in order to monitor and discuss the progress the school has made, and a written report will be made to the Director of Education.*

**APPENDIX A****St Sampson's Secondary School****PARENTAL SURVEY**

Number of questionnaires sent out	480
Number of questionnaires returned	286
Percentage return rate	60

<b>Percentages of responses in each category</b>	<b>Strongly Agree</b>	<b>Tend to Agree</b>	<b>Tend to Disagree</b>	<b>Strongly Disagree</b>	<b>Don't know</b>	<b>Nil Response</b>
My child likes school	33	56	8	2	1	0
My child is making good progress in school	33	57	7	1.5	2	0.5
Behaviour in the school is good	20	58	10	3	7	1.5
My child gets the right amount of work to do at home	19	52	21	5	2	1
The teaching is good	27	61	6	0.5	4	1
The school gives me a clear understanding of what is taught	23	59	13	2	2	1
I am kept well informed about how my child is getting on	27	52	14	4	2	1.5
I would feel comfortable about approaching the school	47	45	4	2	1.5	0
The school handles complaints from parents well	22	35	7	3	33	1
The school expects my child to work hard and achieve his best	53	43	2	1	1	0.5

The school is well led and managed	43	44	5	3	4	1
The schools' values & attitudes are helping my child to become mature and responsible	32	54	8	2	4	0.5
The school provides an interesting range of activities outside lessons	27	46	11	2	13	1
The school works closely with parents	26	50	13	5	5	1

**IN THE STATES OF THE ISLAND OF GUERNSEY**

**ON THE 24<sup>TH</sup> DAY OF NOVEMBER, 2004**

The States resolved as follows concerning Billet d'État No XX  
dated 5<sup>th</sup> November, 2004

**PROJET DE LOI**

entitled

**THE INCOME TAX (BUSINESS PROFITS) (GUERNSEY) LAW, 2004**

- I.- (1) To approve the Projet de Loi entitled “The Income Tax (Business Profits) (Guernsey) Law, 2004”, and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.
- (2) Considering it expedient in the public interest so to do, to declare, pursuant to section 1 of the Taxes and Duties (Provisional Effect) (Guernsey) Law, 1992, that the said Projet de Loi shall have effect from the 1<sup>st</sup> January, 2005, as if it were a Law sanctioned by Her Majesty in Council and registered on the records of the Island of Guernsey.

**PROJET DE LOI**

entitled

**THE CRIMINAL JUSTICE (SUPERVISION OF OFFENDERS) (BAILIWICK OF GUERNSEY) LAW, 2004**

- II.- To approve the Projet de Loi entitled “The Criminal Justice (Supervision of Offenders) (Bailiwick of Guernsey) Law, 2004”, and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.



## **PROJET DE LOI**

entitled

### **THE CRIMINAL INJURIES COMPENSATION (BAILIWICK OF GUERNSEY) LAW, 2004**

III.- To approve the Projet de Loi entitled “The Criminal Injuries Compensation (Bailiwick of Guernsey) Law, 2004”, and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

## **HOUSING DEPARTMENT**

### **AFFORDABLE HOUSING - LEASEHOLD INTERESTS**

IV.- After consideration of the Report dated 21<sup>st</sup> September, 2004, of the Housing Department:-

1. To approve the inclusion in the draft legislation regarding leaseholds of enabling provisions as set out in that Report.
2. To approve the Projet de Loi entitled “The Real Property (Housing Schemes, Leaseholds and Miscellaneous Provisions) (Guernsey) Law, 2004” and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for Her Royal Sanction thereto.

## **HOME DEPARTMENT**

### **PROTECTION FROM HARASSMENT LAW**

V.- After consideration of the Report dated 23<sup>rd</sup> September, 2004, of the Home Department:-

- 1 That legislation be enacted to protect people from harassment as set out in that Report.
2. To direct the preparation of such legislation as may be necessary to give effect to their above decision.

## **HOUSING DEPARTMENT**

### **PROPOSALS FOR A NEW STATES RENT AND REBATE SCHEME**

VI.- After consideration of the Report dated 24<sup>th</sup> September, 2004, of the Housing Department:-

1. That a new States Rents and Rebate Scheme as set out in that Report, shall come into force with effect from 7 May 2005.
2. That the States Rents and Rebate Scheme shall continue to apply primarily to tenants of the Housing Department, to the tenants of the Guernsey Housing Association, and to occupants of the NCH Youth Housing Project premises at 17 Havilland Street, but may also apply to such other persons as may be prescribed by the States or agreed by the Housing Department.
3. That the formula to be applied for the setting of Standard Rents for Housing Department properties be as described in paragraph 45 of that Report.
4. That the Standard Rents to be applied from the inception of the Scheme be as set out in Appendix 3 to that Report, save that the transitional rules set out in paragraphs 146 - 150 of that Report shall apply to their implementation in respect of years 1, 2 and 3 of the new Scheme.
5. That Standard Rents shall be applied for 52 weeks per year.
6. That the rules for the assessment of a Rent Rebate and the disregard of income shall be as set out in Appendix 3 of that Report.
7. That, as part of the rules of assessment:
  - the rate of weekly child allowance be increased to £5.00 per week;
  - the single parent employment allowance be withdrawn to be replaced by a variety of childcare allowances payable to employed tenants in cases where they incur childcare costs associated with employment, the rates of those allowances and the circumstances in which they are payable being as set out in paragraph 105 of that Report;
  - the charges for non-dependents be as set out in paragraphs 127 and 129 of that Report;

all such allowances and charges coming into effect from 7 May 2005 and being reviewed annually thereafter.

8. That the gross income ceiling for eligibility for a Rent Rebate be removed completely.
9. That the assessed rent to be paid by a tenant (i.e. after a rebate, if appropriate) shall never exceed the Standard Rent of the property occupied.
10. That the Income Related Rents Scheme (surcharges) be discontinued with effect from 7 May 2005, whereupon;
  - Tenants currently paying Income Related Rents shall be assessed in accordance with the rules as set out in Appendix 3 of that Report;
  - Tenants who have paid an Income Related Rent will still be entitled to reclaim the surcharge element of rent paid before that date if entitled to do so in accordance with paragraph 162 of that Report.
11. To approve the enactment of legislation enabling implementation of the Rent and Rebate Scheme and the general regulation of the terms and conditions of occupation of States' residential housing as outlined in that Report.
12. That the Housing Department be directed to carry out a fundamental review of the Rent and Rebate Scheme every five years and report the outcome of such reviews to the States.
13. That, between five yearly reviews, the Housing Department be empowered to increase Standard Rents and rebate assessment factors by Order.
14. To direct the Treasury and Resources Department to make provision for the Housing Department to be reimbursed, in whole or in part, for the income foregone in rebating rents, through the annual allocation of funds to the Housing Department to fulfil its Corporate Housing Programme commitments funded by the States Houses Fund.
15. To direct the Treasury and Resources Department to make provision for the Housing Department to receive sufficient funds to meet the States' commitment to pay to the Guernsey Housing Association, from the States Housing Association Fund, the full value of rent rebates granted to Association tenants, through the annual allocation of funds to the Housing Department as part of the Corporate Housing Programme.
16. To direct the Treasury and Resources Department to have due regard to the staffing implications for implementation of the new Rents and Rebates Scheme when administering the Staff Number Limitation Policy.
17. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.

## **HEALTH AND SOCIAL SERVICES DEPARTMENT**

### **JOHN HENRY COURT AND SITE DEVELOPMENT PLAN UPDATE**

VII.- After consideration of the Report dated 19<sup>th</sup> October, 2004, of the Health and Social Services Department:-

1. To note the progress made by the Department in implementing its site development plan since its last report on this matter in 2003.
2.
  - (a) To approve the construction of new accommodation at John Henry Court at a total cost of £7 million (including consultants fees etc already approved of £1.1million.).
  - (b) To authorise the Treasury and Resources Department to loan the Health and Social Services Department a sum of £3 million, repayable over 25 years with interest to be charged at the States Treasurer's rate.
  - (c) To authorise the Treasury and Resources Department to approve the acceptance of all tenders in connection with the construction of new accommodation at John Henry Court.
  - (d) To vote the Health and Services Department a credit of £2.9 million such sum to be charged to the capital allocation of that Department.
  - (e) To authorise the Treasury and Resources Department to transfer an appropriate sum from the Capital Reserve to the capital allocation of the Health and Social Services Department.
3. To authorise the Treasury and Resources Department to negotiate a long term ground lease of the new day centres from the Trustees of Les Cotils, subject to the final approval of the Law Officers of the Crown and States approval of the construction of the centres.
4. To direct that, under the Corporate Housing Programme, the Health and Social Services Department and the Housing Department investigate the feasibility of introducing a key worker housing association to the Island to manage John Henry Court and other similar accommodation for key workers employed by the States.

### ***ORDINANCE LAID BEFORE THE STATES***

#### **THE HEALTH SERVICE (BENEFIT) (RATES OF MEDICAL BENEFIT) ORDINANCE, 2004**

In pursuance of the provisions of the proviso to Article 66(3) of the Reform (Guernsey) Law, 1948, the Health Service (Benefit) (Rates of Medical Benefit) Ordinance, 2004 made by the States Legislation Committee on the 26<sup>th</sup> February, 2004, was laid before the States.

***STATUTORY INSTRUMENTS LAID BEFORE THE STATES***

**THE RABIES ORDER, 2004**

In pursuance of Section 4 of the Rabies (Bailiwick of Guernsey) Law, 1975, the Rabies Order, 2004, made by the Commerce and Employment Department on 29<sup>th</sup> September, 2004, was laid before the States.

**THE SOCIAL INSURANCE (CLASSIFICATION)  
(AMENDMENT) REGULATIONS, 2004**

In pursuance of Section 117 of the Social Insurance (Guernsey) Laws, 1978-2003, the Social Insurance (Classification) (Amendment) Regulations, 2004, made by the Social Security Department on 1<sup>st</sup> October, 2004, were laid before the States.

K. H. TOUGH  
HER MAJESTY'S GREFFIER