

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

5th November 2024

Proposition No. P.2024/91

Policy & Resources Committee

The States of Guernsey Annual Budget for 2025

AMENDMENT

Proposed by: Deputy P Roffey
Seconded by: Deputy H De Sausmarez

1. To amend Proposition 29 by replacing “£650.0m” with “£650.67m”.
2. To insert at the end of Proposition 29 “, subject to inserting an additional £670,000 to the 2025 budget for the Committee *for* Employment & Social Security as set out in Appendix VI on page 132 for the purpose of Social Housing Building Maintenance.”

Rule 4(1) Information

- a) The propositions contribute to the States’ objectives and policy plans to improve service and infrastructure resilience and to maintain positive health and wellbeing outcomes by ensuring that States owned social housing stock is maintained to a reasonable standard.
- b) In preparing the propositions, consultation has been undertaken with the Policy & Resources Committee.
- c) The propositions have been submitted to His Majesty’s Procureur for advice on any legal or constitutional implications.
- d) The financial implications to the States of carrying the proposal into effect are £670,000. However, the Committee notes that an estimated £1.3m of additional rental income will be raised in 2025 as a result of increasing rental levels by 4.5% (Q2 2024 RPIX). This is sufficient to cover the £370,000 increase in the recommended budget for Social Housing Buildings Maintenance plus the additional £670,000 being sought through this Amendment.

Explanatory note

The Policy & Resources Committee ('P&RC') is recommending a £370,000 increase in the Committee's cash limit for social housing building maintenance against the Committee's request for an additional £1.04m. This is 35.6% of the amount requested. Through this Amendment, the Committee is seeking to increase its 2025 budget by £670,000, in line with the Committee's budget request, in order to ensure that States-owned social housing can be maintained in decent order.

In considering the reasonableness of this request, it is important to note that the revenue budget for social housing building maintenance for 2024 (£6.409m) is £242,000 less than was spent on maintenance in 2016 (£6.651m). Had the Committee's housing maintenance budget for 2016 (£6.233m) been increased by RPIX on an annual basis since this time, it would stand at approximately £8.4m in 2025¹ – approximately £1.4m more than the amount included for this purpose in the Committee's recommended cash limit and approximately £0.7m more than the amount requested by the Committee in its budget submission and through this Amendment.

This reduction in expenditure has been required to help achieve States of Guernsey savings targets and has been delivered through a combination of efficiency savings and service cuts. Significant savings have been achieved by working differently and using alternative materials. Cuts have been achieved through a variety of measures that have resulted in the condition of properties deteriorating more than would have previously been the case before doing work. For example, the frequency of exterior painting has been reduced, and more work has been allocated to cheaper contractors, which results in the work taking longer to complete.

By way of further context, the Tender Price Index (the costs of measured items of work in a tender, i.e. the price a client pays for building work) has increased by 28.0% over the period from 2016 to 2023. The Building Cost Index (the contractors own internal costs) has increased by 37.5% over that period. If we use the mid-point between those two indices, this means that the same amount of work was costing 32.7% more in 2023 than in 2016.

At this time, in the context of rising building costs and following a period of restrained spending on housing maintenance, the recommended budget for social housing building maintenance is insufficient to meet current essential maintenance requirements.

The Committee is especially disappointed that the Policy & Resources Committee is not recommending a higher budget for social housing building maintenance given that it is estimated that the planned increase in social housing rent levels in 2025 (+4.5%

¹ Cumulative RPIX from December 2016 to 30 June 2024 is 34.1%.

uplift) will raise an additional £1.3m of income for the States, which would be more than sufficient to cover the additional amount requested by the Committee in full.

Until the end of 2013, all social housing rental income was paid into the Corporate Housing Programme Fund and used for housing purposes such as maintenance and the Affordable Housing Development Programme. All rental income is now received by Treasury, with Housing maintenance being funded from the Committee's annual General Revenue budget and a Routine Capital allocation which is awarded every four years. Capital grants are also allocated to the Guernsey Housing Association in respect of Affordable Housing developments from time to time.

The 2025 budget for rental income is £25.05m. The proposed General Revenue social housing building maintenance budget for 2025 is £6.98m. In addition, the Committee has been allocated new Routine Capital for building maintenance of £13m over the four-year period 2025 to 2028, or on average £3.25m per annum. Together, this amounts to reinvestment in the States' ageing social housing stock of 1,650 units of £10.23m in 2025, just 41% of the rental income projected to be received in 2025.

The Committee feels strongly that it is not appropriate that an increasing proportion of the rent paid by tenants is being used to fund other government expenses while allowing the properties that they occupy to deteriorate through inadequate ongoing investment. Prolonged under-investment will inevitably result in deterioration in the fabric of the properties which, ultimately, will cost the States of Guernsey more to rectify or redevelop in the long term.

In laying this Amendment, the Committee is aware that all States Committees could make compelling arguments for additional revenue funding, but in this case the request is being made less as a States Committee and more as a landlord. All responsible landlords should, as a minimum, reinvest sufficient sums in their property portfolios to maintain those properties to a decent standard. With the allocation suggested, coupled with the higher costs being experienced for this work, the Committee will simply be unable to meet this core duty.