

REFERENCE:
ORGANISATION:
CATEGORY:

044
CUNNINGHAME HOUSING ASSOCIATION
REGISTERED SOCIAL LANDLORD

Submitted By: Cunninghame Housing Association Ltd
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... on behalf of the Management Committee of Cunninghame Housing Association Ltd by Frank A. Sweeney, Chief Executive.

Consultation Response

Cunninghame Housing Association Limited (CHA Ltd) currently have over 2,000 properties in management and was founded in 1984. CHA Ltd has been and still is in terms of an agreed programme Ayrshire's largest developer.

We have currently 288 units on site (218 for rent and 63 for Homestake). In addition to this we have a Communities Scotland approved programme of some 419 additional units (309 for rent and 110 for Homestake).

The Association has considered the consultation paper in detail and would wish the following comments (not in order of importance) to be considered by the Scottish Government:

Communities Scotland has some valid points as much of the information is derived from 5 Year business plans sent by RSL and other statistical returns e.g. rent increases above inflation. In a sense CHA can't argue with their logic to ensure best value for public money. However, Communities Scotland need to recognise that RSL's within the sector has significant disparities in overall financial strength.

It should be noted that rent increases above inflation notified to Communities Scotland by RSL's in the 5 Year business plans are partly to address the requirements of the Scottish Housing Quality Standard (SHQS)

CHA agree it is vital that public spending secures the maximum benefits. However, the overall costs of development schemes require to be considered/

Communities Scotland and RSL's should jointly consider both sides – i.e. Costs and Funding before making the significant changes to the mix of funding proposed in the consultation paper. In this respect Communities Scotland should await any outcomes of Firm Foundations and Procurement debate. This would allow a more rounded approach to future funding and the effect on both HAG and Private Finance

However, the consultation paper is clearly too much too soon (too significant a 1 year shift)- scale of changes too large for one year especially with RSL's who have a significant medium term programme such as Cunninghame HA.

In this regard, Communities Scotland should consider a "Transitional Arrangement" – Apply different criteria to projects which have already achieved Acquisition or Cost Plan approval to 2007/08. Apply the new guidance only on new projects approved in 2008/09.

The proposals clearly make developing a less attractive option for CHA with the main financial indicator being managing the scheme to make it financially self sustainable over its 30 year lifecycle.

CHA has recalculated Tender Approved schemes in 2007-2008 and Acquisition approved schemes in 2007-2008. CHA can clearly demonstrate that the new proposals significantly affect the future viability of individual schemes.

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RSL's have been able in the past to negotiate competitive rates of finance for projects. Volume procurement of large capital loan facilities may help drive down lenders margins. However, the main risk in this area is the wider capital markets including both the availability of future funding from Lenders as well as increases in overall costs to make it more commercially attractive for them to lend. This proposal may shift the current notion of the RSL sector being a Low Risk.

These proposals will significantly increase the level of Private Finance required on each Development and this needs to be considered closely by CHA moving forward. CHA may have to take a more selective approach to development and unit mix and costs including potential revisiting the standard specification of new build properties.

The proposals may lead to a number of Associations deciding not to develop new stock. This may impact on diversity and onward viability of organisations.

CHA is not in a position to use cash reserves to part fund schemes or cross subsidise to any great extent, therefore we will still require each project to be fully funded by a combination of HAG and new Private Finance borrowings. This means that CHA will be significantly affected by the proposals.

It is a concern that other factors may now influence the selection of Associations who can or are able to develop in the longer term e.g. those who have free cash reserves or very large Associations (either based in Scotland or other parts of the UK).

In addition, we would wish the Scottish Government to note our full support for the submission made by the Scottish Federation of Housing Associations (SFHA).

Regards

Frank A. Sweeney
CHIEF EXECUTIVE