

REFERENCE:  
ORGANISATION:  
CATEGORY:

002  
FIFE HOUSING ASSOCIATION  
REGISTERED SOCIAL LANDLORD



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Isobel Mitchell

Aileen Piacentini  
Communities Scotland  
Highlander House  
58 Waterloo Street  
GLASGOW  
G2 7DA

12 MAR 2008

10<sup>TH</sup> March, 2008

Dear Ms Piacentini

***Better Value from HAG Consultation***

As requested I attach the RIF together with our Consultation Response.

Having had the opportunity to run the new HAG assumptions through the model, it is evident that these proposals mark a sea change in subsidy levels with grant rates falling and private finance levels rising in future projects. Indeed in the project we scrutinised, additional private finance of £7,565 per unit would be required in order to make the project work. This obviously greatly increases our borrowing and associated risks. In addition the NPV Calculation indicates that losses would be incurred in each of the first 12 years of the projects life before starting to make surpluses. Again this is very much at odds with previous HAG Assumption Outcomes.

Perhaps of greater concern to the Association is the impact that these proposals would have on rents. Our current rents are deemed unaffordable to 12% of those households we currently allocate houses to (Score Results 2006/2007). These proposals will increase rents at a time when the most vulnerable households, the majority of whom are on Housing Benefit, are facing unprecedented increases in fuel costs as well. Taken together all of these will drive these households further into fuel poverty.

As/

**FIFE HOUSING ASSOCIATION LTD**

Registered Office: 7 Pitreavie Court, Pitreavie Business Park, Dunfermline, KY11 8UU  
Telephone: 01383 606162 Fax: 01383 606163 Email: info@fifeha.org.uk

Web site: [www.fifeha.org.uk](http://www.fifeha.org.uk)

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As years go by the HAG Assumptions are becoming less and less realistic: the freezing of Maintenance Allowances is probably the best example when Building Cost Indices are rising at a rate well ahead of inflation.

Finally these proposals will impact on the valuation of properties and flatted developments in particular. Last year DTZ valuations on some of our flatted stock delivered end use valuations not that far above borrowing. If this gap closes then some projects may become marginal.

In conclusion the Association would urge the Government to reconsider the proposals for the reasons set out in this response.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Robert C. Milne', written in a cursive style.

Robert C Milne  
Technical Services Director