

REFERENCE:  
ORGANISATION:  
CATEGORY:

015  
PORT OF LEITH HOUSING ASSOCIATION  
REGISTERED SOCIAL LANDLORD



25 MAR 2008

Ref: 15.

our ref: MS/GMc  
date: 21<sup>st</sup> March 2008

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

Dear Aileen,

**Better Value from Housing Association Grant**

I refer to Alistair Dickson's letter of 12<sup>th</sup> February 2008 and enclose herewith the Port of Leith Housing Association response to "Better Value For Housing Association Grant. Changes to Grant From 2008/09". I am also enclosing the completed Respondent Information Form confirming that our response may be made publicly available.

Please acknowledge safe receipt of this letter and enclosures.

Yours sincerely,

A handwritten signature in blue ink that reads "Mahanjit Singh".

**MANAGING DIRECTOR**

c.c. Scottish Federation of Housing Associations  
Diane Kennedy



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INVESTOR IN PEOPLE

PORT OF LEITH HOUSING ASSOCIATION LIMITED

Ref: 15

RESPONSE TO "BETTER VALUE FROM HOUSING  
ASSOCIATION GRANT. CHANGES TO GRANT FROM 2008/09"

1. INTRODUCTION

Port of Leith Housing Association is pleased to submit its response to the Communities Scotland's discussion paper "Better Value from Housing Association Grant. Changes to Grant from 2008/09".

2. WHO WE ARE

Port of Leith Housing Association is one of a wave of Scottish Housing Associations established in the 1970's in the wake of the 1974 Housing Acts. We have been largely responsible for the regeneration of Leith beginning with the rehabilitation of sub-standard tenements, moving on to new building and now engaged in a variety of Wider Role initiatives to tackle unemployment, health, community safety and cultural issues. We have forged a close relationship with Forth Ports and plan to be the main affordable housing provider in the massive redevelopment planned for Leith Docks – some 4,000 social rented homes over the next 30 years. Our role has developed from principally housing to community regeneration and we are the only Housing Association in Edinburgh with a seat on the Board of the local Community Planning Partnership. We are also one of only three Preferred Partners of Edinburgh Council – giving us access to Development Funding in the Capital.

3. GENERALLY

3.1 The thrust of Better Value from Housing Association Grant (hereafter referred to as "Better Value") is that by reducing management and maintenance allowances, by reducing the assumption for voids, by increasing the assumptions for inflation and rent increases and by increasing the Private Finance Factor then more outputs can be achieved for a constant level of Housing Association Grant (increased supply).

3.2 These assumptions are made on the basis of RSL past performance or future projections as submitted to Communities Scotland as part of the RSL reporting regime.

3.3 In reality there is little correlation between what is proposed and increased supply. If there were the Housing Supply Task force would have completed its deliberations – as far as affordable housing is concerned – long ago. In Edinburgh the constraints to increased supply are:

- The cost of development land and the difficulties RSL's have in securing it.
- The skill with which private developers have avoided delivering the outputs expected from the Affordable Housing Policy.

#### **4. THE EFFECT ON RENTS**

- 4.1 Given that RSL Rent Policies are expected to achieve affordability (for those on low incomes), viability for the RSL itself and comparability with other social housing providers the question must be: why have rents risen so much above inflation, as illustrated by Table 1? No analysis is offered in "Better Value". Our own experience is that Government measures to : provide and maintain central heating systems in all social housing, increase the burden of regulation, provide a better service to tenants and deliver the Scottish Housing Quality Standard have all led to increased costs which "Better Value" fails to recognise.
- 4.2 In addition construction costs and those related to property maintenance are running (and expected to continue running) well beyond the level of inflation. This is evidenced by several respected commentators including the Royal Institute of Chartered Surveyors.
- 4.3 In Edinburgh RSL's are also expected to contribute to the costs of tram development, the provision of new schools and City car club requirements. These costs are not eligible for HAG and must be funded from rents, creating further upward pressure but without providing more new homes. At Site R2 at Western Harbour these combined costs amount to over £200,000 (or £2,000 per unit).
- 4.4 For those RSL's which continue to develop new homes the result will be an even greater degree of rent inflation as tenants will have to find the borrowing costs of significant increases in the private finance requirement. Note that these extra inflationary rent increases will not be a one-off exercise but a continuous steady year-on-year increase over the lifetime of the loan.
- 4.5 Whilst RSL's can use existing assets to increase borrowing the repayments will mean further pressure on rents to finance repayments.

#### **5. OTHER POINTS**

- 5.1 Funding new developments from reserves is both risky and unsustainable. Reserves have been accumulated to pay for future major repairs, replacement of fixtures and fittings and upgrading. To apply them to funding new developments risks accepting a deterioration in the condition of existing stock.

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Funding new developments from reserves can only continue until those reserves are diminished. At that point lenders are likely to review the credit rating of RSL's resulting in higher margins on lending.

### **CONCLUSION**

The measures contained in "Better Value" will lead to an acceleration in the rate of rent increases for those RSL's with the capacity and opportunity to continue developing.

The Scottish Government should address the issue of RSL rents and provide guidance on how affordability is to be assessed in the light of financial pressures developing RSL's will face.

**March 2008**