

REFERENCE:  
ORGANISATION:  
CATEGORY:

007  
QUEENS CROSS HOUSING ASSOCIATION  
REGISTERED SOCIAL LANDLORD

**Queens Cross Housing Association**  
**Response to HAG Consultation 2008**  
**Better Value from Housing Association Grant**

REF: 007

Queens Cross is a larger community-based housing association operating in Glasgow and we welcome the opportunity to comment on the proposals to obtain Better Value from Housing Association Grant and hope that account will be taken of our views.

In general, we do not have significant concerns over the majority of the proposals as we understand the requirement to achieve best value for money and deliver efficiencies. However, we have some reservations over certain aspects of the proposals and in particular the bases for these assumptions.

The level of surpluses held in the RSL sector is noted to be excessive and is used as a justification that RSLs are over-subsidised for HAG-funded support. It would be relevant if specific consideration has been given to the obligation for RSLs to meet the SHQS by 2015, as well as the more general requirement to address major repair funding, particularly for pre-1989 HAG funded stock, in the creation of these surpluses. Our own budget predictions assume a sharp fall in net surpluses over the coming years as we instruct the necessary works. This position could also apply to other RSLs and the recent trend for above inflation rent increases could also be linked in order to generate reserves to meet these liabilities.

It is of some concern that the focus of the revised assumptions is on the Year 1 benefit to the HAG calculation. This is highlighted particularly where the freezing of management and maintenance allowances is justified on the ease of management of new stock. However, no recognition is made of the fact that this new stock will obviously age over the borrowing period, with increasing costs, despite it being noted that the allowances do cover all RSL properties. We consider that greater account must be taken of the longer-term impact of the proposals in the management and maintenance of HAG-funded properties

Our major concern is the assumption of differing inflation rates for rental income and operating costs. While the assumption of a rental increase of inflation +1% may not be unreasonable given recent past performance, the continuation of this trend cannot be assumed over a 30 year period. Again, operating costs running at inflation only is not necessarily a standard trend, with recent experience in some financial years of major repair and maintenance costs matching or exceeding inflation +1%. This erratic trend is likely to increase as pressures grow on the construction market, not least with the Government's objective of increasing housing productivity.

The combined effect of now applying differential discount rates for income and expenditure over the 30 year period, based on alternate discount factors, can perhaps not be considered a realistic modelling of the future. The use of a single discount factor for both income and expenditure over a 30 year timescale would seem to be both more realistic and of course easier to apply, and the inflation forecasts on which this is based should be reviewed.

Finally, we would note that the reduction in the borrowing margins for RSLs, in order to increase the private finance support to HAG funding, may have an effect of reducing RSL's capacity to enter into other regeneration and wider role activities, which would go against the Government's expectation for these activities to be extended.

The Association is committed to ensuring the efficient use of HAG in the delivery of social housing and the general tenure of the Firm Foundations discussion paper. However, it is disappointing that these measures are being put forward, with little consideration to the long-term affect on the developing RSLs, while the responses to Firm Foundations are still being assessed. It is this Association's view that the level of HAG subsidy will not be significantly reduced until the impact of development cost pressures is properly addressed.