

BETTER VALUE FROM HOUSING ASSOCIATION GRANT CHANGES IN GRANT IN 2008/09

CONSULTATION RESPONSE – Albyn Housing Society Ltd

Opening Comments

Albyn Housing Society Ltd welcomes the opportunity to comment in response to the Scottish Government's consultation document on the future of Housing Association Grant. We welcome the opportunity to change to improve our performance and the delivery of affordable housing across many Highland communities. History shows that we have embraced new opportunities and taken a constructive approach to the risks and uncertainties that change throws-up.

We are keen participants in partnering, where this enables us to deliver our services more effectively. Good examples of our positive approach to this include our good relations with Communities Scotland, The Highland Council and others on new build development matters through local development forums, as well as being founding and key delivery partners in the Highland Housing Alliance. Similarly, there is our enthusiasm for being the largest deliverer in the Highlands of LIFT housing for home-ownership.

We play a vital part in the life of communities across the Highlands. Our new build developments in small, rural communities are driven by working in partnership with those communities. We recognise the need to build to a scale and design appropriate to promote a community's strengths and help address some of its weaknesses. By developing our work on community engagement and working with others in accessing Wider Role funding we add considerably more to those communities than 'just bricks and mortar'.

Specific Responses

Rents – Albyn's rents have risen at RPI +1% for a good number of years, so we have no difficulty with the same being assumed for HAG calculations. However, we feel that there is a logic gap where this relates to assumptions in Private Finance and Inflation, below.

Voids – Albyn's void levels have tended to run ahead of the proposed assumption, based on the median performance by the sector. This has been influenced by our relatively high level of tenancy turnover (around 15% per annum) for a good number of years.

Private Finance – Albyn welcomes that it has been decided to step back from implementing new private finance lending rate assumptions, in the current global uncertainties. It is our experience that the costs associated with setting-up borrowing from the active banks and building societies takes the real cost in excess of the proposed assumption.

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Inflation - It is Albyn's experience that the RPI inflation measure doesn't reflect the real inflationary pressures on new build construction, wider construction/trades cost increases and employment costs. These real inflationary pressures are significant reasons for our above inflation rent increases. To limit the inflationary assumption to 3% fails to take account of these pressures.

Management, maintenance and major repairs allowances – These allowances have to take account of the real costs of delivering these services across a dispersed geography. Combining the pressures to do so with the comments about real inflationary costs (above) lead us to believe that the proposed freeze on allowances will quickly begin to impact on our financial viability, in the medium term. It is only by the use of these allowances that we are able to create reserves adequate to meet our major repairs obligations. The proposed major repairs allowances for Albyn would generate reserves of £15,000 (approx) per property over the 30 year period, when we know from stock condition surveys that the real cost is expected to be between £25,000 and £30,000 over that 30 year period.

CONCLUSION

Given our comments, above, it is very difficult to see how the proposed revised assumptions will enable housing associations like Albyn to continue in the long-term to provide the quality of housing product and services that our tenants rightly expect of us. Increases in land and construction costs in recent years have been the primary causes of increased development costs, chipping away at our internal costs will not address those bigger influences.

Prepared by Calum Macaulay, Chief Executive, and Robin Nairn, Finance & IT Services Director
Following consultation with Committee of Management and Senior Staff
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