

REFERENCE:
ORGANISATION:
CATEGORY:

018
CAIRN HOUSING ASSOCIATION
REGISTERED SOCIAL LANDLORD

Ref: 18



20 March 2008

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

25 MAR 2008

Dear Aileen

**Better value from HAG
Changes to HAG from 2008/09**

I refer to the above and the letter from Alistair Dickson dated 12 February 2008. The matter was considered by the Committee of Management of Cairn HA at its meeting today and I have been instructed to respond to Communities Scotland in the following terms.

1. Cairn HA supports the idea of increasing housing supply in Scotland but considers that the timing of this consultation is inappropriate and ill-judged in that the Scottish Government has yet to analyse and consider the responses to its previous strategic consultation "Firm Foundations". This analysis and subsequent consideration should have informed the process of seeking better value from HAG investment. The timing of this consultation therefore renders it tokenistic, particularly given the intention to implement the proposals from 1 April 2008. The entire process does no credit to the Scottish Government nor does make a positive contribution to the emergence of a coherent affordable housing policy.
2. There is a distinct lack of data analysis to support the contentions that the subsidy system has been over-generous to housing associations. The fact of the matter is that the vast majority of associations have to subsidise their development activities and to suggest that they are wallowing in cash reserves demonstrates a fundamental lack of understanding of the way in which development and maintenance is funded in the sector. To suggest that a "one size fits all" extrapolation of APSR data illustrates the alleged generosity of the current grant regime belies a wide range of complex factors affecting a huge diversity of circumstances in which associations operate. This entire process needs to be re-thought and discussed with the SFHA to gain some clarity and practical understanding of the real situation.
3. The timescale in which these proposals are being implemented will lead to a short to medium term downturn in supply because associations will have to restructure the financial elements of their

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projects and this will inevitably cause delays. The Scottish Government should have heeded advice from SFHA to the effect that such major changes need to be fully assessed and factored into the system acknowledging the timescale of the development process. To act in this arbitrary and summary manner will simply cause patently avoidable delays and less supply.

4. In Cairn HA, we have assessed that the proposals will mean that there will be some 12% less HAG and 30% more private borrowing required for our development programme. This will mean increased loan debt which will have to be funded by higher rents. It will also mean that financially marginal projects will not be undertaken and as that is precisely the sort of sites/projects that associations are restricted to because of high land and property values, affordable housing supply will fall, not increase.
5. In "Firm Foundations", there was a proposal for regional lead developers to access economies of scale in the development process. The proposal was fundamentally unsound as there is no regional infrastructure or planning in Scotland to support such a move. If the Scottish Government wishes to change the way houses are procured, and Cairn HA and the SFHA are willing to explore this, it should sit down with SFHA and discuss openly and frankly how this can be achieved respecting the status and track records of associations, but also their willingness to accommodate change.
6. In conclusion, Cairn HA urges the Scottish Government to reconsider these proposals in the context of urgent discussions with the SFHA and associated interested parties such as the CML and Homes for Scotland. This country is facing an affordability crisis and requires proper and adequate investment in affordable housing now. These proposals fall far short of that.

I look forward to receiving your acknowledgement of the receipt of this letter.

Yours sincerely



Brian Gegan
Chief Executive