

REFERENCE:
ORGANISATION:
CATEGORY:

006b
HANOVER (SCOTLAND)
REGISTERED SOCIAL LANDLORD

**Better Value for Housing Association Grant
Consultation Response**



**Supplementary Response by Hanover
(Scotland) Housing Association**

1. Summary

- 1.1 Hanover (Scotland) welcomes the opportunity to respond to Communities Scotland consultation on *Better Value from Housing Association Grant*.
- 1.2 Hanover (Scotland) firmly believes that the subsidy funding mechanisms for affordable housing should be comprehensively reviewed. We are however concerned by the nature of the short term proposals which have been advanced to achieve an across-the-board subsidy reduction rather than take the opportunity to conduct a wide ranging review which could have been subject to full consultation and the impact properly considered.
- 1.3 Such a review is essential in advance or in parallel with any proposals for regional competitions for subsidy if these are to be used innovatively and achieve best value.

2. Detailed Issues

2.1 Funding

- 2.1.1 While these proposals were mooted as part of the green paper "Firm Foundations", little or no assessment of the impact on the development programme has been commissioned by the government. Rather than stimulate further growth by spreading subsidy over a greater number of projects, these measures may have the converse effect, at least in the short term.
- 2.1.2 The fundamental issue will be whether RSL's can afford to continue to proceed with development on the revised subsidy basis and whether they will have sufficient access to private finance resources to meet the shortfall.
- 2.1.3 There is a continued focus by Communities Scotland on the level of reserves held by RSL's without any acknowledgement of the purpose that these serve or that these tend to be asset rather than cash backed. The implicit assumption is that RSL's can contribute cash towards new development while in practice even if these reserves

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where not designated for other purposes, release of these in the short term would result in the need for higher gearing.

2.1.4 Although not noted within this consultation paper the idea of reduction in subsidy being compensated with income from proportions of capital receipts derived from the sale of homes at market value or staircasing transactions in shared ownership is implicit within the current ideology. Whether this pyramid model can be sustained in a tougher housing market with a more restrictive and higher cost mortgage products remains to be seen.

2.2 Future Reform

- 2.2.1 Communities Scotland in moving to quickly to achieve savings by adopting an across the board reduction in HAG are not achieving a best value approach. The continuation of the current formula with lower levels of support does not take cognisance of factors which should be encouraged or supported in attaining other government aspirations e.g. sustainability. Examples would be greater support for brownfield site development and developments which achieve recognised sustainability benchmarks. Similarly, the recognition of the higher costs associated with the provision of supported housing, even in its basic form are not reflected within current formula.
- 2.2.2 A more comprehensive review of subsidy in affordable housing including HAG subsidy targets, land supply and remediation issues, infrastructure development and construction costs must be undertaken prior to or in conjunction with any consultation on regional subsidy competitions.

Bruce A. Laing
Director of Property & Development

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