

REFERENCE:

003

ORGANISATION:

WEST LoTHIAN HOUSING PARTNERSHIP

CATEGORY:

REGISTERED SOCIAL LANDLORD

**“BETTER VALUE FROM HOUSING ASSOCIATION GRANT – CHANGES TO GRANT FROM 2008/09”**

**WEST LoTHIAN HOUSING PARTNERSHIP –RESPONSE TO COMMUNITIES SCOTLAND’S PROPOSALS**

The Scottish Government is focussing on the efficiency and financial strength of the social housing sector.

Whilst we welcome this, we do feel further analysis of the factors driving the rise in project cost need careful examination. It is understood that SFHA has commissioned research into this.

*Intentions*

The proposals to amend the HAG assumptions are intended to promote the delivery of increasing numbers for the same or, in 2008/09, a lower level of HAG. HAG will be “stretched” by requiring RSLs to use their reserves and/or longer-term borrowing in the sector.

*Effects*

It will also have the effect of:

- ❖ Rendering new build difficult for RSLs with low reserves and/or high debt, like WLHP
- ❖ Running down the overall level of RSL reserves very quickly.

Added to which, WLHP, its Alliance partners, and many RSLs across Scotland are already dipping into their finite reserves to support *current* housing programmes

*Other Comments*

It will not, in itself, result in any cut in the cost of procuring new build.

These grant change proposals must be viewed in partnership with the still-to-be-clarified proposals to:

- ❖ allocate public expenditure for new social housing at a regional level
- ❖ through a competitive process aimed at delivering as many new homes for rent as possible
- ❖ identify a limited number of lead developers in Scotland
- ❖ support larger, longer term programmes.

Whilst there is the wish to see a stronger, more efficient sector capable of delivering the Government’s ambitious plans for housing, the proposal, which is short-term will have some specific short-term impacts on RSLs seeking to mount a programme with HAG funding

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*Modelling the effects*

The proposals, if implemented would see a large drop in HAG per unit and an increase in private finance. Compared to the current assumptions, the RSL would see an immediately great adverse impact on its financial position which would only be recovered towards the end of the 30-year loan period.

This will impact upon free reserves which we would wish to retain as a tool with which to manage risk in developing into new areas of work to meet housing need and deliver regeneration, and in order to meet the changing aspirations of our existing tenants through improvements to their houses and the communities in which they live.

As a new build "housing partnership" we incurred high debt and initial running costs when we were set up to bridge major gaps in housing supply, originally without the support of the HAG system.

As such, we would hope that development by locally-based RSLs like ourselves, in strong partnership with local authorities would be supported to grow through the HAG system.

*Niall Patterson  
Chief Executive  
West Lothian Housing Partnership  
18<sup>th</sup> March 2008*