

REFERENCE:
ORGANISATION:
CATEGORY:

045
WEST HIGHLAND HOUSING ASSOCIATION
REGISTERED SOCIAL LANDLORD

25th March 2008

Aileen Piacentini
Highlander House
58 Waterloo Street
Glasgow
G2 7DA

Dear Aileen

HAG Consultation

I am writing on behalf of West Highland Housing Association in response to the HAG consultation paper issued in February 2008. We very much appreciate the opportunity to comment and hope that our response will be part of a broad discussion on the proposals. We are more than happy for our response to be made public and shared.

GENERAL COMMENT

In terms of the overall thrust of this paper and the Government's policy then we share the broad objectives of ensuring value for money and trying to achieve savings in order that more housing can be produced. However, as you might expect we have concerns that much of the present cost environment means that this is not always possible. For example, in our area the cost of building is influenced by infrastructure costs, particularly roads, water and sewage – our actual building costs are similar to much of the sector. This is a geographical issue and will probably be the same for much of rural Scotland. When further environmental improvements are added in terms of renewables then costs will increase. We would therefore welcome more discussion on costs – not just the procurement agenda. We would stress that we are not opposed to looking at how bulk procurement or developing “intelligent clients” but there has to be an understanding of what costs can be influenced.

SPECIFIC PROPOSALS

In relation to the specific proposals within the document then we would comment as follows:

Reserves

We have reserves but these are there to assist us with our SHQS compliance requirements. We have a substantial investment programme over the next 7

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years where we are intending to use a mix of reserves and borrowing via re-financing to finance this work. In the area again due to our geographical position tender prices for maintenance tend to be higher partly because of the locations of some of the properties. For example we have properties where we have to import labour and this significantly increases costs.

It is of course for the Association to make a decision about whether it wishes to assist funding development but at the present time our priority would be to ensure that our existing tenants are well serviced. Even if we made that decision it would be for a small amount of development.

Rents

Clearly rents have risen by more than inflation but whether this is sustainable in the longer term must be part of a wider discussion. Again our geographical location means that we have a low wage economy and we have to consider what is affordable. The issues in relation to Housing Benefit also come into play. We would want to see a greater level of financial modelling. We know the SFHA have done some modelling work on the impact of these proposals that suggest that a HAG subsidy reduction of 8% will mean an increase of private finance of 30%. This in turn impacts on rents and again we return to the matter of affordability particularly where there is a danger of "poverty traps" at the margin.

Operating Costs

We may not be happy about this but we understand the need to drive efficiencies.

We are more than happy to provide further detailed information if requested.

Yours sincerely

Lesley McInnes

Chief Executive

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