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050

GLASGOW CITY COUNCIL
LOCAL AUTHORITY



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Rec'd 21/3/09 (50)

Our ref IC/HD

Your ref

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Date **28 March 2008**

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

Dear Aileen

Response to Consultation Paper – Better Value from Housing Association Grant – Changes to Grant from 2008/09

I refer to your letter of 12 February 2008 enclosing a consultation paper on proposed changes to grant assumptions in 2008/09. The City Council's response is detailed below.

In general, the Council broadly supports measures which will introduce efficiencies into the delivery of new homes for rent, resulting in an increase in the number of new homes provided for each £1 of subsidy. Communities Scotland will be aware that the Council has work in progress in relation to investigating the potential to introduce efficiencies in procurement, which we hope to implement in 2009/10. Whilst in general we believe that the changes to the assumptions you intend to introduce will result in reductions in HAG subsidy, we are concerned at the apparent expectation that these changes will deliver significant efficiencies as early as 2008/09. Given prior commitments on our budget for that year, this will be extremely unlikely.

Our specific concerns relate to the potential impact the changes may have on the delivery of the Council's aims and objectives. Within the Council's Local Housing Strategy, one of the key aims identified is:-

"To raise the city's housing in all tenures to satisfactory standards, with affordable costs".

We believe that these proposals may impact on the Council's ability to meet this key objective in terms of housing quality and affordability as outlined below.

- Where RSLs are increasing rents annually by inflation plus 1% (or more), this additional income is generally used to build up a reserve fund to pay for repair and renewal programmes in the long term. Such renewals are no longer funded by Major Repairs HAG under the new HAG regime. If this additional income is re-directed to fund private finance, the Council would have concerns that future RSL repair and renewal programmes will be jeopardised and that RSLs will fail to meet current and future SHQS requirements. In this event, properties are likely to fall into disrepair over time, reducing the quality of rented housing in Glasgow, and undermining the impact of the significant investment made over many years to reach the standards currently in place.
- To maintain standards, RSLs may require to increase rents by more than 1% above inflation, which has potential to seriously impact on levels of affordability in the RSL sector in the city. This is contrary to the ethos of the RSL movement, where one of the principal aims is to provide affordable housing.

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In summary therefore, whilst in the longer term HAG subsidy can be expected to reduce as a result of these proposals, the Council do not believe that any significant impact will occur in Glasgow in 2008/09. Our major concern however relates to the impact these changes may have in the longer term on the quality and affordability of housing in the city, which would not be in the interest of RSL tenants in Glasgow.

Yours faithfully



Gerry Gormal
Assistant Director