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Dear Mary

Thank you very much for your letter dated the 23 May, and for your kind congratulations on my appointment as Minister for Housing and Transport. You have also been kind enough to contact Alex Neil on his appointment as Cabinet Secretary for Capital Investment and Infrastructure and he has asked me to pass on his thanks.

Clearly we are entering a period of many challenges in the housing sector, but also of opportunities. Against that background, the Scottish Federation of Housing Associations will be a key partner of the Scottish Government moving forward. The broad range of interests of your organisation are reflected in your letter, covering affordable homes, adaptations and the important issue of homelessness as we get closer to the 2012 target.

We need many more new affordable homes in Scotland and to significantly enhance the quality and sustainability of our existing housing stock and the surrounding neighbourhoods. The Scottish Government aims to approve 30,000 affordable homes during the lifetime of this Parliament. However, as a consequence of UK government cuts we would be unable to meet these ambitious targets if we simply carried on funding at previous grant levels.

We said in our Strategy and Action Plan "Homes Fit for the 21st Century" that we would make a decisive change in the way we support new developments, using Government funding to lever in the maximum investment from other sources. We believe that by challenging housing associations to deliver new homes against a benchmark of £40,000, we will get more leverage and maximise the number of good quality homes built. While all projects will be assessed against this benchmark, we will retain flexibility to consider higher subsidy, for example, in remote rural areas or where projects require additional features to meet particular needs.

Once all the Innovation and Investment Fund (IIF) bids we received by 31 May have been assessed and funds allocated, we will review the way in which the fund has helped the Scottish Government support new developments and maximise the possible investment from other sources. However, we are absolutely committed to increasing leverage in future.

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I note your comments about the number of projects that were ready to go on site prior to the introduction of the IIF this year. I know that you discussed this with Alex Neil earlier in the year and I am pleased to say that we were able to approve a transitional programme in April 2011. This amounted to around £11 million of investment and will produce 191 new homes. This was made possible by re-profiling some grant payments into future years.

I know that housing associations and cooperatives have had an excellent track record of delivering high quality new and improved affordable homes across Scotland, and I expect them to respond to the challenging times we face so that they will continue to be valued partners in helping the Scottish Government to achieve its housing and regeneration aims.

We also place great value on the role that adaptations play in helping disabled people and older people to live independently in their own homes, and also on the key role that RSLs play in the provision of those adaptations. This was why we established a separate budget for RSL adaptations in March 2011, with £8 million for 2011-12, and issued new guidance on how this funding should be spent. The intention behind the changes was to stretch the number of adaptations provided with the resources available, so that more disabled people and older people were helped. However, we recognise that these changes in grant eligibility caused concern among RSLs, in relation to their ability to carry out adaptations, and that consultation on the changes needed to be more inclusive.

We have listened carefully to these concerns and agreed to return to the previous grant eligibility used in 2010-11. This was announced at the Housing Adaptations Scotland Conference in Dunblane on 25 May. Accordingly, all grant claims already submitted, and all future claims during the remainder of 2011-12, will now be paid against previously published guidance. However, where possible, we do encourage RSLs to make a contribution, if that is practical, to allow more adaptations overall to be funded.

We will conduct a full inclusive consultation exercise with all relevant stakeholders during the summer, in conjunction with the Adaptations Working Group, on possible grant changes for 2012-13. The consultation will ensure we are better able to assess the full impact of any potential grant eligibility changes and will allow RSLs to plan ahead for any changes that may come into effect from April 2012.

While we have responded to the concerns raised about the grant changes, it is important to recognise that the need to respond to rising demand for adaptation services as a result of demographic pressures, and to ensure that we make the best use of all available resources, will only intensify. This highlights the value of the more fundamental review of the whole system of funding for adaptations being undertaken by the Adaptations Group.

As well as the references to affordable housing and adaptations in your letter, I was interested to note your statement on homelessness as we approach the important 2012 target. I would be keen to discuss this and the other issues in your letter and would be grateful if you could contact my Diary Secretary Melissa Waugh on 0131 244 7005 to agree a mutually convenient time to meet.

Thank you again for your letter and I look forward to meeting with you and working with you in the coming period.

Kind regards



KEITH BROWN