

WEST DUNBARTONSHIRE COUNCIL

Report by Executive Director of Housing, Environmental and Economic Development

**Housing, Environment and Economic Development Committee:
4 February 2009**

Subject: Investing in Affordable Housing: A Consultation

1. Purpose

- 1.1** This report seeks the Committee's approval to submit the response to the Scottish Government's consultation "Investing in Affordable Housing" which is shown at appendix 1 of this report.

2. Background

- 2.1** As part of the Scottish Government's 2006 consultation paper "Firm Foundations: the Future of Housing in Scotland" it promised to consult on reforms to the way in which it provides subsidy for new affordable housing in Scotland.
- 2.2** This consultation paper sets out proposals for reform and in particular provides details of the Scottish Government's vision for introducing Lead Developers. The focus of the paper is therefore on mechanisms for introducing Lead Developers for the housing investment programme.
- 2.3** The Scottish Government has issued this consultation paper to a range of organisations including local authorities, registered social landlords (RSLs) and all registered tenant organisations. It has asked for responses to the consultation by 17 March 2009.
- 2.4** The consultation paper can be viewed at:
<http://www.scotland.gov.uk/Publications/2008/12/08094715/0>
A paper version has been placed in the Members' library.

3. Main Issues

- 3.1** The main proposal in the consultation paper is the introduction of Lead Developers across Scotland. The reason for this approach is to develop a more strategic approach to the allocation of Scottish Government subsidy and to secure efficiencies by distributing the majority of its housing investment programme through these Lead Developers.

3.2 In bringing forward reforms, the Scottish Government has concluded that there is scope for many RSLs to develop a more streamlined and efficient approach to the procurement and management of their assets. Its objective is therefore to establish a network of Lead Developers across Scotland which will see a reduction in the number of RSLs directly undertaking development activity.

3.3 The consultation seeks responses to 24 questions which relate to:

- the current economic situation
- a more strategic approach to affordable housing investment
- the specialist role of lead developers
- development consortia
- competitive mechanisms for awarding subsidy

The proposed response is attached at appendix 1.

4. Personnel Issues

4.1 There are no personnel issues.

5. Financial Implications

5.1 There are no direct financial implications for the Council, however the response to the questions raised seeks assurances that there will be no loss of Scottish Government housing investment in the Council's area due to any failure of a Lead Developer.

6. Risk Analysis

6.1 There are no risks associated with this consultation.

7. Conclusions

7.1 The Scottish Government has made clear its desire for a more strategic approach to the distribution of housing investment subsidy and efficiencies. There will be issues which housing associations will wish to address in relation to their future development role, however, the overriding factor for local authorities will be to ensure that there is no loss of housing investment in their area as the new structure is established.

8. Recommendation

- 8.1 The Committee is asked to agree the response to the consultation as shown at appendix 1.**

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Date: 16 January 2009

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Appendices: Appendix 1: Consultation response

Background Papers: None

Wards Affected: All

WEST DUNBARTONSHIRE COUNCIL

Investing in Affordable Housing: Consultation Response

CHAPTER 1: Introduction

Question 1

To what extent does our assessment of the current economic situation reflect your assessment?

Response

Section 4 of the WD SHIP dated November 2008, National Strategic Context, reflected a similar assessment of the economic situation's effect on housing. In addition Section 13 of the SHIP, Constraints to Investment, detailed growing difficulties for Housing Associations in accessing affordable lending facilities.

Question 2

Does the economic situation strengthen or weaken the case for investment reform at this time, and why?

Response

a) The economic situation strengthens the case for investment at this time for two principal reasons:

1) lending is likely to be less easily accessible and a larger scale approach may lead to economies of scale through a lead developer type initiative

2) the high per unit costs currently being experienced cannot be sustainable in a period of recession and fiscal economy.

CHAPTER 2: A More Strategic Approach to Affordable Housing Investment

Question 3

Do you agree that local authority Strategic Housing Investment Plans and related strategies should form the basis for identifying investment priorities for periods of up to five years?

Response

Yes, this is a sensible approach with widespread support. Where possible, Plans should cover the same time period as prospectuses (see paragraph 24 and Q7).

Question 4

Do you agree with our proposed principles on which geographic regions for investment will be based?

Response

There is a logic in adopting a regional approach if economy of scale is a prime objective, although the detail of how this will be applied will need to be considered and take account of HMAs.

Question 5

a) Do you agree with our proposed treatment for Orkney, Shetland and the Western Isles Councils?

Response

N/A

b) Do you agree with our proposed approach for Glasgow City and City of Edinburgh Councils?

Response

N/A

Question 6

Do you agree that Councils, as the strategic planning and housing authorities, and in collaboration with RSLs, should advise on the regions to be adopted as the basis for Prospectuses?

Response

Yes.

Question 7

a) Do you agree the scope of the content proposed for Prospectuses set out in Table 2?

Response

It is not clear how the Prospectuses are linked to or are derived from Local Housing Strategies. (The LHS is not specifically mentioned). Is there a potential duplication with LHS processes? The Local Authority would have some concerns if the final allocation of resources does not cover all of the SHIP projects due to failings in the prospectus or on the ability of the lead developer to deliver. Some arrangement should be available to allow the introduction of an alternative lead developer as a safeguard if the SHIP targets are at risk. It is welcomed that Regeneration is given recognition in this section. The mechanics of how the priorities will be decided will need to be developed.

b) How can we ensure that the housing need of people with specialist requirements or in more remote or rural areas are fully reflected in Prospectuses?

Response

These are issues which should be picked from information contained in constituent local authorities' LHS. However it may be the case that some authorities' data bases on specialist needs may be more developed than others.

Question 8

a) Do you agree that there is a need to provide guidance within Prospectuses on maximum rent levels and is the proposed framework acceptable?

Response

Within the SG HID funding regime there is already guidance on acceptable rent levels, if the proposal is to develop a matrix of regional variations based on affordability; this is in keeping with general SG policy development. It is not clear if this is this a development which goes beyond existing guidance on affordable rent setting arrangements.

Question 9

a) Are there other issues which would similarly benefit from guidance?

Response

Yes

b) What are these and what is the case for including them?

Response

Need more guidance on how priorities will be decided as part of the Strategic Housing Investment Framework (SHIF). Reference is made to the SHIF yet the development of the Framework has been delayed. In the response to consultation on the SHIF in June 2006, WDC stated the view that any consideration of the allocation of funds should be founded on the LHSs and SHIPs of the Local Authorities.

CHAPTER 3: Lead Developers: A More Specialist Role For Development**Question 10**

a) Is the Lead Developer role proposed here sufficient to deliver a more streamlined and effective approach to investment in and procurement of new affordable housing?

Response

Proposals do seem to provide a more streamlined delivery mechanism. Its effectiveness is yet to be proven but if we are entering a period of improved tendering competitiveness, this will help its chances. The Local Authority, not local RSLs, is best placed to inform the lead developer's plans and timescales.

b) Does it adequately balance and recognise the needs and roles of non-developing RSL partners?

Response

Yes, although HAs losing the developer status may still feel aggrieved.

Question 11

What are your views on the routes we propose for establishing Lead Developers?

Response

There is lack of clarity over the option to have a pre-qualified RSL apply for a specific project but otherwise the sifting route is reasonably straightforward. Presumably this relates to the transitional period referred to in Para 30. Further guidance is required on how assessment will be carried out at each phase.

CHAPTER 4: Development Consortia**Question 12**

a) Do you agree with the proposed principles of consortia and responsibilities for consortium heads?

Response

The local authority is responsible for the investment programme; the consortium is the delivery agent.

Question 13

a) Do you agree with the proposals on formation of consortia, including the requirement of a formal agreement to govern relationships within consortia?

Response

The principle of establishing consortia to streamline procurement is sound in the context of the Scottish Government Best Value objectives.

b) What guidance would be helpful to support the sector in setting up consortia and Lead Developer arrangements?

Response

Some may already have some experience of working in consortia of a similar nature. SG HID and the SFHA will be better placed to comment on the need for guidance on this matter.

c) What guidance would be helpful to ensure tenant and community engagement in decision-making?

Response

It is not clear what is meant by this question. If the consortia are the delivery vehicles for the investment decisions made elsewhere, the decision making is made elsewhere eg through the LHS and SHIP processes.

Question 14

a) Do you consider that there may be circumstances in which consortium membership should include local authorities or other non- RSL bodies?

Response

Yes

b) In what circumstances would you see this as appropriate?

Response

It may be more appropriate that the consortium's progress is monitored and evaluated through the Strategic Housing Forum or equivalent.

Question 15

Are there circumstances in which bodies other than RSLs might be eligible to become heads of consortia and Lead Developers?

Response

Yes it may be appropriate where there are plans to build new council houses for the Local Authority to be the head of the consortium or Lead Developer. For example, West Lothian Council has this January announced plans to build 700 new council homes; they would be well placed to play these roles.

CHAPTER 5: Proposed Competitive Mechanisms for Awarding Subsidy and Appointing Lead Developers**Question 16**

Do you agree that a pre-qualification process should be included in the new arrangements?

Response

Yes

Question 17

Are the pre-qualification criteria and information requirements set out at Annex C a reasonable basis on which to work with the Regulator, the SFHA and COSLA to refine the pre-qualification process?

Response

Yes

Question 18

Do you agree with the proposed funding criteria for bids for specific projects?

Response

Yes

Question 19

Do you agree with our proposed approach to development of an assessment framework?

Response

It is appropriate that the assessment framework is developed jointly with COSLA and the SFHA.

Question 20

How might we enhance the involvement of local authorities, RSLs and other stakeholders in the assessment of proposals?

Response

Proposals should only be made which comply with the LHS and SHIP and this should be clear in the guidance. The local authority should be involved in the appraisal of any proposals.

Question 21

Do you agree with our proposed approach to the appointment and management of Lead Developers?

Response

Yes

Question 22

a) Do you agree with the overall approach to grant agreements for Lead Developers as set out here?

Response

A balance should be struck between streamlining the grant process and ensuring competitive pricing including evaluation of negotiated versus tendered contracting.

b) What do you suggest we could alter to make grant payments more streamlined?

Response

See above.

CHAPTER 6: Implementation**Question 23**

Do you have any comments on the proposed timetable?

Response

No.

Question 24

Which indicators and what aspects of the Investment Programme should be included in a monitoring and evaluation framework?

Response

Monitoring and evaluation should be centred on progress against agreed outcomes and outputs within agreed subsidy levels.