

## **Investing in Affordable Housing: a Consultation - Questionnaire**

Please return by 17 March 2009 to: [AHIRPT@scotland.gsi.gov.uk](mailto:AHIRPT@scotland.gsi.gov.uk), or:

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### **Questions:**

#### **Question 1:**

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

Market conditions have worsened substantially since the issue of the consultation document. Housing Association waiting lists are growing by the day as despite Government intervention, the mortgage market is still struggling. In terms of associations' ability to secure private finance, the joint impact of the 'credit crunch' and the changes to the HAG assumptions introduced during the year have compounded to make access to private finance more difficult. In many cases lenders are seeking additional security over and above the development that is actually being funded.

#### **Question 2:**

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

The current low interest rates are considered to be a false position. When interest rates rise or return to last years norms the HAG assumptions will require to be re addressed, as they will not work. While the economic situation may strengthen the case for some investment reform, it does not necessarily strengthen the case for that of the lead developer role. The ability to attract private finance is not necessarily linked to an organisation which might be a lead developer. Size is not necessarily the issue here. Smaller organisations may indeed have healthier cash flows than larger ones. It is the banks as lenders who will determine whether an organisation is an attractive proposition for them. If additional security is required over and above the properties being developed, then it is extremely difficult to see how a second organisation could come in and purchase these properties without the issue of security also being of a concern to that organisation's funders.

#### **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?

It is agreed that investment priorities should be identified, however 5 years may be too long to adapt to the kind of change in circumstances that we have already seen. Priorities set even 2 years ago could be vastly different from

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those that have now appeared as a result of the rapidly changing financial environment.

### Question 4:

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

Agreed.

### Question 5:

- a) Do you agree with our proposed treatment for Orkney, Shetland and the Western Isles Councils?
- b) Do you agree with our proposed approach for Glasgow City and City of Edinburgh Councils?

a) Agreed

b) While we agree broad approach for Glasgow and Edinburgh councils to be acceptable, there are issues in terms of development of the Strategic Housing Investment Plan in Glasgow and the ability of RSL's to input to that process. Glasgow's SHIP over the last 2 years has had insufficient detail as there is little opportunity for organisations to input to the SHIP under the current council structures.

### 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?

Agreed.

### Question 7:

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

a) The broad content of the proposed prospectuses is agreed, however they may contain too much detail and may therefore not be able to be easily adjusted to take account of changes in the need for development.

b) Targets that are set on an area basis will not necessarily produce what is needed in the right locations. Great care has to be taken here that the SHIP, if not the prospectus, has the detail on an area basis of what is needed.

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### 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?

Agreed.

### Question 9:

a) Are there other issues which would similarly benefit from guidance?  
b) What are these and what is the case for including them?

a) No comment.

b) No comment.

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

a) While it may appear on paper that the Lead Developer role does offer a more streamlined and effective approach to investment, it may not deliver. The circumstances which have arisen from the 'credit crunch' may not work for the Lead Developer in that the Lead Developer's ability to develop housing which may then be passed on to other RSL's may not work. The Lead Developer role will also not necessarily ensure that the correct housing is built in the correct location.

b) The key to this will be the ability of organisations to take over any housing which is developed. Given the current restrictions in the lending market it is difficult to see how this would work where there may be a requirement for additional securities.

### Question 11:

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

No comment.

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### Question 12:

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

All the principles seem fair enough. The legal framework which embraces the consortia approach may be difficult to put in place. These consortium arrangements will bring additional costs which may work against any possible savings.

### 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?

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

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

a) Agreed.

b) It is considered essential that the Government seek the views of the lenders in relation to these consortia and Lead Developer arrangements. Our discussions with a variety of lenders have led us to believe that they are not convinced with the proposals put forward and how they would work out in practice.

c) Given the fairly 'top-down' approach to this process in terms of the development of the SHIP's and the development of the prospectuses, it is extremely difficult to see how tenant and community engagement could be high up on these agendas. Experience in Glasgow is that there are no adequate processes in place for a 'ground-up' input into the development of the SHIP, let alone that of any prospectus. Small RSL's must be included in the processes in order that tenants' views can be fundamental in the development of what will undoubtedly be seen as a 'top-down' approach.

### Question 14:

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

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

a) No comment.

b) No comment.

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### **Question 15:**

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

It is difficult to see how a body which is not an RSL may be able to fully embrace the principles of community engagement and the rights of tenants. It is therefore seen as fairly essential that the Lead Developer should be an organisation which is experienced in delivering a product which we know works for their communities.

### **Question 16:**

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

Agreed.

### **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?

Agreed.

### **Question 18:**

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

The four main headings of deliverability, quality, local authority endorsement and ownership and management are fair enough in themselves, however the key criteria should be some measure of the need of the project. It is likely that the number of projects being put forward will far outweigh the amount of investment funding which is available. The key criteria should be around the need for the project and the impact that the delivery of the project will make on the area in which it will be delivered is the most important factor. Some account should be taken of the scale of deprivation that exists within areas across the country to ensure that there is as much spin-off from projects as possible.

### **Question 19:**

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

Transparency is the key to any assessment framework. Where assessment will involve the exercise of judgement, it is extremely difficult to see how the potential winners and losers in that process will be able to live with the decisions taken in the process. It may be difficult to transmit those decisions

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clearly and cleanly back to the neighbourhoods and to the people who will be the winners and losers in this process.

### Question 20:

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

In terms of Glasgow, RSL's are currently not involved to any great extent in the development of the SHIP. The local housing forums which were developed and put in place to assist the SHIP process have not met during the development of the current SHIP and therefore it is difficult to see that if they cannot input indeed to the SHIP, how could they possibly be part of the assessment proposals? It may be possible however to put in place some form of assessment panel, which could involve some stakeholders and the panel would then make the judgement call in the various projects. This of course may just add to the bureaucracy around the Lead Developer and may in fact mean that the lead-in timescale may be longer rather than shorter.

### Question 21:

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

Agreed.

### Question 22:

- a) Do you agree with the overall approach to grant agreements for Lead Developers as set out here?
- b) What do you suggest we could alter to make grant payments more streamlined?

- a) Agreed.
- b) No comment.

### Question 23:

Do you have any comments on the proposed timetable?

It is accepted that any change requires a timescale for its introduction, however the current financial climate brings additional issues and concerns to this process. It is suggested that the timescale for the introduction of the Lead Developer is extremely tight and it is the view of this Association that there has been insufficient discussion with potential lenders on their view of the process and therefore we believe that it should be postponed until the current crisis at least bottoms out.

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### **Question 24:**

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

No comment.