

INVESTING IN AFFORDABLE HOUSING: A CONSULTATION

Summary

Though the case for efficiencies has never been fully articulated the Council believes that reform of the development process is long overdue, though the process outlined is a process of transition as opposed to 7 revolutionary steps. The time taken for Consortia in some areas to take shape and for local authorities to agree Prospectuses will take us beyond the time frame outlined.

The council welcomes reform which takes us in the direction of greater collaboration between housing providers and between local authorities. Further guidance on Consortia and Prospectuses would however assist with the transition.

There is a need to ensure that community involvement and quality do not fall victim to cost efficiencies and volume build.

Questions

- 1. To what extent does our assessment of the current economic situation reflect your assessment?**
- 2. Does the economic situation strengthen or weaken the case for investment reform at this time, and why?**

In the past year Clackmannanshire has seen a drastic reduction in housing supply to around a third of its 2006/07 peak. Council house sales are now a third of their 2006 level. A reduction in median house sale prices by 4%, has coincided with a substantial rise in waiting list demand (85%) and a doubling of homeless presentations so far in 2009. Together with a 75% increase in unemployed claimant count, including a 93% rise in claimants aged 25- 49, this all presents a gloomy introduction to 2009 and concurs with your assessment of the economic situation.

The economic situation strengthens the case for investment reform.

In common with many commentators on Firm Foundations we remain however of the view that IAH continues to fail to address the underlying issues affecting new build prices including;

- infrastructure costs, especially gas and water/drainage,
- construction costs including labour and materials,
- land costs,
- building standards,
- new energy standards,
- the ad hoc costs of brownfield sites.

In addition, the document continues to lack an assessment of the current system and we would challenge some of the assumed inefficiencies of the

current system and the over stated assertion that specialisation of the development function and scale economy are the answer.

3. Do you agree that the SHIP and related strategies should form the basis for identifying investment priorities for periods of up to 5 years?

In its current form the SHIP itself would present difficulties as a platform for setting investment priorities. In essence, its strength is that it contains an overview of assessed need, a broad range of potentially deliverable sites, as well as an overview of the potential mix required. However, the SHIP at present is itself a bid document. By its nature therefore some local authorities will have introduced a more opportunistic and speculative element. To add to this, the relatively new tensions created by inclusion of Council new build in the document, collectively undermines its overall credibility. The wider Local Housing Strategy is a more reliable and less skewed document on which to base a future prospectus. The weakness for us here is that Clackmannanshire is not due a new LHS until after April 2010.

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

Clackmannanshire welcomes opportunities for wider cross boundary planning and development. As the smallest mainland authority we have everything to gain from collaborative working. To some extent the nature of the Region matters less than the opportunity it creates. We are going to lack a historic connection with parts of any Region. The principles are mostly sound enough, in particular that cross boundary collaboration offers scale economy as well as programme management efficiencies.

Clackmannanshire has evidence that the Alloa corridor Housing Market Area is shared with parts of Falkirk. This along with strong Health and Community Care links makes the loss of a link with Falkirk of some concern. Much of the Clackmannanshire area has more market connection with Glasgow and Edinburgh than Dundee, but we welcome the opportunity to share and discuss good practice and priorities.

5. Do you agree with our proposed treatment for Island Councils and do you agree with our proposed approach for Glasgow and Edinburgh?

The only concern we have is that in that the long term tensions in relative demand from the big city TMDF areas and the rest of us is managed equitably. We are firmly of the view that not only Island communities, but remote rural areas cannot be subject to the same requirements as urban areas.

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?

We recognise that Health and Criminal Justice areas will differ from what is proposed, however the main parties to the housing development process are as stated.

7. Do you agree the scope of the content proposed for prospectuses set out in table 2? How can we ensure that the housing need of people with specialist requirements or in remote rural areas are fully reflected in prospectuses?

The proposed content is as expected from SHIP experience. It is worth emphasising the crucial role played by local authority Planners as part of this emerging partnership. In Local development Plans we will need to rationalise where need arises and where that need can be met in order to deliver complimentary investment plans and ensure wider compatibility between neighbouring local authorities when allocating land for affordable housing. This will take firm cross party political will.

There is an urgent need to agree a formula for distribution of market development funding between Regions in order to provide certainty within the Prospectus. Without this we have a bid process within a bid process with all of the duplication and inefficiency that will result.

Specialist requirements can only be met from an assessment of need and setting of target quotas for particular needs housing, especially housing for the growing older population.

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

There is a need to establish affordability criteria to limit the potential upward pressure on rents arising from competition for grants. There is a fear that maximum affordable rent statements will become benchmark rents. There is also a need to preserve local autonomy in rent setting for Council's and Association's.

9. Are there issues which would benefit from guidance? What are these and what is the case for including them?

There will need to be guidance on Prospectuses and how these relate to existing documents to avoid prolonged debate and confusion between local authorities and lack of consistency nationally. The SHIP guidance itself should be revised in light of these proposals. In addition we would support the demand from RSL's for further guidance on Consortia.

Though slightly off the subject when we are discussing reform of housing investment now might be the opportunity for the Housing Association movement to ask whether stage 3 funding should actually be part of their internal capital programme as is the case with local government.

10. Is the lead Developer role proposed sufficient to deliver a more streamlined and effective approach to investment in procurement of new affordable housing? Does it adequately balance and recognise the needs and roles of non-developing RSL partners?

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

Firstly, the Council welcomes the concept of having more than one Lead Developer per Region. The Council further welcomes the inclusion of development funding at project level for pre-qualified RSL's. There will be many uncertainties created during the transition to a new system between those RSL's who are pre-qualified ultimately competing with Lead Developers who have longer term budgets over 5 years. This transition and this uncertainty must be prevented from impacting on delivery, cost and customer.

The Council has concerns over the abortive costs inherent in any system of competition and bidding. There are related fears of a potentially complex bureaucratic systems of checks and balances emerging to govern this competition, manage relationships within consortia, between consortia, between local authorities in Regions and between all of these and central government.

The Council has residual concerns over the drive to narrow development activity into a tight specialisation which in the longer term could reduce competition and threaten some of the proposed cost benefits. The proposed 2 stage process seems reasonable enough, though there is little detail in the guidance on Prospectuses to infer what criteria might be applied consistently across Scotland for appointment of Lead Developers.

There is a strong likelihood initially that Council's and consortia will feature known associations and appointments of equally known and trusted providers, resulting, for a while, in Regions which have a range of Lead Developers with their own "territory" who rarely meet or overlap. This position will be unlikely to meet the expectations of the reform for some years to come.

- 12. Do you agree with the proposed principles of consortia and responsibilities for consortium heads?**
- 13. Do you agree with the proposals on formation of consortia, including the requirement of a formal agreement to govern relationships within the consortium? What guidance would be helpful to support the sector in setting up consortia and Lead Developer arrangements? What guidance would be helpful to ensure tenant and community engagement in decision making?**
- 14. Do you consider that there may be circumstances in which consortium membership should include local authorities or other non-registered RSLs. In what circumstances would you see this as appropriate?**
- 15. Are there circumstances in which bodies other than RSLs might be eligible to become heads of consortia or Lead Developers/**

The Council believes that it may prove to be an opportunity lost to have excluded the "partnership of equals" model of consortia and the setting up of a jointly owned delivery vehicle, especially on the narrow and resolvable grounds of regulatory control. This is a model which has proved to have merit already and we welcome reconsideration of this approach.

It would be a valuable learning experience and of clear added value to have Council's as members of RSL led Consortia. Each local authority would of necessity be forced to resolve the separation of function necessary if it plans to be both developer in its own right and strategic housing authority.

The council believes that the inclusion of non-registered Housing Association owned development vehicles within consortia could prove to add diversity and be of programme benefit though perhaps not in a lead role. The regulatory framework and delivery mechanism has at its heart community and tenant interest and this must not be diluted.

The Council welcomes involvement by the private sector in the process, though procurement rules alone mitigate against their direct inclusion within consortia at this time.

- 16. Do you agree that a pre-qualification process should be included in the new arrangements?**
- 17. Are the pre-qualification criteria and information requirements set out in Annex C a reasonable basis on which to work with the regulator, SFHA, COSLA to refine the process?**

The regulation process coupled with the highly standardised nature of design, delivery, procurement and cost management within the development process must surely mean that most developing Associations will already meet most of these criteria without having to submit. It may therefore be on the detail or on the margins of the criteria that appointment is ultimately decided such as innovation or supply chain management. There is a question around how we manage a transition if nearly everyone applies and largely passes the pre-qualification stage. A more unkind perspective might be whether this stage is anything other than a time consuming distraction.

- 18. Do you agree with the proposed funding criteria for bids for specific projects?**
- 19. Do you agree with our proposed approach to development of an assessment framework?**
- 20. How might we enhance the involvement of local authorities, RSLs and other stakeholders in the assessment of proposals?**
- 21. Do you agree with our proposed approach to the appointment and management of Lead Developers?**
- 22. Do you agree with the over all approach to grant agreements for Lead Developers as set out here? What do you suggest we could alter to make grant payments more streamlined?**

The Council welcomes the move to longer term funding agreements. The Council also believes that homelessness targets including meeting the challenges of 2012 should remain at the forefront of measurable activity in the sector. The Council also support the 4 funding criteria mentioned in the Report with emphasis on deliverability.

In most recent procurement practice we are all familiar with the quality cost continuum. The Council would advocate in favour of a consistent approach which puts quality at a minimum 60% as a means of not replicating the mistakes of past generations in housing development. Within recent guidance on PAN 76 the question is asked "where are we building the conservation areas and communities of the future?" This sentiment should over ride any blind drive to reduce cost and maximise unit output. It is our belief that the Housing Association movement in the past 5 years has produced a standard of product in design, space and energy efficiency that is a cost worth paying.

In Clackmannanshire significant inroads have been made in tenant and community involvement. It is equally important that this aspect is not lost in the process as an afterthought, victim to financial assessment or volume. This is especially true of the need to continue to support regeneration activity.

23. Do you have any comment upon the proposed timetable?

The timetable proposed in all honesty was the most amusing part of the consultation. There is a need for reform and a recognition that transition is inevitable. However, that Prospectuses will be available by November from a standing start takes us into laugh out loud territory. To create a network of Regions and Lead Developers within the time frame set is equally challenging. The Council regard the time frame set as capable of revision in these key areas.

24. Which indicators and what aspects of the investment programme should be included in a monitoring and evaluation framework?

There will be a framework of national priorities around unit output and public costs per unit as is the case at present. There should also be clear monitoring of LHS priorities including homelessness, particular needs, energy efficiency and innovation in design. Local authorities already have in place by now Monitoring and Evaluation frameworks for their LHS, together with the annual SHIP process. It would be a short step to create an applicable framework for development.