



Briefing 09/15 March 2009

Investing in Affordable Housing: A Consultation response

This briefing provides details of APSE's response to Investing in Affordable Housing, a Consultation Paper issued by the Scottish Government.

To: All Chief Executives, Main Contacts and Email Contacts
(Scotland)

CC: All Chief Executives, Main Contacts (England, Northern
Ireland and Wales)

Key issues
To improve the supply of all types of new housing and increase the number of homes built
New approaches required to ensure investment goes further
Better value for tenants and taxpayers
Promotion of higher efficiency standards in new housing

1. Introduction

The paper opens by stating that the Scottish Government remains committed to providing

good quality housing and as such, all tenures should be at the heart of Scotland's future. In *Firm Foundations*, it was highlighted that there is a continuing positive role for social housing and the registered social landlord (RSL) sector, whilst also making the case for change in the way that support for investment is given by RSLs in new affordable housing.

Since the publication of *Firm Foundations*, the financial and economic situation has changed considerably and the impact on Scotland's housing industry has been of major concern. However, it would appear that the overall vision has not altered. The Government state that the "credit crunch" and its impacts will not deflect from their long term goal of increasing the supply of new housing or from the vital task of promoting higher energy efficiency standards in new housing, in support of the targets for reducing emissions. Their proposals reflect and build on the maturity and experience of RSLs in Scotland and offer considerable new freedoms in the delivery of investment programmes for those RSLs appointed as Lead Developers. The proposals recognise the significant progress already made by a number of RSLs, and local authorities, who have been striving to secure greater efficiencies and to improve investment and procurement processes in the delivery of new affordable housing.

APSE is aware that local authorities are not alone in the belief that good housing, of all tenures, should be at the heart of Scotland's future. It is important therefore to ensure that the help and assistance the Scottish Government may provide, is extended to local authorities as well as RSL's.

With the funding of £100m currently available for new build by RSLs. APSE would suggest that local authorities would be in a better position to build affordable homes if the balance of funding for new build, was more evenly distributed. The current funding pot for councils to build new housing sits at £25m which doesn't appear to be a fair distribution. APSE would like to see more monies for new build directly invested through local authorities and believes that this would contribute significantly to a fiscal stimulus in local economies, keeping construction companies working and creating affordable homes.

APSE would reiterate the local authority position in respect of their willingness to build and perhaps what should be noted also is the fact that any homes built by local authorities would be affordable homes for all under their tenancy tenure. Notwithstanding this, there is also a need for others to be involved in the building process but in order to address the issue of a lack of affordable homes APSE would suggest that local authorities would readily welcome further funding.

Should local authorities be granted further funding as lead developers, any affordable homes built would remain within their housing stock and would perhaps go some way to address the issue of a lack of affordable housing.

2. Replicated below is the APSE response to Investing in Affordable Housing: A Consultation.

Response from the Association for Public Service Excellence (APSE) to The Scottish Government

APSE is a local government association that has a membership of over 250 local authorities throughout the UK, including all 32 Scottish Councils, operating on a not for profit basis promoting excellence in public services. Our comments on selected questions from the consultation paper are as follows:

APSE welcomes this discussion document as a means of both engaging stakeholders in the housing debate and highlighting fundamental problems currently facing those wishing to improve their own housing circumstances.

APSE supports the view that in a democratic Scotland, all policy and funding decisions over housing and regeneration should clearly and directly lie with local and national government, and not an unelected intermediary. Local government needs the right tools to revitalise Scotland's affordable housing sector. If council's are given the necessary functions and powers of investment, local authorities can undoubtedly deliver, more efficiently and quickly, positive housing outcomes for our local communities.

The supply of housing land is a vital element in the process and planning authorities are the gate keepers of that resource. This issue has been raised by Government to highlight the impact that local authorities can have on land supply and planning application delays. While the implementation of the Planning (Scotland) Act 2006 will help improve the responsiveness of housing supply in the longer term, there is a pressing need for measures in the short term to increase the supply of housing land and accelerate the delivery of new homes.

APSE accepts that in order to ensure that there are well managed, well maintained quality affordable homes for all, a number of financial issues require to be addressed. In particular, there needs to be clarification from the Treasury regarding debt write off options available for local authorities who continue to retain stock. APSE supports the Scottish Government's attempt to pursue options other than stock transfer if means can be found to neutralize the impact of existing local authority housing debt.

Question 1: To what extent does our assessment of the current economic situation reflect your assessment?

APSE agrees with the Scottish Government's assessment of the current economic situation. It is clear that there is a lack of housing supply, difficulties in accessing finance and the terms on which the available money is provided to RSLs and individuals. This is now a major issue which will impact on the ability to deliver affordable housing.

Question 2: Does the economic situation strengthen or weaken the case for investment reform at this time, and why?

APSE believes that the current economic situation strengthens the case for investment

reform. It is vital that efficiencies be achieved in order to maximise the number of high quality homes which can be built from available funding. However, the reforms as proposed may in fact complicate the situation further if lenders have any doubts about the new proposed arrangements. APSE would suggest that there would then be a new delivery mechanism and there would be some difficulty in assessing their exposure to risk.

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?

APSE believes that local authorities Strategic Housing Investment Plans should continue to form the basis of investment priorities of up to five years but is unsure how these will be translated into Regional Prospectuses. There are also concerns about the transparency of the resource allocation process between local authorities.

It is perhaps assumed, as it remains unclear from the consultation paper that Scottish Government staff in the housing and regeneration division would prepare the various regional prospectuses. This being so, it would also be helpful if there could be further details on how they will prioritise projects in different local authority areas to arrive at a funding programme.

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

APSE would suggest that there may be some concerns by local authorities in relation to the regions they will be assigned. At the centre of this will be the strategic community planning partnership as these may vary from region to region.

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?

APSE has no comment to make in respect of the three islands councils, or Glasgow and Edinburgh.

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?

APSE believes that councils would be best placed if given suitable funding to build housing in

order to address the shortage faced in Scotland.

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) APSE believes that the content of the Prospectuses should also contain information about known or anticipated constraints on the development programme e.g. infrastructural problems and how these could be addressed.

b) APSE believes that the need for housing in remote/rural areas and for people with particular housing needs should form an integral part of the target of new affordable homes over the period covered by the prospectuses. It may be more appropriate to have detailed appendices which could set out the assessment of need that has been undertaken in respect of particular housing needs.

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

APSE believes that it is imperative that information should be provided on local rent levels, house prices and income data in order to ensure that any proposed housing is sustainable. APSE would suggest that rent and house prices that become beyond the reach of people in lower wage brackets may create less desirable areas where the occupants may be people on benefits, or just beyond the trigger point for benefits, due to circumstances beyond their control. APSE would stress that those rents that are within 5% of the maximum should be accepted, as rents at the higher end of the maximum permitted may become unaffordable in times of an economic downturn.

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) APSE would urge that sustainability and energy efficiency be added to the Prospectuses.

b) This would ensure a high level of consistency across all regions and help to create a standard that Lead Developers would have to meet at agreed subsidy levels.

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) APSE believes that the Lead Developer role that is proposed should deliver a more streamlined and efficient approach to investment in affordable housing. The test will be what long term savings can be achieved over the initial five year period following the first round of appointments. However, APSE would be concerned that the appointment of Lead Developers who have no track record in a particular area could lead to loss of long established local connections between developing RSLs, local construction companies, land agents, architects and other development support services. This may result in missed development opportunities that come to attention through established networking arrangements. APSE would again emphasise the point that local authorities would be best placed to deliver affordable homes.

b) APSE believes that the proposals do recognise the needs and role of RSLs which choose to be non-developing RSLs and will allow them to concentrate on managing their stock whilst allowing them to contribute towards planning, procurement and building of new housing. APSE would still further promote the ability of local authorities to provide new affordable homes if given the funding and opportunity to do so.

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

APSE would suggest that the approach appears to be pragmatic and the transitional arrangements will allow the sector time to adjust and respond to the method of delivering the Affordable Housing Investment Programme.

Question 12: Do you agree with the proposed principles of consortia and responsibilities for consortium heads?

No comment to make.

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?**

No comment to make.

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) APSE believes that local authorities or other RSL bodies should not be excluded at this stage and it would be beneficial to have local authorities as members of a consortium if perhaps they intended to deliver a new build programme through an RSL rather than directly through the usual procurement routes.

b) APSE believes this may prove beneficial where a local authority does not have the necessary expertise in house. However, this may be unlikely given the number of activities in which local authorities are involved.

Question 15: Are there circumstances in which bodies other than RSLs might be eligible to become heads of consortia and Lead Developers?

APSE believes that consideration should be given to extending eligibility to become heads of Consortia and Lead Developers to bodies other than RSLs. APSE would promote the point that as local authorities once again build up their experience of delivering new house building programmes, there is a strong case in favour of them becoming Lead Developers.

Question 16: Do you agree that a pre-qualification process should be included in the new arrangements?

APSE, being firm supporters of openness and transparency, believes that a pre-qualification process should be included as part of the new investment arrangements in order that there is complete scrutiny and transparency of the selection process.

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?

APSE believes the pre-qualification criteria set out will allow the effective assessment of RSLs who wish to become pre-qualified by determining whether they are well managed, successful and innovative. Perhaps however, there should be an additional section within the criteria which would allow RSLs the ability to demonstrate a forward development programme detailing current and future land holdings for a five year period.

Question 18: Do you agree with the proposed funding criteria for bids for specific projects?

APSE believes with the funding criteria for bids for specific projects to ensure the deliverability, quality, strategic priority and ownership/management of individual projects.

Question 19: Do you agree with our proposed approach to development of an assessment framework?

No comment to make.

Question 20: How might we enhance the involvement of local authorities, RSLs and other stakeholders in the assessment of proposals?

APSE would comment that whilst it has been noted about the involvement by SFHA who have been working with the Scottish Government to develop the assessment process, APSE, who work closely with all 32 Scottish Authorities, would also welcome the opportunity to become closely involved in the whole consultation process.

APSE strongly support the role local authorities have to play in the bridging of the gap left by a lack of housing supply as these authorities lead on the Local Housing Strategy process. It is imperative that local authorities have a real opportunity to be involved in the assessment of bids for projects in their areas if there is to be a true partnership.

The involvement of local authorities in the preparation of Regional Prospectuses would be one way of ensuring early buy in by local authorities thus ensuring that the affordable housing investment programme is driven by the Local Housing Strategy.

Q 21: Do you agree with our question proposed approach to the appointment and management of Lead Developers?

No comment to make.

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?

No comment to make.

Question 23: Do you have any comments on the proposed timetable?

APSE believes the timetable is ambitious and will no doubt be challenging to achieve.

Question 24: Which indicators and what aspects of the Investment Programme should be included in a monitoring and evaluation framework?

No comment to make.

3. Conclusion

APSE welcomes this discussion document as a means of both engaging stakeholders in the housing debate and highlighting fundamental problems currently facing those wishing to improve their own housing circumstances.

Whilst there appears to be a huge emphasis placed on the role of RSLs. Those involved in local authorities should not be sidelined by the proposals. APSE believes that local authorities are in a good position to be able to address the issue of the lack of affordable housing in Scotland.

Should funding be available, local authorities would continue in their commitment in ensuring that there is more affordable homes available in the future. Some authorities in Scotland have consistently shown their commitment by building affordable homes in order to address the housing shortage in their areas. Should more funding be available, undoubtedly, they would endeavour to deliver more affordable housing for all.

APSE believes that public services should be subject to the highest degrees of transparency and democratic accountability. However, regulation and inspection should not only be overly burdensome for well performing authorities although information and inspection on all landlords would be welcomed if it focuses attentions on helping poor performers.

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