

Ayrshirehousing

Investing in Affordable Housing – a Response to the Scottish Government

February 2009



We are a housing association with a stock of over 1,200 houses in Ayrshire and an active development programme. There are currently over 150 houses under construction. This extends from small scale schemes which sensitively meet village needs to major regeneration projects. We are also committed to building on our traditional areas of work to the benefit of Ayrshire's communities. Working in

local partnerships, we have supported an innovative range of personal support, community engagement and training projects. Our governance structure is based on a partnership between our tenants, the communities and South Ayrshire Council with equal numbers of Board members drawn from each category. Each year, there are contested elections to the Board which is a mark of the strength of our relationships with our tenants and the wider community.



We welcome the attention that the Government is giving to the future of Scotland's housing. It is disappointing however that the proposals now subject to consultation are little changed from those outlined over a year ago in *Firm Foundations* despite the trenchant criticism of the vast majority of Scotland's housing associations. Our position is not founded on self interest beyond a

desire to ensure that new or enhanced mechanisms for delivering affordable housing are developed in a generally collaborative basis which enhances rather than diminishes the responsive community focus of the housing association movement. We would hope however that the lack of adjustment of the Government's proposals to date does not undermine the credibility of this consultation.

For convenience of other readers, we have chosen to respond with reference to the set questions. This does not imply an acceptance of the basic premise behind the proposal.

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

The current economic situation simply brings into greater relief many of the flaws of the proposal which we touch on in more detail in response to subsequent questions.

Our basic position has not changed therefore since the publication of *Firm Foundations* in October 2007.

At that time, we stated: “Whilst we can see a case for competition in terms of accounting for public funds, the analysis in the paper underplays the risks and challenges in bringing forward successful community focused housing developments in pressurised areas like South Ayrshire. Success in the absence of predictable land supply depends on local knowledge, commitment and fostering relationships. There is a danger that such competitions could seriously expose to undue risk the resources of not for profit organisations whose primary duty is to their tenants and communities. They could also be counter-productive, at least in the short to medium term, to the Government’s key objective to increase supply due to organisational dislocation. There is a whole raft, of as yet unresolved issues, around EU procurement rules, conflicts of interest, contractual and risk management, and charities law. Such an approach also diminishes the direct input to the governance of housing associations by their own tenants and the communities. Such competitions may also reduce the capacity for long-term community engagement which underscores any successful regeneration initiative. Finally, it could break the link between development and the quality of long-term housing management that is critical to winning the confidence of private house builders to the concept of mixed communities.

For all the above reasons, we do not support the proposal. The Government’s objectives can be achieved more efficiently by building on the housing association movement’s key strengths rather than compromising them.”

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

Whilst it is correct to state that the case for more affordable homes has been strengthened by recent events, it does not follow that the case for regional level organisation of development delivery has also been.

Rather the current economic situation brings to fore the very pitfalls of the lead developer model. For example, its justification was to a large extent posited around the packaging of the supply of land through planning agreements into predictable and cost effective building programmes at a regional scale. The crisis in private housebuilding which is likely to persist for several years points to the need for a local focus on delivery to unlock opportunities in the market and to support effective negotiations around those Section 75 planning agreements which can still be realised. In other words, it underscores the virtues of

maintaining an intensive and committed local focus by housing associations aligned with priorities of the Councils.

In addition, the flawed assumption that increasing the scale of development delivery would produce savings in borrowing costs is likely to be further exposed. In the present conditions, potential lenders are likely to become even wearier of the risks inherent in the proposal and may require consortia members to renegotiate their existing arrangements and covenants.

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?

Yes, we agree with this proposition. Unfortunately, the proposals as we commented with regard to *Firm Foundations* run contrary to the logical development of the SHIPs into the effective outcome focused delivery mechanisms. More particularly, the Government's centralising and inflexible approach to the organisation of the housing associations with their varied relationships with the Councils runs counter to the welcome extension of local accountability through the *Concordat* with COSLA. This places the *Single Outcome Agreements* (SOAs) at the centre of a new revitalised relationship between central and local government in Scotland. It would seem logical therefore to locate the delivery of affordable housing fully within the discipline of the SOAs. If the SOAs and subsidiary SHIPs could develop on the basis of control of say five year investment programmes, the conditions would emerge to support genuinely efficient and longer-term procurement partnerships with and by locally committed housing associations.

As we previously suggested in our response to *Firm Foundations*, an alternative approach might be to strengthen the delivery role of each Council on the basis of joint procurement by the associations with whom they have sound partnerships at present. In reality, most of the building procurement efficiencies sought could be achieved on the back of outcome focused partnerships backed by longer-term funding commitments without the risks of organisational dislocation and volunteer demoralisation. In practice, it is the lack of a true medium-term funding framework which prevents further developments at the present time in partnering with contractors and mutually beneficial alliances between associations. With such an approach, the role of the Government would be to determine the regional and sub-regional allocations, and efficiency levels. This would clearly free it from the local programming function inherited from Communities Scotland which tends to inefficiently overlap with the more extensive expertise and resources that both the Councils and the associations have available, and to undermine local outcome orientated partnerships.

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

As we have already indicated, we believe the approach to be flawed both in terms of local democratic accountability, and the realities of the successful delivery of high quality and affordable housing.

Genuine efficiency is more likely to be assured by locating delivery more firmly at each Council level when coupled to genuinely long-term investment planning. The current lack of long-term timeframes is probably the greatest brake on the achievement of better efficiency. It does not follow however that up-scaling such programmes to artificial regions can achieve comparable effectiveness given the aggregation with it of greater inflexibility and risk.

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?

This approach should equally apply to all Councils unless they decide otherwise, for example, in terms of voluntary inter-Council partnerships.

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?

As we have already stated we believe the Government's top down approach to be both flawed and inappropriate in terms of its *Concordat* with the COSLA and its members, and in the light of the recent welcome developments in local investment planning.

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?

As we have already indicated the whole approach is counter-productive in terms of the development of the SHIPs and locally determined collaborations around the existing Structure Plan and NHS geographies.

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?

We believe that the Local Housing Strategies (LHSs) and SHIPs should provide the appropriate framework for individual Councils to determine guideline rent and service standards for housing associations seeking to work in partnership with them.

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?

We have no comments.

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?

The proposal may streamline the Government's administration of Housing Association Grant. This can be realised equally well though and guarantee local responsiveness by greater delegation to the Councils.

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

We have no comments.

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

We have no comments.

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?

If the finalised approach is to promote more effective delivery at a Council level, then the Government could usefully support the production of best practice guidance and advice through, for example, the Chartered Institute of Housing or the Scottish Federation of Housing Associations. COSLA, Architecture and Design Scotland, and the Scottish Housing Regulator would also have significant roles to play.

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?

Where Councils are committed to building on their own account, it seems sensible to encourage collaborative relationships between them and housing associations. Again this would be an issue to be resolved through the LHS and SHIP processes.

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

Presumably, if the position of Councils is accepted in terms of collaborative arrangements then it would be permissible for them to take on such a role. Again this assumes a geography for investment which has the agreement of the Councils.

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

Irrespective of the arrangements, we have no issues with pre-qualification. It is implicit in any case in the present system through, for example, the requirement to submit Strategic Development and Funding Plans, and to gain the consent of the Regulator to loan related property disposals.

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?

We have no comments.

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

It is important both for the vitality of the housing association movement in terms of stimulating community engagement and voluntary endeavour that all associations in principle have the potential to bring forward development proposals. As at present, this is of course contingent on generating the confidence of partners and potential funders.

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

As we have indicated this role should be with the Councils.

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

See our comment on question 19.

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

See our comment on question 19.

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?

We are supportive of the development of model grant agreements which focus on outcomes and which can be tailored to suite locally defined objectives within the overall grant regime.

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

We believe that the proposal will dislocate the delivery of affordable housing. This is doubly so in the current difficult conditions. The focus should rather be on responding to the affordable housing challenge based on honing tried and tested models within the context of the recent strengthening of Council level investment planning.

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

The development of a national monitoring framework within which local monitoring can nest is to be welcomed. To be effective, it needs to go beyond the current collection of a limited range of quality indicators. The current approach tends to militate against a culture of continuous improvement. Monitoring frameworks also need to demonstrate how housing investment decisions align with related policy areas such as sustainable communities and place making.



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