



# “Investing in Affordable Housing”

## Scottish Government Consultation

Briefing for Tenants  
from the Tenants Information Service

**February 2009**

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**This briefing paper produced by TIS summarises the key proposals in “Investing in Affordable Housing” and highlights key issues for tenants. As a leading agency promoting tenant participation TIS does not promote views on housing policy other than on tenant participation itself. The purpose of this briefing paper is to assist tenants to work out their own views and submit these to the Scottish Government before 17<sup>th</sup> March 2009.**

**Please contact TIS if you require a bigger type version of this Briefing Paper or more copies.**

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## Section 1 - Introduction

In December 2008, the Scottish Government published its consultation paper “Investing in Affordable Housing”.

This consultation document has been published following the consultation responses the Scottish Government received to *Firm Foundations*<sup>1</sup> which was published in October 2007. This new consultation paper develops some of the ideas originally set out in *Firm Foundations*, in which the Government:

- Stated that the existing subsidy system for investment in affordable housing was producing poor value for money;
- Proposed that all future investment funding would be directed to a small number of “Lead Developers” getting subsidy on a competitive and streamlined basis

You have up to **Tuesday 17<sup>th</sup> March 2009 to give your views**. It is crucial that you take this opportunity to give your views to the Scottish Government.

## Section 2 – Why the changes are being proposed

The Government currently provides subsidy, also known as grant, in the form of Housing Association Grant (HAG) to Registered Social Landlords (RSLs) in Scotland. This is used to meet some of the cost of building new homes. The remaining money needed to meet the full costs is borrowed from banks or building societies. This borrowing from banks and building societies has become harder for RSLs in recent months because of the international economic climate.

In Scotland new build housing costs have been rising higher than the rate of inflation for several years now. There are a number of reasons for this including an increase in land costs; higher building standards; an increase in construction and labour costs; the delivery of more specialist and adapted houses; building more housing with energy efficiency and environmental sustainability; generally higher space standards in new social rented housing; and regeneration initiatives and the development of brownfield sites.

The increasing costs of building new houses has seen the level of public subsidy (HAG) per house rise by 35% in real terms over the last four years. The Scottish Government believes that the current system of subsidy for investment in affordable housing produces poor value for money and is unsustainable. The Scottish Government wants to increase the number and quality of new houses built. It believes that reducing the

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<sup>1</sup> Firm Foundations: The Future of Housing in Scotland (Scottish Government; October 2007)

number of developing housing associations and promoting greater specialisation will allow more houses to be built for less subsidy.

### **Section 3 - A Summary of the Scottish Government's Key Proposals**

In "Investing in Affordable Housing" the Scottish Government's key proposals can be summarised as follows:

#### **How priorities for investment in new houses would be decided:**

- ❏ The Government would set investment priorities on a regional basis and these would be agreed with local authorities;
- ❏ Scotland would be divided into seven regions;
  - Glasgow
  - Edinburgh
  - Highland, Moray, Aberdeen City and Aberdeenshire
  - Angus, Dundee City, Perth and Kinross, Fife, Stirling and Clackmannanshire
  - North, South and East Ayrshire, North and South Lanarkshire, and Dumfries and Galloway
  - Falkirk, East, West and Mid Lothian and Scottish Borders
  - Inverclyde, Renfrewshire, East Renfrewshire, West and East Dumbartonshire and Argyle and Bute;
- ❏ There would be separate arrangements for Orkney, Shetland and the Western Isles

The Government has said that it wants to consult further on where the regional boundaries should be.

#### **Regional Investment Prospectuses**

- ❏ Regional investment priorities would be included in Prospectuses which will take account of local authority Strategic Housing Investment Plans (SHIPs). A Prospectus is a document which would set out priorities for each region. It is proposed that the prospectus would include information such as :
  - the number of houses required over the period;

- the size, type and location of the homes;
- the quality of the homes;
- the regeneration priorities; and
- the timescales to complete the developments.

### **Lead Developers**

- ❖ Lead Developers are RSL organisations to whom the Government intends to direct the majority of future funding to build new housing for rent. They would finance and develop new housing on their own behalf and/or for other RSLs, to which they would sell completed houses.
- ❖ Lead Developers would operate within each region and there could be more than one Lead Developer per region.

### **Development Consortium**











- ❖ RSLs would be encouraged to join other RSLs and form a development consortium.
- ❖ Each consortium would be led by one RSL that would bid for subsidy for short term, costed projects on behalf of all of the consortium members and would be responsible for contracting and procurement and ensuring the quality of the housing to be built.
- ❖ The lead RSL would be encouraged to seek Lead Developer status to qualify in future for longer-term funding agreements.







### **Bidding for Housing Association Grant (HAG)**

- ❖ RSLs would apply to be assessed against pre-qualification criteria.
- ❖ If a RSL achieves pre-qualification it would move onto the second stage (bidding for subsidy in competition with others, and/or seeking to be appointed as a Lead Developer).
- ❖ All RSLs that get through the pre-qualification stage would be able to compete for subsidy for short-term costed projects. They would also be able to seek appointment as a Lead Developer which would give them guaranteed funding for a development programme for up to five years.
- ❖ The projects which offer the most competitive price and best meet the funding criteria would be awarded subsidy.











## Section 4 - The Proposals and Key Issues for Tenants

This table highlights each of the Scottish Government’s proposals and issues for tenants to consider in submitting their response to the consultation document.







Key Proposal	Issues for Tenants to Consider
<p><b>Priorities for Investment:</b></p> <ul style="list-style-type: none"> <li> <b>Priorities would be set on a geographic model of proposed regions;</b></li> <li> <b>Local authorities and the Government would agree priorities;</b></li> <li> <b>Orkney, Shetland and the Western Isles would have separate arrangements;</b></li> </ul>	<ul style="list-style-type: none"> <li> What are the implications of these proposals for community involvement and empowerment?</li> <li> Will these proposals result in reduced tenant influence and accountability with decision making concentrated with Lead Developers across wider geographical boundaries?</li> <li> What are the implications for the role of locally based housing associations in the future development of new housing?</li> <li> The Scottish Government is inviting local authorities and RSLs to work together to agree proposals for a regional split. It is important that tenants are involved in this process to give their views to the Scottish Government;</li> <li> Tenants in Orkney, Shetland and the Western Isles should consider the separate arrangements proposed for their areas and play a role in agreeing this with their landlords and the Scottish Government;</li> <li> The Scottish Government is looking to get better value for public money spent on housing. The Consultation Document does not provide detailed information about how the present HAG system is working and why the new proposals will address these issues;</li> <li> By aiming for economies of scale and more standardisation what are the implications for the quality, design, standards and rents set</li> </ul>

	for future new build housing?
<p><b>Investment Prospectuses for Regions will:</b></p> <ul style="list-style-type: none"> <li> <b>Set out priorities for each of the regions and take account of the Strategic Housing Investment Plans (SHIP) of local authorities;</b></li> <li> <b>Be produced in consultation with local authorities and invite housing associations to bid for HAG;</b></li> </ul>	<ul style="list-style-type: none"> <li> Prospectuses would cover periods of up to five years therefore tenants would not be able to influence decision making on an annual basis as decisions would be made strategically for five years at a time. Housing associations could currently budget for five years if this was agreed by the Government without changing the system of developing houses;</li> <li> Prospectuses would complement the SHIP which should take account of local housing strategies. It is important that tenants are fully involved in working with their landlord to influence the local housing strategy of their local authority;</li> <li> A prospectus would contain information such as the number of new houses required; the location and sites for housing; the quality standards required and priorities for regeneration. It is important that tenants are involved in this process as these are all issues which could concern tenants' organisations particularly those tenants living in regeneration areas;</li> <li> Prospectuses would set out proposed budgets available for local authorities for up to three years ahead. The final allocation of these resources would be dependent on how RSLs propose to meet the targets set out in the prospectuses.</li> </ul>

### Lead Developers would:

-  Operate within a proposed geographic region
  -  Possibly be more than one in each region;
  -  Receive the majority of future investment funding from the Government;
  -  Be required to provide a more specialist and skilled approach to managing assets, finances and development;
  -  Finance and develop housing for their own organisation and for other housing associations which would buy the completed houses from the Lead Developer.
-  The key issue about Lead Developers is that it would provides one RSL with central control over the delivery of development programmes. The process of setting up a Lead Developer could be very bureaucratic and complex with the Lead Developer having to set up new systems and processes to meet the requirements of being a Lead Developer. This would involve increased costs;
  -  A Lead Developer could be exposed to considerable risks if it undertakes new house building on behalf of a range of RSLs;
  -  Tenants of the small locally based housing associations may feel that they have little information or influence about proposed developments in their areas as the development section of their landlord may be based further away from them than it is at present.
  -  Partnership working is a good principle but not all organisations are either committed to it or experienced at it. There could be challenges which arise between partners because of competing priorities and these would need to be resolved effectively and efficiently;
  -  The control over developments would be held by the Lead Developer therefore tenants may find that their landlord is only being consulted about developments within their communities and is unable to secure the required level of investment for these areas or influence what type of housing is built or have control over rent levels.

	<ul style="list-style-type: none"> <li>What would be the cost implications of putting this new policy into practice for the Government, local authorities and RSLs?</li> </ul>
<p><b>Development Consortia will be formed by:</b></p> <ul style="list-style-type: none"> <li><b>RSLs working together in each of the proposed regions;</b></li> <li><b>One of the associations would apply to become the lead developer;</b></li> <li><b>One RSL bidding for subsidy on behalf of the consortium. This RSL would be responsible for contracting and procurement for new build housing.</b></li> </ul>	<ul style="list-style-type: none"> <li>RSLs could join a consortium or group within a region but then find that no RSL within that group becomes the Lead Developer. If this were to happen some areas may be left with no planned investment. It would be difficult for RSLs to give tenants guarantees that one of their group is going to be successful as the Lead Developer before joining the consortium;</li> <li>There would need to be an agreed legal process established for the Lead Developer to be able to sell houses on to the other RSLs in its consortium. Instead of providing efficiency savings compared to the current system this could be a complicated and expensive process therefore not providing value for money.</li> </ul>
<p><b>Awarding Housing Association Grant (HAG):</b></p> <ul style="list-style-type: none"> <li><b>HAG would be bid for in two stages with a new pre-qualification test;</b></li> <li><b>The pre-qualification stage would decide if RSLs are eligible to bid for HAG in the first instance;</b></li> <li><b>If successful at pre-qualification the RSL moves on to stage two</b></li> </ul>	<ul style="list-style-type: none"> <li>The pre-qualification stage (as mentioned on page 4) would substantially reduce the number of RSLs receiving HAG. The Government is proposing that the pre-qualification stage would make it easier to administer HAG to RSLs in Scotland;</li> <li>Passing the pre-qualification stage does not guarantee that an RSL will be successful in receiving HAG. HAG would have to be bid for in competition with other RSLs;</li> <li>RSLs who do not meet the pre-qualification criteria or decide not to develop new build</li> </ul>

<p><b>to compete for HAG and/or seek to be awarded Lead Developer status;</b></p> <ul style="list-style-type: none"><li> <b>Pre-qualified RSLs could compete for subsidy on their own or as the head of a consortium;</b></li><li> <b>Pre-qualified RSLs could seek to be awarded Lead Developer status which could offer “conditional guaranteed” funding for up to 5 years;</b></li><li> <b>HAG would be granted to projects which are the most competitively priced and match most closely the funding criteria.</b></li></ul>	<p>houses are still able to become members of a consortium;</p> <ul style="list-style-type: none"><li> In the first round of competition after the new system is introduced the Government plans that all HAG would be granted to RSLs competing with each other. What will this mean for the quality of stock and rents for future new rented housing?</li><li> RSLs that are unsuccessful at competing for HAG or becoming part of a consortium with a Lead Developer may have to make difficult decisions about staffing. If they are no longer a developing RSL they will have staff who are responsible for developing housing left without a remit to do so;</li><li> Tenants of community based housing associations may want to work with other tenants’ organisations to submit responses to the Government’s proposals.</li></ul>
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## Section 5 – Your Response

The closing date for all replies to this consultation is **Tuesday 17<sup>th</sup> March 2009**.

**Working together - If many tenants' organisations can combine their responses and have a unified view, it could have a greater impact on the Government's proposals.**

A questionnaire is available from the Scottish Government to assist you in responding. This repeats the 24 questions listed below. You can respond online using the Scottish Government's consultation website at <http://www.scotland.gov.uk/Consultations/Current>

### **Tenant Influence and local accountability**

It is important that tenants highlight in their responses how they can have more influence in decisions about the funding, quality, type, standard, design and rents of future rented housing in Scotland.

Question 13c in the Consultation Document asks specifically what guidance would be helpful to ensure tenant and community engagement in decision making.

TIS may be able to support your organisation by offering a briefing session in your area. Contact us on 0141 248 1242 to find out.

There is also a Respondent Information Form that has to be completed by every respondent. If you prefer to respond in writing you can send your response to:

Your response to "Investing in Affordable Housing" should be sent to:

The Affordable Housing Investment Reform Team  
Area 1-H South  
Victoria Quay  
Edinburgh EH6 6QQ

You can email a response to [AHIRT@scotland.gsi.gov.uk](mailto:AHIRT@scotland.gsi.gov.uk) or you can fax a response to 0131 244 5596.

The Respondent Information form should be submitted with all responses. Unless you request confidentiality your response will be posted on the Scottish Government's website. The government plans to publish an analysis of responses in May 2009.

**TIS would be interested in receiving a copy of your response.**

## Table One - Proposed Implementation Timetable

The table below sets out the Scottish Government's proposed implementation timetable:

<b>Date</b>	<b>Timetable Action</b>
<b>June 2009</b>	Regional structure confirmed, pre-qualifications prospectus issued and RSLs start to make provisional plans for joining consortia and applying to become a Lead Developer
<b>September 2009</b>	Deadline for applications for pre-qualification
<b>October 2009</b>	Appointment of pre-qualified RSLs
<b>November 2009</b>	Regional prospectuses published and all pre-qualified RSLs invited to apply for subsidy and for appointment as Lead Developer
<b>October 2009- February 2010</b>	RSLs finalise both their consortium membership and investment proposals
<b>March 2010</b>	Deadline for applications from pre-qualified RSLs/consortia for funding for specific projects for 2010-12 and for appointment as Lead Developer
<b>April 2010</b>	Competitive awards of subsidy for 2010-2012 and appointment of Lead Developers for 2010-2015

## Table Two - The Scottish Government's Consultation Questions

This table sets out the Government's 24 consultation questions. Question 13c is of particular importance to members of tenants and residents organisations as it refers specifically to guidance being required for ensuring tenant and community engagement in decision-making.

<b>Consultation Questions being asked by the Scottish Government</b>	
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?
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?
4.	Do you agree with our proposed principles on which geographic regions for investment will be based?
5a.	Do you agree with our proposed treatment for Orkney, Shetland and the Western Isles Councils?
5b.	Do you agree with our proposed approach for Glasgow City and City of Edinburgh Councils?
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 the Prospectuses?
7a.	Do you agree the scope of the content proposed for Prospectuses set out in Table 2?
7b.	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?
8.	Do you agree that there is a need to provide guidance within Prospectuses on maximum rent levels and is the proposed framework acceptable?
9a.	Are there other issues which would similarly benefit from guidance?

<b>9b.</b>	What are these and what is the case for including them?
<b>10a.</b>	Is the Lead Developer role proposed here sufficient to deliver a more streamlined and effective approach to investment and procurement of new affordable housing?
<b>10b.</b>	Does it adequately balance and recognize the needs and roles of non-developing RSL partners?
<b>11.</b>	What are your views on the routes we propose for establishing Lead Developers?
<b>12.</b>	Do you agree with the proposed principles of consortia and responsibilities for consortium heads?
<b>13a.</b>	Do you agree with the proposals on formation of consortia, including the requirement of a formal agreement to govern relationships within consortia?
<b>13b.</b>	What guidance would be helpful to support the sector in setting up consortia and Lead Developer arrangements?
<b>13c.</b>	What guidance would be helpful to ensure tenant and community engagement in decision-making?
<b>14a.</b>	Do you consider that there may be circumstances in which consortium membership should include local authorities or other non-RSL bodies?
<b>14b.</b>	In what circumstances do you see this as appropriate?
<b>15.</b>	Are there circumstances in which bodies other than RSLs might be eligible to become heads of consortia and Lead Developers?
<b>16.</b>	Do you agree that a pre-qualification process should be included in the new arrangements?
<b>17.</b>	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?
<b>18.</b>	Do you agree with the proposed funding criteria for bids for specific projects?
<b>19.</b>	Do you agree with our proposed approach to development of an assessment framework?
<b>20.</b>	How might we enhance the involvement of local authorities, RSLs and other

	stakeholders in the assessment of proposals?
<b>21.</b>	Do you agree with our proposed approach to the appointment and management of Lead Developers?
<b>22a.</b>	Do you agree with the overall approach to grant agreements for Lead Developers as set out here?
<b>22b.</b>	What do you suggest we could alter to make grant payments more streamlined?
<b>23.</b>	Do you have any comments on the proposed timetable?
<b>24.</b>	Which indicators and what aspects of the Investment Programme should be included in a monitoring and evaluation framework?



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