

ANGUS COUNCIL

NEIGHBOURHOOD SERVICES COMMITTEE – 26 FEBRUARY 2009

Report by the Director of Neighbourhood Services

SCOTTISH GOVERNMENT AFFORDABLE HOUSING INVESTMENT PROGRAMME REFORM PROPOSALS

Abstract: This Report comments on and provides a suggested basis for the Council's response to the Scottish Government's paper "Investing in Affordable Housing: A Consultation". This paper contains proposals to reform the current mechanisms by which Scottish Government invests in delivery of new affordable housing by Registered Social Landlords.

1. RECOMMENDATION

1.1 It is recommended that Members:

- (i) Note the publication of "Investing in Affordable Housing: A Consultation" by Scottish Government.
- (ii) Agree this Report as the basis of the Council's response to "Investing in Affordable Housing: A Consultation".

2. BACKGROUND

2.1 As Members will be aware, Scottish Government has recently (December 2008) published a consultation document on proposed reforms to the mechanisms by which it invests in the delivery of new affordable housing by Registered Social Landlords (RSLs) in Scotland. This document is entitled "Investing in Affordable Housing: A Consultation".

2.2 The consultation document sets-out Scottish Government's proposals to move away from current arrangements for investment in delivery of new affordable housing. The intention is to achieve a more strategic approach to investment in the delivery of affordable housing, with enhanced economies of scale and reduced unit costs. The proposals contained within the consultation document can be seen to be based upon the broad arguments first articulated within the "Firm Foundations" paper, published during 2007 (Report 63/08 refers).

2.3 This Report highlights the key elements of the proposals contained within "Investing in Affordable Housing: A Consultation", and considers possible implications for Angus. As is now customary with Scottish Government consultation papers, reaction and comment is sought on a range of specific questions relating to proposed policy and procedure. These are set-out in Appendix 1 of this Report, and together with the main body of the Report form the suggested response by Angus Council.

2.4 A full copy of "Investing in Affordable Housing: A Consultation" has been placed in the Members Lounge.

3. "INVESTING IN AFFORDABLE HOUSING: A CONSULTATION" – KEY POINTS

3.1 In broad terms, Scottish Government is seeking to move away from the current situation where investment for the delivery of new affordable housing is directed to a large number of RSLs. Multiple RSLs often deliver new affordable housing within the same geographical area. In addition to this, the average size of affordable housing project delivered by RSLs is low (14 units), and this

is perceived as limiting scope for economies of scale. These issues were explored with the “Firm Foundations” paper, published in 2007.

- 3.2 What is proposed to replace current arrangements is a system of RSL Lead Developers, whereby one RSL would undertake delivery of affordable housing and receive Scottish Government funding on behalf of a number of other RSLs (the “consortium” model). RSL Lead Developers would operate within defined geographical areas, and would receive the majority of Scottish Government investment directed to that area for a period of up to five years.
- 3.3 RSL Lead Developers would be appointed via a two-stage process, with an initial pre-qualification stage followed by a subsidy competition at regional level. Local authorities will have an opportunity to contribute to both stages of this process, and Strategic Housing Investment Plans (SHIP’s) will form the basis of regional subsidy competitions (Report 26/09 refers). RSLs which do not complete the pre-qualification phase will not receive Scottish Government funding for the delivery of new affordable housing following implementation of the new arrangements.
- 3.4 Whilst the consultation document contains a total of 24 questions which respondents are asked to address, there are other aspects of the proposals which Members may feel warrant further consideration.
- 3.5 Firstly, the detail of the consultation document makes clear that it would be possible to have multiple RSL Lead Developers operating within a given geographical area, and even then they may not receive all the Scottish Government funding allocated to that area. While there is some merit to this approach, i.e. avoiding creating a regional monopoly on development delivery, it is difficult to see how the significant economies of scale envisaged within “Firm Foundations” will be achieved via a system which allows for multiple RSL Lead Developers along with development delivery by individual RSLs within a given geographical area. In many ways this is not significantly different from the current situation in Angus, where the majority of affordable housing development is delivered by three RSLs. This fact in itself must raise some questions regarding the value of the proposed reforms.
- 3.6 In addition to this, it can be inferred from the consultation document that, once appointed, RSL Lead Developers are likely to see their status renewed periodically, as they will have the largest portfolio of projects for a given geographical area. While this approach may have merit where an RSL Lead Developer is performing well, it does raise the question of how poor performance (financial or otherwise) will be dealt with. The inclusion of a facility to compel a very poorly performing RSL Lead Developer to transfer future projects out of its portfolio might be prudent.
- 3.7 On a related point, the consultation document suggests that levels of funding to a poorly-performing RSL Lead Developer may be cut. While this could be viewed as a robust incentive for RSL Lead Developers to perform, it would severely disadvantage the geographical areas they serve if implemented. This could be perceived as less than fair to any areas so affected.
- 3.8 One issue which is not given significant consideration within the consultation document is RSL staffing. It seems reasonable to suggest that if as envisaged within the consultation a number of RSLs across Scotland will cease development activity, their development staff may then be surplus to requirements. It is possible that development staff could perhaps be transferred within RSL consortia, but this is only speculation at present. The staffing implications of Scottish Government’s proposed reforms to the mechanisms by which it invests in the delivery of new affordable housing are a matter of significant concern for RSLs operating in Angus, and rightly so in the current economic climate.
- 3.9 A final area of concern is in relation to the proposed regional structure. While it is not unreasonable to suggest that too few units of affordable housing are delivered annually in Angus to support an RSL Lead Developer with worthwhile economies of scale, the five large regions proposed do give cause for concern.
- 3.10 In particular, the requirement to agree investment priorities at a regional level could prove highly problematic and could serve to undermine a local authority’s commitment to its Local Housing

Strategy and Local Development Plan. The indicative “Group B” region of Angus, Dundee City, Perth & Kinross, Fife, Stirling and Clackmannanshire contains multiple centres of housing need, many of which are urban in character. As such, it could well prove difficult to agree a limited set of “regional” priorities for investment which won’t disadvantage Angus. More prosaically, a cross-boundary structure to facilitate discussion of “regional” housing priorities is not even in existence at the present time. A drawn-out debate on “regional” priorities could well delay a move to appointing an RSL Lead Developer, and this is an issue which might have been given greater consideration within the consultation document.

- 3.11 In conclusion, the current proposals to reform Scottish Government investment in the delivery of new affordable housing are of considerable interest. However, some key aspects remain to be fully resolved. In addition to this, it appears that in an effort to produce a more universally acceptable set of proposals, Scottish Government may also have diluted the potential benefits to be delivered in terms of economies of scale/reduced unit costs. If this is indeed the case, the ultimate value of the proposed reforms could be called into question.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications for the Council arising from this Report.

5. HUMAN RIGHTS IMPLICATIONS

- 5.1 There are no direct human rights implications arising from this Report.

6. EQUALITIES IMPLICATIONS

- 6.1 The issues dealt with in this Report have been the subject of consideration from an equalities perspective (as required by legislation). An equalities impact assessment is not required.

7. SINGLE OUTCOME AGREEMENT

- 7.1 This report contributes to the following local outcomes contained within the single Outcome Agreement for Angus:

- Good quality housing is available to all in communities throughout Angus.
- The importance and benefits to society of the environment is recognised.
- Resources are used effectively.

8. CONSULTATION

- 8.1 The Chief Executive, the Directors of Corporate Services, Infrastructure Services and Social Work & Health and the Heads of Finance and Law & Administration have all been consulted in the preparation of this report.

9. CONCLUSION

- 9.1 The broad direction of travel articulated within “Investing in Affordable Housing: A Consultation” is to be cautiously supported. Any initiative to streamline Scottish Government investment in the delivery of new affordable housing, and make more efficient use of the available resources, should be viewed positively by the Council and its partners, in principle at least.

- 9.2 However, some of the detailed proposals contained within the consultation document appear to have been less than fully resolved at the time of publication, and in certain instances could even be detrimental to the interests of Angus in the longer term. The case for reforming the current arrangements for Scottish Government investment in the delivery of a new affordable housing is also not presented as strongly as it might have been.

- 9.3 In this context, the Council and its partners need to work with Scottish Government to both better understand the case for reforming investment in the delivery of new affordable housing, and refine the current proposals for a new system of investment to ensure the interests of Angus in securing the delivery of appropriate affordable housing are not compromised. The submission of a robust and detailed response to “Investing in Affordable Housing: A Consultation”, will be the first step in this process.

**RON ASHTON
DIRECTOR OF NEIGHBOURHOOD SERVICES**

Note: - The following background papers, as defined by Section 50D of the Local Government (Scotland) Act (1973) (other than any containing confidential or exempt information), were relied on to a material extent in the preparation of this report:

- Report 26/09 – Angus Strategic Housing Investment Plan 2009
- Report 1089/08 – Joint Affordable Housing Procurement.
- Report 63/08 – Firm Foundations – The Council's Response.
- Investing in Affordable Housing - A Consultation – Scottish Government, December 2008.

Hsg/NS/AMcK/KS

APPENDIX 1

General Comments

Angus Council welcomes the opportunity to comment on the *Investing in Affordable Housing* consultation document. As a strategic body we recognise the reality that investment in affordable housing is not keeping pace with the demand for affordable housing for rent and for sale and also struggles to replace the stock lost to the affordable rented market through the right to buy. Angus Council acknowledges the recent investment in LIFT and Mortgage to Rent and Equity, the investment in Council house building support and accelerated Affordable Housing Investment Programme spending as positives in the current economic climate.

Against a backdrop of reducing housing completions and new starts, of a tightened lending market, and loss of confidence in our ability to support lending we recognise that it is difficult to avoid a debate about the best value usage of a £500 million plus public investment programme and indeed we feel this debate must be linked to the wider public sector reform debate, not just in terms of investment levels and use but also in terms of whether or not our organisational landscape and service organisation and delivery landscape is capable of efficiency.

The Angus Council response has been informed by discussion with the Council's Elected Members and also debate with the RSLs (Registered Social Landlords) active in development in the area and also those who manage stock in the Angus area. At this time we wish to point out that our RSL partners feel that there is an opportunity to debate what housing association grant is for and whether capital subsidy is the best vehicle to support publicly subsidised house building, a wider debate Angus Council is happy to support.

Finally, Angus Council realises there are significant tensions between the efficiency and quality debate but we are concerned that quality may be compromised and the mistakes of the past repeated if we continue down the volume route rather than focussing on long term sustainability and quality. Angus Council believes that what is needed is a realisation that it is better value in the long-term and more meritorious to build fewer higher quality units incorporating design features such as energy efficiency, sprinkler systems and proper defensible space to create safe warm homes in safe and secure environments and communities rather than chasing a moving target and having to re-invest in communities some years later, because we have made fundamental errors at the initial design and funding stage. In short, price must not be the only determining factor.

Specific Comments

Angus Council supports the need to demonstrate best value in the use of all public resources, however this paper does not present a compelling evidence backed case for the change it seeks. The paper, and its aims, would benefit from a detailed analysis of the evidence for change. Angus Council also has concerns about the territorial and governance issues raised by this paper, again without any evidence suggesting why these territories are proposed or how the democratic mandate will be reflected in their operation. Both these aspects of the paper, lacking in evidence or a strong case for change do not add weight to the argument and raise very serious questions about the statutory and democratic mandate of local government, question the local basis for community planning and, unfortunately, take no cognisance of the current debate on shared services. Finally Angus Council feels that at a time when the "historic" concordat on Single Outcome Agreements is facing pressure and strain created by the current, financial pressures, it is unfortunate that this paper adds further stress by throwing open a debate on community planning structures and their scope.

It is difficult to see how the paper's aim of determining priorities on a regional basis can be achieved when the territories are so large and disconnected and the paper itself does not explore the primacy of the Community Planning Partnership and the Single Outcome Agreement. Further, the paper, through the creation of regional prospectus, aggregated through the local Strategic Housing Investment Plans (SHIP), may compromise the local authority strategic role unless safeguards are built into the regional decision making process. This process will present very real and serious threats for smaller rural local authorities such as Angus. The paper makes reference to tackling supply for those in relative poverty (page 9) but does not define what that means in income terms nor present a picture where that means investment

would flow. Angus Council and its RSL partners would be disheartened if, despite having efficient and skilful developers in its area, we were to lose out in resource availability by virtue of not being relatively poor enough. It is vital that the deprivation debate does not dominate this agenda as it has done in the past, as our RSL partners have pointed out, this will simply mean that those in relative poverty may well have high quality new homes, but they will remain in relative poverty unless the wider social-economic circumstances are tackled.

In debate with our RSL partners the point has been made that the scale of the average RSL development is a product of the approvals by the government and its agency Scottish Housing Regulator and also the availability of suitable development sites and of finance. The empirical argument in this part of the paper is not sufficiently developed to make that case that RSLs are creating this inefficiency and indeed the argument could be made that is the operation of the investment system by the government's agency that is generating the very inefficiency this paper seeks to tackle.

RESPONSES TO QUESTIONS

Q1. To what extent does our assessment of the current economic situation reflect your assessment?

Suggested Angus Council response:

Reduced access to mortgage finance is undoubtedly an issue for prospective home owners (recent Council of Mortgage Lenders figures support this), but there is little evidence to suggest that previous issues with house price affordability and lack of choice in the market have been resolved. In this context it seems reasonable to suggest that the need for affordable housing will be reinforced. Job losses in the wider economy could well contribute to increased need for affordable housing and with wage inflation declining the pressure for affordable housing in all its forms will increase. With confidence in making finance available and in taking on borrowing the need for affordable rented properties will increase. In Angus we have a relatively low wage economy and feel that the intra as well as the inter area difference must be recognised in the redevelopment of a housing system to avoid the creation of a one size fits all system with another.

Q2. Does the economic situation strengthen or weaken the case for investment reform at this time, and why?

Suggested Angus Council response:

At a time when private sector funding for new developments of affordable housing is in short supply, and government funding for affordable housing development may also be under pressure, it is prudent to ensure that the available resources are used as efficiently as possible. Similarly, if levels of need for affordable housing are likely to remain strong or even increase further, there is an obligation on the housing sector to ensure that the available resources deliver as many new affordable properties as possible, while safeguarding the quality of new development.

In this context, Angus Council would suggest that it is essential that meaningful reform of Scottish Government's mechanisms for investment in affordable housing be pursued at the present time. The only caveat to this statement is that it would be very unwise to base any financial assumptions on the rates and terms being offered by the financial sector at present, and development costs being quoted by a relatively depressed construction sector.

Some of the Council's RSL partners have expressed additional concerns, regarding the strength of the overall case for reform of the current investment arrangements, and whether this is an appropriate time to contemplate investment reform. Some RSLs have also suggested that there needs to be a wider re-evaluation of the role of RSLs. Angus Council believe that given the current climate, and the strategic and competitive advantages in the prudential borrowing system, there is merit in looking at the potential for local authorities to be supported, through capital support grants, to borrow to secure an effective supply of land for affordable housing as well as looking at the potentials for local government to contribute more to the supply of affordable housing.

Q3. Do you agree that local authority Strategic Housing Investment Plans and related strategies should form the basis of identifying investment priorities for periods of up to five years?

Suggested Angus Council response:

In the context of the new arrangements being introduced for Housing and Planning in Scotland, it would make sense to use local authority SHIP's and related strategies (especially the LHS) as the basis for identifying investment priorities. Regarding the desire to identify investment priorities for periods of up to five years, this may cause some difficulties where this exceeds adopted Development Plan coverage for all or part of a local authority area. We do however have questions as to the role of the LHS and the Community Planning Partnership in these proposed arrangements and would caution against amendments which weaken these vital areas of work.

Q4. Do you agree with our proposed principles on which geographic regions for investment will be based?

Suggested Angus Council response:

A total of four principles are listed within the consultation, which are intended to form the basis of the designation of regions for the purposes of future investment in affordable housing.

The size of the regions suggested appear to be influenced heavily by two issues, firstly the existing government's regional network, and the unproven case for numerical efficiency. There will be many views on which development territory would work and why. Before any agreement can be reached further detail on how development territories are to be determined in practice would be very welcome and how the Government and its regional network will contribute to the efficiency debate would be most welcome.

The second principle listed within the consultation document is essentially a repetition of the first, and again we would agree that regions should be large enough to ensure that RSLs and other stakeholders can exploit potential economies of scale but as stated above we believe that considerable further debate is required on the territory and governance issues.

Housing Market Areas adopted by local authorities for assessing housing need will be a key component of future Local Housing Strategies and will inform the preparation of SHIP's on an annual basis. In addition SPP3 requires that Strategic and Local Development Plans meet the housing requirements for a HMA within that geographical area. Consequently it would make sense to ensure that regions designated for the purposes of investing in affordable housing conform to the boundaries of the Housing Market Areas adopted by the constituent local authorities.

If regions designated for the purposes of investing in affordable housing conform to the boundaries of adopted Housing Market Areas, it is less essential that they conform to local authority boundaries; indeed some adopted Housing Market Areas are likely to cross local authority boundaries. Ensuring that regions designated for the purposes of investing in affordable housing conform to local authority boundaries should be a secondary consideration to ensuring that they conform to the boundaries of adopted Housing Market Areas, we would however sound a note of caution that further discussion and options need to be discussed where an authority has overlapping market areas with more than one of its neighbours which may lead to a complicated web of relationships and regional prospectus discussions. In the context of the drive for efficiency this is clearly an area for further debate.

Q5a. Do you agree with our proposed treatment for Orkney, Shetland and the Western Isles Councils?

Q5b. Do you agree with our proposed approach for Glasgow City and City of Edinburgh Councils?

Suggested Angus Council response:

There is a reasonable basis for the proposed approaches to affordable housing investment in Orkney, Shetland, the Western Isles, Glasgow City and Edinburgh City. However, it will be important to ensure that in practice the remaining 27 Scottish local authorities are not disadvantaged, or perceived to be

disadvantaged. Some form of annual analysis of levels of investment across all 32 local authority areas may be required to address this issue, and evidence fairness. The importance of a clear and transparent system of funding allocation covering all 32 local authority areas cannot be over-emphasised and something Angus has argued for a number of years.

Q6. 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?

Suggested Angus Council response:

As critical players in the investment reform process, it is essential that local authorities and RSLs are allowed to shape the regions to be adopted as development territories. At one level it would be for Government to agree the outcome/output target (in partnership with local community planning partnerships and Single Outcome Agreements) and for the local territory to deliver those targets with the resources available. This approach may lead to a lighter touch by the government and efficiency savings in reducing the need for the regional network by replacing it with enhanced responsibility for Community Planning and re-investing the efficiency savings in local housing systems. In addition, it is clear that the concordat provides the framework on the agreement of territories with the local government context and therefore the debate within and with COSLA is essential.

Q7a. Do you agree the scope and content proposed for Prospectuses set out in Table 2?

Suggested Angus Council response:

Angus Council has concerns over the development and use of prospectus without the presence of a clear link to the planning system and transparent national and local resource distribution methodology. It is unfortunate that this paper does not set out how resources are to be distributed and the debate on the local allocation of resources strays, dangerously, past development reform into planning system reform, without any legitimacy or detailed rationale for how relative local priorities are to be established or judged.

This element of the paper is a clear example of a lack of joined up thinking on the part of the Government and we would ask that this section of the paper is shelved until there a proper debate on whether or not the planning system is to be further amended over and above the Planning etc. (Scotland) Act 2006, to allow the dovetailing of territorial reform of the local housing system. It is very unfortunate that this paper is coming at a time when we are current developing new needs assessments to fit into the reformed local housing strategy system and development reform.

Q7b. 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?

Suggested Angus Council response:

The housing needs of people with specialist requirements or in remote/rural areas should be identified by local authorities as part of the Housing Need and Demand Assessment process. These needs should be reflected in the targets set for provision of new affordable homes within LHS's, and in the site-specific data transferred from local authority SHIP's to the prospectuses. However without sufficient and appropriate land supply and resources to meet these needs the housing system will continue to under perform. It is therefore vital that local influence over the targeting or resources is increased and that it is recognised that in meeting these specific needs fewer mainstream units may be generated as a consequence.

Q8. Do you agree that there is a need to provide guidance within Prospectuses on maximum rent levels and is the proposed framework acceptable?

Suggested Angus Council response:

The debate on the range and mix of rent levels has been ongoing for a number of years; indeed many RSLs simply set a rent based on the grant available and the costs of running the housing once built. Unless there is a wider look at the efficiency of service organisation and delivery across the whole housing

system the debate on rent levels generated by subsidy levels is myopic. The section also fails to spell out what would happen to those who could not operate within the rent structure or the impact of the benefit system on this debate and whether or not rent levels may create a disincentive to return to work, particularly for those returning to part time work who may have childcare arrangements to consider.

This section should spell out which indicator of inflation is to be used and at what time of the year it is to be selected and also provide information on the definition of low paid employment and whether or not there is flexibility in its financial level (and therefore flexibility in grant levels).

Q9a. Are there other issues which would similarly benefit from guidance?

Q9b. What are these and what is the case for including them?

Suggested Angus Council response:

We do not believe that the case for the prospectus has been made.

Q10a. 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?

Suggested Angus Council response:

The basic Lead Developer role articulated within the consultation document will make it easier and more efficient for the commissioners of affordable housing. In Tayside we are investigating the possibility of a Tayside Affordable Housing Partnership to procure at a Tayside level and with the Tayside Procurement Consortium a government backed procurement vehicle already exists. We therefore do not have any problems with the concept and would see the lead developer as our contact point who would deliver the required number of affordable units within the grant available to the standards required. We believe that there are already some interesting models in Scotland which should be explored further before a new system is commissioned and introduced.

The potential benefits outlined within the consultation document all seem feasible, but it is difficult to determine whether these will materialize in practice as the paper does not present any evidence of the operation of existing models. Evaluating the impact of these models should be a priority before the systems is changed. We believe this evaluation must also take account of the risk and financial exposure a lead developer could be exposed to.

Q10b. Does it adequately balance and recognise the needs and roles of non-developing RSL partners?

Suggested Angus Council response:

Angus Council believe that there is a more fundamental debate to be had on the operation of the housing market if we are genuinely serious about efficiency, meeting the development targets we already have, delivering the SHQS and meeting the 2012 target. The Lead Developer role proposed within the consultation document adequately balances the needs and roles of developing and non-developing RSLs but it stops short of opening up the debate on whether or not we need so many housing bodies delivering the same thing (with some slight variations) and in the medium-term, that is a debate we can not afford to avoid.

Q11. What are your views on the routes we propose for establishing Lead Developers?

Suggested Angus Council response:

Angus Council do not believe that it is the Government's role to select who will develop at the local level; that is the role of democratically elected local government and the Community Planning Partnerships harnessing the procurement clubs we have already established. The proposals set out in this paper duplicate what local government have put in place and reduce the possibility of efficiency, rather than enhancing it.

One issue which should have been given consideration regarding the establishment RSL Lead Developers is RSL staffing. It is unlikely that all RSLs currently undertaking development activity across Scotland will be able, or indeed willing, to pursue Lead Developer status. If this is the case, their development staff may then be surplus to requirements. Consideration should be given to how this likely impact of the reform of the current investment arrangements will be addressed by both Scottish Government and the RSL movement.

Q12. Do you agree with the proposed principles of consortia and responsibilities for consortium heads?

Suggested Angus Council response:

The principles set-out for the establishment of consortia appear reasonable, with groups of RSLs having the potential to deliver greater numbers of affordable properties more efficiently. It also seems reasonable to allow RSLs flexibility in setting-up and structuring consortia, although if economies of scale are to be pursued to their logical conclusion, non-aligned RSLs may ultimately require to be incentivised to join consortia. Similarly, there could be a case for ensuring that all consortia are structured along similar lines, to make regional subsidy competitions more equitable.

The requirement for formal agreements between consortium members is prudent. The responsibilities set-out for the "consortium heads" seem reasonable within the context of the overall proposals. A more specific role in relation to performance management and reporting might be worthy of consideration.

Q13a. Do you agree with the proposals on formation of consortia, including the requirement of a formal agreement to govern relationships within consortia?

Suggested Angus Council response:

The proposals set-out are broadly agreeable. Including the requirement for a formal agreement to govern relationships within consortia is a prudent step, however providing the lead developer can secure agreement we believe that our relationship with the lead developer, which will be subject to a signed agreement, will operate above the water line and ultimately it is for the lead developer to manage their relationships below the water line.

Q13b. What guidance would be helpful to support the sector in setting up consortia and Lead Developer arrangements?

Suggested Angus Council response:

It might be worth amplifying the existing guidance on the role of RSL Lead Developers provided within the consultation, and obviously reflecting any subsequent changes made. Consideration could also be given to publication of a template for a "formal agreement" on relationships within a consortium.

Q13c. What guidance would be helpful to ensure tenant and community engagement in decision-making?

Suggested Angus Council response:

Each landlord should have a tenant participation strategy which must be followed. Our expectation is that preparation of individual development proposals will be informed by meaningful customer and community consultation, and that this will link in to requirements for consultation under the planning system.

Q14a. Do you consider that there may be circumstances in which consortium membership should include local authorities or other non-RSL bodies?

Q14b. In what circumstances would you see this as appropriate?

Suggested Angus Council response:

There may be circumstances in which consortium membership should include local authorities and/or other non-RSL bodies.

If a local authority is looking to deliver a substantial programme of new house-building in its area, combining this with the programme of an RSL consortium may offer additional economies of scale. There could also be circumstances in which other public sectors bodies are looking to deliver affordable housing for their staff where it would make economic sense for them to link in to an RSL consortium, e.g. the Ministry of Defence or National Health Service.

Q15. Are there circumstances in which bodies other than RSLs might be eligible to become heads of consortia and Lead Developers?

Suggested Angus Council response:

Where a local authority or other public body is looking to deliver the majority of affordable properties in a given geographical area, and they are adequately equipped for the role, it might be appropriate for them to take-on the consortium head/Lead Developer role.

Q16. Do you agree that a pre-qualification process should be included in the new arrangements?

Suggested Angus Council response:

If the current procurement club arrangements are not to be harnessed, it is logical to include a pre-qualification process in advance of the appointment of RSL lead developers.

Q17. 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?

Suggested Angus Council response:

The pre-qualification criteria outlined within the consultation document appear reasonable (applicable to all consortium RSLs whether lead or not):

- Sound Governance
- Financial Capacity
- Quality of Service Delivery
- Tenant Participation Strategy
- Participation in a Common Allocations Policy designed to maximise meeting the 2012 target
- Participation in the Shared Services Agenda
- Capacity

The emphasis should be placed upon RSLs to evidence that they meet these criteria. Provision of evidence from a third party would also be desirable in relation to financial capacity, quality of service and capacity to manage development processes, e.g. independent auditor's reports, and third party customer satisfaction surveys.

Q18. Do you agree with the proposed funding criteria for bids for specific projects?

Suggested Angus Council response:

The funding criteria for bids for specific projects which are listed within the consultation document seem broadly reasonable. However, no information is included on the relative priority which will be given to the different criteria.

Q19. Do you agree with our proposed approach to development of an assessment framework?

Suggested Angus Council response:

Is it necessary to supplement the funding criteria listed within the consultation document with an additional framework for the allocation of subsidy to specific projects? In particular, is it necessary for subsidy/price to be considered twice?

Projects are already prioritized within the SHIP's prepared by local authorities, so would it not be more logical to allocate subsidy to projects which meet the funding criteria on the basis of SHIP prioritizations?

Q20. How might we enhance the involvement of local authorities, RSLs and other stakeholders in the assessment of proposals?

Suggested Angus Council response:

Local authorities, RSLs and other stakeholders should be given the opportunity to comment on any proposals for an additional assessment framework which will be used to allocate subsidy to specific development proposals. Once implemented, the framework should also be subject to a periodic review and evaluation process, which would allow local authorities, RSLs and other stakeholders to raise issues and concerns in relation to the operation of the assessment framework. Independent evaluation of the framework should be strongly considered.

Q21. Do you agree with our proposed approach to the appointment and management of Lead Developers?

Suggested Angus Council response:

The basic approach proposed within the consultation document for the appointment of Lead Developers appears logical. However, there are some issues in relation to the detail of the proposed approach.

With regard to the assessment of Lead Developer's applications, it seems reasonable to suggest that there should be more explicit references to development quality/environmental impact in relation to the proposed performance indicators.

Again, the logic of appointing more than one Lead Developer in each region is less than clear. While there is some merit to this approach in terms of seeking to avoid creation of regional monopolies, surely dividing up the regional programme between multiple Lead Developers will reduce the scope for economies of scale and reduced unit costs?

In addition, if the primary objective behind the proposed investment reform is to achieve economies of scale and cut unit costs, surely it would be preferable to operate a common national timescale for the appointment of Lead Developers in each region? A multi-track approach with Lead Developers appointed in some regions but not in others, would surely be inherently less efficient?

Provision of a facility to withdraw Lead Developer status from a poorly-performing RSL/consortium is very prudent. However, in particularly serious cases of default in performance, we would suggest that the poorly performing RSL should also be required to transfer all future development projects to another RSL/consortium selected by Scottish Government and the relevant local authorities.

Q22a. Do you agree with the overall approach to grant agreements for Lead Developers as set out here?

Suggested Angus Council response:

The overall approach to grant agreements for Lead Developers appears reasonable, offering RSLs greater flexibility in how they manage projects. However, given that Lead Developers will be in receipt of large amounts of public funding over a period of years, the implantation of some kind of periodic external audit process might well be a prudent addition.

Q22b. What do you suggest we could alter to make grant payments more streamlined?

Suggested Angus Council response:

The RSL sector may be best placed to suggest alterations to current arrangements.

Q23. Do you have any comments on the proposed timetable?

Suggested Angus Council response:

Is the timescale for assessing pre-qualification applications realistic? Similarly, is the timescale for assessing investment proposals and lead developer applications realistic?

Q24. Which indicators and what aspects of the Investment Programme should be included in a monitoring and evaluation framework?

Suggested Angus Council response:

It would be logical to base the monitoring and evaluation framework on the criteria to be used for RSL pre-qualification, and the funding criteria to be applied.