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**Report To:** Safe, Sustainable Community Committee

**Date:** 10 March 2009

**Report By:** Corporate Director Environment and  
Community Protection

**Report No:** ECP/Plann/  
RJL09/012

**Contact Officer:** Ronny Lee

**Contact No:** 01475 712069

**Subject: Investing in Affordable Housing: A Consultation**

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## 1.0 PURPOSE

- 1.1 To inform the Committee of the Lead Developer proposals contained within the document *Investing in Affordable Housing: A Consultation*, published by the Scottish Government in December 2008, and of the proposed response from Inverclyde Council.

## 2.0 SUMMARY

- 2.1 The consultation document *Investing in Affordable Housing* was produced in response to the outcomes of the 2007 discussion paper, *Firm Foundations: The Future of Housing in Scotland*, and it places a particular emphasis on the creation of a network of Lead Developers to take forward the provision of new affordable housing across Scotland. Both *Firm Foundations* and the current consultation document focus on securing better value in return for investment in affordable housing and the Lead Developer concept is being promoted as a means of achieving economies of scale and of producing more housing using the limited funding available.
- 2.2 The Lead Developer concept would allow existing Registered Social Landlords (RSLs), such as the housing associations operating within Inverclyde, to continue to develop new affordable housing and to complete existing projects. However, instead of individual RSLs doing all the development work themselves, their projects would be taken over by one Lead Developer for the Inverclyde area that would develop a number of projects simultaneously and hand over the new houses to the individual RSLs once they were ready for occupation.
- 2.3 The Scottish Government intends to become more strategic in its approach to allocating investment in affordable housing and to secure more value for that investment whilst continuing to seek an increase in the number of new homes provided, and to ensure the quality of new homes. Further details of the points for consultation are provided in paragraphs 4.1 – 4.7 of this report. The deadline for responses is 17 March 2009.

## 3.0 RECOMMENDATIONS

- 3.1 That Committee:

- (a) note the publication of the *Investing in Affordable Housing: A Consultation* document; and
- (b) approve the Inverclyde Council response to this consultation document, as set out in the Appendix to this report, for submission to the Scottish Government.

## 4.0 BACKGROUND

- 4.1 This report provides a summary of the Scottish Government's proposals for the reform of investment in affordable housing and sets out the main points of consultation contained in the *Investing in Affordable Housing: A Consultation* document published in December 2008. The consultation document consists of six chapters and their contents are explained in paragraphs 4.2 – 4.7 below.

### Chapter 1 – Proposals for the Reform of Investment

- 4.2 The Scottish Government's proposals for the reform of investment are designed to address "the present fragmented approach to procurement of new affordable housing". The reforms are intended to secure a balance between achieving more value for the Government's investment and maintaining the quality of new homes produced. The Scottish Government recognise the substantial changes in the financial and economic environment since the publication of the *Firm Foundations* consultation in 2007 and the need for a "more robust approach to asset management and financial planning" in the current challenging lending environment. It is suggested that the establishment of Lead Developers (see paragraph 4.4 below) will help to address these cost/quality issues and the difficulties of securing investment funding in the current economic climate.

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Para 831**

### Chapter 2 – A Strategic Approach to Allocation of Investment in Affordable Housing

- 4.3 The consultation document re-emphasises the key role of the Local Housing Strategy (LHS) in the new arrangements for housing and planning through its links to the Development Plan and through the associated Strategic Housing Investment Plan (SHIP) that provides the direction of local housing investment. The Scottish Government propose to introduce Prospectuses for the purpose of guiding investment in affordable housing over a specific geographic region. These Prospectuses will be based upon the SHIPs prepared by individual local authorities within the region and will cover the same five-year period as the SHIPs. The decisions on how to form the Prospectus regions are yet to be taken and Councils may have the opportunity to advise on their formation. However, the Scottish Government expects that each region will comprise at least three or four local authorities. Inverclyde Council works in partnership with the other seven local authorities that make up the Glasgow and Clyde Valley Strategic Development Planning Authority and regions based upon existing connections between the partner councils, such as adjacent Housing Market and Sub-Market Areas, would be most beneficial. For example, Inverclyde Council, Renfrewshire Council and East Renfrewshire Council have existing linkages and they fall neatly within the South Clyde area making them suitable for region status. The Prospectuses will include a target number of new affordable homes to be provided in the Region as well as details of house sizes, types, locations, sites for development, and the allocation of funding in line with investment priorities identified in the LHS and SHIPs. Regeneration will also feature in the Prospectuses and the contributions made by targeted investment across the Region will be highlighted. Three-year budgets will be available at local authority level and these will be aggregated to Region level. Developing RSLs will use the Prospectuses as the basis for their bids for development subsidy.

### Chapter 3 – Lead Developers

- 4.4 The concept of Lead Developers was first put forward in *Firm Foundations* and involves all investment being channelled through to a small number of RSLs that would take the lead in providing new affordable homes on behalf of other RSLs that would own and manage the properties on completion. A series of seminars were held in the autumn of 2008 to discuss changes to the Housing Association Grant (HAG) regime and the proposed introduction of Lead Developers. The current consultation reflects the comments received from RSLs and local authorities at these seminars. The aim of the proposals is to create a network of Lead Developers across Scotland to channel the Affordable Housing Investment Programme (AHIP) to the regions (see 4.3 above) and to strengthen procurement and investment in the RSL sector. Lead Developers are most

likely to be established RSLs with a sound track record in development that are able to demonstrate good practice in procurement and investment in affordable homes. They will have strong connections and relationships with local authorities, RSLs, contractors, developers, and private sector partners. The possible introduction of Lead Developers will have an effect on those RSLs that wish to continue to provide new build houses and who do not achieve Lead Developer status. This is discussed in paragraph 4.5 below.

#### **Chapter 4 – Development Consortia**

- 4.5 A number of RSLs across Scotland have formed consortia to develop new affordable housing and this can lead to substantial savings as development staff are shared by the member RSLs and economies of scale can be achieved through all work being undertaken by one lead RSL. The current consultation proposes that this type of arrangement should be further developed within the Regional Structure set out by the Scottish Government, with the head of the consortium performing a broadly similar role to that of Lead Developer. The consultation is not prescribing any formal arrangement for setting up consortia, however, it does stress that legal agreement should be reached on the constitution of consortia and on the roles and responsibilities of the head of the consortia. It is possible that local authorities that are in a position to build new council housing and private house builders/developers might join regional consortia and views are sought on expanding the membership accordingly.

#### **Chapter 5 – Mechanisms for Appointing Lead Developers**

- 4.6 The consultation document proposes a multi-stage process for appointing Lead Developers including a pre-qualification stage designed to identify the most able and best performing RSLs. Those RSLs that pass through the pre-qualification stage will be eligible to bid for subsidy through HAG and AHIP funding. However, RSLs will have to put forward their development proposals as part of a competitive process and there is no guarantee that eligibility will lead to the award of subsidy. Only pre-qualified RSLs can seek appointment as Lead Developers and they will be subject to an assessment process carried out by the Scottish Government Housing Investment Division. Local authorities will contribute to the process of pre-qualification and the selection of lead developers by providing information and advice to the Scottish Government on particular aspects of individual RSL applications. The proposed mechanisms for appointing Lead Developers will effectively remove smaller RSLs, those without a substantial record of development, those who have not demonstrated good practice in procurement of new housing, and those who have not demonstrated effective use of HAG and other subsidy in producing quality homes. The effect of this multi-stage process on the prospects of RSLs in Inverclyde becoming Lead Developers remains to be seen as does the possibility of RSLs operating within Inverclyde forming a consortium to bid for resources at a local and regional level.

#### **Chapter 6 - Implementation**

- 4.7 The Scottish Government has produced the following, provisional, timetable for implementation of the Lead Developer proposals:
- *June 2009*: Regional Structure confirmed, pre-qualification prospectus issued, RSLs consider plans for joining consortia and for applying to become a Lead Developer.
  - *September 2009*: Deadline for applications for pre-qualification.
  - *October 2009*: Appointment of pre-qualified RSLs.
  - *November 2009*: Regional Prospectuses published, all pre-qualified RSLs invited to apply for subsidy and for appointment as Lead Developer.
  - *November 2009 – February 2010*: RSLs finalise their consortium membership and investment proposals.
  - *March 2010*: Deadline for applications from pre-qualified RSLs/consortia for funding of specific projects over the period 2010 – 2012 and for appointment as Lead Developer.
  - *April 2010*: Competitive awards of subsidy for 2010 – 2012 and appointment of Lead Developers for 2010 – 2015.

The above timetable is subject to change in the light of responses to the consultation document. The Scottish Government also wish to develop a monitoring and evaluation framework and agreement has been reached with COSLA on joint monitoring of the delivery of nationally agreed outcomes. This monitoring would also involve input from local authorities and the Scottish Federation of Housing Associations (SFHA). It is suggested that this monitoring framework would be in place by March 2010, subject to the outcomes of the current consultation and their effect on the implementation table.

## 5.0 PROPOSALS

- 5.1 Inverclyde Council's proposed response to the 24 questions posed in the consultation document is as set out in the Appendix to this report. It is proposed that the response be sent to the Scottish Government by the deadline of 17 March 2009.
- 5.2 The Committee is asked to note the publication of the document *Investing in Affordable Housing: A Consultation* by the Scottish Government and to approve the draft Inverclyde Council response set out in the Appendix to this report, as per the recommendations in paragraphs 3.1 (a) and 3.1 (b) above.

## 6.0 IMPLICATIONS

- 6.1 **Legal:** there are no additional legal implications to that already known.
- 6.2 **Financial:** there are no financial implications affecting Inverclyde Council.

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Virement From	Other Comments
n/a	n/a	n/a	n/a	n/a	n/a

- 6.3 **Personnel:** there are no personnel implications affecting Inverclyde Council.
- 6.4 **Equalities:** when delivering services to our customers, full cognisance is taken of equality and diversity processes and procedures.

## 7.0 CONSULTATION

- 7.1 This report has been prepared in consultation with the Chief Financial Officer and requires no further comment.

## 8.0 CONCLUSION

- 8.1 The *Investing in Affordable Housing: A Consultation* document sets out the Scottish Government's "considered proposals for radical and far-reaching reform, based on a commitment to long term funding for a number of Lead Developers through which we intend to channel the majority of our future investment". The use of Lead Developers is seen as a way of ensuring a more specialist and skilled approach to managing assets, finances, and the development of new affordable housing for the benefit of the social housing sector as a whole.
- 8.2 The consultation document acknowledges that not all stakeholders are convinced that the Lead Developer model will deliver the efficiencies and value for money that the Scottish Government is seeking, and RSLs concerns over the competition elements of the model were also noted. There will be further discussions with COSLA and the SFHA following the close of the consultation period and the receipt of responses. However it is clear that the Scottish Government intends to introduce major reforms to investment in affordable housing regardless of the reservations expressed by RSLs and other major stakeholders.

## 9.0 LIST OF BACKGROUND REPORTS

- 9.1 (1) *Investing in Affordable Housing: A Consultation*, Scottish Government, December 2008.
- (2) Scottish Government Green Paper on Housing '*Firm Foundations: The Future of Housing in Scotland*', approved by Committee 10 January 2008.
- (3) Inverclyde Council 'Strategic Housing Investment Plan 2009 - 2014' (SHIP), November 2008, approved by Special Meeting of Committee, 25 November 2008.

## **ATTACHMENT**

Appendix 1: *Investing in Affordable Housing: A Consultation* – Questionnaire  
Inverclyde Council Response, March 2009.

Head of Planning and Housing  
Cathcart House  
6 Cathcart Square  
Greenock

13<sup>th</sup> February 2009

SSC Cmtee – Lead Developer Consultation Report (Mar 09)

**Investing in Affordable Housing: a Consultation - Questionnaire**

Please return by 17 March 2009 to: [AHIRPT@scotland.gsi.gov.uk](mailto:AHIRPT@scotland.gsi.gov.uk), or:

Affordable Housing Investment Reform Project Team  
Scottish Government  
1-H South  
Victoria Quay  
Edinburgh  
EH6 6QQ

**Response from:**

Inverclyde Council  
Planning and Housing Service  
Cathcart House  
6 Cathcart Square  
GREENOCK  
PA15 1LS

**Questions:**

**Question 1:**

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

In general terms, the Scottish Government's assessment of the economic situation is fair. However, Inverclyde Council is concerned that the underlying problem of high house prices may be overlooked if there is now a focus on restricted access to finance. For many households reduced access to finance will restrict their ability to purchase housing but that ability is also limited by the fact that housing is still too expensive for many would be purchasers. If properties were less expensive then the size of mortgages required would not be beyond the means of as many of the households making mortgage applications.

If the credit crunch brings house prices further down in line with the amounts that lenders are now willing to lend then more households will be in a position to access owner occupation than at present. However, there will still be fewer households entering full owner occupation than there would have been in a pre-2008 economic context. This is because only a smaller number of applicants will be able to save for deposits or make mortgage payments. In the previous financial market, deposits, for example, were not always a requirement for a mortgage. On the other hand, it may be that tighter lending restrictions are the more sensible way to fund the owner occupied sector as the alternative, easy credit, is widely acknowledged as one of the main causes of the current recession. The Scottish Government may have to accept that full owner occupation (as opposed to shared ownership or shared equity) should not be sought after and encouraged as the tenure of choice as much as it has been in the past.

**Investing in Affordable Housing: a Consultation - Questionnaire****Question 2:**

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

It would be reasonable to assume that whatever benefits may be provided by investment reform, these will be counterbalanced by the effects of the credit crunch and the recession. This suggests that the case for the reforms is neither particularly strengthened nor weakened. Any gains provided by reform would have been welcomed in the previous economic situation as much as they will be in the current situation. Another point to consider would be that some commentators believe the credit restrictions, and their negative effects on the housing market, might only last for a year or two. On assessing the Scottish Government's timetable for implementation, any solutions that the reforms may bring could come along too late. This would, again, mean that the new economic situation has not particularly strengthened the case for these reforms.

Inverclyde Council believes that meeting national goals for house building and for widening housing options can only be achieved through an increase in public funding. The new economic situation does strengthen the case for this more than the case for reform. This is evident if we look at each of the main potential sources of funding for housing development. Firstly, an important option would be private finance. Due to RSLs having substantial development experience, private lenders are more likely to relax their lending restrictions to them sooner than they might with private households. However, while the credit crunch continues with no obvious end in sight the housing system can only expect less of an input from private finance than it previously received. A second option might be that RSLs fund new developments by increasing their rents. It is unlikely that RSLs will do so as affordability is of paramount importance to both their current and future tenants. This leaves the third option: public funding. The Scottish Government may have no choice but to increase the amount of grant it provides if it wants to achieve its ambitious housing-related goals. Investment reform may make this funding go further and Inverclyde Council will support positive reform but we recognise that in itself reform is not enough. More government funding is required to ensure the future supply of decent, affordable housing.

As well as requiring this extra public funding, the affordable housing sector needs this funding to be made available quickly. The credit crunch has been pressuring the housing system for quite some time, the owner occupied sector is less able to provide housing solutions for many, and the affordable sector needs to act quickly to fill this gap in the market. Prompt availability of increased public funding may be the most effective response available.

**Investing in Affordable Housing: a Consultation - Questionnaire****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?

It would appear from the consultation document that a prospectus has the same purpose as a SHIP as they are both intended to direct affordable housing investment over a five year period. It would therefore be sensible to use local authority SHIPs as the basis of the prospectus.

An important point that Inverclyde Council would like to make is that if prospectuses are to be drawn from SHIPs then the Scottish Government needs to provide funding assumptions ahead of the development of future SHIPs and their updates. Planning at any level – local or regional – is very difficult and, on occasion, meaningless when there is no indication given regarding fundamental resources such as funding. Also, while there are restrictions on funding from all sources, prioritisation of developments is increasingly important. Prioritisation will become more effective where local authorities know the financial limits within which they are operating.

Continuing from this point, prospectuses should be updated annually after the SHIPs have been updated. This would mean that lead developers will be responding to the most recently defined needs possible. It would also be beneficial if local authorities were given the opportunity to bring LHSs, SHIPs and prospectuses into line so that they coincide over their five-year cycles. This would ensure that these documents are mutually supportive and that they move together in a unified direction over time.

Also in relation to SHIPs, local authorities are currently responsible for creating them in consultation with the relevant stakeholders. RSLs then use the SHIP to plan their developments and make their funding applications. The Scottish Government assesses the SHIPs and ultimately decides where the funding will go. Inverclyde Council would suggest that this system is replicated at a regional level with prospectuses. The Councils within a prospectus region should work together to use their SHIPs as the basis for creating a prospectus – again, in consultation with stakeholders. The lead developer RSL can then plan how to tackle the work in the prospectus, and apply for the required funding. The Scottish Government could then assess the prospectus and make funding decisions. If it is accepted that this is a suitable arrangement at local level there is no obvious reason for changing it at regional level.



**Investing in Affordable Housing: a Consultation - Questionnaire**

**Question 4:**

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

Considerable effort is being made to establish cross-boundary partnerships of councils within housing market areas (HMAs) for the production of housing needs and demand assessments (HNDAs). It would appear sensible to expand upon these connections and to create prospectus regions which match HMAs in some way. A HNDA will tell us what affordable housing is required in a particular HMA and the prospectus can provide the investment response to this. It is true that some local authority areas are split between HMAs. However, the prospectuses will be based on SHIPs and SHIPs should already account for these issues. The sense of identity and strategic thinking already being developed by councils within HMAs will only be strengthened if RSLs become more involved in partnership working through consortiums across a number of local authorities.

Inverclyde Council appreciates that some HMAs may be too large to create meaningful prospectuses. This is why we recommend that in these cases Housing Sub-Market Areas are used as they still have the essential connection to the HNDA mentioned above yet they would be more manageable. In the particular case of Inverclyde Council, we believe that the Glasgow and Clyde Valley Conurbation HMA, is too great an area to be covered by a single prospectus. However, Inverclyde Council shares a significant part of this HMA with Renfrewshire Council, which in turn is strongly connected with East Renfrewshire. We think it sensible therefore that these three councils consider forming a prospectus 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?

a) The Scottish Government proposals are acceptable providing that the island authorities are in agreement.

b) Inverclyde Council recognises the merits of the proposed approach for Glasgow City and City of Edinburgh Councils given the Transfer of Management of Development Funding arrangements that apply in both cities. The existing competitive arrangements should ensure value for money and the achievement of economies of scale in development.

## Investing in Affordable Housing: a Consultation - Questionnaire

**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?

Inverclyde Council agrees strongly that councils should have an influence on the formation of these regions. Councils have strategic responsibilities and therefore have an interest in widening choice through the longer term development of affordable housing in their area and in any region that they are contained within. RSLs should also have an input as the design of the regions will have an influence on their plans for forming consortia and bidding for lead developer status. Given that RSLs will be the key suppliers in this new regime it is appropriate that they should have a say in how it prospectus regions are developed.

**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) Inverclyde Council agrees with the proposed content but would like to know how other information contained in SHIPs will be used. For example, will information about development constraints and risks be included in the prospectus or will there be an expectation that lead developers should obtain this information from SHIPs? Inverclyde Council would recommend that information about existing households and dwellings is included in the prospectus to allow the developer to determine appropriate courses of action for achieving tenure mix and other goals.

We would also like to seek confirmation that prospectuses will be derived from LHSs/SHIPs alone, with only an indirect connection to HNDAs. We believe that, for the sake of consistency and unity of direction, LHSs/SHIPs alone should interpret the findings of HNDAs. Then, the SHIPs should become the basis for the development of prospectuses. If HNDAs were consulted directly during the creation of prospectuses then there would be a risk that research findings could be re-interpreted in a manner which might pull affordable housing investment in a direction different from that laid out in the LHSs/SHIPs.

If two or more councils reach a stalemate on agreeing priorities within a prospectus then the Scottish Government could assist by making a final decision on the matter based on needs expressed in LHSs and central government policy.

b) Inverclyde Council recognises that certain types of development within certain areas will be more attractive than developments involving, for example, particular needs, or more remote or rural areas. If the consultation document expects that the work of the prospectuses will be carried out by more than one developer then this means that these developers will be choosing the portions of their prospectuses that they want to bid for. This, in turn, could mean that whole projects are not bid for. We would suggest that this problem might be overcome by the Scottish Government requiring lead developers to cover **all projects** as a funding requirement, or by it making direct requests to individual RSLs with appropriate expertise in these 'niche' areas to carry out the work.

## Investing in Affordable Housing: a Consultation - Questionnaire

**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?

Inverclyde Council believes that RSLs will be considering more than just competition for development subsidy when setting their rents. Their management committees should retain the freedom required to set rent levels to allow them to meet the broad range of business needs that they have to consider. However, affordability is clearly of great importance and we would suggest that the Scottish Government require potential lead developers to provide a guarantee of rent levels for a specified number of years, rather than have the Government set maximum rent levels centrally. The lead developer would have to work out these guarantees with each member of the consortium that intends to own/manage the housing. The Scottish Government can use proposed rent levels as one of several criteria to determine who should be awarded the subsidy.

**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) No. Inverclyde Council believes that fewer restrictions on what RSLs can propose will lead to greater opportunities for innovation and imagination in delivering decent, affordable homes.

b) Not applicable.

**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) Inverclyde Council understands that there is scope for better targeting and co-ordination of resources under the proposed system however we are not convinced that a lead developer would necessarily be better at identifying these resources than the development teams in RSLs that currently manage these functions.

The lead developer role will lead to an increased specialisation in development and procurement functions. However, this degree of specialisation may create problems for future competition as RSLs that do not become lead developers will need to dispense with or redeploy many development staff. Five years on, when the next round of competition for lead developer status begins, other RSLs may not have the development skills or personnel to enable them to compete. This could lead to the repeated domination of a few lead developers in each region which might adversely affect the principles of competition that sit at the centre of these reforms.

We also see the advantages of the development and procurement processes becoming more streamlined. However, the streamlining process may not be as

## Investing in Affordable Housing: a Consultation - Questionnaire

advantageous for lead developers and consortium-member RSLs as it is for the Scottish Government. The Government will no longer need to deal with over 100 developing RSLs but there will be considerably more work for the handful of lead developers. There will be streamlining for RSLs who do not succeed in becoming lead developers as they will no longer need to deal directly with the actual task of development. Whether this is a positive or negative outcome remains a matter for those individual RSLs to decide.

We agree that lead developers will probably be in a better position to negotiate with local authorities, central government, private landowners, and financiers than individual RSLs are. In the context of the recent restrictions on access to finance this may be a particularly useful tool in securing funding for affordable housing.

Inverclyde Council considers that these reforms may lead to long term uncertainty in the business planning of individual RSLs. Not knowing who will be developing their properties in five years and also not knowing where their proposals for development will sit within the plans and priorities of a consortium of other RSLs may make it difficult for RSLs to plan beyond the immediate future.

Lead developers will be taking on an increased risk by potentially developing all affordable housing over a large geographical area. This Council would like to know what the Scottish Government expects lead developers will receive in return for this risk, especially as profit is not an option. Also, Inverclyde Council would also like to warn against the possibility of lead developers taking advantage of their position and excessively passing on costs to non-developing RSLs at the point of purchase. The Scottish Government should produce strict guidelines on the sale of these properties which protect non-developing RSLs against this.

b) It will be important for lead developers to work closely with consortium members to ensure their secondary needs are met as fully as possible. If these reforms prove to be a more effective way of meeting housing needs, then it is hoped that RSLs will accept that their primary goal of providing decent, affordable homes will have been met.

**Question 11:**

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

The pre-qualification process should provide a thorough basis on which to select the lead developers and Inverclyde Council supports this process. We also recognise that the pre-qualification process will lead to a number of smaller RSLs without a substantial record of development and without experience of procurement being effectively barred from the lead developer role. We would hope that RSLs in this position would seek to become members of consortiums in order to continue to provide local solutions for locally identified needs. For our comments on the formation of consortiums, please see Question 13a).

## Investing in Affordable Housing: a Consultation - Questionnaire

**Question 12:**

a) Do you agree with the proposed principles of consortia and responsibilities for consortium heads?

Inverclyde Council supports the principles of the consortiums and the responsibilities for consortium heads as proposed in the consultation document.

**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?

a) The prospectus regions suggested in the consultation document show that the regions will cover large geographical areas. This increases the chances of several potential lead developers operating in one region. The consultation document explains that this will be acceptable. However, there are likely to be several potential lead developers already operating in the same part of a region. This is manageable in the current system where each RSL has its own community or specific area of operation to deal with: opportunities can be taken to work together where this is mutually beneficial, or to avoid clashing with each other over development issues. The creation of lead developers and of consortiums working outside their normal areas of operation may lead to disputes between rival candidates for the role of consortium head. Geography may compel RSLs to form consortiums but the desire to become lead developers could result in communication difficulties and a reluctance to share development proposals. These problems could damage relationships in the longer term. Inverclyde Council supports the requirement of formal agreements between consortium members on the terms set out within the consultation document.

b) The Scottish Government and the SFHA might use the contents of the consultation document (subject to amendment in the light of consultation responses) to create appropriate guidance and procedures for RSLs interested in forming consortiums and in taking on the role of lead developer. A specimen consortium agreement containing all of the relevant membership and leadership arrangements would also be helpful as a template that could be adapted to suit varying circumstances and geographical areas. Guidance should not be too prescriptive however as consortium members have to decide what best suits them and their current and prospective tenants, providing that they meet the basic requirements set out in the prospectus. Local representatives from the Scottish Government and from local authorities should be involved in the establishment of consortiums to provide information, advice, and guidance, where required.

c) Inverclyde Council takes the view that existing guidance and existing legislation are sufficient and that the key to meaningful engagement in decision-making lies in putting the existing guidance and legislation into action rather than creating yet more guidance. The Scottish Government could make it a requirement that lead developers and consortiums must demonstrate that consultation has taken place with tenants and the wider communities affected by the development operations of RSLs before work can begin.

## Investing in Affordable Housing: a Consultation - Questionnaire

**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) Local authorities:

If a local authority is in a position to develop new housing of its own then they should be allowed to become members of consortiums and to act as lead developers if they have the capacity to do so. There is no obvious reason why local authorities should not be involved in this way given that they follow essentially the same principles as RSLs when developing properties. The outcomes are the same: both organisations want to develop affordable housing on a not-for-profit basis.

Non-registered bodies set up by RSLs:

Inverclyde Council understands the Scottish Government's reasons for not allowing these types of bodies to head a consortium and agrees with the principles of transparency, accountably and equity that must apply to all consortiums.

Other private sector bodies:

Inverclyde Council agrees that these bodies should for the moment not be included as lead developers and consortium members, for the reasons stated in the consultation document.

b) For local authorities it would be in the circumstance where they have the prudential borrowing capacity and the development expertise and staff to increase the number of properties they own and let through new house building.

For non-registered bodies set up by RSLs and for private sector bodies please see our answer to Question 14a) above.

**Question 15:**

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

Please refer to our response to Question 14a) above.

**Question 16:**

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

Please refer to our response to Question 11 above.

## Investing in Affordable Housing: a Consultation - Questionnaire

**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?

Yes.

**Question 18:**

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

Inverclyde Council agrees with these criteria. Local authority endorsement will help to ensure that strategic aims are considered, including the provision of housing for particular needs and guarantees that new building will meet lifetime homes (or varying needs) standards. As suggested above, rent levels should also be included in the proposals and the Scottish Government can use these as another criterion for deciding where funding should be awarded.

**Question 19:**

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

Inverclyde Council cannot see an alternative to the approach the Scottish Government has suggested in the consultation document. We would welcome the opportunity to be involved in assessing the strategic fit of the proposals against the LHS, SHIP, Local Development Plan, and related strategies and plans such as the Single Outcome Agreement and the Community Plan.

**Question 20:**

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

Local authority involvement has been more than adequately covered throughout the consultation document. Inverclyde Council does not believe that there is need for any enhanced involvement for RSLs and other stakeholders as they will have been involved in the creation of the proposals through being a member of a consortium, or being consulted on the proposals. RSLs and other stakeholders will have helped to create the proposals therefore it does not seem appropriate to have them involved in the assessment process. This could lead to difficulties in terms of openness and transparency as well as bringing their objectivity into question.

**Question 21:**

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

The proposed approach is very comprehensive however it does not consider the difficulties posed by potential conflicts of interest and a failure to communicate on the grounds of commercial sensitivity that we have mentioned in our response to Question 13a).

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**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?

a) In the current system if RSLs were to be allocated continued funding according to how well they were progressing against agreed outcomes this would be a fair motivator to ensure goals are achieved. The failing RSL would have to accept responsibility for a reduction in funding if they were not meeting required standards. However, in the proposed system, where one RSL will do the work on behalf of others, non-developing members of consortiums could suffer due to the poor performance of the lead developer. Inverclyde Council agrees with the principle that lead developers who do not work well towards their goals should not necessarily be rewarded with even greater amounts of funding. It is worth noting that, in these cases, the frustration and helplessness of the other consortium members will be an issue.

b) No comment.

**Question 23:**

Do you have any comments on the proposed timetable?

We have a concern over the timing of the development of prospectuses. If these are to be ready for November 2009 then they will be coming out at the same time as many SHIPs are being updated. If prospectuses are to be derived from SHIPs then it makes sense for them to be created after the SHIPs have been updated, for example, in spring 2010.

If prospectus negotiations begin before November 2009 then two situations could arise, both of which are undesirable. The first could be that the prospectuses are formed based on information contained in the SHIPs that were submitted in November 2008 and they would therefore be out of date. This would mean that the prospectuses would be based on plans that would be superseded by the updated SHIPs due for submission later this year.

The second could be that councils will have to develop their prospectuses at the same time as they are updating their SHIPs, for both to be published in November 2009. Negotiating with internal partners on a local level at the same time as negotiating at a regional level with other councils would be a complex and time consuming process and there is the danger that insufficient attention might be given to one or both documents due to time constraints. Regional discussions would be more practical if they related to SHIPs that were finalised as opposed to SHIPs which are in development. We therefore recommend that prospectuses should be developed *after* SHIPs have been updated in November 2009 and in subsequent years.

Further to the timetable outlined in the consultation document, the regional Prospectus will benefit more from being incorporated into the regional HNDA, LHS and Strategic Development Plan (SDP) timetable/cycle. As the Prospectus will be a regional, five-year document detailing affordable housing investment priorities, it should follow the five-year cycle of the HNDA, LHS and SDP, and in turn the Local



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Development Plan (LDP), which guide these priorities. With regard to the Glasgow and Clyde Valley area, the LHS and SDP will be produced in 2011 and in terms of housing land supply will cover the five-year period up to 2016. The Inverclyde LDP will also be well advanced for publication of its Proposed Plan, in 2012. Therefore, it would be more beneficial for the Prospectus to be developed immediately after the production of the LHS and the SDP to reflect the aims and priorities identified in these two important strategic documents. The new style LHS / HNDA will identify housing supply targets and the SDP will identify the housing land requirement and the principal areas and locations, by HMA/Sub Market Area, to meet these targets. Thereafter, the LDP will identify and confirm a schedule of sites to meet these requirements for the plan period. These documents will be a major influence on the SHIP and the content of the Prospectus. If the regional Prospectus is developed before the HNDA, LHS and SDP, then the content of the Prospectus may be out of date and may not accurately reflect the priorities set out in these key strategic documents. This approach fits well with the Scottish Government's desire to have a synchronised housing, planning and development framework that has strong inter-connecting relationships.

**Question 24:**

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

Inverclyde Council suggests that the following indicators might be included:

- Number of dwellings completed per year;
- Housing Association Grant (HAG) as % of funding for each dwelling;
- Number of dwellings completed per year as % of prospectus targets;
- Numbers of successful and failed applications for pre-qualification status;
- Most common reasons for failures of pre-qualification status applications;
- Numbers of successful and failed applications for lead developer status; and
- Most common reasons for failures of lead developer applications.