

**REPORT TO: HOUSING, DUNDEE CONTRACT SERVICES AND ENVIRONMENT SERVICES COMMITTEE - 22 MARCH 2010**

**REPORT ON: TAYSIDE AFFORDABLE HOUSING PARTNERSHIP**

**REPORT BY: DIRECTOR OF HOUSING**

**REPORT NO.: 184-2010**

**1. PURPOSE OF THE REPORT**

To consider progress and to recommend the next steps towards establishing the Tayside Affordable Housing Partnership.

**2. RECOMMENDATIONS**

It is recommended that Committee agree to:

- 2.1. Remit the Director of Housing to continue discussions with interested parties with a view for forming the Tayside Affordable Housing Partnership (TAHP).
- 2.2. Remit the Director of Housing to identify a preferred partner for the procurement of the affordable housing and council new build programme in Dundee.
- 2.3. Remit the Director of Housing to facilitate opportunities for co-operation between preferred partners identified by neighbouring Councils for procurement of the affordable housing programme.
- 2.4. Remit the Director of Housing to report progress to Committee on a regular basis.

**3. FINANCIAL IMPLICATIONS**

- 3.1. The current affordable investment programme is funded from a variety of sources including Housing Association Grant and Housing Association and Council Funds.
- 3.2. It is anticipated significant efficiency savings and value for money can be achieved across the programme if a partnership approach is established.

**4. BACKGROUND**

Reference is made to Report No. 504-2008 approved at Committee on 26 January 2009.

That report considered:

- the context in which the Dundee and Tayside affordable housing investment programme is operated;
- noted the opportunity for savings were the multiple and competing processes of site development to be streamlined;

- discussed the potential for enhancing value for money, quality and delivery performance by moving to a procurement process based on a partnership within the Dundee area and across Tayside authority areas;
- considered the further efficiency and procurement savings that could be achieved by adopting a lead developer to deliver the Dundee and potentially the Tayside area affordable housing programme.

4.2. The report also remitted the Director of Housing to engage with interested parties with a view to forming the Tayside Affordable Housing Partnership and reporting progress to Committee on a regular basis.

## 5. **PROGRESS TO DATE**

- 5.1. Following the remit given by the Council the Director of Housing has engaged in discussions with neighbouring authorities, housing associations operating in the area and the Scottish Government.
- 5.2. Guidance on the procurement process for the affordable housing programme from the Scottish Government directs councils towards identifying a preferred partner or partners who will operate in the council area but may also operate across council boundaries. The primary concern is to appoint a partner who can best meet local needs and priorities.
- 5.3. The development of the TAYplan agenda and the associated Housing Market Area housing needs assessment will necessitate inter authority corporation on housing issues within the Dundee, Angus, Perth and Kinross and Fife Council areas. To this end the Chief Housing Officers of the four Councils have established a liaison group to ensure housing issues are addressed in the Strategic Development Plan scheduled for submission to minister autumn 2011.
- 5.4. Information gleaned from each local authority's housing needs assessments has been shared and will be reflected in the updated Strategic Housing Investment Plans being prepared by the Councils.

Similarly, this information has been shared with the Scottish Government, Investment Division and Housing Associations and will be reflected in the local housing investment programmes.

## 6. **ISSUES AND CONSTRAINTS**

The discussions reported above have revealed a number of issues and constraints which require resolution before a full procurement partnership can be established.

- a. The current financial climate and the downturn in the housing market, reduction in values and availability of credit have forced Councils and housing associations to focus on immediate priorities and the best use of limited resources.

This combined with the uncertainty over future Affordable Housing Investment Programme funds for each of the Council areas creates financing difficulties for the potential parties in ensuring their particular housing priorities are delivered.

- b. The latest guidance from the Scottish Government on how it envisages the delivery of the Affordable Housing Investment Programme is procured focuses attention on meeting local priorities.

- c. The emergence of the TAYplan agenda and the development of the Strategic Development Plan for publication late 2011 again forces parties to evaluate how best to deliver local priorities during the plan development phase.
- d. Parties are conscious of the existing and future programme commitments and forward funding arrangements made by housing associations in delivering that programme.
- e. Given the current and future financial constraints all parties are agreed that some early action to achieve procurement savings and drive efficiencies within existing arrangements is required.
- f. While all Councils are committed to the proposal of forming a Tayside Affordable Housing Partnership the general view is that given the constraints and issues discussed above the next steps to forming the partnership should be taken at a local level before progressing to a wider partnership arrangement.

## 7. THE NEXT STEPS

- 7.1. It is proposed that the next step in progressing towards a Tayside Affordable Housing Partnership should be taken at the local Council level and that efforts should focus on streamlining the local procurement arrangements.
- 7.2. For Dundee City Council, it is proposed to identify a preferred partner who will become the lead developer responsible for delivering the affordable housing investment programme and Council new build programme in Dundee for the three year period 2011/12 to 2013/14. Subject to a review of the preferred partner arrangements prior to the end of year 3, if the Council and the Scottish Government Housing Investment Division are satisfied there are benefits in retaining the preferred partner then arrangements may be made for this to continue.
- 7.3. There will still be opportunities for RSLs outwith the preferred developer status to increase their stock base by acquiring stock via the preferred partner. This process will be done in conjunction with the Scottish Government and local Housing Associations.
- 7.4. It is anticipated that partner Councils will either establish new or refresh similar preferred partner arrangements. Once programmes are established, opportunities for co-operation and or alliance will be considered and progressed as appropriate.
- 7.5. Preferred Partner schemes will recognise and accommodate existing programme delivery arrangements and commitments on the part of the Council and Housing Associations as outlined at sections 10 and 12 in the Preferred RSL Partners Brief contained in appendix 1. Consequently, it will be necessary to run to conclusion existing programme arrangements in parallel with the new preferred partner delivery programme.

## 8. PREFERRED PARTNER SELECTION

- 8.1. The selection process will require to comply with relevant UK and EU procurement legislation.
- 8.2. In brief, the process will comprise of a single stage assessment process as outlined at section 20 of the Preferred RSL Partners Brief contained in appendix 1. The process will be:
  - a. Invitation to bid
  - b. Interview process for interested bidders where further detail is required or this would assist the assessment process

c. Evaluation and assessment of bids and selection of preferred partner.

8.3. Representatives of the Scottish Government, Investment Division will participate in the selection process. The Scottish Housing Regulator will be consulted as appropriate.

## 9. CONCLUSION

9.1. The benefits of establishing a Tayside Affordable Housing Partnership are acknowledged by all potential parties. However, it is accepted that existing delivery arrangements and market conditions prevent immediate progress to a Tayside wide arrangement. All agree that streamlining local delivery arrangements should be the first step in moving towards a wider partnership.

9.2. It is proposed, therefore, that each Council establishes a preferred partner arrangement to operate in its area with a view to co-operation and or alliance across Council areas at a later date.

## 10. POLICY IMPLICATIONS

**Sustainability:** The proposal is considered to have a positive impact in regard to environmental legislation, energy, water and the built environment.

**Anti-Poverty:** It is expected the proposal will have a positive impact in that access to access to housing and services will be streamlined and matched to local need.

**Strategic, Environmental, Equality Impact and Risk Assessments:** As the proposal is developed the process will be screened for applicability to relevant legislation and policy. No major issues are anticipated.

## 11. CONSULTATIONS

The Scottish Government investment Division and Registered Social Landlords operating in Dundee have been actively engaged in developing the proposal.

The Chief Executive and all Chief Officers have been consulted and are in agreement with this report.

## 12. BACKGROUND PAPERS

Report No. 504-2008.

**Elaine Zwirlein**  
**Director of Housing**

**March, 2010**

**Dundee City Council & Scottish Government Housing Investment Division East Region**

**Affordable Housing Investment Programme (AHIP)**

**Preferred RSL Partners Brief – 2011/12 - 2013/14**

**Introduction**

1. The recent Scottish Government consultation on Affordable Housing Investment Reform received over 200 responses. The consultation outlined plans for the introduction of Lead Developers and a more regionally orientated, more strategic sector which works more closely with local authorities and ensures that maximum value is obtained from the public expenditure available for affordable housing.
2. The Scottish Government received a wide range of views from Registered Social Landlords (RSLs), tenants, local authorities, lenders and other interested parties. A report, by ODS Consulting, summarising the responses was published on 5 June 2009 and is available from the Scottish Government's website.
3. The Ministerial statement following the Investment Reform Consultation noted in the speech to the SFHA conference, that investment reform will be shaped by five key proposals:
  - improving the efficiency of housing associations' activities across the board, including procurement,
  - setting a standard for development performance, which will in future be a requirement for receipt of Government subsidy,
  - by the end of the next spending review, awarding three-year budgets to those associations and groups of associations that are best placed to make use of it
  - supporting collaborative groups as a way of bringing local authorities and housing associations together,
  - a new focus on sharing best practice.
4. Ministers have also made clear that they would not be imposing a regional structure, requiring a preferred form of consortium, or introducing complicated competitive processes. Instead, the Scottish Government want to work with RSLs and authorities and identify what works well in local areas.
5. All parties recognise the achievements of the housing associations, but it is also recognised that there is more that could be done to help make the sector more efficient and agile in its delivery of the increased supply of affordable homes required for the future. The Scottish Government consultation has been positive with a number of bodies already moving towards a more competitive and joined-up approach. But there are of course concerns that the new systems should build on the strengths of the housing association sector, which varies across the country.
6. Following the consultation period, Ministers have noted that the key aims are to improve the way RSLs work together and to make sure the system gives the right incentives to maximise the effectiveness of investment in social housing. This system will involve supporting collaborative groups as a way of bringing local authorities and RSLs together. It should be noted that this is only a process to improve the construction of affordable housing and does not affect the final ownership element. The local authority and Scottish Government are keen to retain the skills and local influence of local RSLs.
7. Therefore, the agreed aim of all partners is for the Scottish Government, RSLs and local authorities to all work together and identify what works well for their area and the purpose of this exercise is to select a preferred RSL partner (or partners) to deliver AHIP expenditure in the Dundee City Council area.
8. Applications will be considered jointly by the local authority and the local Scottish Government Housing Investment Division East Region office against the principles and criteria provided in this document. It is also proposed that the selection panel may include another peer representative with no links to either the local authority area or any of the bidding organisations.

**Preferred RSL Partners Selection Process**

9. The purpose of this brief is to notify interested RSLs of the intention of Dundee City Council and the Scottish Government's Housing Investment Division (HID) East Region to jointly run a streamlined single stage competition for a preferred RSL developer to deliver the AHIP in the Dundee City Council area for

the three year period 2011/12 to 2013/14 (excluding any previous commitment to the delivery of regeneration activity in the City). It is also the intention that any planned Council new build activity be included in this competitive process. We intend to do this early in calendar year 2010 in order that a decision is in place in time for the SHIP development work that will take place in 2010 for financial year 2011/12. A proposed timetable of key dates can be found at Annex A.

10. Both organisations agree that now is an appropriate time to review the structure, performance and participants with a view to agreeing Preferred RSL partners for three years from 2011/2012. This proposed course of action has been agreed as it will fall in line with the expected timescales in respect of the development of the Approved Developer Process that has come out of the Investment Reform consultation. It is also in line with ongoing dialogue about possible three-year programmes per local authority area from the end of the next spending review period which will end in 2013/14. This process would bring the preferred developer arrangement in Dundee in line with these timescales.
11. In addition, both organisations want to ensure that the programme continues to deliver the best value for money and high quality outputs, and to allow RSLs to put forward proposals for preferred partner status. Further, it is important that we strengthen links with the Strategic Housing Investment Plan (SHIP) in order that we maximise the potential programme for the area, through effective development and selection of the preferred partner(s) grouping to ensure the most effective programme delivery.
12. Depending on the successful candidate(s) there may be an overlapping period where RSLs outwith the preferred developer RSL partners will still be completing committed and pipeline projects. This will be restricted to sites where the RSL has already purchased the site (an approval to acquire from HID will not be sufficient) in the period to 31 March 2011. There will still be opportunities for RSLs without preferred developer status to increase their stock base. Development by an RSL outwith the preferred RSL developer will be supported when it can be demonstrated that there is added value through development by another RSL. Requests will be discussed by the local authority, the local HID area office and the preferred RSL developer before a decision is reached.
13. As noted above, this selection process will tie in with the Scottish Government's development of an Approved Developer Process and any decision taken to choose a preferred RSL developer will be subject to these partners being successful in the Approved Developer Process. If a successful candidate is fails to satisfy the Approved Developer Process any agreement to become a preferred developer in the local authority area will become null and void.
14. At this stage no set number of preferred RSL developers have been agreed by the local authority or HID to be selected through this process, this decision will be taken based on an assessment of all bids that are received.
15. The preferred RSL developer(s) will undertake to comply with a programme agreement, and key outcomes and objectives jointly agreed between the local authority and HID. Performance against the Key Performance Indicators (KPIs) set by the local authority and HID will be used to monitor the performance of preferred partners annually against the agreed aims and objectives. Draft KPIs are included in Annex B for information. These will be developed in more detail once a preferred RSL developer is in place. These will be "stretch" KPIs in that they will change on an annual basis to reflect expected improvements by the preferred RSL developer.
16. All parties will take reasonable steps to ensure that the preferred developer status is a success. The local authority and HID will work in partnership with the preferred RSL developer(s) to ensure the objectives and outcomes are achieved. Regular meetings will take place between parties to assess performance against the KPIs along with programme review meetings.
17. The preferred RSL developer(s) will deliver, as agreed with the local authority and HID, the key outcomes and objectives of the AHIP Programme for a 3-year period (1 April 2011 – 31 March 2014). A full review of the preferred RSL developer arrangements will take place before the end of year 3. The review will involve assessing how well the objectives, outcomes and key performance indicators have been met over the 3 years. If the local authority and HID are satisfied there are benefits in retaining the preferred RSL developer(s) as preferred partner then arrangements may be made for this to continue.
18. Any agreement with a preferred RSL developer(s) is simply a statement of principle and of intent on how to manage this arrangement. This agreement is not intended to be of a contractual nature and is not to be founded upon in any court proceedings. Either party can terminate this arrangement with 6 months notice.

## Objectives

19. The review should allow potential as well as current partner organisations to put forward relevant proposals for selection. The key criteria for selection as a preferred partner status are:

<b>MAIN CRITERION</b>	<b>SUB CRITERION</b>
<b>Details of Bidder or Partnership (10 points)</b>	Bid provides a clear description of proposed bidder or partnership including contact details for lead organisation. It includes a brief synopsis of the organisation's aims and those of any partner RSL and provides details of how the bidder or partnership will be governed.
<b>Strategic Relationships and Involvement (15 points)</b>	Provide evidence of alignment between Strategy and Development Funding Plan (SDFP) and Strategic Housing Investment Plan (SHIP).
	Examples of positive relationships with strategic partners and how these have been beneficial to the development process.
	Demonstrate ability and willingness to work in partnership and develop on behalf of other RSLs.
	Provide an assessment of how this bid will enable the organisation to provide a more efficient and effective service.
	Provide details of current involvement in consortia or other grant working arrangements.
<b>Procurement (15 points)</b>	Provide examples of compliance procurement with best practice.
	Provide examples of procurement innovation and how this has benefitted the development process and reduced cost.
	Demonstrate how the development of training and employment opportunities will be promoted through the development programme to provide local community benefit.
	Demonstrate how proposed projects will reflect the varying needs of households whether through disability, age, race, sexuality or gender.
<b>Delivery (20 points)</b>	Provide confirmation of track record on client control by demonstrating how the RSL has selected a pool of designers, contractors and suppliers who collaborate with each other and with the RSL to implement integrated design and construction processes and contribute to improve performance, including benefits to programme delivery.
	Provide evidence on the scale of development completed by the RSL.
	Provide evidence on the RSL's ability to deliver projects within set cost parameters and provide information on the timescales between project approval and site start.
	Provide evidence of how the development process is currently managed by staff and governed by the RSL's Management Committee. Include a structure chart and provide details of RSL development staffing resources, qualifications and project management experience.
	Provide information about the consultation process that is used with potential customers and tenants before and after development.
	Provide details of RSL performance against targets for 2006/07, 2007/08, 2008/09 and 2009/10.

<b>Administration (5 points)</b>	Provide evidence on the RSL's track record on client control of contractors and consultants.
	Provide evidence of submissions being submitted timeously (including post completion).
	Provide details of most recent Regulation & Inspection/Scottish Housing Regulator report.
<b>Finance (15 points)</b>	Provide evidence of RSL's ability to obtain private finance to support a development programme.
	Confirm how many units can be supported through private finance secured.
	Confirm willingness of RSL to use its own resources to support the development programme. Provide examples of where the RSL has used its own resources to support the development programme and also examples of where the RSL has successfully secured funding from other sources
<b>Quality and Sustainability (10 points)</b>	Give evidence that RSL has experience and is creative in delivering innovative and sustainable housing types including housing for varying need, energy efficiency and new technology. In addition, provide broad details on the RSLs design guide and how often this is reviewed
	Provide evidence of compliance with normative standards e.g. SAP ratings.
	Provide examples of how the RSL has shared Best Practice.
	Provide evidence of accreditation for completed projects including the level achieved.
	Provide evidence of awards on completed projects.
	Provide evidence of the post occupancy evaluation methods employed by the RSL including results of customer satisfaction surveys.
<b>Service Delivery (10 points)</b>	Provide details of how the completed properties are proposed to be managed and maintained; including demonstrating commitment to a strong local presence to provide a responsive localised housing and estate management, and repair and maintenance service for new tenants.
	Demonstrate how managing RSL currently provides support to clients with special needs either directly and/or indirectly and will provide in the future.
	Provide verification of signed agreement to the local authority's Nomination Agreement, and also provide written agreement to Homeless Protocol for RSL that will own and manage the stock
	Demonstrate how the RSL measures affordability and how it influences rent setting mechanisms.

### Format of the Bids

20. The intention is that this will be a single stage assessment process. It is not intended that a large scale, complex bidding process be implemented, therefore submissions from RSLs should, on no more than 1 side of A4 per sub criterion, address all the areas noted in the Objectives section above. Following receipt of these bids, interviews may be set up with interested bidders, but this will only be where further detail is required or where local authority or Scottish Government partners feel that this would help the decision making process.
21. The format of the submission assessment will be undertaken in line with the objectives shown above and the results shared in full with the bidder. An overall summary assessment of all submissions will be

made to provide general information for sharing with all potential and selected partners and use in relevant committee papers etc.

### ***Timetable for Submissions***

22. The timetable for submissions is eight weeks from [date]. Bids should be in the format requested and 2 hard copies plus 1 electronic copy should be provided to:

<b>Name</b> <b>Manager</b> <b>Council,</b> <b>Council</b> <b>Address</b> <b>Address</b> <b>Ph:</b> <b>E-Mail:</b>	<b>Name:</b> <b>Investment Manager</b> <b>Scottish Government,</b> <b>Housing Investment Division - East Region</b> <b>Address: Endeavour House, 1 Greenmarket</b> <b>Address: Dundee DD1 4QB</b> <b>Ph:</b> <b>Fax:</b> <b>E-Mail:</b>

23. Submissions should be in a sealed envelope, clearly addressed and with sender details clearly printed on the back of the envelope.
24. Submissions should be received by no later than 12.00 on **[Date]**. Submissions received after that time will be excluded from consideration and will be returned to the sender unopened.
25. If you require further information on this letter or wish to take informal soundings on any aspect of your potential application please contact one of the named individuals above. The relevant Scottish Government Housing Investment Division office or local authority will also be available to offer further clarification and advice in developing bids.

**ANNEX A****KEY DATES**

<b>Dundee City Council &amp; Scottish Government Housing Investment Division East Region</b>	
<b>Preferred RSL Partners – 2011/12 - 2013/14</b>	
<b>Key Dates</b>	
<b>DATE</b>	<b>TASK</b>
<b>JANUARY – FEBRUARY 2010</b>	Council & Housing Investment Division East Region officials discuss proposal for individual local authorities and if appropriate agree/amend materials as appropriate
<b>APRIL/MAY 2010</b>	Subject to agreement, brief is issued jointly in individual LA areas by Council & Housing Investment Division East Region
<b>JULY/AUGUST 2010</b>	Assessment process jointly run in individual LA areas by Council & Housing Investment Division East Region
<b>JULY/AUGUST 2010</b>	Preferred RSL developer(s) for individual LA areas announced for period 2011/12 to 2013/14
<b>AUGUST – DECEMBER 2010</b>	Preferred RSL developer(s) work in conjunction with LA on development of LA SHIP document
<b>2011/12 TO 2013/14 (NEW SPENDING REVIEW PERIOD)</b>	Preferred RSL developer(s) in place for period 2011/12 to 2013/14
<b>YEAR END OF EACH FINANCIAL YEAR</b>	Assessment of Preferred RSL developer(s) performance versus KPIs
<b>EARLY 2013/14</b>	Reassessment to select Preferred RSL developer(s) for individual LA areas for period 2014/15 to 2016/17

**ANNEX B****KEY PERFORMANCE INDICATORS (KPIs)**

An outline of likely Key Performance Indicators are noted below. These will be discussed and agreed by Dundee City Council & Scottish Government Housing Investment Division East Region in conjunction with the preferred partner.

<b>KPI</b>	<b>Target</b>
<b>Unit Outputs</b>	<ul style="list-style-type: none"> <li>- xx approvals</li> <li>- xx completions</li> <li>- site starts within x weeks of approval</li> </ul>
<b>Subsidy Target</b>	- HAG Benchmark of £xx per unit/rent (3 person equivalent)
<b>Streamlined submission/ approval process</b>	Scottish Government Target – 6 weeks (42 calendar days) <ul style="list-style-type: none"> <li>- Acquisition</li> <li>- Tender</li> <li>- Completion</li> </ul>
<b>Average contract size</b>	Contract sizes to be monitored to compare with average for Scotland
<b>Partnering Procurement Arrangements</b>	Qualitative assessment <ul style="list-style-type: none"> <li>- Framework Agreements</li> <li>- Formal contracts</li> <li>- Annual review of framework agreements</li> <li>- Contractors performance</li> </ul>
<b>Expenditure</b>	<ul style="list-style-type: none"> <li>- Government subsidy</li> <li>- 2<sup>nd</sup> Homes Council Tax</li> <li>- Commuted Sums</li> <li>- Private Finance</li> <li>- RSL Reserves</li> <li>- Other contributions</li> <li>- Front funding</li> <li>- Associated Council house build (where applicable)</li> <li>- Total Investment</li> </ul>
<b>Housing Mix/Type</b>	<ul style="list-style-type: none"> <li>- All projects to reflect local housing needs as identified in LHS, SHIP and relevant individual housing needs assessment.</li> <li>- Projects to be monitored to ensure equalities issues are addressed (for proportion of special needs housing)</li> </ul>
<b>Quality and Sustainability</b>	<ul style="list-style-type: none"> <li>- Waste (tonnes per unit)</li> <li>- SAP Rating (per unit)</li> <li>- CO2 emissions/tonnes (per unit)</li> <li>- Energy costs per annum £ (per unit)</li> <li>- Average unit size</li> <li>- Secured by Design Accreditation</li> <li>- Project Awards</li> </ul>
<b>Client (RSL) Satisfaction</b>	<ul style="list-style-type: none"> <li>- Project cost and timescale</li> <li>- Satisfaction with service</li> <li>- Satisfaction with product</li> <li>- Defects at handover stage</li> </ul>
<b>Tenant Satisfaction</b>	- x% satisfaction with the new affordable home and environment provided
<b>Comparison with Scottish Outputs (3 person equivalent)</b>	<ul style="list-style-type: none"> <li>- Average capital cost per unit</li> <li>- Average cost per m<sup>2</sup></li> <li>- Average works cost per unit</li> <li>- Average works cost per bedspace</li> <li>- Average grant per unit</li> <li>- Average HAG% per project</li> </ul>

<b>Design and Innovation</b>	<ul style="list-style-type: none"> <li>- Design standards implemented</li> <li>- Standard house types</li> <li>- MMC and Renewable Initiatives</li> <li>- Average saving in management/maintenance costs through innovative design</li> </ul>
<b>Rent</b>	<p>Rents to be set in accordance with RSL rent policy.          If relevant, an affordability comparison with standard Scottish Gov't rent level assumptions to be carried out.</p>
<b>Training and Employment</b>	<ul style="list-style-type: none"> <li>- no of training opportunities provided and uptake</li> <li>- no of employment opportunities provided and uptake</li> </ul>