

REPORT TO: HOUSING, DUNDEE CONTRACT SERVICES AND ENVIRONMENT SERVICES COMMITTEE - 26 JANUARY, 2009

REPORT ON: TAYSIDE AFFORDABLE HOUSING PARTNERSHIP

REPORT BY: DIRECTOR OF HOUSING

REPORT NO.: 504-2008

1. PURPOSE OF REPORT

- 1.1. To consider the formation of an affordable housing procurement vehicle involving neighbouring Councils, local Housing Associations and Housing Developers to be known as the Tayside Affordable Housing Partnership (TAHP).

2. RECOMMENDATIONS

It is recommended Committee agree to:

- 2.1. Remit the Director of Housing to enter discussions with interested parties with a view to forming the Tayside Affordable Housing Partnership (TAHP).
- 2.2. Remit the Director of Housing to consult local Housing Associations and private developers with a view to identifying preferred partner(s) for procurement of the affordable housing programme.
- 2.3. Remit the Director of Housing to identify early opportunities for co-operation among potential partners in procuring affordable housing as a first step in establishing TAHP.
- 2.4. Remit the Director of Housing to report progress to Committee on a regular basis.

3. FINANCIAL IMPLICATIONS

- 3.1. The current affordable housing investment programme is funded from a variety of sources including Housing Association Grant, LIFT (low cost initiative for first time buyers), Housing Association and Council funds.
- 3.2. It is anticipated significant savings can be made and value for money achieved across the programme if a partnership approach is established.
- 3.3. There would be no additional revenue cost to the Council as current administration is met from existing budgets.

4. CONTEXT

- 4.1. Since the 1970's the main thrust for providing affordable housing has been through the Housing Association development programme assisted by the Government's Housing Association Grant (HAG) regime.

- 4.2. The HAG scheme initially funded a few locally based Housing Associations, concentrating on limited geographical areas to provide a programme of refurbishment or new build developments to meet general and or specialist accommodation requirements at the local level. While the funding regime has remained essentially the same, i.e. based on Council areas and managed by Government agencies, the organisations engaged in the delivery of the programme have developed beyond their original local areas often covering large parts of the country.
- 4.3. Consequently programme delivery and management has become complicated and inefficient due to:
- the changing nature of housing demand and tenure aspiration of the population;
 - variable needs and demand across council areas;
 - national housing policy not always reflecting local priorities;
 - increased number of Housing Associations;
 - variable and short term commitment of HAG funding to Council areas;
 - small, often costly, development contracts;
 - Housing Associations having to compete for the finite levels of HAG available.
- 4.4. In the Dundee City area there are now 13 operating Housing Associations of which 6 are active developers. Of these 6, 2 operate as part of a UK organisation, 3 operate across adjacent Council boundaries and 1 operates within the Dundee area.
- 4.5. This situation leads to fragmented and small scale programmes (sometimes as few as 5/6 houses), developers competing for limited land and development opportunities, speculative and opportunistic acquisitions and inefficiencies in administration and strategic delivery. This fragmentation is not limited to Dundee but is repeated across the country and opportunities for co-operation between Councils and developers aimed at efficient procurement can be lost.
- 4.6. Following the publication of the consultation paper 'Firm Foundations' and the abolition of Communities Scotland with the absorption of its responsibilities into the mainstream civil service, the Government's Housing Investment Division is leading a national push to re-organise the Affordable Housing Investment Programme with a view to realising efficiencies in administration and procurement.
- 4.7. At a strategic level progress has been made in assessing housing need and demand, planning response through the Strategic Housing Investment Framework, the associated Council area based Strategic Housing Investment Plan and the recently established Strategic Development Plan area (Dundee, Angus, Perth & Kinross and Fife).
- 4.8. The recent downturn in the housing market and availability of investment finance has added some urgency to the need for a rationalisation of the affordable housing programme, co-operation between Councils and developers and co-ordination of procurement arrangements across the new Strategic Development Plan area. Opportunities exist for the Affordable Housing Programme to stimulate regeneration which might otherwise stall.

AFFORDABLE HOUSING PROCUREMENT VEHICLE

- 4.9. Recent announcements by the Government of additional/new funds becoming available to encourage Councils to contribute to meeting housing demand through new build council housing programmes, a consultation on reorganising the HAG programme and the desire to integrate social and physical regeneration programmes to facilitate sustainable communities, presents an opportunity for Dundee City Council to co-operate with its neighbouring Councils, common Housing Associations and developers in developing a more streamlined and strategic approach to meeting affordable housing requirements, community regeneration and sustainability.
- 4.10. Tentative discussions with the Scottish Government, Angus and Perth & Kinross Councils, locally based Housing Associations and some private developers suggest that all share some common ground that could be developed into a Tayside-wide affordable housing procurement vehicle. These discussions reflect the Scottish Governments current consultations on the procurement of affordable housing which suggest moves towards :
- integrating regional allocations of HAG and simplifying the HAG regime;
 - bundling procurement contracts to realise administration and financial savings;
 - identifying preferred or lead developers in particular areas;
 - seeking innovation in delivering the Affordable Housing Investment Programme;
 - 3 to 5 year committed, housing programme.
- 4.11. To ensure this Council is best placed to benefit from these changes it is considered prudent to investigate the formation of an affordable housing procurement vehicle.

The intention is to co-operate with interested parties to identify and implement procurement systems and protocols which would enable efficient, ethical and cost effective methods of meeting the housing needs and aspirations of citizens. If fully developed this would lead to the formation of a Tayside Affordable Housing Partnership operating across the boundaries of the member organisations for the benefit of all their citizens. The Partnership will act as an alliance and as such will not be a constituted body. The Partnership will act as facilitator and procurement will be the responsibility of a lead developer. The purpose and objectives of such a partnership are detailed in Appendix 1 and the partnership would operate within the following principles:

- The Procurement Vehicle will build houses which are equal to or better than existing social building standards;
- The houses built will meet identified housing need and will be for rent and/or for sale and will be developed on a not for profit basis (non housing development is permissible);
- Local businesses will be encouraged to participate through the development of fair procurement contracts;
- Overall management arrangements will be developed which will involve all partners including citizen stakeholders;

- The procurement will not override local decision making but will operate within a shared services ethos reflecting the partners' feudiciary and statutory duties;
- One lead developer will be sought from the Registered Social Landlord movement or selected by competition for the period of 5-10 years to allow for economies of scale and scope (there may be more than one receiving landlord and builder). The partnership and procurement vehicle will focus on long term building and environmental sustainability not just numbers of properties built.

FIRST STEPS

- 4.12. There are a number of obstacles to forming a partnership which will take time to resolve, however early benefits could be gained through a first stage of simply better co-operation between all involved in developing affordable housing in the Tayside area.
- 4.13. This could be initiated by the Councils involved sharing Strategic Housing Investment Plan details and co-ordinating development plans thereby allowing the identification and allocation of larger, cost effective contracts to a single developer, or consortium of developers, operating across the partnership area while the Councils retain control and influence over their local responsibilities and budgets. Only then and if significant benefits had been identified, would it be prudent to move to a more structured arrangement or partnership.
- 4.14. First steps in establishing a partnership is to:
- seek Scottish Government support and co-operation;
 - continue discussions with neighbouring Councils interested in the scheme;
 - explore the proposal with local Housing Associations to assess support for the scheme;
 - identify a preferred or lead developer(s) or consortium of developers;
 - consult local housing developers as to their interest in the proposal
 - identify opportunities within the Strategic Housing Investment Plans which would facilitate early implementation of procurement efficiencies.
- 4.15. With a view to realising the potential benefits of cost savings and administration, procurement and delivery efficiencies the Director of Housing will take these First Steps to delivering an affordable housing programme via the Tayside Affordable Housing Partnership.

5. POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

The major issues identified are:

Sustainability

While the full impact is to be determined this proposal will contribute to sustainable construction, procurement and communities.

6. **CONSULTATIONS**

- 6.1. The Chief Executive, Depute Chief Executive (Support Services), Depute Chief Executive (Finance), Head of Finance, Assistant Chief Executive and all other Chief Officers have been consulted and are in agreement with the contents of this report.

7. **BACKGROUND PAPERS**

- 7.1. None.

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DIRECTOR OF HOUSING

January 2009

APPENDIX 1

TAYSIDE AFFORDABLE HOUSING PARTNERSHIP

PURPOSE

We will work in partnership to provide efficient, effective, customer focused, and streamlined services that ensure all Partnership area residents have a choice of high quality and affordable homes in a safe, clean and thriving neighbourhood.

OBJECTIVES

Working in Partnership we will work towards:

1. Increasing the supply, accessibility and variety of high quality affordable housing to meet the diverse needs and aspirations of our residents.
2. Through the Community Planning process empowering citizens by listening to what they say about the future of their neighbourhoods and the local authority delivery of housing services.
3. Improving our organisational performance and promoting high quality services by improving value for money and where feasible, engaging in joint procurement initiatives.
4. Improving the performance of our services by sharing best practice and working together to meet our customers' current and future needs and demands. This will include:
 - Co-operating in the production of Strategic Development Plans;
 - Co-operating in the SHIF process;

SHARED UNDERTAKINGS

To achieve our objectives we undertake to:

- Develop ways of working together that build, openness, honesty and shared benefits.
- Make more efficient and effective use of staff and other resources to support work carried out under the Partnership.
- Build on best practice in the development, implementation, sharing and delivery of services.
- Appreciate and take account of the timescale required by members to consult with their stakeholders, including elected members, management committees, and service users.
- Participate in periodic reviews of the Partnership and its operation and seek to ensure continuous improvement in working together.