Risk Assessment Guide for Housing Associations Developing Housing Projects

Irish Council for Social Housing
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Housing associations in Ireland have undertaken significant new housing developments in recent years. As part of this process housing associations have had to become aware of all potential risks that they may encounter in the development process, especially as they are using public money. The housing association sector therefore has now developed a significant amount of experience in dealing with risk issues in the development process and it was felt by ICSH members that it would be useful to develop a guide for all housing associations in mapping these areas of risk.

Therefore in this guide, information and suggested guidance is provided on the process of identifying, quantifying and prioritising risk issues in the development process. The risk management process is equally important for a small housing association as well as larger housing associations where there may be greater diversity of risk. However, regardless of the size and type of housing association it is important to develop an approach that is appropriate for the particular circumstances in that housing association.

Not all risk in the development process will be accorded the same priority, indeed risk may result from the action of one event or a series of events. It is the manner in which the housing association assesses and has controls in place which will determine the successful outcome of a housing project. This Risk Assessment Guide should not frighten any organisation wishing to develop housing projects but on the contrary should provide both boards and staff of housing associations the knowledge and confidence that any issue they encounter can be either prevented or solvable.

Finally, the ICSH would like to thank the members of Risk Assessment Working Group established under the auspices of the ICSH Development and Management Sub-Committee, who provided input into the production of this working guide. The ICSH is also grateful to representatives of housing associations and technical consultants who provided other comment and feedback. This Guide does not purport to be the definitive guide on all aspects of risk to be encountered by housing associations in developing housing projects. Indeed in various parts of the document housing associations are encouraged to seek the relevant professional advice where required.

Donal McManus
Executive Director, Irish Council for Social Housing (ICSH), January 2006
1. Introduction

Risk Management in Housing Development for Housing Associations

Currently there are over 260 active housing associations in Ireland who are currently involved in various aspects of developing social housing projects. Housing associations had over 18,000 homes in management by the end of 2005, and currently provide around 30% of all new social rented housing per year or around 1,600 - 1,700 new homes. The output of housing associations is distributed evenly between local community-based housing associations and larger housing associations that provide housing in a number of local authorities throughout the country. Presently the capital development building programme for the sector is in the region of €250m per annum.

The process of developing new housing projects is constantly evolving through new partnerships with local authorities and private developers and often requires housing associations and in particular their management boards to be more fully aware of all the risk factors that may affect the successful development of their housing projects.

It must be remembered that the following working guide is to establish a basis for examining risk in developing housing projects and housing associations should seek professional advice where they are unclear.

Overall consideration of risk

- What is risk in project development for housing associations?
- What types of developments have more associated risk?
- How can risks be identified and controlled?

Risk is the chance of something not going as expected and is not just a one-off issue for housing associations but can be a combination of often small scale events. The planning and management of risk can help to minimise adverse outcomes or reduce the likelihood and numbers of abortive projects.

Responsibility for risk

As the management board of any housing association is legally responsible for the operations of the housing association including minimising risk, it is important that the management board is always aware of the factors that contribute to risk. In some cases the management board may delegate the responsibility to a sub-committee of the board or a senior staff member of the association but there should be clear reporting mechanisms put in place to monitor the development process. It is essential that housing associations have set in place transparent and accountable procedures for the sign-off of various aspects of the development process and that the management board is fully aware of these.

Analysing risk in various parts of the development process

There are a number of distinct phases in the development process that housing associations will need to be conscious of the level of risk.
These can include:

- Site acquisition, type of site transaction, subsidised site, private market
- Form of procurement (traditional, design and build, turnkey)
- Type of capital funding scheme
- Financing process
- Relationship with local authority, developer, other bodies
- Form of contract – GDLA, JCT, Purchase contract
- Quality control in construction linked to form of procurement
- Role of consultants and relationship with housing associations
- Handover and allocation
- Mortgage and legal issues

Use of the 2002 DoEHLG Memorandum on the Capital Funding Schemes

It is essential that in analysing the issues in this ICSH Risk Assessment Guide that housing associations read it in conjunction with the relevant sections of the DoEHLG Memorandum on the Capital Funding Schemes for Approved Housing Bodies VHU 2/02. This Memorandum sets out the conditions of the capital funding schemes that housing associations must comply with during the course of the development process as well outlining the responsibilities of the local authorities. If the terms and conditions of the DoEHLG schemes change in future it would be essential for housing associations to make themselves aware of such changes.

LEGAL NOTICE

The information contained in this guide is for general guidance only. Given the changing nature of legislation, rules and regulations there may be omissions or errors in information contained in it. Accordingly, the information in this guide is provided with the understanding that the authors and publishers are not herein engaged in rendering professional advice and services.

While we have made every attempt to ensure that the information contained in this guide has been obtained from reliable sources, the ICSH is not responsible for any errors or omissions, or for the results obtained from the use of this information. Housing associations should always seek appropriate advice (legal, technical or other) in relation to the duties they undertake.
2. Structure of Working Group on Risk Assessment

The purpose of the ICSH Risk Assessment Working Group which was established by the ICSH Development and Management Sub-Committee, was to focus on the area of risk analysis in project development. Many housing associations have indicated over the past number of years that it would be beneficial for the ICSH to draft a briefing paper outlining the main risk factors in developing a housing association project and how these factors could be minimised.

The terms of reference for the working group included:

- Discussing and prioritising main risk factors in aspects of the project development process from inception to completion
- Propose ways of providing guidance to housing associations of minimising risk for housing associations in the development process
- Prepare a working paper for the ICSH Development and Management Sub-Committee and ICSH Management Board which would be adopted and recommended to ICSH members to consider in developing housing projects

The ICSH Working Group on Risk Assessment included the following members of housing associations who participated with the ICSH Secretariat in formulating the working guide.

- John Hannigan, Respond! Housing Association
- Gene Clayton, The Iveagh Trust
- Nick Sheward, Clúid Housing Association
- Sean O’Connor, BIH Ireland Housing Association
- Justin O’Brien, Circle Voluntary Housing Association

The risk assessment working group met on five occasions between December 2004 and November 2005. The ICSH also received contributions from representatives from housing associations as well as technical consultants.
3. Glossary of Terms Used in this Guide

Bill of Quantities
In a traditional building contract a quantity surveyor will prepare a bill of quantities which measures in detail the amount of materials and amount of work required to build the scheme. The bill of quantities is used by the contractors in pricing a scheme.

Collateral Warranties
Where consultants are employed directly by a contractor, housing associations form a contractual relationship with the consultants by entering into a collateral warranty and this enables the housing association to sue the designer if defects were to occur that are attributable to poor or negligent design. The collateral warranty runs alongside the main building contract.

Consultants
Housing associations can employ a number of consultants to provide advice on various parts of the development process. These usually include an architect and quantity surveyor but may also include structural and mechanical and electrical engineers. The architect tends to act as the lead consultant with the other consultants having supporting roles.

Design and Build Contract
Whereby a housing association prepares a design brief for a contractor to design and build a housing association project and design responsibility rests with the contractor.

Development Allowance
Funding whereby a housing association is eligible to claim up to 1.5% of the net tender sum of a housing project towards its project development costs up to a maximum limit.

DoEHLG Green Memorandum VHU 2/2002
The Department of the Environment, Heritage and Local Government memorandum on the capital funding schemes for housing associations.

Domestic Sub-Contractor
Sub-contractor who is the responsibility of the main contractor as part of the building contract.

Final Account
The final account for any housing development is the original contract sum adjusted up or down by any changes agreed during the contract.

GDLA
The standard and generally used building contract which is used by housing associations involved in developing housing projects.

Handover
The point at which the responsibility of the dwellings/project is transferred from the contractor to the housing association.

HSE
The HSE (the Health Service Executive) took over responsibility from the former health boards and is responsible (amongst a range of things) for the care and support requirements of vulnerable groups such as the elderly, people with disabilities and homeless.
**Homebond**
This is a scheme whereby the company known as Homebond guarantees a house against major structural guarantees for 10 years. Used widely by the private house building sector.

**A JCT Contract**
Is another form of building contract known as the Joint Contracts Tribunal. Not used widely in the housing association sector.

**Multi-Occupancy Units**
Units that are provided in apartment/flat complexes or where a housing association has acquired a second hand property and divided it into a number of units often for special needs groups.

**Nominated Sub-Contractor**
A sub-contractor who is nominated by the housing association as client as part of the building contract to undertake specific works and who is paid directly by the housing association.

**Part V**
Part of the 2000 Planning and Development Act is a provision whereby local planning authorities can require developers to provide up to 20% of their development for social and affordable housing. Housing associations can be nominated to manage the social housing element, as part of Part V. (See Appendix IV on Part V.)

**PC Sums**
Often known as prime cost sums, this is an amount included in a bill of quantities to cover a particular piece of work or supply of materials to be carried out by a nominated sub-contractor for a specified cost.

**Pleiscite**
Process introduced in the Planning and Development Act 2000 whereby tenants of a housing association estate can convene a meeting to ensure that the local authority takes in charge of a housing association estate after 7 years.

**Premier Guarantee**
A structural guarantee scheme similar to Homebond but with different cover and used by an increasing number of private developers.

**Prices Variation Clause (PVC)**
A clause in the GDLA building contract whereby the housing association is liable for any increase in prices/costs during the building contract unless it is removed before the contract is signed. PVC only relates to inflationary costs and not for any unforeseen work or variations instructed by the architect.

**Procurement**
The type of process by which a housing association undertakes the development of a housing association project.

**Professional Indemnity (PI)**
This is generally insurance cover taken out by consultants which covers a range of risks against such things as claims for negligence, errors or omissions. It generally means that if a housing association sues a consultant, an insurance company will meet the costs of legitimate claims for losses.

**Provisional Sums**
A sum included in a bill of quantities for work that is required but cannot be successfully designed or specified at the outset of the contract.
RAS (Rental Accommodation Scheme)
Scheme which was introduced in 2004 to allow for the progressive transfer of tenants of housing associations currently receiving rent allowance from the HSE to a system whereby in future rent assistance will be paid by the local authority to the housing association on behalf of eligible tenants.

Snagging/defects liability period
The building contract usually specifies a period (usually 12 months) within which the contractor remains responsible for remedying defects to the properties.

Taking In Charge Process
Process whereby the local authority takes over the responsibility of the common areas, footpaths, roads and sewers, in a housing association project. (See Appendix II on Taking in Charge of Estates)

Traditional Building Contract
Where an architect’s detailed design is drawn up and followed as a set of instructions by the building contractor.

Turn Key Developments
Housing developments whereby the housing association purchases newly completed dwellings from a developer.
4. General Principles in Relation to Risk in Housing Development

There are a number of common issues that all housing associations should instinctively bear in mind when undertaking the development of a housing association project. These include the following overarching principles which will help in achieving a more successful outcome. They include:

(a) The proposed housing project complies with the strategy and objectives of the Housing Association
The housing project is indeed part of the housing association's development strategy and the housing association is not being forced in good faith to take on the development of a project by a local authority or other party.

(b) Early consultation with parties to the project
This is obviously essential so that the objects and motives of each party are clearly understood and nothing is left to chance at a later stage. This is particularly important when a housing association is preparing costings and designs.

(c) Clear recording and reporting of decisions
As good management practice it is crucial that all correspondence is kept in chronological order and where relevant properly minuted.

(d) What is the impact on the future housing management aspects of the housing project?
Very often this is the one area that is often overlooked when a housing association commissions a project. This is particularly relevant in the choice of the capital funding scheme used by the housing association and its future impact on rents and housing management charges. Where it is proposed a housing association will have involvement with a private management company in the management of apartment complexes, there would have to be clarity on level of charges, legal responsibility etc.

(e) Review financial viability
In general it is good practice to undertake a project review of all proposed costings at pre-contract stage and after completion. Where the project may be more complex, ongoing assessment and review of costs would be important.
5. Planning and Capital Financing of Housing Association Projects

(a) Planning

When considering developing any project, housing associations should consider a number of issues which will help to determine whether a proposed project will be viable or not. These include the following:

✔ Housing Need has been established
  It is crucial that every housing association clearly determines that there is a need for their proposed project. This will include consulting with the local authority to analyse the demand from local authority waiting lists (where appropriate) and ensuring that the proposed project is in line with the local authority housing strategy and social and affordable housing action plan. Where homeless projects are being developed, the housing association would have to ensure that it complies with the objectives of the local authority homeless action plan. In developing other special needs projects where people may not present to the local authority to have their housing need assessed, the housing association would need to liaise with the local Health Service Executive (HSE).

✔ Technical considerations have been assessed
  This would include a technical appraisal of the land or units that the housing association is proposing to acquire. In the case of acquiring land it would include ensuring that the land has proper planning status including zoning and there are adequate services to the site to facilitate the development.

✔ Proposed project represents Value for Money
  With assistance from the housing association’s technical consultants, the housing association would undertake an indicative cost plan paying particular attention to the funding levels available under the capital funding schemes as well as the communal facilities grant.

✔ Resources of the housing association are adequate
  This would include examining whether the housing association has both the financial and human resources available to progress with the project until capital funding has been sanctioned by the DoEHLG. This would include covering the cost of fees of technical consultants as well as ensuring that the association has the resources to progress the capital funding application and give the scheme due priority in its development programme.

(b) Capital Financing of Housing Association Projects

One of the key issues for any housing association developing a social housing project is to correctly decide which capital funding schemes to use as this will have an impact on the future management of the scheme, particularly rental income. Housing associations should refer to the DoEHLG Memorandum VH 2/02 for the full terms and conditions of the capital funding schemes. Generally there are different capital funding limits for projects developed in urban areas due to higher construction costs. In addition housing associations can avail of the 1.5% development allowance in developing housing projects.
Capital Assistance Scheme (CAS)

Characteristics
- Generally used to provide housing for specialist groups such as the elderly, homeless and people with disabilities.
- Although 75% of the prospective tenants should be those who qualify for local authority housing, the housing association can house 25% from their own list.
- Fixed level of capital funding per unit subject to a maximum of 95%.
- Rents generally in the region of €55-68 per week for 1 and 2 person units.
- Rent allowance for tenants fixed at €50 and €55 per week for 1 and 2 persons respectively.
- In future rent allowances/subvention will transfer from the HSE to the local authority under RAS.
- Charges for on-site care costs are charged separately.

Financing issues and risk
- How to make up the capital funding shortfall of at least 5% of capital costs.
- What rents to charge to cover housing management and maintenance costs.

Possible solutions
- Can use full market value of donated land towards the 5% capital shortfall.
- Set economic rents of between €55 and €68 per week to cover housing and management costs as well as servicing additional loan repayments.
- Encourage and inform tenants to apply for assistance with paying their rent from the HSE or local authority through the RAS.

Capital Loan and Subsidy Scheme (CLSS)

Characteristics
- Primarily used to house families deemed eligible for local authority housing of which have to be at least 75% of new tenancies.
- Housing association charges income related rents.
- Housing association receives a management and maintenance allowance.

Financing issues and risk
- Capital funding less of an issue due to 100% capital funding provided subject to DoEHLG limits.
- Income related rents mean rental income per unit will vary as it is dependant on a tenant's income.

Communal Facilities Grant

Characteristics
- There is fixed level of funding per unit.
- Funding for new build and conversion and range of facilities should be compatible with the needs of the occupants.

Financing issue and risk
- How to meet the shortfall in capital costs of the communal facilities.

Solutions
- Explore options such as seeking contributions from the HSE and other relevant bodies.
6. Responsibility of Risk in Housing Associations

Housing associations’ management boards are ultimately responsible for risk in housing associations. As well as the legal responsibilities that boards must comply with, they should also pay particular reference to their governing instrument - their memorandum and articles of association or deed of trust.

Each housing association should have a clear policy on who is responsible for each part of the risk associated with a housing association development. For example, whether this is totally the management board’s responsibility or if it is delegated to a sub-committee of the management board or to a senior member of staff in the housing association. Therefore there should be clear policies on the recording and reporting of all issues in relation to risk and this should be adopted by management boards.

Generally the board should set down clear policies and procedures and exercise sufficient control so that the housing association is accountable yet at the same time allows the day to day management of the development programme, where required, to be delegated to designated staff or board members.

Where the board establishes a system of delegation to staff or board members, effective monitoring should be set in place to oversee this process. Where significant risk occurs for the housing association, the board should be made fully aware of this. In some cases, decisions in relation to aspects of the development process need to be undertaken between board meetings and in this case any decisions delegated to a committee of the board or senior staff should be clearly established including the priority of decisions.

It is essential that the board adopts a system for monitoring, reporting and control in relation to the development programme and this will assist designated members of the board, a sub-committee or senior staff responsible for aspects of the development programme to assume clear authority and responsibility for this work.

In terms of ensuring the highest standards of probity, as large sums of public money are involved in a development programme, it is important that boards have systems of control in place, by internal (which are checked and maintained) or external audit, to ensure that risks or accusations of fraud are avoided.

This is applicable in all types of housing associations.

Generally a housing association should have decided on the following:

- What decisions are taken by the board or its committees and which are designated to staff members.
- This in turn may depend on the organisational structure of the housing associations, its size etc.
- Where there is no staff designated, responsibility to undertake the development functions on behalf of the Management Board would normally be delegated to board members, usually the secretary and chair.
Ensure that there are proper ‘sign-off’ procedures agreed for various aspects of the development process.

- Although again this would depend on the organisational structure of the housing association and, where staff are employed who undertake the development work, the ultimate signing off of contracts would remain with the management board/trustees. It is important that the board has a number of procedures in place for this.

Ensure that there are adequate procedures in place to ensure that consultants and contractors are insured.

- Housing associations should have a checklist with criteria in place prior to the commissioning of consultants.

- Consultant’s level of Professional Indemnity (PI) insurance cover would be re-assessed, the time period which the PI covers, any limitations to their cover and whether they are a member of a professional body. The level of cover must be adequate for the scheme proposed.

- When a contractor is chosen standard checks would include their ability to secure a performance bond with an insurance company which covers the life of the contract and type of project proposed and that there are also the required tax clearances in place. In addition financial reviews of the contractor should be considered.

- For housing associations with ongoing development programmes it would be a good practice to have annual or periodic reviews of consultants and contractors on the basis of their performance.

Housing associations may have limits on what type of housing scheme it will consider as part of a strategy adopted by the board and may have limits in considering schemes which have a higher level of uncertainty.

- Although all housing association projects differ significantly, housing associations may wish to have a rule of thumb on how much time, resources and general commitment they give to certain types of more complicated housing projects especially where there are a number of third parties such as developers, land agents etc. driving the process.

- As more housing association projects are being developed with other tenures such as private, affordable and equity sharing the board should reflect this in their strategy for their development programme so that it can be readily understood by designated staff.

Different scenarios of responsibility in housing associations’ development programmes.

- There are two main organisational structures that have evolved for housing associations in the previous number of years and any policies adopted or to be adopted by housing associations should reflect this.
The main organisational structures include:

- Housing association which has no employed staff but where a member(s) of the board have been delegated to undertake development functions on behalf of the management board and report to it.

- Housing associations, usually larger ones, where development functions are undertaken by designated staff members who often may have the support of a specialist development committee (of board members) established by the board. In this process most of the decision making is undertaken prior to discussion by the full board of management. All decisions should be taken in accordance with the housing association’s strategy.

- There may be some variation in this latter scenario where a staff member of a special needs housing association, may in addition to their existing work, also undertake development work.

- Some larger housing associations who may have dedicated section/staff dealing with project development may operate a risk register.

Bearing in mind the different aspects of risk that are encountered in the project development process, housing associations may also wish to consider taking out directors and officer’s insurance cover which would to some degree cover their liability.
What is procurement?

Procurement can generally be defined as the manner by which something is brought about or acquired and in relation to housing development describes the processes by which a project is developed including that of the construction process. There have been a number of procurement methods used by housing associations in procuring a new social housing development and these are analysed in the following section with commentary provided on risks to be aware of in each of the six procurement routes. For the purpose of ease of understanding procurement options in this guide have been have categorised under the following headings as forms of procurement:-

- Traditional
- Design and build
- Direct turnkey
- Local authority led turnkey
- Part V
- Acquisition of existing property

There may be some overlap in a number of the procurement methods outlined above particularly in relation to Part V and design and build and turnkey. This guide does not include information on other procurement methods such as PPPs (public private partnerships) or management contracting where the building work is organised through a series of sub-contracts overseen by a management contractor or by a specialist consultant.

By far the dominant form of procurement in the social housing sector in Ireland has been the traditional method. Therefore, there has been a high degree of familiarity with housing associations, local authorities, the DoEHLG, consultants in the project team as well as within the construction sector. This is supported by the production of standardised contract documents, clear procurement procedures as well as a clear understanding by all parties of risk and relative roles and responsibilities.

However, other procurement methods have evolved in recent years largely from significantly increased housing activity in the private sector but it is important when considering alternative methods of procurement that housing associations are fully conversant with all of the different processes.

In recent years EU public procurement guidelines have governed the process by which housing associations have developed housing projects with the aid of capital funding provided by the DoEHLG under various capital funding schemes. For all procurement methods it is essential that housing associations are familiar with all the statutory requirements and should seek professional advice where they may be unsure of various requirements such as tendering and contract responsibilities.
### 7(b). Types of Procurement

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<tr>
<th>Procurement method used</th>
<th>Scope of 'risk' for housing associations</th>
<th>Ways of avoiding or minimising risk for housing association</th>
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<tbody>
<tr>
<td>1. Traditional</td>
<td>Architect tends to be the lead consultant and formulates design proposals based on housing association brief and discussions.</td>
<td>Robust design brief and client requirements should be provided by housing association for the architect. The housing association should also use architects who are familiar with the DoEHLG Social Housing Guidelines. May be better in some cases to appoint a single lead consultant than appointing a number of individual consultants.</td>
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<td></td>
<td>Consultants, particularly architects, incur significant cost before capital funding sanction is secured from the DoEHLG.</td>
<td>Where appropriate, consultants are notified by housing association in a standard letter of appointment that they are required to work at risk up to a certain stage in the development process usually when funding sanction is received. This should be made clear to consultants at appointment stage. (See page 39 on commissioning consultants.)</td>
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<tr>
<td></td>
<td>Changes in design specification and other contractual areas.</td>
<td>There is agreement at time of appointment of architect when and where they (architect) require authority from the housing association for any modifications to the scheme design and conditions of contract. The standard letter of appointment should clearly state the procedure to be followed for the instruction of any variations prior to signing off by the housing association.</td>
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<td></td>
<td>Quality of construction.</td>
<td>Generally the housing association can exercise greater control over the quality of construction in this procurement method especially with consultants acting on its behalf. Employment of clerk of works by housing associations consultants would assist in overseeing quality.</td>
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<tr>
<td></td>
<td>More risk remains with housing association in relation to stage payments, cost overruns etc.</td>
<td>Tendering or negotiated contracts including fixed price can reduce cost risk.</td>
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- **Traditional**
- **Design & Build**
- **Direct Turnkey**
- **Local Authority Led Turnkey**
- **Part V**
- **Acquisition of Existing Property**
### 2. Design & Build

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<tr>
<th>Procurement method used</th>
<th>Scope of ‘risk’ for housing associations</th>
<th>Ways of avoiding or minimising risk for housing association</th>
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<tr>
<td>Design brief provided by housing association to developer/contractor to provide housing units to a certain standard and price. Housing association also has specific performance requirements which developer must achieve which can form part of the contract.</td>
<td>Competence of the developer.</td>
<td>May be useful to have a pro-forma document for the developer/contractor to complete to demonstrate their competence in the delivery of social housing projects. May be a risk here if developers, who are only developers, subcontract out the construction work to a builder which may have an impact of the final quality of the scheme.</td>
</tr>
<tr>
<td></td>
<td>Type of contract.</td>
<td>Often impression is created that housing association entering into a fixed-price contract but need to ensure that it covers all aspects of the contract. It is important that the contract provides for a bond and retention.</td>
</tr>
<tr>
<td></td>
<td>Quality of design brief and other housing association requirements.</td>
<td>Housing association may employ a specialist architect or QS as an employer’s agent to help housing association prepare the specification for initial design brief and other requirements. The association’s employer’s agent could have a dual role in advising on cost issues as well as providing technical advice when the scheme is on site. (Appointment of an individual architect or QS is not advisable as employer’s agent.)</td>
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<tr>
<td></td>
<td>Role of a housing association clerk of works.</td>
<td>Generally in design and build contract there are no specific clauses covering involvement of clerk of works. May have clerk of works included if you have an agreement with the developer.</td>
</tr>
<tr>
<td></td>
<td>Communication of any changes in design by developer.</td>
<td>Housing association could give comments/observations at site/scheme meetings but liability for the design would remain with the developer's consultant.</td>
</tr>
</tbody>
</table>
Design brief provided by housing association to developer/contractor to provide housing units to a certain standard and price. Housing association also has specific performance requirements which developer must achieve which can form part of the contract.

This is a smaller part of housing association new-build projects. This method has to be managed by the housing association and not for the inexperienced.

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<tbody>
<tr>
<td>2. Design &amp; Build (continued)</td>
<td>Future design and construction issues.</td>
<td>Housing association should enter into a collateral warranty agreement with the developer’s consultant to allow housing association sue for design defects. Some schemes in mixed developments may also have structural insurance such as Homebond or premier guarantee (issues in relation to including the cost of Homebond need to be decided at early stage of capital funding application).</td>
</tr>
<tr>
<td></td>
<td>Quality of completed housing units provided by developer.</td>
<td>As housing association could have an initial strong input into the design and development process generally the housing units are more likely to meet the housing association's requirements.</td>
</tr>
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<td>Procurement method used</td>
<td>Scope of ‘risk’ for housing associations</td>
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</tr>
<tr>
<td>3. Direct Turnkey</td>
<td>Where housing association purchases completed dwellings directly from a developer.</td>
<td>Discussions with developer on unit type etc. required before deciding on whether to proceed or not as there would have to be agreement at pre-contract stage to ensure design and specification complies with DoEHLG guidelines.</td>
</tr>
<tr>
<td></td>
<td>Turnkey can be beneficial in the short-term but housing associations have little or no influence on quality control.</td>
<td>Quality of completed dwellings - No control over quality of construction during construction process.</td>
</tr>
<tr>
<td></td>
<td>No traditional building contract with usual conditions.</td>
<td>Without any contractual influence but housing association could propose to developer that a housing association clerk of works could inspect completed dwellings post practical completion especially as the dwellings have to comply with social housing guidelines. (Involvement of housing association clerk of works during turnkey schemes where they issue instructions can be problematic as this may dilute contractual responsibility of the developer.)</td>
</tr>
<tr>
<td></td>
<td>Purchase price.</td>
<td>Housing association should negotiate with developer so that it can obtain a lower price than that if the developer had to go to the market and sell the scheme in the private sector.</td>
</tr>
<tr>
<td></td>
<td>Handover.</td>
<td>Can negotiate directly with the developer a handover date and closing of contract.</td>
</tr>
<tr>
<td></td>
<td>Design defects.</td>
<td>Housing association can enter into a collateral warranty agreement with developer’s architect alongside the purchase contract. Should also apply to any sub-contractors with design responsibility.</td>
</tr>
<tr>
<td></td>
<td>Design defects and defects liability period.</td>
<td>Risk here of ensuring defects is attended to during defects period as there is no retention fund to make good defects. Very little housing association can do apart from ensuring that purchased units have structural guarantee cover.</td>
</tr>
</tbody>
</table>
### 4. Local Authority Led Turnkey

<table>
<thead>
<tr>
<th>Procurement method used</th>
<th>Scope of ‘risk’ for housing associations</th>
<th>Ways of avoiding or minimising risk for housing association</th>
</tr>
</thead>
<tbody>
<tr>
<td>The local authority enters into an agreement with a developer to acquire a social housing scheme. This will be then be transferred to the housing association.</td>
<td>Involvement in development process - Often housing associations brought in by local authority at an advanced stage and are not party to any of the early discussions regarding design or cost etc.</td>
<td>Housing association should seek specific written information from local authority on the number and type of units, layout, costs, financing method, etc. prior to notionally agreeing to acquire the units. Housing association should have specific requirements for local authority led turnkey schemes both in relation to design and other issues such as handover.</td>
</tr>
<tr>
<td>This procurement method has been recently used by a number of local authorities. (NB: housing association need to be very clear on the lack of control that it is has on this procurement process.)</td>
<td>Knowledge of purchase price, breakdown of costs for capital funding application.</td>
<td>Housing association should ensure that prior to the revised capital loan application being sent to the DoEHLG that there is a detailed breakdown of all costs as the housing association is liable in accepting the validity of all costs.</td>
</tr>
<tr>
<td></td>
<td>Handover process. As a non-party to the purchase contract the housing association is very dependant on the information between the local authority and developer on handover dates and has little control in this area.</td>
<td>At best the housing association can ensure there are tri-partite meetings between all parties well in advance of handover so it can organise the offer of tenancies. It is essential that the handover period is clearly known in order to organise pre-tenancy programmes, prospective tenants giving notice to quit on existing properties etc.</td>
</tr>
<tr>
<td></td>
<td>Legal liability issues such as design defects and defects liability period.</td>
<td>Housing associations should enter into a collateral warranty agreement with the developer’s architect and clarify the cover in such an agreement such as PI Professional Indemnity. Would need to be clearly established that there is adequate funding available for defects liability period or that there is a contingency fund available. (Proper legal advice is essential here as it is unclear what contractual liability, if any, the housing association has in instructing the contractor to respond to defects when the contractual relationship is between the local authority and contractor.)</td>
</tr>
</tbody>
</table>
The local authority enters into an agreement with a developer to acquire a social housing scheme. This will be then be transferred to the housing association. This procurement method has been recently used by a number of local authorities.

(NB: housing association need to be very clear on the lack of control that it is in in this procurement process.)

<table>
<thead>
<tr>
<th>Procurement method used</th>
<th>Scope of ‘risk’ for housing associations</th>
<th>Ways of avoiding or minimising risk for housing association</th>
</tr>
</thead>
</table>
| Future maintenance costs.
Involvement in a management company. | This can be minimised by involvement in the design process where housing association could focus developers attention on designing out high cost maintenance elements. If housing association has to become part of a management company, it should ensure that it actively reviews the performance of the management agent employed by the management company. Alternatively in some cases in mixed tenure development it may wish to manage the whole estate itself, although the housing association should take legal advice on this. |
<table>
<thead>
<tr>
<th>Procurement method used</th>
<th>Scope of 'risk' for housing associations</th>
<th>Ways of avoiding or minimising risk for housing association</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Part V</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local authority nominates housing association under the Planning and Development Act 2000 to own and manage the social housing element of a Part V project.</td>
<td>Involvement in the development process. Housing association should insist to local authority and developer on being involved at pre-planning stage and even optimally at pre-design stage as far as possible. However, it must be remembered that Part V is a legal agreement between the planning authority and the developer/builder who applies for planning permission.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cost of housing units.</td>
<td>The housing association should ensure that the local authority has a broad idea of the indicative costs at the time as it is responsible for making the capital funding application.</td>
</tr>
<tr>
<td></td>
<td>Quality of social housing units.</td>
<td>Ensure that the developer and his consultant is fully aware of the social housing guidelines in the Part V project and the technical standards for the capital funding schemes. (May wish to negotiate with developer concerning access for a housing association clerk of works to inspect work as it proceeds.)</td>
</tr>
<tr>
<td></td>
<td>Management costs for social housing units managed by housing associations particularly where there are communal areas in apartment complexes.</td>
<td>Housing associations should establish at the earliest opportunity in the planning process what the proposed management arrangements are for the development and indicative costs. To minimise paying fixed costs to management companies either negotiate reduced fee for social housing or ensure that housing association manages social housing element itself.</td>
</tr>
<tr>
<td></td>
<td>Capital funding application process.</td>
<td>Housing association should inform the developer of the application process for housing associations and ensure that the local authority has approved the technical standards. Housing association could have its own checklist and commentary on design issues to assist the technical approval process.</td>
</tr>
</tbody>
</table>
6. Acquisition of Existing Property

<table>
<thead>
<tr>
<th>Procurement method used</th>
<th>Scope of ‘risk’ for housing associations</th>
<th>Ways of avoiding or minimising risk for housing association</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process whereby a housing association acquires second-hand properties. Mostly used for special needs projects under the capital assistance scheme and allows for integrated housing schemes.</td>
<td>Identification of suitable properties to acquire.</td>
<td>Housing association may work with agents on their specifications for available multi-occupancy units that are for sale in any area.</td>
</tr>
<tr>
<td>Process for purchase.</td>
<td>Process for purchase.</td>
<td>Ensure that the local authority is aware of the properties for sale at the earliest opportunity so as purchase is not delayed. Should as far as possible include a number of conditions in the purchase contract such as provision of satisfactory title, subject to contract, funding sanction approval.</td>
</tr>
<tr>
<td>Design, layout and specification.</td>
<td>Design, layout and specification.</td>
<td>Have survey undertaken to ensure that layout, fixtures and fittings are not inadequate and should comply with the social housing guidelines and that this is passed to the designated technical official in the local authority. Ensure that the association has proper professional advice if there is a change of use in the property that it is proposing to acquire.</td>
</tr>
<tr>
<td>Cost of upgrade.</td>
<td>Cost of upgrade.</td>
<td>Housing association should ensure that the cost of upgrade that may be required is viable and that the project will comply with fire safety and building regulation requirements etc.</td>
</tr>
<tr>
<td>Relations with community.</td>
<td>Relations with community.</td>
<td>Where the project is special needs the housing association may need to consult with representative groups where it is felt necessary.</td>
</tr>
</tbody>
</table>
8. Detailed Aspects of Risk in the Development Process

**Appointment of consultants**
- Consultants should be commissioned in a letter of appointment stating that they agree to work at risk and that they have a full understanding what this means.
- Alternatively agreement should be made in advance of payment schedules. Architect may have to work at risk until project has been sanctioned by the DoEHLG.
- Housing associations need to follow the public procurement process if the fee level of consultants is over €249,681 in any one project or cumulatively for consultants working in one distinct area (e.g. architects, engineers) over a number of housing projects.
- Ensure consultant has adequate professional indemnity insurance. This should cover at least the value of the housing project and should be in place for a period after the completion of the project usually 6 years as a minimum but preferably 10 years.
- In relation to the commissioning of an architect, the letter of appointment by the housing association should specify their responsibilities under the Health and Safety Construction regulations.
- Under Health and Safety regulations for construction housing associations have to appoint a project supervisor at design stage. Although it may be an architect this may not necessarily be the case.

**Acquition of sites**
- Low-cost local authority site lower risk in that it involves a transfer at low-cost (from €127) and doesn’t involve significant cost. Usually local authority sites would be zoned and serviced. Housing associations can provide a letter of guarantee to the local authority on title pending finalisation of mortgage.
- Privately acquired sites are higher risk and where entails borrowing directly involves servicing the loan. Where joint ventures are involved between housing associations and developers, the exact conditions of the agreement should be clear to the housing association.
- Housing associations may exercise an option to purchase land by taking out an option to buy land from a private developer, often on a specified date 3-6 months ahead.
- It is important in buying land privately there is proper sequencing between sanction from the DoEHLG and draw down of funds to pay for land.
- Sometimes a housing association may enter an agreement with a landowner to purchase a site subject to DoEHLG sanction.
| **Acquisition of sites (cont.)** | - Local authority can acquire the site using its own resources. If a local authority acquires a site on behalf of a housing association, it can only roll up interest charges for 7 years.
- Donated sites less than market value are fairly low risk so long as title can be assured and there are no restricted covenants on its use with the purchase of the site.
- The housing association has to satisfy itself that where land is acquired privately that it represents good value for money and this would be validated by a professional valuation.
- Overall it is vital that the housing association obtains proper legal advice.

| **Planning permission** | - Pre-planning discussions with housing and planning officials essential. Housing association needs to be briefed on all the conditions in the acceptance of planning permission including where there is any imposition of general or specific development charges as a planning condition.
- It is important that the housing association is aware of the planning permission process under Part V where after granting of planning permission the developer has 2 months to finalise an agreement with local authority.

| **Local authority levies** | - A housing association should make it clear to the local planning authority that it does not have to pay levies for development contributions under Section 48 of the Planning and Development Act 2000.
- A housing association should be clear if the local authority does require it to pay a special contribution level which is not covered by the general contribution scheme.

| **Capital funding application** | - The housing association has to complete the standard DoEHLG capital funding application forms. These are included in the DoEHLG ‘green’ memorandum and are CAS 1 and LSS 1 (see Appendix III).

| **Technical appraisal** | - In addition to plans and drawings for the project, commentary and a checklist on how the scheme complies with social housing guidelines should be included by the housing association to ensure that it complies with the technical standards of the capital funding scheme and social housing guidelines.

| **Tendering process** | - Process will depend on procurement method. Builder/developer should be selected on agreed criteria such as cost, previous work, capacity, ability to raise performance bond of up to the value of 25% of contract sum, up to date tax clearance and insurance cover. |
8. Detailed Aspects of Risk in the Development Process (continued)

### Tendering process (cont.)
- It is important to be aware of the EU procurement process especially where the value of works is greater than €6,242,028 (incl. vat) or services greater than €249,681 (incl. vat).

### Contractual arrangements
- Housing associations should only sign building contracts where it has received capital funding sanction from the DoEHLG.
- Housing associations should clearly understand the difference between pre-tender approval and ultimate capital funding sanction.
- Seek advice on contractual clauses in contract such as prices variation clause, provisional and PC sums, role of nominated and domestic sub-contractors and relevant payment schedules as well as the responsibility and liability of consultants.
- Housing associations should be aware of the general conditions of the GDLA contract or the CIF Builders contract in the event of the latter being used.
- Important that where consultants are involved, collateral warranties can be transferred to the housing association. Collateral warranties would also be required from sub-contractors where they have design responsibility.

### Financing of housing project
- The housing association should ensure that the certified stage payments are paid directly to the housing association and that the retention amount is either held in a joint housing association/builder account or by the local authority - depending on the conditions of contract.

### Practical completion
- Inspection by housing association and consultant prior to practical completion so that snagging list has been attended to. In larger schemes there may be a phased handover. Generally, 50% of retention would normally fall due at practical completion. The certificate of completion will allow the release of part of the retention money.
- The architect at practical completion stage should ensure transfer of 2 copies of the safety file and method statement under Health and Safety regulations to the housing association. Tenants may request information on this. A maintenance log may also be requested by the housing association at practical completion stage.

### Handover
- Housing association is responsible for issues such as insurance at handover stage. Important for the housing association for issues such as maximising rental income that handover is linked closely to the pre-letting of the properties.
- In the anticipation of a handover date the housing association may begin the allocation process at least 3 months prior to handover. However, where this may involve larger projects an earlier period than 3 months may be required.
8. Detailed Aspects of Risk in the Development Process (continued)

**Defects liability period**
- The defects liability period starts from the date of practical completion. Service guarantees should be provided by the contractor on completion. Usually, defects liability period is 12 months but may depend on the conditions of the building contract.
- (See different types of procurement in section 7 (B).) Usually liability remains with the main contractor in a traditional contract. However, this may be different in turnkey projects.
- The issuing of the final certificate that signifies the end of the defects liability period and the balance of the retention amount would be released at the end of the defects liability period.
- It is important that the housing association has a clear reporting mechanism in place for recording defects and authorising appropriate action.

**Final account**
- The housing association should ensure that the final account is agreed within a reasonable period of time after the defects liability period expires and this should normally be within 6 months. The housing association’s quantity surveyor should compile all the variations and architect’s instructions which should be recorded during the contract.
- It may be useful to prepare a draft final account in certain circumstances; however, housing associations should adopt a reasonable and pragmatic approach to the closing of final accounts.

**Delays & Arbitration**
- When any delays occur with the contract (e.g., due to weather) these should be recorded and revision of time schedule agreed, and if penalties incurred, these should be agreed. It is important that delays are recorded as they occur.
- In case of arbitration, records should be kept by architect of any variation or design changes that have been agreed.
- Arbitration should be avoided if at all possible as it is a costly exercise and legal advice should be always sought by the housing association.

**Taking in charge of estates**
- In traditional building contracts, the housing association’s architect should have a procedure in place whereby they certify that after handover the project complies with all conditions of planning permission and building regulations and has a record from the builder and other contractors of ‘as built’ drawings and that the schedule of work was to standard agreed specifications. (Appendix II)
- If local authority fails to take in charge an estate a plebiscite can be called by the tenants within 7 years of handover to force the local authority to take in charge.
- The housing association should ensure that the local authority is notified of the practical completion date.
## 8. Detailed Aspects of Risk in the Development Process (continued)

### Abortive costs
- In order to avoid abortive costs, housing associations should make it clear to consultants the point at which they will have to work at risk. (A local authority under Section 6 of the 1992 Housing Act can act as guarantor for any finances used by a housing association in developing a project, although rarely used). The development allowance from other schemes may help cross-subsidise any development cost losses, although it is not for consultants fees.
- If a housing association incurs significant costs developing on a site provided by the local authority and the project then aborts, the onus should be on the local authority to pay these costs.

### Development for other housing associations
- A housing association should ensure that there is clear prior written agreement with the other housing association on the development process proposed including design, layout, role and use of development allowance, handover and post-completion issues including liabilities.
- Consortia arrangements between housing associations may be applicable where there is an opportunity to develop a large site catering for different housing needs.

### Legal Issues
- Mortgage loan agreement between a local authority and a housing association should be in place and where appropriate a letter of guarantee can be used pending the finalisation of the mortgage agreement.
- In the case of a local authority led turnkey, where the local authority may request a ‘caretaker agreement’, the housing association should seek advice from its legal advisor on the standing and requirements in such an agreement.
- In all cases it would be useful if the housing association made the local authority legal representative aware of the standard mortgage loan agreement in the DoEHLG memorandum VH2/02.
- Overall the housing association should ensure that it is able to secure proper legal title to the site or building.
9. Other Forms of Housing Development by Housing Associations

❑ Affordable Housing

Currently there are three affordable type housing schemes known as the 1999 scheme, Part V and the affordable housing initiative. All three schemes are essentially forms of discounted homeownership. They are targeted at households who have single incomes less than €40,000 and combined household incomes based on a calculation of €100,000 per annum.

Some housing associations have in recent years been involved in developing affordable housing as agents on behalf of local authorities as part of the 1999 affordable housing scheme. This involves local authorities raising a loan with the Housing Finance Agency to provide capital funding for the housing association to develop the affordable housing project. The housing association usually organises and controls the development process from tendering through the construction phase to handover. The affordable houses will then be purchased by the local authority from the housing association and sold to households eligible for and interested in the affordable housing scheme. Unlike traditional housing provided for sale, these affordable homeowners will have restrictions placed on the sale of their property through a claw-back scheme for up to 10 years after occupation.

Risk Factors

The housing association must be reassured by the local housing authority that there is indeed a viable demand for affordable housing in the area and that other private housing schemes for sale being developed by private developers would not adversely affect the viability of the housing association’s affordable housing scheme. Although the housing association sector envisaged having direct access to the Housing Finance Agency to develop affordable housing this has not yet occurred and they still rely on local authorities leading the process of raising a loan primarily with the HFA. Housing associations should be clear on what their role is in procuring an affordable housing scheme for the local authority, the role of the local authority if there is not a strong take up of affordable housing and who is responsible for remedying any defects to the affordable homes.

❑ Equity Sharing

This scheme which was approved in the 2002 Housing Act has currently two pilot initiatives underway in Dublin. It is targeted at those households who are not able to service an affordable housing loan. Therefore the income groups for equity sharing housing are less than €32,000. Unlike shared ownership, which is effectively a stair casing to full homeownership over a period of time (and in the interim involves paying a mortgage loan) the equity owner will own not more than 50% of the equity of their home. They have to buy at least 40% and not more than 50%. Therefore, the housing association/co-operative develops the housing with a loan from the local authority and the owner will only have to repay 40-50% of the cost of the property. If the equity owner wishes to move out then they can sell their equity to another interested owner. The equity owner will pay a management charge to the housing association/co-operative for ongoing administration costs. The equity owner is not permitted to purchase the remaining housing association equity.
Risk Factors

The process like affordable housing involves having the capital finance administered vis-à-vis the local authority in order to gain access to funding from the Housing Finance Agency. Not all local authorities are fully aware of the potential of the equity sharing scheme and what the specific target group is and their profile.

Housing association management boards need to be fully aware of all aspects of the equity sharing scheme and where it fits into their overall strategy. Currently the demand for equity sharing appears to be in urban areas.

If housing associations are committed to promoting the equity sharing scheme then prospective applicants should be well briefed by the housing association on all the conditions of the scheme.
10. Partnerships with Other Housing Associations and Other Bodies

❑ Housing Associations/Consortia

This is one area which has grown in recent years largely out of local arrangements and where it is anticipated at the outset there are mutual benefits for the different parties involved and where duplication in the capital funding process is avoided. Although these arrangements can start off with the best of intentions on both sides, there can be a lack of clarity which can lead to confusion over ownership of property and land, the use of the development allowance, future housing management responsibility and transfer of title and engagements. The typical relationships that have evolved are where a larger housing association may undertake to develop a housing project for a local housing association and the local housing association is to undertake the subsequent management of the project.

Where consortia arrangements have worked well they have successfully met the objectives of all housing associations.

• In order to avoid confusion occurring, a written statement should be agreed by all parties prior to the commissioning of a project on their respective roles and responsibilities and this is agreed to by the local authority.

• Good ongoing communications, for example through organising meetings with members of the consortia, is essential to keep every party fully aware of progress being made or difficulties that have been encountered.

❑ HSE and Other Bodies

Where another public body, such as the HSE, may wish to enter a development arrangement with a housing association to house a certain client group, the housing association should specify its own role as:

• Being the organisation responsible for developing the housing project and taking on consequent liabilities.

• The landlord of the property so that tenants are legal tenants of the housing association and not in-patients or residents of the HSE.

• That the HSE or similar body provide a commitment to provide ongoing financial support for the relevant on-site support and care that is required to allow the tenants to sustain their tenancies.
### 11. Bibliography

<table>
<thead>
<tr>
<th>Title</th>
<th>Author/Editor</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Funding Schemes for the Provision of Rental Accommodation by Approved Housing Bodies</td>
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<td></td>
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<tr>
<td>Effective Risk and Business Management</td>
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<tr>
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<td>Residential Densities Guidelines for Planning Authorities</td>
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<tr>
<td>Social Housing Guidelines - Site Selection</td>
<td>DoEHLG 1997</td>
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</table>
Appendix 1
Acquisition of Land or Buildings

There are a number of aspects to the purchase of land that a housing association should consider whether they are actively seeking to purchase or they are offered a site or building by a developer or builder.

General considerations

The questions that the housing association should ask would include:

❍ Does the site or property meet the housing association's identified need and does it meet the housing association's objectives?
❍ Is the location right?
❍ What are the characteristics of the land and how will these affect proposals to develop the site?
❍ What are the neighbouring features such as access to shops and other local amenities?
❍ Is planning permission required?

Specific issues

In terms of analysing specific sites and with assistance from technical consultants, a housing association will be able to judge whether to proceed with the acquisition of a site or building based on a range of factors which together will help the housing association come to a conclusion. Often although a site may be easily identified, it is the process of unlocking the site to allow it to be developed is the greater issue.

Specific issues requiring examination would include:

❍ The physical characteristics of the site for instance the slope/gradient, access boundaries orientation, previous use etc.
❍ Planning policies affecting the development of the site including the nature of any existing conditions of planning permission.
❍ Owner and control of site including property title and the ability to prove ownership together with any restrictive covenants or easements with the site.
❍ The valuation of the site.
❍ The relationship between the acquisition terms and the terms and conditions of the capital funding schemes.
Appendix II
Taking in Charge of Estates

After every housing association development has been completed, it is important that an application is made to the respective local authority to take in charge or take responsibility for certain public areas. It is important that the housing association and/or their consultant have prior consultation with the local authority to establish that they would propose to take in charge of. The following includes the general process that local authorities have for taking in charge of estates:

I. Application form is provided by the local authority to have eligible housing developments taken in charge by the respective local authority.

II. The application form should be certified by a suitably qualified person (e.g. architect) with professional indemnity insurance.

III. Evidence of insurance has to be provided to the local authority.

IV. The development will have to be certified in accordance with the terms and conditions of Planning Permission.

V. The local authority has specific requirements (although most are the same) in relation to public lighting, roads and footpaths, water services and open spaces.

VI. Subsequent to application form being lodged by the housing association to the local authority, the local authority will carry out an inspection of the estate to ensure compliance.

Taking in charge and the role of management companies in mixed tenure developments.

In recent years where housing associations are acquiring houses or apartments in a mixed tenure estate, particularly apartment developments, they should be aware that a planning authority as a condition of planning may require that a properly constituted management company be established for the purpose of maintaining the public lighting, roads, footpaths, parking areas and open spaces in the development. The responsibility of these will lie with the management company. If a housing association does become a part of such a management company it should be clear what its responsibilities are in such a management company as well as evaluating the performance of the management agent employed by the management company.
Appendix III
DoEHLG Capital Funding Application

For every housing association often the risk of a project being delayed may result from information being queried at the initial application stage. Detailed information on the requirements of the capital funding application is included in the DoEHLG Memorandum VHU 2/02. In summary the capital funding application should comprise of the following:

- Completion of dual capital funding application—one to be sent to the local authority and one to the DoEHLG voluntary and co-operative housing grants section in Ballina.
- Application for capital funding should include planning permission and plans and costings for the proposed project—2 copies of the cost plan and 2 copies of the design plans for the project prepared by a qualified person.
- Separate costings, if required, for communal facilities and site costs.

Eligible costs that would be included in the capital funding application include:

- Acquisition of sites, house or buildings.
- Construction, renovation, conversion and refurbishment works.
- Legal and other professional fees, public utility connection charges and other project development costs incurred by the housing association.
- Any loan charges incurred by the housing association during the construction phase.

Eligible items that can be included in funding for site costs:

- Site development and sub structural works where work is justified.
- The need for special foundations.
- Demolition and clearance of the site.
- Legal costs incurred in acquiring a site.
- Exceptional costs relating to services.

Acquisition of sites is subject to certain funding limits.
Part V as it relates to the part of the Planning and Development Acts 2000-2002 where local planning authorities can impose conditions on developers/builders submitting planning applications for new residential development, whereby, amongst a number of options, a proportion of new homes may have to be reserved by the developer for social and affordable housing.

Summary of characteristics of Part V and relevance to housing associations include:

❍ Local planning authority may request housing units to be transferred for social housing in new developments over 0.1 hectares.

❍ Specific percentage of social housing to be transferred will be determined by the requirements in the local authority's housing strategy.

❍ Other options include the local planning authority may impose on the developer/builder the payment to the planning authority of a sum of money in lieu of housing units or the transfer of sites on other lands in the local authority area.

❍ Under Part V when planning permission is granted by the local authority, the developer/builder has 8 weeks to reach agreement on the requirement to comply with Part V as set out by the local authority.

❍ The local authority under the legislation may nominate a housing association to manage the social housing component in a Part V project.

❍ Involvement at pre-design stage with the developer/builder and local authority is recognised as the optimum position for a housing association in the Part V process.

❍ In considering the involvement of housing associations and how to nominate a specific housing association, local authorities have been asked by the DoEHLG to do this based on a system of profiling whereby the profile of the housing associations activities, their capacity, expertise and level of operation within the local authority area should ensure that the most appropriate housing association is chosen.
Appendix V
Members and Role of Project Team

Housing association as the client

It must be clearly understood that in the development process a housing association has the function of being the client. Most housing associations do not have all the necessary skills themselves to build housing projects and therefore rely on various professionals to do it for them. A brief description of the key consultants and professional services used in the development process are included below. Good advice is essential in the long run for housing associations in minimising risk. Legislation is currently pending on the registration of titles for architects, building surveyors and quantity surveyors and in future only those qualified people on a statutory register will be able to use those titles and housing associations will need to be aware of this.

Architect

The main role of an architect is that they design the scheme to meet the requirements of the housing association (client). The specific role that the architect plays will depend on which type of contract is used. Where a traditional building contract is used (see section 7 (B)) where the responsibility for the entire design rests with the architect, the architect will also have a supervisory role during construction until the scheme is completed. Under a traditional form of building contract the architect is usually the lead consultant for the housing association and the other consultants provide supporting services. The architect will usually be the main point of contract for the building contractor and housing association and will represent the housing association in implanting the duties in the building contract.

Quantity Surveyor

Quantity surveyors provide a range of services usually in relation to advice on costs and cost planning as well as the valuation of works undertaken. In a traditional form of building contract where an architect produces the designs, these will be costed by the quantity surveyor to determine the amount of materials and work to be undertaken to build the development. The quantity surveyor will produce a bill of quantities which in turn will be priced by the building contractor as part of the tendering process. A quantity surveyor will usually be appointed directly by the housing association.

Structural Engineer

The structural engineer provides design guidance on issues relating to load bearing capacity of the ground being developed, building materials as well as the type of design required to support the scheme particularly where it is an apartment development.

Mechanical and Electrical Engineer

They may be commissioned where a housing scheme requires more detailed advice, for example on the installation of a ventilation, heating or specialist electrical system.
Clerk of Works

A housing association may wish to ensure that there is a clerk of works employed to ensure a high quality of work. The clerk of works is responsible for ensuring that the clients requirements are met by the building contractor in terms of compliance with plans, schedule of work and standard of workmanship. A housing association may wish to employ a clerk of works directly or as part of a design team lead by the architect.

Employer’s Agent

Generally occurs in a design and build where the building contractor has the responsibility for design. The functions of an employer’s agent can include assisting the housing association in preparing their contract requirements, preparing initial cost estimates, preparing tender documentation, analysing and advising on contractors proposals. Building and quantity surveyors and architects may offer the services of an employer’s agent.

Other Consultants

Other consultants that may be employed may depend on particular requirements in a proposed housing scheme. These may range from a building surveyor, archaeologists, environmental consultants or other specialist engineers. Building surveyors tend to be used more on refurbishment schemes.

Legal Advice

It is advisable to obtain legal advice from your legal team throughout the development process. Your solicitor will be able to guide you on legal aspects relating to all stages of the development.