



# Northumberland

## County Council

# Community Housing Fund Policy

# COMMUNITY HOUSING FUND POLICY

## 1. Background:

Northumberland County Council was allocated £1.314m in 2017 from the Department of Communities and Local Government (DCLG) Community Housing Fund (CHF). The Council will use this funding to work in partnership with local communities to develop Community Led Housing (CLH).

This policy sets out:

- who is eligible to apply for this funding;
- what will be funded; and
- how applications will be assessed and funding awarded

## 2. Definitions for the Purposes of this Policy:

Cohousing	A group of homes with both self-contained private dwellings and shared community space.
Community Support Organisation	A community organisation, appointed by the Council that supports community groups through the initial stages of the community led housing process.
Community Land Trust	A community organisation run by volunteers which develop genuinely affordable homes, based on what people actually earn locally.
Community Led Housing	Housing developments where a community play an integral role (refer to specific criteria in section 3).
Housing Cooperative	A membership based model of housing, where a group of tenants control/manage the affairs of properties without any individual ownership.
Registered Provider (RP)	A housing association, local authority or other body registered under the provisions of the Housing and Regeneration Act 2008 or any company or other body approved by the Homes and Communities Agency for receipt of social housing grant.
Communities CAN (NE) Ltd	A trading arm of Community Action Northumberland. This has been developed in partnership with Northumberland County Council. Communities CAN's devolved responsibilities will enable communities to access technical and professional services that support revenue schemes. CCAN will also facilitate discussions with other partners regarding capital developments across the county.

### **3. Policy Statement**

Community led housing is intended to bring social and economic benefits to local communities through the provision of housing which the local community has played a significant part in delivering. For a scheme to be 'community led' it will meet the following criteria:

- the community must be integrally involved throughout the process in key decisions (what, where, for who). They don't necessarily have to initiate and manage the development process, or build the homes themselves, though some may do;
- there will be a presumption in favour of community groups that demonstrate in their applications that they are taking a long-term, formal role in the ownership, management or stewardship of the homes;
- any funding provided is used to benefit the local area and/or specific community on a clearly defined and legally protected way in perpetuity;
- homes must be allocated in accordance with the Northumberland Homefinder Common Allocation Policy (or any replacement policy) and, where necessary, through the implementation of either the Rural Allocations Criteria or a Local Lettings Plan to help meet local housing need.

All types of housing for rent and intermediate housing, such as shared ownership and reduced market sale, is eligible for CHF support, as long as it clearly meets local needs and is community led. Examples of community led housing organisations include Community Land Trusts; Cohousing schemes; housing cooperatives and other similar organisations.

The CHF will be available to communities looking to both develop new housing and/or purchase, refurbish and bring back into effective use, empty properties.

Administration of any grants provided through the CHF will be carried out in line with the guidance set out in the Council's Grants Manual.

### **4. Corporate Requirements**

- Economic Growth - Community housing will add to the existing housing supply and help meet specific local needs, helping to grow local communities and their economy;
- Places and Environment - New housing projects will have to meet current building regulations and demonstrate to planning it has considered how to reduce its impact on the environment;
- Stronger Communities and Families - Community housing will provide the right type of housing solutions to meet the needs of local communities;

- Health and Wellbeing - Through community housing, there will be opportunities for communities to develop schemes to help local people retain independence.

## 5. Links with other Policies

The policy links to the Housing Strategy for Northumberland 2013-18 and the Private Sector Housing Strategy for Northumberland 2015-2020 and will support the delivery of aims and objectives of the Council's Corporate Plan.

## 6. Outcomes and impacts

Key outcomes of the policy will be:

- the creation of community led housing schemes in Northumberland;
- the provision of greater empowerment for local communities and neighbourhoods;
- increased awareness of the need for affordable and specialist housing to meet local needs.

## 7. Policy Implementation

It is intended that the vast majority of the current CHF allocation, and any subsequent CHF monies awarded to the Council in future years, will be spent through community organisations to deliver schemes. However, to ensure the success of the fund some other expenditure will be necessary, including:

- Contribution to the establishment and operation of Communities CAN – to enable it to promote and market the scheme and to provide professional technical support to groups, such as feasibility, site design, planning support and accessing finance;
- Contribution to the management of the CHF, such as developing and monitoring the CHF policy, undertaking housing needs surveys, promoting the CHF across communities in Northumberland and enabling works with housing developers and registered providers;
- Funding for the Grant Management to enable the Council to assess applications, issue grant agreements, monitor and make grant payments and evaluate the success of the scheme.

The Community Housing Fund policy and process will be overseen by the Community Housing Fund Project Group which will comprise:

Representatives from Northumberland County Council's:

- Strategic Housing Team
- Affordable Housing Team
- Community Regeneration and Funding Team
- Corporate Programmes & External Funding Team
- Representative from Communities CAN (NE) Ltd

- Other officers/partners as and when when required

The Project Group will shape the Community Housing Fund policy and consider grant applications. It will make recommendations to the Community Housing Fund Panel. The Panel will consider recommendations from the Project Group and make decisions on the policy, process and Stage 2 and Stage 3 applications. The Panel will comprise:

Head of Housing and Public Protection

Representatives from Northumberland County Council's:

- Strategic Housing Team
- Corporate Programmes & External Funding Team
- Planning Team
- Finance Team
- Other NCC officers as and when required

A representative from Communities CAN (NE) Ltd may be called upon to advise the panel but will not be part of the decision process for applications

Approval for applications under Stage 1 will be at the discretion of Communities CAN and/or other persons approved by the Director of Local Services and Housing Delivery. Stage 2 approvals will be at the discretion of the Director of Local Services and Housing Delivery, or an officer nominated by him, in consultation with other members of the Project Group as deemed appropriate. Applications under Stage 3 will be at the discretion of the Director of Local Services and Housing Delivery, or an officer nominated by him and in all cases following consideration by the Project Group and consideration of any recommendation that they may make.

The Policy will support community groups in three stages:

#### Stage 1: Community Development/Set-up Fund

Grant funding of up to £4,000 per community (in addition to support from Communities CAN) to help develop the group to the stage where they are constituted and to undertake initial community consultation. The types of activities this funding will support include:

- Room hire for meetings and consultation events;
- Housing need survey materials;
- Training requirements;
- Identification of other funding opportunities;
- Fact finding visits to other Community led Housing schemes;
- Secretariat time to support the group;
- Advice on constituting a Community led Housing body;
- Administrative/legal costs required to set up a group.

To access this funding groups are required to contact Communities CAN (NE) Ltd or the Council and/or other persons approved by the Director of Local Services and Housing Delivery. Where no constituted body has yet been created then the Council will accept applications from one of the following:

- The parish or town council for that area;
- The appointed Community Support Organisation;
- Another agency with strong links to the local community.

All claims and monitoring returns for Stage 1 expenditure will need to be prepared and submitted to Communities CAN (and/or other persons approved by the Director of Local Services and Housing Delivery) by the applicant and 'signed off' by CCAN prior to the submission of a Stage 2 (Feasibility) application.

### Stage 2: Scheme Feasibility Fund

Before accessing this fund, community groups will be expected to have been formed and constituted. They must also be able to demonstrate; robust governance arrangements are in place, a good level of community support for the project and have clear evidence of the local housing needs that any proposed housing scheme is intended to meet.

Furthermore, potential site(s) will have been identified that may be suitable for a community housing scheme.

Grant funding up to £40,000 per scheme (in addition to support from the Communities CAN) to support the development of a feasibility appraisal and a project plan could be made available. In exceptional circumstances requests for funding greater than the £40,000 limit may be considered, however the application will only be accepted if the applying community can demonstrate a clear rationale why additional funding is required, how it offers value for money and that the funding cannot be secured by other means. At this stage, the types of work funding could support could include:

- Feasibility study (this is an essential component of the application);
- Commissioning of a development agent to progress the scheme to a planning application;
- Identification and initial assessment of site/sites;
- Development of project plan, including a financial plan and identification of match funding;
- 'Pre application' planning advice;
- Scheme design including all relevant drawings appropriate for a planning application;
- Preparation of surveys and reports in advance of a formal planning application;
- Professional services not funded by the Hub;
- Identification of any abnormal costs or site specific issues which would require further exploration;
- Further community engagement;
- Work to establish detailed scheme costs.

To access this funding, groups are required to submit a Community Housing Fund Stage 2 application form and supporting documentation to Northumberland County Council. (The funding can be used to fund work, reports and surveys that can progress a scheme all the way through to the stage prior to a full planning application. A date for the production of the feasibility study will be agreed with the applicant at the time the application is approved. It should be noted that at least 10% of all costs must be accessed from an alternative source to the CHF.

The Council reserves the right to incorporate some of the development costs incurred at this stage into the total scheme costs identified at stage 3.

All claims and monitoring returns for Stage 2 expenditure will have been prepared and submitted by the applicant and 'signed off' by the Council prior to the submission of a Stage 3 (Development) application.

### Stage 3: Housing Development Fund

Before accessing this fund community groups will be expected to have produced a project plan, have an identified site/sites and a clear understanding of the people (e.g. elderly/young adults etc.) who will benefit from the scheme.

Grant funding can be provided to cover up to 50% of the total development costs or a maximum aggregated cost of £50,000 per unit whichever is the lower. At this stage, funding can be used to:

- Support the acquisition of a site (including legal fees);
- Professional costs, such as Design and Architectural costs, Quantity Surveyor, Structural Engineer;
- Site surveys and investigations not already completed in Stage 2;
- Planning fees and any specialist planning advice;
- Legal costs;
- Procurement costs;
- Any marketing; promotion and publicity costs;
- Any abnormal site costs;
- Site clearance and groundworks;
- Construction of the properties (or refurbishment in the case of empty homes and other regeneration initiatives).

To access this funding, groups are required to submit a Community Housing Fund Stage 3 application and supporting documentation to Northumberland County Council and may be asked to present to the Community Housing Fund Panel.

Should the community group be able to demonstrate through their application that they have fully considered all other funding options but require more than the maximum 50% grant to deliver a viable scheme, then the Community Housing Fund Project Group, may also accept applications for support of up to a further 30% of the total development cost.

In this instance the funding may be provided as a low interest loan, which would be repayable by the group on terms agreed at the time of the award.

A CHF application must outline how the project offers the fund value for money, as this will be an important consideration for the Group.

#### What the fund will not support

The fund cannot be used for the following:

- any development which does not meet the basic principles for a community-led housing as set out previously;
- any development which will not be delivered and operated to a Decent Homes standard
- any organisation that does not meet the criteria listed below;
- any development that has already commenced and/or where finance has already been secured; or
- any retrospective costs, which have already been incurred by the organisation

For illustrative purposes, two example scenarios have been developed. They are shown in Appendix A. Please note all costs included in the examples are only indicative.

## 9. Criteria

CHF Stage 1 funding is only available to groups with a clear community focus and an interest in providing housing which meets the needs of their local community.

CHF Stage 2 & 3 funding is only available to the following types of organisations:

- Fully constituted community groups – the group can be an existing charitable organisation or similar body, social enterprise or set up specifically for this project;
- Registered housing provider or non-registered housing association – as long as there is clear community involvement in the scheme (as set out in the policy statement);
- Town and parish councils if they have the General Power of Competence or relevant statutory powers.

Direct recipients of CHF stage 3 funding will be required to demonstrate they meet the following criteria, namely that they will be able to demonstrate:

- strong governance arrangements by operating through open and accountable, processes, with robust performance and management systems;
- that the skills and capacity exist within the organisation, or are available to the organisation to undertake the project;



- long term strategic plans for the operation and development of overall organisation;
- for existing organisations, evidence of past performance both associated with community housing and other areas of interest and delivery
- that there is a realistic financial plan (including cash flows) for the development of the housing scheme and the scheme offers good value for money to the CHF;
- clear financial and organisation plans for the future management of the housing scheme;
- community support for the proposals;
- how the organisation will comply with any relevant legislation and statutory requirements

In addition, community organisations will need to:

- be a legal entity, or be part of a legally constituted consortia agreement;
- be appropriately constituted (examples might include; a registered charity, Community Interest Company or charitable incorporated organisation, not for profit company or Community Benefit Society);
- have clearly stated community benefit objectives;
- be non-profit making including a commitment to reinvest any surpluses to further its social aims/community benefits.

#### How requests for funding should be made

Requests for CHF Stage 1 funding should be made to Communities CAN (NE) Ltd.

Requests for CHF Stages 2&3 funding must be made on the appropriate application form and submitted to the Community Housing Officer within the Council's Strategic Housing Team. Information submitted must include:

- the legal constitution of the group and the principal contacts;
- evidence of community engagement;
- a financial plan, identifying the sources of funding for the project;
- identification of a site/sites;
- a basic site design indicating the number of types of housing to be delivered through the project;
- an outline of who the new homes will be for and how that meets a local need;
- what professional support is required to take the project forward and how these professionals will be appointed/procured;
- what role the community group will play once the homes are complete.

### How requests for funding will be considered

Requests for funding from CHF Stage 1 will normally be considered by Communities CAN (NE) Ltd.

Applications for funding from CHF Stages 2 & 3 will be considered by the Community Housing Fund Project Group. Please note that this may generate further questions or requests for clarification prior to recommendations being made to the Community Housing Fund Panel. The Community Housing Fund Panel will consider the recommendations made by the Project Group and make a decision on the application. The Panel may choose to delegate a decision on small amounts of Stage 2 funding where it feels this is appropriate. A written decision will be sent to the group stating whether the application has been successful or not.

### Value for money

Applications for CHF Stage 1 & 2 funding will need to demonstrate how the group intends to spend the money, provide a breakdown of costs and demonstrate they have followed the required quotation tendering process included within the application guidance.

Applications for CHF Stage 3 funding will require the submission of a financial plan, outlining what revenue and capital support is required. The application should also outline what professional support is required to deliver the scheme and how this will be procured.

CHF applications will be expected to outline where match funding will be sourced from to make the scheme viable. The Community Housing Fund Group expects groups to demonstrate they have taken appropriate measures to reduce the amount requested from the Fund and will expect evidence that the applicant has considered the following alternative funding streams (where applicable):

- Borrowing on rental income; *this is capital funding borrowed over the long term, (typically 25 years), using projected rental income streams to service the debt;*
- Sales receipts; *this is capital funding secured from the proceeds of projected house sales;*
- Homes England Grant; *this is grant made available from Homes England in accordance with their Affordable Housing funding programmes;*
- Land donations or use of existing community land; *this is land offered at 'nil' or below market value;*
- Community Asset Transfers of buildings;
- Local authority commuted sum fund; *this is capital funding taken from the fund which accounts for financial contributions from developers in lieu of 'on-site' affordable housing;*
- *Any other appropriate grant funding which the applicant can be reasonably expected to access.*

### How funding will be administered

The award and management of the grant agreement will be carried out using the Council's on-line grants system and in line with the Council's External Funding third party grants process. Support will be given to successful applicants on how to use the system.

CHF Stage 2 and Stage 3 money will be provided to communities on a phased basis, with payments to be agreed at the time of the approval and detailed within the Grant Offer Letter between the Council and the Applicant. To gain access to the next phase of money, the community group will be required to demonstrate that they have met agreed key performance targets. The Council reserves the right to retain allocated funding, should the community group fail to undertake agreed actions or the risks associated with the scheme are judged to be too great.

### Monitoring and Clawback

Groups awarded CHF Stage 1 funding will be monitored by Communities CAN (NE) Ltd, who will report back to the Community Housing Fund Project Group on a regular basis.

Groups awarded CHF Stage 2 and Stage 3 funding will be required to submit claims and monitoring returns to the Council on a frequency to be agreed at approval, this will be as a minimum quarterly. They will also be monitored by the Community Housing Fund Project Group.

The clawback of funding would only ever be used as a last resort under circumstances detailed within the Grant Offer Letter. However if it is the view of the Council that allocated funding has not been used as agreed during an application then a full or partial clawback may be actioned.

The Council reserves the right to seek repayment of any grant awarded, should any homes provided through this programme be taken out of community ownership within 25 years of the completion of the scheme.

## **10.Evaluation**

An evaluation report highlighting progress on delivery of the Community Housing Fund will be provided to the Communities and Place Overview and Scrutiny Committee on an annual basis.

This policy will be reviewed after one year following its adoption and the evaluation report and any proposed changes to policy will be presented to the Council's Communities and Place Overview and Scrutiny Committee.



## Appendix A - Community Housing Fund Policy – Worked Examples

*Please note that the figures used are for indicative purposes only*

### Example A - A 10 unit Community Land Trust scheme in a rural community

A parish council is concerned about the lack of affordable housing in the village to meet the needs of the local community.

#### Stage 1 Community Development/Set Up

After an initial discussion with the Community Support Organisation they apply for and are successful in attaining £2,200 from the Stage 1 Community Development/Set-up Fund. Working with the Community Support Organisation, they use this money to:

- undertake a parish wide housing needs survey;
- hire a minibus to visit an established Community Housing Scheme in West Yorkshire; and
- start the process of setting up a separate body to take this work forward
- arrange training events for interested individuals in the community

Stage 1 Type of Funding	ESTIMATED COST (£)
Room hire for meetings and events	500
Housing needs survey	400
Training events	500
Legal advice on how to constitute the group	500
Visit to a scheme in West Yorkshire (inc cost of mini bus hire and subsistence)	300
<b>TOTAL</b>	<b>2,200</b>

#### Stage 2 Feasibility Fund

The housing needs survey supports the initial fears that there is not enough affordable housing in the village and this is leading to younger people having to move out of the community they have been brought up in. The group have identified a couple of potential sites they believe would be suitable for a scheme of 10 houses but they have no idea of whether they would likely get planning, how much they would need to pay for a site and how to design the houses. Therefore they apply for Stage 2 Feasibility Funding (see table below).

Stage 2 Type of Funding	ESTIMATED COST (£)
Feasibility report via the community housing hub	2,500
Setting up of Community Land trust	2,500
Site survey/Ecological surveys	7,500
Site investigation (inc structural engineer fees)	7,500
Flood risk appraisal	3,000
Pre-app planning advice	500
Architect/QS fees	10,000
Further training and consultation	1,000

<b>SUB TOTAL</b>	<b>34,500</b>
LESS 10% contribution from Community Land Trust group	3,450
<b>TOTAL</b>	<b>31,050</b>

The group is successful is gaining access to £31,050, which is agreed to be provided in three phases, with a match of £3,450 from the parish council. The first £2,500 is used by the group to undertake a feasibility study, this involves appointing a professional consultant, which they do through the Community Housing Hub. As a result of this work and discussions with the landowners of the two sites, they believe they have a viable and deliverable scheme and decide to focus on one site in particular (a Rural Exception Site). The feasibility study also starts to consider how the scheme might be funded and the most appropriate tenure for the homes. The remaining funds used by the group to set themselves up as an official Community Land Trust and pay for other professional fees, such as pre-application planning advice, the design of the site by an architect and a specific site study to consider flood risk and mitigation.

During this time the group also undertakes further public consultation, which includes a drop in session at the local village hall.

### Stage 3 Development Fund

All of the work undertaken in Stage 2 goes towards the development of a detailed project plan. This forms the basis of the Stage 3 application for funds.

<b>Stage 3 Type of Funding</b>	<b>ESTIMATED COST (£)</b>
Planning application	3,000
Site acquisition	100,000
Build Costs	1,200,000
On costs (fees etc) (7.5% of build costs)	90,000
Interest	107,000
<b>SUB TOTAL</b>	<b>1,500,000</b>
LESS HCA funding	225,000
LESS borrowing	825,000
<b>SUB TOTAL</b>	<b>1,050,000</b>
<b>SHORTFALL (to be funded by Comm Hsg Fund)</b>	<b>450,000 (30% OF OVERALL COSTS)</b>

This plan is presented to the Community Housing Fund Project Group. As a result it agrees to fund the community a total £450,000 (the equivalent of 30% of overall costs). This money is provided to the group in a number of phases, agreed at the time of the application and only when agreed gateways are met. This equates to 30% total unit cost for 10 houses, each costing £150,000 (including acquisition costs and all fees). The remaining 70% is provided funded through borrowing on future rental income (55% or £660,000) and a grant from the Homes and Communities Agency (15% or £180,000) through a Registered Housing Provider. Total scheme costs are £1.5m

Funding is used to cover the cost of purchase the site, cost of development and professional fees covering a range of issues (planning, site investigations, quantity surveyor etc.). The development phase of the site is led by the partner Registered Provider.

Once the site is complete the houses are allocated to local people at sub market rent, set by the community group using an agreed allocation policy. The day-to-day management and maintenance of the house is undertaken by the Registered Provider through a service level agreement with the community group. Ownership of the site and house is retained by the community through the Trust.

### **Community B - A 25 unit Cohousing Scheme in a market town**

A number of individuals and families from a town in Northumberland have formed an informal group that seeks to live in a housing scheme where a range of housing is provided for sale but includes additional communal space to encourage neighbourliness; environmental sustainability and a sense of community. This has the potential to be a cohousing scheme.

#### **Stage 1 Community Development/Set Up**

The group engage with the Community Support Organisation and develop their skills and capacity through attending training events; promoting the group to others; visiting established cohousing schemes and securing legal advice on how their group can be formally constituted. Their bid for Stage 1 monies to the Community Housing Fund is as follows:

<b>Stage 1 Type of Funding</b>	<b>ESTIMATED COST (£)</b>
Room hire for meetings and events	500
Publicity material and adverts in local press	750
Creation of website	500
Training events	1000
Legal advice on how to constitute the group	750
Visit to a scheme in West Yorkshire (inc cost of mini bus hire and subsistence)	300
<b>TOTAL</b>	<b>3,800</b>

#### **Stage 2 Feasibility Fund**

Having established the group as a legal entity and having identified a potential site the group seek funds for stage 2 (Feasibility Fund). They are meeting on a regular basis and have identified their housing needs. They commit to a development of 25 units with communal gardens (including an allotment); a common room/meeting room; a laundry; a district heating system and PV cells on all roofs. The scheme will be a scheme for sale – either outright sale or discounted market sale depending on the means of the household.

Their costs are estimated to progress the scheme to a full planning application and include the cost of the feasibility study itself; consultation with neighbours and other interested parties; a full site appraisal including a site survey; site investigation; ecological

reports and a marketing report. The costs also include the cost of an option agreement for the land.

<b>Stage 2 Type of Funding</b>	<b>ESTIMATED COST (£)</b>
Feasibility report via the community housing hub	2,500
Site survey/Ecological surveys	10,000
Site investigation (inc structural engineer fees)	12,500
Pre-app planning advice	500
Architect/QS fees	10,000
Option Agreement	2,500
Further training	1,000
<b>SUB TOTAL</b>	<b>39,000</b>
LESS 10% contribution from cohousing group	3,900
<b>TOTAL</b>	<b>35,100</b>

### Stage 3 Development Fund

The group have now reached the stage when they are ready to apply for planning permission having designed a scheme that is both viable and deliverable. 60% of the units will be sold at full market value and 40% will be sold at a discount of 30%. The average market value is £180,000. The discounted sale homes will be sold at £126,000 with possible options to 'staircase' up to 100% should the household's resources change. The group submit their project plan which seeks funding for £790,000.

This includes the discount on the discounted market sale units and the cost of the additional communal facilities which cannot be funded from the market sales receipts.

<b>Stage 3 Type of Funding</b>	<b>ESTIMATED COST (£)</b>
Planning application	6,000
Site acquisition	1,010,000
Build Costs	3,000,000
Communal facilities	250,000
On costs (fees etc) (7.5% of build costs)	244,000
Interest	250,000
<b>SUB TOTAL</b>	<b>4,760,000</b>
LESS Sales receipts (15 units @ £180,000 )	2,700,000
(10 units @ £126,000)	1,270,000
<b>SUB TOTAL</b>	<b>3,970,000</b>
<b>TOTAL FUNDING REQUIRED (Costs less Receipts)</b>	<b>790,000 (16.6% OF OVERALL COSTS)</b>

This money is provided to the group in a number of phases, agreed at the time of the application and only when agreed gateways are met.

**Please note that the figures used in these examples are for indicative purposes only**