**COMMUNITY-LED HOUSING IN NORTH YORKSHIRE AND EAST RIDING**

**NATIONAL SCOPING**

This short paper provides background information on the support currently available across the country for community-led housing, focusing in particular on how schemes in rural areas are being funded and providing some examples.

1. **How the Government is supporting community-led housing**

The Government’s interest in community-led housing has three main elements:

1.1 *The Localism Act 2011*

This significant piece of legislation introduced new rights for communities and set the context for a growth in community-led housing. It was intended to make it easier for local people to get things done and, in some cases, force through change. New rights included a ‘community right to challenge’, enabling a community to register an interest in taking on a local authority service; a ‘community right to bid’, enabling communities to delay the sale of public assets on the open market whilst they secured funding for their own bid, and a ‘community right to build’, enabling groups to bring forward small scale development proposals without the need for planning permission. The Localism Act also introduced neighbourhood planning, which has been quite popular in many rural communities but less so in urban areas.

Additionally, the Self-build and Custom Housebuilding Act 2015 introduced a requirement for local authorities to keep a register of people and organisations interested in self build sites within their area.

1.2*Rural and Coastal Community-Led Housing Fund*

The March 2016 budget made a commitment to provide £60 million a year for five years to support community-led housing in rural and coastal communities. One third of this is to be specifically targeted at South West England, where current activity is particularly strong.

Although the details have still yet to be announced (now expected in early Autumn 2016), there are indications that the focus will be on low cost home ownership rather than affordable rent schemes and on areas with particular pressure from second home owners. In the North Yorkshire and East Riding context, this is likely to mean the two National Parks and places like Whitby and Scarborough.

Funding is likely to be dispersed through local authorities in the first year, with the Homes and Communities Agency taking over responsibility from year 2 and inviting funding bids. It seems likely that some of the fund will be made available to community-*supported* schemes, put forward by housing associations, local authorities and private developers; ie not necessarily community-led.

The national organisations involved in community-led housing, co-ordinated by the Building and Social Housing Foundation, have submitted detailed proposals to Government on how this fund should be used. These proposals include:

* + Capital funding for nearly 4000 new community-led homes over the next five years
  + Revenue funds to build the capacity of local or regional support agencies to provide the necessary expertise to help community-led schemes get off the ground and support them through the development process

1.3 *Homes and Communities Agency (HCA) Shared Ownership and Affordable Homes Programme 2016-2021*

Government support for affordable housing has traditionally been channelled through the Homes and Communities Agency. Formerly semi-independent of Government, the HCA is now effectively a sub-department in Communities and Local Government with little flexibility in how it distributes its funding.

There was a significant ring-fenced capital funding programme for community-led housing in the HCA’s 2011-15 Affordable Homes programme, mainly for affordable rent, but this not being continued in the latest £4.7 billion programme, which is almost exclusively focused on housing for sale. There are, however, opportunities for funding community-led schemes that have low cost home ownership or shared ownership housing as part of the mix, with grant support of up to 30% for the latter through HCA investment partners. Community-led groups do not need to become Registered Providers to access this funding, but many are likely to continue working in partnership with housing associations that are, in order to minimise risk.

Additionally, although not a Government initiative, the National Housing Taskforce, set up by the Housing and [Planning](http://www.insidehousing.co.uk/policy/planning) All Party Parliamentary Group and the Royal Institution of Chartered Surveyors has a strand of inquiry covering new forms of housing supply, with community-led very much at the forefront of their deliberations. Evidence needs to be submitted by September 21st 2016.

1. **How local authorities are supporting community-led housing**

Local authorities can and do support community-led housing in a number of different ways:

2.1*Section106 funding*

This funding enables contributions to be sought from developers towards the costs of providing community and social infrastructure, the need for which has arisen as a result of a new development taking place. Some local authorities have accumulated significant sums under S.106 and a few are now using some of it to provide capital funding grants or loans for community-led affordable homes.

Others are providing capital funding from other budgets; examples include a £100,000 capital grant provided by Northumberland County Council to Prudhoe Community Partnership to gap fund the provision of two affordable rent flats above shops; and an interest free loan of £544,000 from Cornwall Council to St Minvers Community Land Trust towards the 12 unit self-build development. The self-builders' mortgages enabled them to purchase a serviced self-build plot from the CLT, repay the local authority loan and continue with the project.

2.2 *Revenue grants*

Direct grants are being provided by some local authorities to community-led housing schemes in the early stages of development, where other forms of funding support are unavailable. For example, in East Cambridgeshire, a £20,000 annual budget enables new community-led schemes to access grants of £5000 each to get things up and running whilst a pre-development loan (with an annual budget of £70,000) enables groups to secure up to £30,000 which is only repayable if the scheme eventually moves to completion. The funding is then recycled to subsequent schemes. In West Dorset District Council, a Housing Initiatives Fund provides grants of up to £5000 specifically for community land trusts, from the Council’s community development budget.

2.3 *Community asset transfers and long-term leases*

Where local authorities or other public bodies own land or buildings that are surplus to their requirements they may be prepared to transfer them to a community-led organisation. Although all public bodies are normally required to secure best value from asset disposals, in some cases, such transfers can take place at below market value and even at nil-value. Some local authorities prefer to transfer on a long lease basis, retaining their freehold interest. Leases are normally pitched at a long enough timescale to enable the community-led housing project to attract funding from institutional lenders.

SCATA, a community land trust in Northumberland acquired the freehold of a redundant public toilet block as a nil-value asset transfer from Northumberland County Council (via the local Parish Council) and subsequently built an elderly persons bungalow on the site. Empty terraced homes in Middlesbrough have been transferred by the Borough Council to Gresham Community Land Trust for £1 each, albeit with restrictive covenants and a buy-back clause.

2.4 *Specialist support staff*

Where rural local authorities employ rural housing enablers, some have broadened their role to encompass community-led housing development; others are using existing staff tasked with supporting social enterprise to work with community led housing providers to strengthen their business plans. One or two others have gone further, employing specialist support staff specifically for community led schemes.

SCATA in Northumberland benefitted significantly from regular on- going support from Northumberland County Council’s Social Enterprise team, particularly around governance and business planning. SCATA also received a £5000 start up grant from the Council. Until recently, East Cambridgeshire District Council bought in support for its community land trusts from a regional development agency, but when the idea took off it decided to employ its own staff direct.

2.5 Local Plans and Supplementary Planning Documents

Only a very small number of local planning authorities make specific supportive references to community-led housing schemes within their planning policies. East Cambridgeshire is leading the way amongst rural/semi-rural authorities in this respect. It is supporting community-led development through its Local Plan, drafted in 2013 and formally adopted in April 2015. A key element of the Plan deals with its policy towards community-led affordable homes development outside designated village boundaries.

The following extract sets out the position…

The District Council is generally supportive of community-led development…the affordable housing elements may be permitted outside development envelopes as an exception to normal policies of control where:

The District Council is satisfied that (i) the scheme was initiated by a legitimate local community group, such as a Parish Council or Community Land Trust and (ii) the scheme has general community support, with evidence of meaningful public engagement.

It can be demonstrated that the scheme will be well managed and financially viable over the long term and that any benefits provided by the scheme can be retained by the local community in perpetuity.

An element of open market housing on the site will only be acceptable where it is demonstrated that it is essential to enable delivery of the affordable housing or other community benefits on the site.

A more detailed Supplementary Planning Document, approved by the Council as a draft for consultation in November 2015, includes other statements of policy in support of community-led schemes.

The Council starts with the presumption that all community-led developments will be supported, unless there are fundamental problems with a proposal…

Considerable positive weight will be given to proposals whereby it is clear the proposal is genuinely community-led and genuinely has community support. If these two elements are in place, then the Council is likely to approve the proposal, even if some elements of the scheme might conflict with wider Local Plan policies.

Normally the Council charges for formal pre-application planning advice, but we are willing to waive that charge for any genuine community-led proposal.

2.6 *Community self-build and self-build registers*

The [Self-build and Custom Housebuilding Act 2015](http://www.legislation.gov.uk/ukpga/2015/17/contents/enacted) requires each local authority to keep a register of individuals and groups of individuals who are seeking to acquire serviced plots of land in the authority’s area in order to build houses for those individuals to occupy as homes. Self-build and custom housebuilding registers are meant to provide valuable information on the demand for self-build and custom housebuilding in the area.

A number of successful community-led housing schemes have incorporated a self-build element. For example, the first St Minvers Community Land Trust scheme in Rock, Cornwall produced 12 affordable self-build homes held in perpetuity for qualifying local people at less than a third of their open market value. A further saving for the original self-build householders reflected their “sweat equity” in the homes.

To ensure the long-term affordability of the homes, the freeholds sold to the self-builders were subject to a resale price covenant, limiting the resale price of the homes to a maximum of 31.3% of their open market value. The mechanism allows the owners to profit from inflation in the value of the properties, but keeps the properties affordable for future generations. A pre-emption agreement gives St Minver CLT first refusal to re-acquire or nominate a purchaser when one of the homes is sold, keeping control of the property in the hands of the community.

1. **How housing associations are supporting community-led housing**

Housing associations have been as proactive as local authorities in supporting community-led housing schemes across the country:

3.1 *Development partnerships*

Partnerships between community-led housing organisations and housing associations have been a particular feature of community-led housing developments over the past few years. Many communities wishing to see affordable homes provided for local people have turned to housing associations to help them achieve it.

As registered providers with the Homes and Communities Agency, associations have been able to draw down significant sums of capital grant for individual projects and been able to raise private finance from mainstream lenders. So, whilst communities have usually identified and bought the land on which development has taken place, partnering with a housing association has de-risked the construction process, whilst ensuring that local people benefit and lease income is retained within the community.

Nowhere is this partnering more evident than in South West England, where 15 community land trusts have successfully gone down this route, mainly to provide affordable homes for rent. This successful arrangement is now, however, under pressure, as grant funding for rental schemes has dried up and some communities are reluctant to pursue low-cost home ownership as an alternative.

The discretionary right to buy, negotiated between the National Housing Federation and the Government to avoid legislation in the 2016 Housing and Planning Act, has created further uncertainty in communities about whether homes provided through development partnerships would be continue to be available to local people on an affordable basis and in perpetuity, as they have been in the past.

3.2 *Specialist support staff*

People with the right experience and expertise are often needed to help schemes get off the ground and support local communities in delivering them. But despite the significant role that some housing associations have been playing in community-led housing schemes, few of them have seen the need for employing specialist support staff, preferring to work with national organisations and – where they are up and running – sub regional support hubs or ‘umbrellas’.

Aster Housing Group is a notable exception. It operates across central southern and south west England and employs a full-time Project Manager for community-led housing within its South West development team, focusing on community land trusts and cohousing schemes. It works closely with Wessex Community Assets and its CLT hub on most of its community-led housing schemes. Despite recent funding changes, it is determined to continue supporting this type of housing provision in rural villages, making use of its reserves and cross subsidy to keep its programme of support going.

3.3 *Direct grants*

Revenue grants have, in some cases, been provided by housing associations to help community-led housing schemes in the early stages, with the funding usually coming from their community investment budgets. With all housing associations now facing significant financial challenges, there has been increased pressure on these budgets and direct funding is now increasingly difficult to find from this source.

**4. How landowners and developers are supporting community-led housing**

4.1*Below market value land sales*

Landowners holding agricultural land in rural communities can be persuaded to sell it for housing development, but its value is essentially determined by a developer’s ability to secure planning permission.

Rural exception sites work because the land coming forward will not

obtain planning permission for 100% market housing, but it can provide a

significant uplift in value compared with agricultural land. Some landowners are prepared to sell on this basis; others have only been prepared to sell small parcels of land for community-led schemes at significantly below market value in order to support the local community, knowing that other developers were unlikely to come forward with viable schemes. In rural villages where developable land is at a premium, community-led proposals may be the only real option.

4.2 *Community bond investment*

Some land owners, particularly large estates, have been prepared to support community-led housing schemes in their areas by investing in community shares or bonds. In some cases they have even been prepared to convert these shares or bonds into grants at the end of the loan period, helping to reduce the need for commercial lending and improving the affordability of the homes provided. At Glendale Gateway Trust in Wooler, two estates contributed nearly half the community bond target figure (see paragraph 6.3).

4.3*Mixed tenure developments*

Securing housing development in rural communities is always challenging. Developers usually want to build 4/5 bed high value executive homes, whilst local authorities usually wish to see 2/3 bed lower value homes with a relatively high proportion of affordables. Increasingly, developers and house-builders are looking for new and innovative ways to secure community support for their schemes and secure planning permission. Including community-led affordable homes as part of larger, mixed tenure schemes is already being seen by some developers as a pragmatic way forward in some towns and villages.

**5. Sources of revenue funding**

5.1 *Locality*, formerly the Development Trusts Association, provides three related types of support for all types of community-led housing:

(see <http://mycommunity.org.uk/programme/community-housing/?_a=funding>)

Early Stage support provides initial advice (up to 5 days professional input) and a small grant (up to £2200) for community led groups just starting out. The focus is mainly on urban and deprived communities and the current funding round, supported by the Nationwide Foundation, ended in mid August 2016.

Community Buildings Pre-Feasibility Grants of between £1000 and £10,000 are available for establishing the feasibility of a community-led housing project before taking on its development through to a formal planning application or a Community Right to Build Order. Funding is provided by the Government through its Community Rights programme and is available for town and parish councils, neighbourhood forums and incorporated community groups.

Community Buildings Project Support Grants of between £10,000 and £40,000 are available for progressing a project from the pre-feasibility to full planning application stage, particularly covering the costs of technical advice and support. Applicants are expected to cover 10% of the project costs themselves.

Both these Community Buildings funds are available until April 2018.

Locality also provides a set of 5 toolkits and guidance notes for communities interested in pursuing a community-led housing scheme. See <http://mycommunity.org.uk/resources/community-led-housing-kit/>.

The organisation is currently running a series of *See for Yourself* open days across the country, in conjunction with the Building and Social Housing Foundation, to raise the profile of community-led housing and highlight successful schemes.

5.2 The *National Community Land Trust Network (NCLTN)* has two funds specifically for community land trusts:

(see <http://www.communitylandtrusts.org.uk/funding-and-resources/funding/start-up-and-pre-development-funding>)

The CLT Start-up Fund offers technical assistance and grants to help with the early stages of setting up a CLT. There are 3 stages of funding. Stages 1 and 2 offer up to three days’ with an expert to scope out the project and assess its feasibility. If a community wants to go ahead and set up a CLT it can then apply for Stage 3, for up to £4,000 to assist with obtaining legal advice to incorporate a new CLT or secure land, prepare a business plan and cover some technical costs.

The CLT Social Investment Fund, managed by CAF Venturesome, provides loans of up to £50,000 to get schemes up to planning stage, including preparing plans, commissioning architects and surveyors and submitting the plan. The finance is repayable only if the scheme is successful and generates an income for the CLT.

The Network also has an Urban CLT Fund, but (by definition) this is targeted at urban and deprived communities and the current round comes to an end in summer 2016.

5.3 *Local authorities and councils*

In addition to the support provided through local authorities, set out in paragraph 2.1, some town and parish councils are becoming more aware of community-led housing and can be willing to support it, particularly in the early stages. This may include small start-up grants and/or loans as well as reduced cost access to community facilities for meetings and events.

In Wooler, Northumberland, Glendale Gateway Community Trust negotiated a £30,000 loan from the local Parish Council to help bring empty homes back into use – These funds had come to the Parish Council as a legacy and were not being used. The Community Trust gave them a 4% annual return which offset some of the need for a commercial loan.

Even where they are unable to help financially, Town and Parish Councils often play an important role in sponsoring community-led housing initiatives and many local councillors have become directly involved with community land trusts and other community-led housing initiatives, as trustees or directors.

5.4 *Big Lottery programmes – Big Local/Power to Change*

Big Lottery may be a useful source of revenue funding for community-led housing in certain circumstances. Their Big Local programme involves 150 communities across England, each given £1 million to spend on resident’s priorities over a 10 year period. Most projects are in their early stages of delivery. North and East Yorkshire has Big Local projects in Scarborough, Withernsea and Selby, although none of these have housing provision in their current action plans.

The Power to Change programme is a £150 million initiative aimed at scaling up community business. It is launching a £5 million community-led housing initiative in Autumn 2016, focused initially on 10 urban areas, including two in the North East. This may be extended to rural areas in future rounds if the Government’s Rural and Coastal Community-Led Housing Fund does not roll out as anticipated.

The Awards for All programme of small grant support is not usually available for projects involving land and/or buildings.

5.5 *Charities and Trusts*

Many other smaller trusts and charities have supported community-led housing schemes with contributions to revenue and occasionally capital funding. Tudor Trust and Esme Fairburn have a particular track record in this area, although their focus tends to be on urban and deprived rather than rural.

Generally speaking, community-led schemes in North and East Yorkshire are likely to benefit most from local trusts and charities that are keen to invest in rural communities. *Two Ridings Community Foundation* provides grants to help strengthen communities across North and East Yorkshire and may be a good source of revenue support for community-led housing groups in their early stages.

**6.** **Sources of capital funding**

Funding through the Homes and Communities Agency and local authorities has already been covered in paragraphs 1.3 and 2.1. Other important sources of capital funding for community-led schemes include:

6.1 *Banks and Building Societies*

A wide variety of commercial and non-commercial lenders are involved in supporting the community-led housing sector. Schemes developed in partnership with housing associations, for example, have seen funding raised through a broad range of commercial banks and building societies, with their financial interests protected through long-term leases with community-led landowners, usually of between 60 and 125 years.

Handlesbanken, a Swedish high street bank has recently provided capital funding for two community-led housing schemes directly to Goodwin Trust and Giroscope in Hull.

Most non-commercial lenders, particularly the smaller ones, often prefer to provide funding as part of a suite of lenders – to spread the financial risk. The main such lenders currently providing capital finance for community-led housing schemes are:

Charity Bank, whichprovides development finance of up to 70% of scheme value, with a maximum scheme cost of £2.5 million. It has already lent to a number of community-led housing projects. It does not provide long-term mortgage finance.

Ecology Building Society*,* which provides development finance of up to 80% of the scheme value for small-scale community-led housing projects – up to £1.5 million per scheme. It will also provide residential mortgages for shared ownership schemes, where shared owners have up to a 95% share. Ecology also provides small discounts for eco and energy efficient home schemes.

Unity Trust Bank, which provides development loans to a range of social investment projects. Unity has been particularly supportive of community-based organisations tackling the problem of empty homes and has a particular focus on Yorkshire and Humberside for its social investment. A £256,000 loan has recently helped Canopy Housing in Leeds bring 12 empty homes back into use for homeless and vulnerable people.

Triodos Bank*, which* has funded several community-led schemes, including the Lilac project in Leeds, and is interested in expanding this market. It will provide development and long-term finance of up to 70% loan to value for projects, secured against the assets, lending between £100,000 and £10 million on a single scheme. The maximum loan period is 25 years, although this can be extended to 35 years for certain affordable rent schemes. Where there is an equity gap, it can bring in small social investors to help bridge the shortfall.

6.2 *Social Investment Funds*

(CAF) Venturesomeis the social investment arm of the Charities Aid Foundation. It is currently operating the Community Land Trust Social Investment Fund which, in addition to the pre-development loans referred to in paragraph 5.2, also offers Getting Your Homes Built loans of up to £350,000 for CLTs to build out their projects. The aim is to de- risk the development for mainstream lenders and the loans are repayable once these are in place.

Resonanceoperates an Affordable Homes Rental Fund that is targeted at community-led schemes. It can provide between £100,000 and £1.2 million to part or fully fund schemes over an 8 year repayment period, at a fixed interest rate of between 5.5% and 7.5%. Resonance has been involved in funding a number of community land trust schemes, particularly in the south west.

The North East Social Investment Fund/Virgin Foundation *are* two funds that operate in North East England (although Virgin also covers other areas now). NESIF provides working capital loans of between £100,000 and £1 million over a maximum of 10 years, targeted currently at social enterprises across the region. Virgin provides grants of between £10,000 and £50,000 aimed at the same market. Both are keen to extend their lending into community- led housing, but their main focus is on deprived urban communities.

6.3. *Community Bonds and Shares*

Crowd funding, through community bonds and shares, is becoming an increasingly popular way of part-funding the development costs of community-led housing schemes, particularly in rural areas. They enable local people to support projects by investing a few hundred pounds, often without an expectation of any interest being paid but with a reasonable prospect of seeing their money returned once the development is complete.

In 2012, Keswick Community Housing Trust launched a £150,000 community investment share issue to part fund a £1.3 million, 11 home mixed tenure development in the town. In Wooler, Northumberland, Glendale Gateway Trust launched a similar Community Bond in 2013 to support a development of 9 affordable homes. It raised £128,500 in total, of which £14,000 comprised outright donations and £60,000 came from two large, local estates. The bonds, offering 0% interest, are due for repayment during 2016.

6.4 *Cross Subsidy*

A number of community-led housing projects are now going ahead through cross subsidy arrangements with developers. This tends to work mainly in high value urban areas and on larger developments, but there is scope for examining its applicability to some smaller sites in rural communities.

Cross subsidy from market sale to community-led affordable rent or shared ownership homes may be needed to make some schemes work financially, particularly where communities want to provide homes for which grant support is not available – increasingly affordable rent. Even on very small schemes, 2 or 3 market sale homes might make the difference between a viable and non-viable project, dependent on sales values and the availability and type of other capital funding for the community-led homes. Local authorities will normally want to ensure that any increase in land value associated with an acceptance of some market housing on what would otherwise only be a site for affordable housing is ploughed back into the community-led scheme.

East Cambridgeshire District Council has included the following in its Supplementary Planning Document on community-led housing…

To fund the construction of the community assets, it is expected that the community organisation will be able to attract grants and loans from external funding sources. However, grant funding may not be readily available or obtainable – and in these circumstances, an element of market housing may be permitted in the scheme to provide cross subsidy. Where market housing is to be provided, this will need to explained and justified in the Viability Assessment and the Statement of Community Benefit.

Where market housing is proposed, applicants will need to demonstrate through a financial appraisal that the proposed amount is essential to enable the delivery of the other elements of the community scheme. Applicants will also need to demonstrate that the community benefits in a scheme are significantly greater than would be delivered on an open market site. For example, that a significant proportion of affordable properties or other community uses are proposed – which offset and justify the provision of some market housing on the site. The quantification of these benefits and justification for the market housing should be highlighted in the Statement of Community Benefits.

The grant of planning permission for a scheme that includes open market housing outside a settlement boundary can significantly enhance site value from (usually) low agricultural values. Because of this, the Statement of Community Benefit should include an explicit statement of site value that will accrue to the landowner as a consequence of the planning permission. The Statement should also include a comparison against the current estimated local market value of a scheme. This information will also allow the District Council to ensure that additional value derived from introduction of market housing into the scheme is used to fund the community benefits and does not disproportionately benefit the landowner.

*Extract from East Cambridgeshire District Council Draft Supplementary Planning Document COMMUNITY-LED DEVELOPMENT August 2013*