

	REPORT TO CABINET TO BE HELD ON 14 FEBRUARY 2017	
	Key Decision	Yes
	Forward Plan Ref No	
Corporate Priority Aim 3 – Creating Healthy and Vibrant Communities	Cabinet Portfolio Holder	Cllr Bill Chatt, Cabinet Member for Public Health and Housing

REPORT OF: DIRECTOR (TW) - 17/035

WARDS AFFECTED: ALL

SUBJECT: COMMUNITY HOUSING FUND

RECOMMENDATION (S):

Cabinet is recommended to:

- 1) Accept £1.86m from DCLG to help deliver community led housing schemes in the Borough.
- 2) Agree that for the 2016/17 allocation, funds are earmarked to support the development of community led housing schemes within the National Park area.
- 3) Note that in order to 'stretch' the allocation it is proposed to work with Registered Providers and the Homes and Communities Agency on these schemes.
- 4) Agree to the principle of using 10% of the total allocation (£186k) for revenue purposes to support the delivery of these homes.
- 5) Agree to passport £50k of these revenue funds into a pooled North Yorkshire enabling fund. This fund will be used to access technical expertise on a countywide level to help develop the programme along with different delivery models.
- 6) Agree to use the remaining revenue funds to cover additional costs incurred by the Council in delivering these schemes. These shall include the need for additional Community Development capacity along with any other revenue costs associated with legal and enabling capacity in taking these developments forward.

- 7) Instruct officers to work up a grant payment policy that sets out the terms by which payments would be made to communities (or developers) along with a mechanism to calculate the value of such payments and report back to Cabinet for approval of this policy by March 2017.
- 8) Nominate the Portfolio Holder for Public Health and Housing as the Boroughs Community Led Housing 'Champion'.
- 9) Report back to Cabinet progress against individual schemes and any necessary approval for capital spending on a scheme by scheme basis.

REASON FOR RECOMMENDATION

The Council has been allocated £1.86M from Government to help promote the development of community led housing within the Borough. These funds need to be committed and spent on their intended purpose.

HIGHLIGHTED RISKS:

See attached matrix.

1. INTRODUCTION

- 1.1 The Community Housing Fund was announced by DCLG in December 2016 to support community-led housing developments in areas where the impact of second homes is particularly acute. £60 million has been allocated to 148 Local Authorities (mostly rural) across England for 2016/17. Going forward, further allocations shall depend on the impact of the fund and how it is spent.
- 1.2 The Council has been allocated £1.86m of this fund. This allocation is one of the largest nationally and reflects levels of local need. Payment is being made in two tranches, the first of which has been received and the second of which shall be paid subject to the submission of a delivery plan to DCLG in February this year.
- 1.3 This report seeks approval to accept the money and recommends the principles as to how this money should be spent. The report proposes that the majority of funds should be used as capital funds to support the delivery of a number of potential community led development opportunities within the National Park area. These are communities greatly affected by the impact of second home ownership that have already expressed an interest in taking forward community led development in some shape or form. In addition these are areas where potential development opportunities have already been identified through the Rural Housing Enabler Programme (e.g. there is a demonstrable local need, potential sites have been identified and dialogue has already commenced with the landowners and planning authority).

- 1.4 Whilst it is proposed that the initial focus for spending these funds should be within the National Park, it is recommended the Council commits to explore further opportunities (and areas) and different options for the use of these funds going forward.
- 1.5 Whilst it is proposed that the majority of these funds are earmarked for capital spending the report also seeks agreement to use a proportion of these funds for revenue purposes to provide additional capacity where required, particularly in relation to community development activity. In addition the report proposes that £50K of these funds is pooled into a wider North Yorkshire enabling fund.
- 1.6 The report also recommends that the Portfolio Holder for Public Health and Housing is nominated as the Council's community-led housing 'champion'.

2. CORPORATE AIMS/PRIORITIES AND THE COMMUNITY PLAN

- 2.1 Contributes to Aim 3 of the Council's Corporate Plan, 'Creating Healthy and Vibrant Communities'.

3. BACKGROUND AND ISSUES

- 3.1 Community-led housing is in essence where the local community takes on the lead role of developing, managing and/or owning affordable housing in their own area for the local community. The key features of community-led housing are:
- They are usually small scale, most schemes are under 20/25 homes and some are much smaller.
 - Schemes are usually set up and run by local people in their own communities, often with external support from housing associations, local authorities or regional and national support organisations.
 - They provide genuinely affordable homes for rent, shared ownership or sale on sites that are often difficult for mainstream housing providers to develop.
 - Schemes meet long-term local housing needs, by the community retaining a legal and/or financial interest in the homes provided and ensuring they are always available to local people who need them.
- 3.2 Community-led housing is not for profit, involving considerable voluntary effort. There are a wide variety of approaches to community-led housing and no standard model. However, the main examples are:
- **Community Land Trusts (CLTs)**, which provide affordable homes for local people in need, by acquiring land and holding it as a community asset in perpetuity.
 - **Housing Co-operatives**, which involve groups of people who provide and collectively manage affordable homes for themselves as tenants or shared owners.

- **Cohousing schemes** involve groups of like-minded people who come together to provide self-contained private homes for themselves, but manage their scheme together and share activities, often in a communal space.
- **Tenant Management Organisations** provide social housing tenants with collective responsibility for managing and maintaining the homes through an agreement with their council or housing association landlord.
- **Self-help housing** projects involve small, community based organisations bringing empty properties back into use, without mainstream funding and with a strong emphasis on construction skills training and support.
- **Community self-build schemes** involve groups of local people in housing need building homes for themselves with external support and managing the process collectively.

- 3.3 The key difference between normal housing developed by private house builders or Registered Providers is that the community takes central role. Communities may work in partnership with a Registered Provider or can work on standalone projects. They can provide affordable housing through a section 106 agreement and/or a rural exception site.
- 3.4 It is understood from the Homes and Communities Agency (HCA) that community-led builders can also access mainstream funding, such as the Home Building Fund and money from the HCA's affordable housing programmes. Community-led groups have also brought in significant revenue and capital resources not accessible to other housing providers, including commercial lending, social finance, charitable funds, community bond issues and labour as well as helping to meet local need they can build up new resources and resilience within communities.
- 3.5 Across the UK there are around 775 community-led housing groups of various descriptions. These are particularly predominant within the South West of England. There are currently no community-led housing schemes within the Borough and only one in the whole of North Yorkshire.
- 3.6 In December 2016 Government announced its Community Housing Fund. For 2016/17 £60m has been allocated nationally to Local Housing Authorities to support the development of Community-led housing and there is an indication that further funds will be allocated going forward dependent on the money being spent on its intended purpose.
- 3.7 The Borough Council's allocation is £1.86m. This is one of the largest allocations nationally and is reflective of local need. It is understood that the funding formula behind the allocation is primarily based on levels of second home ownership which are high within the Borough, 7.17% of the total amount of dwellings in the Borough being second homes, compared to the national average of 1.04%. It also takes into account affordability of housing to local people, especially as high levels of second homes can push up property values and make them unaffordable.

3.8 The criteria that Government sets out what the funds can be spent on is quite broad. Funds can be used for both capital and revenue purposes. The key requirement is that the community must be integrally involved throughout the process in key decisions. They don't necessarily have to initiate and manage the development process, or build the homes themselves, though some may do.

4.0 ASSESSMENT

4.1 The role of the Council

4.1.1 It is important to note that funding has been made available to the Council to help communities take forward community-led development in their areas and not to act directly as a developer or indeed project manage individual developments. The role of the Council is primarily as an enabler. Key responsibilities include:

- Promoting the development of community-led housing.
- Developing a plan as to how the money shall be spent to meet its intended purpose.
- Acting as the accountable body for the funding reporting progress back to DCLG.
- Supporting the communities themselves to develop schemes, including help with site identification; securing development partners; assessing scheme viability; supporting the legal process including development of governance arrangements; community development work and needs identification.

4.1.2 Whilst it is proposed to use some of the funds for revenue purposes to cover the cost of this work (see 4.4 – 4.5) the bulk of the allocation is to be used to cover capital costs associated with the acquisition of land and the actual construction of homes. The mechanics of this process are yet to be determined, however it is envisaged that funding support will be in the form of grant payments.

4.1.3 The terms of grant payments to be made (to communities or developers) along with a mechanism to calculate the value of such payments need to be worked up and agreed. Ideas being considered include the provision of funding to bring additional flexibility into the development process including up front funding to enable the acquisition and de-risking of sites or the covering of abnormal costs. Alternatively a flat or maximum grant rate per unit could be considered. Negotiations have commenced with both the HCA and Registered Providers to determine the ways that this fund could bring most added value. It is recommended that Cabinet instruct officers to work up such a policy for adoption by March 2017

4.2 Registered Provider and Homes and Communities Agency Support

4.2.1 The funding allocation from Government is very good news. It will help meet local housing need and supports the Council's wider housing strategy. It is

important to note however that in real terms £1.86m is likely to have a limited impact in terms of the actual number of homes that can be delivered through this fund. It is estimated that based on average land acquisition and construction costs that around 12 homes could be developed per year. It is very important therefore that the Council looks to stretch and maximise the value of these funds to help draw in additional funding, particularly from the HCA's affordable housing programme as well as through the use of Registered Provider (RP) funding. It is estimated that the use of such support should overall double the number of homes that can actually be delivered.

4.2.2 Whilst it is not a requirement of any community-led housing developer to be supported through either the support of an RP or the HCA, it is recommended that the Council does adopt this approach. Working with an RP and the HCA brings a range of benefits to the process including

- The drawing in of additional funding support to maximise delivery.
- The provision of specialist development expertise.
- Construction experience and capacity.
- Assurance around the design and quality of the homes developed.

4.2.3 It is not envisaged that the Council would have the capacity, even with the help of additional funding to support communities to develop homes in their areas without the support that an RP and the HCA can bring to the process.

4.2.4 Discussions have already commenced therefore with a number of RPs who are already working with the Council to support the existing RHE programme, these include Home Group, YCH, Broadacres and Sanctuary to help support community-led models in these areas. All these RPs have a presence locally and are on the HCAs development partner framework.

4.2.5 What still needs to be determined is the role that both the community and the RP may make in the process. As highlighted, the role of the community could range from helping to identify a need and a site for an RP to take forward to full ownership and management of the homes. It is proposed therefore that a number of different options are developed through the wider partnership with other districts (see 4.4).

4.3 Timetable for Delivery and Initial Focus within the National Park Area

4.3.1 Whilst the provision of the funds is good news, the Council needs to ensure it spends the money on its intended purpose in order to ensure that future allocations do not decrease.

4.3.2 There is some uncertainty around the mechanism for future allocations with some mixed messages coming out from Government as to whether payments shall continue to be made to Local Authorities or be administered by the HCA or even paid to national community-led housing bodies directly. Regardless of the mechanism for future funding, these funds give the Council a good opportunity to work up a pipeline of future community-led schemes going forward. It is understood from DCLG that whilst there is no real expectation

that funds will be spent or even committed by year end Local Authorities are expected to provide assurance to DCLG that they have robust plans in place to spend the funds.

- 4.3.3 Whilst no firm timescale for spending has been given from Government, it is clear that the Council needs to act quickly to maximise the benefits of this fund to help deliver new homes and secure future funding allocations. Ideally schemes need to be identified and ready to commence within 12 months (e.g. sites secured, planning permission granted, development partner in place and community-led vehicle established). This would enable completion of homes within 24 months. Whilst this does present a challenge, the Council is in a fortunate position in that a number of potential opportunities have already been identified through the Rural Housing Enabler (RHE) Programme where a community-led approach could be adopted in some shape or form.
- 4.3.4 These opportunities were specifically identified by the RHE Network (working with Rural Action Yorkshire, part funded by the Nationwide Foundation) in 2016, through a project to raise awareness and understanding of community led housing and identify pilot communities to develop community led housing. The project included a survey sent out to all parish and town councils across the RHE Network to establish whether they were interested in community-led housing. In addition, a number of focus groups were set up across the region, which further identified interested communities.
- 4.3.5 Within Scarborough Borough, Lealholm and Castleton have both expressed a clear interest in developing a community-led housing scheme in their area. The RHE is already working to develop an affordable housing scheme within Lealholm prior to the survey. Potential interest was also received from Egton and Aislaby as a result of the survey. Other potential opportunities have been identified in Grosmont and Goathland.
- 4.3.6 In addition, an existing community housing group in Hinderwell have property which they wish to both upgrade existing and create new housing. This scheme could also benefit from this fund. The Community Development Team and RHE already have existing links with this group.
- 4.3.7 These are all areas greatly affected by the impact of second home ownership and where:
- Communities (generally via Parish Councils) have already come forward seeking help to develop additional homes within their areas and are interested in the community-led model in some shape or form.
 - There is a demonstrable need for additional affordable housing to meet the needs of that community (for example local parish led needs surveys have been completed).
 - Potential sites have been identified and discussions have already commenced with landowners and the Planning Authority.
- 4.3.8 It is proposed therefore that efforts should be focused within these areas to help kick start community-led models in some shape or form and that

available funds within the programme are earmarked to support potential schemes in this area. These are communities that are themselves pushing for help to build homes to meet local need and where there is an identified opportunity to help deliver new housing.

- 4.3.9 It is proposed that going forward, further models and opportunities for delivery are explored. These could include rolling out the community-led model to other communities who have expressed a will to develop homes in their areas along with the development of more urban focused models. A longer term strategy and action plan is to be developed which will include a range of future options and projects for the fund including the potential of a rehab scheme linked to employment and training opportunities for young people.

4.4 Specialist Support and Sub-Regional Delivery Models

- 4.4.1 Whilst some potential opportunities have already been identified, developing community-led housing will be resource intensive and will require specialist technical and enabling support. In particular, support will be needed to help develop different models for delivery. Ideally a range of options as to how different models could work needs to be established.
- 4.4.2 Some of this technical support can be accessed via the wider community-led housing sector and networks. In order to access this support and to avoid duplication of efforts it is proposed that the Council supports work being undertaken via the wider York, North Yorkshire and East Riding Housing Partnership.
- 4.4.3 In addition there has been some discussion between districts both within the via the York, North Yorkshire and East Riding Housing Board around the principle of pooling funds to support the development of long term sustainable delivery models going forward. These could include using funds to develop such ideas as a 'revolving land-bank' a community-led housing 'hub' and shared technical support. Whilst these ideas may have some merit, to date there is no real detail or agreement or timescale in place as to how such ideas could evolve or be taken forward sub-regionally.
- 4.4.4 In order to help both draw in specialist support as needed and to help pump-prime potential alternative delivery models it is recommended that £50k from the total allocation is used to support this process. It is understood that there is a commitment from other Councils within the sub-region to make similar and proportionate contributions into this fund (which will be in the region of £180k in total). Spending against the fund will be monitored by the York, North Yorkshire and East Riding Housing Board at which the portfolio holder for Public Health and Housing attends on behalf of the Council. Payment would be subject to formal agreement.

4.5 Other Revenue Costs

- 4.5.1 It is important to note that the development of community-led housing is likely to be resource heavy for the Council. Whilst it would be expected that the

Rural Housing Enabler (a .5FTE post shared with Ryedale DC) will have a key role to play as these schemes, there will also be a need for more focused community development work and capacity building within local communities and community groups.

4.5.2 It is proposed therefore that some funds are used to pay for additional community development support within The National Park area. This is needed to be able to work with communities on a range of activities including

- Developing the group including legal structures and governance
- Assistance with wider funding applications and other support
- Developing a proposal and business plan
- Support on project planning and management
- Longer term group and business development

4.5.3 In addition, it is envisaged that revenue funding will be needed to both help accelerate or unblock the development process. This could include for example be through using funds to help the planning authority support this process or the use of funding to cover professional fees and other ad hoc development costs.

4.5.4 An agreed revenue budget to support the administration of this programme will need to be set and may vary depending on the form and shape of each proposal going forward. Any additional internal revenue costs incurred by the Council to legal, finance or other support costs in relation to the use of these funds would be met from this budget.

4.5.4 At this stage it is recommended therefore that 10% of the total budget is set aside for revenue purposes (inclusive of £50k to be used at a sub-regional level).

4.6 Community Led Housing Champion

4.6.1 This report also recommends that Cabinet formally nominates the Portfolio Holder for Public Health and Housing to act as the Council's Community-Led Housing Champion.

4.6.2 This role is needed to both help actively promote the importance of this scheme both within the Council and within communities. This nomination shall help demonstrate to DCLG the importance of this scheme to the Council going forward. Key to the role will be helping to monitor progress and spend against the programme as well as advising on the general direction of travel.

5.0 IMPLICATIONS

5.1 Policy

There are no policy implications at this stage, however further work is identified within the action plan to determine the final policy criteria around the release of capital funding to ensure its benefit is maximised.

5.2 **Financial**

This report seeks approval to accept £1.86m in grant from DCLG to support the development of community led housing.

It is proposed that 10% of these funds are used for revenue purposes to support the delivery of the scheme including the use of £50k to enable the commissioning of specialist technical support as needed on a countywide basis.

The report recommends that the remainder of the funds are used as capital to support the delivery of new homes and these funds are stretched where possible through the use of RP and HCA funding.

It is recommended that future requests for capital spending are considered on a scheme by scheme basis.

5.3 **Legal**

There are likely to be legal implications for the Council going forward depending on the community led model adopted. These could include support from the Council in drawing up governance arrangements and or development agreements for the new homes. Costs associated with this additional work would be met from the revenue funds.

5.4 **Equalities and Diversity**

Community-led housing will have a positive impact in terms of equalities and diversity issues and will increase the availability of accommodation in areas of high demand.

5.5 **Staffing Issues**

This report highlights that developing community-led housing is likely to be resource hungry for the Council, particularly in relation to community development type activity. The report recommends that part of the funding is used to pay for additional community development activity to support the delivery of the new homes.

5.6 **Planning, Environmental, Health and Safety, Sustainability, Crime and Disorder**

There are no implications.



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Background Papers: None

IF YOU HAVE ANY QUERIES ABOUT THIS REPORT OR WISH TO INSPECT ANY OF THE BACKGROUND PAPERS, PLEASE CONTACT ANDRE ROWE ON 01723 383598 OR E-MAIL andrew.rowe@scarborough.gov.uk

Risk Matrix

Risk Ref	Date	Risk	Consequences	Mitigation	Current Risk Score	Target Score	Service Unit Manager/ Responsible Officer	Action Plan
1	February 2017	The Council does not spend its full allocation on its intended purpose	<p>Potential impact on future allocations.</p> <p>Homes would not be developed where needed.</p>	<p>Focus for year one on communities where opportunities are already identified.</p> <p>Risk mitigated by the number of potential schemes in the pipeline.</p> <p>Individual development plan being devised for each scheme with target dates for delivery</p> <p>Proportion of revenue funds being used to pay for additional revenue costs to help speed up delivery</p> <p>Capital funding being used to de-risk potential schemes and make them more viable for RPs</p>	B3	A1	Housing Manager	
2	February 2017	The Council does not receive its full allocation. e.g. the second tranche is not paid via DCLG	Overall delivery of the programme would be hampered	The submission of a delivery plan to DCLG based around the recommendations within this report	B3	A1	Housing Manager	

Risk Ref	Date	Risk	Consequences	Mitigation	Current Risk Score	Target Score	Service Unit Manager/ Responsible Officer	Action Plan
3	February 2017	Pooled funds into a sub-regional pot are unspent or do not deliver against required outcomes	£50k of total pot does not contribute to overall delivery	Spending against the fund will be monitored by the York, North Yorkshire and East Riding Housing Board at which the portfolio holder for Public Health and Housing attends on behalf of the Council. Payment would also be subject to a formal agreement	B3	A1	Housing Manager	
4	February 2017	Limited appetite from communities toward development.	Would hamper delivery	<p>A number of communities have already been identified who have expressed an interest in community led development.</p> <p>A number of potential models as to the level of community involvement to be worked up via joint working with other districts through specialist support.</p>	A1	A1	Housing Manager	
5	February 2017	Lack of capacity within RP sector to take development forward	Would hamper delivery	<p>Negotiations are already underway with RPs, some of whom have expressed an interest in this scheme.</p> <p>The funding gives the Council the opportunity to make such schemes more attractive and viable for RPs</p>	B3	A1	Housing Manager	

Risk Ref	Date	Risk	Consequences	Mitigation	Current Risk Score	Target Score	Service Unit Manager/ Responsible Officer	Action Plan
6	February 2017	Lack of capacity with NP planners	Would hamper delivery	Potential use of funding to plug any capacity gap regarding planning matters.	B3	A1	Housing manager	

Glossary of Terms

Risk	An event which may prevent the Council achieving its objectives
Consequences	The outcome if the risk materialised
Mitigation	The processes and procedures that are in place to reduce the risk
Current Risk Score	The likelihood and impact score with the current mitigation measures in place
Corporate Objectives	An assessment of the Corporate Objectives that are affected by the risk identified.
Target Risk Score	The likelihood and impact score that the Council is aiming to achieve
Service Unit Manager	The Service Unit or Officer responsible for managing the risk
Action Plan	The proposed actions to be implemented in order to reduce the risk to the target score

Risk Scoring

Impact	5					
	4					
	3					
	2					
	1					
		A	B	C	D	E
	Likelihood					

Likelihood:

A = Very Low
 B = Not Likely
 C = Likely
 D = Very Likely
 E = Almost Certain

Impact

1 = Low
 2 = Minor
 3 = Medium
 4 = Major
 5 = Disaster