

	REPORT TO CABINET TO BE HELD ON 18 JULY 2017	
	Key Decision	YES
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 (NE) 17/105

WARDS AFFECTED: ALL

**SUBJECT: CRITERIA FOR ALLOCATION OF GRANT PAYMENTS
FROM THE COMMUNITY HOUSING FUND GRANT**

RECOMMENDATION (S):

To approve criteria for the allocation of grant payments to organisations from the Community Housing Fund

REASON FOR RECOMMENDATION

The Council has received £1.86 million from the Community Housing Fund to support community-led housing schemes and requires a criteria for the allocation of this grant to relevant organisations to deliver community-led housing schemes.

HIGHLIGHTED RISKS:

See attached risk matrix

1. INTRODUCTION

1.1 In February 2017 Cabinet gave approval to accept £1.86 million from DCLG to help deliver community-led housing schemes in the Borough (Report no: 17/035). One of the recommendations of that report was to develop a criteria for the allocation of the grant 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.

- 1.2 This report sets out the criteria for the payment of the grant to communities (or developers) and seeks approval for the acceptance of this criteria. As the accountable body for this public funding, the Council needs to ensure that funding is allocated in an appropriate manner and in accordance with the fund guidance set out by DCLG. A copy of the proposed criteria is included as an appendix to this report.

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 A total of £1.86 million has been allocated to the Council from the DCLG from the Community Housing Fund. Of this funding, approval was given for 10% of this funding (£186K) to be used for revenue funding to support the delivery of these homes, which included £50,000 into a pooled North Yorkshire enabling fund. This leaves a sum of £1.674 million available for capital funding to support the development of community-led housing schemes.

- 3.2 In addition, revenue funding from the remaining £136K approved for revenue funding will be used to support communities to set up community organisations.

- 3.3 Eligibility for grant allocations from the fund will be based on meeting the following basic principles for a community-led housing scheme, as per the DCLG guidance:

- a requirement that 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
- a presumption in favour of community groups that are taking a long term formal role in ownership, management or stewardship of the homes; and
- a requirement that the benefits to the local area and/or specified community must be clearly defined and legally protected in perpetuity.

Funding will not be allocated to schemes, which do not meet those basic principles.

3.4 Funding will be granted to a range of organisations as follows:

- Community Organisations
- Registered Providers
- Other development partners
- Other organisations; e.g specialist consultants

However, direct recipients of funding will be required to demonstrate that they meet the following criteria:

- Be able to demonstrate strong governance arrangements by operating through open and accountable, co-operative processes, with strong performance and management systems
- Demonstrate it has the skills and capacity within the organisation, or available to the organisation
- Demonstrate clear, realistic financial plans for the management and development of the housing scheme where applicable
- Demonstrate community support for the proposals
- Be clear about how the organisation will comply with any relevant legislation and statutory requirements

In addition, community organisations will need to:

- Be a legal entity
- Be appropriately constituted (examples might include; a registered charity, community interest company or charitable incorporated organisation, not for profit company or Industrial and Provident Societies for the Benefit of the Community)
- Have stated community benefit objectives
- Be non profit distributing; any surpluses must be reinvested to further its social aims/community benefits

3.5 It is proposed that funding be made available to meet the following broad categories:

Community Development Work: Funding of up to £5,000 per community will be provided to support the development of a specific community group. This would be revenue funding and would be allocated from the £136k revenue element held by the Council.

Initial Feasibility Work: Funding of up to £10,000 per community will be provided to support initial feasibility work for a potential community-led housing scheme. This would include activities such as site identification and initial investigations, enhanced housing needs surveys, initial project

proposals etc. This would be deemed as eligible project development activity and funding would be allocated from the £1.674 capital element held by the Council.

Development Funding: Grant funding for capital costs to cover project management costs and construction costs will be made to up to 50% of the total development cost of the scheme. Subject to the amount of funding, capital funding will only be specifically granted to Registered Providers or other development partners and community organisations whose financial and organisational capacity meets the Council's procurement requirements.

Funding from the Community Housing Fund can also be matched with funding from the Homes and Communities Agency (HCA). This can be done in one of 2 ways:

- Community Housing Funding can be used in addition to HCA funding to top up the public subsidy to a maximum of 50% of the total development cost.
- Community Housing Funding can be used to fund a specific one-off cost, such as site acquisition, site clearance, any abnormal cost etc. or be used as gap funding to support viability. Specific one-off costs will be considered on a case by case basis depending on the specific issue. The amount and proportion of funding to support a specific one-off cost will depend on the actual issue. However the total public subsidy should not exceed 50% of the total development cost.

3.6 The proposed criteria includes a grant application process for each of the funding streams. For the Community development set-up costs and initial feasibility work, applicants will need to complete a standard application form. Assessment of the applications will be undertaken by senior officers from Housing Services.

3.7 Applications for development funding will be subject to a more detailed appraisal process. Initial assessment of the appraisal will be undertaken by senior officers from Housing Services, who will then recommend to Cabinet whether funding should be granted. The final decision on whether to approve the funding will then be made by Cabinet.

3.8 The grant allocation of £1.86 million from DCLG was for 2106/17. There are no specific timescales on when this money should be spent. However, the Council were required to provide a submission to DCLG on how we our plans for delivery of community-led housing schemes over the next 3-5 years.

3.9 DCLG have committed to make future funding allocations over the next 4 years for community-led housing. However, they have not yet indicated who will be the recipients of future funding allocations and it is understood that Local Authorities may not be direct recipients of future funding allocations.

4.0 ASSESSMENT

4.1 Development Funding

- 4.1.1 Whilst the Council has a significant sum of £1.674 million to directly allocate for the development of community-led schemes, providing 100% funding for schemes would rapidly exhaust the fund and would not provide good value for money. As a result a cap of 50% of the total development cost has been proposed in order to stretch the funding as much as possible and enable as many schemes and units to be developed as possible.
- 4.1.2 It is recognised that many community groups, especially newly established groups would not have the organisational and financial capacity to receive large grants, without the involvement of a development partner, which in most cases will be a Registered Provider. In such cases, the development partner will be the direct recipient of the grant funding from the Council, providing that they meet with the Councils' organisational and financial capacity criteria.
- 4.1.3 A Registered Provider or other development partner being the recipient of the grant funding, would not affect the funding eligibility provided that the scheme still met with the basic principles as outlined in 3.2. Registered Providers would also be able to access Homes and Communities Agency (HCA) funding for schemes. In instances where HCA funding is being used, this will enable a lower level of Community Housing Funding to be utilised for that scheme, which would enable further stretching of the overall funding allocation.
- 4.1.4 Schemes will be required to find the remaining 50% of the development costs from other funding sources. This could be via a number of possible routes as follows:
- Through a loan, which is repayable over a fixed period through the rents. This is the traditional route undertaken by Registered Providers, usually combined with HCA grant. This would be a lower risk option for communities where they would utilise a Registered Provider as a full development partner

- Through other sources of grant funding. Communities have access to a wider range of grant funding sources, which would not be available to Registered Providers or other public sector bodies. Support and advice will be provided to communities both through the Council and specialist advisors on alternative sources of funding for community organisations.

4.2 Community Development and Feasibility funding

- 4.2.1 The creation of a community development set up fund and feasibility funding is deemed essential to enable new community organisations wishing to undertake community-led housing to be established, and to enable them to undertake initial feasibility work into a potential scheme.
- 4.2.2 Where groups have not yet been constituted then the funding for community development set-up and for feasibility works will be held by the Council and spent on set up costs and/or feasibility works until such time that the community organisation is fully constituted and has suitable financial mechanisms in place.
- 4.2.3 Report 17/035 gave approval for a proportion of the Community Housing Fund allocation to be used for revenue funding including community development support. The community development support would be provided through the Council's own Community Development Team and one of the functions will be to support the setting-up of new community organisations. The funding, previously approved for this function, is in addition to the community development set up funding mentioned in this report.

5.0 IMPLICATIONS

5.1 Policy

The introduction of a set of criteria for the allocation of the Community Housing Fund grant has no policy implications.

5.2 Financial

The Council are the accountable body for this funding and will be required to administer the funding. Grant payments for community-led housing will only be paid out of the Community Housing Fund allocation that the Council has received. Once the pot of £1.86 million has been spent then no further payments can be made towards community-led housing schemes, unless we receive further allocations in future years.

There will be no requirement for the Council to provide any funding from its own financial resources.

5.3 Legal

The Council will enter into grant funding agreements with applicants to safeguard the Councils funding contribution. These agreement shall ensure that funds can only be spent on the intended purpose. The agreement will also require repayment of grant should the property be sold or used for anything other than their intended purpose without agreement from the Council.

5.4 Equalities and Diversity

There are currently no Equalities and Diversity implications associated with this report.

5.5 Staffing Issues

There are no staffing issues associated with this report.

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

There are no other implications associated with this report

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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 JOHN BURROUGHS ON 01723 383649 OR E-MAIL john.burroughs@scarborough.gov.uk

Risk Matrix

Risk Ref	Date	Risk	Consequences	Mitigation	Current Risk Score	Target Score	Service Unit Manager/ Responsible Officer	Action Plan
1	May 2017	The Council does not approve the criteria for grant allocations	We would not be able to allocate grant funding for community-led housing schemes until a criteria for grant allocation is in place This would delay or prevent the development of community-led housing schemes	Criteria for grant allocation is approved by Council	C3	A1	Housing Strategy and Development Officer	
2	May 2017	Insufficient interest from communities in community led housing and allocation not fully spent	Community-led housing schemes would not be developed May affect future allocations of funding	Initial interest from a number of communities and work on development and delivery of these schemes is already taking place Further interest being shown from other communities in community-led housing Longer term strategy and action plan in place to work with more communities on potential for community-led housing	B3	A1	Housing Strategy and Development Officer	
3	May 2017	Funding is used inappropriately	Funding will need to be repaid to Council. Could be reputational damage	Funding will only be allocated where it meets principles for community-led housing Close involvement and monitoring in project from	C3	A1	Housing strategy and Development Officer	

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				<p>officers to ensure that it meets principles throughout the project and that appropriate safeguards are in place</p> <p>Legal agreement will be put in place for each funding allocation</p>				