

BABERGH DISTRICT COUNCIL

From: Cabinet Member for Housing – Jan Osborne	Report number: BCa/17/10
To: BDC Cabinet	Date of meeting: 13 July 2017

COMMUNITY HOUSING FUND

1. Purpose of Report

- 1.1 To provide members of the Cabinet with details of the Community Housing Fund (CHF) and recommendations on proposed areas of expenditure to facilitate community-led housing growth.
- 1.2 To summarise existing community-led work and scope for use of the CHF to assist with and enable delivery of local needs housing schemes in these areas. Local needs could be covering a single parish area or a cluster of parishes working together or it could be site-specific.
- 1.3 To approve the recommendations within the report outlined in Section 8 of the report.

2. Background

- 2.1 A new annual £60 million Community Housing Fund (CHF) was launched by Government at the end of December 2016 to help 148 councils tackle the problem of high levels of second homeownership in their communities or where housing affordability is an issue in rural communities. Second home ownership in England is at an all-time high and is crowding out first time buyers and causing a shortage of available properties. Typically, many second homes are the smaller properties in a locality that are taken out of the housing market for entry-level buyers or renters. Often second homes stand empty for a large proportion of the time which can also affect community cohesion, affect the demographics of an area, and distort local housing markets. Many second homes are also used as holiday lets but again the net effect is their removal from the general housing market.
- 2.2 The Fund comes in the form of a grant to local authorities in the first year from the Department of Local Government and Communities (DCLG). This fund has been divided into two payments and designed to support local community-led affordable housing projects aimed at first-time buyers or for those who will need access to rented accommodation and are priced out of the local market. The Community Housing Fund has been raised through additional income from increased Stamp Duty Land Tax which applies when an additional home is purchased either a second home or buy-to-let property.

- 2.3 The first year of funding has been received in full in the form of two payment tranches, and is to be used to ensure there is sufficient capacity, capability, and confidence within local groups by improving technical skills, setting up support hubs to offer advice, business planning and providing staff/resources to review local housing needs. Further allocations will depend in part on whether the initial allocation is spent in accordance with the objectives of the fund. This approach complements our existing commitment to communities who are seeking to develop Neighbourhood Plans (NP's), Neighbourhood Development Orders (NDO's), or similar community-led housing projects such as Community Land Trusts and Rural Exception site schemes (RES). Funding from DCLG in subsequent years must then be used to deliver new housing supply for local people. Currently, it remains unclear how future years' funding will be allocated.
- 2.4 The criteria for community-led housing projects are:
- That the community must be integrally involved throughout the process in key decisions;
 - Community groups play a long term role in ownership, management, or stewardship of the homes;
 - Benefits to the local area and/or specified community must be clearly defined and legally protected in perpetuity.
- 2.5 DCLG expect Councils to work closely with community-led housing groups and other stakeholders throughout – such as the Community Land Trusts (CLT) network and Co-housing groups, to ensure the right tools are in place to ensure efficient delivery of new houses in subsequent years. CLT East have access to other funding streams to access grants for the setting up of Community Land Trusts which is of assistance to get community groups set up.
- 2.6 Community-led housing is about local people playing a leading and lasting role in solving local housing problems, creating genuinely affordable homes and lower cost market homes and strong communities in ways that are difficult to achieve through mainstream housing developments and are often established to meet a specific housing need.
- 2.7 We are witnessing a growing level of interest within our communities in developing Neighbourhood Plans. A total of 5 Parishes in Babergh and 9 Parishes in Mid Suffolk are in the process of progressing plans and we suspect others will be keen to do so in the future. There are two NP's adopted for East Bergholt and Lavenham in Babergh and for Mendlesham in Mid Suffolk. There has been a corresponding interest in Community Land Trusts (CLT) due to increased knowledge of the sector and the setting up of a CLT in Lavenham with a housing scheme coming forward. Appendix 1 sets out the existing community-led housing work that is on-going within the two districts.

- 2.8 In addition to the work on NP's there is a considerable amount of activity with parishes who want to carry out local needs housing surveys, show an interest in community land trusts and Neighbourhood Development Orders or Rural Exception Sites (RES) to provide local needs housing. Officers from Housing Enabling and Communities teams are working with Parish Councils to guide and support them to collaborate with housing associations once a suitable site has been found.

3. Key Information

- 3.1 To date Babergh has been allocated £189,742 and Mid Suffolk has been allocated £225,476. The CHF is additional funding over and above the Councils own existing capital and revenue resources. As there is uncertainty around future allocations/bids for funding from April 2018 onwards, it is recommended that a prudent approach is taken to the spend of this fund. If further funding is secured, then the recommended proposals could be reviewed and extended.

This allocation is proposed to be split between capital and revenue. A mechanism for agreeing allocations of the CHF monies that accord with the national criteria (and the Councils successful bid) and in response to bids from community-led housing groups is needed. This will ensure that applications are progressed in a timely, consistent, and transparent manner with the appropriate governance in place.

- 3.2 The fund can be used flexibly to provide capital investment, technical support, and revenue funding to make schemes more viable and significantly increase the delivery of community-led affordable housing of all tenures. The Fund will need to be distributed and allocated equitably and a set of criteria applied.
- 3.3 The Government funding programme is intended to run for five years and indications thus far are that future annual allocations may be available direct to communities rather than the Local Authority or another funding body such as the Homes and Communities Agency (HCA). This position will be monitored. If both Councils are seen to be spending the funding that delivers the local level capacity and produces delivery against the Governments criteria, then this could support any request made by the Councils to receive and distribute future years' funding allocations.
- 3.4 Several communities have already expressed an interest, we will continue to work with those communities, assist with funding applications and progress schemes. We will also continue to work with other local communities to progress other opportunities and assist them with making any bid.
- 3.5 The top priority for the first year is that the CHF must be used to promote Community-led Housing to communities across our district areas, engaging communities in a discussion about their needs and the opportunities of this five-year funding programme.

- 3.6 It is important that the CHF monies are targeted to those communities where there are the highest amounts of second homes and holiday lets. Research on the levels of second home ownership/holiday lets is on-going for both districts to help target the monies appropriately. To date around 150 dwellings in each district have been found to be used as holiday lets and are mainly one or two bedroomed properties.
- 3.7 If there are opportunities to assist with actual delivery of new housing it is recommended that this is considered as a priority for the capital element of the fund.
- 3.8 It is important that proposals for community-led housing move forward swiftly. Proposals will therefore be considered on a first come first served basis, provided that local involvement and a commitment to deliver new homes can be demonstrated. Bids will be analysed against a checklist of criteria of: -
- Evidence of local involvement
 - Value for money
 - Timescales for development

4. Funding guidance and potential use of funding allocation.

- 4.1 The DCLG guidance provided states there is flexibility in how the first tranche of grant can be committed split between capital and revenue expenditure. It could be used to:
- (i) Commission and pay for Local Housing Needs Surveys to establish the level and type of housing need – using the current methodology in partnership with Community Action Suffolk each survey costs around **£3,000** (inclusive of postage and printing costs which are borne by the Parish Council). If a cluster of parishes is surveyed together then there may be some cost savings. The new survey format we have developed assesses need across all housing tenures.
 - (ii) Pump prime local communities to set up Community Land Trusts with start-up funding to supplement any other grant funding that is available.
 - (iii) Finance Rural Exception site land acquisition via a loan or grant.
 - (iv) Finance RES conveyance costs up to a value level.
 - (v) Grant funding for evidence gathering for Neighbourhood plans/Neighbourhood Development Orders.
 - (vi) Cover the costs of buying in support to assist with the above – for example appointing CLT East to build up community capacity, and housing enabling support to local communities. General Community-Led Housing awareness raising, advice to groups and communities and other organisations who may consider this route – sub regional events, website, marketing materials.

- (vii) Provide support and advice to Housing Associations, small and medium developers, landowners etc. on how they might be involved. Support and advice to Local Authorities in developing housing and planning policies to enable community led housing (information sharing, case studies, capacity, and consultancy).
- (viii) Organise site visits to other projects or events to link BMSDC communities with skills and advice. Understand emerging community led housing policy and case studies/practice in other areas to inform local groups' development
- (ix) Maintain a library of marketing information and guidance on the Community Housing Fund and other funding sources/fund raising and how they can be used.
- (x) Provide funding to buy in experts for help with NP's/NDO's.
- (xi) Assist with the delivery of housing schemes within CLT's or Community self-build schemes with grant funding – this could be match funded with Affordable housing commuted sums contributions where available and required.

5. **Risks**

5.1 This report does not link with any Significant Risks; however key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If the Council is unable to allocate funding to community groups, then the funding may have to be returned to DCLG or would prejudice future funding opportunities.	Probable - 3	Noticeable - 2	Programme of information events to promote availability of funding to Parish and Town councils and to other stakeholders. Communications Plan in place to regularly promote grant availability
If we are unable to recruit to Part-Time post, then this will increase workload on existing resources	Probable - 3	Noticeable - 2	Review recruitment process and offer as secondment opportunity as well as direct recruitment.

6. **Legal Implications**

6.1 No legal implications.

7. Financial Implications

- 7.1 None - This funding is additional grant money and has been received for both Councils. The expenditure against this grant is outside of the existing capital and revenue budget provision for Babergh District Council.

8. Recommendations

- 8.1 That bids for funding are considered and approved by an Assistant Director (Planning for Growth or Investment and Commercial Delivery) and the Professional Lead – Housing Enabling in consultation with the Cabinet Member for Housing.
- 8.2 That the funding is split between capital and revenue as set out in the table below:

<u>Babergh DC</u>	
Capital	Revenue
35% of the total fund to be allocated to capital projects where a scheme has been identified and approved as a suitable development site. This equates to £66,410	Revenue expenditure in year 1(2017/18) which makes up 65% of the funding to be £123,332 for Babergh.
Grant to cover unexpected costs or improve affordability and matched with commuted sums where available to maximise effectiveness and ensure delivery of scheme	Cover the legal conveyancing costs of buying land, <u>up to</u> a maximum of £5,000 per scheme.
Consider use of our own land holdings of small plots that are not viable for HRA build but could be used for local self-build proposals that planning could support – these could be market value, or protected with local occupancy clauses, or affordable with 106 restricted resale value, or a mix.	Pay for Local Housing Needs Surveys to gather evidence of the type and tenure of housing required. There are currently 7 parishes that have sought assistance from the two councils to cover the cost of Local Housing Needs Surveys. The average cost of a LHNS is £3,000. With the increasing interest in neighbourhood plans the number of parishes requiring survey work could increase. Funding from the CHF pot would only be used to top up the funding Parishes can access through the Locality Funds for neighbourhood plan preparation.

<p>Capital to cover the cost of land acquisition and associated capital costs,</p>	<p>Appoint CLT East to run two workshops for Parish and Town Councils and any other community-led housing group on how to set up a Community Land Trust and to help provide appropriate package of support and community engagement to assist in capacity building up to a maximum value of £20,000 across the two districts (£10,000 from each Council). This would complement existing work being carried out on within our communities to promote housing growth but where existing staff resources are limited or lack the necessary skills. This work would include providing access to an online information hub for community groups and both Councils.</p>
	<p>To support our local communities to build the knowledge and skills they need in order to set up a community-led housing scheme, additional staff resources are required. It is proposed to use the CHF monies to fund a part-time Community Housing Enabler post for a fixed term period of two years. Although the existing funding is for 1 year, by the time a post is recruited to there will be 6 months' slippage in the budget and sufficient funds to cover a 2-year period on a part-time basis. If there are further successful funding bids this could be reviewed and extended as required.</p> <p>Estimated cost = Grade 5 post (£27,394 to £32,64 pro rata) plus on-costs and essential car allowance based on a 55:45 split from the CHF grant between Mid Suffolk and Babergh to reflect the funding difference and number of parishes. Taking a mid-point for this salary scale = £30,153 + on costs of 30% = £39,199. Pro rata cost of 0.6 FTE = £23,519 per annum. Cost to BDC = £10,584 (cost to MSDC = £12,935).</p>

	<p>This post would work in partnership with the CLT East resource in both districts to promote and support community-led housing initiatives. Appendix 2 provides a draft job description that could be used, subject to review and evaluation.</p>
	<p>Use of funding to provide seed corn start up grant funding to community-led groups setting up a Community Land Trust as a legal entity up to a maximum of £5,000.</p>
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	<p>Fund investigation of existing self-build professionals to develop the self-build opportunities and to assist with land assembly, de-risking land and/or providing serviced plots. This element could be funded from the additional grant of £30,000 that both Councils have received to promote and enable self and custom build housing, so this additional fund could be used to fund the appropriate expertise. The Councils have a self-build register in place in accordance with the Self-Build and Custom Build Act 2015. There are currently 84 households on the BMSDC Self-Build register. As part of this work we are talking to companies who promote methods of construction that provide new homes faster and more cheaply.</p>
	<p>Revenue funding to help with the costs of technical support or professional fees up to a maximum of £5,000 per scheme.</p>

9. **Conclusion**

- 9.1 For both capital and revenue expenditure to develop a model whereby some of the grant funding provided to support development of community-led housing schemes is recycled to fund future schemes providing additional capacity and longevity for the fund.
- 9.2 We are also looking at other delivery models over the coming months to explore opportunities to provide a one-stop model for all things related to community-led housing.
- 9.3 We are continuing to explore opportunities for joint working with other Councils in receipt of this funding to share resources, expertise, procurement of technical consultants and good practice.

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