

Community Housing Fund Grant Policy

1. Introduction:

Scarborough Borough Council has been allocated £1.86 million from the DCLG Community Housing Fund to support the development of community-led housing in the Borough. The Council will be using this funding to support community-led housing in the following ways:

- £50,000 has been allocated to the York, North Yorkshire and East Riding Housing Partnership to develop a range of technical support and enabling services for community-led housing across the sub-region
- £136,000 has been allocated as revenue funding locally to support community-led housing development, which will include community development support and set up costs, legal support, planning resources etc.
- The remaining £1,674,000 (which represents 90% of the total allocation) will be used as capital funding to support the delivery of specific community-led housing schemes within the Borough.

The purpose of this policy is to set the criteria for the allocation of this funding. Please note that this is not an open grant fund, which anybody can apply for. It will only be allocated for identified community-led schemes to ensure the successful delivery of those schemes.

Allocations from the fund must meet the following **basic principles** for a community-led housing scheme:

- 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.

The Council will not allocate funding to schemes, which do not meet those basic principles.

2. Who will the fund be allocated to?

Funding will be allocated to support specific community-led housing schemes. Funding will be made available to the following types of organisations.

Community Organisations: These will be community groups based in communities involved in the development of a community-led housing scheme. Community groups will need to be constituted to receive direct funding. The community group could be an existing charitable trust or development trust or similar body. Where a new community group is established to develop a scheme, then funding will be provided to help establish the group (see section: "What can the fund be used for").

Registered Providers: Funding will be provided to Registered Providers who are involved in the development of an identified community-led scheme. Funding for Registered Providers can be in the form of a grant. Funding from the Community Housing Fund for Registered Providers can be made available in addition to funding from the Housing and Communities Agency (HCA) Shared Ownership and Affordable Homes Programme (SOAHP).

Registered Providers can be involved in a community-led housing scheme in a number of ways. These can range from acting as purely a development partner and providing a design and build service to a community through to leading on the development of the scheme and providing the on-going management of the housing. However, it is essential that whatever role a Registered Provider has in a community-led scheme that the community takes a long-term role in the ownership, management or stewardship of the homes, for it to be a genuine community-led housing scheme.

Other development partners: In most cases, communities will be expected to work with Registered Providers as development partners. However, there may be situations where the community works with another development partner to deliver a community-led scheme. The Council may provide direct funding to alternative development partners in certain circumstances.

Other organisations: Funding will be provided to other organisations to fund specific issues. These can include funding to consultants for feasibility work, business planning, planning consultants, supporting housing needs surveys etc.

Direct recipients of funding through the scheme will be required to demonstrate 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, or be part of a legally constituted consortia agreement
- Be appropriately constituted (examples might include; a registered charity, community interest company or charitable incorporated organisation, not for profit company or 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. What can the fund be used for?

The fund can be used for the following broad categories:

Community Development Work: Funding will be used to support community engagement work with local communities to enable them to set up a community organisation and to develop the organisation. Specific community capacity working will include:

- Set up costs for the group including legal structures and governance
- Advising the group on community-led housing models and the most appropriate models and approaches for their community/development
- Any training requirements
- Identifying other funding opportunities
- Assistance with funding applications and other support
- Longer term group and business development
- Any other specialist support

Initial Feasibility Work: Funding will be allocated to undertake initial feasibility work to identify the potential to develop a community-led housing scheme. Initial feasibility work can include:

- Feasibility study, including local housing needs surveys
- Commissioning of a development agent to progress the scheme to a planning application
- Identification and initial assessment of site/sites
- Development of a project plan, including a financial plan and identification of match funding
- “Pre application” planning advice
- Scheme design including all relevant drawings appropriate for a planning application
- Preparation of surveys and reports in advance of a formal planning application, including site investigations and site surveys
- Identification of any abnormal costs or site specific issues, which would require further exploration
- Any further community engagement work

Project management costs: Project management costs will cover any work undertaken on a specific site prior up to and including start on site of a scheme. This will include:

- All professional costs: Design and Architectural costs, Quantity Surveyor, site surveys and investigations etc.
- Planning fees and any specialist planning advice
- Legal costs
- Procurement costs
- Site Management costs
- Site acquisition
- Any abnormal costs: e.g .contamination, site clearance etc.

Construction Costs: This will be for all the build costs associated with the construction including any off-site works that may be required for the development

Other costs: The Council will consider use of the fund for specific one-off costs for a particular site, without which the scheme could not be developed or be viable. This could include acquisition of particular sites, which could be “transferred” at a later date to a community-led housing group for development. The fund could also be used as gap funding to support viability of a particular scheme.

What the fund will not support

The fund cannot be used for the following:

- We will not fund any development which does not meet the basic principles for a community-led housing as set out previously.
- We will not fund any organisation that does not meet the criteria listed previously
- We will not fund any development that has already commenced
- We will not fund any retrospective costs, which have already been incurred by the organisation

4. How much funding will be allocated

There is a three stage process for grant funding set out below. Not all stages will be applicable as some community organisations may already be established and not require community development funding and in some cases may have already undertaken feasibility work in respect of a potential scheme, so may not require feasibility funding

Stage 1: Community Development/Set-up Fund: Funding of up to £5,000 per community will be provided to support the development of a specific community group. If the group is already constituted then the funding will be paid directly to the community organisation. If the group is not yet constituted then the funding will be held by the Council and spent on set-up costs until such time that the organisation is constituted. This will be deemed revenue funding and will be allocated from the £136K revenue pot held by the Council.

Stage 2: Feasibility Fund: Funding of up to £40,000 per community will be provided to support initial feasibility work for a potential community-led housing scheme. This will be deemed capital funding and will be allocated from the £1.674 million capital pot held by the Council.

Subject to the amount of funding requested, feasibility 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.

Groups will be required to provide match funding of at least 10% of the amount of funding they wish to apply for from the Feasibility Fund. This will demonstrate that group is able to raise and source their own funding.

Stage 3: Development Fund: 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:

1. 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.
2. 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.

Please note that development funding will only be provided to a maximum of 50% of the total development cost for any scheme. Communities will be required to find the remaining 50% funding from other 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.

5. Grant application process

Funding will initially be made available to communities or organisations where they have expressed an interest in developing a community-led housing scheme.

Following research work undertaken in 2016 into the potential for community-led housing, a number of communities expressed an interest in developing a community-led scheme and initial work is being undertaken with those communities to develop a scheme. Funding will be made available to these groups in accordance with the policy to initially undertake community development work and/or feasibility work. Community groups will be required to complete a standard application form for both the Community Development Set-up Fund and for the Feasibility Fund.

Work will be undertaken over the forthcoming months to identify further communities who are interested in developing a community-led housing scheme.

Assessment of applications to the Community Development Set-up fund will be undertaken by the Council's Housing Strategy and Development Officer and Senior Regeneration and Support Officer.

Assessment of applications to the Feasibility Fund will be undertaken by the Council's Housing Strategy and Development Officer and the Council's Rural Housing Enabler. Should the amount of feasibility funding requested exceed £10,000 then a recommendation will be made to Cabinet on whether funding should be granted. The final decision on whether to approve the funding will then be made by Cabinet.

The outcome of the feasibility work will determine whether the scheme will progress to the development stage. Determination of development funding for schemes will be subject to a more detailed appraisal process, which will comprise of the following:

- Deliverability
- Value for money
- Eligibility, in terms of meeting the basic principles outlined in Section 1 and the wider criteria outlined in Section 3.
- Allocations Policy
- How the scheme will be managed and maintained
- Robustness of the business model and financial viability
- Other sources of funding and finance

Applicants will be required to complete and submit a development appraisal form, and may also be required to submit supporting information. The appraisal can be completed by the community organisation, development partner, registered provider or consultant acting on behalf of the community.

Initial assessment of the appraisal will be undertaken by the Council's Housing Strategy and Development Officer and Housing Manager, 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.

6. Payment of Grant

Stage 1: Community development set-up fund: Grant payments will normally be paid on receipt of grant claim form and invoices for work carried out. However, it is recognised that some community groups may not yet be fully constituted or have very limited cash resources. As a result then the funding will be held by the Council and spent on set-up costs until such time that the organisation is constituted and/or has appropriate cash reserves.

Stage 2: Feasibility fund: Grant payments will normally be paid on receipt of grant claim form and invoices for work carried out.

Stage 3: Development fund: Payments from the Development fund will normally be made on a staged basis as follows:

50% to be paid on start on site of the scheme

50% to be paid on scheme completion

We will consider alternative staged payments in certain cases where there may be cashflow issues. However, it is expected that applicants will have sufficient development finance in place to ensure that they are able to manage their cashflow throughout the duration of the project.

Where the grant funding is being used to support a one-off specific cost such as site acquisition, site clearance or providing gap funding, then payment will normally be made to the applicant once that cost has been met by the applicant and upon receipt of evidence of payment of the cost by the applicant.

Cost overruns: Funding of cost overruns will only be considered in exceptional circumstances where costs are deemed unavoidable and unforeseeable. We will fund cost overruns only as a last resort and expect all other sources of potential funding to be exhausted.

There can be no guarantee that we will fund cost overruns and if we do, it will only be as a contribution so that it does not exceed 50% of the total scheme costs.

7. Grant Agreement

Grant recipients will be required to enter into a standard grant agreement with the Council, which will stipulate a number of requirements including:

Monitoring Arrangements: We will require grant recipients to provide regular monitoring information as per the grant agreement.

Use of Grant and details of works required: The grant agreement will set clear what the grant can be used for and details of the works required.

Withholding, suspending and repayment of grant: The grant agreement will also set out the circumstances in which grant may be withheld, suspended or repaid. This will include disposal of the properties within a certain timescale, use of grant for purposes other for which the grant has been awarded etc.

