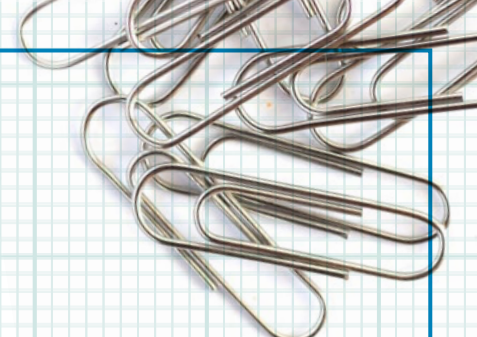




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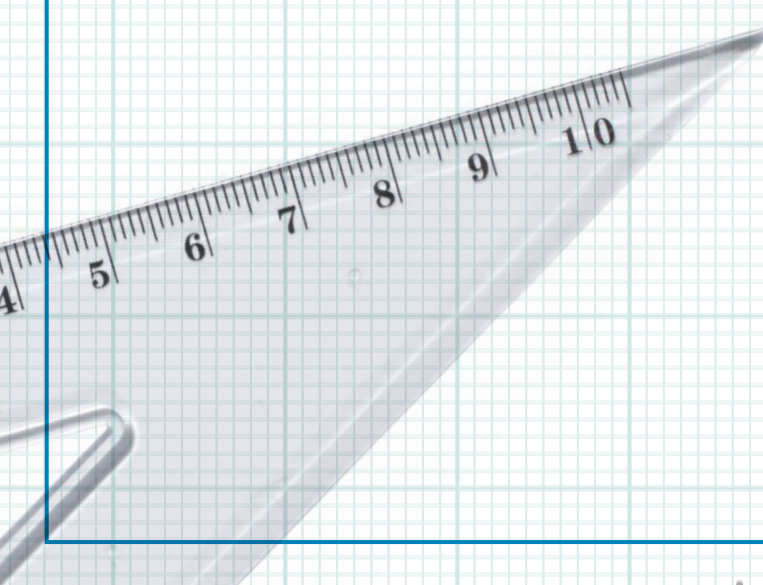
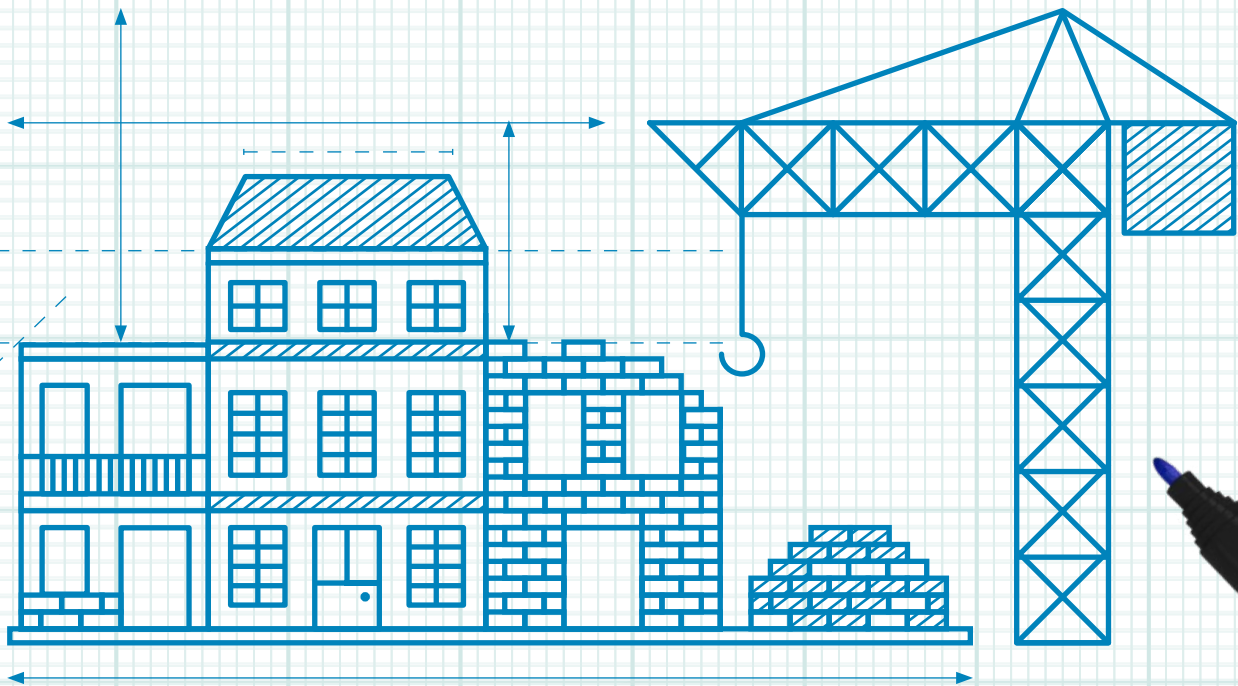
business in
community
hands



A Grant

Framework

For new build community-led housing projects



A report prepared for
Power to Change by Resonance

WRITTEN BY:
Alison Ward and
Daniel Brewer

DATE:
May 2018

SUPPORTED BY:



**NATIONAL
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About this report

Community-led housing is building momentum. Some twenty years after one of Resonance's former directors, Bob Paterson (along with others) reintroduced the Community Land Trust model to the UK, the community-led housing movement is beginning to demonstrate its ability to deliver homes for people increasingly squeezed out of the places where they live and work. As a society our sense of place and community is being challenged at many levels and so the importance of community-led development is greater than the houses they deliver. This movement is about pro-actively shaping our communities from within.

This report attempts to draw out some patterns around the cost of preparing and developing community-led housing schemes. This nascent market has huge variety and not yet a huge amount of data. However it is clear that from both examining the available raw data and digging into the experience of some of the leading practitioners, there are patterns that can aid the flow of money to resource communities to set their own destiny with the houses they need and want. The objective was not to have a perfect formula but to have one that was good enough that could be applied widely by funders to accelerate and strengthen the vast majority community-led housing groups.

About the authors



Alison Ward is an Associate of Resonance and has worked alongside Community Land Trusts for over a decade with Wessex Community Assets. She has supported- projects across the South West of England responsible for the delivery of over 100 homes. Alison is a board member for the National Community Land Trust Network.

Daniel Brewer is the CEO of Resonance a social investment company he founded in 2002 to demonstrate that investment could be a force for good by putting capital into the hands of social and community enterprises. Resonance now manages just under £200m of investor capital and continues to innovate to shape money that serves people and communities across the UK. Daniel is on the board of two community-led housing groups, Mustard Seed Property and Launceston Community Development Trust.

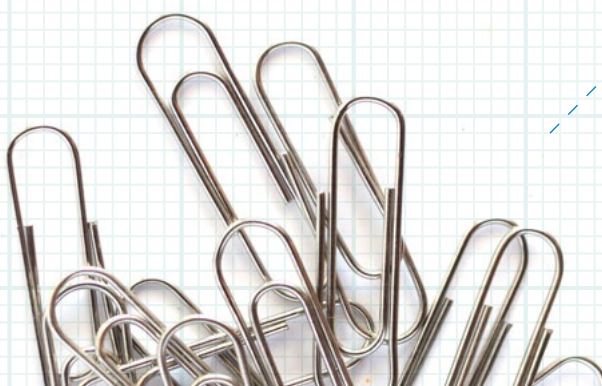
Executive summary

As part of the development of the Power to Change programme of support for community businesses working on community-led housing (CLH) projects in England, this research was carried out to help to assess the funding requirements for CLH groups at different stages of the process, and to help to develop a grant making framework appropriate to the needs of CLH groups.

This research has focussed on Community Land Trusts. 21 individuals were contacted to participate in the research, 11 partners experienced in supporting the development of CLH groups and 10 individuals directly involved in a CLH group.

The CLH sector is still developing. There are not yet standard models or costs to project types because of the number of variables. Factors identified in the research that influence variation in cost relate to:

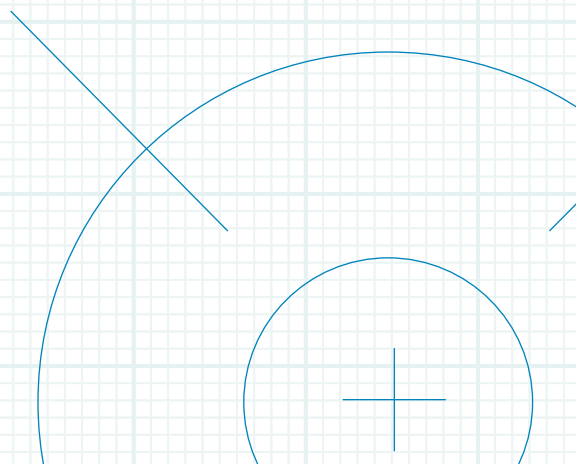
- **Location.** Different approaches, pressures and time frames varied significantly depending on location particularly relating to the difference between urban and rural areas.
- **Skills and capacity.** CLH groups have access to different skills and capacity, such as paid members of staff, a network of professionals who can provide pro bono support, experienced CLH advisers, housing associations.
- **Choice of site.** Communities often choose sites that are more difficult to develop than the sites that mainstream developers choose, as CLH groups are primarily concerned with choosing a site that is acceptable to the community rather than the cheapest site to develop, so they are motivated by social factors as opposed to economic ones.
- **External environment.** Frequently CLH groups are subject to external events, such as change in government policy or matters closer to home such as delays in local authority planning departments due to understaffing, contractors facing business difficulties, rising costs of materials and labour and objectors to sites creating difficulties.
- **Abortive costs.** The nature of community-led endeavour means that some CLH groups may begin exploring a particular site, only to find the site deemed unsuitable by the wider community or because of other factors.



The 'Total Process' stages (see Appendix 1) defined in research commissioned by Power to Change to show the flow of development activity and relevant activities at each stage are used here as the basis for a CLH grant making framework.

- **Group stage:** Standard costs for the Group stage were reported to be from £1,000 to £10,000, with the average being £4,140. It would not make sense to convert this cost into a 'per unit' cost as it relates to the group itself rather than the housing project, so costs are unlikely to vary relating to scale.
- **Site stage:** The average cost was £43,050, however removing one exceptionally expensive project the average amount was £13,460 or £1,280 per unit
- **Plan stage:** The average cost was £93,510 per group, or £6,750 per unit. Removing one exceptionally expensive project the average amount per group was £60,100, or £5,630 per unit.
- **Build stage:** £1,800-£2,200 per square metre for a design and build contract, excluding land and fees, was reported as an average. The most common range for land acquisition of affordable housing plots was between £5,000 and £10,000 per plot, with more expensive plots being for larger units rather than for more affluent areas.
- **Live stage:** The Live stage requires funding on an ongoing basis dependent on the business model of the CLH group. This may be at a minimum the running costs of an organisation, typically £1,000 per annum. In addition to this, if a CLH group is managing properties then it will need to ensure there is a budget for (at least) £25pw per rental property available to cover maintenance, management and voids.

The below table sets out a recommended grant framework based on the findings of this research, but should be caveated by the consistent finding that CLH projects are not standard and exceptions apply and should be considered. Essentially, the research indicated that at the group stage a grant of up to £5,000 would be appropriate; at the site stage, a grant of £5,000 per CLH group plus £1,000 per unit would be appropriate; at the plan stage a grant of £25,000 per CLH group plus £3,000 per unit would be appropriate; and at the build stage consideration should be given to applications for build costs of £1,800-£2,200 per square metre.



Grant framework

The following grant framework would provide 100% of the costs of the various stages of the projects in an estimated 90% of all cases.

	Group	Site	Plan
Per CLH group (constant)	£5,000	£5,000	£25,000
Per unit	£0	£1,000	£3,000
Grant timing	100% upfront	50% upfront, 50% in arrears	50% upfront, 50% in arrears
Minimum Criteria	<ul style="list-style-type: none"> – No other established community-led group capable of leading the project 	<ul style="list-style-type: none"> – A minimum of 10 members – Formal registration with a national body – An identified project manager 	<ul style="list-style-type: none"> – Feedback from a pre -planning consultation – Quotes documented from all professional advisers – A legal option secured on the proposed site

Land banking

It was not part of the scope of this brief but if there was a way of the securing land ahead of planning on behalf of a community at a standard rate this would be a significant stimulus to CLH groups.

Land value per plot for 100% affordable housing scheme	Value pre-planning (Bought speculatively from a Landowner for an identified CLH Group and reserved in a land bank)	Value post planning (On sold to Community groups on the understanding that they pay for the planning process)
1-bed	£4,000	£5,000
2-bed	£6,000	£7,500
3-bed	£8,000	£10,000
4-bed	£10,000	£12,500

1. Introduction and context

This report sets out the research carried out during the summer of 2017 to assess costs associated with different stages of developing community-led housing (CLH), which informs a recommendation on required levels of grant for each stage of the process and the variables associated with this.

The CLH sector encompasses a variety of models, and within those models there is considerable variation – i.e. one Community Land Trust (CLT) might choose to build 30 homes in a city offering a variety of tenures (shared ownership, low cost home ownership, shared equity and affordable rent), raising finance and contracting with builders independently, whilst another CLT might be set up to benefit a village in a rural area, building six homes for affordable rent in partnership on a long term lease made to a housing association who would raise the finance and contract with builders. All different types of CLH project will have funding needs though, to get their projects successfully underway, and being able to access funding without significant delay will increase the chance of success for that CLT delivering homes on the ground.

The research involved gathering information from a sample of CLH projects and using the data collected to make an assessment on average grant levels required at each stage of the CLH process and developing a methodology for making grants to CLH groups. This is caveated by learning that the diversity of the sector means that exceptions should be considered on their merits if the object of the grant making programme is to bring forward more good quality CLH schemes and support local endeavour to provide affordable homes for local people within communities, and to increase the resilience of those communities through this activity.

As part of the development of the Power to Change programme of support for community businesses working on CLH projects in England, this research was carried out to help to assess the funding requirements for CLH groups at different stages of the process, and to help to develop a grant making framework appropriate to the needs of CLH groups.

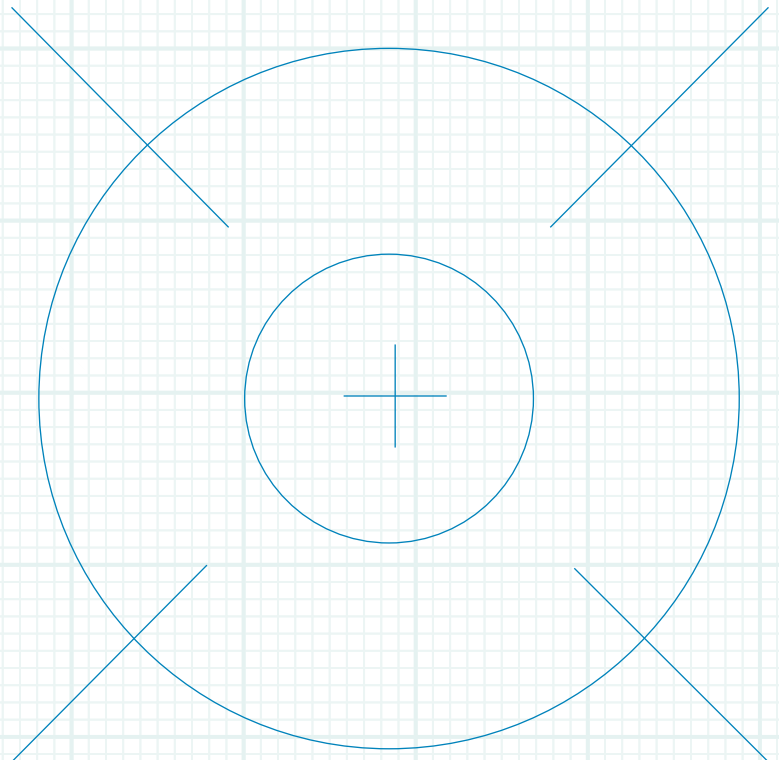
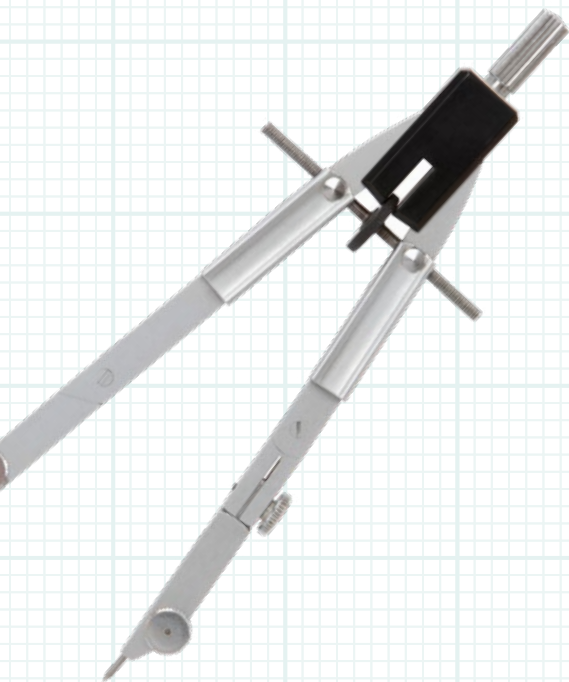
The CLH sector is varied, there are many different models of community-led housing, including CLTs, Co-housing groups, Self-help Housing groups, Development Trusts, Housing Co-operatives and group self-builders.

The definition of community-led housing that is endorsed by the sector is that:

- The community must be integrally involved throughout the process in key decisions;
- There is a presumption in favour of community groups that are taking a long term formal role in the ownership, management or stewardship of the homes; and;
- The benefits to the local area and/or specified community must be clearly defined and legally protected in perpetuity.

It can also be seen that within each model there is often wide variation in project type that has an impact on the cost of a CLH scheme and its funding requirements. These include the variations between rural and urban schemes, the skills and experience of those involved in the CLH group, the involvement of enabling services to support the development of the project, the scale of the project, and development constraints associated with the site itself – CLH groups almost never choose the cheapest or easiest site to develop as their primary motivation is to develop the site most acceptable to the community rather than the most profitable one.

The challenge of the research has been to examine the costs and needs of various projects, bearing in mind that there is a wide variety of project types, and assess what typical costs can be expected at each stage and also what will influence variations on the typical costs.



2. Methodology

This research has focussed on CLTs. 21 individuals were contacted to participate in the research, 11 partners experienced in supporting the development of CLH groups and 10 individuals directly involved in a CLH group (considered in this report as practitioners). 11 of those invited to participate did so, five partners and six CLH practitioners. Those involved in CLH groups were offered a grant of £200 to participate in the research. This grant was offered in recognition of the amount of time and energy that CLH groups often put into the development of the sector nationally whilst essentially being volunteers on a project aimed at benefitting a much smaller defined geographical area, and also as an incentive to participate.

For the CLH practitioners, the research consisted of the completion of a questionnaire (Appendix 2) followed up by an in-depth phone interview to get further background information on the CLH projects and clarify anything required from the questionnaire responses. For partners involved in supporting CLH groups the research consisted of the completion of a questionnaire (Appendix 2), in one case a phone conversation too, and in one other case a one to one interview to go through the questions in person.

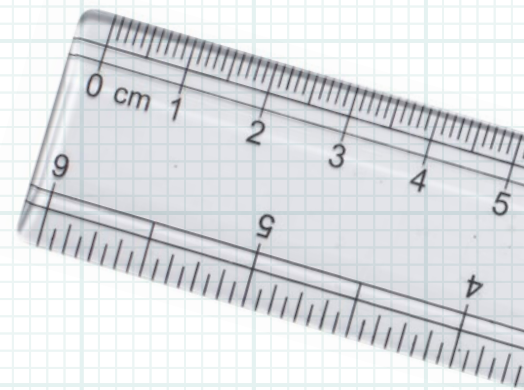
The criteria for inviting CLH partners to participate in the research was:

- a requirement to be a CLH adviser; an officer working for a housing association with experience of CLH; housing development professional with experience of CLH; or a current funder of CLH projects;
- experience of working on at least one CLH project in the past, and;
- an awareness, if not experience, of different kinds of CLH project.

The criteria for inviting CLH practitioners to participate in the research was:

- to maintain an equal number of rural and urban participants in the research;
- for the CLH group to embody the four key features of community business set out by **Power to Change**: locally rooted; trading for the benefit of the local community; accountable to the local community; achieving broad community impact;
- to focus on CLH groups that provide affordable housing for the benefit of the community (for this reason the focus was on CLTs), and;
- not to ask CLH groups that had already contributed significant amounts of time in participating in other Power to Change research to contribute again – in respect of ensuring that their time and effort in supporting the sector does not become disproportionate (bearing in mind again that CLH practitioners are usual volunteers working on projects to benefit a tightly defined geographical area).

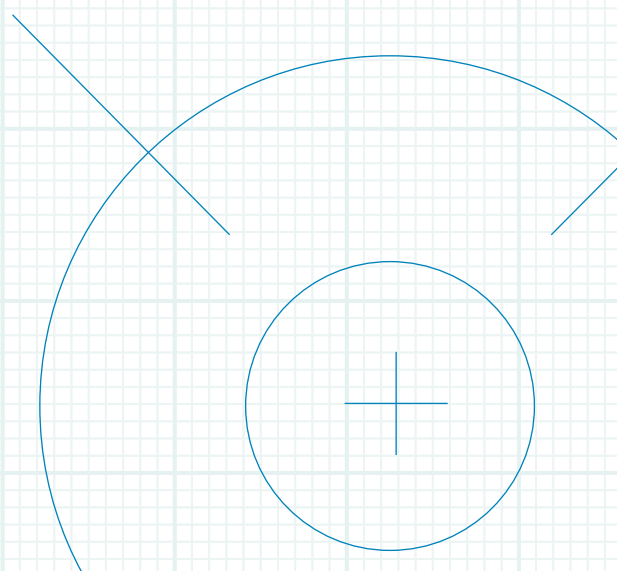
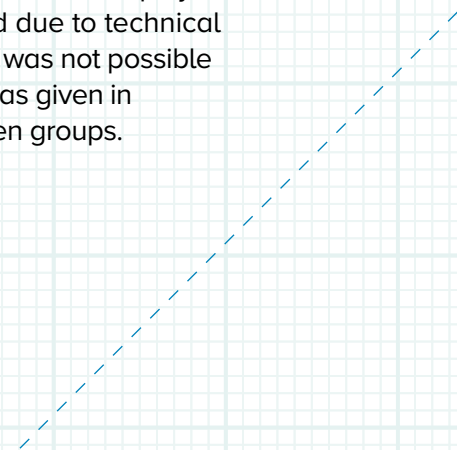
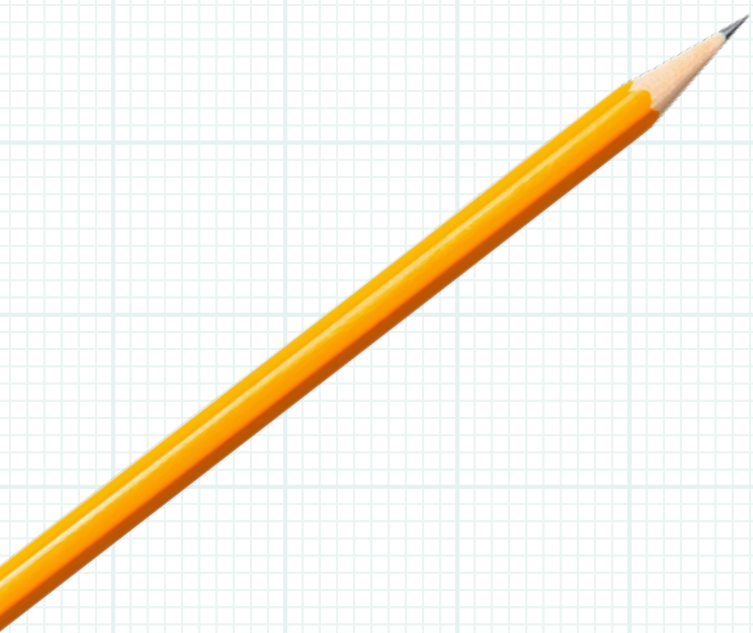




The research team used its own extensive knowledge of the sector, and liaised with Power to Change and the National Community Land Trust Network, to utilise their extensive reach into the sector to identify suitable candidates to be research participants and provide their contact details. A list of invitees was collated, these individuals were contacted with 11 positive responses. A list of participants is in Appendix 3.

The research adopted the terminology explaining the different stages of CLH development developed by Power to Change in the report 'Targeting funding to support community-led housing' (by Tom Archer, Anna Kear and Catherine Harrington). The categories reflect the journey that most CLH organisations adopt and are helpful in explaining funding stages and the CLH development process. The categories are Group, Site, Plan, Build and Live.

The CLH partner participants had all been involved in CLH projects that had completed projects, however the CLH practitioners were all at different stages in project development – two had completed their projects, one had worked a project up to start on site but then had to go back to the drawing board due to technical issues, two were seeking a site, and one was at the Plan stage. It was not possible to gather data on every stage from every participant, and data was given in different forms as the understanding of each stage varied between groups.



3. Research findings

The benefit of grant finance

All participants reported that grant finance, particularly at the early stages (group, site and plan) is extremely valuable in terms of reducing the risk that a CLH group is exposed to, giving confidence to stakeholders, getting good and timely advice, and driving the project forward, minimising delays. Grant finance can bring developer advisers on board who otherwise would not be able to risk involvement in a CLH project. Also, the sales and rental revenue from an affordable housing project defines its financial viability, this means that, in general, housing associations tend to direct resources towards areas where higher rents can be charged. Grant rates through the traditional Affordable Homes programme (from the Homes and Communities Agency, now Homes England) seemed to exacerbate this problem further and so often areas where lower rents were applied missed out; the logic being that these areas were naturally more affordable and therefore needed less intervention. Whilst true, if grant rates can be increased then more schemes in less affluent areas will come forward and will inevitably help the CLH sector to achieve greater social impact. The objective of CLH groups is as much about the vibrancy and diversity of a community as it is about housing need. Grant is shown to be of vital importance, but the research also highlighted that where CLH groups have been able to access interest free loans (in particular to secure land), this has also been very beneficial and has been a key to leveraging in further finance.

Variables

The CLH sector can be considered to be in its infancy; there are not yet standard models or costs to project types because of the number of variables. It may be that due to the very nature of CLH (in that it responds to individual community need, and all communities are different) that a standard model does not emerge over time, but rather a number of variations on models, with the requirement to constantly innovate to match the changing external environment and changing needs of communities. What is clear is that there are currently a multitude of different factors that influence the cost of a CLH project, and drive up the costs in relation to standard housebuilding. Factors identified in the research that influence variation in cost relate to:

- **Location.** whether the scheme is based in an urban or a rural area. Land prices are often much higher in urban areas where it is not possible to buy land at the lower 'exception site' values.
- **Skills and capacity.** This related to what skills and capacity are available internally and externally to the CLH group. Some CLH groups have access to paid members of staff, a network of professionals who can provide pro bono support, and are linked in with experienced CLH advisers which reduces the potential for making expensive mistakes and enables projects to progress more quickly. Where an experienced CLH adviser is in place to support a group

throughout its entire journey and advocate on its behalf to other stakeholders, there is the ability to monitor costs (experience of development and other CLH schemes informing what are reasonable costs and where costs can be kept down), keep them at a reasonable level and to drive a project forward, reducing delays and therefore reducing unnecessary costs. The CLH advisor can temper the ambition of the CLH group, who will naturally aim for the highest standard possible in the homes they create, with the realism of making a project financially viable, and making CLH groups aware of the trade-off they need to consider if they do choose more expensive design or lower rents (this might be building fewer homes, or some open market homes to cross subsidise costs). This will help the CLH group to make an informed decision.

Where a CLH adviser, or other experienced development professional, is not present, costs can rise due to receiving advice from different parties (e.g. architects, local authority planning departments, funders), all of whom are likely to be supportive, but none of whom advocates solely on behalf of the CLH group or has the overview of the project and its financial and social viability. It is also noteworthy that during the Group, Site and Plan stages, many stakeholders are working speculatively (especially architects) and this will limit the amount of time and energy that they are able to commit to a project.

- **Choice of site.** Communities often choose sites that are more difficult to develop than the sites that mainstream developers choose as CLH groups are primarily concerned with choosing a site that is acceptable to the community rather than the cheapest site to develop. They are motivated by social factors as opposed to economic ones. The sites that CLH groups choose are often more expensive to develop due to planning conditions (e.g. if in a conservation area or area of outstanding natural beauty), or features relating to the site itself (e.g. gradient).
- **External environment.** Frequently CLH groups are subject to external events, such as change in government policy (e.g. a great reduction in available of capital grant for the building of affordable homes; the government imposed rent cap) or matters closer to home such as delays in local authority planning departments due to understaffing, contractors facing business difficulties, rising costs of materials and labour and objectors to sites creating difficulties. These matters are usually out of the control of the CLH group and do have an impact on the cost and execution of the project, usually relating to delays.
- **Abortive costs.** The nature of community-led endeavour means that some CLH groups will begin exploring a particular site but then this site will be deemed unsuitable by the wider community or because of other factors. The CLH group is likely to be inexperienced and, particularly if not receiving advice from a CLH adviser, it is possible that mistakes will be made that will lead to abortive costs.

Comparison with standard housebuilding

In terms of comparing the costs of CLH schemes to standard housebuilding, CLH schemes are more expensive to build because of the costs associated with engaging with the community. Communities often insist on high design standards and additional features that they know will be more in keeping with the local area or wider development, and because communities rarely choose the cheapest site to develop (as social gain rather than profit is their motivation). The RIBA (Royal Institute of British Architects) work stages that architects typically work to are not completely relevant for CLH schemes although some parallels can be drawn.¹ The stages set out in the typology developed by Power to Change (the Group, Site, Plan, Build and Live stages) are more helpful in terms of defining what happens when, and what costs should be attached to each stage (See Appendix 1 for a diagram of the Total Process).


Standard costs for each stage in Total Process

Bearing in mind the inherent diversity of the sector, an assessment can be made of usual costs for each stage from the research findings. These costs will vary in relation to the variables set out above (and other variables too, in different contexts) and are likely to change over a short time frame especially build costs, as in the post-Brexit economic environment construction costs are rising due to higher labour and materials costs) and this is likely to continue to fluctuate. Any cost can be capitalised, including the costs of CLH advisers, but the business models for many CLH advisers would suffer from having to wait until completion (often a prolonged period) for payment for early stage advice.

Group stage: This stage relates to many of the functions of CLH that are distinct from mainstream housing development. Each CLH group has to form, be constituted, define and set out how it will operate and finance its objectives. Of course, once a CLH group is functional it may attempt to progress a number of different projects. In fact, the potential for positive social impact in a community is greatly enhanced if the momentum of a group is maintained and they develop a number of different schemes (often beyond housing). The group functions continue throughout all the other stages of development. Standard costs for the Group stage were reported to be from £1,000 to £10,000, with the average being £4,140. It would not make sense to convert this cost into a 'per unit' cost as it relates to the group itself rather than the housing project, so costs are unlikely to

¹ The RIBA Plan of Work 2013 consists of eight work stages identified by the numbers 0-7.

0. Strategic Definition
1. Preparation and Brief
2. Concept Design
3. Developed Design
4. Technical Design
5. Construction
6. Handover and Close Out
7. In Use

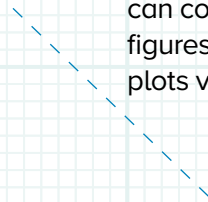


vary relating to scale.

Site stage: This stage relates to finding and acquiring a site for development, or a building for redevelopment. The functions are all industry standard but the financing of the site acquisition is often not like mainstream development, where it has to be sourced rather than it being built into the standard business model. Respondents did not all identify readily with this stage, some combined it with the 'Plan' stage as both 'Site' and 'Plan' relate to work carried out before starting on site. Respondents from a multiple tenure 33-unit urban CLH scheme reported costs of £191,000, whereas for a more typical 12-unit rural scheme the costs were estimated to be £18,300. For some it was too difficult to extrapolate this information. The average amount was £43,050, however the sum of £191,000 seemed to be an exceptional cost, and with this sum stripped out the average amount was £13,460. This can be seen as an example of the diversity of the sector, but also of the difficulty of categorising costs after funds have been raised and spent.

Plan stage: This stage relates to the functions leading to obtaining a planning consent for development and entering into a build contract. The functions are all industry standard but, unlike mainstream developers, many of the tools and skills needed have to be created or acquired by the CLH group such as standard specifications, sourcing and negotiating terms of development finance and budgetary control. Many CLH groups and their partners equate this stage with 'pre-development'. Again, there is wide variation in the costs for this stage due to the inherent diversity of the sector, with the larger complex urban scheme having costs of £294,000 and the more typical rural scheme reporting costs for this stage to be £74,000. The average amount was £93,510 per group, or £6,750 per unit. If stripping out the larger exceptional (compared to the other results) sum for the complex urban scheme then the average amount per group was £60,100, or £5,630 per unit.

Build stage: This stage relates to the functions involved in the build process. This is industry standard but is more akin to housing association procurement of build than house builders in terms of the contractual relationships required. As build costs vary according to the size of homes, it is probably more accurate to work to a cost per square metre. CLH schemes are more often more expensive than conventional housebuilding as the choice of site (driven by a social rather than a profit oriented motive) and individual design specifications (including features to ensure that homes are more ecologically friendly, which is often a priority for CLH groups) often lead to additional cost. £1,800-£2,200 per square metre for a design and build contract, excluding land and fees, was reported as an average. Transitioning from Plan to Build stages does require a level of mobilisation and often land acquisition and (sometimes) detailed design needs to be completed before finance for development can commence. Detailed design costs have been incorporated into the above figures (for Plan or Build), but land costs are worthy of note here. Affordable housing plots vary from £1 to £20,000 per plot. Interestingly there is little variation across



rural and urban areas since in urban areas, higher density is achievable and 100% affordable housing schemes are rare. The most common range was between £5,000 and £10,000 per plot, with more expensive plots being for larger units rather than for more affluent areas.

Live stage: These functions relate to the occupation of the homes once built and the functions required to enable occupation and on-going management. Some of these functions are industry standard such as sales and lettings, whilst others may interact with the group functions if there is going to be continued community stewardship built into the project. The live stage requires funding on an ongoing basis dependent on the business model of the CLH group. At a minimum, this must cover the running costs of an organisation (regulatory fee, insurance, subscriptions to membership bodies, costs relating to members and board meetings) which would be approximately £1,000 per annum plus a nominal fee of £5 per member. In addition to this, if a CLH group is managing properties then it will need to ensure a conservative level of income to provide for voids, maintenance and contingency. The CLT Fund has made available an appraisal tool for CLH groups to use to calculate these costs, which will be dependent on number and type of units: cltfund.org.uk/tool. It is essential that these costs are included in the business plan of the CLH organisation and so drawn from income via rent or ground rent, rather than any reliance on grant to cover these costs that will be ongoing for many years into the future. It is also essential that CLH groups ensure that they generate a comfortable surplus to protect them from unusual costs in the future – since they will not in all likelihood have a large number of units (as a housing association would) to be able to cross subsidise any losses.

Other sources of funding

Funding is available for many groups for many stages, but not consistently across the country and not all in one place for each stage. This results in some groups finding it easier to access funding than others, some being able to access large amounts of finance that neighbours in other local authority areas can't. There is a significant amount of time and energy of volunteers being diverted into fundraising, and there is an increased perception of risk associated with not being confident in having a clear path to raising the required funding to deliver a CLH scheme.

There are three main grant programmes currently set up specifically to support CLH at different stages, it is not known when these funding programmes will expire or how likely a CLH group is to access funding from these programmes:

1. The National CLT Network manage the CLT Start Up Fund which is a national fund offering grant funding at the Group stage, with the possibility of providing funding for parts of the Site and Plan stages too. This funding is available in three stages. Stage One is £500 to engage an advisor to explore the initial concept of a CLH project, Stage Two is £1,000 to engage an advisor for a

further two days to develop plans further, and Stage Three is to help with the establishment of the CLT and further planning (which could include Site and Plan elements) and could be up to £4,000.

2. The Community Buildings Fund is a national fund provided by the Department for Communities and Local Government, and administered by Locality and Groundwork, can provide funding for the plan stage for up to £50,000. There is a requirement for match funding from the community, that land is secured by some method, that there is support from the local authority for the scheme and that the CLH group is constituted with at least 10 members from different households in the community.
3. The Community Housing Fund, provided by the Department for Communities and Local Government, is a £60million annual fund currently administered through local authorities in areas deemed to be subject to high levels of second home ownership (it is not available in every area nationally). Each qualifying local authority area has received a different amount and has the freedom to distribute it to support CLH. Some areas have received large allocations which they have chosen to distribute to CLH groups to support capital and revenue costs at different stages. CLH groups would need to approach their local authorities to ask what funding is available in their area. Some local authorities also contribute to the capital and revenue costs of CLH projects from different sources of funding. The Community Housing Fund has not yet had an impact on the funding of CLH groups as it has only recently been established, however it is certain to have an impact in areas where local authorities choose to support CLH advisory services and provide capital and revenue grants directly to CLH groups.

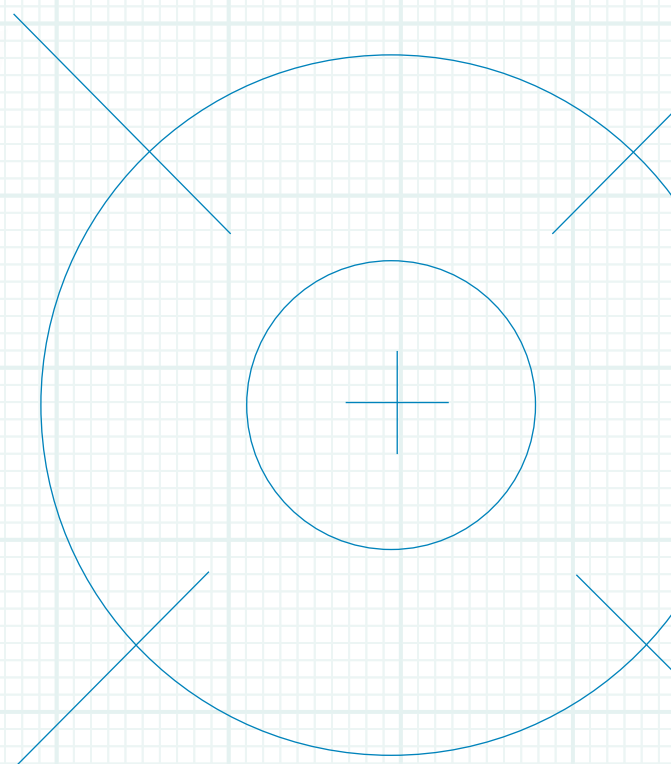
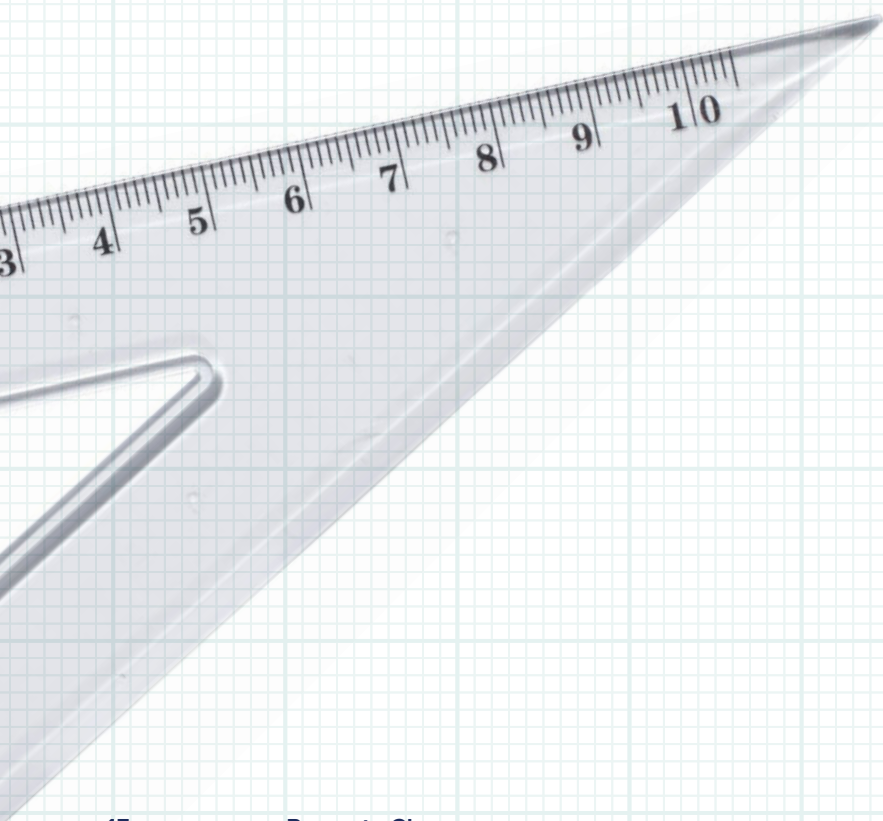
In addition to the three specific grant funds for CLH, many CLH groups have been able to access grant funding from the Homes and Communities Agency for building affordable rented homes. The application process for this necessitates being a registered provider of housing, which is not usually recommended for CLH groups (who are in general too small to be able to cope with the risks of being subject to the government demands on registered providers, a highly regulated sector), or working in partnership with a registered provider.

There are also other sources of grant funding that CLH groups could qualify for that are not exclusively designed for CLH projects, but nonetheless could provide funding to individual groups. These sources of funding could not be considered as a sustainable source of funding for the sector as they are not available to CLH groups as a whole and are not designed for CLH groups specifically.

During the Build stage of the CLH process it is likely that the CLH group will need to either partner with a Housing Association to access development finance, or raise development finance through loans, and possibly by also raising capital through the issuing of community shares. There are a number of providers of loan finance able and willing to lend to CLH groups, although some are more risk averse than others and it can be a difficult and time-consuming task for CLH groups to raise loan finance before rental revenues are established.

Timeframes

The pioneers of CLH housing had to overcome many obstacles to deliver their schemes, however recent schemes have been proven to be deliverable between three to four years from conception to completion.



4. Conclusions

The inherent diversity in the sector means that any grant framework CLH projects should contain the flexibility to assess each project on its merits, whilst ensuring that costs are reasonable for the individual project. There are additional resources that are required to enable a successful outcome for a CLH scheme that don't apply to mainstream housebuilding. These resources relate to the Group stage, which doesn't normally exist in mainstream housebuilding as can be seen from the variables set out above.

The table below sets out a recommended grant framework based on the findings of this research, but should be caveated by the consistent finding that CLH projects are not standard and exceptions apply and should be considered. Essentially, the research indicated that at the Group stage a grant of up to £5,000 would be appropriate; at the Site stage, a grant of £5,000 per CLH group plus £1,000 per unit would be appropriate; at the Plan stage a grant of £25,000 per CLH group plus £3,000 per unit would be appropriate; and at the Build stage consideration should be given to applications for build costs of £1,800-£2,200 per square metre.

	Group	Site	Plan
Per CLH group (constant)	£5,000	£5,000	£25,000
Per unit	£0	£1,000	£3,000

An example of this is:

No. of units	Group	Site	Plan
10	£5,000	£15,000	£55,000
12	£5,000	£17,000	£61,000
20	£5,000	£25,000	£85,000
30	£5,000	£35,000	£115,000

The grant framework should cap the costs for Site and Plan at 30 units since it is unlikely that the costs associated with these stages will rise according to scheme size after this point, but are more likely to rise (or fall) according to the variables set out in the research findings.

Our opinion is that this level of grant would cover all costs of a project in an estimated 90% of cases and as such it verges on the generous. As a grant framework it would be possible to flex this structure +/-10-15% to encourage frugality, match funding, operational strength. Having some funding 'left over' at each stage should be encouraged as moving from one stage to another has some inherent costs and most CLH groups are start-ups and need to begin building reserves to cope with the unforeseen. If the framework was reduced by say 15% on each element it would be necessary to hold an additional discretionary pot that CLTs could apply for with more detailed justification. This would have an additional administrative burden on the grant funder but would likely increase the number of projects that could be backed.

Timing and extra criteria for grants

Group grants should be 100% upfront subject to a check that there is no other suitable community group already established capable of receiving the grant.

Site grants could be split 50% upfront and 50% in arrears with the ability to allow for some adjustment based on estimated versus actual units (that is, a CLH group may be anticipating a scheme of 20 units but through consultation this gets reduced to 15 or vice versa). Minimum criteria for this grant stage might include:

- A minimum of 10 members as with the Locality / Groundworks scheme (this is a fairly low hurdle considering how much community organising is required);
- Formal registration with a national body to ensure confidence in wider engagement (and to help communities think inclusively). e.g. Locality or CLT Network etc.;
- An identified project manager (whether an individual or support body).

Plan grants could again be split 50% upfront and 50% in arrears. A sizeable proportion of professional fees are due once planning permission is obtained, and some arrears payment will help CLH groups and (more importantly) their advisers stay focused on achieving the outcome as quickly as possible. Minimum criteria for this grant stage might include:

- Some formal feedback from a planning committee of a local parish / town council or planning department from the relevant local authority;
- Formal quotes documented from all professional advisers;
- A legal option secured on the proposed site.



Final thoughts on land

It was not part of the scope of this brief but if there was a way of the securing land ahead of planning on behalf of a community at a standard rate this would be a significant stimulus to CLH groups.

A standard transparent national pricing structure could be established by such a fund in line with those laid out in the table below. This would allow both landowners and CLH groups to have confidence in achieving fair value. We see no reason why such a pricing structure should not be equally applicable to all affordable housing schemes whether for shared ownership or rent, whether urban or rural. Neither do we see an argument that these figures need to be automatically inflated over time, though of course, they may need to be reviewed from time to time in the light of experience.

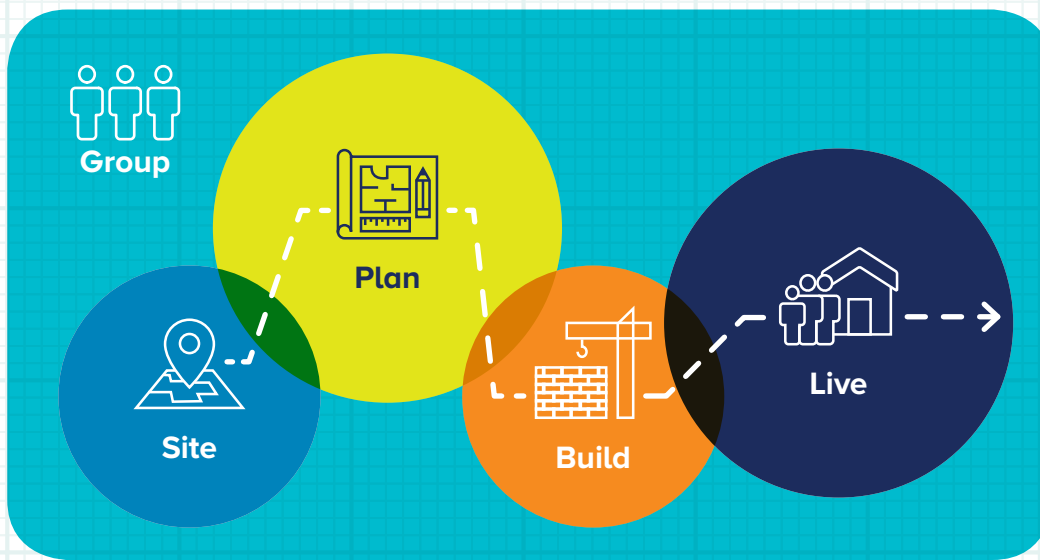
Land value per plot for 100% affordable housing scheme	Value pre-planning (Bought speculatively from a Landowner for an identified CLH group and reserved in a land bank)	Value post planning (On sold to community groups on the understanding that they pay for the planning process)
1-bed home	£4,000	£5,000
2-bed home	£6,000	£7,500
3-bed home	£8,000	£10,000
4-bed home	£10,000	£12,500

Of course, some landowners may want to hang on for the higher value which would be achieved through planning, but others often do not want to wait.

Such a fund would need to be well endowed with a grant and stewarded by a national administrator. The returns over time from buying at a 20% discount and selling to CLH groups would likely be sufficient to cover the costs of administering the scheme and the losses on sites that failed to secure planning. It would however be impossible to structure such a fund to provide any return of capital or income to investors. Such a land banking fund could become a perpetual resource for the sector, and offers for the benefit of the sector a technique that the private sector and even individual housing associations employ for their sole benefit. By sharing the risk and return co-operatively many more CLH groups could access land and have time to raise funding knowing that the land was reserved for them.

Appendix 1: Total Process stages and activities

Total Process stages and associated activities. Group activities may take place throughout the process, at each stage, and there may be overlap between stages, depending on how the project progresses.



Group



define purpose and common values

accountability/membership

legal constitution options and setting up

democratic/consensus decision making

clarity of roles and responsibilities

development training: costs, risk, tenure options; partnership options; local plan policies/political context; community-led plans/ongoing community engagement

outline business plan and budget

negotiating terms of finance

negotiating partnership terms

ongoing independent support to group throughout project

Site



site finding based on group's criteria

valuation

negotiating an interest in land/property

development appraisal of site/building

pre-planning advice

site investigations

sketch scheme layout

financial feasibility/viability

risk evaluation

competitive bidding/procurement

acquisition options

due diligence

sourcing finance for site purchase/option/lease

Plan



scheme design

working up planning application

financial feasibility/viability update

build options including custom build

specification/Employers Requirements

contract options

negotiating and securing development finance

value engineering

agreements with Local Authority

budgetary control

agreeing contract

Build



building homes and site infrastructure

services provision

cost control – quantity surveyor

quality control – clerk of works

contract management

budgetary control

Live



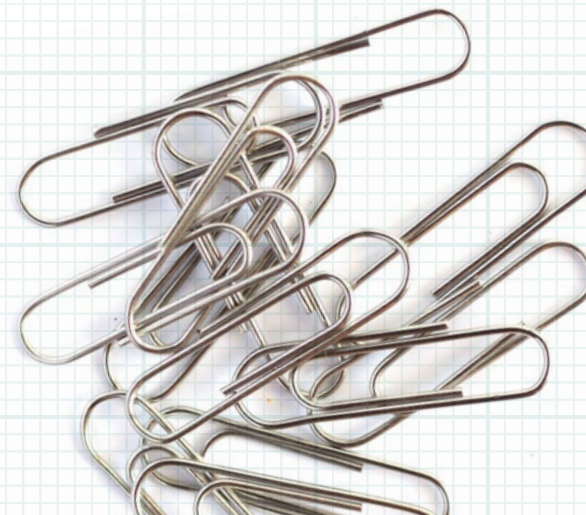
occupation – rent, own

ongoing management

ongoing budgets – service charges; sinking fund

ongoing membership – sales and relets

democratic/consensus decision making



Appendix 2: Questionnaire

CLH Practitioners questionnaire – Research into the funding requirements of community-led housing groups for the Group, Site, Plan and Build stages

	Stage	Questions
		Please could you provide the name and contact details for your community-led housing organisation
1	Group	When and how was the community-led housing group formed?
2	Group	What were the first activities of the CLT (up until the beginning of site search/negotiations)? This might include public meetings; assessing the level of housing need in the community; establishing a legal entity.
3	Group	How did the CLT develop its business model? Did it feel confident in this development and aware of other options?
4	Group	Did the CLT receive advice/professional services at this stage? What kind of advice? Did it help or were there gaps?
5	Group	What type of legal form did the CLT adopt?
6	Group	When did the CLT formally incorporate their organisation?
7	Group	What were the costs at this stage? Does this include the cost of any advisers/enablers?
8	Group	How did the CLT pay for these set up costs?
9	Group	How long (approximately) did this part of the project take (from the conception of the CLH group to the point of being ready to look for a development site).
10	Group	Is there anything that you think could have reduced this timescale or helped to reduce any delays that might have occurred?
11	Group	What would have helped at this stage to make these tasks easier for the group, or to bring the scheme on more quickly? This could be funding, advice/skills, or something different.
12	Site	How did the CLT find the right site for the CLT scheme?
13	Site	When and how did the CLT secure its interest in the site?
14	Site	How did the CLT negotiate with the landowner? Did it feel comfortable with this? Was it a successful negotiation? Was it supported in this process?

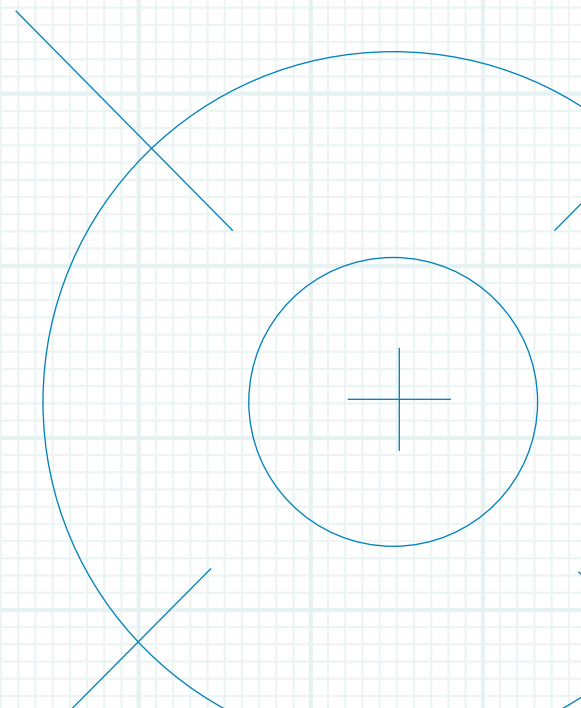
	Stage	Questions
15	Site	Has the CLT been required to fund securing the site – e.g. an option agreement on the site? If so, how much did this cost and how was it funded? If not, would this have been useful (e.g. as a non-recourse loan – a loan that would only need to be repaid if the scheme was successful)
16	Site	What work did the CLT carry out to ensure that the site was suitable? Possible activities carried out at this stage are: Valuation; development appraisal work; pre-planning advice; preliminary site investigations; sketch scheme layout; financial viability establishment; risk evaluation; establishing procurement processes; assessing acquisition options; carrying out due diligence; sourcing finance for site purchase, option or lease)
17	Site	What were the costs associated with these activities? Break down into detail if possible. Does this include the costs of any advisers/enablers?
18	Site	Did the CLT receive advice/professional services at this stage
19	Site	How long (approximately) did this part of the project take (from beginning to search for a site to starting to carry out the work of preparing a planning application)
20	Site	Is there anything that you think could have reduced this timescale or helped to reduce any delays that might have occurred?
21	Site	What would have helped at this stage to make these tasks easier for the group, or to bring the scheme on more quickly? This could be funding, advice/skills, or something different.
22	Plan	What work did the CLT carry out to design the scheme and prepare the project for a planning application? Professional services will have been contracted for this stage. Possible activities carried out are: scheme design (engaging an architect normally); surveys such as archaeological, topographical, landscape and ecological; financial feasibility work; assessing the different build options and contract types; specifications; negotiating and securing development finance; value engineering; negotiating with the Local Authority; determining allocation criteria; budgetary control; agreeing contracts.
23	Plan	Did the CLT receive advice/professional services at this stage?
24	Plan	What were the costs at this stage? Did this include the cost of any adviser/enabler?

	Stage	Questions
25	Plan	How long (approximately) did this part of the project take (the work preparing a planning application up to receiving planning permission)
26	Plan	Is there anything that you think could have reduced this timescale or helped to reduce any delays that might have occurred?
27	Plan	What would have helped at this stage to make these tasks easier for the group, or to bring the scheme on more quickly? This could be funding, advice/skills, or something different.
28	Build	This is once planning permission has been granted and work can commence on building homes – start on site. What work did the CLT carry out at this stage? This will include the work of contracting developer partners to build homes and infrastructure; service provision; costs control/quantity surveyor; quality control/clerk of works; contract management; budgetary control.
29	Build	Did the CLT receive advice/professional services at this stage?
30	Build	What were the costs at this stage? Did this include the cost of any adviser/enabler?
31	Build	How long (approximately) did this part of the project take (from planning permission being granted to completion of homes)
32	Build	Is there anything that you think could have reduced this timescale or helped to reduce any delays that might have occurred?
33	Build	What would have helped at this stage to make these tasks easier for the group, or to bring the scheme on more quickly? This could be funding, advice/skills, or something different.
34	Live	This is post completion of the homes, and includes the occupation of homes by tenants or sale to home owners. What work did the CLT carry out at this stage? This could include managing the occupancy of the homes; ongoing management of the properties; ongoing budgets; establishing and managing service charges; establishing a sinking fund; managing sales and re-lets.
35	Live	Did the CLT receive any advice/professional services at this stage?
36	Live	What were the costs at this stage? Did this include the cost of any adviser/enabler.
37	Live	What would have helped at this stage to make these tasks easier for the group? This could be funding, advice/skills, or something different.

CLH Partners questionnaire – Research into the funding requirements of community-led housing groups for the Group, Site, Plan and Build stages

- 1** For community-led housing groups that have already completed homes (or are part way through the process), what have been the costs associated with the ‘group’, ‘site’, ‘plan’, ‘build’ and ‘live’ stages? The stages might not neatly fit into each project, but help to try to work out some average costs they are:
- Group: This relates to all the functions of community-led housing that is distinct from mainstream development. Each CLH group has to form, be constituted, define and set out how it will operate and finance its objectives. This is for every specific CLH project; however, some groups may then go onto develop further projects or may themselves be an existing community organization that is moving into developing housing, thus saving time and money repeating these functions. The group functions continue throughout all the other stages of development.
 - Site: This is all the functions that relate to finding and acquiring a site for development, or a building for redevelopment. The functions are all industry standard but the financing of the site acquisition is not like mainstream development, where it has to be sourced rather than it being built into the standard business model.
 - Plan: This is all the functions leading to obtaining a planning consent for development and entering into a contract. The functions are all industry standard but, unlike mainstream developers, many of the tools need to be created or acquired by the CLH group such as standard specifications, sourcing and negotiating terms of development finance and budgetary control.
 - Build: This relates to all the functions involved in the build process. This is industry standard but is more akin to Housing Association procurement of build than house builders in terms of the contractual relationships required.
 - Live: These functions relate to the occupation of the homes once built and the functions required to enable occupation and ongoing management. Some of these functions are industry standard such as sales and lettings, whilst others may interact with the group functions if there is going to be continued community stewardship built into the project.

2	Are community-led housing groups able to access the funding that they need? Or are there are funding gaps that you are aware of, or common instances where accessing funding is unduly onerous on CLH groups (who are often reliant on volunteer time), where additional (or alternative) funding could add value, and where funding could add impact to the development of the sector?
3	What kind of match funding from the community (if any) are community-led housing groups coming up with?
4	Are there any factors that you think have an influence on variations in costs (e.g. number of units, design issues, site specific issues, planning conditions, presence of a housing enabler)?
5	Are there any housing industry specific standards that could apply to community-led housing projects?
6	Are there any additional costs to CLH schemes (that wouldn't apply to a traditional affordable housing scheme)?
7	For previous community-led housing groups that you know of, what have been the typical timescales for the 'group', 'site', 'plan', 'build' and 'live' stages?
8	Which costs do you think can/should be capitalised (e.g. can the costs of the CLH adviser, or other feasibility/predevelopment costs be capitalised into the overall development finance?)



Appendix 3: List of participants



Rob Martin, Angmering CLT



Tom Johnson, The Glendale Gateway Trust



Judy Lucas, Wickham CLT



Fran Ryan, Oxfordshire CLT



Kareem Dayes, RUSS



Neil Double, Naked House



Tom Warder, Action in Rural Sussex



Steve Watson, The Wessex CLT Project



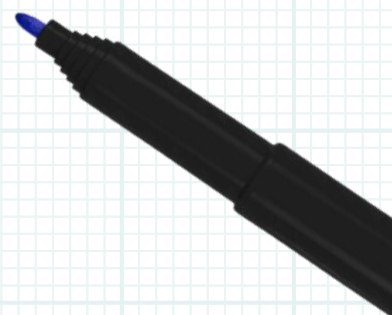
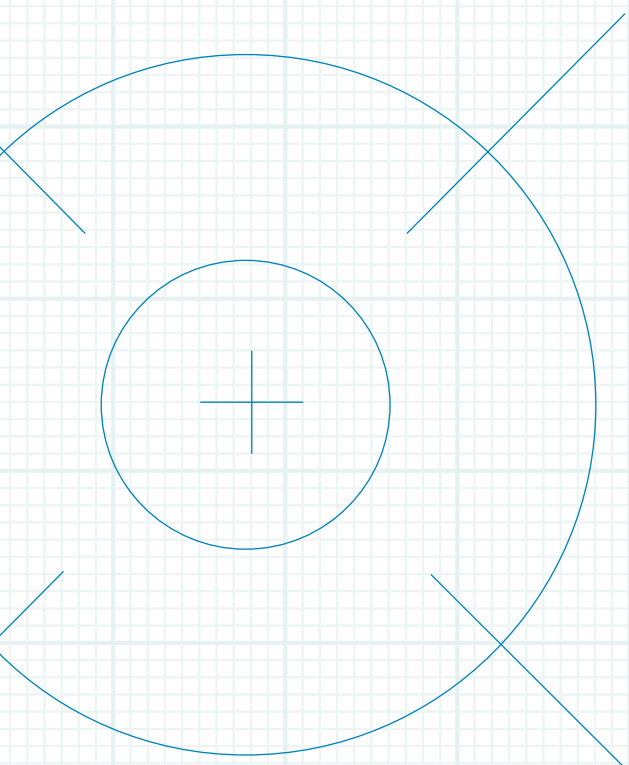
Karl Hine, Aster Housing



Helen Downing, The Cornwall CLT



Andrew Kirby, LED Architects



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