

## North Devon Council

Report Date: 6<sup>th</sup> March 2023

Topic: Funding to deliver affordable housing via community-led housing models

Report by: Service Lead – Affordable Housing

### 1. INTRODUCTION

- 1.1. Since 2016/17 North Devon Council has allocated £735,544 to community-led housing from the Community Housing Fund thanks to an initial allocation, successful bids to national grant and North Devon Council match-funding. Back then, “community-led housing” was a new term in North Devon and only one Community Land Trust was in existence (for other purposes than affordable housing). This has grown today to 8 formal Community Land Trusts, 2 parishes considering becoming Community Land Trusts and the opportunity to deliver around 141 affordable homes led and driven by local people in small communities.
- 1.2. In June 2022 Members approved the allocation of the balance of all affordable housing commuted sums; the balance of the capital programme budget and nearly £163,000 from the Community Housing Fund Reserve to gap fund the build of 21 social rents in Woolacombe.
- 1.3. Government failed to renew the Community Housing Fund and the Community Housing Fund Reserve, after committed allocations have been paid out has a residual balance of £38,456. This leaves the remaining schemes with no way to progress forwards without additional funding and stalls the delivery of at least 120 of the 141 social rents forecasted at a time when our communities are struggling through the Housing Crisis and a higher cost of living due to increases in inflation, interest rates, fuel costs and energy prices.
- 1.4. How to resource the delivery of affordable housing via community-led housing models both financially and in terms of staff has been recognised as so fundamental that it is within the scope of Project 4 of the corporate Housing and Community Safety Programme.

### 2. RECOMMENDATIONS

- 2.1. That for the delivery of additional new build social rents delivered through community-led housing models across North Devon, Members approve the allocation of £611,602 from the funding sources as outlined in section 5 - table 2 for:
  - 2.1.1. Parracombe build costs gap-funding alongside Registered Provider/Homes England funding as set out in 4.9.1.
  - 2.1.2. Ilfracombe build costs contingency alongside Registered Provider/Homes England funding and Brownland Release Fund as set out in 4.9.1

2.1.3. One year of set-up grant of £600 for each of the 9 Community Land Trusts/parishes in the community-led housing pipeline;

2.1.4. That Members note the residual balances of capital and revenue funding available as set out in section 4.10 which can be used to help further schemes progress.

2.2. That subject to 2.1 above, Members recommend that Council vary the Capital Programme by £520,985 as detailed above and that funds be released, subject to a Grant Agreement upon such terms and conditions as may be agreed by the Proper Officer and Senior Solicitor and Monitoring Officer.

2.3. That officers continue to work to support the formation of Community Land Trusts in the North Devon community-led housing programme and continue to identify funds available to progress their work.

2.4. That when the identified Community Land Trusts in the North Devon community-led housing programme are in a position to proceed, further reports come back to Committee if additional funding is required, outlining the level of support available.

### 3. REASONS FOR RECOMMENDATIONS

3.1. The grant will enable a further 21 new build social rents in Ilfracombe and Parracombe and potentially move forward further social rents in addition to those coming through the planning system and those delivered by Registered Providers. The money will also ensure all Community Land Trusts can move forward in 2023/24 with set-up grants to continue their positive work.

3.2. Additional new build social rents will also generate huge social value, create jobs, as well as bring external funding into North Devon. Households currently in housing need in the pipeline parishes as well as future generations of the community in housing need will have the opportunity to rent their house at a genuinely affordable social rent, which may be more likely to be paid without recourse to benefits. Community-led housing is also protected from the Right to Buy and Right to Acquire and this ensures they remain in the community in perpetuity.

3.3. To increase the supply of social rented housing in North Devon to contribute to the alleviation of the huge pressures on our housing market, currently worsened by the housing crisis, alongside increases in inflation, interest rates, fuel price and energy costs.

3.4. A low financial gearing of £30,000 per unit grant against around £140,000 per unit of external funding minimises the risk to North Devon Council and is the most cost-effective way of delivering schemes of 100% new build social rents.

### 4. REPORT

4.1. In 2016/17 North Devon Council (NDC) received £667,869 from the national Community Housing Fund (CHF). Following initial proposals approved by the former Executive; officers then had delegated authority for this allocation to

cover community-led affordable housing projects. This has funded various technical support for such communities, legal set-up into Community Land Trusts (CLT), housing needs surveys and start-up grants for CLTs for example to hire a hall for Public Meetings or print community information. It has also gone further to provide feasibility and planning grants for those most advanced schemes.

- 4.2. The CHF 2018-20 delivered another £95,497 of revenue funding from Homes England match-funded by £10,610 from NDC. This funded further support for communities in the form of a Rural Housing Enabler from Devon Rural Housing Partnership, technical support from Wessex (now Middlemarch) and an in-house short-term Housing Enabling Officer specifically for Community-Led Housing.
- 4.3. Government stopped the main CHF for most areas outside of London in December 2020. The CLT Network, Middlemarch and MPs have been lobbying for financial support for CLTs to continue since then. 2022 witnessed a huge step-up in lobbying through the CLT Network, Middlemarch, Team Devon. North Devon is quoted nationally as best practice in community-led housing and the Service Lead Affordable Housing was invited in December 2022 to a roundtable with the former Housing Minister, Lucy Frazer to discuss the importance of community-led housing for delivery targets and the lack of funding and how Government could tackle this.
- 4.4. Chapter 5 of the Levelling-up and Regeneration Bill now indicates reforms to national planning policy and government wish to update the National Planning Policy Framework to reflect their wish for more homes for social rent and also to encourage community led developments. Enabling CLTs in North Devon to complete their schemes will tick both these boxes. There is some optimism that a renewal of the CHF could pick up at least some of the strain on the revenue side for CLTs. Indeed, the national CLT Network are still advancing previous talks with the new Housing Minister.
- 4.5. We now have 8 formal CLTs in North Devon in the parishes of Lynton & Lynmouth, Mortehoe, Parracombe, Combe Martin, Georgeham, Ilfracombe, Braunton and West Down. In addition, 2 more parishes are at the start of the process and are not yet legally established. Combe Martin CLT has paused due to a lack of suitable sites.
- 4.6. The 9 schemes in NDC's community-led housing pipeline alone have the potential to deliver approximately 141 affordable homes for local people. To put this into perspective, this means that the pipeline community-led affordable housing schemes could deliver more than the average year's affordable housing completions<sup>1</sup> across the entire Local Housing Authority's area (North Devon and Exmoor National Park). Clearly, the progression of CLT schemes

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<sup>1</sup> The last 5 years 2017/18 to 2021/22

plays an important part in the delivery of affordable homes in North Devon communities.

- 4.7. The funding requirements of the entire pipeline are set out below in section 5, table 1 (resource implications). To fund all of the schemes would require either additional government funding or funding being provided through commuted sums or borrowing by the Council. On the current figures and in the current funding landscape, the Council would need to borrow around £3.8 million, alongside sources of funding identified, in order to progress all of the schemes. This would result in the Council incurring borrowing costs of £262,000 per annum, which has not been included within any financial forecasting and would not be sustainable. However, the number of homes in the pipeline show the scale of the work being carried out by local communities volunteering their own time and demonstrates the opportunity of the 120 additional units of affordable housing at Social Rent that can be delivered in addition to the 21 Social Rents at Woolacombe through such a programme at a lower LA grant rate than could ever be achieved through any other model.
- 4.8. At present officers have identified sources of funding through a mixture of residual funds, commuted sums (received and anticipated shortly) and an anticipated capital receipt from the scheme at Bicclescombe Nursery, Ilfracombe (refer to S&R report presented to Members on September 2022). This amounts to £611,602 and is broken down in detail at section 5, table 2.
- 4.9. Officers recommend that this be allocated to those most advanced CLTs, (whilst enabling other CLTs to not be stalled) in the following way:
- 4.9.1. **Capital:**
- Parracombe CLT £180,000
  - Ilfracombe CLT £250,000 (this is contingency only and will be held back by officers in case required).
- 4.9.2. **Revenue:**
- £600 revenue grant in 2023/24 financial year for each of the 9 CLTs/parishes in the pipeline to ensure they can continue until more funding is available and North Devon does not lose the passion and drive of their volunteers in pushing forward housing schemes for their communities.
- 4.10. The allocations above will leave a balance within the Capital Programme of £90,985 and Revenue funding of £85,217 available from the funds identified within section 5.2; which can be used to help further schemes progress. Any additional funding need will need to be the subject of a further report once the most suitable scheme(s) are identified. Officers will continue to work on identifying additional funding sources with the aim of progressing all of the schemes identified. Further reports will be taken to Committee once those schemes are in a position to be fully funded and once funds become available.

## 5. RESOURCE IMPLICATIONS

5.1. The resource requirement ask to bring each and every potential community-led housing scheme in the NDC pipeline to completion totals £4.384 million and is outlined below in Table 1 and broken down into parish alongside the forecasted completion date.

Table 1: Future funding required by pipeline community-led housing schemes.

CLTs and RP partners where known	Homes	Set up [Note 1 & 2]	Revenue Stages 1 & 2 Feasibility and Planning	Capital [Note 3 & 4]	Forecast completion year [Note 5]
Mortehoe & Woolacombe CLT/Aster	21	£ 2,000	-	-	2024/25 (Dec 2024)
Parracombe CLT/SDR	6	£ 2,000	-	£ 180,000	2024/25
Ilfracombe CLT/Aster	15	£ 2,550	-	£ 250,000	2024/25
Georgeham Parish CLT/Aster	18	£ 2,000	-	£ 540,000	2025/26
Lyn DT	10	-	£ 92,000	£ 300,000	Forecast to be made when site identified.
West Down CLT	10	£ 2,550	£ 92,000	£ 300,000	
Braunton CLT	15	£ 2,550	£ 120,000	£ 450,000	
South Molton (subject to a CLT being set up)	40	£ 3,000	£ 170,000	£ 1,200,000	
Kentisbury & Trentishoe (subject to a CLT being set up)	6	£ 3,000	£ 92,000	£ 180,000	
<b>Totals</b>	141	£ 19,650	£ 566,000	£ 3,400,000	
Total set-up, revenue & capital				£ 3,985,650	
10% contingency				£ 398,565	
<b>Total inc. contingency</b>				<b>£ 4,384,215</b>	
Potential income (from worksheet 1)				£ 611,602	
..of which can be used on capital				£ 520,985	
..of which can be used on revenue				£ 90,617	
Borrowing required				£ 3,772,613	

Note 1: In the absence of a national CHF setup facility, setup grant of £3,000/CLT has been assumed rather than £1,000/CLT as now. This will help CLTs to meet their annual operating costs over 5 years (£600/year/CLT) before a project is complete and generates a ground rent.

Note 2: £0 Lyn DT set-up as it is already an established Development Trust

Note 3: £30,000/unit assumed.

Note 4: The Council's capital contribution is to be the Brownfield Release Grant allocation (£0.5m) to the Bicclescombe Nursery site plus contingency of £250k due to the risk of not delivering using national funding and the need to pay back £0.5m to government.

Note 5: Forecasting comes with a note of caution given the reliance on volunteers, challenging climate for construction costs, contractor insolvencies and lack of capacity within planning authorities.

5.2. Some potential funding sources totalling £611,602 have been identified, as outlined below in table 2.

**Table 2 - Potential revenue and capital sources**

<b>£</b>	<b>38,456</b>	<b>Unallocated balance in CHF reserve (Revenue or Capital - so use as Revenue)</b>							
£	52,161	DCC old 2nd homes Council Tax funding for ND (Revenue)							
£	24,000	Commuted sum South Molton parish - received Dec 2022 (Capital)							
£	67,273	Commuted sum Filleigh parish - invoiced Feb 2023 as trigger for payment now reached (Capital)							
£	67,712	Commuted sum South Molton parish - received Feb 2023 (Capital)							
£	158,000	Commuted sum Georgeham parish - Expected mid-late March 2023 (Capital)							
£	204,000	Capital receipt Ilfracombe (Capital)							
<b>£</b>	<b>611,602</b>	<b>Total potential revenue/capital sources</b>							
£	520,985	Sources for capital usage							
£	90,617	Sources for revenue usage							

5.3. Officers recommendations at this point in time is to fund those most advanced schemes within the current funding framework available, whilst at the same time enabling the whole pipeline to continue their work and not stall them. Therefore as per section 4.9 officers have minimised allocations of funding to what is available.

## 6. EQUALITIES ASSESSMENT

6.1. This does not adversely affect any of the protected characteristics and on the ground this intervention will have a positive or neutral impact on all such groups of society. More information will be known following the preparation of the planning application for each of the pipelines schemes. This will then be added to the separate Equality Impact Assessment.

## 7. ENVIRONMENTAL ASSESSMENT

7.1. The construction of additional new build affordable homes will have a positive impact on the environment as they will be built according to the new building regulations with higher energy efficiency and electric charging points. More information will be known following the preparation of the planning application for each of the pipeline schemes. Furthermore, it is well known that community-led housing often achieves very high sustainability; over and above regulation. This will then be provided in a separate Environmental Assessment/EAC checklist.

## 8. CORPORATE PRIORITIES

8.1. What impact, positive or negative, does the subject of this report have on:

8.1.1. Improving customer focus:

8.1.1.1. This will be meeting a significant local housing need and is led from start to finish by the community themselves.

#### 8.1.2. Regeneration or economic development

8.1.2.1. Attracting almost £20 million of external funding into the District (if the same amounts are secured as Morteheo) as well as the social value of creating affordable housing and the creation of jobs.

8.1.2.2. Analysis shows that there has been a 67% reduction in available private rented housing when comparing August 2021 with August 2019 and that North Devon was the worst affected area in the South West, and the 4th worst affected area nationally. This limits housing supply in our general housing market and pushes up open market rents. This can have the effect that people who may have been able to access the private rented sector are being displaced and are now requiring affordable housing for rent.

8.1.2.3. In addition even when adjusting for population there were still the greatest number of households assessed as homeless at 2.38 households per 1,000 of the population. Despite improving our renewals process and removing applicants no longer wanting to be on the register, there has still been a 32% increase in applications when comparing 2020 to 2021 (Jan-Nov periods). This continues to put further pressure on our limited affordable housing stock.

8.1.2.4. In most of the pipeline parishes the community is particularly suffering from the reduction of private rented sector housing and affordability issues. Most open market housing is out of the reach of the local community and is lost to second homes, Airbnb and other forms of holiday lets.

### 9. CONSTITUTIONAL CONTEXT

9.1. Part 3, Annexe 1, Paragraph 1(d) (Delegated).

9.2. Article 4.5.19 (Referred).

### 10. STATEMENT OF CONFIDENTIALITY

This report contains no confidential information or exempt information under the provisions of Schedule 12A of 1972 Act.

### 11. BACKGROUND PAPERS

The following background papers were used in the preparation of this report: (The background papers are available for inspection and kept by the author of the report).

N/A

### 12. STATEMENT OF INTERNAL ADVICE

The author (below) confirms that advice has been taken from all appropriate Councillors and Officers: Jaimie Jeyes, Service Lead – Affordable Housing