Community Led Homes

Guidance – the options for community led housing
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This guidance is about the procurement and management of contractors and advisors. It relates to **G2 The Options for Community Led Housing** in the **Community Led Homes Programme**.

This guidance considers the following areas:

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1   Definition of community led housing

Definition principles

The definition is based on core principles rather than hard and fast rules:

1. A requirement that meaningful community engagement and consent occurs throughout the process. The community does not necessarily have to initiate and manage the development process, or build the homes themselves, though some may do.

2. The local community group or organisation owns, manages or stewards the homes and in a manner of their choosing.

3. A requirement that the benefits to the local area and/or specified community must be clearly defined

In the context of this definition and these principles a 'community' can be both a community of place or a community of interest as defined by the group or organisation. However, membership of that organisation or group must be open to anyone within that defined community in such a way as to be inclusive and allow all members of that community to actively participate and have a say in the group's or organisation's strategic direction.

Applying these principles in practice (e.g. through grant criteria) requires those making decisions to have some knowledge of the sector and be able to judge clearly what might constitute genuine community-led housing.

Different approaches to community-led housing

Within these definition principles there is a wide variety of different *routes to delivery*, different *approaches,* different *procurement methods* and different *legal forms*. Each of these has an important role to play in helping the community led housing sector to achieve its overall aims, and that this diversity is the sector's key strength.

Broadly speaking there are 3 main *routes to delivery* for community-led housing:

- *Group-led*: Grassroots 'start-up' groups responding to housing need or demand, or people seeking to deliver their own homes.

- *Extension of community-based activity*: Existing community-based organisations with local roots decide to provide housing in addition to their current activities, or increase their existing provision, for and on behalf of the local community.

- ***Developer-Community Collaboration:*** A local authority/landowner/housing association or small builder wants to provide housing that benefits the local area. They access community-led housing expertise to recruit 'founder members' from within the community and support them to take over ownership/stewardship and/or management of the homes, or they may support an existing group or organisation to deliver their ambition.

It is important to note that across all three routes the *definition principles* of community-led housing outlined above still apply.

Across those *routes to delivery* there are also a wide range of *approaches* to community led housing; groups or organisations may use just one these approaches or may combine them to respond to their specific requirements.

There are also overlaps between these *routes to delivery* with a variety of *procurement methods*.

And, across both the *routes to delivery* and different *approaches*, there are also a wide range of different *legal forms* that a community led housing organisation might take.

Community led housing is therefore a rich and diverse sector and what works for one project may not be appropriate and relevant for another. There can be no *'one size fits all'* approach being taken when advising organisations but advisors must respond to community need and circumstances and assist communities in selecting the options that are right for them and reflective of the community's preferred approaches to the total stages of community led housing.

The total stages of community led housing

Group – how will the community group that becomes the community led housing organisation be started, how will it recruit members and how will it be governed?

Site – how will a site be identified and who will own it?

Plan – how will the development be scoped and planning approval gained?

Build – what will be built, what will the tenure and pricing model be and who will undertake the development?

Live – how will the homes and the organisation be managed and governed post development?

2   Options for community led housing

Advisors need to understand all the variations available to potential community led housing schemes and organisations if they are to empower communities to exercise control and make the decisions that are right for them. Community led housing is not about an expert turning up in a community with a neatly packaged product to promote or sell to local people; there is no better or preferred set of options, only the right options for each setting.

This guidance outlines each of these options under the headings listed below; more detail is contained with the accompanying guides to the other modules of the Community Led Homes Programme.

- Legal and governance options
- Delivery options
- Development options and management of developments
- Land ownership options
- Financing options
- Long-term management options

Key milestones in creating a community led housing scheme and organisation

It is important to remember that dependent on which *route to delivery* that a community led housing development is taking, these milestones will be achieved in an order and manner that is route dependent. In other words, there is no '*step by step*' approach' to community led housing that applies in all settings but to reach the end of the journey each of these steps must be taken when appropriate.

Advisors must keep in mind how and when each of the milestones listed below will be achieved when advising groups and organisations about their options.

- Creating an outline plan for the housing scheme with initial stakeholders.
- Ensuring that the organisation gets the right advice and knows how to access and procure it.
- Ensuring the right development partnership is created that can deliver on the development proposal.
- Ensuring that finance is available to pay to bring a scheme from theory to reality.
- Ensuring group development to enable a scheme to be brought from theory to reality and that the group is able to govern the things it needs to.

- Scoping the development proposal regarding number of homes, communal facilities and other non-residential elements.
- Considering and visiting existing schemes; ensuring that visits are relevant to the community, its needs and circumstances and are not designed to *'steer'* people to preferred options.
- Agreeing the legal and other structures that are appropriate.
- Drawing up detailed plans and getting planning permission.
- Building the scheme and moving in; agreeing relevant approaches to sales and lettings.
- Shaping a sustainable long term model of community led housing.

(a)   Legal and governance options

The table below outlines a series of questions that should be worked through to determine the appropriate legal and governance structure for a community led housing organisation or for a scheme that an existing organisation or enabling develop is creating and which will be owned or managed by a new community led housing organisation in the future.

Question	Purpose
What to do you want to do?	To determine the objects of the organisation.
What are the financial and business realities?	To determine whether a new organisation is the most practical options for governing the scheme during and after development.
Who do you want to benefit?	Determines the group of people that a new organisation would be set up to act on behalf of.
Who should own the organisation	Determines who the members of the organisation will be and who will control it.
What should the owners' powers and duties be?	Determines who will make strategic and high-level decisions about how the organisation will be governed.
How should these powers be exercised?	Determines how strategic and high-level decisions will be made.
Who should manage the organisation?	Determines who will make day to day decisions about how the organisation will be managed and how services will be delivered.
What should the managers' powers and duties be?	Determines how day to day decisions will be made.
How should these powers be exercised?	Determines how day to day decisions will be made.
What can surpluses be spent on?	Determines what uses the organisation's profits can be applied to.

How will the organisation be accountable to residents, businesses and funders who are not members?	Determines how the organisation will be accountable and transparent beyond its membership

The legal and governance models that are suitable for community led housing organisations are outlined in the table below. Advisors should outline these options and match groups' responses to the questions above to help decisions to be made on which of these models is most suitable.

Legal model	Key governance points	Registering organisation
Co-operative	Shareholding membership is restricted to the people who are resident in the organisation; the organisation is governed by its members and benefits them alone.	Financial Conduct Authority
Community Benefit Society	Shareholding membership is open to anyone within the community of benefit not just residents; the organisation is governed by its members and benefits the community.	Financial Conduct Authority
Company Limited by Guarantee	There are no shareholders; the organisation is governed by its guarantors and benefits the community.	Companies House
Community Interest Company	A specific form of community limited by guarantee; the organisation is governed by its guarantors and acts in the community interest.	Companies House and CIC Regulator
Incorporated Charitable Organisation	There are no shareholders; the organisation is governed by its trustees and acts in accordance with its charitable objects.	Charities Commission

(b)   Delivery options

Beyond the legal and governance models, a number of delivery options are available which are descriptive of what communities are trying to create from a product perspective; some of the key distinctions of these delivery options are outlined below.

Ownership housing co-operatives – the co-operative owns the land and homes which are part of the organisation. The key issue for a co-operative delivery structure is whether membership is voluntary or compulsory for residents of the homes it owns. A compulsory membership organisation is defined as being *fully mutual* (all tenants are members; all members are tenants); a voluntary membership organisation is *non fully mutual* (membership is optional for tenants). Ownership co-operatives will be registered as co-operatives.

Community Land Trusts – the community land trust owns the freehold of land and buildings of a scheme but may sell or let properties on a leasehold or tenancy basis to individuals or managing agents. Community land trusts will be registered as community benefit societies.

Cohousing projects – the cohousing project owns communal facilities and properties which is lets to tenants; individuals may own their own home and the cohousing organisation could retain ownership of the freehold. Cohousing projects will be registered as co-operatives or community benefit societies depending on who they are established to benefit.

Group self/custom build projects – the group facilitates people to build their own homes on plots that it either sells or leases to them. Group self/custom build projects will tend to be established as co-operatives.

Self-help community organisations – a community based organisation which enables people to help solve their own housing needs. Self help community organisations will tend to be established as community interest companies or incorporated charitable organisations.

Tenant management organisations – the group manages homes and estates owned by a separate freeholder and delivers housing management and maintenance services to residents. Tenant management organisations can be co-operatives or companies limited by guarantee.

Mutual housing associations – these housing associations are membership controlled where membership is open and voluntary for residents (and sometimes employees). Mutual housing associations will tend to be established as community benefit societies or incorporated charitable organisations.

Voluntary unincorporated group working with an enabling partner – a group that has no legal form but agrees a development partnership agreement with a developer to ensure strong community control regarding a development.

A hybrid mix of these? Some schemes will take bits from various delivery models to create something bespoke to their circumstances. The mutual

home ownership model is an example of such a hybrid and is well demonstrated by the LILAC project in Leeds.

A new entity that does not want to label itself as any of the above – the community led housing sector is nothing if not innovative and the next product, approach or name is always around the corner based on the defining principles but not like someone else has done before!

(c)   Development options and management of developments

The routes to delivery are outlined in section one; each of these routes can be developed, managed or overseen by the community in different ways depending how much hands on control they want. These approaches are explored in detail in the guides to accompany modules S1 to S3 but in basic terms are:

- New build or refurbishment – is the organisation buying a plot of land to build new homes on or existing buildings to remodel or refurbish?
- Self-managed or outsourced – is the organisation self-building or refurbishing or outsourcing this work to a contractor?
- Project management – is the organisation overseeing the development or appointing a project manager that reports back to them?
- Enabler led partnership – is an enabling developer such as a local authority, housing association, existing community led organisation or landowner undertaking the development with an intention of selling it to a community led housing organisation or handing it over to them to manage?

(d)   Land ownership options

Options for holding land are defined in UK law; they are based on the notion that ownership is routed in the granting of a freehold title to a piece of land. There are three key decisions for a community led housing organisation to determine; what is the organisation's property, what is the individual's property and what rights does the organisation grant to the individual to use or occupy its property.

The freehold ownership can rest with an external party, the community led housing organisation or be split and sold to individuals.

- Where the freehold is held by an external party and the community led housing organisation is granted a long or short leasehold interest, the community led housing organisation would grant tenancies or sub-leases to individuals.
- Where the freehold is held by an external party and the community led housing organisation is granted a management agreement, tenancies or leases are granted by the freeholder to individuals.

- Where the freehold is held by the community led housing organisation it grants tenancies or leases to individuals

(e)   Financing options

Property development is a complex and risky business and creating the financing to enable a scheme to be developed can be challenging, particularly for new start up organisations with no track record of servicing debt or undertaking developments. Funders will price their loans and investments on the basis of risk and return; normally demanding a higher return for a higher (perceived) level of risk.

Community led housing organisations rely on a variety of funding sources to enable scheme development both at pre and post build stages; these sources are:

Debt – commercial loans from high street and specialist lenders.

Grants and soft loans – investment at no or significantly reduced interest costs from public funders, charitable trusts and ethical investors.

Equity – members' own funds that they invest in their organisations or self-build projects.

Community share and loanstock issues – fund raising activities that organisations undertake from private sources.

Cross subsidy through mixed use development – profit making development through residential homes for sale, commercial and other non-residential development that subsidises the cost of affordable residential properties.

Free or discounted land – in some circumstances a scheme could benefit from acquiring land at less than open market value; this discounted or free land can act in the same way as grants or cross subsidy by enabling more affordable residential properties to be developed than would otherwise be possible.

Sales and rent ratios and levels – developments based on a broad range of tenure and pricing options that enable increased levels of affordable residential properties to be developed than would be the case if unviable levels of such properties were being planned without such a mix.

Combinations of funding – it is likely that in most circumstances community led housing schemes will contain a mix of some or all of these component parts and advisors should be prepared to assist organisations in blending finance and any subsidies in a flexible manner.

(f)   Long term management options

Once a scheme is built and people have moved into it, someone has to provide housing management and maintenance services; these options and associated good practice are detailed in the guides to accompany modules L1 to L9 but in basic terms they are:

Self-management – where the members collectively provide services themselves.

Employee management – where the organisation employs people to provide services.

Agency management – where the organisation enters into a management or service level agreement for an external agency to provide services.

A mix of all three – where individual services are provided by self-management, employee or agency management or even component parts of services being split between these approaches.

A number of key questions must be asked when determining what long-term management options would be appropriate:

1. Do members have the right skills, knowledge and experience to support their choices?

2. How can members be supported or empowered to increase their skills, knowledge and experience?

3. What are the risks associated with long-term management options and how will they be controlled?

4. How will members maintain effective control over the organisation and its services in the chosen long-term management option?