



The Community Land Trust Handbook



CLT Handbook

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CHAPTER 1

Introduction

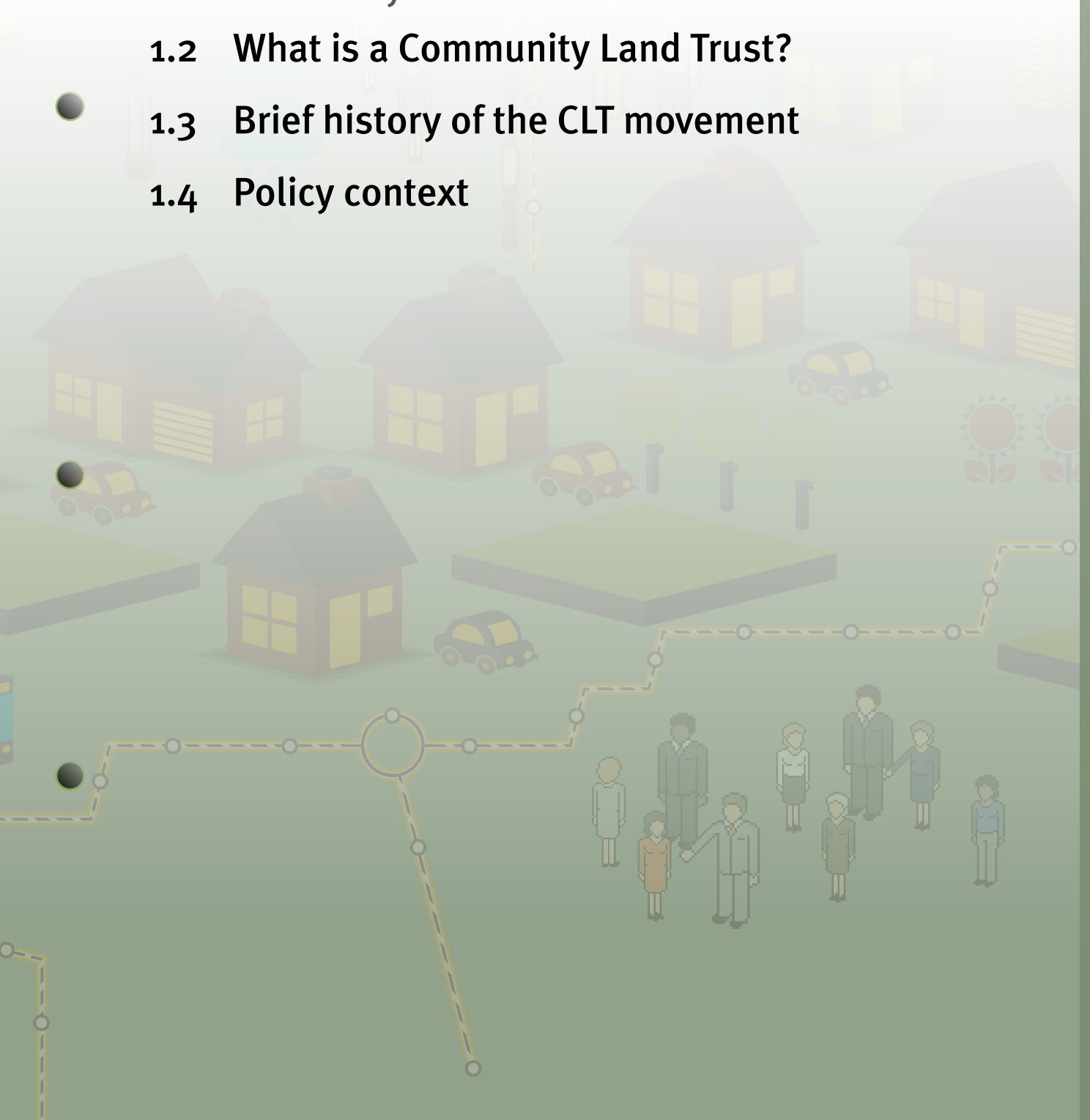
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‘Brick by brick, loaf by loaf, we build ourselves’

Homebaked CLT

1.1 Introduction to the CLT Handbook

Setting up a Community Land Trust (CLT) is an exciting opportunity but it can be a daunting task, especially once you start delving into the more technical aspects of governance, funding or development. This handbook provides a helping hand throughout the process. It provides **up to date and essential information** on the stages of setting up and running a successful CLT, from engaging with the community and the initial stages of formation right through to managing and stewarding the homes, workspaces, community hall or community pub.

The chapters refer primarily to the process of forming a CLT with the purpose of providing affordable housing but they do also provide information for CLTs set up for other purposes and there are chapters on community energy generation, community food and farming.

Who is the handbook for?

This handbook is designed for use by communities wishing to set up a CLT to develop homes and other assets as well as to provide a key reference guide for those CLTs that are already part way along the journey. It is also a useful source of reference for those that work with communities, including local authorities, housing associations, developers and consultants.

The content of the handbook will be updated and more topics will be added to over time, with new information made available via the National CLT Network website **www.communitylandtrusts.org.uk**. Updates can be referred to online or downloaded and printed off.

How to use the handbook

The handbook sets out the steps involved in order of how they may be taken, and can therefore be read from cover to cover. However, because many of the steps may in practice be taken simultaneously or some returned to again at a later stage, each fact sheet is self-contained and can be referred to at any point.

The handbook is accompanied by **model policies** and **examples of best practice**, where appropriate. These are available on the National CLT Network website: **www.communitylandtrusts.org.uk**

Each section of the handbook has been prepared with care and attention. The handbook should be treated as general information, not as instructive, and communities should take in-depth legal and technical advice where appropriate and prior to following any guidance contained here. They should also be aware that the issues discussed are subject to a changing political and legal environment and we do not assume responsibility or liability for the content of any third party websites or resources referenced in the guidance.



CLTs in Action: Lyvennet Community Trust

Whilst every CLT is unique, Lyvennet Community Trust really encapsulates what a community can achieve when they do something for themselves. With ingenuity, passion, resourcefulness and a certain opportunism, Lyvennet Community Trust has secured a sustainable future for the village of Crosby Ravensworth in Cumbria.



It all started back in 2008 when a group of residents set about to explore what their village could look like in ten years time. They discovered that there was evidence of a need for 23 affordable homes in the parish of Crosby Ravensworth. High house prices and low average incomes had created a barrier to the housing ladder for many local people, especially younger people.

Instead of thinking about who could solve the housing problem for them, the local residents were galvanised into action and decided that a CLT would be the best way to deliver the much needed new homes. They were convinced by the fact that the homes would be kept in community ownership and control and would be affordable for future generations.

Since then, the Trust has been on a rapid but steep journey towards building 20 homes in the parish. In 2009, it registered as a company, with membership open to the whole community, and started the process of development. A former stone works in the village provided the site for the new homes. The Trust took it over in December 2010.

In 2010 the Trust's work took on a new dimension. When the village pub closed, a rescue plan was put in place. It set up Lyvennet Community Pub Ltd in February 2011, raising £300k through a community share issue. People bought into the scheme from right across the community, including parents buying shares

on trust for their children, and right across the world, and by August 2011 the pub was re-opened. A £75,000 refurbishment included over 4000 hours of volunteer input.

The 20 plots on the stone works site include eight self-build plots, for local residents who wanted to be more involved in the design of their own homes. The Trust has built ten houses for affordable rent and two shared-equity properties. All the plots have local occupancy restrictions, keeping the properties available for people with a connection to their community, to build a thriving village. The Trust was the first CLT in the UK to become a Registered Provider with the Homes and Communities Agency, so that it can manage the homes themselves.

The development process has presented its own challenges. Perseverance has seen the Trust deal with everything from asbestos and "nesting bat" surveys, to securing grants from the Homes and Communities Agency and moving a local electricity substation. The process has also seen events from a "design your dream house" competition at the local primary school, to a sponsored abseil down the church spire. The village is now planning a community-owned shop, along the lines of the pub, and a separate scheme is working on an anaerobic digester, to provide power and income for the community. As Lyvennet Community Trust has shown, when a community puts their mind to something, anything is possible.

1.2 What is a Community Land Trust?

As the example of Lyvennet Community Trust encapsulates, Community Land Trusts are powerful examples of communities taking control and transforming the future of their local community. They are non-profit, community-based organisations run by volunteers to develop housing, workspaces or other assets that meet the needs of the community and are owned and controlled by the community.

CLTs have a transformational effect on the fabric of their local areas, bringing new homes and facilities that become the centrepiece of their community and a forum for new enterprise.

And, by members of the community working together to deliver homes or assets for their village or neighbourhood, CLTs also build stronger and more resilient communities.

CLTs are defined in Statute as a corporate body which satisfies conditions laid out in Section 79 of the Housing and Regeneration Act (these are spelled out in Chapter 4 Forming a CLT – governance and legal structures).

The statutory definition is purposefully broad and encompasses the diverse range of CLT activity. All CLTs share five **key features**:

Key features of a CLT

Community-controlled and community-owned

A CLT is set up by the community and for the community. The members of the CLT will control it and the assets can only be sold or developed in a manner which benefits the local community. If the CLT decides to sell a home, the cash realised is protected by an asset lock and is re-invested into something else that the trust's members think will benefit the local community.

Open democratic structure

People who live and work in the defined local community, including occupiers of the properties that the CLT owns, must have the opportunity to become members of the CLT. The CLT should actively engage members of the community in its work and ensure that they remain engaged in the development and operation of the CLT.

Permanently affordable housing or other assets

This is a crucial defining feature of a CLT. A CLT will endeavour to keep the homes or assets permanently affordable. This means that the home or asset is not just made affordable for the first buyer but that the CLT maintains the affordability of the housing or asset in perpetuity.

Not-for-profit

All CLTs are not-for-profit and any profits generated by the CLT cannot be paid by way of dividend or otherwise to its members but must be used to further the community's interests.

Long-term stewardship

A CLT does not disappear when a home is sold or let but has a long-term role in stewarding the homes. In some cases, they will remain the landlord of the rental homes or will retain an element of unsold equity in the homes.

Why set up a CLT?

The stimulus to set up a CLT is the desire to provide land or buildings to meet specific local needs. The most common aim is usually to create affordable homes that are available to local people who cannot afford open market housing. However, once a community has established a CLT and delivered its first project, people often feel empowered to take on whatever the next challenge might be that faces their community, such as purchasing the local pub when it is about to close, or setting up a community shop.

There are a number of benefits to setting up a CLT. CLTs can:

- Help meet local housing need;
- Lock in public or private subsidy, due to the commitment to permanent affordability, ensuring the homes do not leak out onto the open market;
- Bring forward land that might not otherwise be available;
- Achieve wider social and economic benefits for the community: development by a CLT does not only bring new homes but also creates stronger communities.

Complementary role:

CLTs and housing associations have a lot in common and CLTs can complement the role of housing associations by bringing community-led solutions to housing and other needs. Many CLTs have successfully partnered with a housing association to deliver new homes or other assets, as set out in Chapter 8.



1.3 Brief history of the CLT movement

To date there are over 100 CLTs in England. These range from those that are just starting out, to those that have developed several homes or other assets. The majority of CLTs are rural and small scale but there are a number of urban CLTs that are beginning to show that CLTs can work at scale.

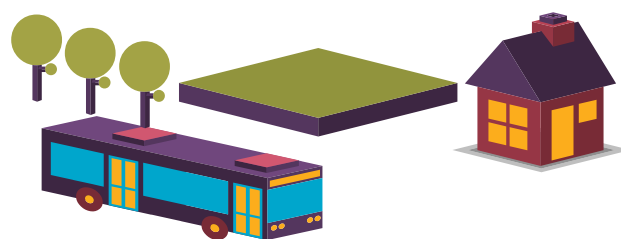
Across the border in Scotland CLTs have bought estates, forests and whole islands and now own over 500,000 acres. These CLTs have brought this land into community ownership and their story is told in the book 'From the Low Tide of the Sea to the Highest Mountain Top' (Hunter, 2012).

Whilst CLTs are a nascent but growing movement in England, they are not an altogether new and unfamiliar concept. There is a long history of community ownership and management of housing and assets in this country. Garden Cities, such as Letchworth Garden City, are based on a model where a community trust owns and manages the assets on behalf of the community, and could be viewed as an early example of a CLT. The CLT model that we know today, however, owes itself to the large scale and inspiring CLT movement in the United States.

With over 240 CLTs in the United States and some 5,000 CLT homes CLTs have become an accepted way to deliver affordable housing in the United States. Unlike in England, where most CLTs are rural, the majority of CLTs in the United States are urban and comparatively large scale, with the largest, Champlain Housing Trust, owning over 2000 homes. There are also a number of city-wide CLTs that have significant plans for development.

The CLT model emerged in the late 1960s in the US as a result of a fusion of older ideas of common ownership and the stewardship of land for wider community benefit, with the pressing needs of African American communities during the civil rights movement. A number of influential figures in the civil rights movement, including Bob Swann and Slater King (cousin of Martin Luther King Jr) wanted to create long-term opportunities for economic and residential independence for African Americans in the rural south and a CLT, where land is held by the community in trust, could do just that. They also looked East and took inspiration from the Gramdan movement in India, where land was gifted to villages and held in trust by the village council for the rural poor, as well as the leased-land agricultural cooperatives in Israel, to inform the CLT model.

The first CLT, New Communities Inc., was created in 1969, but it wasn't until the 1990s that the CLT movement really started to flourish in the U.S, thanks to a favourable policy and funding environment and a lot of shared learning amongst the CLTs. The US CLT movement has proven what community-led development can achieve and at scale and has become a significant source of inspiration for communities in England.



1.4 Policy context

The current policy context for Community Land Trusts is one of significant opportunity, albeit within a wider environment of economic constraint.

CLTs have cross-party support and most critically embody the Government's ambition of shifting power from Whitehall to communities. They are recognised as a proven example of local people taking control and transforming the future of their communities.

The Localism Act 2011 introduced new opportunities for communities to shape their local area. This includes the introduction of Neighbourhood Planning, where local people develop a vision for their area, a 'neighbourhood plan'. This provides an opportunity for CLTs to be identified as part of the solution to locally identified needs. For more information see www.mycommunityrights.org.uk/neighbourhood-planning

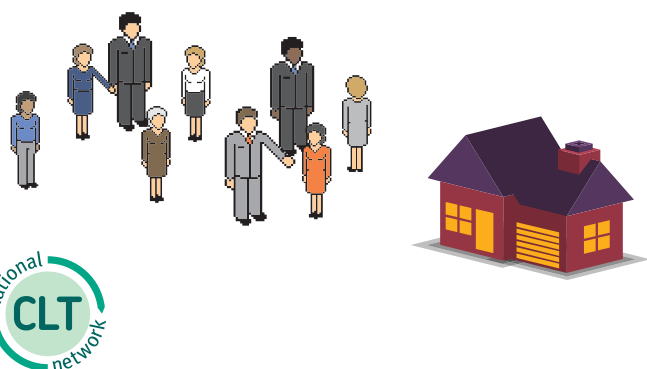
The Act also introduced additional rights for communities, the Community Right to Build, Community Right to Bid and the Community Right to Challenge. These rights provide opportunities to develop new homes or other assets, take over existing assets or take on the delivery of local services as social enterprises. More information on each of these rights and how they can be used by CLTs is set out in Chapter 10.

At the same time, in the face of a severe under-supply of housing and house prices far exceeding what is affordable for local people, the Government is committed to 'reigniting the housing market'. As set out in the Government's housing strategy 'Laying the Foundations: a Housing Strategy for England' (November 2011), there is a shift away from top-down targets and an emphasis on freeing up local areas to provide the homes they want to see. Large scale measures, such as Get Britain Building, the New Homes Bonus and new Garden Cities are joined by an emphasis on community-led housing solutions.

To support the development of community-led housing, the Government has made available a portion of the Affordable Homes Programme for community-led housing schemes. In addition, a £30 million revolving loan fund has been put in place to support group self-build or custom build schemes.

However, despite these opportunities, communities are operating within a challenging economic environment. There is less Government grant available for affordable housing, limited availability of private finance for development and a general tightening in mortgage lending, all of which make the development of new homes or other assets a challenge.

Navigating this landscape is not easy but what communities have at their finger tips is both the capacity and resources of the members of the community themselves and the opportunity and flexibility to explore creative and innovative solutions, as CLTs have proven they can.



CHAPTER 2

Starting out

CASE STUDY East London CLT

2.1 Introduction

2.2 First steps

2.3 Technical advice and support

2.4 Engaging the community

2.5 Engaging key partners

**‘Community is the
first word of a CLT
and the most
important word’**

Bill Bewley, Chair, Keswick CLT

CASE STUDY

Starting out: East London CLT

In 2006 and 2007, at LONDON CITIZENS' assemblies across London, members voted to make affordable housing a chief focus of LONDON CITIZENS' community organising efforts through to the 2012 Olympics and beyond. This led to the creation of East London CLT. When the CLT started back in 2007, its initial steering group set out their hopes for the years ahead. And immediately a clear and overlapping set of interests emerged: a lack of affordable housing to buy, and a desire to strengthen an already active local community by facilitating its involvement in planning decisions and place management. Local residents wanted to remain in their community, to know their neighbours and to take responsibility for the state of their local environment.



Subsequently, East London CLT set itself the overarching aim of 'Revitalising Communities through the Democratic Stewardship of Land', beneath which was written "Affordable homes: designed, owned and managed by the local community". This has become the focus of East London CLT.

East London CLT is a not-for-profit Industrial and Provident Society, with membership open to anyone who lives and works in east London. Shares in the East London Community Land Trust cost just £1, and to ensure parity and fairness amongst members voting is on a "one member one vote" basis. Today, they have over 1000 members.

Since electing its first Board of Trustees in 2007, East London CLT has gained international attention with their campaigns to develop the former St Clement's Hospital site in Bow.

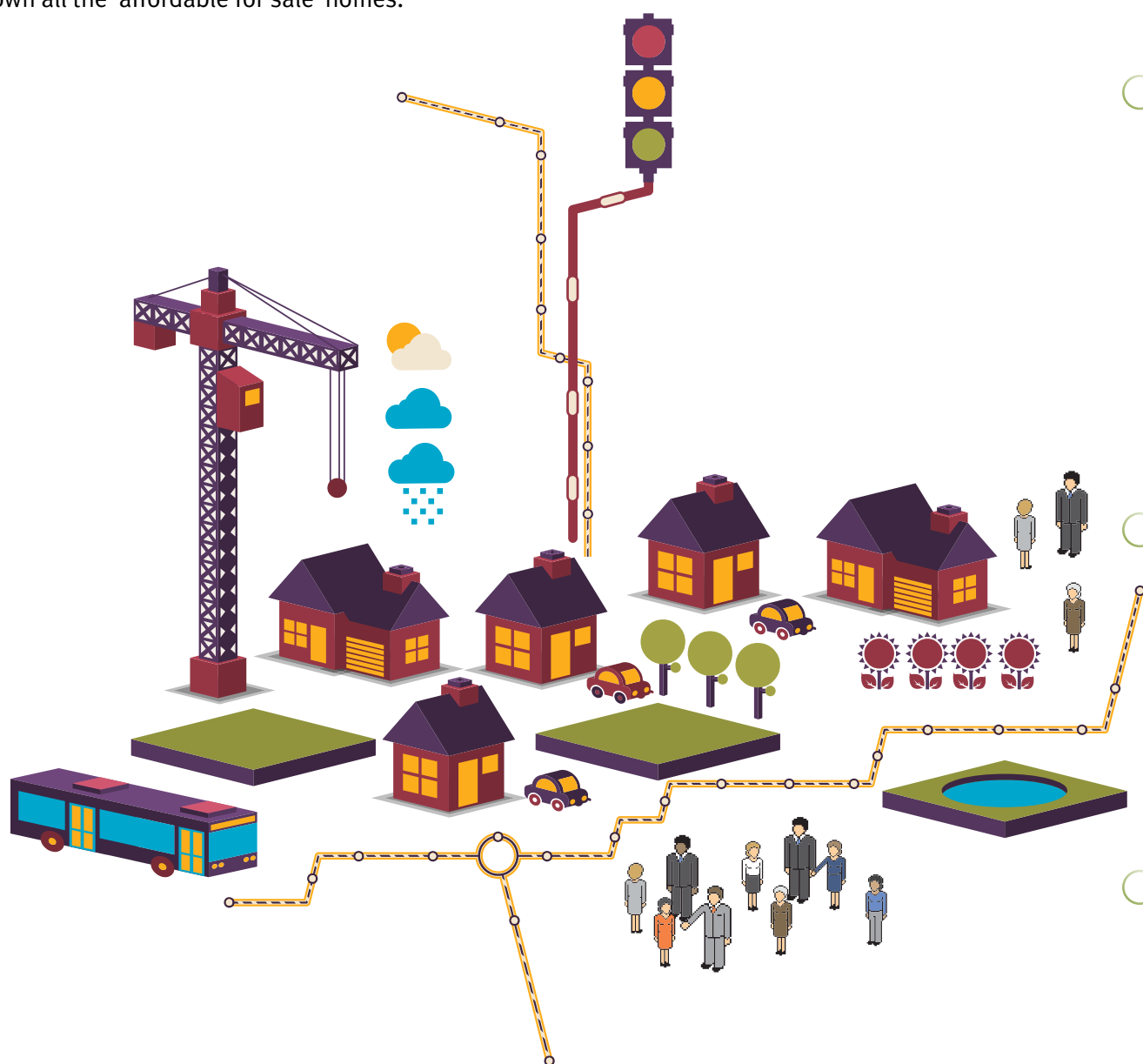
St. Clement's Hospital, on the Bow Road in east London, was originally built as a workhouse for the poor in 1849. A focal point in the local community for over 150 years, it famously served as a general hospital and then a site for people with mental ill health. Ownership was transferred from the NHS to what is now the Homes and Communities Agency (HCA) when it closed in 2005.

In September 2009, a tour of the site was organised and attended by over 100 members of the local community, during which they discussed its history, its importance as a social institution within the local area and their

aspirations for its future use as family-sized, affordable housing for local people. This formed the base for the public launch of the community partnership's intention to acquire the site.

In 2011, when the site was put on the open market, East London CLT put in a bid with a development partner. Although their joint bid was unsuccessful, the CLT set about negotiations with the selected developer and, on 16 July 2012, it was announced that East London CLT will work with Galliford Try and Peabody Trust to redevelop the former hospital site and become London's first urban CLT. The CLT will hold the freehold of the entire site and own all the 'affordable for sale' homes.

The Trust has further plans to bid for land on the Olympic Legacy Park site, learning from the St Clement's process. Their clear goal is to become an established part of the housing process in east London, the housing sector across the capital and the political discourse around housing by 2017.



2.1 Introduction

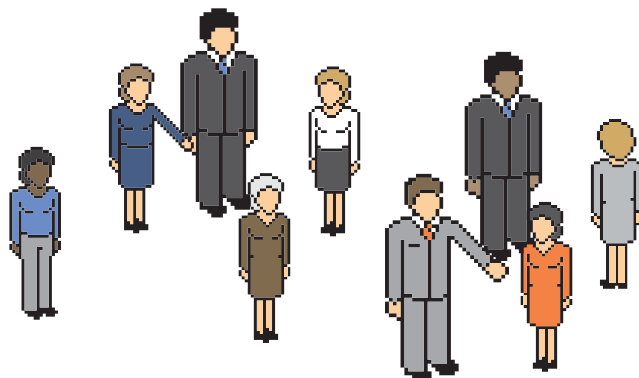
Community Land Trusts can provide long-term solutions to meet a variety of local needs. These needs may be the provision of affordable housing, the design and care of public spaces, support for the development of social and community enterprises, or part of wider community organising and community capacity building endeavours. Equally, CLTs can be started and set-up by a whole host of different bodies, each with a different initial purpose – from a group of active people or a local parish council, to housing sector advocates and professionals, and to broad-based community organisers and even property developers and municipal bodies. And while there is a very clear and definite set of criteria that a CLT must meet as set out in Section 1.2, it is part of the strength of the model that its practices and specific objectives will vary from area to area, place to place, and person to person.

The underlying principle of a CLT is that it aims to serve community interests at the same time as it serves individual interests – the benefits to one do not outweigh the benefits to the other. A CLT may build some affordable homes, for example, that house individuals on modest incomes, who otherwise might not be able to afford to remain to live and work in that community, shop in the local shops, send their children to the local school, and contribute to the overall stability and sustainability of the wider community.

There are a number of catalysts that spur the setting up of CLTs, among them:

- **recognised need and planned development** – in North Devon the High Bickington Community Property Trust was established to fulfil a holistic village plan to support a sustainable future, including provision of housing and workspace as well as health, educational and recreational facilities and services;
- **a threat** – a lack of affordable housing for their children, with the risk of them moving away, and the closure of the local pub in a remote village in Cumbria, inspired the development of the Lyvennet CLT and its subsidiary bodies to tackle these and other local issues;
- **an opportunity** – the proposed sale of a former military barracks in Wiltshire led to the formation of the Wilton CLT to pursue a vision of sustainable living on the site.

A CLT may acquire land and buildings through purchase, donation, or asset transfer and then develop it for a wide range of uses, by itself or in partnership. The types and methods of development that can occur on land that is owned by a CLT are limitless. How the CLT model achieves these things is explored in later chapters.



2.2 First steps

The concept of a CLT is relatively new in the UK. For a community group aspiring to set up a CLT it is best to avoid getting hung up on the technicalities. It is better to start by gathering a group of like-minded people from within the community, with the range of skills that can help meet the defined local need and make a potential CLT proactive, credible and effective.

Some basic steps for a community group just getting going follow below.

Form a steering group

The first step is to form some sort of steering group. Getting the right people involved in a steering group is important. Who will help to get things moving and also give the group credibility? Who is affected by, sympathetic to, or influential in what is being planned?

A group of six people is a good number to start with to ensure that there is always someone to turn to and, equally importantly, a basis upon which to assign different tasks and drive the project forward. It is worth doing an initial skills audit to identify any gaps in knowledge or expertise that the group may need to realise their aims, and then to recruit people accordingly. As a steering group develops into a more formal CLT board, it should consider which other people or organisations it should draw in, either as full or coopted board members, or to act as advisors. Key roles that will need to be filled when the CLT is registered as a legal entity will be a Chair and a Company Secretary.

Finding advocates, the community leaders who bring people with them, is important. Seek out those who are listened to within the community and local organisations, who are respected and who have the ability to motivate others to ‘turn

out’ and take on different responsibilities. As it develops and grows, these are the leaders that a CLT will need to draw into its wider membership.

There may be many volunteers who wish to be involved, but have no desire to sit on any kind of committee. Their enthusiasm and effort can be deployed through various working groups, on particular projects or to fulfil different functions. The more people who can be effectively involved the better. There is a separate section, **‘Engaging with the Community’**, with advice on how to involve the community in the CLT’s development and plans.

The size and longevity of the steering group will vary from organisation to organisation. It may be for just a few months, or run to years. In the case of East London CLT, featured in the case study, a ‘campaign group’ was formed to guide the CLT’s initial efforts, and existed from 2003-2007 before the CLT was legally constituted.

Define a clear purpose

The first task of the steering group is to develop a shared vision of the proposed CLT’s core purpose and how it will go about fulfilling it. Often a good place to start is to ask why each person has decided to become involved, and what their gut feeling is to why a CLT might be a worthwhile option: “I want my kids to be able to afford to live locally”; “I want the pub to stay in the village even though the brewery may pull out”; or “The community needs to provide more for key/middle-income workers to keep them here”. From this, work towards an overarching vision for the CLT – a clearly worded, simple statement that outlines the underlying purpose of the CLT.

A vision statement is a very effective tool for explaining why the CLT is there, and providing a neat introduction to what is also likely to be a wide ranging and ambitious undertaking.

Above all, a clear vision is needed to communicate the CLT's purpose to the wider community, to capture their imagination and enthusiasm, and to other stakeholders who will need to be behind the CLT for it to succeed.

The vision may be a simple statement:

“To create a community garden and grow healthy local food”

“To develop affordable housing to enable young families to live and work in our village and make our community more sustainable”

Whatever the scope of a CLT, what it does and who will be the intended beneficiaries

will influence future decisions regarding legal incorporation, possible charitable registration, and sources of funding.

Set some goals

There is a degree of truth in the philosophy that states you achieve that which you are able to visualise yourself doing: Clive Woodward's 2003 Rugby World Cup winning England side spent hours each day going through the mental anticipation of performing well under pressure, how set plays would pan out, and the eventual process and feeling of winning. While such an extreme is not quite necessary here, to maintain focus, CLTs should have a staggered or staged set of goals, however simple. It is highly recommendable to establish a staggered or staged set of goals, however simple, for a new CLT as early as possible.

Examples of basic goals (These timescales will vary from group to group)

12 months from now we will	Have grown relationships among steering group members and be a fully operating team, which responds to and initiates work with each other.
3 months from now we will	Stage a public meeting to inform the community of our plans and gain their endorsement to explore the formation of a CLT
6 months from now we will	Establish a number of working groups to undertake different tasks, for example, establishing the best legal structure for our CLT, planning how we will involve the wider community, apply for funding for a community engagement programme
9 months from now we will	Report back to the community on our findings and seek their agreement to form a CLT. Have 20 new people signed up to become members of the CLT volunteer to help or join a working group
1 year from now we will	Have an interim CLT board in place and have developed good relationships with key partners
18 months from now we will	Have our CLT registered as a legal entity, and be focusing on the interesting bits. Have 50 new members signed up
3 years from now we will	Start work on site. Have 5% of eligible community as CLT members.
5 years from now we will	Own and manage 20 affordable homes, and have a network of footpaths and cycleways established. Have 15% of eligible community as CLT members.

Above all else, it is the sense of purpose and belief that a long term plan instils, combined with the reassuring and focusing practice of meeting short to medium term goals that makes this process so worthwhile. It inspires a 'big picture' whilst providing initial steps to get there. It also serves well as a monitoring tool further down the road.

There is more information on how to set up a CLT in **Chapter 4 Forming a CLT**, including governance and legal structures, and on feasibility and business planning in **Chapter 5 Making it stack up**.

Open a bank account and start raising funds



Any organisation needs some level of income to cover its costs at start up, even if it is only enough to buy printer cartridges and paper. As soon as the steering group or CLT has a name, it should open up a bank account in that name so that it can begin to bank money. It is very important that the name of the organisation and the bank account match. There are a numbers of sources of funding for CLTs:

- 1 Local fundraising (parish council grants, sponsored events, small tin donations etc.)
- 2 Local sponsorship and larger donations (business, pro bono support etc.)
- 3 Regional organisations (councils, foundations, Local Enterprise Partnerships etc.)
- 4 National support organisations (e.g. the National CLT Network – CLT Fund)
- 5 Charitable trusts and foundations (e.g. Tudor Trust, local Community Foundations)
- 6 National Lottery and Government grants (e.g. Awards for All)

Income will be either unrestricted; it can be spent at the applicant organisation's discretion (generally funded by 1, 2 & 3) or restricted; for specific projects and activities such as a series of workshops (generally funded by 4, 5 & 6). It is very difficult to generate income for core

(running) costs such as rental of work space, administration, salaries, volunteer expenses and general equipment.

It is advisable to make sure that overheads are funded through the organisation's own long term income generation, for example, income from rents or services.

The sort of detail grant givers may seek, depending on the size of grant required, is:

- Documented evidence of need
- Evidence of previously successful projects/ activities
- A formal constitution or clear legal structure and organisational policies and governance in place
- Clear and achievable objectives and potential outcomes
- Evidence that the project or organisation strictly fits that specific funder's criteria
- Match funding and evidence of long term sustainability
- Clear and concise reporting (project and financial) and updating
- Details of bank account

Funders may also like support to be acknowledged in the form of logos etc. on all project material.

Most funds and funders have timetabled deadlines and then take between 6 weeks and 3-4 months to reach a decision on allocation of funds. Therefore it is imperative that any funding programme is put into place as quickly as possible.

Tell the story

There is nothing like a good story, particularly about something or somewhere that people can identify with to draw attention to a cause.

To use the example of the East London Community Land Trust, between 2003 and 2007 the original campaign group made little to no significant progress. At this time it existed as a pan-London campaign promoting the CLT concept, but not on

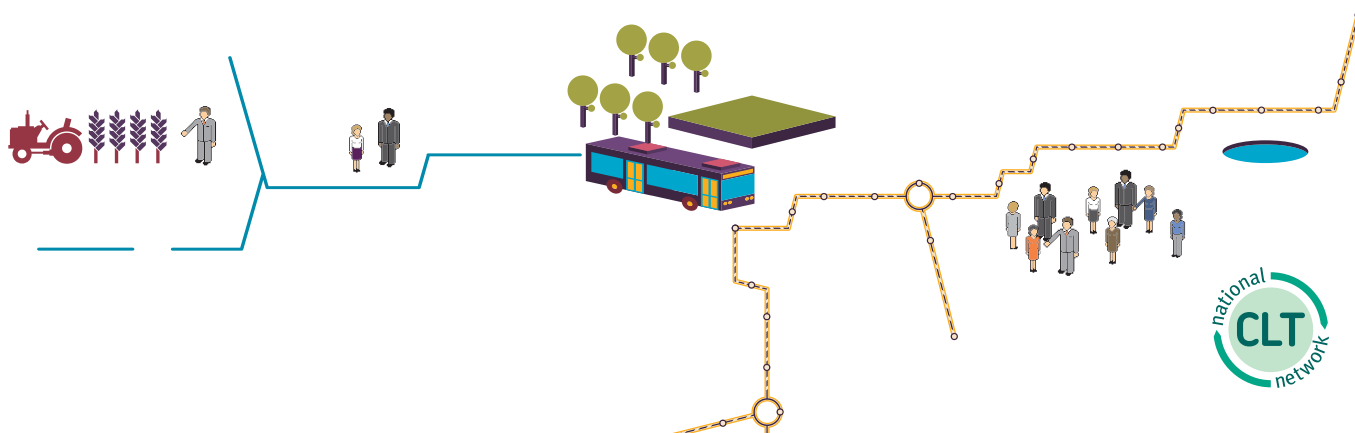
behalf of any particular group, beneficiaries or responsible party. It was, in effect, a lobby that gathered periodically – each time with different members – to cry at City Hall, “give us some land!” The response, “What land? And who are we giving it to?”, was not an unreasonable one on the part of the municipal body.

However, with the formation of East London CLT in 2007, and the identification by its members soon after of the St Clements Hospital site in Bow as its preferred location for London’s first ever CLT, the personal testimony, the necessary stakeholders, the potential for community-led design, the funding requirements and a whole

host of other considerations were more easily overcome. Rather than just saying “Londoners need affordable housing and a CLT could provide it”, they could now say “This is Julie. Her three kids aged 16, 12 and 9 all live in the same small room. She earns decent money as a teacher but the average house price in her neighbourhood is £385,000. The school doesn’t want to lose her. She doesn’t want to leave her community. And there is a big empty, government-owned building sitting empty just three doors down that provides an incredible opportunity to right this”.



Engaging the whole community at East London CLT. Courtesy of East London CLT



2.3 Technical advice and support

A CLT scheme may not be something for which there is an established series of local policies, and so securing the support of council officers, local politicians, development partners and experienced enablers for the principles underlying the proposal will help to secure the successive agreements that will be needed. Making contact with key people early on is advisable.

The local planning authority will need to be involved in and give their consent to a scheme, as explained in **Chapter 7: Land and planning**. Seeking the support and advice of the local councillor might be a good place to start. There may be policies which have to be amended if CLTs are not already part of council policy and the officers may be able to do no more than interpret existing policy. Support may also come from parts of the authority concerned with community development or regeneration if the CLT might be seen as achieving outcomes which go beyond affordable housing.

In addition, at several points it will be advantageous – even necessary – to get help from professionals who have skills or information beyond the immediate resource base of the CLT. Some professionals may be willing to do some initial work at no cost in anticipation of payment when the project comes to fruition. The National CLT Network will be able to suggest sources of help.

The National CLT Network

The National CLT Network promotes and supports the work of CLTs and its members across England. The Network operates in three main areas:

- **Resources and training** – The Network provides resources and best practice for CLTs, including model policies and toolkits. The Network also provides training and events for CLT practitioners and those who work with CLTs.
- **Advice and support** – The Network provides advice to communities, manages the CLT Fund and runs a peer to peer learning programme ‘See it and Believe it’.
- **Lobbying and influencing** – The Network works with Government and key partners to create the right funding, regulatory and policy environment for CLTs to grow and flourish.

Recent CLT publications

Proof of Concept Community Land Trusts

(Dr. Bob Paterson and Prof. Karl Dayson, Community Finance Solutions, January 2012)

This records the development of the CLT movement and demonstrates how twelve communities have been able to practically implement the CLT model.

Trust and association: Partnerships between Community Land Trusts and housing associations

(National CLT Network July 2011)

This guide sets out the experiences of early CLTs and housing association partnerships and points out the way for others who may wish to follow or improve upon them.

Community Land Trusts in a Nutshell

(National CLT Network 2011) This provides a concise introduction to CLTs for beginners. It outlines what a CLT is, the benefits of a CLT and how it operates, including what support and funding is available.

These can all be downloaded from www.communitylandtrusts.org.uk/resources/publications

The CLT Fund

The CLT Fund was established in 2008 to assist in the development of CLTs and is funded by the Tudor Trust, the Esmée Fairbairn Foundation, the Charities Aid Foundation and the Nationwide Foundation. The CLT Fund has both a Feasibility Fund and a Technical Assistance Fund for fledgling CLTs. This is managed by the National CLT Network.

The Feasibility Fund provides one day of consultancy support and guidance from an expert on CLTs. This initial 'scoping day' will be used primarily to develop a concept note for the community group.

The Technical Assistance Fund (TAF) provides grants of up to £5,000 to emerging CLTs to develop the initial ideas into a comprehensive business plan that is 'investment ready'.

For more information about the fund and how to apply please visit www.cltfund.org.uk



Umbrella CLTs in England

There are a number of umbrella CLTs or sub-regional support bodies that provide technical advice and support to a CLT. They offer bespoke one-to-one support to CLTs in their areas. The sort of help available to CLTs includes:

- Listening to ideas and advising on how best to take them forward
- Providing information and arranging links with existing successful community-led projects
- Guiding groups through the process of setting up a CLT
- Registering a CLT as a legal entity
- Advising on how to conduct feasibility studies, create a business plan and put together the finances
- Acting as a development agent to develop a site (often on a fee paying basis)
- Brokering partnerships with organisations such as housing associations and developers
- Signposting to others who can help make projects happen

Support is provided free of charge in the early stages of a new CLT's formation, but as the level of support and complexity of projects increases, some charges are usually applied. The CLT Fund can support some of these.



The ten steps to a successful steering group, National CLT Network training event, Gateshead

Regional support bodies

East Anglia

Cambridgeshire, Bedfordshire, Essex, Hertfordshire, Norfolk and Suffolk

Foundation East: www.clteast.org

Contact: *Phil Rose, CLT Development Manager, phil.rose@foundationeast.org or 01284 757771*

East Midlands

Derbyshire, Leicestershire, Lincolnshire, Nottinghamshire, Northants and Rutland

Lincolnshire CLT

Contact: *John Mather, CLT Facilitator, johnm@lclt.co.uk or 01790 755754*

North West

Cumbria

Cumbria CLT project: www.crht.org.uk

Contact: *Andy Lloyd, CLT Project Officer, andy@crht.org.uk or 01768 210265*

South West

Cornwall

Cornwall CLT

Contact: *Alan Fox, Director Cornwall CLT: alan@crha.org.uk or tel 01208 892005*

For more information on Cornwall CLT's work please see the report 'Delivering Assets and Homes with Communities: the Cornwall Community Land Trust Project' (2010) by Tom Moore and Roger Northcott.

Devon, Dorset and Somerset

Somerset, Devon and Dorset CLT Project

Contact: *Steve Watson steve.watson.cltpoint@googlegmail.com or 01749 346954*

Wiltshire

Wiltshire Community Land Trust www.wiltshirecommunitylandtrust.org.uk

Contact: *Rose Seagrief, CLT Manager, rose@wiltshireclt.org.uk or 01380 850916*

Gloucestershire

Gloucestershire Land for People Ltd: www.gloucestershirelandforpeople.coop

Contact: *info@gloucestershirelandforpeople.coop or 08453 457 599*

2.4 Engaging the community

Community engagement is the process of involving people in decisions that affect them. It is only by listening to the experiences and ideas of people who live in a community that we can find solutions that truly meet the needs and aspirations of those people and that will make a lasting difference.

Why do it?

The legal definition of a CLT requires it to be democratically controlled by the community it benefits. This means operating in the interests of the wider local community rather than solely for the CLT's members. Informing the community and involving them in the CLT's development at the earliest stage is vital. Not only will this help gain support for the CLT's vision, but it may lead to greater interest amongst the community and help recruit membership or skills to support the CLT. It may also ease the passage of planning consents for, say, a housing scheme, if people feel they have been fully informed and that their views have been heard and addressed throughout the planning process.



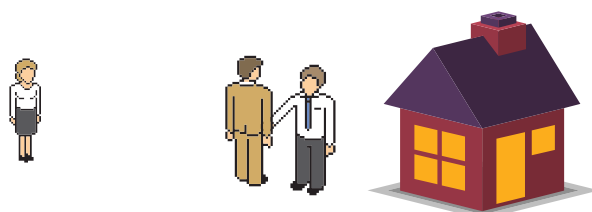
Young people leading the way at Homebaked CLT.

Ways to do it

The best method to use to engage with the wider community will depend on the reason for making contact. For a CLT, some reasons for engaging with the community might be:

- **Informing** – getting a message across that doesn't require feedback or comment
- **Seeking views and information** – finding out what people think, what their concerns are, getting information about their circumstances
- **Recruitment** – inviting people to volunteer, become members, join a working group
- **Consultation** – provides choice between pre-determined options
- **Participation** – from getting people together simply to meet and to get to know and talk to each other, to discussing views and making decisions together and agreeing a course of action
- **Partnership** – working with other groups and agencies, and acting together to make decisions and carry through the action agreed

The table overleaf lays out some of the methods that can be used in each case, and which are most effective.



Methods of engaging the community

Method	Informing	Seeking views & information	Recruitment	Consultation	Participation & Partnership
Local press, newsletters, mailshots	✓✓✓	✓	✓		
Leaflets, info sheets, website, texts, TWITTER, social networks	✓✓✓	✓	✓✓		
Questionnaire, surveys, consultation documents		✓✓✓		✓✓✓	
Public meetings, coffee mornings, workshops, seminars, conferences	✓✓✓	✓✓	✓✓✓	✓	✓✓
Exhibitions, open days,	✓✓✓	✓	✓✓	✓	✓✓
Focus groups, online discussion groups	✓	✓✓✓		✓✓	✓✓✓

Of course, talking face to face is the very best method. It is relatively easy in smaller communities but more difficult in larger ones. It is likely, though, that all of these methods will be useful at some point during a CLT's development.



Land's End Peninsula CLT planting raspberries. Courtesy of Land's End Peninsula CLT

Staging an event

Having decided to gather people together, choosing the right kind of event for the proposed audience is important. It will depend on the stage of the project and who needs to be involved.

An **informal** gathering where people can drop in when it suits them, such as a coffee morning or an open day, is often good at the start of a project. At this point awareness-raising is the main aim, and also trying to attract harder to reach members of the community who wouldn't normally attend a more formal event. What is critically important is that everyone knows who has put on the event and why, and what is expected from them as participants.

If there is material on display, or anything to sign up to or comment on, there should be lots of help on hand to guide people to make the best of the occasion. Having brief information leaflets for people to take away may help to spread the word. As with any event, it is recommended to make a record of attendance and to take photographs, to start forming a body of evidence of local interest and support.

Some people prefer more structured or **formal** meetings, particularly busy people with limited

time. If there's a need to seek clear decisions on particular issues, this is probably the best format. It's a good format for reporting back on actions taken and progress made. Make sure that people know the purpose of the meeting in advance, how long it will take, what will be discussed and what decisions will be needed. Keep it brief – don't put up wordy notices, or send out too many papers as they are unlikely to be read, but do prepare and circulate a simple agenda. Record attendance and take notes or minutes that record any decisions taken. If any voting is involved, have a clear voting process in place and independent tellers to verify it.

Meetings, particularly larger ones, can be quite tricky and need to be well managed, to ensure everyone who wishes to has an opportunity to express their views. Sometimes people feel they have to compete to be heard.

The noisy ones often find it hard to listen, because they are bursting to speak, and the quiet ones often give up because they think no one will take any notice anyway, or they will be interrupted, so what's the point. There are some tips on facilitating meetings are provided overleaf under the heading 'Encourage interaction'.

Barriers that informal meetings can overcome:

- **Age related** – children, young people and some older people will require innovative ways of engagement. It's OK to have fun! Some groups have invited local musicians to play in the background, or provided a crèche and play areas for children.
- **Attitudes** – within your organisation, and of researchers e.g. towards Black and Minority Ethnic or transgendered people; choose people who have empathy as well as objectivity to do the engaging
- **Lack of understanding** – of individual circumstances or a different culture or religious custom
- **Physical barriers** – for disabled people; such as easy access to buildings, requirement of hearing loops in meetings
- **Lack of transport** – provide contact details in publicity information for anyone needing a lift and coordinate lift giving on the day
- **Convenience** – people can drop in when they can
- **Low income** – they may feel that they won't be listened to or can't afford to get there and so choose not to take part; consider offering prizes or expenses

Planning is everything

Good meetings, formal or informal, are very well planned – they do not just happen. Here are some pointers to planning and running a successful meeting:

- **What is the purpose of the meeting?** – start by thinking what you want to come away with and get agreement on and keep this in mind as you plan the various aspects of the meeting.
- **Have you got the right people coming?** Do you need to do some face-to-face invitations to encourage attendance? Are there some influential local leaders that can be invited who will bring along others with them?
- **Break down the session into parts** with a clear beginning, middle and end – set out at the outset the purpose of the meeting and how you will use the time in the meeting. Structure the time, allotting a realistic amount of time for each task/agenda item, tell the participants how long an item should take or how long they have got if doing a group

exercise, and how long left, e.g. “5 minutes to go!”. Put the timings on the master copy of the agenda for your own purposes and move things along as needed to keep to time, without cutting across valuable discussions if they are proving productive – i.e. be structured but flexible.

- **Start and finish on time** – don’t hang on for stragglers and always finish when you said you would, by maintaining focus.
- **Sum up at the end** – review any actions and who will take them and by when, and make clear the next steps and thank everyone for their contribution.
- **Follow up** – it is important to keep the momentum going and follow up actions agreed at the meeting as quickly as possible, and also to analyse and report any results from any research, to track decisions and publish outcomes.

Evaluating how the meeting went and noting what worked and what didn’t and who made valuable contributions is always a useful exercise.

Practical tips for successful meetings

Timing – consider the best time of day for majority of target audience. Make sure it doesn’t coincide with another event – local or national. Avoid school and summer holidays or religious festivals when many people are away or are focussing on other issues.

Venue – find one that is fit for purpose, has parking, is near public transport and that people can access.

Room layout – use a layout that is informal or formal and where it is easy to see and hear the speakers. People tend to sit at the back so chairs in a circle with no tables encourages group interaction. Check out any health and safety issues.

Equipment – you may want to use digital projectors, screens, microphones, amplifiers, flipcharts, paper and pens.

Hospitality – don’t forget tea/biscuits and catering.

Paperwork – you’ll need a signing-in sheet, displays, handouts – remember to keep and record everything!

Personnel – remember to chair, meet and greet, facilitate and note take. Don’t forget name badges and get the right people there to bring about results.

Publicity – you can never do enough, before and after.

Encourage interaction

The more people get involved in discussions, the more enjoyable the event will be. An interactive session is a good way to kick things off at any event. Ideas build and people get excited and want to participate. Whole events can also be interactive. Plays, rap sessions, games – carefully structured and facilitated sessions all draw out issues and needs that can then be followed up and acted on by the appropriate body. There are some recognised and very successful interactive methods of engaging with communities, such as Action Planning Workshops, Community Planning Weekends, Enquiry by Design, Planning for Real®, and Village/Parish Appraisals. There is a range of useful information about these methods and many other aspects of community engagement available on the Community Planning website at **www.communityplanning.net**

Using different techniques avoids boredom setting in and helps to engage all participants: eliciting contributions by going round the group; breaking into smaller discussion groups; making brief presentations; showing short films. Use flipcharts, post-it notes etc. as appropriate to record ideas – but don't overdo it. If flipcharts are used, make sure a scribe is assigned to record all the key points. Keep and photograph the results, and also type them up afterwards for reporting purposes.

Tips for facilitating sessions

- Ice-breaking (at the very least, get everyone to introduce themselves)
- Know your facts and state them (avoid jargon)
- Be transparent and honest (if you don't know the answer say so, offer to follow up)
- Listen and acknowledge (you don't have to agree)
- Park issues (record them on a flip chart, agree to continue discussion at end of meeting)
- Get people actively involved in discussions
- Invest in biscuits – food and drink work wonders, take a tea break
- Think in advance about questions to use as prompts to keep things going and get the most out of it
- Bring in people who have not spoken.

Take plenty of time to plan any interactivity. It is good to have at least two people working as a team to do this, so that ideas can be discussed and played to out to get a feel of how it will work on the day. If possible, run it past someone who knows the group/topic but is independent.

On the day, remember to keep things chatty and informal and that you are allowed to have fun!



Residents get their keys to the homes at Worth Matravers, Dorset. Courtesy of Worth Community Property Trust

2.5 Engaging key partners

It will be important to acknowledge from the outset that a CLT does not and will not have sovereign status within any community. That is, there will be other groups and organisations in the area with which the CLT may have to engage, particularly if they share a similar focus. This includes the local authority and parish council as well as other non-profit organisations in the area. There may be existing parish and community plans developed by either the local parish council or through community-led planning processes supported by Rural Community Councils. Local Strategic Partnerships, which bring together multiple agencies from the public, private and third sectors, often aim to create and implement local neighbourhood improvement plans containing a vision for future community development.

For any group starting out, it is worth mapping out early on all the different organisations – locally, regionally and nationally – that it may need to work with or influence to achieve its aims.

Knowing and understanding the structures within which the CLT operates and who are the decision makers is important to making progress and ultimately to success. Engaging with these bodies and processes early in a CLT's development will help garner support for the CLT's scheme. This will be helpful in the future and, in addition, will identify the extent to which each group's core purpose dovetails with existing plans. Some useful partnerships could emerge from these discussions, where both parties work towards shared goals.

The table opposite shows how you might record relationships and how they might develop over time.

All bureaucracies and municipal bodies have their structures, both real and formalised, and unwritten and assumed, which govern their decision making procedures. However, so too do all communities, churches, clubs, residents organisations and just about any body of people a CLT might wish to engage with. In mapping out key contacts, finding the people who are influential is important. It may not always be the people with the titles, so seek out the leaders, both of people and opinion. The table opposite might end up with two contact names in it for some organisations – the person with title, through whom it is necessary to work, and the person who will influence the decision that will allow the project to proceed.

Recommended further reading on engaging with stakeholders can be found in “To Have and to Hold” (Lorraine Hart, Asset Transfer Unit, 2010) in Chapter 5: Building support from Stakeholders. This second edition of this excellent publication covers all aspects of asset development for community and social enterprises. It can be downloaded from www.locality.org.uk/resources/hold



Mapping potential partners – an example

Type of organisation	Key agencies, companies, departments	How good is our relationship?	How can we improve the relationship? Now (in next six months): Soon (within year): Later (more than a year):
Local statutory bodies	e.g. The District Council – Housing Department (Head of Housing, J Smith), and all housing enablers, x, y and z	Excellent	No action needed
	e.g. The Parish Council	Poor	Set up a meeting to establish constructive dialogue Maintain regular contact on a long term basis <i>AGM invitations, on-site meetings, events</i>
Local planning mechanisms	e.g. Forum for Community Area Partnership (Chair, G Mills)	Good	Meet to continue and develop exploration of partnership potential Maintain regular contact to establish potential partnership opportunities <i>AGM invitations, on-site meetings, events</i>
Housing associations	e.g. Major regional housing association	Undeveloped	No immediate plans to pursue relationship – no obvious shared vision Keep informed through events & publications <i>AGM invitations</i>
Other local third sector agencies	e.g. Local Rural Community Council (CEO, R Chowdhury)	Excellent	Establish key contacts
Other local public sector agencies	e.g. NHS	Undeveloped	Set up a meeting to communicate recent activity and aspirations Invite on a learning journey to a successful CLT <i>Invite onto CLT board when established</i>
Local private sector	Local Building Society (Manager, B Gates)	Good	No action needed – good shared vision for community led housing delivery Maintain regular contact to establish potential partnership opps on other sites <i>AGM invitations, on-site meetings, events</i>
Regional/national public sector	Homes & Communities Agency (Local Area Officer, M Wilks)	Excellent	No action needed – good shared vision for CLTs Maintain regular contact re informing best practice <i>AGM invitations, on-site meetings, events</i>
Regional/national third sector or private sector	National CLT Network (National Coordinator, C Harrington)	Excellent	No action needed – good shared vision for CLTs Maintain regular contact r.e. informing best practice and sharing progress. Access resources and attend events. <i>AGM invitations, on-site meetings, events</i>



CHAPTER 3

Proving housing need and allocating CLT homes

CASE STUDY Holsworthy CPT

3.1 Introduction

3.2 Housing needs surveys

3.3 Housing allocation policies

**‘Communities can
make it happen.
Communities pitching
in on their local patch
– if every village did
something similar,
what a difference it
would make’**

Helen Rawe, Secretary, St Minver CLT

CASE STUDY

How do you prove your project is needed: Holsworthy CPT

Homes for Holsworthy was formed in 2005, as a viable solution to a local shortage of affordable housing. The small market town of Holsworthy, in Devon, has seen house prices rise sharply due to pressure for retirement and second homes. In 2004, a housing needs survey showed that house prices had reached almost 13 times the typical local family earnings, putting property ownership out of the reach of many local people. Homes for Holsworthy believes that people should be able to stay in their own locality to enable them to contribute to preserving their communities. To restore a more balanced local community, Homes for Holsworthy has committed to providing 50 affordable homes in the town and surrounding areas.

To date, the Trust has delivered 15 homes in several stages through self-financing schemes, using revolving grant funding from the local authority and loans from Charity Bank and the CLT Fund. The Trust retains a 30-40% equitable interest in the homes it sells, keeping control of resale prices through pre-emption agreements. Homes are made available at 60-70% of their open market value. They have also pioneered a 'Do It Yourself Equity Ownership' (DIYEO) scheme which allows purchasers to choose their home on the open market, paying as much as they can afford. Homes for Holsworthy provides an equity mortgage to pay for the rest of the open market value.

Making homes affordable for local people was at the centre of the vision for Holsworthy Community Property Trust. Its allocations policy, agreed with Torridge District Council, reflects the aim to provide for the squeezed "middle market", between those eligible for social housing and open market buyers.



There are three criteria that must be met by all applicants for a Holsworthy CPT home:

- They must be unable to afford a home on the open market
- They must have a household need that is suitable for the home
- For a shared equity scheme, they must be able to demonstrate that they can afford to purchase an equitable interest in the home. For a rental home, they must be able to afford the outgoings required.

The Trust uses five further criteria to decide priority between applicants for the homes: local connection, local employment, local residence and family connections, moving from one HCPT or housing association property to another within the area, and length of wait. The Trust aims to give priority to young people, to maintain the vibrancy of the area for the future.



3.1 Introduction

A clear need for affordable homes is usually the main impetus to set up a CLT. Local people will be aware of family members, friends, employees and others who are seeking, but are unable to find local homes that they can afford, either to rent or buy. However, to demonstrate this need to the local planning authority and to investors and lenders, there needs to be more than anecdotal evidence; it has to be supported by proper research and documented evidence captured in a **housing needs survey**.

The allocation of those homes will, if the CLT is seeking to access Homes and Community Agency (HCA) grant, be set out in an **allocations policy**, that will need to be agreed with the local authority.

In addition, the definition of affordable and local need may also be set out in a **Section 106** agreement, which will be part of the granting of planning permission in the case of rural exception sites or where provision of affordable homes is a condition of a larger development. This is explored in more detail in Chapter 6.

A CLT will therefore need to engage with the local authority at the earliest stage and throughout this process to both demonstrate and evidence need and ensure that any conditions for development do not contain any impediments to delivery.



Homebaked CLT working on the design proposals.

3.2 Housing needs surveys

To give planning permission for affordable housing a local planning authority will require evidence that there is a need for the new homes. Local authorities have to undertake a 'Strategic Housing Market Assessment' (SHMA) to identify both housing need and demand in the local authority area. Some SHMAs will provide data down to the ward level and can be used to inform the evidence for housing need.

However, in order to obtain the necessary detail required for a planning application, it may be necessary to conduct a housing needs survey. This will usually be at a parish or other defined level. The survey will identify households in the community whose incomes are insufficient to rent or buy suitable accommodation on the open market. It will also obtain information, confidentially, on gross household incomes, savings or equity, number of members of the household and ages. It may also identify hidden homelessness, for example, a young couple staying in a parental home, unable to afford to set up on their own. The results will be reported in such a way that household identities are not revealed and cannot be guessed. However, it may be useful to invite confidential inclusion of contact details to stay in touch with potential beneficiaries of the CLT homes after the survey.

In rural areas there may be a Rural Housing Enabler who can help a CLT carry out the housing needs survey. Enablers are usually either based at the Rural Community Council or local authority. It's worth a community group working closely with the enabler from the start. Most enablers are a mine of information; they will be aware or able to find out about available land and who owns it, and will know if any surveys have been carried out recently. They will also have a wide range of useful contacts who might be able to assist the CLT.

If a CLT wants to carry out its own survey, an enabler will be able to offer advice on how to ensure that the survey covers all the information areas required and that the data is properly analysed and reported on. A CLT should also work with the local housing authority to agree the methodology of its survey and hence be sure that its findings will be rigorous enough and acceptable as evidence of need.

In order to ensure that its survey is comprehensive, the CLT will need to mobilize as many people as possible to help carry it out. Local knowledge may be needed to identify all in need of housing in the area, who might otherwise be missed by a survey posted out only to local addresses. There may be people who work in the community or have the opportunity to work in the community but cannot do so as they have nowhere to live; as well as those who have a community connection but have had to move away. The CLT may choose to put information on its website or in the local media, or ask those already living in the village whether they know of anyone that fits the description.

Hand delivered surveys, with someone at hand on the doorstep to explain why the survey is needed, may elicit a far higher level of response than a posted survey. Those who deliver the surveys may offer to collect them at a later date. Stamped addressed envelopes or secure local drop off points for the return of completed surveys may encourage people to fill them in. Some people may ask for help to fill out a survey, and it may be necessary for anyone fulfilling an advisory role to have a criminal record (CRB) check. Any volunteers involved in the survey who will be dealing with the public should be given training on how to go about it, what is appropriate behaviour and what will be expected of them in their role.

3.3 Housing allocation policies

CLTs are often motivated by the desire to house particular types or sizes of households considered by the community as important to retain or attract to the area, or for whom the housing available is not affordable. Examples might be young people, larger families or the elderly.

The demand for the CLT homes is likely to exceed the supply. A **fair and defensible policy** to decide on who is granted housing needs to be drawn up and agreed upon by the CLT itself. The allocation policy a CLT draws up will also need to be applied when a rented home becomes vacant or the CLT exercises a pre-emption right to nominate a new purchaser under a shared equity lease (See Chapter 6 Tenure options). With only the limited availability provided by re-lets and re-sales with homes changing hands only every 10 years on average, any list of potential applicants may become out of date and it will not be worth maintaining a CLT-specific waiting list unless the CLT has at least 10 homes.

Local authorities have mainly implemented ‘choice-based lettings’ schemes. When a home becomes available through the local authority or a housing association or other provider, it is advertised in the press and online. Interested households need to put their name forward, and a decision is then taken in accordance with the local authority’s policy. When affordable homes are provided through specific planning arrangements (e.g. Section 106 agreement), applicants might need to have a ‘local connection’.

Some CLTs may favour working with the local authority and housing association and let them decide priorities, while making sure that all those households that the community itself is aware of having the opportunity to apply.

Most CLTs, however, prefer to draw up their own policy to allocate the homes and to be able to take the final decision on who should receive the housing offer. This could include giving extra priority to those with local connections.

However, if the CLT wishes to apply for capital funding from the Homes and Communities Agency (HCA), the CLT will need to ensure that nominations arrangements are **agreed with the local authority**.

Furthermore, if the CLT wishes to be the landlord of these homes and therefore become a Registered Provider, it will need to abide by the HCA’s Regulatory Framework (2012). This requires that registered providers shall let their homes in a fair, transparent and efficient way and demonstrate how they ‘contribute to the local authorities’ strategic housing function and sustainable communities’, which includes meeting obligations through nominations agreements. In addition, the Regulatory Framework states that ‘Registered providers shall clearly set out, and be able to give reasons for, the criteria they use for excluding actual and potential tenants from consideration for allocations, mobility or mutual exchange schemes’.

Therefore, a CLT that is a registered provider should engage with the local authority about lettings policies and eligibility and carefully consider the terms of any nominations agreement before entering the agreement. This will mitigate the risk of a CLT being subject to nominations from local authorities that do not fit in with the ethos and aims of the CLT.

Once an allocations policy has been agreed the CLT and the local authority will need to know that it is administered correctly.

Best practice examples are available on the National CLT Network website
www.communitylandtrust.org.uk

CHAPTER 4

Forming a CLT – Governance and legal structures

4.1 Why do CLTs need a legal form?

4.2 Legal forms and regulatory bodies

4.3 Factors to consider when choosing a legal form

4.4 Good governance

This is an abridged version of the CLT Legal Toolkit, available on the National CLT Network's website www.communitylandtrusts.org.uk

‘Once you’ve been
bitten by the bug of
community-led activity
and you show that
things can be done, the
sky’s the limit’

David Brettell, Hands on Help for Communities

4.1 Why do CLTs need a legal form?

Once a Community Land Trust (CLT) has a clear set of objectives and has formed a steering group, it will need to be formalised into a legal entity. This is because CLTs are a legally defined concept but they are not a legal format in and of themselves. Any emerging CLT should choose a legal format that would enable it to meet the legal definition of a CLT as legislated in the Housing and Regeneration Act 2008, Part 2, Chapter 1, Clause 79:

A CLT is a corporate body which:

- 1 Is established for the express purpose of furthering the social, economic and environmental interests of a local community by acquiring and managing land and other assets in order –
 - 1.1 To provide benefit to the local community
 - 1.2 To ensure that the assets are not sold or developed except in a manner which the trust's members think benefits the local community
- 2 Is established under arrangements which are expressly designed to ensure that:
 - 2.1 Any profits from its activities will be used to benefit the local community (otherwise than by being paid directly to members)
 - 2.3 Individuals who live or work in the specified area have the opportunities to become members of the trust (whether or not others can also become members)
 - 2.4 The members of a trust control it.

The chosen legal form will therefore need to have the following key features:

- It must be designed to benefit a designated community/the public/ section of the public, rather than members or private shareholders;

- It needs to protect the assets through a provision in the governing document, an **Asset Lock**. This will mean that if the CLT is wound up any assets will have to go to a similar organisation once creditors have been paid. However, it is important to note that this would be overridden by the mortgagee possession clause in cases of default. It is also subject to leasehold enfranchisement where this applies;
- It must dictate that any profit made by the CLT will only be used to further the objectives of the CLT – so profits/surpluses will need to be reinvested in the CLT rather than shared amongst members;
- It must provide opportunities for local people to become members and for the members to control the CLT.

The legal formats that are suitable for CLTs are therefore:

- **Community Benefit Society** (also known as an Industrial and Provident Society for the Benefit of the Community – this can be charitable or non-charitable. If it is non-charitable steps should be taken to ensure there is an asset lock. This can either be by way of including a custodian member of the constitution or the statutory asset lock);
- **A Community Interest Company Limited by Guarantee** (known as a CIC);
- **A Company Limited by Guarantee** (this can be charitable or non-charitable. If it is non-charitable steps should be taken to ensure there is an asset lock. This can be either by way of a custodian member of the constitution or by entrenching voting rights so that the asset lock cannot be voted out – essentially, this would require a unanimous decision to vote out the asset lock). There is more information on these legal forms in the next section.

4.2 Legal forms and regulatory bodies

Below is a summary of the suitable legal forms. This has been written as a guide and does not constitute legal advice. For more information, please visit the CLT Legal Toolkit on the National CLT Network website. The Toolkit includes

standard template constitutions for each of these legal forms. It is important to make a considered decision when choosing a legal form, as the cost of altering to a different legal form can be considerable, even if it is possible.

Company Limited by Guarantee

A Company Limited by Guarantee is a simple structure, where members act as guarantors of the company rather than shareholders, up to an agreed level of support. This is normally a nominal amount, such as £1. A CLG is inexpensive to set up and can be easily converted into another legal entity. Some CLTs have chosen to set up a CLG to access funding and then converted to a more appropriate legal form at a later stage.

Many of the same features apply to a Company Limited by Guarantee and a CIC. However, because there is no requirement on a CLG to include an asset lock in its Articles, it should involve either a ‘custodian member’ of the constitution or entrenched voting rights to ensure that the asset lock cannot be voted out. The custodian member may be the local authority or a local church and has the power to veto any disposal of assets which might contravene the asset lock. In the case of entrenchment, the CLG would require the agreement of 100% of the membership to change or vote out the asset lock.

A company limited by guarantee can also take on the form of a registered charity with the Charity Commission. A registered charity by its very definition is a form of asset locked entity.

Community Interest Company Limited by Guarantee (known as a CIC)

A CIC is a relatively new form of company, and is a mid-point between the flexibility of a Company Limited by Guarantee and the firm public benefit requirement of a charity. Its basic structure can be a Company Limited by Guarantee, a company limited by shares or a Public Liability Company; the ‘upgrade’ to a CIC structure guarantees that the company’s assets will be used for the benefit of the community. The most appropriate form for a CLT will be a CIC Company Limited by Guarantee, as this is non-profit distributing and the most democratic form. The CIC Regulator must be satisfied that the CLT will use its assets for the benefit of the community, through a community interest test and annual reports; the CIC must also include an asset lock in its Articles. This is cast in stone.

CICs are appropriate legal forms for attracting grants or loans but they cannot be charitable and cannot gain from any tax advantages. They are inexpensive to set up and are regulated by Companies House, which liaises with the CIC Regulator.

Community Benefit Society (formerly known as an Industrial and Provident Society for the Benefit of the Community)

A Community Benefit Society (CBS) is set up for the benefit of the community. It can have a statutory form of asset lock and can be charitable. A CBS offers the unique ability to issue share capital, outside of the Financial Services and Markets Act regime.

Membership should be open to anyone, although some Societies plan restrictions on membership (e.g. those living and working in a community). All members have one equal vote, regardless of the number and type of shares they hold, and they vote for and are able to stand for the Committee of Management.

A CBSs' governing document is its Rules, which must be registered with the Financial Services Authority (FSA). One of the most cost effective ways to register a Community Benefit Society is by using Model Rules, which are available from the National CLT Network.

The CLT Legal Toolkit can be found at

www.communitylandtrusts.org.uk/resources/toolkits/Legal-Toolkit



Residents moving in to Buckland Newton CLT, Dorset

Characteristics of the different legal forms

	Company limited by guarantee/Charity	Community Interest Company	Community Benefit Society
Open membership	Yes	Yes	Yes
Member Democracy	Yes, one member one vote	Yes, one member one vote	Yes, one member one vote
Trading flexibility	Flexible (Limited where a charity)	Flexible	Flexible
Beneficiary representation on Board	Unrestricted (except where a charity)	Unrestricted	Unrestricted (except where a charity)
Payment to Board members	Possible	Possible	Possible
Raise share capital at affordable cost	No	No	Yes, using withdrawable shares
Legally enforceable asset lock	Yes	Yes	Yes
Reporting and regulation	Companies House and Charity Commission (if a charity) If also a Registered Provider the HCA's Statutory Sub-Committee will take on the role of lead regulator	Companies House and CIC Regulator. If also a Registered Provider the HCA's Statutory Sub-Committee will take on the role of lead regulator	Financial Services Authority. If also a Registered Provider the HCA's Statutory Sub-Committee will take on the role of lead regulator
Tax advantages	Rate relief Stamp duty exemption if a charity and/or Registered Provider Corporation tax exemption if a charity	None	None, unless an exempt charity, in which case tax advantages are the same as registered CLG Charity.
Tax relief for donation	Gift aid for registered charity	None	Gift aid if an exempt charity

Cooperative Society

These are part of the Community Benefit Society family. The key difference is that Community Benefit Societies are set up to benefit the community whereas Cooperative Societies are set up to benefit their members.

Some CLTs have sought to include a cooperative element. It is possible to do so by setting up a two-tier structure where the CLT owns the land in perpetuity and leases it to the co-operative society on a 99 year lease. This approach is gathering interest among CLT groups.

Limited liability

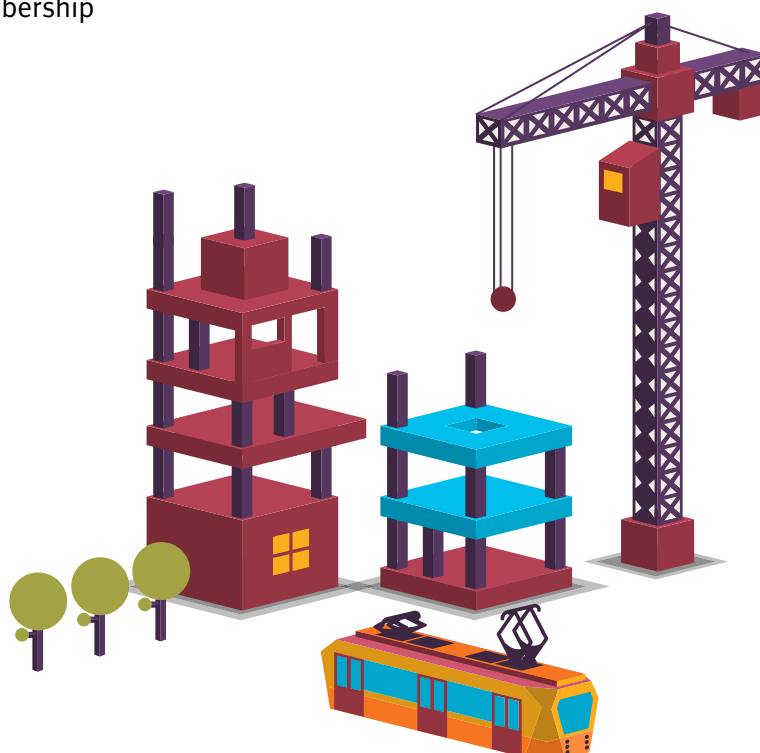
All these forms are limited liability, which means that in the event of the CLT not being able to repay its debts, the liability of the members is limited to either the amount they have paid for their shares (if a Community Benefit Society) or the amount they have guaranteed which is usually £1 (if a CIC Limited by Guarantee or a Company Limited by Guarantee). Board Members should take out indemnity insurance for their position as company directors/trustees. Directors and officers liability insurance is available through full membership of the National CLT Network.

Regulatory bodies

During the life of a CLT and depending on the chosen legal form one or more of the following regulatory bodies will be key to the CLT:

- Financial Services Authority (FSA)
www.fsa.gov.uk/doing/small_firms/msr
- Companies House
www.companieshouse.gov.uk
- CIC regulator
www.bis.gov.uk/cicregulator/website
- Charity Commission
www.charity-commission.gov.uk
- Homes and Communities Agency
www.homesandcommunities.co.uk

For more information on each of these regulators, please visit the CLT Legal Toolkit on the National CLT Network website.



4.3 Factors to consider when choosing a legal form

In considering which is the most appropriate legal form for a CLT there are a number of factors that need to be thought through:

- **Ethos:** What sort of organisation does the CLT want to set up? Does the legal form help meet this ethos?
- **Funding:** Is the legal form appropriate for the financial arrangements required (for example, attracting grants, taking loans or raising share capital)? Does the legal form allow for the CLT to conduct its chosen training activities? (The pros and cons of registering as a charity are explored in the box below.)
- **Membership:** Is the legal form democratic and does it enable local and interested people to be involved? Does the CLT want the beneficiaries of the new homes or assets to be able to join and does the legal form allow for this?

- **Long-term use:** CLTs are organisations that are intended to have a very long life since the purpose of a CLT is to ensure that the homes or assets remain affordable for future generations. A group will need to consider the potential future uses of the CLT and whether the legal form will enable the CLT to pursue different kinds of projects as new uses emerge e.g. an energy generation scheme or community hall.
- **Process:** Is the legal form effective, efficient and economical?

A critical decision is whether or not to become a registered charity. Some of the advantages and disadvantages of charitable status are explored in the boxed text below.

Registering as a charity: the pros and cons

Registering as a charity can provide significant advantages for a CLT. Charities are the ideal vehicle for attracting grants and donations and can attract loan finance. There are also significant tax benefits to being a charity. However, charities are heavily regulated and choosing to register will impose restrictions on the CLT's activity and legal form.

To register as a charity, a CLT must have an agreed purpose which matches one of the 13 charitable purposes defined by law. Depending on planned activities, suitable ones for CLTs may be 'prevention or relief of financial hardship'; 'advancement of citizenship or community development' or the 'advancement of environmental protection or improvement'. When applying for registration it is incumbent on the CLT to prove that it will be following and meeting those objectives in a public benefit test. This is strict because of the significant public trust and tax benefits experienced by charities.

Charities cannot pursue trading activities outside their primary charitable purpose. There are limited exceptions but a CLT should **always** seek professional advice if it wishes to pursue non charitable activities. For example, developing market housing to cross-subsidise the development of social rental units can be problematic and not automatically permissible for a Charity. However, it is possible to set up a wholly or partly owned trading company as a subsidiary for a Charity that can gift its profits back to the Charity.

Only Companies Limited by Guarantee and Community Benefit Societies can become charities, and a CLT will need to consider this when choosing its legal form. However, a CLT can choose to register as a charity at any time. The decision to register is generally final, so a CLT cannot "abandon" its charitable status to pursue non-charitable purposes.

4.4 Good governance

Whether or not a CLT also becomes registered with the Homes and Communities Agency and/or the Charity Commission, the CLT will need to act in a transparent and accountable way to its community.

Governing documents

The governing document(s) of a CLT are its 'rule book'. This sets out:

- The CLT's Objects (i.e. purpose);
- The powers the CLT has to fulfil its Objects;
- Membership of the CLT, including members rights and how they may join, retire, resign and may be removed;
- A restriction on members being able to access the CLT's assets (part of the 'asset lock');
- How general meetings of the CLT are to be convened and held, including voting rights of members;
- The composition of membership of the board, how Board members are to be appointed, retirement provisions and powers to remove a Board member;
- The powers granted to the Board, how it is to conduct its business, voting rights and powers to delegate to sub-committees and others;
- A rule preventing Board members profiting by their position (this deals with conflicts of interest);
- Provisions dealing with paid officers of the CLT (e.g. chief executive, finance director etc), if applicable;
- Provisions dealing with the need to produce annual reports/accounts etc. and the appointment of an auditor;
- What happens to the CLT's assets if it were ever to be wound up;
- How the CLT may execute documents as deeds;
- How to make changes to the constitution; and (if relevant)
- Powers for the Board to make bye-laws regulating how the CLT is to be run.

Governing policies

In order to ensure that the CLT upholds good governance the CLT will need to have the following policies:

- **Identifying and dealing with conflicts of interest:** This will establish procedures for identifying those activities and interests of members which may carry a risk of bias in the conduct of their CLT duties. It will define when members must abstain from decisions in which they have an interest and how to treat decisions which have been taken in which a conflict of interest has become apparent.
- **Register of directors' interests:** This will record those activities and interests (especially financial) of CLT directors which may carry a risk of bias in the conduct of their CLT duties.
- **Code of conduct:** This outlines the rules and proper practices of the CLT, including the standards and principles which guide decision making and procedures of the CLT. For example, the behaviour and probity of directors, engagement with the community and appropriate use of resources. A template Code of Conduct for CLTs is available from the National CLT Network.
- **Trustee role description:** This will define the legal obligations of CLT trustees, including their required competencies, responsibility for decisions and accountability to members.
- **Financial authority policy:** This defines the procedures for taking and delegating financial decisions, and making transactions.

- **Reserves policy:** This sets out the CLT's policy on generating and handling financial reserves, including what proportion of turnover must be set aside and how it is to be safeguarded, and the circumstances under which such reserves can be used by the CLT.
- **Allocations policy:** This defines the CLT's approach to allocating housing units to prospective residents. It will set out allocations criteria such as economic and local residency requirements as well as any s106 obligations with the local authority.
- **Disposal models and disposal/occupancy cascade:** This defines the manner in which the CLT will release its assets, such as through sale or lease of housing, and the manner in which it will retain an interest in the property for long-term sustainability. The disposal/occupancy cascade can form part of the allocations policy. This gives the ability to provide that the first and subsequent lettings will be on similar terms.
- **Policy relating to repossession of property:** This sets out how the CLT will manage breaches of tenancy conditions at various stages from initial interviews and letters to the tenant up to service of legal notices to start court proceedings for possession. The CLT should be firm but fair to balance its interests in a reasonable and proportionate way with that of the tenant and neighbouring tenants.
- **Data protection policy:** This determines the CLT's practices for handling and retaining confidential details of residents and other persons in accordance with legal data protection requirements. This will also establish procedures for handling a breach of confidentiality.
- **Exit strategy:** In the event that the CLT is to be wound up or its assets transferred to another CLT or similar entity, where should it go to? The constitution can set this out in either specific or general terms.

Please visit the National CLT Network website for relevant template documents.

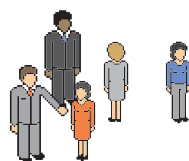
Responsibilities of Directors

The most important responsibilities of CLT Directors are those set out in the Companies Act 2006. These are there to ensure Directors act with probity and diligence, and are:

- 1 To act within their powers as Directors, as authorised by the CLT's Memorandum and Articles*
- 2 To avoid conflicts of interest
- 3 To declare interests
- 4 Not to accept any benefit from a third party which is offered because of their position as a Director
- 5 To exercise reasonable care and diligence, and skill commensurate with their own knowledge and experience
- 6 To exercise independent judgement
- 7 To promote the success of the CLT, having regard to its long-term success, its employees, suppliers and customers, community, environment, members and to high standards of business conduct. This is the most important of the Directors' responsibilities, and includes a duty to actively promote the success of the CLT, not merely to abstain from harming the CLT.

*The Companies Act 2006 does not govern Community Benefit Societies but the above list reflects the usual requirements of a Society's Rules (its constitution) and good practice governance.

In addition, the Directors will have some procedural responsibilities according to the legal form the CLT has chosen, such as filing their Annual Return and Accounts, and completing an annual Community Interest Review (in the case of CICs).



CHAPTER 5

Making it stack up

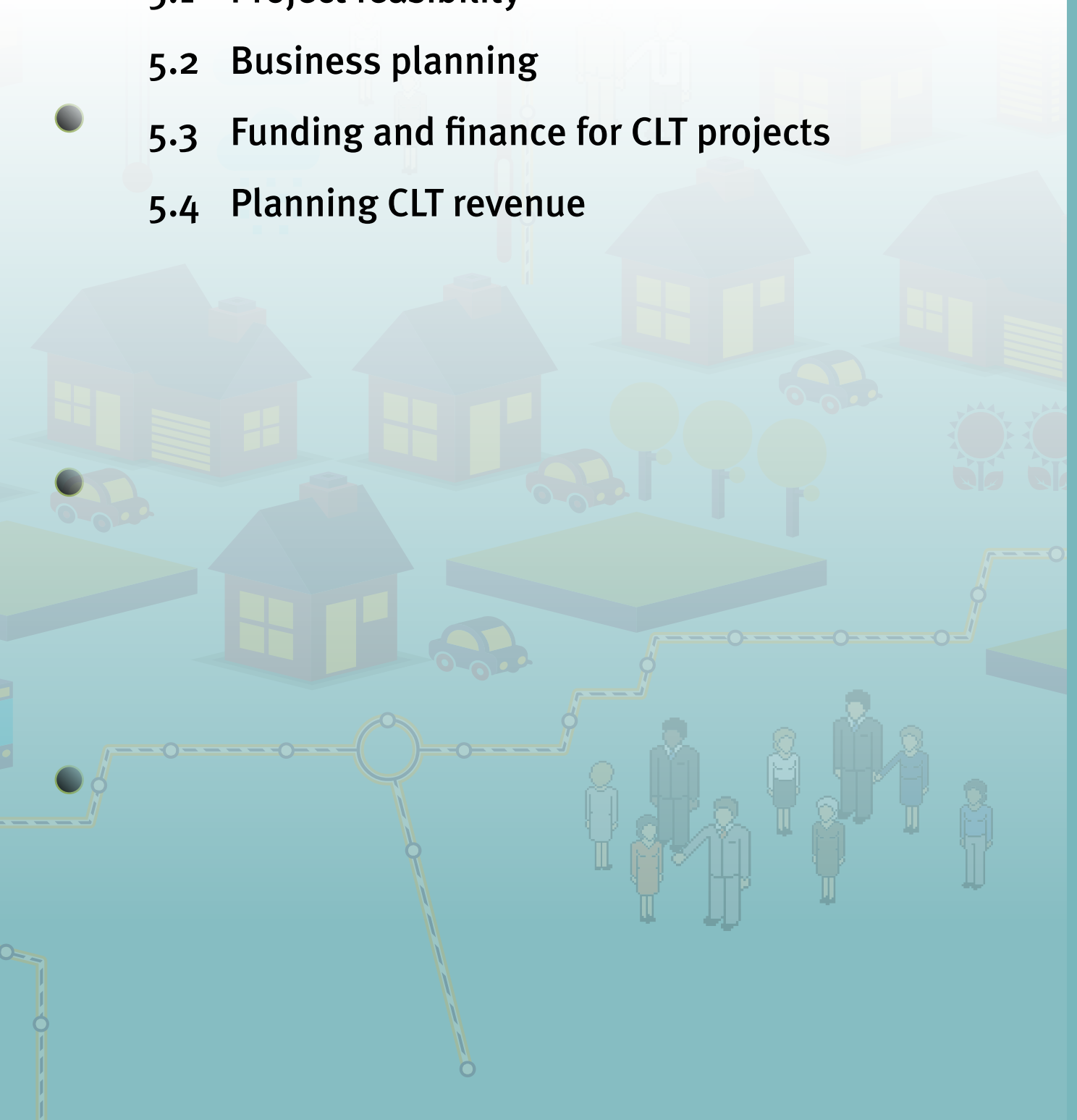
CASE STUDY Lyvennet CLT

5.1 Project feasibility

5.2 Business planning

5.3 Funding and finance for CLT projects

5.4 Planning CLT revenue



**‘The Trust has
galvanised the
community. We’ve sent
a clear message that if
there are things to be
done then we can get
on with it and
do it ourselves’**

Tom Johnston, Director, Glendale Gateway Trust

Making it stack up: Lyvennet Community Trust

Lyvennet Community Trust was formed in 2008. In July 2012 it completed the development of 20 homes, including 8 self-build properties. More details of the scheme are available in the Introduction to this handbook. The funding cocktail used by the Trust will be typical for many CLTs, and is outlined below.

1 Early feasibility work

Lyvennet Community Trust used grant funding to accomplish two key preliminary steps: registration of Lyvennet Community Trust as a company, and establishing a business plan. Company registration, in January 2009, cost £1,000 and was covered by a grant from the local parish council. Support for the development of this business plan, a key document used throughout the project with grant funders, banks and the local community, was provided by a grant from the CLT Fund Technical Assistance Fund.

2 Pre-development work

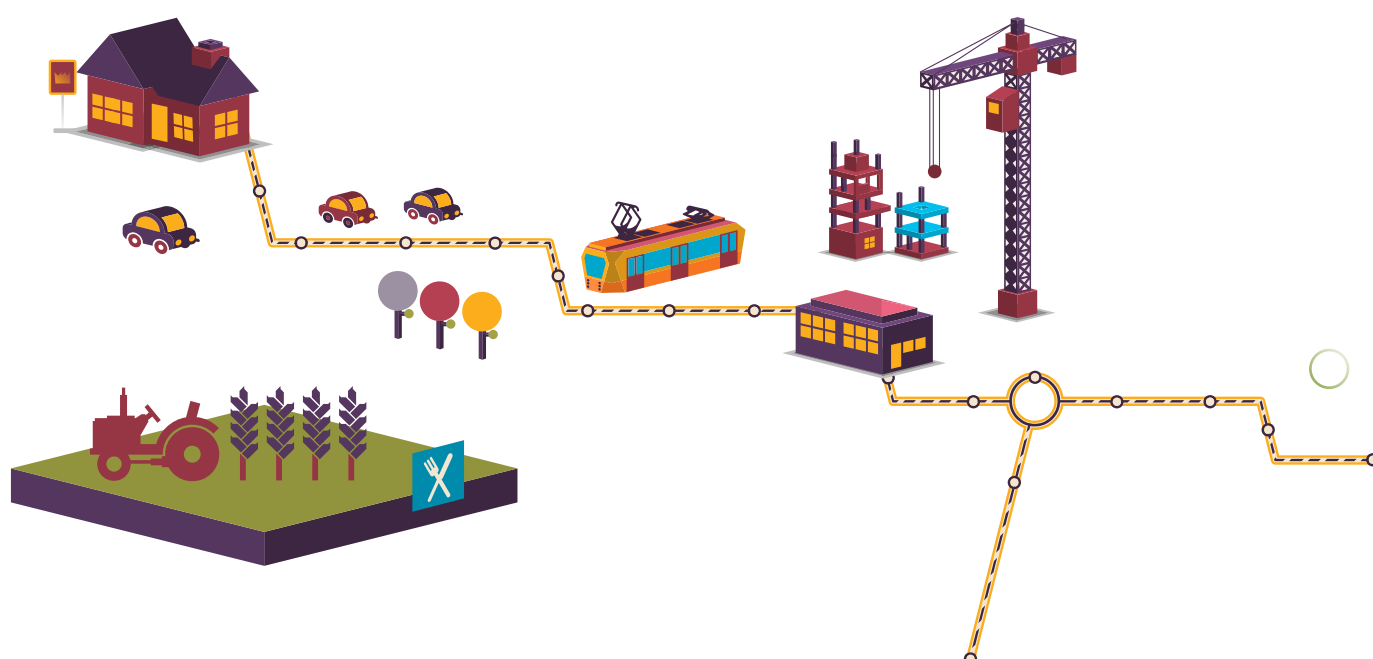
The Trust used loan finance from the CLT Fund and the local authority to cover pre-development work, as outlined below. Site purchase and full planning was funded by the CLT Fund Investment Fund.

COSTS		FUNDING
Predevelopment		
Initial site layout and design by architect	£26,100	£30,000 – CLT Fund Pre-Development Investment Fund loan. March 2010 £30,000 – Eden District Council loan. April 2010. (This was subsequently commuted to a 50:50 loan-grant arrangement)
Asbestos, topographical, bat and ecological surveys on site	£5,100	
Site valuation	£3,200	
Technical support with Tenant Services Authority and HCA applications	£4,400	
Planning application	£4,200	
Legal work associated with obtaining charitable status	£3,500	
Site development work, including the services of an Independent Financial Verifier	£3,500	
Charity Bank fees: 1% arrangement fee on initial £1m mortgage and loan	£10,000	
Site purchase and full planning		
Site purchase	£252,000	£300,000 CLT Fund Investment loan (Charities Aid Foundation). December 2010
Full scheme design by architect	£33,000	
Initial input from design engineer	£11,500	
Legal fees associated with site purchases	£3,500	
Total cost	£360,000	Total funding: £360,000

3 Development of the scheme

The build costs of the Trust's scheme were funded by a mix of grant and loan finance, as well as some cross-subsidy of the affordable housing units using the proceeds of sale of other units.

COSTS		FUNDING	
Build costs	£1,345,000	Bridging finance loan – Charity Bank. March 2011	£975,000
Loan repayments	£345,000		
Professional services	£182,600		
• Architect	£65,400	HCA National Affordable Housing Project Grant (50% payment on start on site and 50% on completion). March 2011	£660,000
• Design engineer	£50,200		
• Quantity surveyor	£40,800	Cross-subsidy proceeds from sale of initial self-build plots. May 2012	£10,000
• Planning and regulation fees	£10,300	Income from two shared ownership properties	£195,000
• Accountants	£5,400	Big Society grant	£32,000
• Code assessor and waste plan	£4,700	Community fundraising	£8,000
Interest charges	£108,000	Community fundraising	£8,000
Contamination reports and remediation	£24,000	Rental income	£500,000
Repayment of bridging finance	£975,000		
Total costs	£2,949,800	Total funding	£2,980,000
		Total surplus	£30,200



5.1 Project feasibility

At the outset it is critical that a community group develops an understanding of how a project is going to deliver on the aims of the group, the costs of the project, and also some of the other hurdles they may have to overcome to achieve their aims. There is little point in pursuing a hopeless cause with relentless optimism. A balanced view and a pragmatic approach will quickly reveal what chance a project has of success. It is also critically important that a group is aware of what is needed to run and maintain the project when it is complete – these are long term projects that have to be sustainable well into the future. What is needed is a feasibility study.

A feasibility study is a piece of research that demonstrates whether or not a project is:

- **needed and desirable**
- **possible to achieve**

The first thing to establish is a clear definition of what the project is intending to achieve – an agreed set of project objectives.

A preliminary feasibility assessment may then quickly reveal whether these objectives are likely to be achievable. This preliminary feasibility assessment can help show at a high level how the objectives can be achieved and how the project will operate.

Groups may already have in their midst all the skills and expertise they need to gather the information for this preliminary assessment, or they might need to seek additional support. For some groups finding things out themselves has the added benefit of building skills, knowledge and confidence from the start.

If this **preliminary feasibility study** suggests that the project is viable, a more **detailed feasibility study** is likely to be needed to provide professionally verified market information and accurate estimates of all costs and income. This will help provide a route map to securing funding and implementing the project. At this detailed stage significant resources may be needed in order to appoint professional advisers.

Agreed set of objectives

For any project to be a success, everyone involved in it needs to know what they are doing and why they are doing it.

Objectives may be developed and agreed through a process of community involvement (see Chapter 2: Starting out), or developed by an authorised committee on behalf of the community. At the start objectives may be general: for example, “to encourage young people to stay in the area” or “to grow more food locally”; or they may be more specific: say, “within 3 years to build 2 two-bedroom homes that are affordable to local young people earning local wages” or “to develop a community allotment where local people can start growing their own food by the next growing season”.

It is important that the objectives are focused enough for it to be clear what action needs to be taken and when.

Preliminary feasibility study

A preliminary feasibility study is usually only carried out once a project is clearly defined, with a site or location identified and an authorised steering group in place to take the project forward. Of course, if the group has the skills to carry out this task themselves, or access to relevant resources, they may choose to carry it out earlier in order to prevent wasted time or resource later down the line. The steering group should then report findings back to the board/community to ensure that all parties are involved in and understand the position of the project.

The feasibility study needs to test the following key questions:

- Is the project 'do-able' (taking into account any potential restrictions and restraints such as time or resources)
- Are there any immediate barriers to progress or any obvious risks? Can they be overcome?
- Can the project be sustained over the necessary timescales?

This sort of study will involve collecting background information and assessing a range of issues. The level of detail required will depend on the stage the project has reached, availability of resources and information. However, it should be as comprehensive as is reasonably possible in the circumstances as the more thorough the study, the better chance that unexpected future problems can be avoided.

In reviewing a new site the kind of questions that should be asked include:

- Is this the best location for the proposed purpose and objectives?
- What is the availability of local facilities, such as local shops, schools, play facilities, doctor's surgery or other healthcare facilities, employment opportunities, public transport and leisure facilities?
- Is the site available? Who owns it and are they willing to sell or lease it? Are there any restrictive covenants that restrict its use for the intended purpose?

- Does the site have capacity for what will go on it? Does it have the right physical characteristics in terms of its size and shape and slope? Is it overlooked by neighbours?
- Is the site accessible?
- Given that planning permission is likely to be needed for the site, then what planning policies are relevant to the location and site? Does the proposed project fall within them?
- Are there any environmental issues? e.g. habitats for protected species.
- Does the local community support the project?
- What is the monetary value of the site?
- What is the likely cost of developing the site, including land price, potential remedial work, build costs, fees and other on costs?
- What are the likely running costs of the project likely to be into the future? Are they sustainable?
- Is the community organisation taking on the project capable of taking it forward? Or will they be in future?
- Where might you go to for additional help and support?

This preliminary feasibility study may reveal that the original objectives cannot be achieved within a reasonable cost or timescale, but that with some changes it still might be possible to deliver it. This information may need to be referred back to the community or governing body for a decision on how to proceed. Even if the initial study is positive, it is worth reviewing the objectives again to ensure the detailed feasibility covers everything needed to make informed decisions.



Keswick CLT appoint their architect. Courtesy of Keswick CLT

Detailed feasibility study

If the preliminary assessment indicates that a project is worth taking forward a more detailed appraisal will be required, particularly for larger and more complex projects. This is necessary both to get professional verification of preliminary findings and also to explore key issues in detail.

The detailed information gathered and presented in a feasibility study report helps to:

- List in detail all the things needed to make the project work (including their costs)
- Identify any logistical problems and other problems and the solutions
- Develop strategies to convince a bank or other investors that your scheme is worth considering as an investment
- Serve as a solid foundation for developing a **business plan** that will show how the CLT and the project are sustainable into the future.

A feasibility study report should contain comprehensive, detailed information covering the following areas:

- **Description of the project** – the scheme or service to be offered, how it will be delivered, including who will be involved in delivering it, and who is leading it.
- **Market feasibility** – evidence of the need the project will meet, competition in the market, potential users and projections of sales.
- **Technical feasibility** – how the scheme will be delivered (e.g. design, materials, labour, transport, technology needed, planning policy and requirements).
- **Financial feasibility** – projections of how much start-up capital will be needed, sources of capital, returns on investment, funding body requirements and rules, cashflow during the build process etc.

- **Organisational feasibility** – the legal and corporate structure of the CLT (which may include background information about the directors and what skills and expertise they bring to the business).
- **Conclusion** – an honest assessment and discussion of whether and how the project will succeed. This is as much for the governing body to make a decision to proceed or not, as it is to attract the partners and investors who will enable the project to happen.

Financial viability assessment

The CLT will need to assess the financial viability of the project. To be viable, the value of any completed development must at least equal the net cost of its development. This applies whether a developer is selling a completed home, or is providing it for rent long term. How the value of a project is calculated is complex and sometimes disputed (for example, what is the value to a community and to other stakeholders of keeping a local shop open?). Some guidance is available on how the public sector might value a project from the Royal Institution of Chartered Surveyors but it can vary somewhat from place to place and project to project. In many cases it can be simpler to focus on the obvious financial cost and value of a project.

For affordable housing projects, the CLT Fund has developed a financial appraisal toolkit to establish the feasibility of new build development for a range of different tenure, dwelling type and procurement options.



CLT Fund Financial Appraisal Toolkit

The experiences of a number of newly established CLTs highlighted the need for a straightforward **financial appraisal tool** to assist with the financial planning element of affordable housing projects and to establish the feasibility of different tenure and dwelling type options.

The financial appraisal tool that has been developed for this purpose is in the form of an **Excel workbook** and is accompanied by a series of context setting and 'how to' guidance notes.

A member of the CLT's Board, Committee or Steering Group might take responsibility for managing the financial appraisal tool or they may prefer to use it under the guidance of a suitably qualified advisor or consultant.

The toolkit was last updated in March 2012 and includes the Homes and Communities Agency's Affordable Rents tenure. It is designed to quickly arrive at an estimate and outline plan but the user needs to be aware that the assumptions are not based on their specific situation. Over the course of time the CLT will need either to validate these assumptions or replace them with their own.

The toolkit includes a sensitivity analysis, where the CLT can increase or decrease costs and income streams by small percentages.

The toolkit can be found at www.cltfund.org.uk/tool



5.2 Business planning

A business plan brings together in one document all the aspects of a scheme that need to be in place to make it a success. It provides a tool to attract partners and investors, a means of communicating with all project stakeholders and a vital reference to check progress against and to re-plan if needed.

In order for a CLT to succeed in developing an asset, such as affordable housing, a strong business plan will be necessary in order to ensure the long-term viability of that asset.

A business plan ought to take into account a variety of short and long-term activities and costs. For example, in addition to the actual construction costs of building the proposed homes, the cost of land, legal fees, professional fees (e.g. an architect, quantity surveyor) and abnormal costs will all have to be absorbed into the plan. During construction of the homes, it will be necessary to raise working capital to meet these costs, which may be obtained from the security of the land value. This may be through grant subsidy or a credit institution. The plan should also include consideration of the long term costs and activities with managing and maintaining the asset.

Obtaining credit from a bank will require a commitment as to how the trust will repay this capital as well as sufficient security. This will need to be supported by **cash flow forecasts** taking into account the aforementioned overheads and a contingency for any cost overruns caused by unforeseen circumstances which may delay the scheme. It will also need to account for the payment of interest on any loans. The business plan needs to demonstrate clearly that the development is financially viable and able to develop income streams which can meet loan repayments.

The money for **loan repayments** will be largely derived from the completion of the homes, turning them into physical assets which will generate income. It is therefore necessary to consider the tenure options of the homes. This will be influenced by the indication of need, tenure preference and level of housing affordability indicated in the housing needs survey, as well as the financial viability of the scheme. Market sale or sale of part-equity homes upon completion can contribute to the repayment of working development capital. If providing rental housing, a long-term financial forecast will be even more pertinent, balancing the level of rental income against the loan repayments, interest payable on the loan, and allowance for property maintenance and tenant voids (period when the homes may sit empty). A CLT business plan for affordable housing would typically provide an overview of a scheme taking these costs into account and forecasting its income over an extended period of time, aiming to eventually pay off the loans and generate a surplus through relevant income streams.

The basics of a good business plan

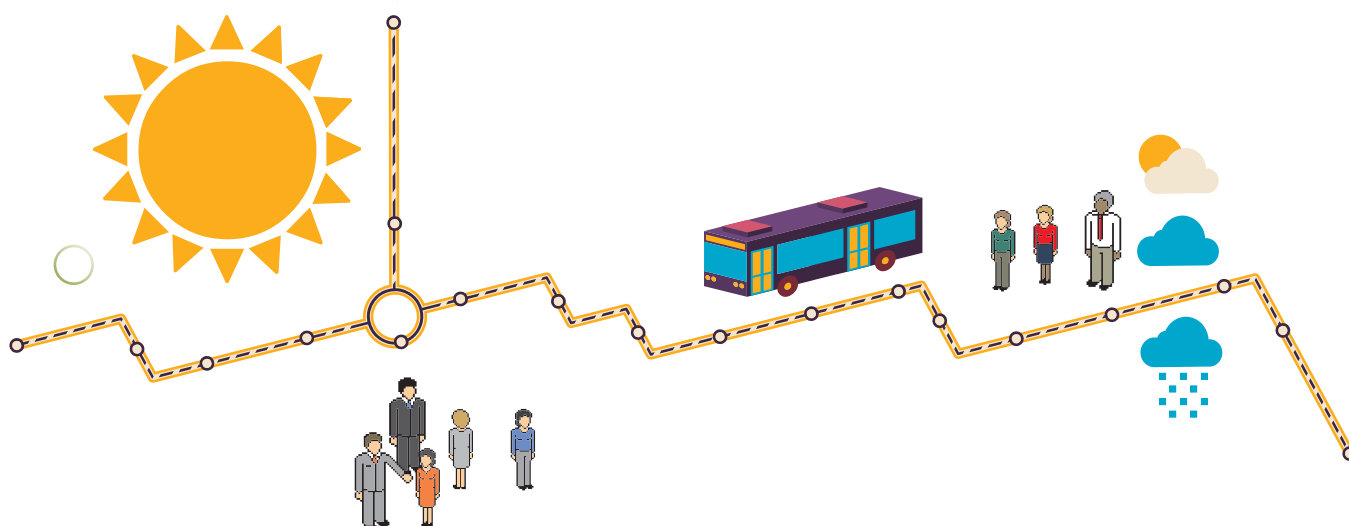
A business plan should be no longer than 30 to 40 pages in total, including any appendices of supporting documents. The shorter and more concise it is, the better. Make it easy to read, using reasonably large type (at least 10 pt). Keep paragraphs short, and use bullet points, diagrams and tables to convey information clearly and simply.

Some points to consider when putting together a business plan are laid out in the template overleaf:

Basic business plan template

Cover Sheet and Table of Contents	Include a title and basic information on your cover sheet, such as the company CLT name, address, telephone number and contact information. Lay out the content of your document with clear section headings and page references on the contents page.
Summary	This may be the only part of the business plan that some people will read. Take care over it. In only one or two pages, this should provide a clear, concise account of what is being proposed, how it will work and who is proposing it. This should appear first and be written last, to ensure the full picture is presented. Make it clear what your organisation's purpose is, how this proposal sustains its operation and why people will want to support it and/or pay for it. If the plan is intended to go to investors, include the amount of money required and how it will be used and repaid.
Introduction to the project	State clearly and simply what the objectives of the project are, and lay out the programme for delivering it. Explain how the development and delivery phases of the project will be managed and operated, and how it will work once it is completed. Spell out the impacts/benefits the project will bring. Say who your key delivery partners are. This is essentially laying out your basic business model.
Your organisation and delivery team	The audience for this business plan will want to know that your organisation is capable of delivering what is outlined in the business plan. Potential partners, grant givers and investors will care a lot about who is on your team. Team members may include people from outside your organisation, where you need to bring in additional expertise to augment your skills base. Provide details of what key skills, qualifications, successes, and experience all parties bring to the proposed project in an Appendix. Also include in an Appendix some information on your legal structure and governing body, as well as the most recent annual report and accounts.
Market research and promotion	<p>The plan needs to include evidence that you know who your target audience is and needs to explain how you are going to reach and maintain contact with your target audience – e.g. mail shots by post or email, online, by phone, through an external agent.</p> <p>You need to show that what you are proposing is not only needed, but wanted and that people will use it. In the case of affordable housing, a summary of the findings of a housing needs survey serves this purpose (detailed findings could be included in the Appendix), backed up by reference to the outcome of any community engagement exercises, polls or surveys you may have carried out. A description of how the proposed project fits in with local authority, parish and neighbourhood plans is important, and how you have arrived at your affordable rent or purchase prices. Why your organisation, rather than a housing association, is providing the housing should also be explained.</p> <p>Depending on what it is you are proposing, for example, setting up a community shop, you will need to show that you have done research on your competitors and what they charge. A market survey should be based on a defined catchment (likely to be local or regional, rather than national, for most CLTs) of relevant customers, based on the nature of the services/facilities that are being offered.</p> <p>Make sure you have kept references to all of your source information in case you are asked to back up your claims or need to update your business plan.</p>

The site and scheme	Set out the characteristics of the site (size, shape, access, ownership, infrastructure and planning) and details of the scheme, including design, layout, and standards.
Clear and realistic financial projections	<p>Financial statements and projections provide a picture of your understanding of the business cycles your organisation may face. Here you will provide the outputs formulated by the Financial Appraisal tool. The financial information should be supplied in a standard format and presented clearly.</p> <p>If your organisation is already up and running, include financial figures for the previous 12 months, a balance sheet and a cash flow statement. Then project all three statements forward for at least three years. Make sure the figures are realistic and can be justified. Explain how you have arrived at them, for example, quotations from professional and suppliers, comparative estimates, actual historical costs, published rates/industry standards. If you have made assumptions, such as the rate of inflation, spell this out in a note. Also, do a break-even analysis that shows how much revenue you need to cover your initial investment.</p>
Risk analysis	Demonstrate that you have thought through how to ensure that you have sufficient resources and flexibility to weather the trickier times. Identify what barriers or difficulties you might face, briefly outline the worst-case, average-case and best-case scenarios for your business and how you will deal with them. A risk analysis table that rates risks against degree of impact and likelihood, and show how these risks can be mitigated, is a useful tool.
Sources and uses of funds	If you are trying to raise money from investors, they will want to know how you plan to spend it and why you plan to spend it that way. Include this section to outline your estimated one-time start-up costs like site selection and surveys, new equipment, office furniture and logo design. Most entrepreneurs underestimate just how expensive starting a new business can be, so do your research before asking for funds and include a contingency in your budget.
Appendices	A good business plan conveys the basics of a business very concisely up front. Put supporting documents toward the back. Related material might include profiles, credit histories, local plans, blueprints, examples of surveys, press coverage, copies of leases and contracts, letters of intent from future users, partnership agreements and letters of incorporation.



5.3 Funding and finance for CLT projects

Set-up costs

At an early stage of formation a CLT will need to meet the costs of the following

- Community engagement – holding meetings to introduce the wider community to the CLT and get members on board. There may be stationery, photocopying, venue hire costs associated with this;
- Forming the CLT as a legal entity – see the National CLT Network CLT legal toolkit;
- Bringing in specialist skills needed to help with feasibility studies and business planning;
- Other legal and financial advice.

A useful source of funding for these costs is the **CLT Technical Assistance Fund**. Administered by the National CLT Network and funded by Tudor Trust, Esmée Fairbairn, Charities Aid Foundation and Nationwide Foundation, it provides grants of up to £5,000 for consultancy support or to cover set up costs, including the following:

- 1 Community engagement and membership (this **excludes** costs for stationery, photocopying and other administration costs);
- 2 Legals and governance – legal fees, including establishing the CLT as a legal entity, securing an option to purchase the land, land purchase, entering into an agreement to lease and a lease or an alternative disposal method, land access issues, Section 106 agreement negotiations. This also includes capacity building for the Board;
- 3 Financials – feasibility study, business planning, valuation fees, conveyancing and other specialist fees;
- 4 Procurement – building methods including contracting a professional team

Some of these costs may be categorised under ‘pre-development’ costs as opposed to ‘set-up costs’. To be eligible for this funding the scheme must contain at least 50% housing, be located in England or Wales and meet the legal definition of a CLT. For more on the qualification criteria and terms and conditions of the Technical Assistance Fund, please contact the National CLT Network on 020 7067 1039 or visit www.cltfund.org.uk

Alternative sources of funding to cover set-up costs *could* include:

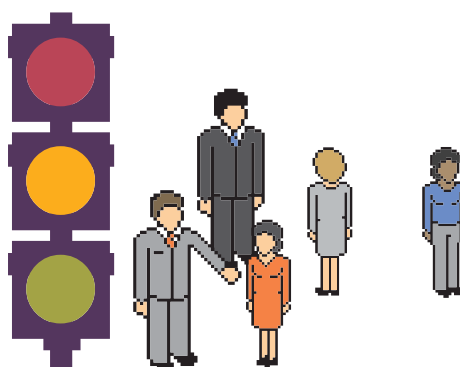
- Parish council
- Local authority
- A local charity
- Seedcorn funding for the Community Right to Build
- A CLT’s own fund-raising efforts

Funding development

The costs of a development need to be looked at in terms of both capital and revenue. Capital costs are those costs incurred in developing the home. Revenue costs are those associated with managing and maintaining a rented property.

Capital costs usually include:

- Land purchase.
- Build costs, including general contractor’s overhead and profit, cost of defects warranty, etc.



- On-costs, which comprise:
 - Professional fees: architect, surveyor, engineer, site investigation, CDM assessor, etc.
 - Statutory fees and costs: planning permission fee, Building Regulations fee, highways bond, services connections and bonds, etc.
 - Finance charges through the development period
 - For housing for sale, sales costs, e.g. agent's fees.

Some of the pre-planning application costs can be met by the **CLT Investment Fund for pre-development finance**. This includes funding for surveys, architectural fees, procuring construction and raising further finance for the project. To apply for this funding the CLT needs to have developed an outline concept for the housing development, including identification of a target market, a potential site and a project budget. For more information see below.

The main way for a CLT to fund capital costs is through private finance (loan, debt, mortgage) from a lender such as a bank.

However, this will not usually cover the total capital costs of the scheme. The CLT will therefore need to explore other sources of finance, including:

- 1 Subsidy – in the form of a capital grant from the Homes and Communities Agency, loan, free or 'cheap' land from a local authority;
- 2 CLT Investment Fund for development finance to top up the private finance;
- 3 Community share issues.

CLT Fund

The CLT Fund was established in 2008 to assist in the development of CLTs and is funded by the Tudor Trust, the Esmée Fairbairn Foundation, the Charities Aid Foundation and the Nationwide Foundation. It provides grants and loan capital and is split into four tranches, to reflect the different stages in establishing and developing a CLT:

- 1 **Feasibility Fund** – one day of guidance and support from an expert in Community Land Trusts.
- 2 **Technical Assistance Fund (TAF)** – Grants of up to £5,000 for CLTs to help them buy in professional or technical advice.
- 3 **Investment Fund – pre-development finance** – support for organisations that have definite ideas about their development but lack the finance to undergo the planning process and associated preparation. If the scheme proceeds the sum borrowed must be repaid plus 25%. If it fails to proceed, the loan can be written off.
- 4 **Investment Fund – development finance** – The CLT Fund offers development capital loans for building affordable housing of up to £300,000 to top up commercial development capital already secured from banks and other investors. At this stage we would expect to see a business plan, designated land with planning permission and architectural drawings of an affordable housing project. Interest rates for development capital loans are typically 7% and secured by at least a second charge over the land and building.

For more information on the qualification criteria and terms and conditions of the Fund, please contact visit www.cltfund.org.uk

Private finance

Ethical lenders such as Charity Bank, Triodos and Unity Trust Bank are sympathetic to providing loans to organisations which seek to provide wider social and environmental benefits, including CLTs. Often a bank or building society loan will only fund **60 – 70%** of the schemes overall financial requirement. They may also require security equal to twice or one and a half times the amount lent. This means having access to the open market value of the homes and so the terms of Section 106 agreement will be key (including issues such as mortgages, tenure mix, and method of disposal).

Development finance will generally be provided on the basis of proof that a viable plan is in place to repay the loan when the scheme reaches completion, perhaps using sale of equity stakes, grants or re-finance with a long term loan. The long term loan could then be repaid from rental income from the homes to rent, rent charged on the share of equity retained in the CLT's ownership in a shared equity scheme, income from a rent charge/ground rent, or income from workshops or other non-housing uses.

The rental income available to repay loan repayment will in all cases be the 'net rent', that is the rent after meeting the ongoing costs of management and maintenance. For homes to rent this includes the cost of insurance, void losses and sums set aside to meet cyclical and planned maintenance (see Section 5.4 on revenue costs).

The 'income profile' for the net rent will usually show it increasing annually by inflation as rents rise, or by inflation plus 0.5%-1% if rents can be forecast to rise with wages or inflation plus economic growth. Do bear in mind that some costs may also increase with inflation.

The sum that can be borrowed, and hence the viability of the scheme, will be greatest if:

- interest rates are low;
- the borrowing period is long (if the interests rates are also low);
- payments are on a conventional, fixed loan basis.

Funds can be borrowed at either fixed or variable rates, just like a mortgage.

Traditionally, funds have been obtained by CLTs at 6.5% over 25 years. These rates can change quickly and some banks can be cautious about lending to housing schemes if there is broader economic uncertainty. Borrowing at present is not easy, due to the general squeeze on the availability of credit.

Funding over longer periods is often preferable but is not always immediately available. A way around this would be for the CLT to borrow initially for a 10 year period and then to re-finance for a further 25 years at which time the existence of a 10 year track record should make it easier to secure an offer. The aim would be to find a charitable or public source willing to lend at a low rate for a limited period enabling the debt to be reduced and the rental stream to rise.

It may be possible to agree a 'loan profile' where only the interest is paid in year 1 and repayments rise with inflation. This can help create a positive cash flow from year 1. If the CLT has reserve funds, fixed repayments can repay the same sum at less cost but the CLT will have to fund annual losses in the early years. One way round this can be not to begin to set aside the planned maintenance reserve until year 5, using the rising rent to do so although there are obvious risks to this.

If the CLT development is being funded by a builder or developer on a 'turnkey contract' the CLT will need to raise private finance in time to be able to purchase the homes from the developer or builder at completion.

CLT Investment Fund

The CLT Investment Fund provides short term loans of up to £300,000 to meet any funding gap in the development phase. This can be used to top up commercial loans and grants, typically at 7% and secured by a second charge.

Subsidy

The main source of subsidy is government, either central government (via agencies such as the Homes and Communities Agency, HCA) or local government via local authorities.

Grant funding from the Homes and Communities Agency

The HCA is the national housing and regeneration agency for England. It is the main provider of subsidy for affordable housing. It runs an affordable homes programme to increase the supply of affordable homes by providing grants towards the costs of housing development, thereby enabling housing to be available at affordable levels.

The most recent programme is the 2011-2015 Affordable Housing Programme 2011 (AHP), which makes some provision for community-led groups, including CLTs, to access grant funding. This funding can be accessed by either joining an existing housing association partner who has already been allocated AHP funding, or by applying directly (alone or with a partner) for an **additional AHP allocation for community-led schemes**. This funding is available for affordable rent, shared ownership and equity loan products and for schemes that will be completed by March 2015. For information on these products, please see the Jargon Buster, found at the end of this Handbook.

CLTs are eligible to apply for this additional funding if they meet the HCA criteria for community-led eligibility. These criteria are set out on the HCA's website at www.homesandcommunities.co.uk/community-led-development, along with details of the application process and local HCA team contact details.

Grant levels will be agreed on a scheme by scheme basis. The larger housing associations receive an average of around £20,000 per new rented unit. The levels of grant that a CLT may be able to access should therefore be considered in this context. Be aware that grant is now paid part up front, part on completion.

In the first instance a CLT should **contact its local HCA Operating Area Team** (see the previously listed web address for contact details). The criteria in the link above will be the focus of the first discussion to ensure that the scheme is both community-led, and likely to be eligible for HCA funding. The HCA will engage with a group at any stage of their development process. However, in order for more detailed discussions to take place a CLT will be expected to have worked through some of the financial basis of a scheme and carried out a **financial appraisal** covering issues such as scheme size, tenure, costs, rents and income, bank finance, cash flows etc (see Section 5.1), and assurance that the scheme can be completed by the March 2015 deadline. Advice and support is also available from HCA Operating Area teams in putting together evidence of financial viability and value for money.

If all parties are satisfied that the scheme is likely to be supported, the local HCA team will agree in principle to fund the scheme. The local HCA team will at that point work with the group to make sure that they have all the information needed to formally apply. If the CLT is applying on its own it may then be asked to complete a **Partner Qualification Questionnaire (PQQ)** to qualify as an **Investment Partner (IP)** with the HCA capturing the information above. For small CLT applicants the emphasis of assessment will be on project viability and value for money (VFM) rather than organisational track record. The 'capacity to deliver' can be demonstrated through the choice of development partner rather than the history or track record of the bidding organisation. It should be noted that a CLT scheme will be expected to deliver reasonable and broadly similar VFM to other 'comparable' schemes but that every scheme will be considered on its own merits.

Speculative qualification is not encouraged and only schemes that local HCA staff think have a reasonable chance of being delivered in the timescale of the programme (i.e. by March 2015) will be considered. More information

on the HCA's PQQ is available on the HCA's website: www.homesandcommunities.co.uk/community-led-development but groups should contact their local HCA community-led representative in the first instance.

The Homes and Communities Agency (HCA) has already funded a number of schemes through previous affordable housing programmes and other initiatives. These schemes include:

- Holy Island of Lindisfarne Community Development Trust, Northumberland
- Buckland Newton CLT, Dorset
- Allendale Development Trust, Northumberland
- Worth Community Property Trust, Dorset
- LILAC, Leeds, Yorkshire
- Lyvennet Community Trust, Cumbria
- Bishop's Castle CLT, Shropshire
- High Bickington CPT, Devon

Upon entering a grant agreement with the HCA, the CLT must be aware of the obligations it is taking on and the nature of the agreement it will have to sign. **Legal advice is advisable:** using a firm that is already familiar with the format of the HCA agreement will save cost. A CLT taking HCA grant will, for example, be required to meet design and space standards construction, including the Code for Sustainable Homes, and have regard to other issues such as location and outdoor space, in order to reach a minimum level under HCA Housing Quality Indicators – see Chapter 8 for more information on design and space standards

If the CLT wishes to become the direct landlord of the HCA funded rental or shared ownership properties it must register with the **Homes and Communities Agency** as a **Registered Provider (RP) by the time the housing is available for letting**. CLTs should discuss with the local HCA team the approach they wish to take and what implications this has for the need to register as an RP. Registering means you are subject to the regulatory requirements of the HCA set out at www.homesandcommunities.co.uk/community-led-development. It is important to consider the following:

- HCA funding conditions for newbuild require that the grant recipient party has sufficient interest in the land (i.e. the freehold or a minimum 60 year leasehold);
- There is statutory requirement (under the Housing and Regeneration Act 2008), enforced by the HCA's grant framework, that the Landlord of HCA funded rent and shared ownership properties must be/become an RP by point of first letting (this is to protect tenants and public funding);
- Whether bidding for grant directly or via another registered HCA development partner, community groups will either need to be an RP by point of first letting or to transfer to a suitable Registered Provider (housing association, for example) that has a minimum 60 year leasehold interest;
- An organisation can only register to become an RP if it is a provider/intending provider – i.e. that it is the immediate landlord of social housing tenants, and not just a superior landlord e.g. leasing the housing to the RP landlord.

All CLTs can apply for RP status as long as they are English bodies that provide or intend to provide social housing in England and meet the criteria established by the CLT. The registration process is intended to be proportionate to the size and risk profile of the entrant. For guidance on what is involved in becoming a registered provider and the registration process see:

www.homesandcommunities.co.uk/community-led-development

If a CLT is working in partnership with a housing association (or other partner) the partner will often stand as guarantor for the scheme in the event that the CLT is unable to deliver the project. A partner may also assist with management functions and design, depending on the agreement between CLT and accredited partner. A CLT will need to have a memorandum of understanding with its partner detailing these functions (see Chapter 8 for more information on working with a housing association).

Local authority

Local authorities can sometimes provide subsidy for CLTs. In the past this has generally come in the form of free or 'cheap' land or grants/interest-free loans.

Public bodies are obliged to obtain best value when disposing of land or an asset. However, this does not mean that they need to obtain the best cash price from the sale. If they can demonstrate that they can achieve social, economic and environmental benefits equal to or more than the cash value they are foregoing, they are able to do so. Some local authorities have supported CLTs by providing land at nominal costs (e.g. the former North Cornwall District Council sold land at Blisland, Cornwall, for £1). Alternatively, they can take a deferred payment on the land, as at High Bickington.

The other way that local authorities can provide subsidy is in the form of cash grants. To date, local authorities have supported CLTs by providing:

- Interest-free loans;
- Grant for creating serviced self-build plots covering the land cost, services and slab foundation (St Minver CLT);
- Deferred interest on the loan – development finance for site purchase and build costs with interest paid upon completion.

Not all local authorities are willing or able to help in this way but they have the power to do so and can use the following sources for funding:

- Second Homes Council Tax – council tax raised on second homes has in some authorities been ring-fenced to promote affordable housing. In Devon and Cornwall funds from this source have been used to provide CLTs and housing associations with working capital, set-up costs and grants.
- The Community Infrastructure Levy (CIL) – CIL came into force in April 2011. Local Authorities can choose to charge a levy on new developments in their area, which can then be used to support developments that the council, local community and neighbourhoods want. How they choose to use the sums levied is up to individual Local Authorities to decide and should be made public by them.
- New Homes Bonus – Local authorities receive additional funding or a 'bonus' for new homes by match funding the additional council tax raised for the new homes and empty properties brought back into use for the following six years. There is an additional amount for affordable homes. Local authorities are free to decide how they spend the money, taking into account local priorities.

Other funding sources

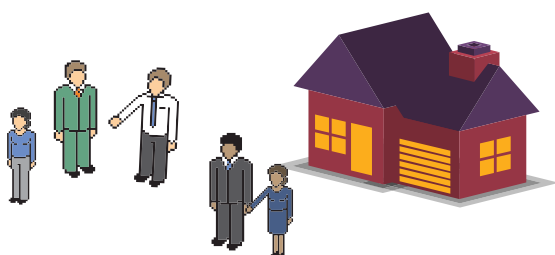
Parish council

Parish councils have the power to raise funds from Public Works Loans Board (PWLB) which can provide finance at low rates for long periods, typically at 4.5% for 40 years. Their ability to access such funds depends on their status and they may have to meet Quality status. A parish precept can be raised as an addition to council tax to repay the loan. One council in Devon for example has raised £700,000 in this way for a combined community and enterprise centre incorporating a new library.

Charitable trusts

Securing support from charitable trusts for affordable housing is difficult simply because of the scale of the funds required. Charities with limited funds are likely to want their support to be for experimentation or facilitation rather than mainstream provision. However, where the scheme is unusual e.g. trying out a new approach to sustainable building or in an unusual location such as a remote island community, charities may be interested in helping to innovate or to solve a problem to which no other solution seems to be available.

Some charitable trusts are looking for opportunities for social investment, to invest money in projects that bring both financial and social returns.



Share Issues

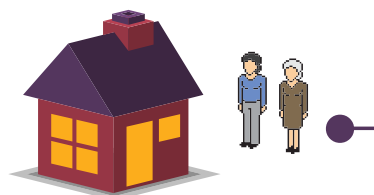
Another approach may be to start a community shares initiative. Community shares are a form of community investment which seeks to raise money from communities through the sale of shares or bonds to finance organisations serving a beneficial community purpose. Share issues range from a few thousand pounds, for example, to start a community shop, to the hundreds of thousands and even millions to purchase land or undertake infrastructure projects.

Some community share issues may not raise large amounts of cash, but they may bring a community together behind a project, giving the organisation credibility and getting people involved as volunteers.

A community share issue is not the same as community initiatives raising £1 shares through a membership Industrial and Provident Society; its focus is on raising investment capital and therefore requires reasonably significant individual investment. Investors into a community share project may receive interest or dividends on the money that they invest. This will normally be incompatible with a bid to achieve charitable status due to the potential for individual gain as well as community benefit. Although there are a few exceptions, this is a subject about which you should always seek professional advice.

When setting up a CLT it is worth thinking carefully about whether a community share issue is likely to arise, as some legal structures are better than others, depending on how much money needs to be raised and its purpose:

- A Company Limited by Guarantee cannot issue shares, but can issue bonds, which are not linked to a company's performance in the way that shares are.



- An Industrial and Provident Society (IPS) can issue shares of up to £2 million, with a maximum individual investment of £20,000. A full prospectus may not be required. A simple, well designed and printed prospectus, plus distribution cost, administration, and solicitor's fees, could cost around £3,000.
- A private company or share limited Community Interest Company, on the other hand, will require the production of a formal prospectus that could cost many

tens of thousands of pounds. If very large sums are being raised, this investment may be well worth it.

Whatever form it takes, a prospectus must lay out its offer honestly, presenting a realistic expectation of returns and not exaggerating them, and warning people that there is always a risk of losing their money.

The diagram below shows the different types and purposes of community shares.

Starting points	Community share offer types		
Pre-start	Membership offer: the purpose is to recruit members rather than raise investment capital.	Pioneer offer: a high-risk offer aimed at known supporters, to raise funds to spend on getting investment ready	Time-bound offer: subject to a target amount and deadline for completion of the offer. Investors refunded if the target is not met.
Start-up			
Acquisition and transfers			
Early-stage growth			Open offer: members can invest and withdraw shares at any time, subject to terms and conditions.
Later-stage growth and consolidation			

This is drawn from Jim Brown's "The practitioner's guide to community shares", recommended reading. Community Share and Bond Issues (Camberwell and Wrigleys) is another useful reference. Both can be downloaded at www.communityshares.org.uk

Wessex Community Assets provides useful basic information on its website, which is found at www.wessexca.co.uk/community-shares

Funding for mixed developments

If a development is going to be multi-purpose and for community benefit, it may consider registering for the latest round of the Government's Community Builders fund. Please see their website.

www.communitybuildersfund.org.uk/apply/register-your-interest/

5.4 Planning CLT revenue

As well as the cost of managing an asset, account must be taken of the cost of managing the organisation itself. The main costs are likely to be third party liability insurance; book keeping and accounting (if this cannot be done by volunteers or board members); annual returns; an audit if the organization is

big enough; travel; training; promotions (e.g. leaflets, a website) and general costs such as telephone, postage and stationery. Writing and managing budgets is fairly straightforward, involving common sense, a logical approach and basic mathematical skills. The basic steps are outlined in table below.

Basic steps to producing a successful budget*

Producing the budget	Start by making a list of all the expenditure headings (items) that may be needed by the CLT or project. Group similar items together under one heading. Then make a list of all likely income headings such as membership, subscriptions, grants, donations etc.
Fill in the figures	Estimate the cost of each item of expenditure as realistically as you can to produce a draft budget. Talk to similar organisations, refer to professional bodies for salary rates, check out prices on the internet. Make notes on how each figure was arrived at. Indicate what assumptions have been made, or if the figure is a guess or broad estimate. It's important that everyone understands where the figures have come from.
Revise the figures	Show the budget to others, within the organisation and externally, to make sure nothing has been left out. Double check anything that seems questionable. Revise any notes.
Contingencies and options	Think through what might happen if fund raising falls short of proposed expenditure. What happens if income arrives late? Could activities be scaled down? Could expenditure be phased over a number of stages?
Approval	The budget should be presented to the board or authorised management committee for comments, alteration and approval.
Monitoring and revision	The budget is a very important tool for financial management. Small organisations should compare projected with actual income and expenditure at least every three months. Remember that all unpaid bills including any outstanding taxes must be included in the figures. It may be that income has not been as high as forecast so savings will have to be made, or some activities have not happened leaving money available to be spent on other activities. The budget should only be revised to take account of major changes.

*adapted from information provided on www.cash-online.org.uk

Some typical budget headings are laid out in the table below. Some of these headings may not be needed, depending on the nature and size of the CLT, and some headings may be

missing from this list. It's very important to think through all the likely areas of expenditure. Missing something out could be problematic later down the line.

Typical budget headings for running a CLT

Staff costs (paid and voluntary)	Salaries, National Insurance, pension contributions Recruitment Training
Management & administration	AGM and annual report Audit/Independent Examination Accountancy
Office expenses	Book-keeping/payroll Bank charges Photocopying Postage Print & stationery Telephone, internet access, fax, website hosting. Insurance Hospitality Professional fees/consultancy Depreciation of equipment
Premises	Rent & Rates Water & refuse Heat and light Cleaning Repairs and maintenance
General Expenses	Travel and subsistence Large equipment (capital cost) Small equipment and materials Membership subscriptions Publications. Marketing, website, and leaflets

Filling in the figures is most difficult for the first year's budget. At the start, a lot of guesses have to be made because there is no historic information. It makes sense to ask other CLTs about their costs, but remember that no two groups are the same.

The next step is to list all the likely income headings such as membership, subscriptions, grants, donations, etc. Bear in mind that some

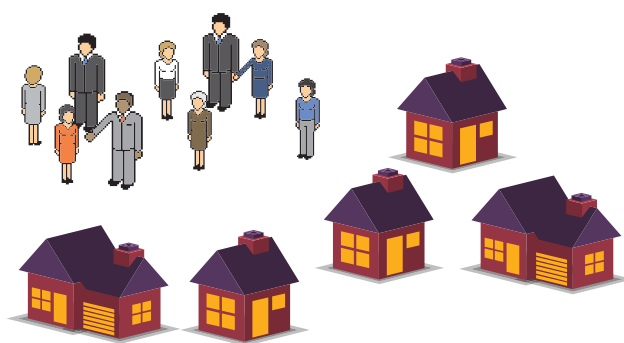
income can be restricted – which means it can only be spent on what the funder has stated. A restricted grant to cover staff wages, cannot be spent on office running costs, for example. Unrestricted grants can be spent on whatever the trustees decide so long as it falls within the CLT's constitutional objectives.

In the case of a housing scheme, the income to meet some of these costs must be included in the rent or other income sources on top of the housing management cost discussed under management and maintenance (Chapter 9). Two other possible sources of income that may arise out of a housing scheme are:

- A rent charge applied to all homes including any sold freehold of around £150-£250 per annum, broadly the same as a ground rent;
- A rent on the unsold element of any part-equity homes. Charging a rent as well as selling a share related to income complicates the affordability calculation and means the multiple of income for an affordable mortgage needs to fall to around 3x. However it may be essential if all the homes are part equity as the CLT must have some income. CLTs may charge rent on the unsold equity but in the interests of making the home affordable, this should be less than that charged on conventional shared ownership (typically 2-3%).

A CLT should aim to start out with a reserve provided as part of the scheme cost. If a contingency of 1.5% is set aside and in addition 1.5% is charged for the CLT's development administration, any unspent elements of both can become the CLT's reserves as it begins management to deal with any cash flow shortfalls. A reserve to cover six months commitments is prudent. A small income can also be generated from interest on reserve funds.

A budget on these lines will be needed as part of the business plan to funders (See section 5.2).



Project planning, National CLT Network training event, Gateshead

CHAPTER 6

Tenure options

CASE STUDY St Minver CLT

6.1 Tenure options for CLT schemes

6.2 Section 106 agreements

6.3 Ensuring mortgages are affordable and available

6.4 Finding and communicating with buyers and renters

‘The CLT approach has
a real future. With
less money in the
government coffers, the
CLT approach provides
a way of communities
delivering their own
services, housing, pubs,
community enterprises.
I really think it’s the
way of the future’

David Graham, Chair, Lyvennet Community Trust

CASE STUDY

Tenure Options: St Minver CLT

The village of Rock, in North Cornwall, is reputedly one of the most expensive places in the world to purchase a home, with high levels of second home ownership and holiday lets making it virtually impossible for first time buyers to access the market. The high levels of housing need in the parish were not being met by existing schemes, and a group of concerned local people, including the parish council, came together to take direct action on the shortfall. Inspired by a local builder, they managed to acquire land from a local farmer on the edge of an existing development site, sparking high levels of interest in the village for a local community self-build scheme.



St Minver CLT

Phase One of the St Minver development was completed in 2008, on time and on budget. The 12 affordable self-build homes developed were valued for local people at less than a third of their open market value. A further saving for the original self-build occupants reflected their “sweat equity” in the homes. Funding to develop the homes was provided by the local authority by way of an interest-free loan.

To ensure the long-term sustainability of the scheme, the freeholds sold to the self-builders were affected by a resale price covenant, the terms of which protect the sustainable affordability concerns which had motivated St Minver CLT from the beginning. The covenant covers three key areas of concern to the Trust, providing that:

- Future sales of the properties are subject to the same disposal requirements that the first purchasers met. The original 12 self-build applicants were selected from local people in housing need; the same criteria will apply to any future purchasers of the houses.

- The homes must remain affordable in the future. A formula in the resale covenant limits the resale price to a maximum of 31.3% of open market value. The percentage was fixed following the independent valuation of the first phase of development. The mechanism allows the owners to profit from inflation in the value of the properties, but keeps the houses affordable for future generations.
- A pre-emption agreement gives St Minver CLT first refusal to reacquire or nominate a purchaser when one of the homes is sold, keeping control of the property in the hands of the community. This same mechanism protects the Trust from future repossession of the homes by mortgage lenders, for example, by giving it time to nominate a new purchaser.

St Minver CLT has since completed a second phase of development, providing a further 8 homes on a rural exception site in the village. These make use of the resale price covenant developed by the Trust for the first phase of development, which has been widely used as a model of good practice. The Trust is now contemplating a third phase.



6.1 Tenure options for CLT schemes

When making homes available for sale or rent, a CLT's choice of tenure is important to secure long term affordability. The tenures currently suitable for CLTs are explained below.

Resale Price Covenant sales

This is a method by which a buyer buys the property outright at a percentage of its market value, but enters into a covenant with the CLT not to sell the property except at the same percentage of market value. For example, in the first phase of St Minver CLT, the properties were bought at 31.3% of open market value and any resales will be restricted to this percentage.

This is a very simple method, is easily understood by buyers and CLTs alike and **guarantees that the homes remain permanently affordable**. However, it is a relatively crude model. There is no ability for the buyer to acquire further shares or a greater interest in the property and, crucially for the CLT, there is no remaining equity left in the property for the CLT's and wider community's benefit. Work is underway to devise new provisions in this method of sale that would address both of these shotfalls.

Please check the National CLT Network website www.communitylandtrusts.org.uk for template documents and examples of best practice.

Equity Loan

Equity Loan (otherwise known as equity mortgage) is where the buyer acquires the property outright (including the freehold) with a mortgage from a High Street lender for (say) 70% of open market value. This is a first charge on the freehold interest of the property on a conventional basis. The CLT then grants the buyer an equity loan on the remaining 30% secured by a second legal charge. The CLT will need to register and obtain a licence under the Consumer Credit Act – the CLT should seek separate legal advice in relation to this.

When the buyer comes to sell the property in the future, the amount required to be repaid to the CLT under their charge is the same percentage of open market value at point of repayment as the equity loan represented when it was first granted. No repayment is due on the second charge until the property is sold by the buyer and in some cases no interest is payable on the loan (note – under the Homes and Communities Agency funding rules interest payments kick in after five years).



In practice the model might work as follows:

Equity Loan Example	£	% of OMV
Full Open Market Value	150,000	100
Loan amount affordable to the buyer	90,000	60
Plus Savings	10,000	7
TOTAL Resources available from buyer	100,000	67
CLT 'Equity Mortgage	50,000	33

In the example on the previous page the buyer is financing 67% of the open market value which might equate with the CLT's build costs.

The equity loan product is very similar to the HCA's First Buy Project, which is widely known and accepted by lenders.

However, it is important to bear in mind that an equity loan **does not create permanent affordability** in the unit. The owner must, by law, have the right to pay off the mortgage and sell the property outright.

An equity loan is therefore **not appropriate in rural exception sites**, where a Section 106 agreement (see section 6.2) requires units to remain affordable in perpetuity, or where the CLT wishes the properties to remain affordable in perpetuity.

However, the CLT can often put in place **pre-emption** rights to buy the property back on the open market. This should be on the condition that completion is achieved within 12 weeks from notification that the buyer wishes to sell, otherwise the property will be sold on the wider open market. The CLT would need to ensure that it has sufficient reserves to purchase the property.

The CLT can also have a **nomination right** to put forward purchasers in housing need who may themselves buy the property through an equity mortgage. This right remains in place provided that the purchase is completed within a twelve week time limit, otherwise the property will be sold on the open market.

The other alternative is to use the receipt from the sale of the property to offer an equity loan on another property in the local community. This is the approach taken by Holsworthy CPT. However, there is a risk that buying another home could cost more than the sale proceeds from the original home.

This model is therefore only suitable for use in communities where:

- It is not a strategic requirement of the CLT or a legal requirement of the local planning authority under a Section 106 agreement to retain a unit as permanently affordable;
- House prices are no more than two or three times the affordability level; and
- Where suitable homes are available on the open market for the CLT to purchase as replacements for those sold under this scheme.

The CLT should also use the following points and language when liaising with potential lenders:

- The equity loan will always stand as a second charge behind the lender's first mortgage and no interest will be payable on the equity loan;
- There is no obligation on the borrower to repay the equity loan within a specific time;

Health warning! A CLT should bear in mind that many mortgage lenders will only make a definite decision as to whether a S106 agreement or a method of sale is acceptable to them if and when a mortgage application is submitted.

Please check the National CLT Network website www.communitylandtrusts.org.uk for template documents and examples of best practice.

Shared ownership sales

This model involves selling a lease of a share in the property for (usually) 125 years. The shared owner pays rent on the unsold share. They would have the ability to acquire further shares at open market value ('staircasing').

In urban areas, this method is not really feasible for CLTs because it does not guarantee permanent affordability of the unit; any shared ownership lessee has a legal right to 'staircase out' and acquire a 100% interest in the property. However, in "protected areas", designated by the Department for Communities and Local Government (being mainly rural areas), a CLT can restrict staircasing to a maximum of 80% of market value, thus preventing a property ever being sold outright. This model is therefore used in **rural exception sites or other sites where the Section 106 agreement requires the units to remain permanently affordable**. However, a CLT may find that 80% of market value in a rural area is still far above a house price which would be affordable to people on average incomes.

The CLT will have the following rights under the lease:

- A **pre-emption right** to buy the property back when the buyer wishes to sell (so as to be able to retain it in affordable use) within a twelve week time limit from the date the buyer notifies the CLT that he or she wishes to sell, otherwise the property will be sold on the open market.
- A **nomination right** to put forward purchasers in housing need who may themselves buy the property under a shared ownership lease provided the purchase is completed within a twelve week time limit, otherwise the property will be sold on the open market.
- The CLT would also charge either a ground rent of (say) £150 per annum on the property or (if viable) a rent of up to 2.75% of the unsold equity, rising annually with RPI to cover its administration costs and a fee of up to (say) 0.5% of open market value on sale to cover its costs of sale.

In the case of developing on rural exception sites, as with the equity loan model, lenders are likely to be appreciative of early discussions with a CLT and local authority at the time the Section 106 agreement is being negotiated, to iron out any potential problems. In addition, in order to ensure that the model is **acceptable to lenders**, the S106 will need to include the following:

- That it would require the homes to be owned for no more than a specific percentage of open market value or let at not more than a specific percentage of the market rent/local reference rent;
- That it would specify the range of percentages of open market value required on each initial sale, normally between 40-70% of open market value;

- That it would require the homes to be made available first to people with a local connection and then through a cascade to those from surrounding areas and to those from the whole district. The optimum period for this process is within 12 weeks and should never exceed 6 months or 24 weeks.
- That it would allow a mortgagee in possession to sell to a person without a local connection and free from the cascade rules if no buyer has been found within 6 months or 24 weeks.

Shared ownership has a proven track record with lenders and may therefore be attractive to CLTs.

The CLT should also use the following points and language when liaising with potential lenders:

- that the shared ownership lease will be based on the Homes and Communities Agencies' model and will contain all the fundamental clauses in that model;
- that (where applicable) the CLT will not charge the full rent permitted under the HCA model but will only charge a fixed ground rent subject to increases linked to RPI;
- indicate the provisions in the Section 106 Agreement as above or as applicable to individual cases.

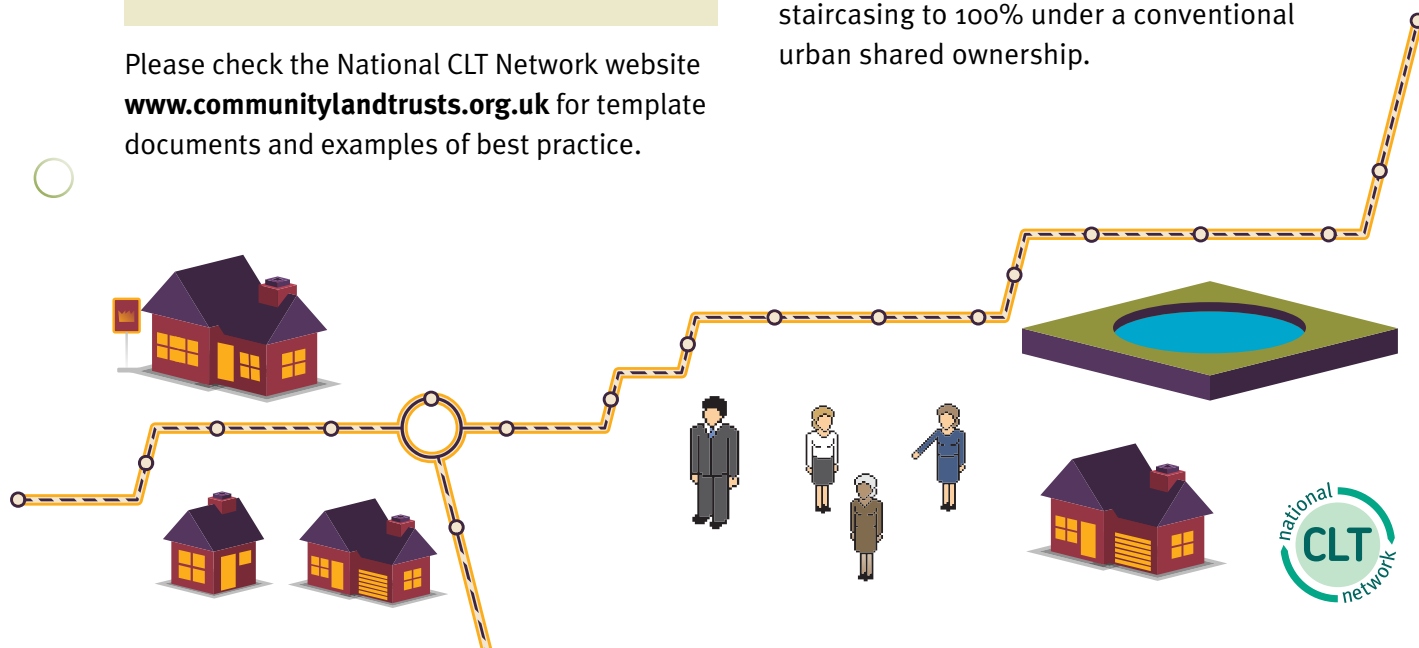
Health warning! A CLT should bear in mind that many mortgage lenders will only make a definite decision as to whether a S106 agreement or a method of sale is acceptable to them if and when a mortgage application is submitted.

Please check the National CLT Network website www.communitylandtrusts.org.uk for template documents and examples of best practice.

Leasehold enfranchisement

In urban areas and rural areas that are not 'Protected Areas' (see definition on previous page), long leases not protected by statute (the HCA model shared ownership lease is protected by statute) are subject to leasehold enfranchisement. This means that leaseholders who own a share of their home on land owned and provided by a CLT have the right (under the Leasehold Reform Housing and Urban Development Act 1993, if the home is a flat) to buy the freehold, known as leasehold enfranchisement. If this happens, the land and property ceases to be an asset owned by the CLT and the homes move into the open market and cease to be permanently affordable to the community the CLT has been set up to serve. Only rural areas that have Protected Area status and leases protected by statute such as the HCA model shared ownership lease are exempt from these enfranchisement rights. The HCA model shared ownership lease in an urban area is also exempt from enfranchisement, but does allow 100% staircasing.

However, the Localism Act extends the exemption from leasehold enfranchisement rights to homes on land the development of which is authorised by a **Community Right to Build Order**. As set out in Chapter 10, under the Community Right to Build communities can obtain planning consent for their development proposals if they achieve a simple majority in a local referendum. A CLT may choose to use this route in order to gain exemption from leasehold enfranchisement or avoid a lessee staircasing to 100% under a conventional urban shared ownership.



Renting

Renting can be offered as an alternative to affordable home ownership.

The new definition of ‘affordable rent’ (as set out in the National Planning Policy Framework) is important here. If a CLT is intending to use grant from the HCA to deliver a scheme then any units that are rented will need to be offered at Affordable Rent levels **up to 80% of local market rents**. Depending upon the strength of the local housing market this could have differing consequences. In high value areas 80% of market rent might be deemed to be unaffordable for those in housing need. In low value housing areas the 80% restriction on rents may make it difficult to generate sufficient development finance to build the homes. Different local authorities also have different attitudes to this model that may affect a project. Further details on the Affordable Rent model are available from the HCA’s website:

www.homesandcommunities.co.uk

As stated in Chapter 3: Proving housing need and allocating CLT homes, if HCA funding has been used then it will be necessary for the CLT to agree its allocations arrangements with the local housing authority.

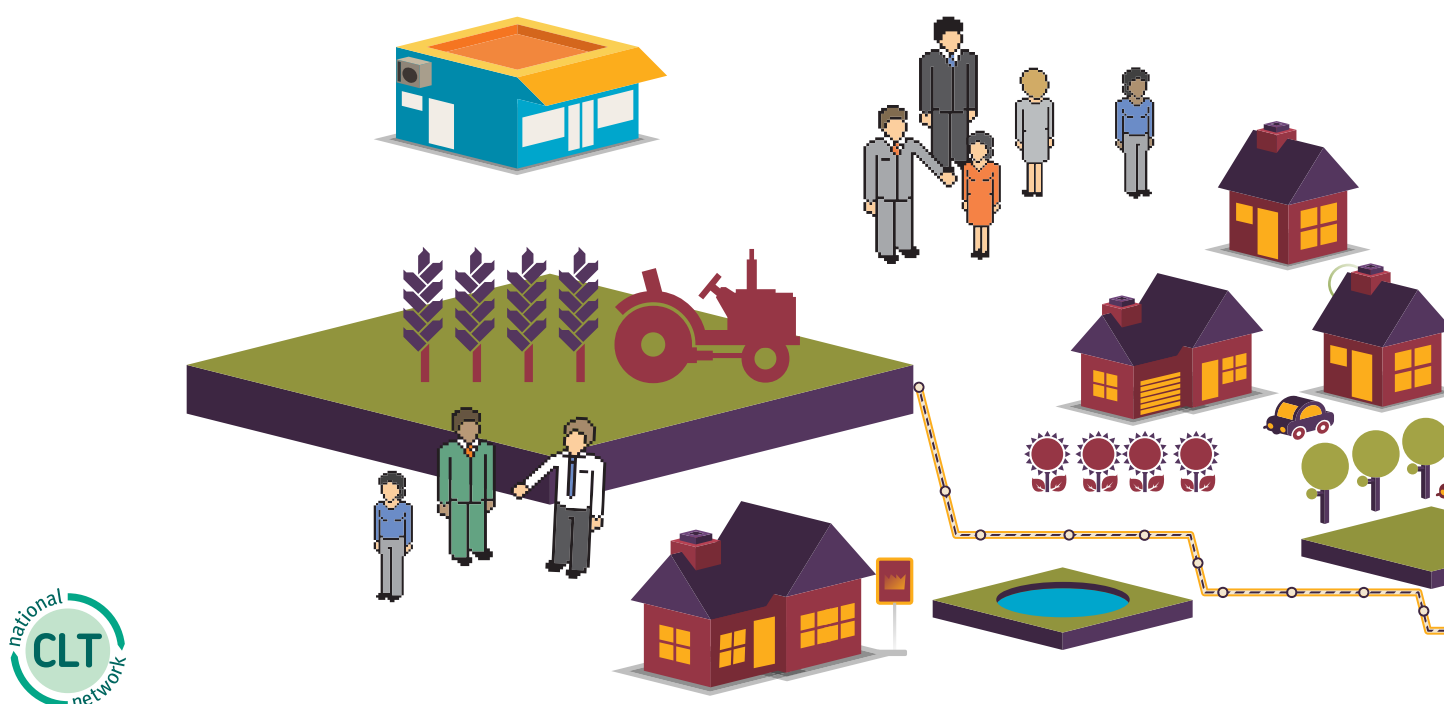
Other models

Mutual Home Ownership

An alternative method of disposal that may be suitable for CLTs is a Mutual Home Ownership scheme on CLT owned land. In such a scheme, instead of residents owning an individual property, the homes built on the land owned by the CLT are owned by a Mutual Home Ownership Society (MHOS).

The MHOS is a co-operative controlled by its members who live in the homes that it provides. Each member has a lease which gives a right to occupy a specified house or flat owned by the MHOS. The cost of building the homes by the MHOS is financed by a single corporate mortgage loan from a long-term investor. Under the terms of their lease, each member makes monthly payments to the MHOS to cover maintenance, insurance, loan interest and capital repayments.

Mutual Home Ownership is a housing model that is in common use in continental Europe and has been successfully developed at LILAC in Leeds. For more information on Mutual Home Ownership see **www.cds.coop/about-us/mutual-home-ownership**



6.2 Section 106 agreements

When planning permission is granted subject to requirements relating to matters other than the physical nature of the building, a Section 106 agreement (referring to S106 of the Town and Country Planning Act 1990) is drawn up between the local authority and the developer of a site, which could be the CLT. It runs with the land and is therefore binding in perpetuity.

When one of the requirements for granting a planning permission is that some or all the homes are affordable to local people, the S106 agreement will set out how the authority will ensure the homes are 'affordable in perpetuity'. This includes defining what is meant by 'affordable housing', which will be in line with the definition provided in the NPPF, what is meant by 'local occupation', and arrangements for securing affordability in the long term.

Whilst CLTs have as one of their core purposes the aim to maintain affordable housing in perpetuity, they also need to ensure that finance can be raised for the scheme and, in the case of any low-cost home ownership homes, that the purchasers can raise a mortgage on the CLT properties. A CLT will therefore need to bear in mind the following in negotiating a S106 agreement:

- The agreement should include a mortgagee in possession clause that states that the affordability requirement will not apply to a mortgagee in possession i.e. the bank or building society or other lender can take possession to recover a mortgage debt and is not required to keep the home affordable. This runs counter to 'perpetuity' but provides the certainty and simplicity that lenders require;
- The definition of local will involve a 'cascade' mechanism where households from the parish have top priority, followed by those from surrounding parishes, and then those from the whole district. Mortgage providers will want to see a process in which choosing an applicant takes no longer than 12 weeks. This relates to sale by the owner of the property, not just by a mortgagee in possession. Mortgagees may also insist that the owner has the ability to dispose of the property to a person not in housing need after a property has been on the market for a specified period, for example 24 weeks;
- In the case of affordable home ownership, the risk of repossession and loss onto the market can be minimised by inclusion of a pre-emption clause in the Section 106 agreement which allows a window of opportunity for the CLT to buy back the home, settle with the lender, and re-sell the home as affordable. This would require the building up of reserves or fundraising to ensure that the necessary funds are available as required.

The CLT will need to obtain legal advice on the S106 agreement.



6.3 Ensuring mortgages are affordable and available

In order for CLTs to prosper in the market place low to moderate income households wishing to part-purchase must have unfettered access to appropriate mortgage products that are themselves generally available in the market place.

To achieve this, the CLT must make sure that the disposal model is acceptable to as wide a number of lenders as possible. This is particularly important given the wider tightening in mortgage lending and the general rule that any given lender will not lend on all the units in a single development, however small.

In particular the CLT must ensure that if a Section 106 agreement is entered into with the local planning authority it does not restrict the ability of a mortgagee in possession to dispose of the site or an individual unit free of affordable housing requirements and to recover their losses as a result of either the CLT itself and /or the part purchaser defaulting on their loan obligations.

A CLT should take note of the summary of points and language to use in liaison with potential lenders.

Health warning! A CLT should bear in mind that many mortgage lenders will only make a definite decision as to whether a S106 agreement or a method of sale is acceptable to them if and when a mortgage application is submitted

CLTs should try to obtain general guidance issued by the Council for Mortgage Lenders and individual lenders. Information on lenders' criteria is also available from The Housing Hub, an information hub for lenders and housing associations, as well as CLTs, that operate Shared Ownership and Equity Loan schemes in England, Wales and Scotland – see www.thehousinghub.co.uk

Please check the National CLT Network website www.communitylandtrusts.org.uk for template documents and examples of best practice.

In all circumstances and particularly in the current economic climate it is suggested that the CLT should take a **pro-active and pastoral role** with regard to part equity owners as follows:

- The CLT should carry out robust checks as to the financial circumstances of the buyer before agreeing that they can proceed to purchase a share in a property to ensure that they really can afford to meet mortgage repayments and all other outgoings.
- Agree the terms of any mortgage the buyer enters into again to ensure that they are not over committing themselves.
- Collect a small rent charge or ground rent on the property (see disposal methods) as a way of keeping connection with the buyer and providing an early warning of financial difficulty. In the CLT movement in the United States, it has been found that a borrower in difficulty defaults on the rent charge or ground rent first. At that point the CLT can intervene to try to resolve problems before more serious mortgage arrears arise.

As the CLT will retain either the freehold interest in the property or an equity mortgage over it permanently as a community asset, it is of paramount importance to the CLT, as well as the lender, that any buyer can continue to sustain his or her mortgage payments to ensure stability in the local community.

6.4 Finding and communicating with buyers and renters

Depending on how the CLT carried out its housing needs survey it may already have a list of people needing housing and information on what people can afford. This will have been the basis on which the scheme was developed. However, whatever information the CLT has, it will need to implement a variety of strategies in order to reach the people it wants to ensure the CLT helps, including those who have left the community but wish to return.

For rental housing, local authority choice-based lettings arrangements involve advertising affordable housing opportunities and selecting from those who apply those who best meet the agreed local lettings policy or nominations arrangement.

In the case of shared ownership, potential buyers will need to register with their regional HomeBuy agent (or First Buy agent in London) who can tell them about all the schemes available by local authority area.

Information about HomeBuy agents is at **www.homebuy.co.uk/contact_us.aspx**

As well as informing people who might qualify for the available housing opportunities, the CLT will also need to provide information about the CLT model itself and the tenures on offer. Some of the disposal models outlined above may not be generally well known and will need to be explained. It is therefore advisable for a CLT to prepare and distribute a leaflet that explains to potential applicants the nature of the opportunities and how the CLT will operate.



Participatory dance festival at High Bickington Community Property Trust, Devon



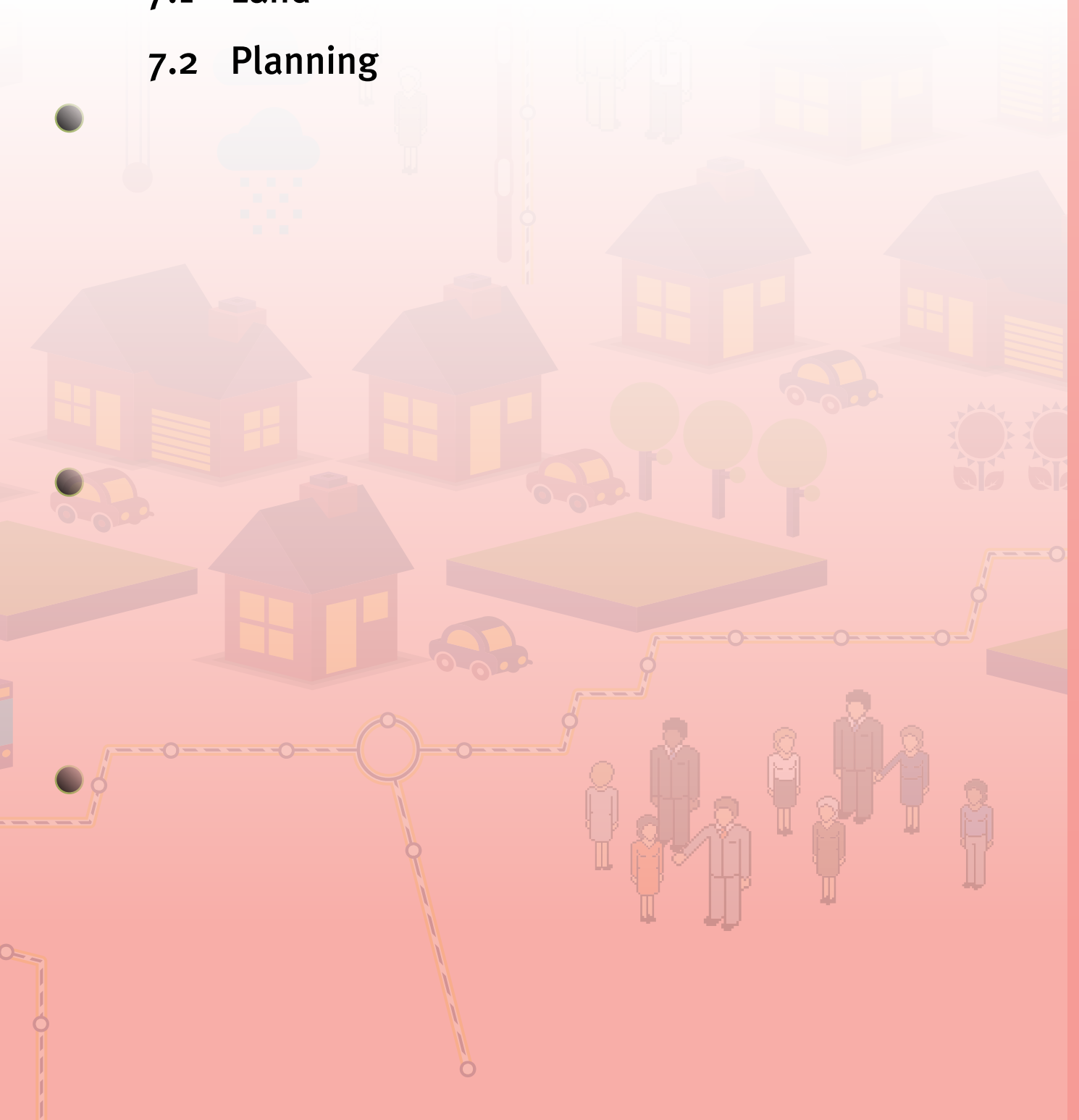
CHAPTER 7

Land and planning

CASE STUDY Cashes Green CLT

7.1 Land

7.2 Planning



**‘We don’t want to sit
back and accept things
being done to us. We
say stop, say no, and
change the situation
for the better’**

Homebaked CLT steering group

CASE STUDY

Land and Planning: Cashes Green CLT

Cashes Green CLT, which was formally launched in April 2012, has been the project of Gloucestershire Land for People, the county's umbrella CLT, since 2006.



The Cashes Green site, once a hospital whose growing land had been made available to local residents for allotments, was closed by the NHS in 1994. The site was left derelict. Ten years later, with an established need for affordable housing in the area, there was a clear public aspiration to regain the use of the land. Owned by the Homes and Communities Agency (HCA), the HCA required that a local CLT be established as part of the redevelopment of the site.

Cashes Green CLT is now involved in the redevelopment in partnership with developer Haboakus, a joint venture between Hab, the development company founded by Kevin McCloud and GreenSquare Group.

The scheme will build 78 homes on the site, of which half will be affordable homes, and half will be offered for sale on the open market. The designs reincorporate some of the former hospital buildings, and arrange the neighbourhood around a central square and street with shared access space. The rest of the site will be used to provide growing space, including formal allotments and edible landscaping. An “ecological zone” has been set aside to protect a badger set, and a communal building will serve on-site growers. Detailed work is underway on an electric car facility and electric bikes on-site.

GreenSquare Group has acquired the land and licence to develop from the HCA, and is responsible for pre-development costs and securing development finance. On completion the HCA will transfer the land to the GreenSquare group, who will then transfer the freehold to the Cashes Green CLT, except the homes offered for open market sale. Cashes Green CLT will then lease this land back to GreenSquare Group, who will maintain the site and manage the affordable housing, through contracts with the Estate Management Board, run by the residents. The long term aim is for the CLT to take on ownership of some or all of the affordable houses in the future, when it has the capacity and desire to do so.

The project follows significant engagement with local residents by Gloucestershire Land for People, which resulted in the CLT being an important stakeholder in the developmental process. The CLT has a clear vision to use the income derived from the site for the long-term benefit of local residents, and is committed to meeting housing, employment and community needs on terms the community can afford.

Visit www.cashesgreenc.lt.co.uk or www.haboakus.co.uk to find out more.



7.1 Land

The first issue faced by Community Land Trusts (CLTs) is that of land availability and the route to acquiring it for housing or other asset development.

A CLT may already have a site or property in mind or, quite often, the site itself can be a catalyst to wanting to set up a land trust. However, the community will need to avoid pursuing a single site or property at the expense of exploring alternative sites, and should consider establishing a list or register of sites.

Recent changes in legislation, particularly through the Localism Act (2011) may bring new opportunities for CLTs to identify and acquire land and other assets for community benefit.

Identifying land and property

A CLT may find that land will come forward from local landowners who are swayed by the emphasis that CLTs place upon meeting local needs and the assurance that the land and homes will be stewarded in perpetuity for the benefit of the local community.

There are three principle sources of sites for CLTs, allocated sites, which could include public land for regeneration sites, windfall sites and Rural exception sites.

Local authorities are expected to plan for growth by maintaining an adequate supply of housing land to meet the full need for market and affordable housing within the overall market area. The need must be objectively assessed and founded on evidence contained in a Strategic Housing Market Assessment. The National Planning Policy Framework (March 2012) states that local authorities should 'identify and update annually a supply of specific deliverable sites sufficient to provide five years worth of housing against their

housing requirements' with an additional buffer of 5% to ensure choice and competition in the market for land or, in areas where there has been a record of persistent under delivery of housing, this buffer is increased to 20%.

Local authorities are also required to carry out a Strategic Housing Land Availability Assessment (SHLAA) to establish realistic assumptions about the availability, suitability and the likely economic viability of a range of sites to meet the identified need for housing over the plan period. From this assessment sites will be allocated in a 'Sites and Allocations Development Plan Document', which identifies specific deliverable sites that will form the authority's five year land supply and further sites that will be part of its longer term site supply.

In some cases the local authority will also have an allowance for windfall sites. These are sites that are not currently identified but which, if they meet stated requirements, will be considered for development.

The Local Plan and Development Plan Documents will also include policies that set out the size of site from which an affordable housing contribution will be required and the level of that contribution. Normally, this is in the region of 20-35% but sometimes up to 50%.

A CLT will need to know which sites have been allocated for development, the policies covering release of windfall sites and any requirements, in particular what proportion of the scheme should be affordable housing. These all have a bearing on the cost of the land and the room for negotiation on what is provided and the price of the site. A CLT could undertake the market and affordable housing themselves or, alternatively, they could work with a private developer who sells the market housing and transfers the affordable housing to a CLT at an agreed price. There is more information on this in Chapter 8.

Rural exception sites

As part of the requirement to respond to housing needs in rural areas, particularly for affordable housing, local authorities will include a rural exception site policy. These are defined in the National Planning Framework (March 2012) as ‘small sites used for affordable housing in perpetuity where sites would not normally be used for housing. Rural exception sites seek to address the needs of the local community by accommodating households who are either current residents or have an existing family or employment connection. Small numbers of market homes may be allowed at the local authority’s discretion, for example where essential to enable the delivery of affordable units without grant funding’.

The community should establish a list or register of potential sites. This should be discussed with the Local Planning Authority who will need very early involvement in the selection of a site. The Local Planning Authority will often organise a ‘call for land’, advertising for landowners to bring forward sites. These sites will be subject to an initial desktop assessment and then, with the CLT, a visit to assess the deliverability of different sites that have been offered. This is a vital first step to ensure the CLT is pursuing a site that is deliverable in planning, construction and cost terms.

Rural exception sites provide ideal opportunities for rural CLTs to deliver permanently affordable homes as they are generally made available at substantially below market value. Even so, a CLT should bear in mind that in the current financial circumstances, development on exception sites can be difficult to fund without the inclusion of some market housing to cross-subsidise the affordable homes; something that currently not all Local Planning Authorities allow. However, the NPPF does encourage limited cross subsidy, as the definition above sets out. As the NPPF is a ‘material consideration’ that a planning authority must take into account when deciding on a planning application, they may be willing to accept a small amount of market housing even though this provision is not made in their Local Plan.

Planning permission will only be granted for rural exception site development where arrangements are in place to secure the affordable housing for local people in perpetuity. This is usually secured through a Section 106 agreement under the Town and Country Planning Act 1990, which is a contract between the local authority and the CLT and, as set out in Chapter 3, defines what is meant by ‘affordable’ and ‘local needs’.

Section 106 sites

Alternative sources of land are **Section 106 sites**. Local Plans usually require private market housing developments to incorporate a quota of affordable housing into their schemes, normally 20-35% but sometimes up to 50%, as part of the development or off site. These sites are normally developed by housing associations but CLTs may be able to bid for these sites and should consult with their local planning authority to explore this option. The CLT may need to be registered as a Registered Provider with the Homes and Communities Agency (HCA) in order to qualify for acquiring the affordable housing under these agreements.

Land or buildings in public ownership

The local authority or public body may be persuaded to transfer or sell to a CLT land or buildings that are in public ownership for ‘less than best (financial) consideration’ because of the social, economic and environmental benefits that would result from CLT development. The Royal Institution of Chartered Surveyors (RICS) issued best practice guidelines to local authority and public sector institutions that identify the typical processes that might have to be followed to justify such an action. Refer to the RICS website for further information: www.rics.org. Locality’s Asset Transfer Unit can also provide guidance on the justification of transfer and the transfer process itself. Refer to the website at www.atu.org.uk.

Regeneration schemes

In urban areas, sites may come forward that are part of **regeneration schemes**, which can involve the refurbishment or redevelopment of existing properties. However, it is important to note that competition for these sites may be fierce. In growing cities, such as London, land value could be out of reach for a community group. Obtaining a site may be more possible by delivering the affordable housing contribution that has arisen out of the Section 106 agreement for a larger development and/or entering into a partnership with a housing association or developer.

Some additional tips for finding a site, as outlined in ‘So You Want to Build a House’ (David Bretell, DTA 2009), include:

- Advertising in a Parish magazine or alternative local press
- Using local networks
- Working with the local authority to explore potential sites
- Undertaking Land Registry searches.

As set out in Chapter 5, the potential of any site or property for CLT development will need to be carefully assessed.

Land acquisition

Once the CLT has completed its financial appraisals and the Board and wider membership of the CLT has approved proceeding with a particular site or property, the CLT may be in a position to complete the purchase of the site or property. However, before doing so, the CLT will need to satisfy itself of all the physical and legal characteristics of the site.

Pre-acquisition checks

The following factors must be established by the CLT or agent:

- 1 Site area and topography
- 2 Ownership and condition of boundaries of the site – a solicitor will need to be instructed to establish that the acquisition and development boundaries are the same

- 3 Ground conditions – a specialist geotechnical consultant should undertake this work
- 4 Access to and through the site
- 5 Services to and through the site
- 6 Existing features of the site (e.g. trees, buildings etc)
- 7 Current site occupation.

For more information on this please see ‘Developing Affordable Housing: a guide to development and regeneration’ (National Housing Federation, 2nd Edition, 2009)

Legal title

A CLT should only acquire a site where they have proof that the seller owns the site and has the right to sell. This will be determined by a Solicitor undertaking a number of searches to verify the title of the property or site.

Land or property may be purchased freehold or leasehold. Freehold offers the greatest amount of security for a loan, whereas with leasehold valuation or security will depend on a number of factors, including the length the lease has left to run and any restrictions or covenants that control or restrict the use of the land. CLTs should look to purchase the freehold of the land, in order to be able to guarantee long-term affordability of the homes or assets developed on the site. However, this may not always be possible. The CLT also needs to consider carefully any obligations or covenants which affect the land transferred to it that may restrict the use of the land to affordable housing. This will impact on saleability and mortgageability in the same way as similar obligations in a Section 106 agreement.

Option Agreement

If the CLT needs to buy a bit more time to get to a position to be able to purchase the site or property, it may wish to request an Option Agreement on the site that provides the future opportunity to buy the site or property prior to purchasing the site. Note that this involves a cost, which can be significant.

7.2 Planning

National Planning Policy and the Localism Act

The planning system underwent a considerable overhaul in 2011/2012. National planning policy was condensed and is now contained in the **National Planning Policy Framework** (March 2012). The framework has at its heart a ‘presumption in favour of sustainable development’. This means that, for decision-making, local planning authorities need to approve development proposals that accord with the development plan without delay and, where the development plan is absent, silent or relevant policies are out of date, grant permission.

Every local planning authority has to prepare a Local Plan. This is a collection of documents that sets out the local plans and policies in the area. It must ‘have regard’ to the National Planning Policy Framework.

The Localism Act 2011 introduces another tier of planning, **Neighbourhood Planning**. This gives communities direct power to develop a vision for their area and dictate the type and locations for new development through a ‘neighbourhood plan’.

The Act also provides for Neighbourhood Development Orders and Community Right to Build Orders. Neighbourhood Development Orders can be brought forward by a Parish Council or Neighbourhood Forum. Community Right to Build Orders, in contrast, can only be brought forward by a community organisation. The latter is particularly relevant for CLTs as it gives community organisations

the right to grant planning permission for a specific type of development on a specified site. Neighbourhood Plans cannot promote less growth than in the Local Plan and like Neighbourhood Development and Community Right to Build Orders they have to be in conformity with the local plan; be subject to independent scrutiny; and have the support of more than 50% of those voting in a local referendum.

An excellent Plain English guide to the Localism Act is available online at **www.communities.gov.uk/publications/localgovernment/localismplainenglishupdate**. For more information on the Community Rights, see Chapter 10.



Homebaked CLT bakery, Anfield, Liverpool

Obtaining planning permission

Early consultation with the Parish Council and the rest of the local community is absolutely essential. This can take a variety of forms including informal meetings, exhibitions and formal consultation events. There is more information on community engagement in Chapter 2: Starting out.

Before any development can commence, planning permission is required. A site should not normally be acquired before at least outline planning permission has been obtained. This is because what is permitted on the site impacts very significantly on the value of the land. Entering into either an option agreement or a conditional contract may be a way around this.

Planning permission can be obtained in two ways: applying for 'outline permission' on the site, to see if it is acceptable in principle, or applying for 'full permission'. An outline planning application covers at least use and layout and has the advantage of detailed drawings not being needed. This would then be followed by a 'reserved matters' application. A full application is appropriate in cases where work is needed to start quickly.

In determining the planning application, the local planning authority must take into account 'material considerations' relating to the application, giving precedence to policies in up to date and relevant Local Plans.

If the scheme is small (ten units or less), the Local Planning Authority should consider the application in eight weeks or less. Larger applications should be decided upon within 13 weeks.

For major applications, the information requirements in order for the application to be registered and /or considered can be onerous. They can include the following documentation below. This list is by no means exhaustive.

- Design and access statement
- Daylight assessment
- Planning statement
- Tree quality report
- Economic statement
- Archaeology statement
- Ecology survey and report
- Land contamination assessment
- Sustainable design and construction statement

Before proceeding with an application the CLT should check with the local planning authority to determine the extent of work required.

Early conversations with the Local Planning Authority are therefore highly advisable.

A good source of additional information on planning can be found on the Planning Portal: www.planningportal.gov.uk



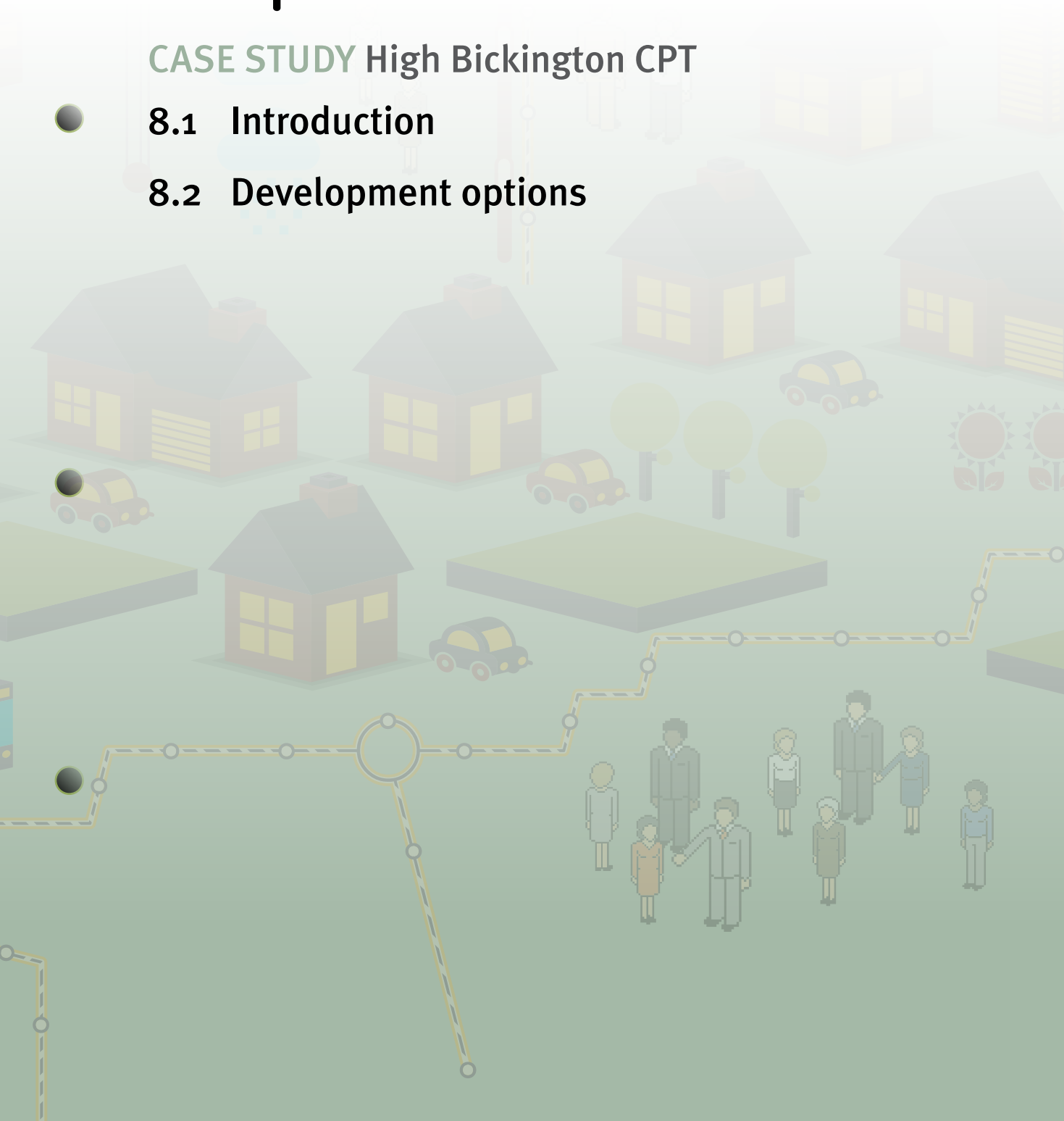
CHAPTER 8

Options for developing the scheme and taking it to completion

CASE STUDY High Bickington CPT

8.1 Introduction

8.2 Development options



‘The CLT is moving and growing, and it’s done with thought and integrity. That’s what’s really attractive about what’s happening here’

Resident of Crosby Ravensworth, home of Lyvennet
Community Trust

CASE STUDY

Developing the scheme and taking it to completion: High Bickington CPT

The redevelopment of a former farm adjacent to the village of High Bickington is a major £12.5m ‘holistic’ sustainable development, in this Devonshire parish of 800 people. Begun in 2000 as a parish appraisal, the multi-phase project seeks a truly viable future for the rural community, with community facilities and community enterprise as much a part of the project as affordable homes for younger generations.



High Bickington CPT

To date, the scheme has built 16 affordable homes, five homes for open market sale and two workshops for local businesses. The new homes are just part of a site which also includes a new ‘state of the art’ community centre, sports facilities and a community woodland. The development has created a natural focal point within the village, and will further foster a sense of community to sustain the village into the future. The whole site is served by a biomass district heating plant developed by the Trust, which is keen to promote its environmental sustainability.

Another 18 homes and four more workspaces will be provided in the future phases of development, the profits being used to repay development loans on the community facilities and to provide a ‘dowry’ for the Trust’s future. The final piece of the jigsaw will be the building of a new primary school. This has received significant support from the local authority, which has committed funds to developing the building’s infrastructure. Numbers at the existing school have already started to climb following the completion of the first houses, strong evidence of the scheme’s potential.

The development has not been an easy process for High Bickington Community Property Trust, despite the encouragement of the local authority, which have provided land for the Trust through a combination of lease and

freehold transfer. However, the initial planning application was rejected by the then Secretary of State for Communities and Local Government in 2006, as a ‘major departure from the local development plan’. Despite this initial setback, the Trust continued to work with the local authority, and a new planning application was approved in 2009 without further intervention by central government.

The High Bickington journey is characterised by strong and effective community engagement. With its roots in an early parish appraisal, the Trust is helping to build a vibrant and sustainable future for the community, encouraging local involvement based on a long process of planning and construction coupled with a developing approach to community enterprise and community involvement in its governance and management. More than 220 local residents are members of the Community Property Trust with each holding a £1 share. Over 100 residents came out to plant a community woodland in 2005. Ventures such as the village cinema club and community dance productions are raising the profile of community involvement and will eventually also help provide funds towards the on-going provision of services and the building of an economically self-sustaining future at High Bickington.

8.1 Introduction

Building a scheme may well be the shortest and most exciting phase of the whole project. It is also a complex and expensive process and benefits from early preparation and the advice and support of professional expertise throughout.

This chapter reviews the choice of construction contracts and partnership options for CLTs and looks at the ways they offer differing levels of involvement and risk sharing. A recommended source of more detailed information about the full development process can be found in **Developing Affordable Housing: a guide to development and regeneration** (2nd Edition 2009) published by the National Housing Federation.

The development brief

Developing and building out a site is complicated and expensive. Before a procurement route can be chosen the CLT must be clear about what it wants to build and the budget and timetable within which it must work to satisfy any funding requirements. **Chapter 5 Making it stack up** outlined the initial work a CLT should do to prepare a preliminary feasibility study and now, with professional help, a detailed **development** or **project brief** should be written. This should specify: the number of homes; types of tenure; sizes and quality standards needed and any specific aspirations the CLT has in terms of innovative construction etc. Further information about compiling such a brief can be found in a guide to the design management process entitled **Standards and Quality** in Development: A good practice guide (2nd edition) available from the National Housing Federation www.housing.org.uk/Onlinestore/ or from the Royal Institute of British Architects website – www.architecture.com

The professional team

A professional team which is knowledgeable, enthusiastic, cost effective, supportive and professionally qualified will go a long way towards supporting a CLT through the scheme construction phase and must be in place early. It is important to appoint consultants formally in writing, even for initial advice given at risk, and as soon as it is clear a scheme is likely to proceed a formal appointment should be made. Useful advice on appointing professional consultants can be found in the Asset Transfer Unit Guide www.atu.org.uk/guidance/PropertyDevelopment/AppointingProfessionals

The two key consultants will be the architect and cost consultant.

If the scheme must meet Homes and Communities Agency (HCA) design standards then it is essential that the architect is familiar with these and that they are incorporated into planning drawings at an early stage. This requirement must be incorporated into the CLT's design brief. Detailed information on these standards can be found in the **HCA's Design and Quality Standards (2007)** www.homesandcommunities.co.uk. The standards are concerned with the external and internal quality of the scheme and its sustainability credentials. For more technical information visit the Planning Portal: www.planningportal.gov.uk.





Holy Island Community Development Trust, Northumberland

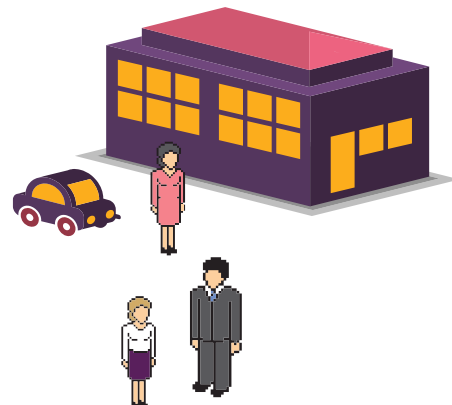
The architect should also help with planning negotiations, design consultation and advise on the necessary ancillary reports required to accompany a planning application. More information on planning is set out in Chapter 7 Land and Planning.

The cost consultant, possibly a building surveyor for a very small scheme or more likely a quantity surveyor, must be very familiar with the specific requirement of the scheme and if necessary be able to offer calculation services for HCA performance criteria. The quantity surveyor will potentially play two separate critical roles:

As **technical advisor**, e.g. providing budget cost estimates and help with ongoing financial appraisals, advising on procurement routes and risk assessment, organising tendering, including checking for application of EU procurement directives, assessing construction proposals and compliance with the CLT's brief and negotiation with contractors.

As **contract administrator** responsible for management of the building contract (in most contracts).

The Quantity Surveyor will usually act as coordinator to ensure compliance with Construction (Design and Management) Regulations 2007. Their main role is to advise the client, coordinate Health and Safety aspects between all parties, ensure pre-construction information is shared and that a final Health and Safety file is completed.



8.2 Development options

Overview

A CLT can opt for a variety of building contracts or to work in differing partnership models with housing associations or developers.

In choosing a building contract a CLT needs to consider its view of the importance of **time, cost and quality**. They are all important but it's unlikely that any one type of contract can deliver all three equally and emphasis on only one criterion will have a negative effect on the others. A more realistic view would be to identify two criteria when considering procurement options. Another key consideration is the CLT's attitude to risk and control. If a CLT prefers to delegate risk through a building contract then it also delegates some control in decision making.

Some CLTs may prefer to stand back from direct involvement in most or some of the processes in the construction phase. Examples of the emerging partnerships with housing associations and developers and the pros and cons of making such a choice are discussed later in this section.

Building contracts

The Joint Contracts Tribunal (JCT) has been producing building contracts since 1931. They are accepted across the construction industry and have been updated in 2011. Provided amendments to the contracts are avoided, or are only inserted after taking formal professional advice, the contracts provide contractual security for all parties and means of re-dress in the event of dispute. The traditional contract was the most popular for a number of years but has now largely been replaced by design and build. This latter contract is discussed in some detail below and the key features of other contract options are included for comparison viz. off-the-shelf and turnkey, management, self build and self finish and refurbishment building contracts.

Design and Build

Design and build is the most commonly used form of building contract by CLTs and housing associations. This procurement method involves the CLT passing on design responsibility for the scheme to the contractor, essentially allowing the contractor's expertise to manage the project from design to construction and completion.

The form of the building contract will be described in some detail to assist a CLT in making the decision as to whether it wants to take on this process itself or delegate it to a partner. In the event that a CLT negotiates with a developer over homes already on site and a development agreement is to be used rather than a JCT contract, it is also useful to consider the design and build contract as a template and endeavour to include as many of its provisions as possible into a development agreement. (See: Off the shelf /turnkey section below.)

Key elements of the contract

It is usual for the CLT to appoint its own architect to secure detailed planning permission. By doing this the CLT, which will have consulted widely on design, can stay in control of external design and tender prices will not be inflated by contractors pricing the unknown risk of onerous and expensive planning conditions. The contractor will still be responsible for internal designs and risks associated with securing building regulations approval and design and adoption of roads and services. Post tender a contractor may choose to employ the original architect to achieve some continuity of design or may employ its own designer. As there are contractual implications for the CLT if it insists on the use of its architect, best advice would be to leave the decision to the contractor.

Full information from all site surveys and investigations must be provided to tendering contractors to avoid them pricing in extra sums for risks of unknown conditions or including provisional sums in a tender. A design and build contract can be negotiated but if the CLT does not have figures from recent tenders to use for comparison it would be difficult to demonstrate that the negotiated price was competitive.

A design and build contract includes a **fixed price** and a **fixed contract completion date**. The CLT has good cost and time certainty and all on site risks are borne by the contractor. The CLT should avoid making any changes once in contract as these could be very expensive. Payments will be made to the contractor by **monthly valuation** or by **stage payments** giving a steady cash flow profile for the CLT.

The contract documents

A quantity surveyor, acting as the employer's agent (EA) for the CLT, will take responsibility for collating the contract documents. Included in these will be the employer's requirements. These are based on the CLT's design brief but the employer's agent will support the CLT in ensuring that everything the CLT requires in terms of standards and performance of specification and design is included here. The contractor puts together the contractor's proposals. These should reflect the CLT's requirements and it is the role of the employer's agent to advise the CLT if there are discrepancies as this could give rise to disputes during the contract. Both these sets of documents are very important and checking prior to signature is essential. A detailed breakdown of the contract sum, the planning drawings and the signed JCT contract will complete the documentation.

By the time a building contract is signed and a start on site is imminent it may be a good time to have a party. Staging a 'sod turning event' can be another opportunity to involve the community and stakeholders in celebrating the realisation of your vision. Contractors are

usually very happy to be involved and share publicity and might be able to contribute to the hospitality budget.

Managing the scheme on site

Once the scheme is underway it should proceed through logical steps, with a range of scheduled checks and balances in place. This will ensure that anything that does stray off target can be addressed quickly and that the project completes successfully.

Monthly site meetings

Once work has begun on site the EA will organise monthly site meetings with the contractor. The business of these meetings is to monitor progress, agree the proportion of the contract due for payment, answer any queries and ask about progress over adoption procedures and help the builder overcome any difficulties. The contractor is required to produce reports of inspections by the National House-Building Council (NHBC) or equivalent organisations, which will provide the construction warranty and building regulation inspection reports. It is also the opportunity to observe and check on the build quality. In agreeing the valuation certificate for works done to date there is an acceptance that the building is being developed in accordance with the contract. If the build quality is inadequate payment will be refused until work is re-done or repaired or in an exceptional situation the contract can be determined.

The contractors should provide a detailed works programme which covers all the main aspects and demonstrates completion within the agreed timeframe. This can then be used to monitor progress during the build process.

Monthly payments

The JCT contract will normally state that payment is due to the contractor within 14 days of issue of the valuation certificate. Failure to pay the certificates on time is a breach of contract. The CLT must ensure that necessary

funding/signatory arrangements are in place in order that these monthly certificates can be paid on time. If the CLT is not sure that a 14 day payment period can be met it may be possible to agree a 21 day period with the contractor but this must be agreed and entered into the JCT contract before it is signed and sealed. No monthly payments should be made before the JCT contract is signed.

The provisions of the contract will require the contractor either to provide a performance bond of up to 10% of the contract sum or insolvency cover and it is important that the employer's agent is satisfied that these, plus the contract warranties discussed below, are in place before a first payment is authorised.

It should be noted that the taking out of multiple bonds impacts on the borrowing capacity of contractors and in a difficult borrowing climate the CLT may well be prepared to accept insurance against insolvency as an alternative protection against the business collapse of the contractor. The best protection of all is, however, detailed scrutiny of the financial strength of the contractor before entering the contract.

Insurance and collateral warranties

Under the terms of the contract, from the date of possession of the site, the contractor is liable for the insurance of the site and the building works. Any site insurance taken out by the CLT should be suspended and be re-instated from the date of practical completion but the CLT should check with its insurance broker to check that there are no gaps in cover.

The employer's requirements will have stated that collateral warranties for the benefit of the CLT are required for all major designers/suppliers providing services to the contractor e.g. timber frame suppliers, heating system designer/suppliers but excluding in house designers. The employer's agent should require these to be produced before the first site meeting.

Claims for additional costs and delays

Under a design and build contract claims by the contractor for extra costs should be rare as the contractor is responsible for the final design and specification and accepts risk for unforeseen situations. The contract will specify agreed causes for delay which might mean an extension of time would be granted but these will be very specific and need formal evidence e.g. adverse weather with the provision of meteorological reports, or delays by statutory authorities with evidence of the same.

In the employers requirements CLTs should avoid the specification of named products or suppliers and instead seek performance standards. If the contractor experiences delays by a specified supplier or product he could make a claim against the CLT. The CLT should also be aware that if it seeks changes in specification or design in the course of the contract the contractor is entitled to claim for additional costs and will certainly do so!

On the CLT's side, the contract will specify a sum for "liquidated and ascertained damages" known as LADS. These are the actual weekly costs the CLT will incur from a delay in completion. This is normally the weekly interest cost or the weekly loss of rent, if more. These are deducted from certificates due if the contract completion has been delayed.

Handover and defects

When the scheme is nearing completion, the contractor will arrange a site meeting with the CLT's professional team to agree whether the works meet the required build standard and agree a list of remaining works that must be completed or remediated (snagging list) before a handover of the scheme can be agreed. The CLT will have almost certainly sought zero defects in their employer's requirements and will re-state this.

It should also be noted that the employer's requirements will have asked for numerous specific guarantees, certificates of inspections, confirmation of compliance e.g. planning

conditions, building regulations, a tenant's information pack etc. all to be available at handover. If homes are to be let or marketed/sold immediately after handover it is essential that the contractor complies with these documentary obligations of the contract as well as the physical construction before handover is accepted.

A date is agreed for handover by which date all snagging items should be completed. At the handover meeting on site, the list is checked and if the CLT and professional team are satisfied with the final work, handover is accepted and a **practical completion** certificate issued.

Defects liability period

This is a period after practical completion in which the CLT can require the contractor to return to site to correct any omissions or defective work. The contractor cannot be held responsible for any defects which are not related to the contract or any which have been caused by resident misuse. A typical defects period is 12 months and if less should at least cover mechanical and electrical plant for 12 months.

A sum of money 'retention' is kept back from the monthly certificate payments against failure to remedy defects. In this event the sum would be used to employ another contractor and would be deducted from the contract sum.

Towards the end of the defects period the CLT and professional team should contact residents to request access for the team and contractor to inspect and list any remedial works to be done. Once these have been rectified and checked, the employer's agent will issue a statement confirming this and advise the CLT that the retention should be released to the contractor. Depending on the size of the original contract this may be a large sum of money and the CLT should ensure it has the funds available in good time.

The contract will have also specified that a 10 year guarantee is provided by NHBC, Premier or Build Zone or equivalent. This guarantee covers construction defects and not maintenance.

Summary

The design and build contract gives good certainty of cost and time. There is also scope to secure the quality standards a CLT needs and monitor progress on site. The contractor takes on design and construction risk, reasons for disputes are minimal and there are provisions for claims by the CLT for delayed handover and rectification of defects.

Several CLTs have successfully developed schemes acting as client e.g. High Bickington Community Property Trust and Buckland Newton CLT. Their case studies and comments on the process can be found on the "See it and Believe it" section of the CLT Network site: www.communitylandtrusts.org.uk

Traditional or conventional contract

Under a traditional contract responsibility for the entire design and specification is separated from the construction process. The architect appointed by the CLT provides detailed drawings, secures planning permission, and produces a specification of works. Bills of quantities are prepared by a quantity surveyor who is also employed by the CLT. Some professional practices can provide both design and cost services. Following a tender and negotiation the CLT appoints the contractor to construct the works to the design and specification for a contract sum and a set completion date. The builder on site has therefore a complete set of instructions to follow and is only responsible for the build quality of the scheme.

Liability for design, appropriate specification and road and service adoption design and procedures rests with the architect as lead consultant. Other professional consultants provide supporting services to the architect but are appointed by the CLT. Frequently the architect acts as contract administrator too.

There are three forms of JCT contract available and the standard provisions in respect of monthly site meetings, payments following valuations and contractor responsibility for site insurance and safety apply. Defects period and handover procedures are similar to those in the design and build contract.

Pros and cons of the traditional contract

The CLT has a very large input into the design process and signs off all plans. The CLT (through its consultant) is in control of administrative matters relating to the contract. There is scope within the contract to make changes during construction for an agreed rate, but if the design phase is rushed or incomplete, unreasonable time targets are set or tender documents are incomplete there is a potential time and cost risk for the CLT. As full documentation is needed prior to tendering, the overall programme for the scheme may be long.

With a contract sum stated in the contract there is a reasonable expectation of outturn cost but no certainty. The figure will be adjusted throughout the contract and the final cost will not be known until contract completion. There is scope for disputes to arise over cost over-runs and delays in issue of instructions by the architect and where responsibility lies for problems. During the defects period disputes may also arise over liability for cost of remediation in a specification versus quality of build debate.

Off-the-shelf and turnkey

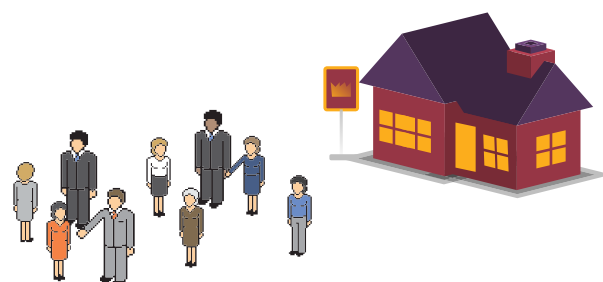
If a developer is building a large residential scheme there may be an opportunity for a CLT to purchase homes as part of the affordable housing quota prescribed in the planning permission. By definition the homes are already designed or even partly built. If the CLT is able to negotiate with the developer early enough, it may be possible to incorporate changes to internal specification and minor exterior provision e.g. sheds, to bring the homes closer to the CLT's design brief but it is unlikely that

external layout and appearance can be changed if planning is approved. If possible the CLT should seek to persuade the developer to enter a **development agreement** which could then include most or some of the provisions of the employer's requirements in the design and build contract and allow for stage payments but it is likely that the developer will want to use its standard conveyance contract.

The CLT has limited control over design and quality and is unlikely to achieve its own or HCA quality standards but can purchase quickly for a fixed price. In a turnkey arrangement there is one final payment on completion of the homes and the CLT would need to know it could access the whole purchase sum for an agreed date.

There will still be the need for the CLT to organise a handover inspection to be carried out by a building surveyor and establish the arrangements for dealing with defects during a period of 6 to 12 months. Evidence of building guarantee will also be required and a full range of completion certificates and any legal guarantees. If the homes are not yet built it might be possible for the CLT to have some involvement in inspecting and recording the work as it proceeds.

Theoretically off-the-shelf sounds a less attractive procurement form than ones allowing more CLT design input, but when the developer is a housing association with similar high quality standards and there is an early and close working relationship, a very efficient and successful scheme can be achieved, as for example Wickham CLT in Hampshire working with Hyde Martlet housing association. See: www.wickhamclt.org.uk



Management contract

Rather than employing a single main contractor, in this form of contract the CLT employs a site manager who organises the work through a succession of subcontractors, in effect taking on the role a developer would play. This type of contract requires a very large input from the CLT and virtually no opportunity to share risks and is more usually used in commercial development.

Self-build and Self-finish

One way to reduce development cost is a self-build approach. A self build contract involves potential residents putting in their own time to work on the construction of the homes, thereby reducing some (or in some cases) all of the labour costs. The self builders in effect become the contractor or one of the subcontractors and a site manager is employed to support, advise and supervise them.

The homes should be designed with self builders in mind i.e. simple design and the self builders should be identified at the earliest possible stage. The CLT would need to ensure that the self builders understand the considerable demands on their time and receive appropriate pre-contract training.

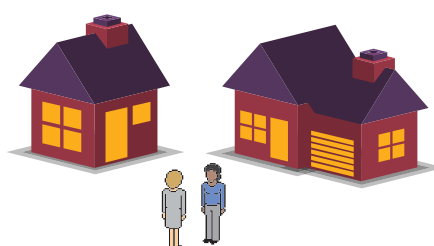
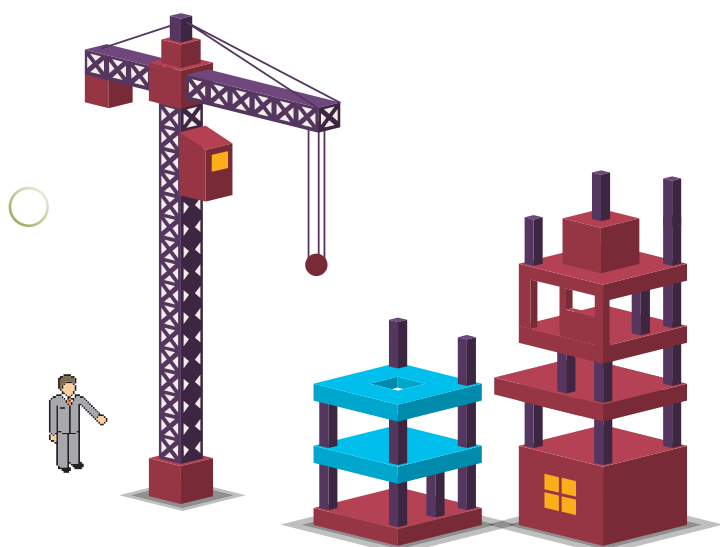
With self-finish, the self-builders complete certain works e.g. kitchen/bathroom fitting, decoration and tiling and either buy or rent the partly completed home with a requirement that they then act as subcontractors to the main contractor for the self finish component.

A good example of a self build CLT scheme is that developed by St Minver CLT in the village of Rock in Cornwall. In the first scheme 12 residents were sold plots with planning permission and with foundations and timber frames already constructed and the self builders completed the homes. A project manager was appointed to oversee the self build work and the houses were completed on time and on budget. A second phase of eight self-finish homes at St Minver was subsequently completed in March 2012 in partnership with Cornwall Rural Housing Association. In each phase none of the residents was allowed to move in until all the homes were complete. For detailed information about the St Minver project see: www.crha.org.uk/cclt/cclt.html. More general information about self build projects is available from the Community Self Build Agency's website: www.communityselfbuildagency.org.uk.

Refurbishment

CLTs choosing to undertake a refurbishment project would be advised to use a traditional JCT Minor Works Building Contract with contractor's design for works up to the value of £250,000 and a JCT Intermediate Building Contract with contractor's design for larger contracts. The CLT, working with a professional team of designer and architect, would write a specification and client design for the works to be tendered and built. There is a considerable degree of cost and time risk in any refurbishment contract particularly with very old buildings and a contingency sum must be included in any contract.

For more information on procurement and building contracts visit the Constructing Excellence in the Built Environment website: www.constructingexcellence.org.uk and the JCT website www.jctltd.co.uk



Partnerships with housing associations and developers

A CLT does not necessarily have to take on the whole responsibility for development of a scheme. Depending on its attitude towards involvement and risk it may wish to partner with a housing association to undertake some or all of the development. For the development of a large urban scheme a partnership with a national developer and/or a housing association might be appropriate.

Housing associations can be viewed as natural partners for community groups. Like CLTs housing associations are not-for-profit organisations that provide affordable homes as well as vital services for communities, such as employment, training and activities for young people. Many housing associations share the same mission and purpose of many CLTs in providing good quality affordable homes. Housing associations are specialists in all aspects of affordable housing and bring that expertise to any partnership arrangement.

Finding the right partner

It should be noted that not all housing associations will be able to devote the time and resources to working with a CLT and CLTs need to seek out those with an enthusiasm for partnership working. The National CLT Network can provide a list of potential housing association partners or there may be a local CLT umbrella organisation that can help to broker a partnership (see Chapter 2.3 for details).

A partnership with a housing association is potentially for the long term and a clear understanding of the respective roles and responsibilities of the partners is essential. Some CLTs have found it useful to set out their aims, vision and expectations of a partner into a **partnership brief** and this can inform any future legal agreement with a housing association.

Some of the mutual benefits of a CLT and housing association partnership are shown below.

Benefits to CLTs of partnering with a housing association

- **Access to experts** – staff in housing associations are specialists in all aspects of affordable housing.
- **Access to financial capacity** – housing associations that develop sites have sizeable loan facilities with mainstream lenders.
- **Ready access to grant** – housing associations that develop are already approved Investment Partners with the HCA, solving the need for the CLT to quality as an Investment Partner themselves.
- **Reputation with local authorities** – housing associations are known to be strong, well regulated organisations, often with tenant and community representation on their boards.
- **Regulation** – housing associations will be registered as Registered Providers with the HCA and have the capacity to handle a range of regulatory obligations.
- **Risk management** – housing associations are experienced at managing risk.
- **Capacity building** – housing associations may be able to provide training for CLT boards as well as financial modelling, thereby building the internal capacity of a new CLT.

Benefits to housing associations of partnering with a CLT

- **Reputation with communities** – housing associations can develop deeper relationships with communities through the democratic nature of a CLT.
- **Providing more affordable housing** – links with CLTs help housing associations increase the supply of affordable housing, meeting a wider range of needs.
- **Access to land** – some landowners would rather entrust their land to a local CLT than a housing association.
- **Access to funding** – the HCA has reserved some funds for community-led housing development. CLTs can also access other streams of funding, including community shares.
- **Helping meet government priorities** – the Localism Act gives powers to communities to share their area and bring forward development.
- **Innovation** – housing associations can be at the forefront of this new way of working with communities.

Development partnership models

Several recent partnership models with housing associations and developers have begun to emerge. It should be borne in mind, however, that there is a trade-off for a CLT in delegating part or all of the development process to a partner. Risk, reward and control are closely related and if they are passed to another organisation the CLT should be prepared to accept a lower level of income and to exchange control for influence, though it might be possible to regain control in the future by reimbursing the partner for its development expenditure.

A publication on partnerships, “Trusts and Association: Partnerships between Community Land Trusts and Housing Associations” has been produced by the National CLT Network and the Somerset, Devon and Dorset CLT Project. It includes case studies of partnerships and a partnership options appraisal which compares partnership models in terms of risk and return to a CLT. It can be downloaded from the National CLT Network website www.communitylandtrusts.org.uk

We will consider consortia partnerships using public land, development or service level agreements, leasehold partnerships and shared site partnerships in this section.

Partnerships using public land

Chapter 2.2 describes the early history of East London CLT, set to be the London’s first CLT. It has now partnered with Galliford Try as developer and Linden Homes as contractor to develop St Clements Hospital site in Mile End east London, a 4.5 acre site currently owned by the HCA. With a development on this scale a consortium approach is appropriate and may well establish principles to be taken forward into future projects and by other urban CLTs. For details see: www.eastlondonclt.co.uk

On another HCA owned, derelict hospital site at Cashes Green in Stroud, Gloucestershire Land for People (GLP), acting as an umbrella CLT, has formed a partnership with Hab Oakus. Hab Oakus is a joint venture between Hab, the development company founded by Kevin Mccloud of Grand Designs fame and the Green Square Housing Group. As Chapter 7 sets out, when development negotiations for this mixed private and affordable housing site are complete it is anticipated that recently formed Cashes Green CLT will take on long term responsibility for the affordable housing. Further information can be found online: www.cashesgreenc.lt.org.uk

Development or service level agreements (SLA)

In a partnership where a CLT owns the land and wants to secure specific services from a housing association a **development agreement** or **service level agreement** (SLA) is needed which sets out the respective roles in the partnership. A CLT intending to use a SLA must take legal advice and be very clear about the service and quality of service it requires. A model memorandum of understanding is available on the National CLT Network website see: www.communitylandtrusts.org.uk. The National CLT Network is also developing a model agreement.

The Holy Island of Lindisfarne Community Development Trust (HILCDT) entered into a service level agreement with Four Housing Group housing association which covered both the construction phase and management of 4 homes on land in the ownership of the Trust. The scheme secured HCA funding and completed in 2010. In the case study on the National CLT Network website, trustees admit that they were breaking new ground in drawing up their SLA agreement with Four Housing Group. For more detailed information see: www.communitylandtrusts.org.uk – rural case studies, and www.4hg.co.uk.

Leasehold partnerships

This form of partnership is based on a CLT owning the land and the housing association developing the site and managing it on a long term lease. The CLT will expect to achieve a smooth development, procurement and management function by delegating the risks and responsibility to the association but will also waive rental income other than ground rent, and will exchange control for influence. The quality of the trust and mutual understanding of the two parties is critical to the success of this type of partnership. The CLT has a leaseback option and might be able to buy back the properties in the future by reimbursing the association for its development expenditure but this may not be financially feasible.

The following model documents are available to download on the National CLT Network website:

- A lease between a CLT and housing association with a break clause
- A partnership agreement that sets out the ongoing working relationship to supplement the long term lease.

Two useful case studies of CLTs which have agreed leasehold partnerships are Worth Community Property Trust with Synergy Housing Group and Symene Community Land Trust with Hastoe Group. Both partnerships are based in Dorset and both secured HCA funding. Brief details can be found in the publication “Trust and Association” on the National CLT Network website: www.communitylandtrusts.org.uk/resources/publications

CLT and housing association/developer partnerships using shared sites

Cornwall Community Land Trust (CCLT) a countywide umbrella CLT and Cornwall Rural Housing Association (CRHA) have formed partnership arrangements which have been used extensively by Cornish CLTs. Under the terms of these agreements the housing association acquires the site and develops and owns the rented homes and builds homes for equity sale or to “weather tight”, for self builders, on behalf of the CLT. The CLT holds pre-emption rights to buy back properties and there are resale price covenants on the equity sale homes. With two small organisations coming together, the CLT benefits from the housing association paying the initial development costs and procurement expertise and both organisations benefit from economies of scale.

This model has been used successfully in Blisland where CRHA built seven homes for rent and CCLT sold 6 homes to local people at a discounted sale price on the same site. Other examples of this form of partnership include St Ewe Affordable Homes Ltd and CHRA in St Ewe and CCLT and CRHT in St Teath. Details of these schemes can be found on the CRHA website:

www.crha.org.uk/cclt/cclt.html

Cornish CLTs have also partnered with developers to share small sites in the Lizard and Luxulyan and details of these are also available on the CRHA website.

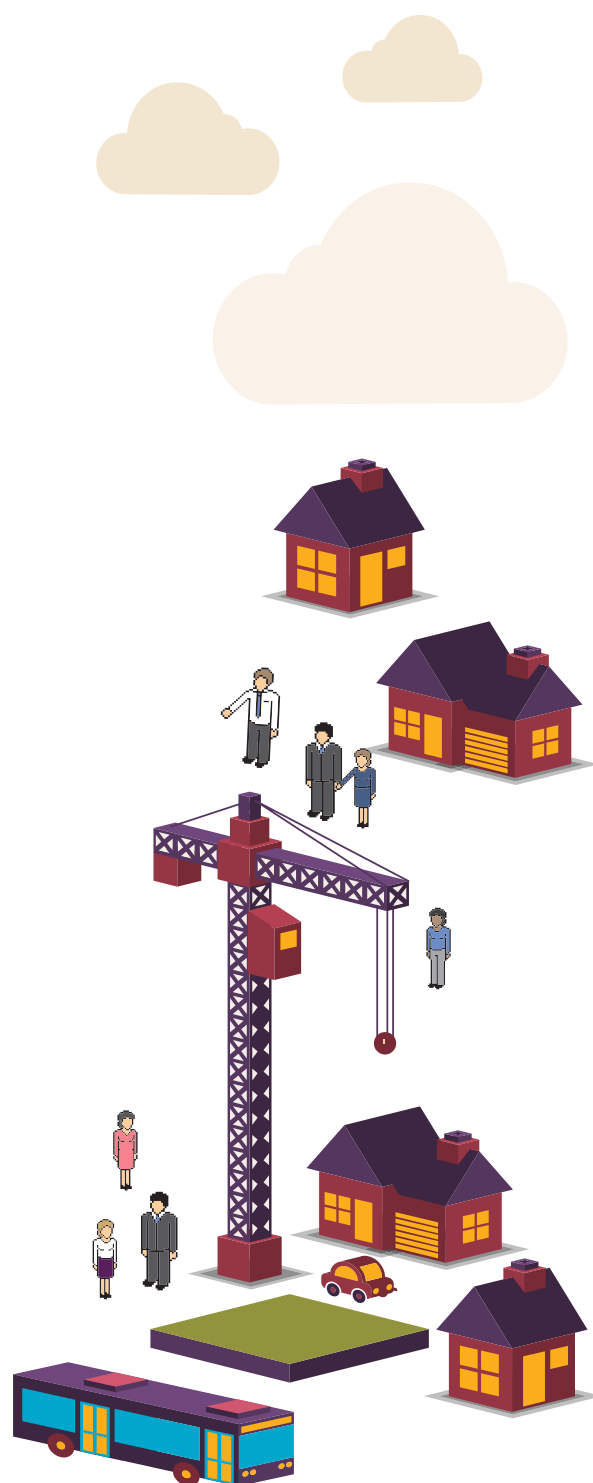
And finally... a word about risk

Construction represents the single largest capital cost in any housing project. It can be up to 70 -80% of the total budget. Even a small cost over-run can mean the difference between a viable and a non viable scheme. The construction phase also determines the quality of the project and, therefore, its long term maintenance cost. A scheme built to budget may prove unviable in the long-run if its maintenance costs are too high to be supported by the rental income.

Developing and building out a site is a complex, expensive and risky process. For a CLT which might be developing only its first or second housing scheme or community building, the risks must be very carefully managed. Unlike a developer or housing association, a CLT does not have the benefit of a large portfolio of projects where 'swings and roundabouts' can be balanced out. Every project must be a success on its own terms.

Each CLT will have a different approach to risk and it is important to determine what this is at the outset. Some CLTs may be happy to undertake the whole development process with minimal input from other agencies and in return enjoy sole control and anticipate full financial return. At the other end of the spectrum a CLT may wish to delegate development, procurement and maybe also management risk to a housing association partner and to accept a minimal level of income and to exchange control for influence.

Across the country CLTs are successfully building community schemes on both an independent and partnership basis. It is clear that there really is no 'one size fits all model' for development and procurement but a range of development options is beginning to emerge and it should be possible for CLTs to identify a route best matching their appetite for involvement, control and risk.





Plans for Homebaked CLT, Anfield, Liverpool

CHAPTER 9

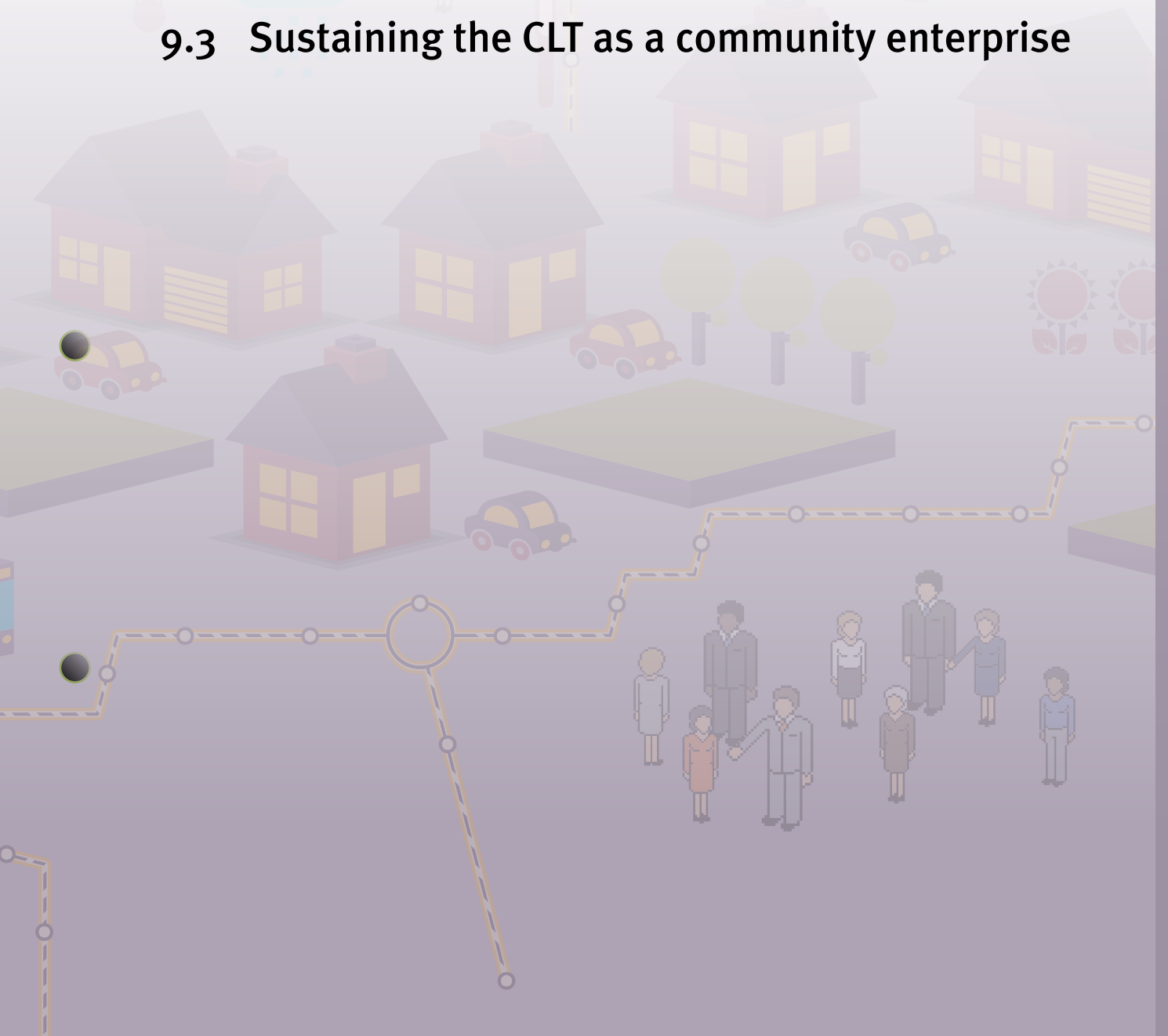
Stewardship, management and community involvement

9.1 Maintenance and management arrangements

CASE STUDY Leveshulme Inspire CIC

9.2 Communicating with residents and applicants

9.3 Sustaining the CLT as a community enterprise



‘I feel very lucky and privileged to be one of the first families housed by West Rhyl CLT. It’s fantastic to be given the chance to finally be in a lovely family home’

Stephanie Riley, resident of West Rhyl CLT

9.1 Maintenance & management arrangements

When a CLT housing scheme is completed a celebration is unquestionably in order to acknowledge the achievement of a significant target. However, success ultimately depends on the long term management of both the CLT and the scheme itself. Careful thought and planning from the start is needed to maintain long term viability – it is not only about the build process, it is also about the long-term stewardship of the asset.

The issues dealt with in this section need to be addressed long before a scheme is completed, but it is on completion that they have to be put into practice. They are dealt with in three sections

- Maintenance and management arrangements, including:
 - Rental homes and tenancy agreements
 - Managing non-housing elements
- Communicating with residents and applicants
- Sustaining the CLT as a community enterprise

Rental homes

A CLT that manages rental homes needs to retain income from the rent that is sufficient to repay the long-term loan, manage, insure and maintain the homes and allow for void periods. Funds are also needed to manage the CLT itself, which is discussed further in the revenue budget section in Chapter 5.

Maintenance is usually considered to comprise three elements:

- **Routine maintenance:** broken door handles, blocked drains, leaking roofs etc. and, a more significant item, if boilers have been installed, an annual boiler service. The tenant will normally be responsible for internal decorations and for any damage they cause.

- **Cyclical maintenance:** keeping the exterior painted or stained, probably every 5 years and carrying out other preventative work such as clearing drains or gutters.
- **Planned maintenance:** most obviously boiler replacement after 12-20 years, replacing kitchen fittings after 15-20 years and replacing bathroom fittings after 20 or more years. In theory planned maintenance could include full lifecycle costing – the renewal of every element of the home according to its expected life (e.g. a new roof after 100 years). But in practice, when the long term debt is paid off, there is the option of re-financing any major repairs that arise from the increased income then available or even from taking out a new loan.

Housing associations usually set aside £25-£29 per unit per week at 2009 prices to cover these running costs and the cost of insurance: e.g. £9pw routine; £4pw cyclical; £7pw planned; £4pw buildings insurance; £3pw (about 3% of rental) for voids. However, these costs can vary and housing associations may be able to reduce them through economies of scale. **Service charges** for common parts and shared areas of grass or planting will be additional and service charge income must cover them: 15% could be added to service costs for the CLT's own administrative costs of getting the work done.

One option may be to set aside planned maintenance until year 5. A larger sum can then be committed to loan repayments in the initial years and more can therefore be borrowed. However, the level of planned reserve needed to pay for the expected replacements should be calculated and a long term loan repayment and reserves profile produced to show that the necessary planned reserve will be built up by

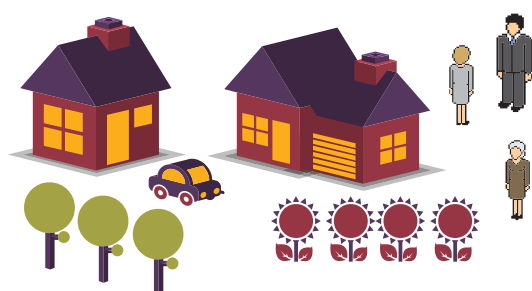
the time it is required. It is also a good idea to start developing reserves as early as possible.

Management costs will depend on whether a housing association or other agent is being paid to provide the service. An indicative cost might be £8 per unit per week, although this can vary depending on location and housing association provider. The costs of a part-time employee may need to be met from the management element of the rent or other sources of income that are available. If an element of the work is carried out by volunteers there is obviously less cost and some income may then be available for other purposes.

Tenancy agreements

Homes can be let on fixed-term (i.e. time-limited) tenancies or on periodic (i.e. open-ended or “lifetime”) tenancies. These are both types of assured tenancy.

Fixed-term assured tenancies can be ended at the end of the fixed term, which is often five years although shorter or longer terms are not uncommon. Because these tenancies are technically ‘assured shorthold’ (regardless of the length of the term), the legal mechanism is the service of two months’ notice, which cannot take effect before the end of the fixed term. They can provide a mechanism for allowing rents to rise to market levels if a tenant’s financial circumstances improve or if it is intended that the tenure switches to part equity. However, if Homes and Communities Agency grant is being used, rent rises will be capped. All being well, a CLT landlord will be happy to grant a tenant a further tenancy when the first tenancy comes to an end.



With a periodic full assured tenancy a tenant has the right to remain in the property unless the landlord (the CLT or housing association partner), can prove in court that it has grounds for possession. If the aim of the CLT is to provide residents with a sense of security, ownership and permanence, full assured tenancies are obviously better.

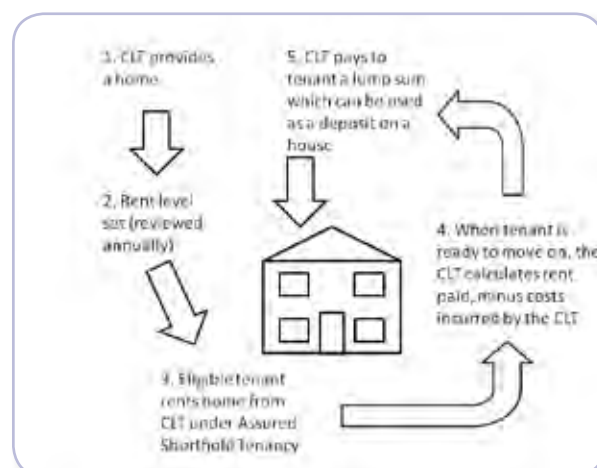
Where properties are funded by the Homes and Communities Agency, it will normally be expected that tenants will receive an assured tenancy that either is full periodic or has a fixed term of at least five years. In either case the tenancy may be preceded by a twelve-month probationary phase. Tenancies funded by the HCA are likely to be subject to the Right to Acquire, allowing the tenant to purchase at a discount, although there are various exclusions from this right and it is unlikely to apply in a rural exceptions site.

Tenancy Plus

Some CLTs have sought to develop a rented tenure that gives the tenant the benefit of low maintenance spending where the home is well looked after. Tenancy Plus provides for a rebate to be paid at the end of the tenancy if the total cost of maintenance and required cyclical and planned funds are less than the sum that has been deducted from the rent. This may help the renter to go on to homeownership, should they wish to.

The Tenancy Plus model used by High Bickington Community Property Trust is shown in the diagram.

Affordable Housing: Tenancy Plus



Two further steps can also be taken:

- Accounting for capital repaid from the long term loan using the rental payments (or a proportion of it) and adding this to the lump sum paid to the tenant at the end of the tenancy.
- The CLT can also refinance the home when the tenant leaves to increase the loan back to the maximum possible over a further period of, say, 25 years starting from the new rent level. A percentage of the difference between the outstanding loan and the new 25 year loan can be added to the lump sum. To avoid the need to re-finance, tenants could be given this latter element of the lump sum only if they switch to part-equity with the lump sum as a deposit which avoids the problem of re-finance for the CLT.

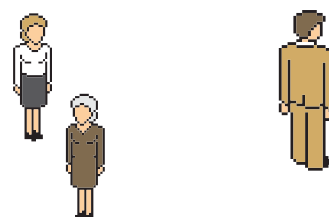
Managing non-housing elements

There are a range of non-housing elements that CLTs are now undertaking – such as allotments; workshops let on renewable commercial tenancies with 3 year rent reviews; workspace or hot desk space let by the hour or day; or a community space

let by the hour or 3-4 hour morning, afternoon or evening session. Whatever the use, a number of things that should be considered with any non-housing element a CLT undertakes are:

- The rent or fee to be charged
- The likelihood of vacancies or, from the opposite viewpoint, how often they might be let
- Responsibilities for maintenance
- How service costs such as heating, water and cleaning will be shared and met
- The cost of managing the space: dealing with re-lets, arrears and disputes about the terms of the lease

A budget should be drawn up for these costs, which obviously have to be met before forecast rent is committed to loan repayments on the capital cost of provision.



Residents enjoying their new homes at Worth Matravers, Dorset. Courtesy of Worth Community Property Trust

Managing non-housing assets: Levenshulme Inspire and the Bubble Enterprise Business Centre

In March 2009, work began on the redevelopment of Levenshulme United Reformed Church, replacing the old 'Sunday school' with a modern, glass-fronted building for use as a social hub. The centre is run by Levenshulme Inspire CIC, governed by members of the community, along with the United Reformed Church, a local mosque and representatives of the Bubble Business Centre, a micro-business hub established in the centre.

A great example of community management of non-housing assets, Levenshulme Inspire's vision is to transform their area through community activity, creativity and fun. Their mission is to inspire renewal in the Manchester district by 'raising the aspirations of the individual and unlocking the potential of the community'. The centre's multiple uses reflect many needs in the local area. The building is home to 14 apartments let by a local housing group for affordable rent. The Inspire Café in the centre provides 6 employment positions, and 15 volunteer and work placement opportunities for people with a mental health background, and has also become the base for a catering firm. A significant refurbishment of the church building has provided a social media suite and community meeting rooms, and the Bubble Business Centre.

The Bubble Business Centre, opened in November 2011, operates as a hub for local businesses. In addition to premises and workstations for rent, it offers training and support. Its flexible approach has encouraged the development of several micro-businesses, who benefit from the communal effect of like-minded entrepreneurs.

The Inspire scheme has become home to activities as diverse as circus skills training, craft and horticultural markets, Sunday school programmes, concerts, quizzes and language courses, and has received an overwhelmingly positive response from the local community.

Inspire has been running a community share issue for 2 years, allowing local people to buy into the scheme. Shareholders have the opportunity to participate in the Inspire forum, to discuss the running of the Centre as well as issues of local concern. Many have gone on to actively promote the work of the centre in the local area, under the ambassadorial title of 'Inspirers'.



9.2 Communicating with residents and applicants

Effective community engagement is a critical part of forming a CLT (see Chapter 2) and running a well-governed organisation, and it doesn't stop once a scheme is built. When a housing scheme is complete and the first residents have been selected and have moved in, it is worth considering how a long term relationship is to be built with the neighbouring community even if the number of homes becoming available from re-letting or re-sales is quite small.

A CLT might already have a whole range of schemes and activities on the go, in which case it will be in regular contact with all its members, users of all its facilities, including residents of its homes, and the wider community. One of its roles might be to create a welcome pack for new residents introducing them to their new home, the CLT and all it and the area has to offer. It will help if residents identify with the aims of the CLT so that they look after their homes and their surroundings and integrate well into the community.

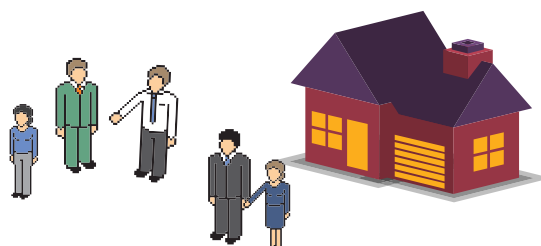
Some CLTs, however, have been set up solely to deliver a single housing scheme. There is a risk in this case that local people could lose interest once the scheme is built, and the work of keeping the CLT going may fall heavily on a few individuals.

A briefly stated strategy would help to deal with these issues covering:

- Annual reporting to residents and the community
- Opening membership and securing a wider membership base beyond the Board
- Creating a place on the Board for an elected residents' representative (or having a resident as an observer)
- Reduced frequency of meetings if appropriate
- Recruiting particular skills to the Board; and sharing the work of running the CLT between a number of people
- Maintaining a list of those in need of affordable homes
- Considering meeting other community needs besides affordable housing
- Potentially some sort of annual community event (which might be a CLT barbecue but could just involve attending the parish council meeting to present a report)

A housing allocation policy is also part of the strategy for identifying and meeting priority needs by making the availability of the CLT homes known to all those who might benefit from them in the CLT's defined locality (see Chapter 3 for more information on housing allocations). It is also worth being aware of the unmet demand for local affordable housing in case there is a need for another scheme.

The Buckland Newton CPT website has a particularly good FAQ for its residents, applicants and interested parties. It details the roles, responsibilities and issues relating to the management of their properties and the trust itself. See [www.bucklandnewton.com/Applicants FAQ's V5TL.pdf](http://www.bucklandnewton.com/Applicants%20FAQ's%20V5TL.pdf)



9.3 Sustaining the CLT as a community enterprise

There is guidance in Chapter 5 on drawing up a revenue budget for the CLT once the scheme is complete which may now need looking at again. This budget should be reviewed again before the work begins on site and when it is nearing completion so as to take account of inflation and any other changes in income or costs.

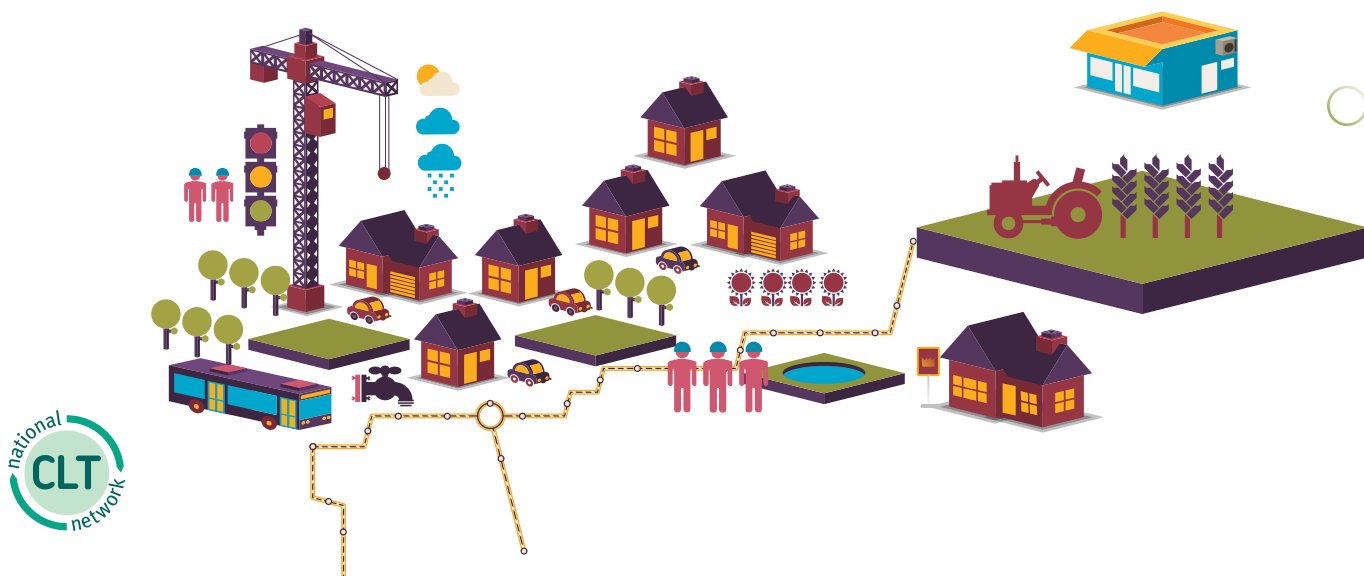
If the scheme includes elements other than housing, they will need adding to the budget. It is worth considering each on its own to examine what net contribution they can make to overheads. The budget produced by High Bickington CPT, for example, includes forecast income for workshops, a community building and the provision of heating from a wood-chip boiler to all elements of the scheme. The surpluses from all the different elements are then needed to meet the cost of a part-time employee plus a range of other overheads. Alternatively, these central costs could be estimated and then reallocated appropriately to each revenue generating element.

At this stage it is important to ensure that:

- There is sufficient reserve to enable the CLT to withstand short term cash flow shortfalls caused by advance costs like insurance, late rent payments, legal fees in a dispute or other eventualities. The alternative is to negotiate a bank overdraft when needed, but this is a less certain or secure route and does not deal with

the possibility of incurring unexpected costs which cannot be recovered;

- Future liabilities are provided for, in particular for external painting of rented homes and for replacement of worn out components like boilers or fitted kitchens;
- Arrangements for dealing with day to day management, letting and sales issues have been thought through, whether this will be done by volunteers, a paid employee or an agent such as a housing association;
- Account is taken of inflation;
- The CLT Board receives quarterly management accounts showing income and expenditure against the budget; year end accounts; and a budget for the coming year prior to its beginning;
- A revenue cash flow forecast will also be needed to check that income will arrive in time to meet loan repayments, insurance and maintenance;
- On the positive side, consideration might also be given to how any surplus might be used to meet the feasibility and pre-development costs of additional developments of housing or other amenities; or even how the CLT might develop once the debt is repaid!



CHAPTER 10

Community rights



‘High Bickington CPT is a leading example of Localism in action’

Councillor Andy Boyd, Devon County Council

Community Rights

The Coalition Government wants to shift power from Government to communities and in the Localism Act 2011 introduced new powers for communities to take control. This includes the Community Right to Build, Community Right to Bid and the Community Right to Challenge, all of which have come into force. Each of these rights present additional opportunities for communities, including Community Land Trusts, to take over local assets, develop new homes or other assets or deliver local services as social enterprises.

A brief introduction to each of the Rights and how they may be taken up by CLTs is set out below. However, these are new initiatives and how they will work in practice is yet to be seen.

More information is available from the Department for Communities and Local Government website: www.communities.gov.uk and from My Community Rights at www.mycommunityrights.org.uk.

Community Right to Build

Community Right to Build is a way of helping communities gain planning permission for the new homes, shops or businesses that they want to see in their local area. Where a CLT's proposal has sufficient support from the local community the Community Right to Build may be a useful way to deliver the proposed development without having to go through the normal planning application process. **Most crucially for CLTs, the Community Right to Build includes an exemption from leasehold enfranchisement, and thereby it enables the CLT to deliver permanently affordable homes.**

An existing or new community organisation can take up the Community Right to Build and can work with partners, including a housing association, or go it alone. The community organisation can take a number of legal forms but it must be set up to further the social, economic and environmental well-being of the local community. CLTs readily meet the criteria for using the Community Right to Build.

As set out in Chapter 7 Land and Planning, the Community Right to Build is part of Neighbourhood Planning, introduced in the Localism Act. This means that Community Right to Build schemes must be within a defined 'neighbourhood area'. If a neighbourhood area has not been agreed, a community organisation that wants to take forward the Community Right to Build will need to agree a neighbourhood area with the local planning authority, usually the local council.

To take up the Right to Build the CLT will need to develop its proposals in the usual way, following the steps set out in Chapters 1 – 7. However, there will need to be an even greater focus on community engagement. Under the Community Right to Build, the CLT is required to have carried out certain publicity and community consultation to give everyone in the community a chance to comment on the proposals.

The proposal will then need to be written up as a Community Right to Build Order. The Order must:

- generally be in line with local and national planning policies
- be in line with other laws (like EU laws or the Human Rights Act 1998)
- only be for small-scale development and for a specific site

It will also need to make sure that certain specialist bodies, like the Highways Agency, have the chance to comment on the proposals.

The Order is subsequently submitted to the local planning authority and checked by an Independent Examiner. If the Order is accepted it will then go to a referendum, organised by the local planning authority.

People living in the neighbourhood area who are registered to vote in local elections will be entitled to vote in the referendum. For the proposals to get the go-ahead, more than 50% of the people who vote must support it. If the CLT achieves that verdict, it can then proceed with development and the stages set out in Chapters 8 onwards.

Advice and support on the Community Right to Build is available from My Community Rights at www.mycommunityrights.org.uk

Community Right to Bid

In neighbourhoods there are buildings or amenities that are the heart of community life, such as local shops, a pub, community centre or a library. The closure of these facilities can have a devastating effect on the vitality of the local community as well as people's livelihoods.

The purpose of the Community Right to Bid is to give community groups or eligible bodies extra time to put together a financial proposal to acquire these local assets as community assets if, and when, they come on to the market.

Under this right local authorities are required to maintain a list of 'assets of community value' and community organisations, such as CLTs, can nominate suitable private (e.g. shops and pubs) or public assets (e.g. library buildings). The assets can be and are classified as of 'community value' if they 'further the social well-being or social interests of the local community'. When the asset comes up for sale, the Localism Act introduces a delay or 'moratorium' to give a eligible community organisations time to prepare a bid.

It is important to stress that the right for a community group to bid for an asset does not place any legal obligation on the owner to accept the bid. The owner can sell to whoever they choose at a price agreed by the buyer. However, the extra time could be valuable in allowing the community time to prepare a bid and raise the necessary finance.

It also provides CLTs with an opportunity to build an asset base and potentially a source of income to support further work of the CLT.

The Asset Transfer Unit is the leading source of information on asset transfer. See www.atu.org.uk More information, advice and support on the Right to Bid is available from My Community Rights at www.mycommunityrights.org.uk

Community Right to Challenge

Community groups and social enterprises already provide local services that are valued by the community. What the Community Right to Challenge does give to community groups, parish councils and local authority employees is the right to express an interest in taking over and running a local authority service. The local authority must consider and respond to this challenge and, where it accepts the challenge, run a procurement exercise for the service in which organisations, including the organisation that challenged the service, can bid.

A CLT may consider using this power to set up a social enterprise to deliver a service to their community.

More information, advice and support on the Right to Challenge is available from My Community Rights at www.mycommunityrights.org.uk



CHAPTER 11

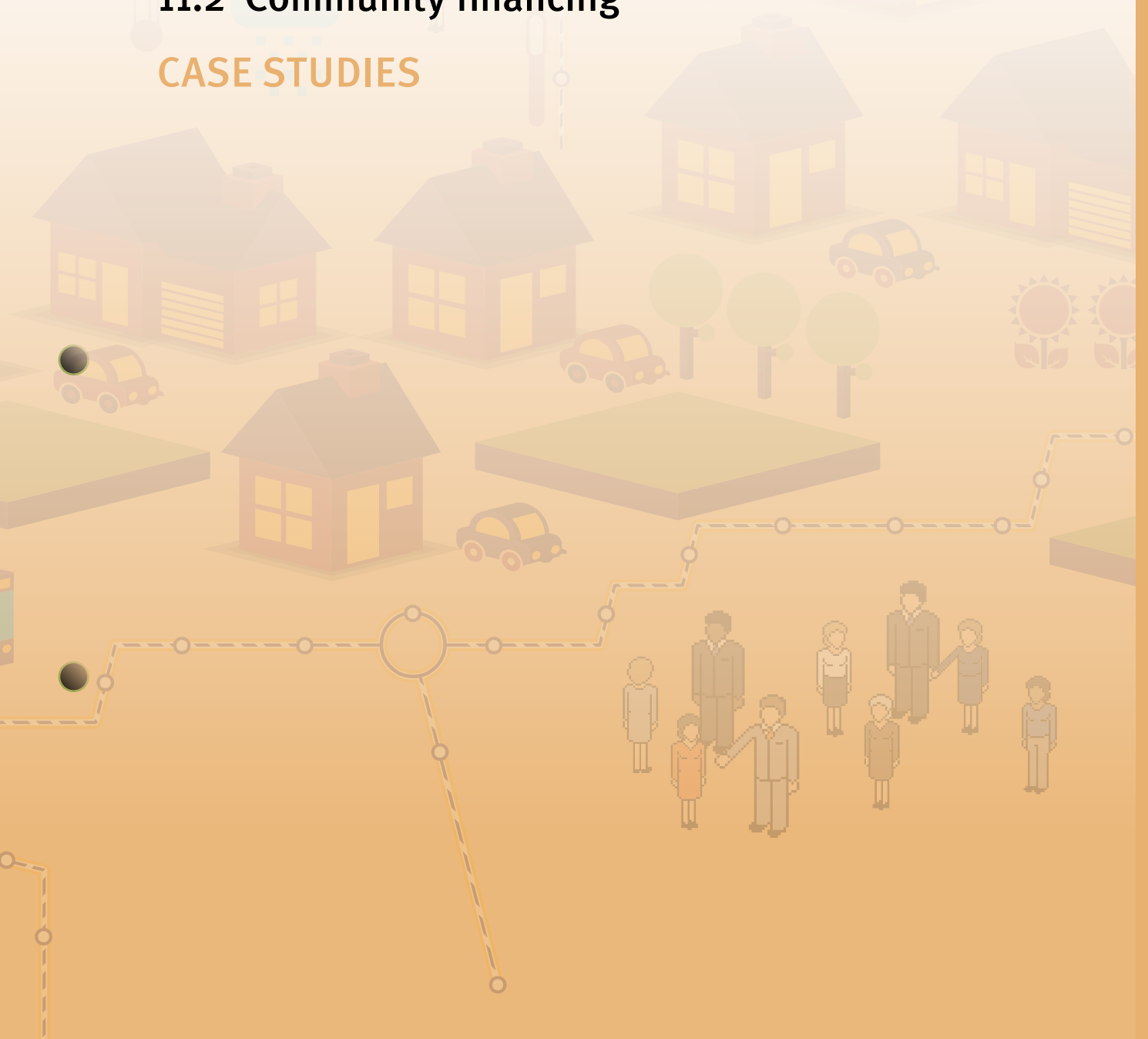
Community energy generation

11.0 Community energy generation

11.1 Renewable energy options

11.2 Community financing

CASE STUDIES



‘There is huge opportunity with the CLT sector. There could be thousands of CLTs because the model doesn’t just have to apply to housing, it can apply to any form of business or development’

Dr Bevis Watts, Triodos Bank

11.0 Community energy generation

Some community groups may aim to implement their own renewable energy schemes to reduce their community's carbon footprint and contribute towards the wider transition to a low carbon economy. Some such schemes can also provide a sustainable income source to support the CLT or wider charitable aims in the local area.

The technologies most suitable to a particular location will depend on a number of site specific factors, including the size of the development and its heating and electricity requirements, the natural resources available to it within the land boundary and whether gas is available for heating or not.

The advantage of a community owned renewable energy system is that larger, shared systems tend to be more efficient and better value for money than smaller, individual ones and by sharing the costs of the project, potentially large sums of money can be raised to fund the capital costs, without necessarily needing a bank loan. These are generally recouped over time through schemes such as the Feed in Tariff (FIT) and Renewable Heat Incentive (RHI), which pays generators to produce renewable energy.



St Ewe Affordable Homes, Cornwall



11.1 Renewable energy options

Renewable Energy Options

Technology	Description	Where applicable
Solar photovoltaic cells (PV)	Panels attached to a roof or on frames on the ground which produce electricity from the sun	Any large south/south-east/south-west facing roof or area of land which is not overshadowed by trees or other buildings, with daytime electricity user onsite. Roof needs to be in suitably good condition for panels to remain for 25 years. Asbestos roofs are not suitable. Listed buildings or those in conservation areas will need special consents from the local planning authority.
Solar thermal	Panels attached to a roof which are powered by the sun and produce hot water	Most residential buildings have suitable hot water requirements. It requires a hot water storage tank, so not suitable for combination boilers or heat on demand systems. Again needs to be as south facing as possible and unobstructed by trees or other buildings.
Wind	A turbine that produce electricity when blades are rotated by the wind.	A site with good year round wind resource, where turbine is sufficient distance from nearby properties and roads are accessible for delivery of parts. Wildlife on site or close by may influence location.
Hydro	A turbine located in a river or stream, which is rotated by the movement of water and produces electricity	Upland streams with large drop or lowland rivers with an existing, large weir. Nearby electricity connection is important to keep costs down.
Ground Source Heat Pump	Heating from the latent heat in the ground (c12 degrees year round below the frost line), which is boosted by a heat pump, similar to those that are used in fridges, but run in reverse.	Locations where gas heating is not an option and under floor heating is already installed or is feasible.
Biomass Heating	Solid fuel heating generally from wood, in a domestic context	Where there is a reliable, local supply of sustainably sourced fuel. Better suited to rural locations due to air quality restrictions in some urban locations. Need sufficient space for boiler and storage of fuel, as well as district heating pipes to distribute the hot water around the site.

The table on the left describes the renewable energy technologies most likely to be applicable for a CLT and some basic guidance as to when they are likely to be applicable.

Anaerobic digestion (AD) is another technology which can generate both renewable electricity and heat from farm wastes, food waste and/or energy crops. However, it has not been included in the table as extensive research by a number of organisations has so far shown that it is challenging for communities to access sufficient waste to fuel the plant and at a community scale it is hard to make it financially viable. It is hoped this will change over time. However, an AD plant is probably the most complex renewable energy technology for a community to run, as it is essentially an agri-industrial business, which is more complex and demanding to run over time than most other renewable energy technologies.

Feed-in tariffs

Schemes producing electricity from sustainable sources such as solar power, small wind and hydro should benefit from feed-in tariffs (FITs). Tariffs are payment for every kilowatt hour of electricity generated. The rate paid depends on the type and size of the system used to generate renewable energy. An additional payment is made for surplus electricity not used locally that is fed into the National Grid.

This system was legislated in the Government's Energy Act 2008 in order to incentivise small scale

renewable electricity initiatives. Feed-in tariffs are applicable to England, Wales and Scotland.

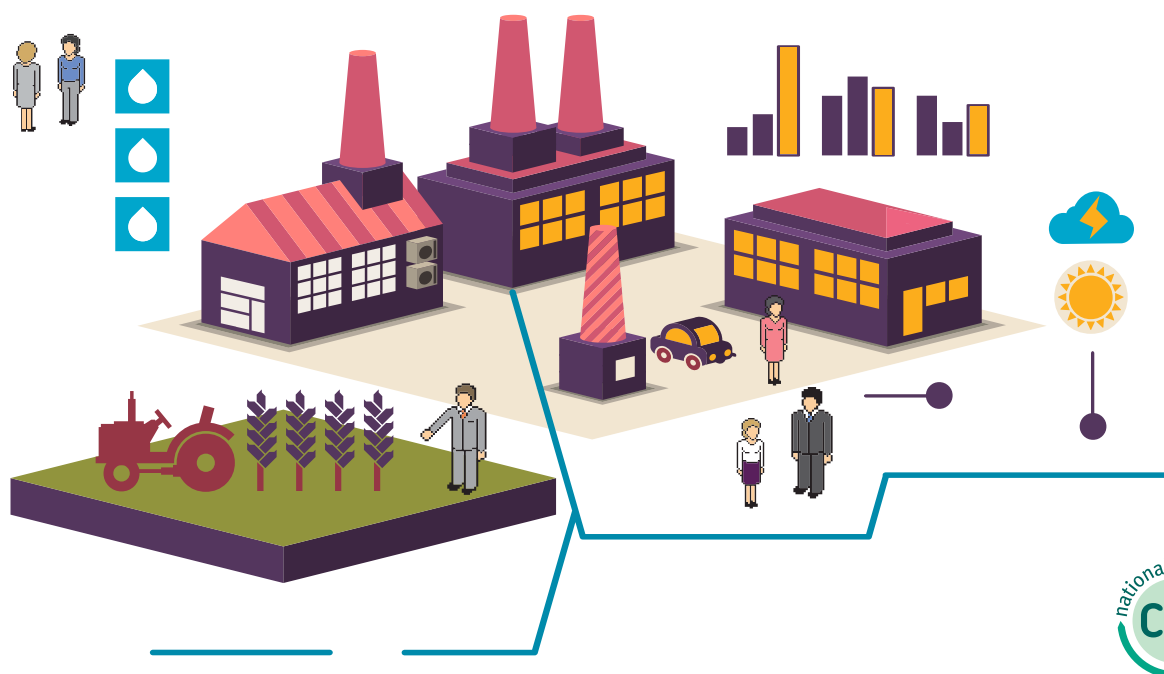
The government regularly reviews the FIT and revises it in line with market prices, to ensure the rates are sufficient but not excessive. For the latest information see the Feed in Tariffs website at www.decc.gov.uk/fits/

Renewable Heat Incentive

The Renewable Heat Incentive (RHI) is a fixed payment for the heat generated in a renewable fashion, such as by ground source heat pumps, solar thermal panels or biomass boilers. Once the renewable heat system is in place, the amount of heat it produces is measured. A fixed payment is made, based on the measured output, the type of technology and the size of the system.

Community renewable schemes are eligible for the RHI, as are households, landlords, businesses, farmers, schools, hospitals, care homes and others enterprises. The RHI came into force in April 2011 for commercial schemes. Residential schemes become eligible in the subsequent phase, the date of which has not been announced yet.

Further information on how to implement a sustainable heating system, how to qualify for the financial incentives and the latest on the start of Phase 2 can be found on the website at www.decc.gov.uk/RHI/



11.2 Community financing

A community group may have a budget for heating systems or sustainability measures, in which case financing should be relatively straightforward. All of the previously listed technologies benefit from the FIT or RHI (apart from currently biomass heating in homes), so this income, in addition to the savings made on fuel bills, should cover the costs of maintenance and repay the cost of the system over its life. The rates do change over time, so it is important to check what the current rate is and when it is due to be revised.

In many cases, however, communities may have excellent resources and a desire to make use of them to reduce their carbon footprint, but financing the high capital costs can be a problem. Raising funds for a community share issue can provide the answer. Where very large sums are sought, this can be matched with a loan, without affecting the community ownership of the project. A community share offer could be limited to members of the CLT or could involve a wider community locally, supportive of renewable energy and the activities of the CLT. Several millions have been raised for large scale wind projects such as Baywind in Cumbria (the

UK's first community owned wind project) and Westmill in Oxfordshire. As long as the project can provide a reasonable return to the investors, it has proven possible to raise such sums without grant aid or private sector involvement.

Not-for-profit organisations that can help you assess what opportunities you have and whether they are viable for community ownership are:

- Energy4All Ltd (UK wide)
- Sharenergy Co-op (England and Wales)
- Ynni'r Fro (Wales)
- Community Energy Scotland
- Carbon Leapfrog

Some of these also have funds to help pay for the development work, which can be expensive and can be hard to obtain as it is at risk, if the project does not turn out to be viable. Other funders include:

- The Community Generation Fund
- Pure
- Community Energy Challenge
- Co-operative Enterprise Hub



CASE STUDIES

Case studies

Small Scale Hydroelectricity: Torrs Hydro New Mills

Using a local river to construct a scheme, Torrs Hydro New Mills based in Derbyshire was set up to create a small hydro-electric scheme capable of generating up to 250,000 kWh of electricity a year: the equivalent of the annual electricity consumption of around 50 typical British homes. The scheme was constructed with assistance from a specialist development company, H2oOPE, who specialise in consulting on community-led hydro electric schemes. In total, the scheme cost around £330,000. It was financed through a combination of grant funding (c£165,000), loan finance, and share capital (c £125,000) raised through the formation of an IPS for Community Benefit. As such the scheme is owned by the community acting to improve their local environmental sustainability. Torrs Hydro holds regular open afternoons in the summer and has commenced an educational programme with local schools.

Future profits from the scheme will fund a community grants programme.

For more on Torrs Hydro please visit www.torrshydro.org/index.php

Further advice and support:

www.shareenergy.coop

www.h2ope.co.uk

www.thegreenvalleys.org

Community Solar: Leominster Community Solar

Leominster Community Solar was set up as an Industrial and Provident Society (co-operative) to install, own and maintain a 50kW array on the roof of a sports hall in the market town of Leominster, Herefordshire. This array provides about 10% of the electricity demands of the sports centre and helps them to meet their carbon targets, as well as reducing costs, with the purchase of solar electricity at lower cost than their grid electricity. This is aimed at providing members of the co-op who invested the £150,000 required an average 6% return over the 25 year life of the project. For tax payers who invested, there are tax breaks which mean that the average return is closer to 8%.

Local support for the project was overwhelming with the share offer being oversubscribed by over 40%, despite the government proposing swift changes to the FIT that would have jeopardised the project.

Further details about the project and how to implement as similar one can be found at:

www.shareenergy.coop/leominstersolar/

CASE STUDIES

Case studies

Medium-scale wind: Bro Dyfi Community Renewables

Bro Dyfi Community Renewables was formed in 2001 as an Industrial and Provident Society for community benefit, to develop community-owned energy projects using wind and other sources of clean sources of power. Its first project was a 75 kW Vestas wind turbine installed in 2003 on the hill above the Centre for Alternative Technology (CAT) near Machynlleth in mid Wales. The turbine supplies CAT with power, and the surplus is sold to the National Grid. A proportion of the shares were paid for by a grant from the Energy Savings Trust. The dividend from these shares goes into a community energy fund, which funds energy efficiency measures in the Dyfi Valley. A second project to replace the redundant prototype wind turbine at Mynydd Glandulas with a refurbished 500kW Nordtank started generating in 2010.

For more information, go to the website at www.bdcr.org.uk, which provides an analysis of their project development including consideration of capital costs and legal structure.

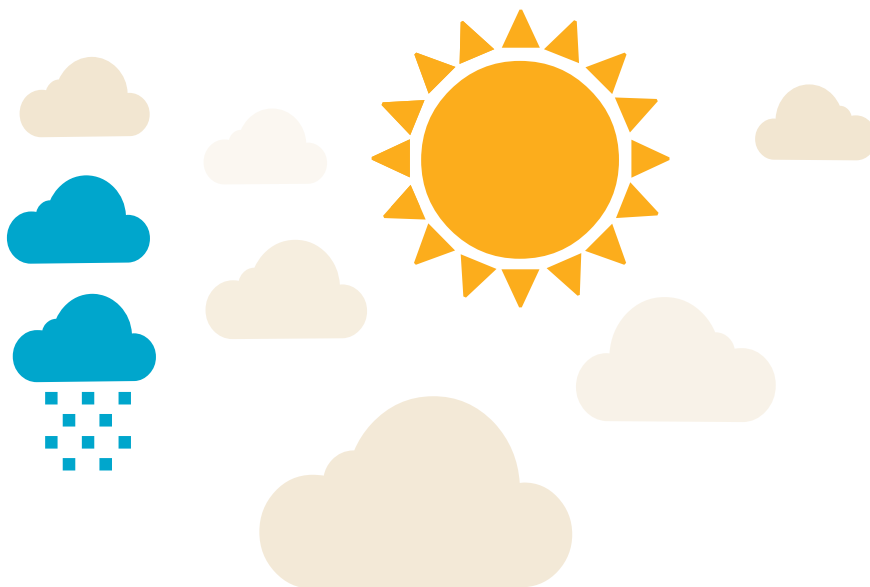
For communities that do not have the capacity or desire to take forward a wholly community owned development there may be opportunities to liaise and partner with commercial and professional organisations developing renewable projects in their locality.

For more information on how best to take your project forward:

www.energysteos.coop

www.shareenergy.coop/blog/2011/01/14/new-wind-pack/

www.scotland.gov.uk/Publications/2009/03/20155542/CRETkPDF



CHAPTER 12

Community food and farming



‘We sat there thinking,
there’s a risk involved
in this. But we took
that risk and I think
it’s paid off’

Tom Johnston, Director, Glendale Gateway Trust

Community food and farming

A Community Land Trust (CLT) may wish to provide opportunities for community gardening, community-led agriculture or the provision of new allotments.

Across the country communities are already engaged in using land for community gardening, ranging from tiny urban plots right up to large-scale community supported agricultural enterprises (CSAs) with hundreds of acres. Most community food groups have a large number of volunteers and many have paid staff as well. Some have a cash income under £100 per year whilst others have a turnover exceeding half a million pounds. Many have some grant income and some also trade, selling produce or services such as care of vulnerable people or training. CSAs, in particular, seek to produce food on a commercially viable scale. The legal structures for community gardening are variable including unincorporated informal groups, CICs, IPSs and companies with charitable status.

The motivation for producing locally sourced food may arise from the need to:

- Increase community control of food production
- Reduce the carbon footprint of food
- Stimulate local economic activity through social enterprise
- Protect local environmental resources and land
- Create new jobs and training opportunities
- Bring people together and building community resilience
- Connect people with the land
- Increase food growing skills
- Improve diets
- Increase exercise levels

- Help new entrants into agriculture
- Provide learning opportunities for school children

At present very few CLTs have been set up to support community food and farming and, vice versa, very few community food initiatives are based on the CLT model.

Instead, community gardens and CSAs usually rent land and are often restricted by short leases or insecure land arrangements. Only 19% of CSAs are working on land they own. Of those renting, 35% have agreements under 3 years long and only 17% have agreements exceeding 10 years, and the rents vary, from peppercorn rents to market rates.

However, insecure and short term land agreements can limit community gardening and agriculture in several significant ways:

- Participants often seek a long term connection with land;
- Food growing enterprises need long term investment in land – improving soil, growing trees and hedges, enhancing ecosystems etc.
- Food enterprises often need capital investment for polytunnels, tractors, sheds, fencing and so on which is unviable without long term security on land.
- Grant funders often require long term security before funding land-based enterprises.

There is therefore significant potential to use the CLT model as a solution to problems of access to land and security of tenure.

Land purchase for these purposes is also often an attractive fundraising offer, particularly if the group is asking for withdrawable share capital rather than donations. Some community food

projects pay rent for land and would be able to pay dividends on shares, some interest on investment or contribute to mortgage repayments.

One of the most successful examples of land purchase for farming is Fordhall Farm, a Community Farm Land Trust.

Fordhall Farm, a family run farm in Shropshire, was one of the first in the country to go organic. In 2006 the landowner wished to put the farm on the market, giving the family a short period to raise the asking price of £800,000. If they failed to raise the cash, the land was likely to be sold to developers.

In order to raise the money, Fordhall Community Land Initiative was set up as an Industrial and Provident Society with charitable status. An appeal went out for people to buy into a community share issue. With just one day to go before the deadline, required funds were raised from around 8,000 shareholders from across the UK and indeed the world. This society owns Fordhall Organic Farm in its entirety.

Further information about the Fordhall Community Land Initiative and how it has developed is available on the Fordhall Farm website **www.fordhallfarm.com**.

Other examples of community food and farming initiatives include:

- Stroud Woods Co-op has bought woodland as an IPS with withdrawable shares **www.stroudwoods.org.uk**.
- People in Hook, Hampshire decided to buy land to provide allotments **www.hookallotments.ning.com**
- Tablehurst CSA has purchased land with the help of the Biodynamic Land Trust **www.biodynamiclandtrust.org.uk/land-share-offers**



New polytunnel bed at Land's End Peninsula CLT. Courtesy of Land's End Peninsula CLT

Issues to consider for CLTs

Community Land Trusts for food growing will need to address many of the same issues as CLTs for housing, as well as some particular issues. Typical questions for food groups will be:

- Can we achieve our aims more easily by renting land? Will land purchase distract from our main aims?
- Can we get better land by renting or buying?
- Do we have the capacity and skills to deal with buying and managing land?
- Can we raise sufficient funds quickly enough to buy the site we want before it is sold to another buyer?
- Can we afford to make a long term investment and cover our short-term running costs?
- Will the site be suitable? Can we install water, erect polytunnels, improve disabled access etc?
- How will the land owning group relate to the land using group? Should we be one or two organisations?
- What lease or license will be suitable to offer to the land user group from the land purchase group?
- What legal structure do we need? Can we change from our existing legal structure to a structure better suited to land purchase?
- How will land purchase affect future grant funding?

Sources of further information and support

For more information on how to form a Community Farm Land Trust visit the Stroud Common Wealth at

www.stroudcommonwealth.org.uk

The **Soil Association** has had a key role in the development of community supported agriculture. Its website contains information on

technical support for setting up a CSA project, an action manual, and advice on funding sources and community finance.

www.soilassociation.org

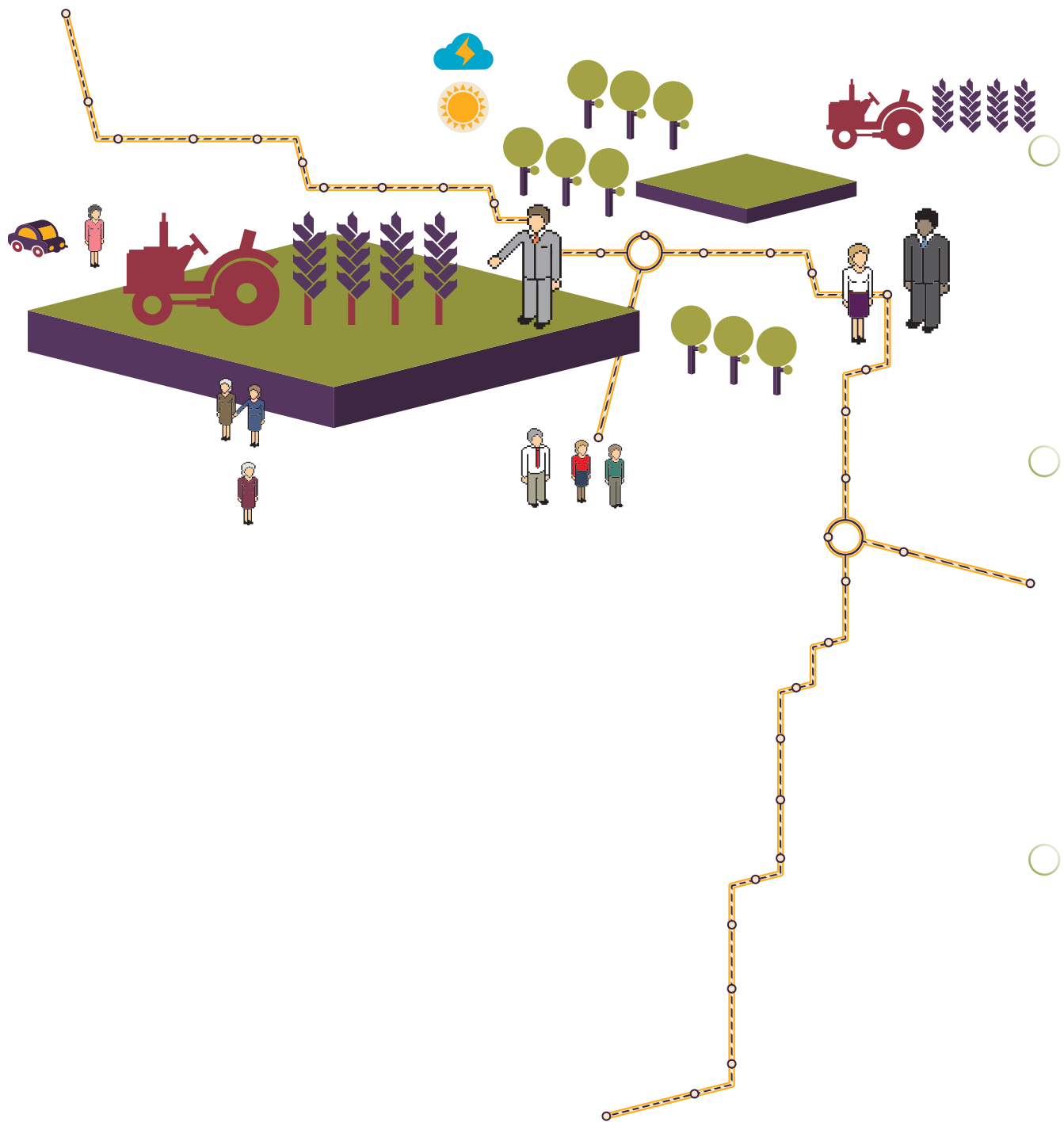
Similarly the Federation of City Farms and Community Gardens exists to support, represent and promote community food initiatives across the UK. Its website provides advice, support and an ability to find a local initiative **www.farmgarden.org**.

A new project hosted by the Federation of City Farms is the **Community Land Advisory Service (CLAS)** and the website

www.communitylandadvice.org.uk provides comprehensive information on community land access including advice about leases and communities buying land. The CLAS also offers training and one to one advice for community food groups **www.landshare.net**

The **Landshare** movement aims to connect under-utilised private land with people wishing to grow their own food. Using the website as a platform, people can post the land they have available for others to use and connect with people in their local area who wish to use it. This aims to help local food initiatives and create a movement which allows under-used land to be managed in a more efficient and productive manner.

Support and advice can also be found at **Making Local Food Work**, an initiative funded by the Big Lottery Fund and managed by the Plunkett Foundation to explore community enterprise approaches to the reconnection of people and land through local food. The initiative runs several projects related to the development of local food initiatives, ranging from community supported agriculture to the creation of food co-operatives and community shops. More information on opening a local community shop or pub is available from the **Plunkett Foundation: www.plunkett.co.uk**.



JARGON BUSTER

Affordable Rent	This denotes rented housing where the rent is set at up to 80% of the market rent inclusive of service charges. Guidance is available on the Department for Communities and Local Government www.communities.gov.uk and the Homes and Communities Agency's website www.homesandcommunities.co.uk . The Charity Commission has also provided guidance on what charitable housing associations need to consider when charging affordable rents.
Allocations policy	This defines the CLT's approach to allocating housing units to prospective residents. It will set out allocations criteria such as economic and local residency requirements as well as any Section 106 obligations with the local authority.
Asset Lock	<p>In general terms this means a provision within the CLT's constitution to ensure that:</p> <ol style="list-style-type: none"> 1 any trading profits or surplus are used solely for the benefit of its Objects; 2 its assets are retained by the entity and if sold/let/transferred then only in the prescribed circumstances allowed for; and 3 on dissolution its assets cannot be distributed to its members but must transfer to another asset locked entity (for example, to another charity). <p>The asset lock will require specific wording depending on which legal form you choose for your CLT.</p>
Asset Lock for a Company Limited by Guarantee (CLG)	A non-charitable CLG can have an asset lock; however, the asset lock can be voted out by the members, and so its strength depends on the members' attitude. Where a local council or other third party organisation acts as the Custodian of the CLG's constitution, they act to protect the company Articles. Their role is to veto any changes to the Articles which affect the asset lock and, as such, the ability of the other members to change the asset lock is significantly weakened. This is set out in the sample Articles for a CLG in the CLT Legal Toolkit on the National CLT Network website www.communitylandtrusts.org.uk .
Asset Lock for charities (as CLG, CIC, CIO or IPS as exempt charity)	Becoming a charity is an irreversible step. The Public Benefit Requirement and charity law on dispositions (ie sale, lease or transfer of assets) combined with the legal constitution of the charity (to name but some aspects of being a charity) effectively create a perpetual asset lock.

Asset Lock for Registered Providers	Grant-aided assets are restricted in their use and disposal by the terms of the Homes and Communities Agency's funding and the Housing and Regeneration Act 2008. Since an entity can only cease to be a Registered Provider with the consent of the HCA, it is not usual to include the wording of the Statutory Asset Lock.
Asset Transfer	Local authorities can transfer assets to community ownership in certain circumstances. More information on the restrictions and requirements, as well as advice on securing an asset transfer, can be found from Locality's Asset Transfer Unit, http://atu.org.uk/ .
Charity Commission	This is the charity regulator in England and Wales. Most charities must register with the Commission and file their accounts and a financial summary with it. Some groups of charities aren't required to do this – the main exceptions are for charities with incomes of less than £5,000 a year and IPS/Community Benefit Societies. The Commission's website includes the charity register and copies of charities' accounts and financial returns.
Charitable Incorporated Organisation (CIO)	This is a new legal structure that only charities can use. The main advantage is that (like charitable companies) they provide protection for trustees from personal liability for contracts but (unlike charitable companies) they only have to register with and send accounts to the Charity Commission. You can find out more about how they work from the Charity Commission's website.
Charitable Purposes (or aims)	<p>The Charities Act 2006 describes 13 purposes which can be charitable if they are carried out for the public benefit. The ones that are most likely to be relevant to a charitable CLT are:</p> <ol style="list-style-type: none"> 1 the prevention or relief of poverty; 2 the advancement of citizenship or community development; 3 the relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantage; <p>A CLT choosing to be a charity must undertake aims and activities that further one of these or the other purposes listed in the Act. See the CLT Legal Toolkit on the National CLT Network website for sample objects.</p>
Community Benefit Society (or Industrial and Provident Society)	<p>A Community Benefit Society is an organisation which conducts an industry, business or trade for the benefit of the community and which is registered under the Industrial and Provident Societies Act 1965. This can be charitable or non-charitable.</p> <p>Asset Lock: A non-charitable Community Benefit Society that does not seek to become a Registered Provider can choose to adopt the Statutory Asset Lock. It is not a requirement of registration that the Rules contain this. The Statutory Asset Lock was introduced in response to concerns around the de-mutualisation of various Industrial and Provident Societies (building societies) in 2002/3. Once adopted within the Rules the Statutory Asset Lock cannot be removed. The FSA also has powers to make sanctions for improper use of the CLT's assets.</p>

Community Interest Company (CIC)

This is a limited liability company which is designed for Social Enterprises and which has the specific aim of providing benefit to a community. A CIC must use its income, assets and profits for the community it is formed to serve. A CIC can be a company limited by shares or by guarantee but must satisfy a community interest test. You should seek legal advice if you want to adopt the company limited by shares model because this could affect whether the statutory definition of a CLT is satisfied. The usual company model is the company limited by guarantee. See the CLT Legal Toolkit on the National CLT Network website www.communitylandtrusts.org.uk for a full definition.

Asset Lock for a CIC: The very essence of a CIC is its Asset Lock. A Company Limited by Guarantee can only take on the mantle of a CIC by incorporating the Asset Lock required by the CIC Regulator as a minimum, although a more stringent asset lock could be used instead.

Community Land Trust (CLT)

A CLT is a **non-profit, community-based organisation run by volunteers** that develops housing or other assets at permanently affordable levels for long-term community benefit.

It is one of the kinds of English Body that can register with the Homes and Communities Agency. The definition from section 79(2)-(5) of the Housing and Regeneration Act 2008 is a body corporate that satisfies the following conditions:

- the body is established for the express purpose of furthering the social, economic and environmental interests of a local community by acquiring and managing land and other assets in order
 - to provide a benefit to the local community, and
 - to ensure that the assets are not sold or developed except in a manner which the trust's members think benefits the local community;
- the body is established under arrangements which are expressly designed to ensure that
 - any profits from its activities will be used to benefit the local community (otherwise than by being paid directly to members),
 - individuals who live or work in the specified area have the opportunity to become members of the trust (whether or not others can also become members), and
 - the members of the trust control it.

In these conditions, "local community" means individuals who live or work, or want to live or work, in a specified area.

Whilst a Community Land Trust might be able to register with the HCA this will not guarantee that the Trust can be registered as a charity. To be a registered charity a Trust must have aims that are exclusively charitable which are carried out for the public benefit. Not all activities that benefit communities and the people who live and work there are exclusively charitable. There may be elements to these purposes that give private benefit to those in the community which may fail the charity registration test for public benefit.

Company Limited by Guarantee (CLG)	A CLG offers its members limited liability, as the outside world deals with the company as a separate entity and not the Company Members on an individual basis. Should the company fail, the governing documents state how much the members are personally liable for (usually a nominal £1). Directors also enjoy a level of protection from personal liability. A CLG can apply to become a registered charity with the Charity Commission.
Custodian member	This is a member of a Company Limited by Guarantee who has a specific obligation to protect the company Articles, for example by vetoing any changes to the asset lock. They may be the local authority or a third party organisation, such as a local church.
Declaration of Trust	This is a formal legal agreement between a CLT and someone buying low cost housing from it. The declaration of trust sets out the respective shares in the land held by the CLT and the buyer. It is usually contained in a 125 year lease between the CLT and the buyer. In some ways it is similar to shared ownership.
English Bodies	This is an expression used in the Housing and Regeneration Act 2008 setting out the legal entities that can register with the HCA as a Registered Provider in England (not Wales or Scotland).
Entrenched voting rights	These are used to protect the Articles of a Company Limited by Guarantee, by requiring a unanimous decision by members before any clause of the Articles can be changed.
Equity Loan/ Mortgage	In this method, the buyer acquires the property outright with a mortgage from a High Street lender for (example) 70% of open market value, the remaining 30% being held on a second equity mortgage by the CLT.
Feasibility study/ assessment	This is a piece of research which determines whether a scheme is (i) needed and desirable and (ii) possible to achieve. It is essential that a group considers from the outset how their plans will deliver their objectives, and whether their objectives meet local demand.

Fit and Proper Person Test

This test only applies to exempt charities (Community Benefit Societies with charitable objects) – “exempt” means not registered with the Charity Commission. This is due to change in the near future. In order to avoid the fraudulent use of tax breaks, a Charity must check that anyone controlling it is a ‘fit and proper person’. An individual is ‘fit and proper’ if they ensure that charity funds and tax reliefs are used only for charitable purposes. A declaration is signed to declare that the person:

- has not been disqualified from acting as a charity trustee;
- has not been convicted of an offence involving deception or dishonesty (or any such conviction is legally regarded as spent);
- has not been involved in tax fraud;
- is not an undischarged bankrupt;
- has not made compositions or arrangements with their creditors from which they have not been discharged;
- has not been removed from serving as a charity trustee, or been stopped from acting in a management position within a charity;
- has not been disqualified from serving as a Company Director; and
- will at all times seek to ensure the charity’s funds, and charity tax reliefs received by this organisation, are used only for charitable purposes.

More guidance can be found at: www.hmrc.gov.uk/charities/guidance-notes/chapter2/fp-persons-test.htm A copy of the help sheet and model declaration can be found at: www.hmrc.gov.uk/charities/guidance-notes/chapter2/model-dec-ff-persons.pdf. Currently this test only applies to Gift Aid, but will be extended to cover more aspects of a Charity’s dealings with the tax office (HMRC).

Financial Services Authority (FSA)

The current regulator/registration body for Community Benefit Societies (also known as Industrial and Provident Societies). At some point the FSA will cease to be the Regulating Body but it is not yet known when this will happen or who will take over. Draft plans to transfer this role to the new Financial Conduct Authority were published by the Government in January 2012. More information can be found at: www.fsa.gov.uk

Ground rent

This is a payment (usually annual) for leasehold property to the person who owns the freehold. A regular partnership model between a CLT and a Housing association would see a CLT buy the land, with the Housing association developing the scheme on a long-term lease. A ground rent is paid to the CLT by the housing association as part of this lease.

Homes and Communities Agency (HCA)	Created by the Housing and Regeneration Act 2008, the HCA is the national housing and regeneration agency for England. It is the main provider of subsidy for affordable housing and now also regulates Registered Providers by setting standards for social housing provision. More information can be found at: www.homesandcommunities.co.uk
Housing Association	A non-profit making body formed to provide affordable housing. Housing associations are legally constituted and may be charitable trusts, community benefit societies or companies.
Housing enabler	This person facilitates developments of affordable housing, for example by conducting housing needs surveys and liaising between communities and housing associations. They are usually employed by local planning authorities or community councils.
Housing needs survey	This exercise is used by the CLT to assess the housing need in a particular area, including the extent and pattern of need. It should cover all types of tenure.
Housing Revenue Account (HRA)	This is the system of local authority housing finance. In April 2012 local authorities were given powers to manage the HRA themselves. This means that authorities that own housing stock will gain full control of their housing income and expenditure and be able to make their own decisions on how and in what way they invest in their own housing stock.
Leasehold enfranchisement	This is the legal right of a leaseholder to acquire the freehold of the land (for example, under the Leasehold Reform Act 1967). This applies where they own a share of the freehold, and allows them to acquire the full freehold at a fraction of its open market value. If this happens, the land ceases to be owned by the CLT, and can no longer be guaranteed as a permanently affordable asset. There are some exemptions from a tenant's right to leasehold enfranchisement, including homes developed under the new Community Right to Build.
Local Housing Allowance	This is the level at which Housing Benefit is payable for tenants of non-Registered Provider landlords. This value will need to be compared to the value of affordable rent (80% of the market rent) to consider affordability of a dwelling to a tenant.
Model Constitutions	<p>An organisation's constitution defines its objectives, the powers of its directors and the structure of its membership. Depending on the legal structure used by a CLT, the constitution must take a certain form.</p> <p>The registration process to become a Community Benefit Society will involve using the Model Rules of a sponsored body. The CLT Model Rules are available from the National CLT Network. Other Model Rules are available from Wessex Community Assets, CDS Co-Operatives, etc. There are model Articles for a CIC or CLG (charitable and non charitable) on this website. The Charity Commission has model Articles for a CLG and its CIO. The CIC Regulator has model Articles for CICs.</p>

Mortgagee in Possession Clause	These are clauses that allow a (commercial or retail) lender who has repossessed the property to operate free of the restrictions which are placed upon individual properties. These restrictions would include affordability and allocations restrictions.
Not for Profit	This means that an organisation's primary purpose is the provision of specific services/activities to a defined community for the community's benefit and not for the distribution of monetary profit to shareholders. It is therefore not a commercial trading entity.
Objects	<p>This is the expression used within all constitutions to set out the purposes/aims of the legal entity being created (incorporated). The Objects direct and guide the CLTs activities and how its assets may be used to achieve those objects. Using assets for purposes not stated is not allowed. The powers granted to the CLT need to be sufficient to enable the Objects to be pursued.</p> <p>Where a CLT wants to become a charity, its Objects must:</p> <ul style="list-style-type: none"> • fall within at least one of the 13 purposes listed in Charities Act 2006; and • be for the public benefit. This means (very broadly) that the Objects must have an identifiable benefit(s) and the benefit must be to the public or a section of the public rather than for private benefit. <p>Not all objects that aim to benefit individuals or communities are necessarily charitable – for example, an object which aims to “provide housing” won’t be charitable because this isn’t one of the purposes listed in the Charities Act 2006. But if providing housing is a means of achieving an object (for example, relieving or preventing poverty), this is more likely to be charitable. This is because preventing or relieving poverty is listed as a purpose in the Charities Act 2006 and providing housing can be a legitimate way of achieving this. Whether it is in fact charitable or not will depend on whether the aim is going to be for the public benefit. See the separate definition of charitable purposes.</p> <p>Information on charitable purposes and public benefit can be found at www.charity-commission.gov.uk . Applying for charitable status should be considered carefully as it might not be appropriate and it is important to remember that becoming a charity is an irreversible step.</p>
Pre-emption clause/ pre-emption right	A CLTs right of pre-emption gives the CLT the right to buy back a home or nominate a new occupant where the home is repossessed by a mortgage lender or vacated by the current occupant. This should be included in a shared ownership lease or shared equity arrangement and in a Section 106 agreement.

Registered Charity

If your charity's income is over £5000 and it undertakes exclusively charitable purposes for the public benefit you must apply to register your organisation with the Charity Commission. A charity can take the form of a number of legal structures. These include Unincorporated Associations, Trusts or a Company Limited by Guarantee (CLG). A CLG must register with and report to both the Charity Commission and Companies House.

After registering as a charity, there are a number of ongoing duties and responsibilities to the Commission that must be complied with. You will need to maintain your charity's accounts and send the Annual Return it issues each year. Depending on the level of income you may also need to have the accounts audited or independently examined and to file a Trustees' Annual Report. You also need to tell the Charity Commission when there are changes to the charity's registered details (for example, if the contact address for the charity changes), inform it of any 'serious incidents' (such as fraud) and obtain its consent to sales or leases of land to people connected with the charity.

Once your charity is registered it may be eligible for some tax breaks – corporation tax (income tax for organisations), stamp duty land tax (buying land or property over a certain value), gift aid on donations and rates relief. As outlined above, registered Charities have an asset lock in perpetuity.

Registered Provider (RP)

This is a legal entity (ie English Body) registered with the Homes and Communities Agency to provide Social Housing in England. Being a Registered Provider makes the legal entity eligible for HCA grant funding (note: eligibility does not guarantee availability of funding). A Registered Provider can be for profit or not for profit. A CLT cannot be a for-profit Registered Provider. If a CLT wishes to become the direct landlord of the HCA funded rent or shared ownership properties it must register as a Registered Provider by the time the housing is available for letting.

Resale price covenant

This is a method by which a buyer buys the property outright at a percentage of its open market value, but enters into a covenant (binding agreement) with the CLT not to sell the property except at the same percentage of market value.

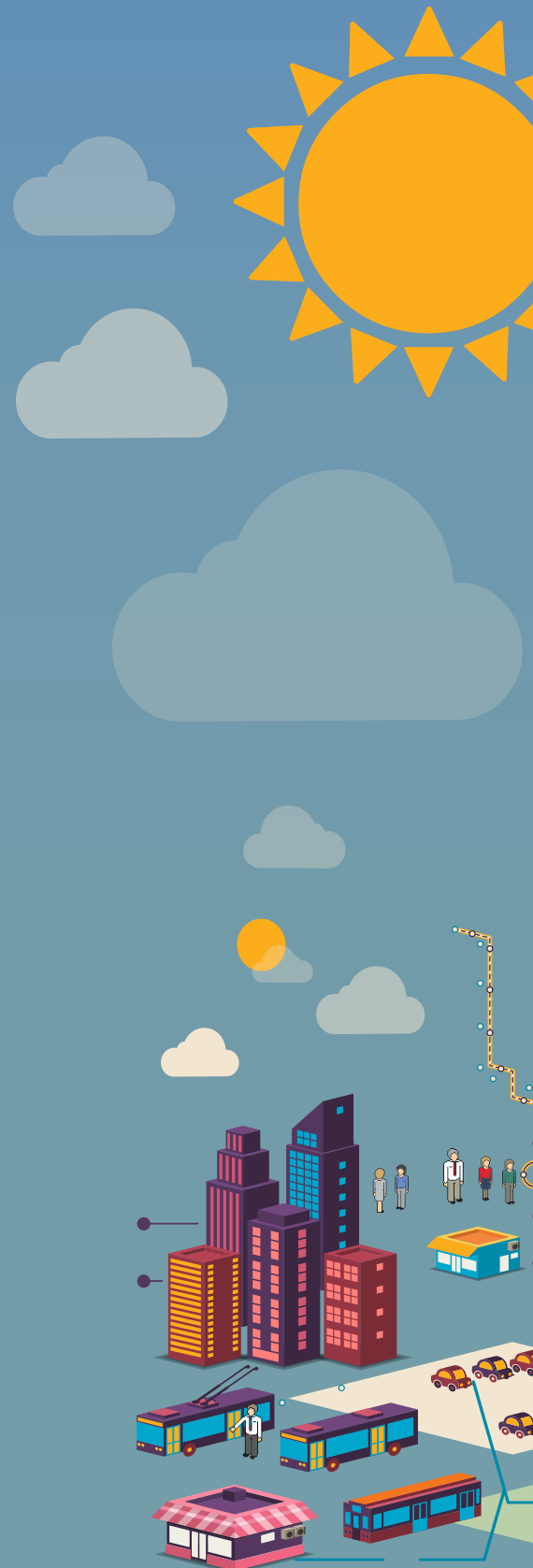
Rural exception site

An exception site is one that would not usually secure planning permission for housing, for example agricultural land next to but not within a local settlement area. It is deemed suitable for a small scheme predominantly of affordable housing to meet identified local needs, secured 'in perpetuity' via a legal undertaking or planning condition, where permission would not normally be granted for general market housing.

Section 106 agreement	This is a type of planning obligation where planning approval is granted subject to a restriction e.g, concerning the allocations of the homes developed. They form a legally binding agreement between the local authority and CLT.
Self Build	This means a project where a group of people acquire plots or part built properties and pool skills to build or finish houses/dwellings so that they will each have a home suitable for their needs. The time of other professionals may need to be bought in for certain aspects of the build, but by using this method the self-builders capture more of the final value of the property. This type of project raises questions around whether this can be classed as a charitable activity and legal advice should be sought on the specific project being planned.
Service charges	These are charges to tenants or low cost home ownership home owners by the CLT or housing association landlord for provision of services such as cleaning and communal lighting. This should be considered when defining an affordable rent or equity share for the properties.
Shared equity	Under this mechanism, an occupier buys a share in a property with the aid of a high street mortgage lender. The remaining equity share is owned by the seller (CLT or housing association partner), unlike a shared ownership mechanism, the occupier does not pay rent on the remaining equity share.
Shared ownership	Under this mechanism, an occupier purchases a property at a proportion of its value and pays a rent to cover the share in the property retained by the CLT. The lessee would have the ability to acquire further shares at open market value ("Staircasing"). Instead of outright purchase, a lease of (usually) 125 years may be used.
Social Enterprise	<p>These are businesses that trade in the market with a social rather than commercial purpose. Profitable trading will be for sustainability rather than wealth creation for individual members of the organisation. A social enterprise is not defined by its legal status but by:</p> <ul style="list-style-type: none"> – its nature; – its social aims and outcomes; – the basis on which its social mission is embedded in its structure and governance; – the participation of its shareholder groups in its governance and activities; and the way it uses the profits generated by trading activities. <p>Typical legal structures are: Community Interest Companies and Community Benefit Societies.</p>

Social Housing	<p>This has a specific meaning and is provided by sections 69-72 of the Housing and Regeneration Act 2008: “social housing” means</p> <ul style="list-style-type: none"> • low cost rental accommodation (defined by section 69), and • low cost home ownership accommodation (defined by section 70). <p>The definitions set out the type of housing that the Homes and Communities Agency grant funding can legally help to provide. Note: Government policy is evolving and new concepts of Affordable Rent are set out in the Homes and Communities Agency’s National Affordable Housing Programme 2011-2015.</p>
Sponsored Body	<p>For the purposes of Model Rules for a CLT, the Sponsored Body is the National CLT Network. Other sponsored bodies are as listed on the FSA website: www.fsa.gov.uk/pages/index.shtml</p>
Statutory Asset Lock	<p>This is available as a matter of choice for a Community Benefit Society that is neither an exempt charity nor a Registered Provider. The Statutory Asset Lock wording is set out in the Community Benefit Societies (Restriction on Use of Assets) Regulations 2006. If the Statutory Asset Lock is selected, the precise wording contained in the sample Rules must be used. Once inserted into the Rules it cannot be taken out. The FSA has regulatory powers to enforce compliance with the Statutory Asset Lock.</p>
Tenant Services Authority (TSA)	<p>The TSA has been abolished and its functions have been transferred to the Homes and Communities Agency.</p>
Turnkey contract	<p>Under a “turnkey” arrangement a CLT partners with a developer who will hand over the completed homes or assets to the CLT once it is complete. The CLT will need to do no more than “turn the key” to set the scheme in motion.</p>
Umbrella CLT	<p>This is a sub-regional support body that provides technical advice and support to a CLT.</p>





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£25.00