

# **ADDENDUM: Estimating the pipeline of Community-Led Housing projects and its grant requirements**

**September 2020**

## **Introduction**

1. In February 2020, using updated information on Community-Led Housing (CLH) projects in England, we estimated the potentially number of homes to be developed in the coming years (see the full report below). The analysis revealed that, at the time of writing, there were as many as 859 CLH groups developing a total of 883 individual projects. This created a potential pipeline of up to 23,000 units. Approximately 530 projects were known to be at the earlier stages of development - what are classed as the Group, Site and Plan stages. In these projects alone over 10,000 units of housing were planned.
2. This work informed a series of calculations about the future grant requirements of those groups. Two models were developed to make such calculations. The first drew on information from the Community Housing Fund (CHF) – made available in February 2020 - to estimate demand for an extended funding programme. This calculated funding requirements based on the premise that the CHF would be extended. The second model used research conducted in 2018 to estimate the grant requirements per project and per housing units.
3. The outbreak of COVID-19 has brought significant uncertainty, which is likely to affect housebuilding generally, but perhaps more so those smaller builders (like CLH groups) who are reliant on the effort and time of volunteers. The pandemic has happened concurrently with the ending of the CHF in March 2020, adding a further constraint on the development of projects in need of both revenue and capital funding. The effects of COVID-19, allied with a general lack of funding for projects, could therefore diminish the output of new affordable housing by CLH groups, and some of the other positive impacts that CLH can have on communities.
4. To inform future investment decisions, it is important to understand the effect of current events on the pipeline of projects, and in so doing, assess changes in their grant requirements. This needs to reflect not only the totality of grant requirements, but also the probability of that requirement will fall within a five-year timescale.

## **Insights from enabler hubs**

5. This addendum uses evidence from discussions with enabling ‘hubs’ who are supporting over 150 CLH projects at various stages of development across England. These hubs vary in their stages of development, including some who are well established and supporting a large portfolio of projects, and others who are relatively new but increasingly well-resourced. During these discussions, the effect of COVID-19 and the non-extension of the CHF were explored. Hubs were asked about the numbers of projects that had that been terminated, delayed, or initiated since March 2020, and the factors associated with this. The key findings from these discussions were as follows:
  - There are few signs that current projects are being aborted in light of the COVID-19 outbreak. Hubs identified two projects currently being supported that looked unlikely to

continue. However, the reasons for this related to issues in planning and site acquisition and which pre-dated the pandemic.

- There are clear signs however that the pandemic - alongside the non-extension of the CHF - have delayed numerous projects. As some hubs noted, projects at an early stage had not 'given up' but the 'process has slowed down'. One hub reported that three or four projects had 'gone quiet' and there were worries about them losing Board members, as a number of volunteers had been under pressure due to working commitments during the outbreak. Other hubs corroborated this picture suggesting some groups had 'gone into hibernation' but were now starting to engage again.
- Those at later stages of development, for instance where a site had already been secured and efforts were being made to secure planning permission, were seen to be 'progressing in the normal way' in most areas. Hubs noted how some of these projects were 'motoring', with hubs listing a series of projects that had received planning permission or started on-site within the last six months. There were some examples of delays to schemes that were about to start on-site, which was creating uncertainties about access to previous CHF funding.
- One hub noted that some projects at the site identification stage may be experiencing delays as they struggle to negotiate and acquire sites in these uncertain times. This was differentiated from projects where the site had already been secured. These did not seem to have been delayed to the same extent.
- The ending of the CHF seems to have had a specific impact on groups who were ready to apply for more revenue funding but missed the CHF deadline. Some have worked around this by drawing on local authority funds. It was suggested that without CHF revenue support, and with other funders channelling resources into pandemic-related causes, securing revenue funding was proving difficult. Specialist CLH funders have seen an increase in enquiries since the CHF was closed, and among existing grantees, funders were seeing requests for grant variations to cope with delays.
- Whilst the absence of revenue funding from CHF appears to have affected some groups, others are worried about capital funding in the long term. A number of early stage projects may now be unable to make it to this stage in five years' time. One hub noted how those working with Registered Provider partners were more 'insulated', as they could draw on their resources or access other mainstream funding with their support.
- There does not appear to have been a significant reduction in new group formations or enquiries, though there are signs this has slowed. One hub reported that new group formations were down in the last six months, but they had still begun advising three new groups. Others suggested the level of enquiries had remained relatively static over recent months.
- Hubs have focused their activity on both out-reach, but also improving training programmes for groups, advocating for local funding solutions as well as continuing to support groups remotely. New group formation may be the product of increased outreach activity by hubs who have focused on offering webinars and online support through the lockdown. Groups are being nurtured 'proactively' and this has led to some new group formations. For others, planned events had been cancelled, but this was affecting broader stakeholder engagement rather than group support.
- COVID-19 has had some important effects on local authority partners too, notably planning departments where staff have been diverted to other emergency projects. Discussions about support for CLH had been 'squeezed off the agenda' in recent months. Hubs expressed concerns that the financial position of local authorities, who were now carrying more debt as a result of COVID-19, might seek higher prices for public sites, empty properties etc. This played into hubs broader concerns about potential increases/decreases in property values and how this might affect scheme financing.

- Summarising the position of the pipeline in their area one hub noted ‘if we did the pipeline analysis again the number would look the same, but less would be likely to be building [by 2025] than we thought’.

### Updating the picture

6. Without fully updating the information on all CLH projects in England, the effects of COVID-19 and the absence of a new CHF cannot truly be known. We can however use the insights above to sensitise previous analysis to recent events, and reflect potential changes in the funding requirements of projects. The implications for future funding are as follows:
7. It appears that the number of projects and homes in the overall pipeline (i.e. irrespective of planned completion dates) is unlikely to have increased or decreased markedly. The number of projects being aborted is, if anything, being offset by new group formations. The next three to six months however may be crucial, and this will reveal whether ‘hibernating’ projects start to progress again or are simply terminated. Access to revenue funding could be crucial to this.
8. In terms of the requirement for revenue funding, the absence of a CHF since March seems to have created a backlog of demand for funding. Those developing projects at the Concept and Group stage are currently constrained by access to revenue funding, and new funding programmes would likely see significant interest. However with signs of a slowdown in enquiries from new groups, and in new group formations, revenue funding requirements for such projects could therefore be reduced in the model. Evidence from hubs in February 2020 suggested the rate of new group formation in hubs areas was rapid, increasing by a third each year. We assumed at the time that over a five-year period newly emerging groups would require 50% of funding requirement of existing groups. This could be revised down to account for the slowing of group formation and project development. It should be noted however that the restarting of CHF could well trigger increases in group formation.
9. As numerous projects have experienced slower progress in recent months, this is likely to affect the number of homes which will be completed by 2025. Groups at an early stage seem to have been hit hardest and this is likely to result in fewer requiring or being ready to apply for capital funding before 2025. The model developed in February used a new approach of applying probabilities to projects at different stages of development in terms of their likely need for capital funding. Using the insights above these probabilities can be adjusted to account for the likely reduction in projects progressing fast enough to need capital funding by 2025.
10. Reflecting these changes, an updated picture of CHF funding requirements has been drafted. For full details of this model see pages 13-18 below. Using information from hubs and likely changes in the nature and requirements of projects, this model has been updated below:

Table A: Updated CHF-based revenue funding requirements

REVENUE FUND						
	Current projects needing revenue funding	Funded projects	Current and future projects needing funding	Current and future projects likely to bid and be successful in bidding	Revenue grant per project	Total grant required
	<i>Total projects in database MINUS those at Build and Live stage</i>	<i>Total allocations to date</i>	<i>Current projects needing funding MINUS allocations to date PLUS estimate for new groups likely to emerge in fund period</i>	<i>Assumed rate of bidding and allocation</i>	<i>Average grant taken from previous allocations</i>	<i>Revenue grant per project MULTIPLIED BY current and future projects likely to bid and be allocated</i>
<b>Sample One - Defined project stage</b>						
<i>Less than 10</i>	106	32	104	78	£47,363	£3,680,105
<i>10-20</i>	101	56	63	47	£74,058	£3,499,241
<i>21-50</i>	99	39	84	63	£121,905	£7,680,015
<i>51-100</i>	29	8	29	22	£149,476	£3,295,946
<i>More than 100</i>	9	9	0	0	£170,747	£0
<i>Projects with missing scheme size (assumed average grant requirement)</i>	112		157	118	£91,317	£10,738,879
					<b>Total</b>	<b>£28,894,186</b>
<b>Sample One - Defined and undefined project stage</b>						
<i>Less than 10</i>	121	32	125	93	£47,363	£4,426,072
<i>10-20</i>	153	56	136	102	£74,058	£7,542,807
<i>21-50</i>	90	39	71	54	£121,905	£6,528,013
<i>50-100</i>	40	8	45	34	£149,476	£5,022,394
<i>More than 100</i>	23	9	20	15	£170,747	£2,509,981
<i>Projects with missing scheme size (assumed average grant requirement)</i>	283	0	396	297	£91,317	£27,134,847
					<b>Total</b>	<b>£53,164,113</b>

Table B: Updated CHF-based capital funding requirements

<b>CAPITAL FUND</b>						
	<b>Current units needing capital funding</b>	<b>Funded projects</b>	<b>Current and future units needing funding</b>	<b>Current and future projects likely to be bid and be successful</b>	<b>Capital grant per unit</b>	<b>Total capital grant required</b>
	<i>Planned affordable units within projects currently at Group, Plan, Site stage</i>	<i>Total units receiving CHF allocations to date</i>	<i>Current projects needing funding MINUS allocations to date PLUS estimate for new/other groups likely to emerge in fund period</i>	<i>Assumed rate of bidding and allocation</i>	<i>Average grant for affordable homes per unit</i>	<i>Average grant per unit MULTIPLIED BY current and future units likely to be successful in bidding</i>
<b>Sample One – excluding units with undetermined tenure</b>	3000	62	3526	2116	£47,444	<b>£100,374,428</b>
<b>Sample Two – including proportion of units with undetermined tenure</b>	4338	62	5131	3079	£47,444	<b>£146,069,565</b>
				<b>Potential Local Authority allocations</b>	<b>Grant per allocation</b>	<b>Total grant required</b>
			<b>LA infrastructure</b>	20	£381,752	<b>£7,635,047</b>

11. In addition to the CHF-based estimates a second model was developed which assessed grant requirements based on an approach formulated in 2018 (see pages 19-23). Using the insights from the hubs this can also be updated and adjusted to reflect recent changes. A similar approach to adjusting the probabilities of projects requiring capital grant funding has been applied, reducing probabilities for those at the Concept and Groups stage and, to a lesser extent, those projects at the Site stage. To account for slow project development and potentially slower than anticipated new group formation, we have adjusted the demand from newly arising projects not yet in the pipeline data.
12. Using the information from hubs and likely changes in the nature and requirements of projects, this model has been updated below:

**Table C: Updated 2018-based revenue funding requirements**

	PER PROJECT AND UNIT ASSUMPTIONS				
	Group	Site £ per project	Site £ per unit	Plan £ per project	Plan £ per unit
2018 unit rate (Resonance research)	£5,000	£5,000	£1,000	£25,000	£3,000
2020 inflated rate	£5,300	£5,300	£1,060	£26,500	£3,180

Stage	Current projects needing revenue funding	Project transitions (existing projects)	Future projects needing funding	Project transitions (new/other projects)	Total projects per stage of development (accounting for transitions)	Per project grant requirement
	<i>Total projects in database MINUS those at Build and Live stage</i>	<i>Total projects, accounting for transitioning between stages</i>	<i>New/other projects likely to emerge in fund period</i>	<i>New/other projects, accounting for transitioning between stages</i>	<i>Total existing and new/other projects including those transitioning between stages</i>	<i>Total per project grant requirement for each stage</i>
Group/concept	247	247	99	99	346	<b>£1,832,740</b>
Site	81	205	0	49	254	<b>£1,345,670</b>
Plan	128	281	0	35	316	<b>£8,372,808</b>
					<b>Total project funding</b>	<b>£9,718,478</b>

Stage	Planned affordable units of existing projects	Affordable units from projects transitioning from Group stage to Site Stage	New units coming from new/other projects	Total units requiring per unit funding	Total per unit grant	Total grant
	<i>Total affordable units</i>	<i>50% of affordable units from existing Group stage projects</i>	<i>Total new/other projects transitioning to the Site stage MULTIPLIED BY assumed number of units</i>	<i>Total affordable units from existing projects PLUS those transitioning from the Group stage PLUS those from new/other projects</i>	<i>Per unit grant requirements for this stage</i>	<i>Total affordable units MULTIPLIED BY grant per unit</i>
Site	1,076	2,445	939	4,460	1,060	<b>£4,727,333</b>
Stage	Total affordable units proposed by existing projects at Plan stage	Units transitioning from Site stage to Plan stage	New units coming from new/other projects	Total units requiring per unit funding	Total per unit grant	Total grant
	<i>Total affordable units</i>	<i>70% of Site stage project units</i>	<i>Total new projects transitioning to the Plan stage MULTIPLIED BY the average number of affordable units in existing projects</i>	<i>Total affordable units from existing projects PLUS those transitioning from the Site stage PLUS those from new/other projects</i>	<i>Per unit grant requirements for this stage</i>	<i>Total affordable units MULTIPLIED BY grant per unit</i>
Plan	1,460	753	657	2,870.86	3,180	<b>£9,129,327</b>
					<b>Total unit funding</b>	<b>£13,856,660</b>
					<b>Total funding (projects and units)</b>	<b>£23,575,137</b>

**Table C: Updated 2018-based revenue funding requirements**

	Current units needing capital funding	Funded units	Current and future units needing funding	Capital grant per unit	Total capital grant required
	<i>Planned units of Affordable Rent, Social Rent and Shared Ownership within projects currently at Group, Plan, Site stage</i>	<i>Total units allocated CHF capital funding to date</i>	<i>Current projects needing funding PLUS estimate for new/other groups likely to emerge in fund period</i>	<i>Average grant per unit</i>	<i>Average grant per unit MULTIPLIED BY units from existing and new/other projects</i>
Sample One	3,084	62	3,324	53,000	<b>£176,170,940</b>
Sample Two	4,138	62	4,484	53,000	<b>£237,633,621</b>

13. In sum, the overall pipeline for CLH in England has remained relatively unchanged despite recent events. The most pronounced changes however relate to the timescales for project development (particularly for those at early stages) which are experiencing delays. In some areas new group formation is slowing, but probably not enough to mean that the pipeline is seeing a net reduction. The most pronounced affects seem to relate to the future requirements for capital funding. Fewer projects are likely to reach this point by 2025 than previously estimated. Despite this, the absence of a CHF since March and other changes to funding programmes, means there is now significant pent-up need for revenue funding.
14. Looking across the two models we suggest a future CHF may experience demand for between £29-53m of revenue funding, depending on the nature of projects in the pipeline for which project data is missing. Using our 2018-based model, this is estimated at £24m reflecting adjustments to estimates of newly forming groups. The restarting of the CHF is likely to stimulate significant group formation, as it did in 2018, and this is particularly so if a long-term funding programme is initiated.
15. To reflect delays among groups at early stages of development our CHF-based model adjusts the anticipated capital requirements of CLH groups from £116-£172m, to £100-£146m, with an additional £8m for local authorities. The 2018-based model – which uses a different set of assumptions about financial requirements - estimates a higher capital funding need. In February 2020, the model suggested a requirement for £213 -£290m. Based on our adjustments in September 2020 this is now £176m-£238m.
16. These estimates have been made in a context of significant uncertainty. The next 6 months will be critical in determining the extent to which existing projects can progress, particularly those at an early stage. The nature of CLH is that it often relies on volunteers to push schemes forward, alongside support and involvement of other stakeholders. External conditions will have a significant bearing on these factors and pipeline of homes going forward.



# **Estimating the pipeline of Community-Led Housing projects and its grant requirements**

Dr Tom Archer

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## Executive Summary

### Introduction

- This report has been commissioned by the Confederation of Co-operative Housing, Locality, the National Community Land Trust Network and UK Cohousing. It presents an independent analysis of the pipeline of Community Led Housing (CLH) projects in England (excluding London), and uses this to estimate the potential grant requirements from these projects over a five-year period.
- The research draws on data from a national database of CLH projects, the most extensive to be developed for several years. The analysis also utilises information from Homes England's reports on bids and allocations within the 2018-2020 Community Housing Fund (CHF), project data from Homes England's Call for Information, and dedicated interviews with CLH enabler organisations.

### The CLH pipeline

- The number of CLH groups in England that are currently developing projects is estimated to be 859. These groups are potentially developing 883 individual projects (including those at an unspecified stage of development). There are 531 CLH projects known to be at the Group, Site and Plan stage.
- The potential pipeline of CLH units is significant, totalling over 23,000 across unspecified and specified development stages. Even discounting units for which the stage of development is unknown, over 10,000 units are planned. This mirrors evidence from Homes England which suggests there are over 10,500 homes in live applications to the CHF.
- A large proportion of units are of an undermined tenure, with the majority of these having an unspecified stage of development. This suggests there may be a large pipeline of early stage projects, for which the likelihood of development is uncertain.

### Estimating future grant requirements

- Two models have been developed to estimate future grant requirements for revenue and capital funding. The first draws on current grant making in the CHF, to estimate demand for an extended funding programme and reflect the realities of recent grant making. The second model uses the method used in research conducted in 2018 to estimate the grant requirements of CLH schemes in terms of per project and per unit grants.
- The CHF model suggests that the requirement for revenue grant funding from an extended CHF could be between £31m-£57m, potentially supporting the delivery over 11,000 new homes. This range reflects the use of two samples to sensitise the calculations to missing data on the development stage of certain projects. The CHF model for capital grant requirements suggests that demand on an extended CHF could range between £115m-£172m, reflecting sensitivity to missing data on the tenure of planned units.
- Revenue and infrastructure funding to local authorities has also estimated, using recent CHF allocation data as the basis for this. If bids and allocations were to continue at previous levels for a further five years, £8.5m would be required in revenue funding and £7.6m in infrastructure funding.
- The revenue grant requirements based on the 2018 model were £25m. The availability of data meant restricting the sample of projects to those with a known stage of development and with a specified number of planned units. This suggests that this estimate is a minimal set of grant requirements. Capital grant requirements based on the 2018 model were estimated to be in the range of £213m-£290m. The large total and range reflect sensitivities to the undetermined tenure of certain units, assumed grant rates that are more generous than those currently seen in recent CHF allocations, and the absence of a deflator for bidding and allocation success.

### Scope and limitations

- Both models employ assumptions in order to estimate the total amount of grant required. This include assumptions about newly arising and 'off the radar' projects, and probability factors used to forecast attrition rates. Uncertainties also exist around whether individual projects would be eligible for grants such as CHF.

- The calculations remove the requirement for grants from projects in London. Given that the London CHF ends in 2023, and several schemes currently being planned are unlikely to reach the Build stage within the next three year, the grant requirements for London projects post-2023 should be considered.
- Whilst the analysis here focuses on the extent and speed of CLH delivery in future years, the unique impact of CLH schemes should not be lost. Longer development timescales and higher grant levels may be required to secure the desired, additional impacts that CLH offers.

## 1. Introduction

This report presents analysis of data concerning the pipeline of community-led housing (CLH) projects likely to come forward in the next five years. Using this information, it assesses the potential requirement for grant funding in terms of both revenue and capital funds.

The unique contribution of CLH projects has been well known for several decades, be that housing co-operatives, community land trusts, cohousing schemes or other forms. They have proven effective in addressing a range of local needs and national policy objectives that other forms of housing provision and governance have not. In recognition of this, the UK Government has created the Community Housing Fund (CHF) for England. After an initial round of funding for local authorities, £163m was made available to cover certain revenue costs and capital expenditure relating to site infrastructure (Phase 1), alongside funding to meet the capital costs of acquiring land and building schemes (Phase 2).

The short time with which CLH groups could bid for this funding has led the CLH sector to argue for the extension of the CHF. To do so requires an understanding of the pipeline of future schemes and what support they might require.

The report provides evidence to inform these discussions, structured as follows. The methods for collecting and analysing data on current CLH schemes is presented, alongside the approach to developing grant requirement estimates. Then, the extent of CLH activity in England is discussed, before identifying a cohort of projects in the CLH database likely to require some form of funding in the coming years. This is then followed by a discussion of the output of two models for estimating grant requirements.

## 2. Methodology

The pipeline estimates have been produced using three key data sources:

### *The CLH database*

The database of CLH groups and projects in England and Wales is drawn from historic datasets such as that developed by World Habitat in 2017, from data held by national representative bodies and funders, datasets produced in 2018 to estimate the pipeline at that time, and project data captured from Homes England's recent Call for Information. In 2019 and early 2020 effort has been invested to update and expand this data. Researchers have worked with CLH enabling hubs across England, to get a current picture of groups and projects. This provides the most extensive dataset on CLH activity developed in England for many years, and was made possible by a CHF grant to the sector partnership. The data is not without its limitation however, and improvements continue to be made. It is highly likely that there are CLH projects in development not captured through this process. In addition, not all data fields are populated for each project, meaning there is a significant amount of missing data for known projects. Hence, this picture of groups and projects falls sort of being census. Nonetheless it is thought to capture much of the current activity in England, and by sensitising the calculations to account for missing data, a more accurate picture of the pipeline of CLH projects can be developed.

Key fields in the database are worth of note; the database captures information on the stage of development of each project, aligned with the Total Process developed in 2018 which maps the different activities and milestones of CLH groups<sup>1</sup>. These stages can be used as a proxy for different funding requirements, and likelihood of realising affordable homes.

### *Hub interviews*

The CLH data is not a population dataset. Aside from missing data on specified projects, it also offers little indication of the number of groups and projects that are developing but not engaged with the sector

<sup>1</sup> See Archer et al, 2018. Targeting funding to support community-led housing. Available at: <https://www.powertochange.org.uk/wp-content/uploads/2018/08/TargetingFunding-final.pdf>

or enabling hubs, and those which will develop over the coming years. The timescales for the development of CLH schemes has been subject to much discussion, and evidential basis for speed of CLH development is limited. And yet this information is vital in estimating future funding requirements. To address this, interviews were conducted with four enabling hubs to draw on their local intelligence about current and future projects. These hubs were at varying stages of development, and cover a mixture of predominantly urban, and predominantly rural, areas.

### ***CHF bids and allocations***

Data from phase 1 and 2 of the Community Housing Fund (bids and allocations) have been used to base assessments of grant requirements on what has happened – and what is possible - within current grant programmes. Information has been sourced from Homes England to understand revenue and grant levels for projects and per housing unit, and segmented in various ways which enable us to understand variation across scheme types, size and geography.

### **3. The CLH pipeline**

Using data from the CLH database this section presents details of the projects that are in development, or could be in development, across England. The analysis focuses on projects at the Group, Site and Plan stage, as well as those whose stage of development is unspecified, removing those projects that have either been completed (Live stage) or are currently being completed (Build stage).

Table 1 shows a breakdown of groups and projects. It segments the data for England with and without the inclusion of London. This is important as, in the analysis of grant requirements, we have factored-out London projects given that the London CHF runs to 2023. We return to this issue in the conclusion to reflect on what this means for future grant making. Table 1 shows that most developing groups are focused on one project. A significant proportion of projects have an unspecified stage of development (352 of the 883 for England including London). There is a significant number of planned units of housing for which a stage of development is unknown. This has an important bearing on the grant requirement calculations in later sections which draws on this data.

*Table 1: The CLH groups and projects in development in England*

	<b>England including London</b>	<b>England excluding London</b>
CLH groups (excluding Build and Live stage projects and including those with unspecified stage)	859	693
CLH projects in development (excluding Build and Live stage projects and including those with unspecified stage)	883	707
CLH projects known to be at the Group, Site and Plan stage	531	456
Units planned for projects in development (excluding Build and Live stage projects and including those with unspecified stage)	23,383	17,275
Units planned for projects at Group, Site or Plan stage	10,090	8,138

Table 2 below sets out the stage of development of projects and Figure 1 shows their geographical distribution. The CLH database enables those inputting the data to separate early stage projects into either ‘Group’ or ‘Concept’. Given potential issues with data consistency, the grant calculations combine these categories into one (labelled ‘Group’), aligning with the CLH Total Process stages. Crucially, Table 2 highlights the significant proportion of groups at an unspecified stage of development.

*Table 2: CLH projects by stage in England*

	England including London	England excluding London
Concept	152	134
Group	135	112
Plan	139	128
Site	104	81
Unspecified	353	252
Total	883	707

Figure 1: The distribution of projects with known stage of development

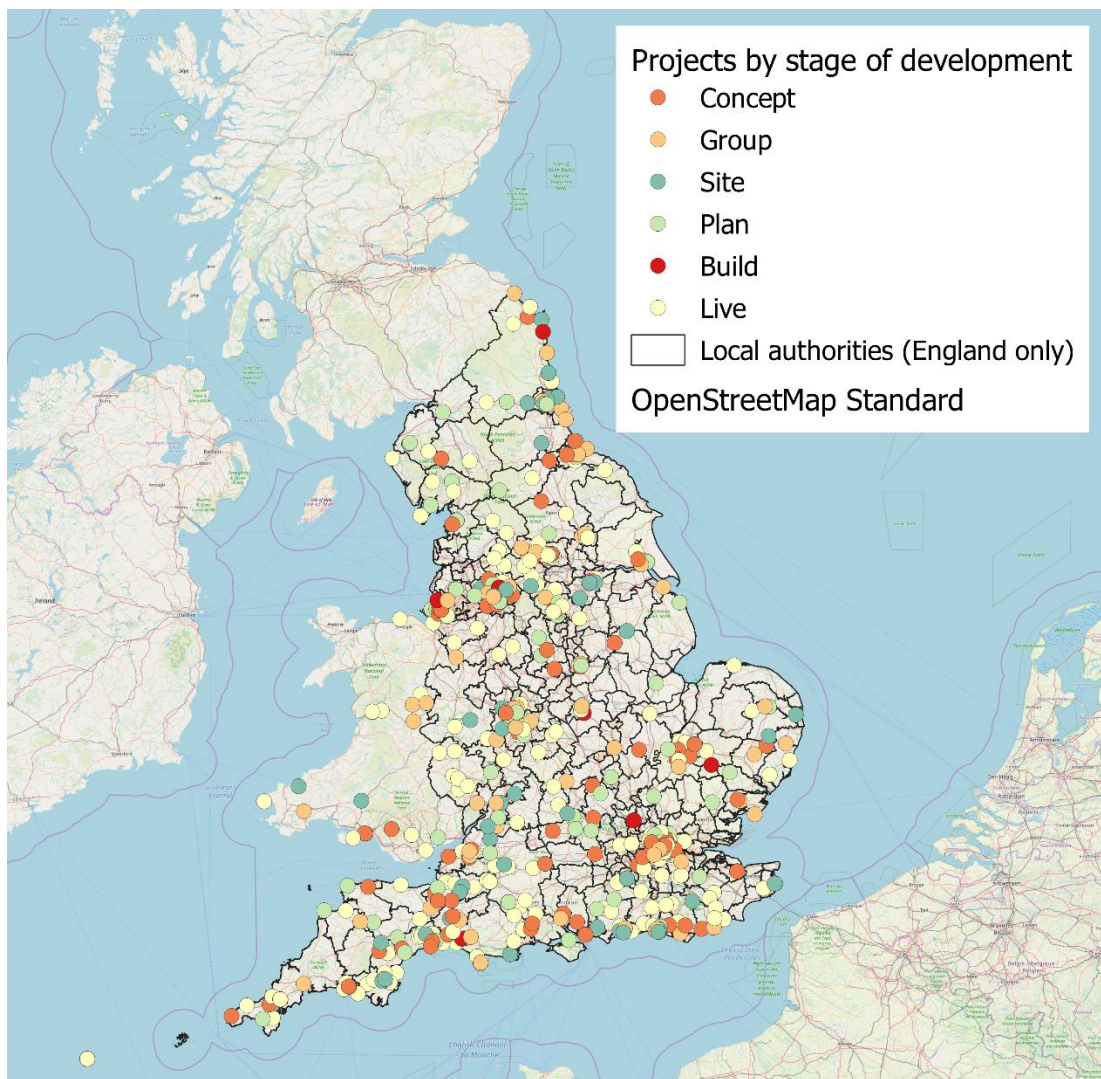


Table 3 presents a breakdown of units being planned by CLH groups, segmented by the different stages of project development. This shows the significant number of planned Affordable and Social rent properties, and showing the large number of units for which a tenure has not yet been determined. In total 5,337 units are planned in affordable rental forms (i.e. affordable rent, social rent and living rent), and 663 units are planned for affordable ownership (i.e. Rent to buy, Shared Ownership, Mutual Home Ownership and Discounted market sales). A total of 552 units are planned for market rent, and 553 for market sale.

Table 3: Planned CLH units by type (England including London)

	Affordable rent	Living rent	Rent to Buy	Social rent	Shared ownership	Shared equity	Mutual Home Ownership	Market rent	Market sale	Intermediate rent	Discounted Market Sale (% of the market)	Discounted Market Sale (% of incomes)	Undetermined
Concept	851	-	42	337	112	28	-	-	44	10	-	-	1,203
Group	971	-	4	472	264	8	4	4	137	-	-	-	1,250
Plan	913	2	5	361	61	4	-	3	244	-	27	-	354
Site	989	-	2	193	92	-	-	-	128	15	-	-	956
Unspecified	239	-	-	9	10	-	-	545	-	-	-	-	12,490
<b>Total</b>	<b>3,963</b>	<b>2</b>	<b>53</b>	<b>1,372</b>	<b>539</b>	<b>40</b>	<b>4</b>	<b>552</b>	<b>553</b>	<b>25</b>	<b>27</b>	<b>-</b>	<b>16,253</b>

A number of key insights can be derived from the project data above:

- The potential pipeline of CLH units is significant, totalling over 23,000 across unspecified and specified development stages. Even discounting units for which the stage of development is unknown, over 10,000 units are planned.
- A large proportion of units are of an undermined tenure, with the majority of these not attached to a stage of development. This suggests there may be a large pipeline of early stage projects, for which the likelihood of development is uncertain
- There are nearly 250 projects at the Site and Plan stage, suggesting there is a pipeline of projects advancing beyond the group stage.

#### 4. CHF-based model of revenue funding requirements

The calculation of revenue grant requirements is clearly sensitive to number of projects within the CLH database. The requirements of any projects missing from this database could potentially be lost. Furthermore, grant requirements vary depending on the stage at which each project is at, having a bearing on both the extent and timing of their grant requirements. Yet, data on projects stage of development is incomplete (as Table 2 shows).

To account for this, and to explore the repercussions of missing data on future demand for grant, two base samples are used in the calculations:

- Sample One** – limited only to those projects identified as being at the Group, Site, or Plan stage. The sample is restricted to England only projects, and with London projects removed. The latter projects have been excluded as the London Community Housing Fund runs until 2023, and is therefore meeting some of the grant requirements of these projects.
- Sample Two** - projects identified as being at the Group, Site, or Plan stage, as well as those where no information is available on their stage of development. Projects at the Build and Live stage have been removed. The sample is restricted to England only projects, and with London projects removed for the reasons above.

Calculations are made for each of these samples using a number of key assumptions:

- The revenue funding allocations made by the CHF vary on a project by project basis. We use, as a proxy for this variation, differences in the amount of grant allocated by the number of housing units proposed. Scheme size categories are therefore used, with average CHF allocations by scheme size applied to the two samples. Data on the recent CHF allocations is also used to ensure these are subtracted from the estimate.
- A key issue in estimating future grant requirements is estimating new group formation, and projects not in the CLH database that are being developed without the help of enabler hubs or national CLH bodies<sup>2</sup>. Not only has the CHF stimulated new projects, but this comes alongside developments in the enabling infrastructure. Enabler hubs are not only now a point of contact for groups, but are undertaking strategic action to change local policy, identify and release land, and promote the potential of CLH locally. Interviews with enabling hubs provided valuable evidence on which to estimate newly arising projects. Hub 1 had seen a 33% increase in the numbers of new CLH groups developing in their area in the last year. Hub 2 was planning to expand their support from an initial 11 projects currently to 30 within five years. Hub 3 was currently supporting 65 projects at varying stages, with plans to add 28 new projects (yet to be formed) within the next year. And finally, Hub 4 stated they were adding one project per quarter to their portfolio, moving from support for 12 projects at the Group, Plan and Site stage in 2020, to circa 20-25 projects within five years. Hubs acknowledged that some of these new projects will replace existing ones that become moribund, and hence the net effect may be less than 33% or more increase year on year. Taking all this into account estimates of new project formation is set at 50% of the base sample over five years.
- Hub interviews also revealed important considerations in deflating grant requirements based on the numbers of projects within the pipeline that actually decide to bid for revenue funding, and how many are successful in bidding. From 2018-2020, 52% of bids for revenue funding were accepted, but it has been acknowledged that a number of bids were turned down due to challenges in spending grant within the deadline. Over a five-year funding term, it might be expected that the percentage of allocations, as a total of all bids, would be significantly higher. It has been assumed that 75% of projects not funded to date would bid to a future CHF and would be allocated revenue funding.
- To calculate potential demand for revenue funding from local authorities, the rate of allocations from the 18 months of CHF have been applied to a five-year funding term, with the average grant per allocation to date.

The table below sets out the calculations for both samples and the implications of this for a future five-year CHF.

<sup>2</sup> Details on the enabler hubs is available at <https://www.communityledhomes.org.uk/find-your-local-hub>



Table 4: CHF-based revenue funding requirements

	Current projects needing revenue funding	Funded projects	Current and future projects needing funding	Current and future projects likely to bid and be successful in bidding	Revenue grant per project	Total grant required
	<i>Total projects in database MINUS those at Build and Live stage</i>	<i>Total allocations to date</i>	<i>Current projects needing funding MINUS allocations to date PLUS estimate for new groups likely to emerge in fund period</i>	<i>Assumed rate of bidding and allocation</i>	<i>Average grant taken from previous allocations</i>	<i>Revenue grant per project MULTIPLIED BY current and future projects likely to bid and be allocated</i>
<b>Sample One - Defined project stage</b>						
<i>Less than 10</i>	106	32	111	83	£47,363	£3,942,970
<i>10-20</i>	101	56	68	51	£74,058	£3,749,186
<i>21-50</i>	99	39	90	68	£121,905	£8,228,588
<i>51-100</i>	29	8	32	24	£149,476	£3,531,371
<i>More than 100</i>	9	9	0	0	£170,747	£0
<i>Projects with missing scheme size (assumed average grant requirement)</i>	112		168	126	£91,317	£11,505,942
					<b>Total</b>	<b>£30,958,056</b>
<b>Sample One - Defined and undefined project stage</b>						
<i>Less than 10</i>	121	32	134	100	£47,363	£4,742,220
<i>10-20</i>	153	56	146	109	£74,058	£8,081,579
<i>21-50</i>	90	39	77	57	£121,905	£6,994,299
<i>50-100</i>	40	8	48	36	£149,476	£5,381,136
<i>More than 100</i>	23	9	21	16	£170,747	£2,689,265
<i>Projects with missing scheme size (assumed average grant requirement)</i>	283	0	425	318	£91,317	£29,073,050
					<b>Total</b>	<b>£56,961,550</b>
				<b>Potential Local Authority bidders</b>	<b>Grant per Local Authority</b>	<b>Total grant required</b>
			<b>LA revenue</b>	100	£85,485	<b>£8,548,547</b>

Note: Data tables show rounded figures

## 5. CHF-based model of capital funding requirements

Bids for capital funding under CHF to date vary significantly by project. Geographical segmentation, or segmentation by tenure, does not suffice in explaining this variation. Differences in grant levels to date are likely to be associated with the contribution CHF makes to overall scheme costs, and other factors related to the nature of individual schemes. This makes it difficult to apply these variables to the CLH pipeline. The total capital grant requirements for CLH is, however, highly sensitive to the current stage at which projects are at, affecting both the likelihood of projects being realised and demand for capital support within a future funding period. To account for this, and to explore the repercussions of missing data on future demand for grant, two base samples are used in the calculations:

- i. **Sample One** – limited only to those projects identified as being at the Group, Site, or Plan stage and restricted to England only projects, with London projects removed. When calculating units associated with these projects only those in an affordable tenure were included.<sup>3</sup> Assigning probability factors to projects at different stages of development addressed the issue of uncertain development timescales, and likelihood of projects at an early stage requiring capital funding. For projects at the Group and Concept stage a probability of 0.6 was assigned, 0.8 for projects at the Site stage, and 0.9 for those at the Plan stage.
- ii. **Sample Two** – uses the same filters on the CLH database as Sample One, and applies the same probably factors, but includes a proportion of units whose tenure was classed as ‘undetermined’. It assumes that the same percentage of undetermined units will be in an affordable tenure as is found in the total CLH database.

Calculations are made for each of these samples using a number of key assumptions:

- Estimating future capital grant requirements entails estimating the number of projects and units that may be added to the pipeline over coming years, and those that may be missing in current data. Unlike the revenue fund, new groups are less likely to require capital funding within the next five years, given what is known about the speed of scheme development and other sources of capital. Some hubs see group stage projects progressing to a build phase, on average, within 24 months, whereas others suggest many schemes will take several years to get there. It is therefore assumed that the capital requirements from newly arising projects will amount to only 20% over and above that within the sample over five years.
- Hub interviews also revealed important considerations in deflating grant requirements based on the numbers of projects within the pipeline that will likely bid for capital funding, and how many of those would be successful in bidding. The requirement on applicants to the CHF to be, or become, a Registered Provider was seen to be a factor in limiting demand, along with the difficulties in funding the desired housing product. Capital allocations between 2018-2020 were small in number so this may not be a reliable guide to bidding success (41% of bids for capital funding were approved in this period). It has been acknowledged that a number of bids were unsuccessful in light of potential challenges in spending grant within the deadline. Over a five-year funding term, it might be expected that the percentage of allocations, as a total of all bids, would be significantly higher. Nonetheless, the factors above suggest the percentage of projects bidding and securing capital funding under CHF will be lower than that for revenue funding. It has been assumed that 60% of future bids from projects within the two samples would be allocated capital funding.

<sup>3</sup> This sought to include tenures which the CHF Prospectus says could be funded and those that have been funded to date; affordable rent, discounted market sale, shared ownership, social rent and rent to buy.

- The calculations assume average CHF allocations per unit would be maintained in a future fund. Given the low number of capital allocations to date this simple average is used across all tenures of affordable housing in the projects included.
- To calculate potential demand for infrastructure funding for local authorities, the rate of allocations from 18 months of the CHF have been applied to a five-year funding term, with the average grant per allocation used.

The table below sets out the calculations for both samples, and the implications for a future five-year CHF.

Table 5: CHF-based capital funding requirements

	<b>Current units needing capital funding</b>	<b>Funded projects</b>	<b>Current and future units needing funding</b>	<b>Current and future projects likely to be bid and be successful</b>	<b>Capital grant per unit</b>	<b>Total capital grant required</b>
	<i>Planned affordable units within projects currently at Group, Plan, Site stage</i>	<i>Total units receiving CHF allocations to date</i>	<i>Current projects needing funding MINUS allocations to date PLUS estimate for new/other groups likely to emerge in fund period</i>	<i>Assumed rate of bidding and allocation</i>	<i>Average grant for affordable homes per unit</i>	<i>Average grant per unit MULTIPLIED BY current and future units likely to be successful in bidding</i>
<b>Sample One – excluding units with undetermined tenure</b>	3457	62	4074	2444	£47,444	<b>£115,971,680</b>
<b>Sample Two – including a proportion of units with an undetermined tenure</b>	5109	62	6057	3634	£47,444	<b>£172,413,755</b>
				<b>Potential Local Authority allocations</b>	<b>Grant per allocation</b>	<b>Total grant required</b>
			<b>LA infrastructure</b>	20	£381,752	<b>£7,635,047</b>

**Note:** Data tables show rounded figures

## 6. The 2018 model of revenue grant requirements

In 2018, Power to Change funded a study of the development pipeline for CLH. This used additional research by Resonance to establish the likely grant requirements of CLH groups at different stages of development<sup>4</sup>. The Resonance research suggested that:

- During the group stage, projects require £5,000 to establish and develop the organisation and their scheme(s);
- As projects progress to the Site Stage groups require both fixed funding per project (£5000), plus an amount for each housing unit in the proposed development (£1,000); and
- As projects progress to the Plan Stage groups require both fixed funding per project (£25,000), plus an amount for each housing unit in the proposed development (£3000).

Using the CLH pipeline, and a number of assumptions, it has been possible to reapply this model to assess the requirement for revenue funding in 2020. To bring the Resonance figures in line with increases in current market prices, GDP deflators have been applied. The sample of projects on which to base the calculations was drawn from the CLH database, isolating only those projects in England and those specified as being at the Group, Site or Plan stage. Projects in the London area were removed. It was not possible to account for different grant requirements for projects that were new build or refurbishments, and the figures above have been applied uniformly irrespective of this.

To apply this model required not only information on each project's stage of development, but also information on the tenure and number of units for each proposed scheme. Yet many projects have not specified the intended tenure for their units. To put this in context, over 2,700 homes planned by projects in the sample had an 'undetermined' tenure. Without knowing the likely tenure of these homes, it is difficult to establish whether they would be eligible for grant. To account for this, the estimates assume that the same percentage of undetermined units will be in an affordable tenure as is found in the total CLH database. **Restricting the sample to only those projects with a known stage and with a specified number of units means that the base sample is likely reflect a minimal set of grant requirements.**

A further consideration has been that, removing projects and units already funded under CHF has been difficult to achieve with the data given, as it has not been broken down by the stage of development. Hence, the projects and units included in this calculation likely contain some already funded by CHF.

Calculating the per project and per unit grant for projects in the sample has entailed using a number of key assumptions:

- The per project revenue grant requirements vary by stage, from approximately £5,000 for those at the Group stage to £25,000 for those at the Plan stage. Calculating future grant requirements means estimating how many projects will transition from Group to Site stages, and from Site to Plan stages within the fund period. This is highly variable, but local intelligence suggest that attrition rates are higher between Group and Site stages, than

<sup>4</sup> See Ward and Brewer (2018). A Grant Framework For New Build Community-Led Housing Projects. Available at: <https://www.powertochange.org.uk/wp-content/uploads/2018/08/Developing-a-Grant-Framework-CLH-Projects-Final.pdf>

between Site and Plan stages. Hence, only 50% of projects currently at the Group stage are assumed to transition to the Site stage, and 75% of Site stage projects are assumed to transition to the Plan stage

- Another key issue in estimating future grant from CLH groups is estimating new project formation, as well as those already in development but not captured in the CLH database. The stimulus provided by CHF means this could be considerable. In line with estimates used above in the CHF-based model we assume a 50% increase in projects at the Group stage, and model these through in terms of their transition to later development stages.
- In calculating the additional per unit revenue grant requirements, the same calculations are made regarding stage transitions, attrition rates and newly arising projects, but applied to data on the affordable units planned. As above, only tenures known to be supported by the CHF were included; affordable rent, discounted market sale, shared ownership, social rent and rent to buy.

The table below sets out the calculations, and the implications for a future five-year CHF.

Table 6: 2018-model revenue grant requirements

Revenue Funding	Group	Site £ per project	Site £ per unit	Plan £ per project	Plan £ per unit
2018 unit rate (Resonance research)	£5,000	£5,000	£1,000	£25,000	£3,000
2020 inflated rate	£5,300	£5,300	£1,060	£26,500	£3,180

Stage	Current projects needing revenue funding	Project transitions (existing projects)	Future projects needing funding	Project transitions (new/other projects)	Total projects per stage of development (accounting for transitions)	Per project grant requirement
	<i>Total projects in database MINUS those at Build and Live stage</i>	<i>Total projects, accounting for transitioning between stages</i>	<i>New/other projects likely to emerge in fund period</i>	<i>New/other projects, accounting for transitioning between stages</i>	<i>Total existing and new/other projects including those transitioning between stages</i>	<i>Total per project grant requirement for each stage</i>
Group	247	247	124	124	371	<b>£1,963,650</b>
Site	81	205	0	62	266	<b>£1,411,125</b>
Plan	128	281	0	46	328	<b>£8,683,719</b>
					<b>Total per project funding</b>	<b>£10,094,844</b>

Stage	Planned affordable units of existing projects	Affordable units from projects transitioning from Group stage to Site Stage	New units coming from new/other projects	Total units requiring per unit funding	Total per unit grant	Total grant
	<i>Total affordable units</i>	<i>50% of affordable units from existing Group stage projects</i>	<i>Total new/other projects transitioning to the Site stage MULTIPLIED BY assumed number of units</i>	<i>Total affordable units from existing projects PLUS those transitioning from the Group stage PLUS those from new/other projects</i>	<i>Per unit grant requirements for this stage</i>	<i>Total affordable units MULTIPLIED BY grant per unit</i>
Site	1,076	2,445	1,178	4,699	1,060	<b>£4,981,097</b>

Stage	Total affordable units proposed by existing projects at Plan stage	Units transitioning from Site stage to Plan stage	New units coming from new/other projects	Total units requiring per unit funding	Total per unit grant	Total grant
	<i>Total affordable units</i>	<i>75% of Site stage project units</i>	<i>Total new projects transitioning to the Plan stage MULTIPLIED BY the average number of affordable units in existing projects</i>	<i>Total affordable units from existing projects PLUS those transitioning from the Site stage PLUS those from new/other projects</i>	<i>Per unit grant requirements for this stage</i>	<i>Total affordable units MULTIPLIED BY grant per unit</i>
Plan	1,460	807	874	3,142	3,180	<b>£9,990,445</b>
					<b>Total per unit funding</b>	<b>£14,971,542</b>
					<b>Total funding (per project and per unit)</b>	<b>£25,066,386</b>

**Note:** Data tables show rounded figures

## 7. 2018 model for affordable rent and shared ownership grant requirements

The 2018 model assessed only the grant requirement for planned units of affordable rent or social rent. A fixed per unit rate of £50,000 was set for these estimates<sup>5</sup>. The rates have been reapplied,

<sup>5</sup> Kear, A. (2018). The Community Led Housing development pipeline data for England

accounting for inflation. As noted above, this basic grant rate does not account for differences in scheme type depending on whether it is a new build or refurbishment project.

Given the planned number of shared ownership units within the CLH data, it is important that these are factored into estimates of grant requirements. Recent data on grant allocations for shared ownership within the Shared Ownership and Affordable Homes Programme suggest average allocations nationally were of £33,000 per unit (to the end of September 2019). Intelligence from enabling hubs suggests that, for shared ownership to be a viable development option for CLH groups, grant allocations would need to be higher than this, potentially £10,000 per unit. CLH projects are often small in scale, working with difficult sites, and seeking non-traditional built forms which maximise communal and public spaces. Hence it has been assumed that grant rates for Shared Ownership needs to be roughly in line with that suggested for affordable and social rented units.

To sensitise the calculations to missing data in the CLH database, two samples were constructed;

- i. **Sample One** – isolated only projects at the Group, Site, and Plan stage, calculating only the specified number of affordable rented, social rented and shared ownership units. Assigning probability factors to projects at different stages of development helped address the issue of missing data concerning planned completion dates, and the likelihood that projects at earlier stages of development may not reach the capital requirement stage. Hence, projects at the Group and Concept stage a probability of 0.6 was assigned, 0.8 for projects at the Site stage, and 0.9 for those at the Plan stage.
- ii. **Sample Two** – similarly isolated projects at the Group, Site, and Plan stage, and assigned probability factors depending on the projects stage of development. Furthermore, it calculated the number of affordable rented, social rented and shared ownership units planned, but added to this a proportion of units with an ‘undetermined’ tenure. The sample assumes that the same percentage of undetermined units will be affordable rent, social rent or shared ownership as was found in the wider CLH database

Calculating the capital grant requirement for projects in these samples has entailed using a number of key assumptions:

- Estimating future capital grant requirements entailed estimating the number of projects and units that may be added to the pipeline over coming years, and those that may be missing in current data. As above, it was assumed such projects would constitute only 20% over-and-above the sample of existing/known projects.
- The total number of units allocated capital funding from phase two of the CHF could be subtracted from the pipeline.

The table below sets out the calculations for both samples, and the requirements for capital funding for existing and new projects in the coming years:



Table 7: The 2018 model for capital grant requirements

	<b>Current units needing capital funding</b>	<b>CHF funded units</b>	<b>Current and future units needing funding</b>	<b>Capital grant per unit</b>	<b>Total capital grant required</b>
	<i>Planned units of Affordable Rent, Social Rent and Shared Ownership within projects currently at Group, Plan, Site stage</i>	<i>Total units allocated CHF capital funding to date</i>	<i>Current projects needing funding PLUS estimate for new/other groups likely to emerge in fund period</i>	<i>Average grant per unit</i>	<i>Average grant per unit MULTIPLIED BY units from existing and new/other projects</i>
<b>Sample One</b> – excluding units with undetermined tenure	3,414	62	4,022	53,000	<b>£213,187,200</b>
<b>Sample Two</b> – including proportion of units with undetermined tenure assumed to be Affordable Rent, Social Rent or Shared Ownership	4,622	62	5,472	53,000	<b>£290,020,900</b>

**Note:** Data tables show rounded figures

## 8. Conclusions and implications

The analysis of CLH projects presented above suggests that this is a rapidly growing sector. Research in 2018 identified a development pipeline of 5,810 CLH homes across England, being brought forward by 203 different group. Data from 2019/20 suggests that there are 531 CLH projects known to be at the Group, Site and Plan stage, and within these projects over 10,000 units are planned. Whilst uncertainties exist about the speed at which homes will be delivered, evidence highlights a significant amount of new project initiation and progression to later stages of development. Evaluations of government funding for CLH in other countries highlights the important role such investment plays in stimulating interest and new projects. Between 1973-78 the Canadian government's funding for housing co-operatives stimulated 201 projects, within which 6,616 housing units were developed. However, in the second phase of funding between 1979-85, over 1000 projects developed nearly 39,000 units<sup>6</sup>. In England, a significant number of CLH projects have been catalysed, and now they need financial and other forms of support to deliver.

Two models have been developed to estimate the grant requirements of such projects. These models are sensitive to the extent of data held about current projects, and the gaps in that data. The models are also sensitive to the assumptions used to estimate newly arising and 'off the radar' projects, and the probabilities of projects reaching completion in the funding period. The CHF model suggests that the requirement for revenue grant funding from an extended CHF could be between £31m-£57m, and for capital funding £115m-£172m. The revenue grant requirements based on the 2018 model were estimated to be £23m. The availability of data meant restricting the sample of projects to those with a known stage of development and with a specified number of affordable units. Capital grant requirements based on the 2018 model were estimated to be in the range of £213m-£290m.

Thinking specifically about the CHF-based model, it is important to note that the objective of the CHF was to develop *additional* homes. Where a CLH project aims to build homes that would have been built anyway, for instance by a housing association, then it technically it would not qualify for CHF. Of course, such additionality is very difficult to establish before the event, and from the data available it has not been possible to segment those projects that will/will not provide such additionality. In reality, many CLH schemes come forward because no other affordable housing provider is willing or able to develop it, or not has invested the time and energy in bringing it forward for development.

Whilst the Resonance research in 2018 provides estimates of grant requirements per unit for affordable and social rent, there is a need for much more detailed research on this. Grant requirements will vary the housing products and tenures being planned, on the underlying site conditions and geographical location, on the availability of other finance and so on. The 2018 model could be greatly refined with these nuanced estimates.

Finally, it is imperative that the unique impact that CLH is not lost in discussions about output and delivery. Previous research has highlighted the potential impacts of CLH on improved housing affordability and household finances, on the health and wellbeing of residents, on the quality of 'place', and people's sense of empowerment and security of tenure. Delivering these outcomes may entail longer development timescales, and by necessity may require longer term funding commitments.

<sup>6</sup> Canadian Mortgage and Housing Corporation (CMHC) (2003). Co-operative Housing Programs Evaluation.