



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

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Executive Summary

Introduction

- This report has been commissioned by the National Community Land Trust Network in partnership with the Confederation of Co-operative Housing, Locality and UK Cohousing. It was funded by the Nationwide Foundation.
- 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 undetermined 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 been 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 includes 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. The London CHF, run by the GLA, ends in 2023 and we anticipate it will be fully allocated in that period. Several schemes currently being planned are unlikely to reach the Build stage within the next three years, so the grant requirements for London projects post-2023 should be considered and are likely to be similar to the annualised funding in the current programme.
- 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 limitations 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 short 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 groups¹. 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

¹ 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

	England including London	England excluding London
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

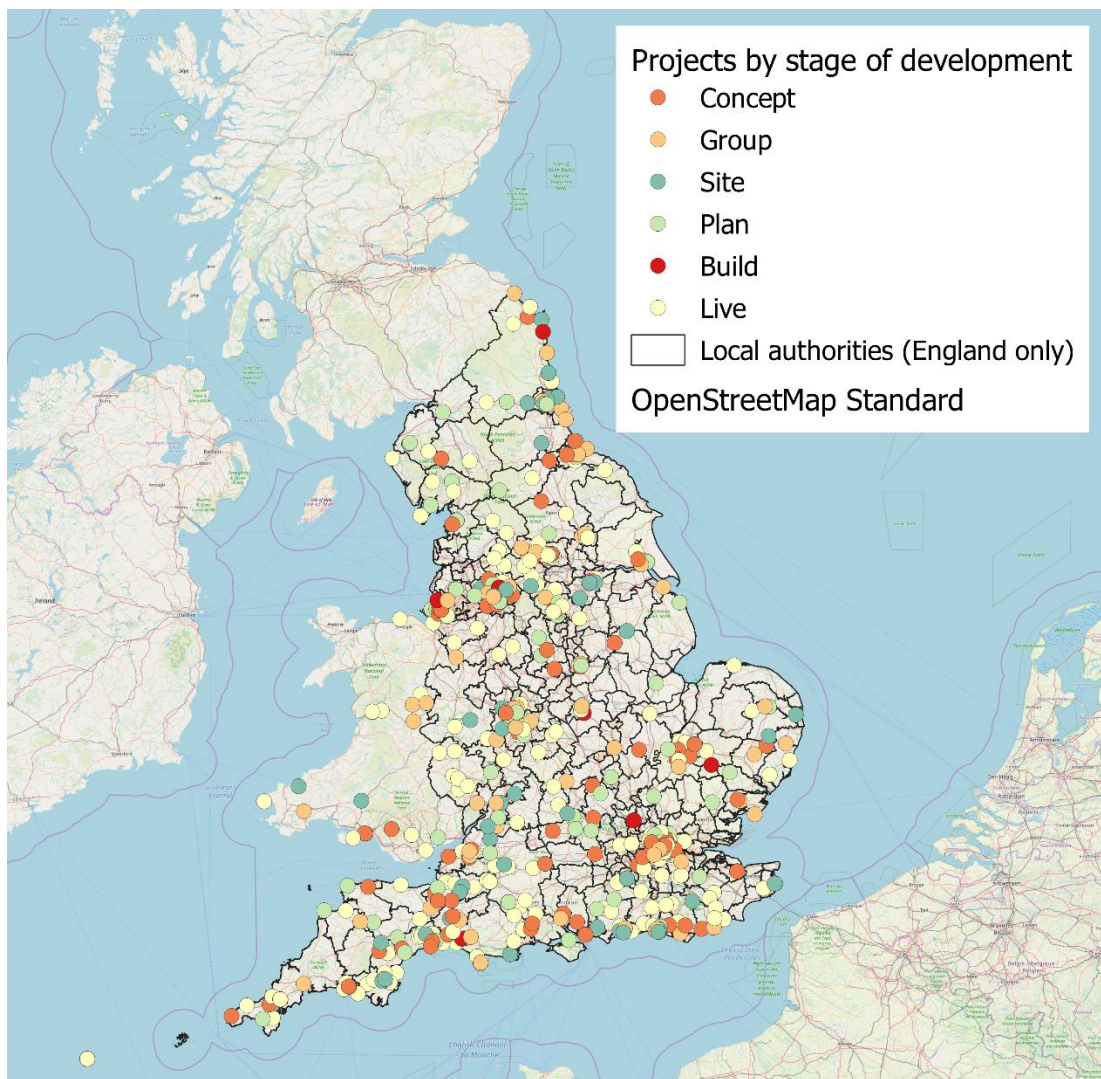


Table 3 presents a breakdown of units being planned by CLH groups, segmented by the different stages of project development. This shows the significant number of planned affordable and social rent properties and the large number of units for which a tenure has not yet been determined. In total 5,337 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) ²	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
Total	3,963	2	53	1,372	539	40	4	552	553	25	27	-	16,253

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 the 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 the 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

² The National CLT Network notes that demand for Discounted Market Sale homes in the CLH sector is higher than this figure suggests, but has been dampened by the lack of retail mortgage lending availability.

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 bodies³. 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.

³ 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>
Sample One - Defined project stage						
<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
					Total	£30,958,056
Sample One - Defined and undefined project stage						
<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
					Total	£56,961,550
				Potential Local Authority bidders	Grant per Local Authority	Total grant required
			LA revenue	100	£85,485	£8,548,547

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.⁴ 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.
- 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.

⁴ 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.

- 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

	Current units needing capital funding	Funded projects	Current and future units needing funding	Current and future projects likely to be bid and be successful	Capital grant per unit	Total capital grant required
	<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>
Sample One – excluding units with undetermined tenure	3457	62	4074	2444	£47,444	£115,971,680
Sample Two – including a proportion of units with an undetermined tenure	5109	62	6057	3634	£47,444	£172,413,755
				Potential Local Authority allocations	Grant per allocation	Total grant required
			LA infrastructure	20	£381,752	£7,635,047

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 development⁵. 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 to 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 the 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 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

⁵ 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>

- 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	£1,963,650
Site	81	205	0	62	266	£1,411,125
Plan	128	281	0	46	328	£8,683,719
					Total per project funding	£10,094,844

Stage	Planned affordable units of existing projects	Affordable units from projects transitioning from Group 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	£4,981,097

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	£9,990,445
					Total per unit funding	£14,971,542
					Total funding (per project and per unit)	£25,066,386

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 estimates⁶. The rates have been reapplied, 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 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.

⁶ Kear, A. (2018). The Community Led Housing development pipeline data for England

- 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

	Current units needing capital funding	CHF 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 – excluding units with undetermined tenure	3,414	62	4,022	53,000	£213,187,200
Sample Two – including proportion of units with undetermined tenure assumed to be Affordable Rent, Social Rent or Shared Ownership	4,622	62	5,472	53,000	£290,020,900

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 units⁷. 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 the 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 has not invested the time and energy to bring 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.

⁷ Canadian Mortgage and Housing Corporation (CMHC) (2003). Co-operative Housing Programs Evaluation.