



Homes
England

Community Housing Fund

Addendum to the Prospectus for Phase Two



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* Housing Associations' Charitable Trust

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Prospective bidders should note that this document relates only to the Community Housing Fund that will be delivered by Homes England. This covers all of England outside London.

The Government is working with the Greater London Authority (GLA) to develop a similar scheme in London (see www.london.gov.uk/CLH)

Chapter 1: Introduction

1. On 2nd July, 2018 Homes England opened bidding to Phase One of the Community Housing Fund for revenue funding for project-specific activities and capital bids for local infrastructure projects in order to support community-led housing developments. The Prospectus can be found [here](#).
2. Phase Two of the Fund – which is launched with this Addendum – makes grants available to eligible organisations* to help cover the capital costs of acquiring land and building community-led housing schemes. Organisations interested in applying for capital funding under Phase Two should ensure that they read this Addendum in conjunction with the Prospectus. The Prospectus remains current except where explicitly amended.

*Prospective bidders should note the requirements around Registered Provider status set out on section 18 of this document before applying for funding.

3. As with Phase One, the second phase will be managed and delivered by Homes England in England (outside London). The Government is working with the Greater London Authority (GLA) to develop a similar scheme in London (see www.london.gov.uk/CLH).
4. Support will be available from the Fund across both phases over the two years from 1 April 2018 to 31 March 2020.

Capital bids for community-led housing development

5. Under Phase Two, funding is available to support the capital costs of the developing community-led housing schemes which support the programme's aims. A key objective of the Fund is to support the delivery of housing that would be unlikely to come forward through any other means.
6. Examples of eligible uses of grants under Phase Two include:
 - construction of new homes and conversion/refurbishment of existing properties; including acquisition and/or remediation of land for development; and
 - acquisition of existing properties for conversion or refurbishment.
7. Homes England welcomes applications to support schemes to create mixed use developments (i.e. comprising residential and non-residential accommodation). Capital funding, however, is only available for the housing elements of the scheme, and the assessment of the value for money of the scheme will only relate to the housing element.

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Chapter 2: Fund principles

8. Funding under Phase Two is made available to support the capital costs of developing community-led housing schemes which are locally affordable and will be made available at an affordable cost in perpetuity. Overall, the principles and requirements of the Fund set out in the [Prospectus](#) still apply under Phase Two unless explicitly amended.
9. To be eligible for funding, proposals must be for affordable housing and meet the needs of those which are not met by the market. Homes under Phase Two may be developed for a range of low-cost affordable housing tenures for rent or sale, either as a single or mixed tenure offer. Potential tenures may include – but are not limited to – Shared Ownership, Affordable Rent, Social Rent, and Rent to Buy. Homes England will not, however, be unnecessarily prescriptive about the precise affordable tenures that will be supported under the Fund and we welcome applications for new and innovative approaches which will contribute towards the aims and priorities of the Fund. Examples of the types of tenures which groups may wish to consider are provided in Annex A of this document.
10. In accordance with State Aid requirements, capital funding for the development of community-led housing under Phase Two will not be available for market sale homes. In addition, capital funding will not be available for schemes that would otherwise be delivered by the market on a commercial basis. Sites developed under the Fund may, however, include an element of housing for market sale to cross-subsidise the affordable homes. Homes England encourages that approach because it reduces the requirement for public subsidy and improves value for money. In such cases, the capital grant proposal will be assessed solely on the basis of the affordable element of the development.
11. If, under Phase Two, funding is requested for a scheme on a site developed as market housing and delivering affordable homes provided under a S.106 agreement, the homes receiving support from the Fund will need to be additional to those that would be delivered under the S106 agreement alone. Supporting evidence of additionality will be required -- for example, the local planning authority's viability assessment.

State Aid

12. For capital bids for community-led housing development costs under Phase Two, it is anticipated that such funding would be compatible with state aid law by virtue of decision 2012/21/EU on Services of General Economic Interest (SGEI). Compatibility will require that bidders are able to design their schemes to meet certain criteria, including demonstrating that: the funding will not exceed what is necessary to cover the net cost incurred in providing the community-led housing (which may include a reasonable profit); the housing will meet the conditions set out in the prospectus and this document; and that the schemes are legally constituted in such a way that the funding can be provided at least cost to the community.
13. Bidders will be required to demonstrate that they have maximised other sources of funding (such as cross-subsidy or joint working with local partners) to lessen reliance on central government funding. In order to avoid the overprovision of grant capital funding requested for schemes should be the minimum necessary to bring the development forward. All successful applicants to the Fund will be required to enter into a legally binding funding agreement with Homes England (see Chapter 5 for detail) which will

include provisions around the recovery of funding. For information - the relevant events leading to recovery of grant are set out in the Recovery of Grant General Determination 2017. See Grant Recovery chapters 7 and 8 in Homes England's Capital Funding Guide for further information.

14. Bidders may find it useful to seek specialist legal advice when designing their projects to meet the requirements of state aid law. It is ultimately the responsibility of the recipient of any funding to ensure that they comply with state aid law.
15. Further information on state aid is set out in paragraphs 68 to 80 of the Community Housing Fund Prospectus.

Who can apply?

16. Bidding is open to all organisations which are or intend to become constituted as a body corporate¹ or an equivalent form of legally constituted body. Eligible organisations therefore include (but are not restricted to) those which are or intend to become:
 - a registered charity;
 - a Company Limited By Guarantee;
 - a Community Benefit Society
 - a Co-operative Society;
 - a Community Interest Company;
 - an organisation of another type operating as a social enterprise and principally reinvesting their surpluses for social benefit;
 - a Registered Provider; or
 - a local authority (including a district or parish council).
17. Local authorities or Registered Providers may apply on behalf of community groups and other organisations and, in those cases, the lead bidding organisation will remain directly accountable for the funds, where appropriate.

Homes England Investment Partner qualification

18. Organisations that develop housing with capital grant from this Fund are required to be qualified as an investment partner with Homes England before any payment of funding can be made. Organisations are not, however, required to be an investment partner at the point at which they bid for grant funding.
19. Organisations that are not already qualified as an investment partner with Homes England will need to submit an application for qualification. Applications for investment partner status will assess the bidder's financial and technical capacity to deliver a housebuilding project, and the organisation's good standing.
20. Further information on the investment partner qualification and requirements for application can be found online at <https://www.gov.uk/government/publications/shared-ownership-and-affordable-homes-programme-2016-to-2021-qualification>.

¹ A body corporate is any body which has been formally incorporated, usually by registration as a company with Companies House under the requirements of the Companies Act 2006.

21. In order to improve access to funding for smaller organisations and community-led groups, we will ensure that the investment partner qualification assessment processes are proportionate to the scale of funding sought. There is no fee associated with investment partner qualification.

Registered provider status

22. Organisations which intend to be the landlord of low-cost rental properties funded by Homes England capital grant programmes must be – or intend to become – registered as a provider of social housing (a ‘registered provider’) with the Social Housing Regulator (‘the Regulator’) before completion of any developments funded through those programmes and any payment of funding. It is not, however, a requirement to be a registered provider before applying for Homes England grant. Full details of how to register are available online at: <https://www.gov.uk/register-and-de-register-as-a-provider-of-social-housing>.
23. The requirement to be a registered provider does not apply to organisations that will not act as the landlord of low-cost rental property. Where an organisation is delivering homes for low-cost homeownership – including shared ownership – for example, there is no requirement for that organisation to be a registered provider.
24. Organisations are encouraged to consider the implications of seeking registration with the Regulator and to familiarise themselves with the on-going obligations associated with being a registered provider of social housing. Information on that can be found here <https://www.gov.uk/government/publications/regulatory-standards> and here <https://www.gov.uk/government/publications/social-housing-regulation-regulating-the-standards>.
25. Fees now apply to registered providers; the initial fee is currently £2,500 (payable on successful registration) and there is an annual fee dependent on the numbers of units a provider has. Further information can be found here: <https://www.gov.uk/government/publications/fees-for-social-housing-regulation>. Homes England is unable to provide grants towards the cost of an organisation becoming a registered provider. Homes England may, however, be able to advise on the availability of grants from other organisations.
26. Organisations would also need to consider alternative plans should their application for becoming a registered provider not be successful.

Chapter 3: Bidding for Funding

How to apply

27. Phase Two of the Community Housing Fund is now open and Homes England welcomes applications from any eligible organisation.
28. As with Phase One, this is not a one-off bidding opportunity. The Fund will remain open to receive new applications until funding is fully committed or until 31 December 2019 – whichever occurs first. This will allow bidders the time to work up their proposals before applying.

Homes England Bidding Portal

29. All organisations applying to the Fund will be required to submit details of the proposed activity through the Homes England bidding portal via the following link:
<https://bids.homesengland.org.uk>
30. Guidance on completing this process will be available on GOV.uk.

Bid requirements

31. All bidders will be required to use the application portal to submit the information set out below:

Details of the bidding organisation including:

- Name of lead applicant organisation
 - Type of Organisation (e.g. Company Limited by Guarantee, Community Interest Company, Local Authority)
 - Whether the applicant organisation is registered as a body corporate
 - If not registered as a body corporate, the plans for the applicant organisation to become registered a body corporate
 - The Objects of the organisation
 - Company Registration number (if applicable)
 - Date of Registration (if applicable)
 - Registered office address
 - VAT Registration number (if applicable)
 - Registered provider number (if applicable)
 - Website address (if any)
 - Principle contact for all enquiries
 - The principle contact's position or job title within the applicant organisation
 - Address, telephone number and email address for correspondence
 - Name of other partners associated with the bid (i.e. if the lead applicant organisation is bidding on behalf of other organisation(s)).
32. For capital bids, we will need details of:
 - What is proposed to be built, including the number of homes and proposed tenure;
 - The total scheme development costs and the amount of capital grant sought;
 - Where the homes will it be built;
 - Whether a development site has already been identified;

- If so, whether the land has been secured or what are the proposals for securing it
 - The current planning status of the site;
 - The current planning usage class;
 - An outline of how the community will benefit from the proposed scheme, including details of who is expected to buy/rent the homes to be developed;
 - Details of community engagement already carried out or proposed;
 - Who will be the landlord of the properties and (if different) who will manage the properties;
 - The type of housing to be provided – general needs, specialist accommodation for vulnerable or older people or other;
 - Whether properties will be new build or refurbishment of existing properties;
 - All funding sought or obtained from elsewhere and the contribution to be made from the applicants own resource
33. Bidders may also upload other relevant information to support their applications into the portal (for example scheme design plans etc).

Bidding - next steps

34. Following submission to the partner portal, Homes England will assess applications received against the assessment criteria for the Fund. These are set out in Chapter 4.
35. Additional information may be sort from the bidding organisation at this stage if required.

Additional information for bidders

36. The Community Housing Fund prospectus sets out contact details for organisations who have any questions relating to the Fund and how to bid or to discuss particular scheme proposals. In addition it provides links to other information for groups interested in developing community-led housing.
37. Further information for groups interested in developing community-led housing is available in the HACT* Community-Led Housing Toolkit - <https://clhtoolkit.org/>

Chapter 4: Assessment criteria

38. Homes England will assess all bids received against the following key criteria:

- Value for money
- Deliverability
- Strategic fit

39. For bids for capital funding for housing under Phase Two, Homes England will carry out a quantitative assessment against value for money and deliverability with an even weighting of 50% against each criteria. Bids which achieve greater value for money and deliverability scores will rank higher than those which don't. In addition there will be a qualitative assessment of the bids strategic fit with the aims and priorities of the Fund. While this element of the assessment will not be scored it will be used to determine the bids suitable for funding.

Value for money

40. For capital bids for housing, value for money will be assessed primarily on the basis of grant per unit relative to other bids for community-led housing development, both within the Homes England operating area average and nationally. The assessment will also take account of the proportion of the funding applied for against the total estimated costs to complete the capital payment milestones (lower being better).

41. As with the other elements of the Fund, assessment of value for money would also take into account the proportion of the funding applied for against the total estimated scheme costs for the development works, and other funding that has been secured or applied for. In order to ensure the funding available supports as many projects as possible, Homes England will expect bidders to ask for the minimum level of funding required to support development of their proposals.

42. Bidders will be expected to demonstrate that they have taken full advantage of alternatives to central government funding. Alternatives funding sources may include cross-subsidy from market sales within the community-led housing development, favourable financing terms or donations in kind (such as land or property). The bidders funding contribution does not need to be fully in place at the time of applying for funding. Evidence should, however, be provided with the application to show that an appropriate fundraising strategy is in place.

43. As with the other elements of the Fund, it is anticipated there will be no pre-determined upper (or lower) limits on the costs applied for, or an average Homes England funding required which would automatically rule out any individual bids, but benchmarking will be used to identify outliers. Where outliers are identified, the reasons for those outliers will be tested through clarification with bidders. If satisfactory evidence to support an outlier is not provided, the bid would be unlikely to be approved.

Deliverability

44. Funding for the Community Housing Fund will run until 31st March 2020. Priority will be giving to proposals that are best able to deliver during this period. In order to help

ensure that schemes are deliverable within the programme timeframe new bids will not be accepted beyond 31st December 2019.

45. Assessment of deliverability will take account of: the degree of support from the local authority; the availability of a suitable site; planning status (e.g. planning permission); and the degree of engagement by the local community. Projects which have progressed furthest towards the development phase are likely to be able to make the strongest case for funding on deliverability grounds.
46. The assessment of bids will also take account of the capacity of the group to deliver the project. Projects which have progressed furthest towards the development phase are likely to be able to make the strongest case for funding on deliverability grounds.

Strategic fit

47. Assessment will take account of the extent to which the proposed scheme or activity is likely to contribute to the aims of the Fund (as outlined throughout this document and the Prospectus).
48. In order to ensure that the schemes supported by the Fund are genuinely community-led, applications will be assessed on the level of community involvement and support shown throughout the development process. Applications which can show higher levels of community involvement and support will be more likely to receive funding than a similar proposal with little evidence of support.
49. We expect the close collaboration of the community to lead to community-led housing delivering important additional benefits in respect of the quality of design and innovative construction technologies, tenures or approaches to funding. In the event that applications exceed the available funds, proposals will be assessed for their relative performance against these characteristics. Their performance against these characteristics may therefore be decisive in the award of grant.

Chapter 5: Contracting

50. Where we intend to make an allocation we will conduct a due diligence check with reference to Homes England's Know Your Customer (KYC) policy. This is necessary to assure ourselves of the applicant's viability and discharge our responsibilities in relation to fraud and money laundering prior to contract (see para 64 of the main prospectus).
51. Successful bidders will be required to enter into a standard form of contract with Homes England for the delivery of Community Housing Fund schemes. Contracts may vary marginally to take account of specific delivery arrangements, or the specific organisational type, but will not depart significantly from the standard form.

Chapter 6: Payment of grant

52. All successful applicants to the Community Housing Fund will be required to enter into a legally binding funding agreement with Homes England before any payment can be made. The form of funding agreement used may vary to take account of the organisation type and whether the grant provided
53. Payments under Phase Two of the Fund will be made on a scheme-by- scheme basis. Funding will be paid out in stages after specified milestones have been achieved.
54. For Registered Providers, funding will be paid 40% at site acquisition; 35% at start on site; 15% at internal fit out and 10% upon practical completion. For unregistered bodies the organisation may choose between (i) receiving 100% of the funding at practical completion of the scheme or (ii) receiving funding as per the milestones set out for Registered Providers above, subject to one of the following forms of security being accepted by Homes England - a first Fixed Charge over land, a Guarantee or a Performance Bond - each to at least the value of the funds advanced. Acceptance would be subject to Homes England's satisfaction with the security being offered and the organisation's individual circumstances.
55. A table showing the milestone stages and the percentage of grant paid at each milestone is set out below:

Milestone	Milestone requirements / definition	Registered Providers and unregistered organisations (with acceptable	Unregistered organisations (without security)
Site acquisition	To claim grant for the acquisition of land, applicants must have an unconditional secure legal interest in the land (freehold or long leasehold). Applicants cannot claim grant in advance of need	40%	n/a
Start on site	Triggered by the date when: <ul style="list-style-type: none"> • The provider and the building contractor have entered in to a building contract • The building contractor takes possession of the site or property • The works have commenced 	35%	n/a

Internal fit out	Triggered by the date when the internal fit-out of the homes has been completed. This includes (but is not limited to) installation of ceilings, floors, furnishings, and partitions of the building, as well as the installation of all required building services	15%	n/a
Practical completion	Triggered by the date when all homes on the scheme have been completed in accordance with the terms of the relevant building contract and the terms of the Community Housing Fund funding agreement as being fit for occupation as a residential development, in accordance with NHBC requirements.	10%	100%

56. Further details on payment milestones can be found in the Capital Funding Guide Programme Management chapter - <https://www.gov.uk/guidance/capital-funding-guide/6-programme-management>.

Examples of tenures - Phase Two

1. Examples of tenures which groups may wish to consider in developing their proposals are provided below. This list is not exhaustive and is provided for illustrative purposes only. Homes England may consider alternative tenures where these will meet the priorities and requirements of the Fund, including compatibility with requirements in respect of state aid.

Rental products:

Affordable Rent

2. Homes for Affordable Rent are made available at a rent level of up to 80% of gross market rents including service charge. Affordable Rent housing is let by Registered providers of social housing to households who are eligible for social rented housing.
3. Registered providers offering properties let at an Affordable Rent need to ensure that they comply with the social housing regulator's tenancy standard. This includes an expectation that tenancies should be for a minimum of 5 years. Providers also have the flexibility to offer longer tenancies, including lifetime tenancies, where more appropriate for the needs and circumstances of the prospective tenant. Allocations and nominations processes for Affordable Rent homes funded through this programme should mirror local authorities' and registered providers' existing frameworks, or other appropriate local lettings plans.
4. More detail on the Affordable Rent product is available from the Affordable Housing Capital Funding Guide at <https://www.gov.uk/guidance/capital-funding-guide/4-housing-for-rent>.

Social Rent

5. Social Rent is a low cost rental product which is determined through the national rent regime. Rents should be set at levels that in accordance with the rent component of the Social Housing Regulator's tenancy standard - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/725828/Tenancy_Standard_2015.pdf.
6. Homes for Social Rent funded under the Community Housing Fund must be let under the terms of the tenancy and rent setting arrangements set out in Homes England's Capital Funding Guide. Rent levels should be calculated according to a formula based on relative property values and relative local earnings - <https://www.gov.uk/guidance/capital-funding-guide/4-housing-for-rent>.
7. Social rents are calculated using the formula and data set out in the Ministry of Housing, Communities and Local Government's Guidance on Rent for Social Housing (for local authorities), and in The Regulatory Framework for Social Housing in England from 1 April 2015 - and the Rent Standard (including the Rent Standard Guidance) in The Regulatory Framework for Social Housing in England from 1 April 2015 for private registered providers.

Affordable home ownership products:

Shared ownership

8. Shared ownership is an affordable home ownership product that is designed to help people who are in housing need and who cannot otherwise afford to purchase without assistance. Through shared ownership the purchaser buys a share of the property on a leasehold basis and pays a low rent on the unsold share, typically not more than 2.75% of the value of the unsold share. Rent on the unsold share is paid to the freeholder, who is the grant applicant organisation.
9. Initial shares can start at 25% and rise to an initial maximum purchase of 75%. Shared owners have the ability to 'staircase' - the process of obtaining further shares in 10% increments - until they are the outright owners of the property. The rent payable on the unsold share is reduced in accordance to the percentage of the additional shares purchased. (Note: for properties developed on rural exception sites the maximum level of equity that can be purchased is restricted to 80%).
10. More information on shared ownership can be found in the HCA's Affordable Housing Capital Funding Guide at <https://www.gov.uk/guidance/capital-funding-guide/1-help-to-buy-shared-ownership> .

Rent to Buy

11. Rent to Buy homes are let to working households at an intermediate rent to give them the opportunity to save for a deposit to buy their first home.
12. The homes will be offered at an intermediate rent for a minimum of 5 years. The key requirements of the rent and rental period are listed below and further detail is available in the [Capital Funding Guide](#):
 - (i) Tenants must be working at the time of letting and have not previously owned their own home. Rent to Buy homes are not subject to local authority nominations.
 - (ii) Landlords are expected to let the properties on assured short-hold tenancies for a fixed term of less than 2 years.
 - (iii) If after the initial 5 years of letting the landlord wishes to sell the property the existing tenants should have a right of first refusal.
 - (iv) If at any point after the initial 5 years of letting the tenants submit a request to buy their home we would expect the landlord to agree to sell it except in the most exceptional circumstances.
 - (v) If the tenants do not exercise the choice to purchase, the provider can retain the property as rented housing (at either affordable or market rate rent) or sell it on the open market.
13. Where, after 5 years, the home is sold or moved to a market rent, the grant paid (and any applicable uplift in value) will be recovered from or recycled by the provider (details are set out in the [Capital Funding Guide](#)).