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**REPORT TO:** Cabinet Member (Housing and Safer Communities)

**DATE:** 24 January 2023

**SERVICE AREAS:** Housing and Property

**REPORTING OFFICER:** Head of Housing and Property  
*(Sarah Close, Housing Growth Officer - Development)*

**SUBJECT:** **Community Housing Fund – Grant Application by Peacock and Verity Community Spaces**

**WARDS AFFECTED:** Masham

**FORWARD PLAN REF:** N/A

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## **1.0 PURPOSE OF REPORT**

1.1 To seek approval to allocate £150,000 of Community Housing Fund (CHF) monies to Peacock and Verity Community Spaces (P&VCS) in accordance with the bid application attached at Exempt Appendix A. This will provide P&VCS as Community Housing Trust (CHT) with funds towards the refurbishment of 15 Silver Street, Masham in order to deliver Community Led Housing (CLH). The remainder of the funding for the refurbishment will come from Karbon (one of the council's Registered Provider partners), Homes England and National Lottery Heritage Funding. A bid for CLH funds towards the cost of the purchase of the building was approved by Cabinet Member at the meeting of 15 September 2022.

## **2.0 RECOMMENDATION**

2.1 That, subject to legal safeguards set out herein, and completion of the purchase of the building by P&VCS, the sum of £150,000 be allocated from the Community Housing Fund to Peacock and Verity Community Spaces as part funding for the refurbishment costs of 15 Silver Street, Masham for Community Led Housing.

### **3.0 RECOMMENDED REASONS FOR DECISION**

- 3.1 It is important that the council support communities that want to provide affordable housing to meet the needs of local people. Funding of £585,832 was allocated to the council in 2017 as part of a nationwide initiative specifically to meet this objective through the establishment of Community Housing Trusts (CHTs). There is £150,000 left of the CHF allocation and if this application is approved, all grant will have been spent on schemes in Harrogate District.
- 3.2 Progressing CLH is a slow process. There is interest from a number of groups, but only Masham and Knaresborough CHTs have reached the advanced stage of property/site identification and acquisition. P&VCS has secured full planning permission to carry out significant works to a building in Masham, including the creation of a Heritage Centre, café, shop and Post Office on the ground floor and four affordable apartments above. CHF grant will be awarded on the basis that it will contribute towards the affordable housing element only. Revenue support and significant officer time has been committed to this project over the past three years.
- 3.3 Allocation of CLH grant monies towards the refurbishment of the building will 'lever in' funding for the commercial, heritage and retail elements of the refurbishment and conversion project.

### **4.0 ALTERNATIVE OPTIONS CONSIDERED AND RECOMMENDED FOR REJECTION**

- 4.1 Not to support the grant application. This would result in a significant gap in funding for the refurbishment of the building and mean the project may fail, as other key funders may then withdraw from the project. The council has already provided grant to the group to help part purchase the building with Karbon. Whilst CLH is driven by the community (often volunteers), P&VCS, Karbon and council officers have worked together on proposals, including formal constitution of the CHT, extensive local consultation, submission of a planning application and grant applications. Planning permission was granted in June 2021 (see Appendix B - Design Statement).

## **THE REPORT**

### **5.0 Community Housing Fund (CHF)**

- 5.1 On 26 July 2017, Cabinet delegated approval of individual bids to the CHF to Cabinet Member (Housing and Safer Communities) in consultation with the Head of Housing and Property.
- 5.2 The fund is intended to promote CLH in the district, i.e. affordable homes developed by local communities for local communities. It should help local people play a leading and lasting role in solving local housing problems, creating genuinely affordable homes and strong communities in ways that are difficult to achieve through mainstream housing.

One of the features of the CHF is that it is extremely flexible. It is possible to spend the funds on a wide range of actions both capital and revenue. Funds can be used to progress CLH in both rural and urban areas.

5.3

5.4 The council has supported the following with the CHF:  
Funding of legal advice to 6 groups  
Formal constitution of 4 community groups  
Project progression, advice and funding towards land/property for 6 groups  
Pipeline delivery of:

1x3 bedroom (former long term empty property) at Knaresborough  
2x1 bed bungalows (former council garage site) at Knaresborough  
4x1 bed apartments (Silver Street, Masham)

5.5 Over the course of the CHF programme, introductions have been made and relationships formed between community groups and RPs which will see partnership working continue and additional affordable homes delivered. The council's Housing Growth Officer (CLH) will also continue to support these groups (and new ones) through advice and links with other funding providers, to assist communities to provide affordable housing in their local area.

### **Peacock and Verity Community Spaces (P&VCS)**

5.6 P&VCS is a Community Benefit Society, formed in Masham to progress a scheme at 15 Silver Street. A previous report was approved by Cabinet Member at the meeting of 15th September 2022 to allocate £72,000 of funding from the CHF towards the purchase of the building in partnership with Karbon. The purchase is progressing with exchange of contracts and completion expected imminently.

5.7 The group's vision is to re-develop the building to provide a retail "no plastic" grocery shop, tearoom and heritage centre to the rear of the building where the old ovens are still in situ. It is also intended that the building houses a Post Office counter. The upper two floors will be converted into 4no.one bedroom affordable apartments (see Exempt Appendix C - Business Plan)

5.8 There has been significant public consultation and community engagement with the project over the past three years.

### **The Silver Street Proposal and Delivery Mechanism**

5.9 P&VCS and Karbon are in the process of purchasing the building and exchange of contracts and completion is expected imminently. The group now seeks further CLH funding to assist with the Phase 1 of the redevelopment, which includes works to make safe the core of the building as well as the housing element.

5.10 P&VCS is working with Karbon, who, as a Strategic Partner of Homes England, will access Homes England grant for the acquisition of the completed apartments from

P&VCS on a 125-year lease. Karbon will pay a lease premium to P&VCS for the completed apartments.

- 5.11 P&VCS have successfully secured funding of £71,850 in Round One Development Phase Funding from the National Lottery Heritage Fund (See Exempt Appendix D for NLHF Grant Notification Letter). This money will also go towards progressing the scheme, making the building safe and carrying out more intrusive survey works.
- 5.12 Phase 2 will comprise works to the retail, café and heritage spaces. This work will not be funded by the CHF. Once the project is complete, P&VCS will purchase the building from Karbon at the original purchase price, minus its original investment of £72,000 CHF. There are options for this to happen at years two and five. Karbon will then purchase the lease and then manage and maintain the apartments for the duration of the lease. P&VCS will have their own local lettings policy, and are currently working with Karbon and Harrogate BC on this.

### **Exit Strategy**

- 5.13 The award of £150,000 CLH grant to P&VCS will enable the redevelopment of the upper floors into four affordable units and complete the residential element of the project. Further funding, to complete the heritage and commercial aspects of the project, is being sought from the following agencies:
  - National Lottery Heritage Fund Development Phase 2 (Phase 1 funding has already been awarded; the scheme scoring highest at the NLHF Panel of all schemes submitted).
  - National Lottery Reaching Communities
  - Community Ownership Fund
  - Skills/Local and Small Funders
  - Guilds- Interpretation RIBA4-7

Exempt Appendix E provides the Detailed Cost Plan.

Exempt Appendix C (Page 37 of the Business Plan) shows the funding amounts being sought from the above agencies.

- 5.14 Should P&VCS be unable to complete the project for whatever reason, there are a number of options involving retention of the building by Karbon, or its sale. If the latter, the building is likely to be offered to another of the council's RP partners (including the council) in the first instance, thereby ensuring that the apartments are delivered as affordable homes.
- 5.15 Failing that, and in compliance with the section 106 agreement (or any variation to it) to secure the affordable housing provisions, the building will be offered for sale on the open market. Should this be the outcome, any Homes England grant allocated to the project will be 'recycled' by Karbon into alternative affordable housing provision. This is in accordance with Homes England grant conditions and meets the NPPF definition for affordable housing, which requires that affordable housing subsidy be recycled in this way in the event of market sale.

- 5.16 Ultimately, if the project fails to complete and sale of the property on the open market (in accordance with any section 106 obligations in force at that time) is required, it is proposed that CHF grant be recycled in the same way. This will be subject to council approval at that stage. In the meantime, scheme progress will be closely monitored through regular and ongoing meetings between council officers, P&VCS and Karbon. This includes officer attendance at P&VCS Board meetings.

## **6.0 REQUIRED ASSESSMENTS AND IMPLICATIONS**

- 6.1 The following were considered: Financial Implications; Human Resources Implications; Legal Implications; ICT Implications; Strategic Property/Asset Management Considerations; Risk Assessment; Equality and Diversity (the Public Sector Equality Duty and impact upon people with protected characteristics). If applicable, the outcomes of any consultations, assessments, considerations and implications considered necessary during preparation of this report are detailed below.

### **Financial Implications**

- 6.2 In March and April 2017, the council received a total of £585,832 of CHF grant from MHCLG (now DHLUC) in order to support community-led housing initiatives. This funding was placed in a ring-fenced reserve. To date £263,832.00 has been spent, with another £172,000.00 already committed/approved by Cabinet Member (Housing and Safer Communities) at the meeting on 15<sup>th</sup> September 2022. £100,000 to Knaresborough Community Land Trust and £72,000 to Peacock and Verity Community Spaces. This leaves a balance of £150,000 to fund the next stage of this project. This completes spend of CLH monies allocated to the council in 2017.

### **Legal Implications**

- 6.3 This transaction will require ongoing legal advice and the appropriate drafting of the grant conditions, including the allocations policy that will apply to the affordable homes.

## **7.0 Legal Safeguards**

Prior to the award of the grant to P&VCS the following conditions are to be complied with to the satisfaction of the HBC's legal department :-

- i) the provision of suitable evidence of ownership of the freehold interest in the building to HBC in a form determined by the council, along with a copy of any development agreement relating to the development of affordable housing. The evidence must not reveal any matters which prevent or hinder the use of the building (or the relevant part of it) as affordable housing.

- ii) the completion of a section 106 agreement by the P&VCS (and any other person or body with a legal interest in the building, such as a co-owner or mortgagee) and HBC in a form determined by the council in order to secure the use of the relevant part of the property as affordable housing.
- iii) P&VCS to agree terms and conditions relating to the award of the grant and its potential repayment in a form determined by HBC legal department.
- iv) the proprietors of the building providing adequate security for the performance of the grant conditions by a legal charge and/or a restriction registered against the title to the building (to be determined by HBC legal department).

## **CONCLUSION**

- 8.1 The award of grant to P&VCS will provide the community group with the funds to help refurbish this prominent building at Silver Street, Masham. It will deliver four affordable apartments as part of a much wider project that has been a number of years in the making and that will significantly benefit both the local community and the local economy.
- 8.2 It is considered that, subject to the necessary legal safeguards and grant conditions, approval of the grant application is the most advantageous option for both the council and the local community. It is strongly supported by officers.

**OFFICER CONTACT:** Please contact Sarah Close, Housing Growth Officer, if you require any further information on the contents of this report. The officer can be contacted at by email at [sarah.close@harrogate.gov.uk](mailto:sarah.close@harrogate.gov.uk)