

CHAPTER 9

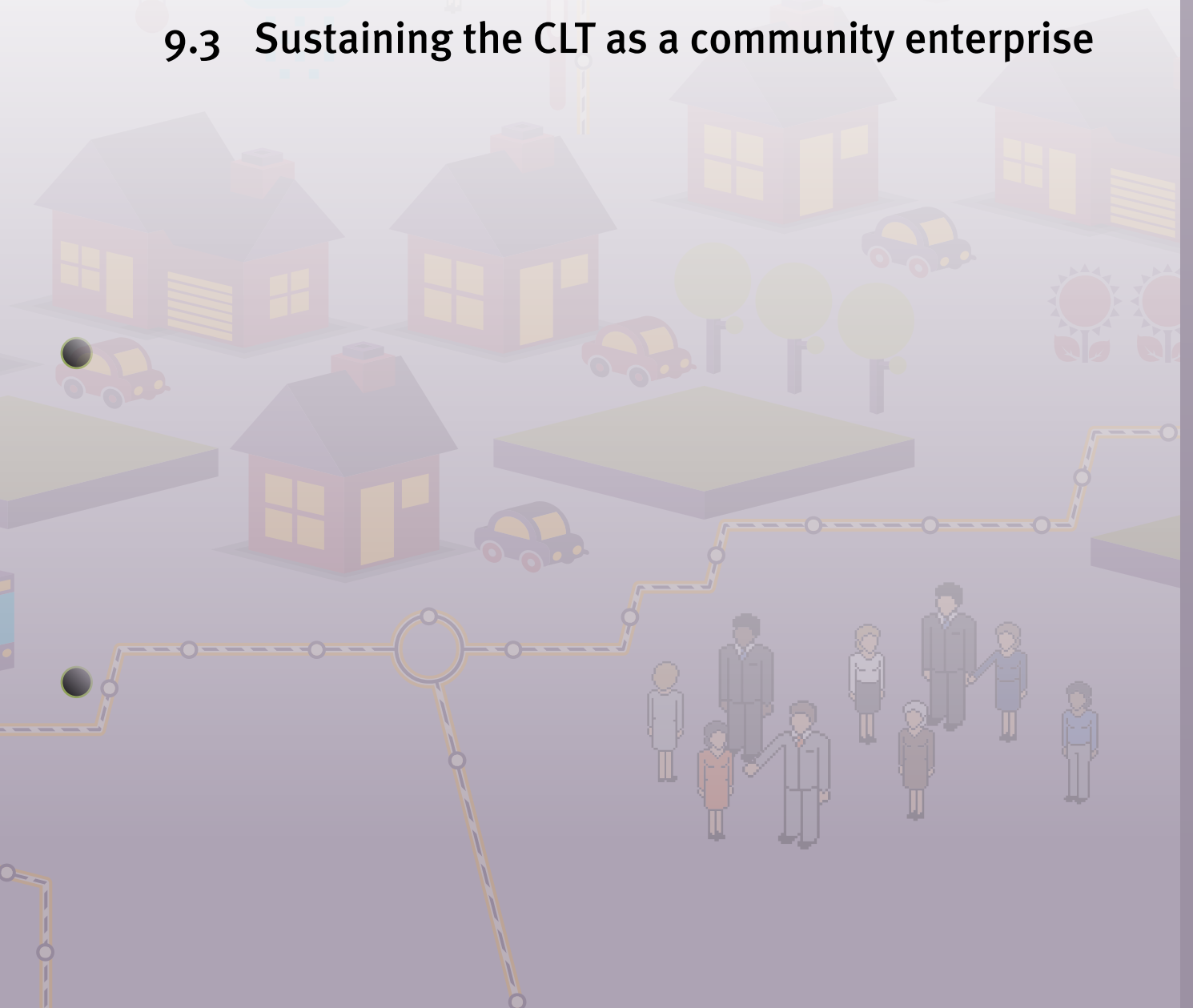
● Stewardship, management and community involvement

9.1 Maintenance and management arrangements

CASE STUDY Leveshulme Inspire CIC

● 9.2 Communicating with residents and applicants

9.3 Sustaining the CLT as a community enterprise



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

Stephanie Riley, resident of West Rhyl CLT

9.1 Maintenance & management arrangements

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

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

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

Rental homes

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

Maintenance is usually considered to comprise three elements:

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

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

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

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

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

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

Tenancy agreements

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

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



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

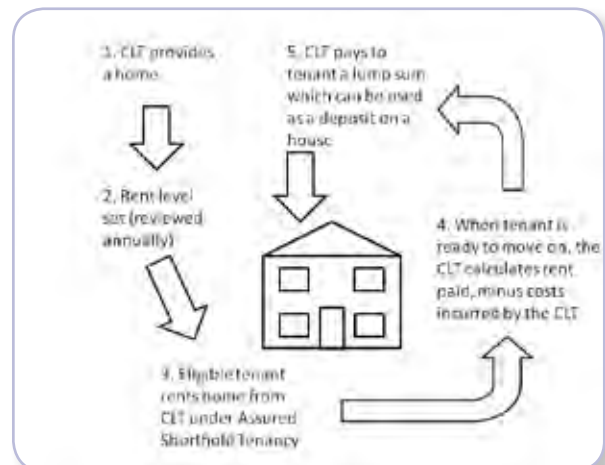
Where properties are funded by the Homes and Communities Agency, it will normally be expected that tenants will receive an assured tenancy that either is full periodic or has a fixed term of at least five years. In either case the tenancy may be preceded by a twelve-month probationary phase. Tenancies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

Tenancy Plus

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

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

Affordable Housing: Tenancy Plus



Two further steps can also be taken:

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

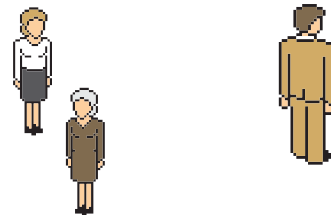
Managing non-housing elements

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

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

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

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



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

CASE STUDY

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

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

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

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

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

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



9.2 Communicating with residents and applicants

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

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

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

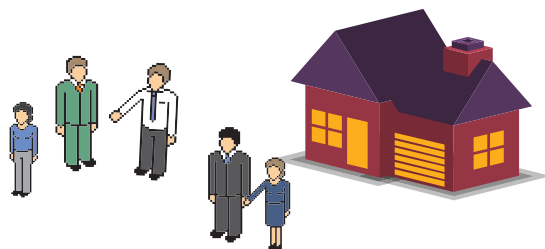
A briefly stated strategy would help to deal with these issues covering:

- Annual reporting to residents and the community
- Opening membership and securing a wider membership base beyond the Board
- Creating a place on the Board for an elected residents' representative (or having a resident as an observer)

- Reduced frequency of meetings if appropriate
- Recruiting particular skills to the Board; and sharing the work of running the CLT between a number of people
- Maintaining a list of those in need of affordable homes
- Considering meeting other community needs besides affordable housing
- Potentially some sort of annual community event (which might be a CLT barbecue but could just involve attending the parish council meeting to present a report)

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

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



9.3 Sustaining the CLT as a community enterprise

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

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

At this stage it is important to ensure that:

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

the possibility of incurring unexpected costs which cannot be recovered;

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

