



## **Governance and Finance Standard**

### **for Community Led Housing (CLH) organisations**

#### **Introduction**

The BCC Governance and Finance Standard for Community Led Housing (CLH) organisations sets out the Council's requirements to ensure that groups developing and owning CLH housing that has been funded through provision of BCC land and/or grant funding, adhere to appropriate standards of Governance, financial probity and risk management. This is to protect the Council and residents from any detriment to the future resilience of the CLH organisation and ensure that it is fit to manage and maintain social housing. The BCC Standard is particularly important in cases where the CLH organisation is not a Registered Provider (RP), or is not working in partnership with a RP. Registered Providers are required to comply with the Regulatory Framework for Social Housing. In cases where a RP is involved in funding, providing and/or managing the housing, working in partnership with a CLH group, the CLH group will still be required to sign up to the BCC Standard and this will be referenced in any lease or grant agreements with BCC. Further Guidance on meeting the Standard is available at [Community led housing - bristol.gov.uk](https://www.bristol.gov.uk/community-led-housing)

#### **1.1 Governance**

Community Led Housing (CLH) organisations shall ensure effective governance arrangements suited to their legally constituted form, that deliver their aims, objectives and intended outcomes for residents/tenants and potential residents/tenants in an effective, transparent, accountable and lawful manner. Governance arrangements shall ensure CLH organisations:

- (a) adhere to all applicable law;
- (b) comply with their governing documents and relevant regulatory requirements;

- (c) are accountable to tenants, funders and relevant stakeholders including Bristol City Council (BCC);
- (d) safeguard taxpayers' interests and the reputation of the CLH sector;
- (e) have an effective risk management and internal controls assurance process in place and review and update the process as required by law or good practice; and
- (f) protect social housing assets. As social housing is a long term asset, normally funded by long-term debt, CLH organisations need to maintain a long-term perspective on managing risk and ensure that their decisions do not put short-term gains ahead of the long term sustainability of the business and the security of their social housing assets.

## **1.2 Financial viability**

CLH organisations shall manage their resources effectively to ensure their viability is maintained while ensuring that social housing assets are not put at undue risk, including, but not limited to, observance of proper accounting practice and seeking appropriate financial advice when necessary.

## **2. Specific expectations applicable to all CLH organisations**

- 2.1 CLH organisations shall adopt and comply with an appropriate code of governance. Governance arrangements should establish and maintain clear roles, responsibilities and accountabilities for the governing body and paid/voluntary staff and ensure appropriate probity arrangements are in place. The reasons for any areas of non-compliance with the relevant code of governance for their organisation should be explained. CLH organisations should assess the effectiveness of their governance arrangements at least once a year, or in the event of any occurrence which calls such governance arrangements into question.
- 2.2 CLH organisations shall ensure that they manage their affairs with an appropriate degree of skill, independence, diligence, effectiveness, prudence and foresight.
- 2.3 CLH organisations shall ensure that they have appropriate, robust and prudent business planning, risk and control procedures in place.

2.4. The procedures shall be approved by the CLH organisation's governing body and its effectiveness in achieving the required outcomes shall be reviewed at least once a year.

The procedures shall ensure:

(a) there is access to sufficient financial liquidity so as to enable the objectives of the CLH organisation to be fulfilled, at all times;

(b) financial forecasts are based on appropriate and reasonable assumptions;

(c) effective systems are in place to monitor and accurately report delivery of the CLH organisation's plans;

(d) the financial and other implications of risks to the delivery of plans are properly considered, where necessary by specialist parties;

(e) CLH organisations monitor, report on and comply with their funders' covenants and requirements.

2.5 In addition to the above CLH organisations shall assess, manage and where appropriate address risks to ensure their long-term viability, including ensuring that social housing assets are protected. CLH organisations shall do so by:

(a) maintaining a thorough, accurate and up to date record of their assets and liabilities and particularly those liabilities that may have recourse to social housing assets;

(b) carrying out detailed and robust stress testing against identified risks and combinations of risks across a range of relevant scenarios and putting appropriate mitigation strategies in place as a result;

(c) before taking on new liabilities, ensuring that they understand and manage the likely impact on current and future business and regulatory compliance;

(a) act in a transparent manner, including the provision to BCC of such financial or other information as may be reasonably required by BCC.

2.6 CLH organisations shall ensure that any arrangements they enter into do not inappropriately advance the interests of third parties, or bring the reputation of BCC into question or disrepute.

- 2.7 CLH organisations shall undertake any necessary training and engage professional support to ensure they are equipped to comply with the BCC Governance and Finance Standard and shall assess their compliance with the Governance and Finance Standard at least once a year.
- 2.8 CLH organisations' governing bodies shall certify in their annual accounts their compliance with this Governance and Finance Standard.
- 2.9 Where CLH organisations are in receipt of BCC housing grant and/or developing on land on long lease from BCC they shall certify to BCC their compliance with this Governance and Finance Standard annually.

### **3. Equality and Diversity**

- 3.1 CLH organisations will operate and monitor an equalities and diversity policy and programme in relation to their employees, service users, volunteers, tenants/residents and trustees consistent with current equalities law and the City Council's Equalities Policy.
- 3.2 CLH organisations will provide information and training on the policy to employees, volunteers and trustees and will provide information on the policy to tenants/residents.
- 3.3 The policy should cover all 'protected characteristics' as set out in the Equality Act 2010.

### **4. Value for Money**

#### **4.1 CLH organisations must:**

- a. Adopt and clearly articulate their strategic objectives as follows.
- b. Through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs.
- c. Have an approach agreed by their governing body to achieving value for money in meeting these objectives to ensure that optimal benefit is derived from resources and assets in the delivery of their strategic objectives.
- d. Articulate and demonstrate how they meet their strategic objectives for delivering social value and maintaining and fulfilling such social value objectives

## **5. Rents and affordability**

### **5.1 CLH organisations must**

a. Have a clear rent setting policy.

b. For affordable housing tenures adopt rent and income policies that are commensurate with the definition of Affordable Housing as set out in the latest National Planning Policy framework and BCC planning policy definitions.

c. This may include Social Rent as defined in the Governments Rent Policy Statement and no more than the relevant Local Housing Allowance rate at the letting of each tenancy. [Policy statement on rents for social housing publishing.service.gov.uk](https://www.gov.uk/policy-statement-rents-social-housing)

d. Or Affordable Rent defined as the maximum rent inclusive of service charge for a new tenant under a new tenancy will be no more than 80% of the market rent for the tenant's accommodation as set out in the Government's Rent Policy statement – see above and must be no more than the relevant Local Housing Allowance rate at the letting of each tenancy. Where adopting Affordable Rent or Social Rent tenures CLH organizations should follow any relevant statutory guidance on rent increases.

f. For tenures that do not fit the definition of Affordable Rent or Social Rent as set out in the NPPF, the CLH organisation's rent setting policy should set out the income level required to meet the rent and identify how this tenure contributes to meet housing need in Bristol.

g. Shared ownership should be offered for sale at an equity share and rent level that is affordable and in line with Help to Buy eligibility criteria where funding has been provided by Homes England.

h. Shared ownership leases should adhere to any requirements set out by funders and ensure adequate Mortgagee in Possession arrangements to satisfy lenders.

g. Shared equity products should be designed to be affordable and comply with relevant FCA regulations where relevant.

h. Shared ownership and other low-cost homeownership products should be designed to enable first and subsequent purchasers to access a range of affordable mortgage products.

i. CLH groups should engage with BCC in the design of shared ownership/shared equity products that sit outside of the Homes England funding requirements.

## **6. Reporting and Compliance**

6.1 CLH organisations that are in receipt of BCC Grant funding and/or are developing on land transferred from BCC at less than market consideration in accordance with the Local Government Act 1972: General Disposal Consent (England) 2003 will be required to submit a report to BCC annually (or on reasonable request from BCC) to confirm compliance with this Standard. BCC may seek additional information and will investigate, or commission relevant and qualified external parties to investigate, any apparent failures to adhere to the Standard. Serious failure to meet the Standard could result in BCC taking steps to ensure improvements are made to Governance arrangements or trigger activation of any step-in or clawback of funding rights set out in any lease or grant agreement with BCC.