



**Community
Led Homes**

Proposal for the Community Housing Fund

Submission to the Spending
Review

Sept 2021



DRAFT

1. Introduction

- 1.1. This proposal is submitted in the name of Community Led Homes, a partnership of four leading community led housing organisations: the Community Land Trust Network, the Confederation of Co-operative Housing, Locality, and the UK Cohousing Network. Taken together our memberships represent the vast majority of the community led housing sector. There are 173,225 existing community led homes in the UK.

- 1.2. Community Led Homes exists to make community led housing a mainstream housing option. We provide training and practical support to local groups, enablers, councils and developers. By bringing people together from the grassroots to those in power, communities can create the homes they want and need.

- 1.3. We propose that HM Treasury and MHCLG allocate £65 million over four years to the Community Housing Fund, aligning it with the Affordable Homes Programme 2021-26. This would be comprised of:
 - £43.5m of revenue funding for 'new entrant' projects to secure a site and planning permission.
 - £7.5m of capital for innovative forms of affordable housing.
 - £6m of revenue for local authorities to release public land, reform local plans and enable development.
 - £8m of revenue for Community Led Homes to complete the creation of a self-sustaining body of expertise in the housebuilding industry, including trained

advisers and enabler hubs.

- 1.4. This proposal would secure the delivery of over 12,000 homes in the pipeline, and continue to bring forward new schemes. It would also build on recent government investment to an effective and financially self-sustaining body of expertise within the house building industry to continue delivering community led housing.
- 1.5. This submission is also endorsed by:
 - Action for Communities in Rural England (ACRE)
 - The Almshouse Association
 - Citizens UK
 - CPRE, The Countryside Charity
 - Local Trust
 - The Nationwide Foundation
 - Placeshapers
 - Power to Change

2. Policy context

- 2.1. Since the Spring Budget on 16th March 2016 announced a £60m fund for community led housing, understood to be an annual commitment for four years, the Government has reiterated its support for the sector. For example:

“We will diversify the housing market, opening it up to smaller builders and those who embrace innovative and efficient methods... We are also supporting communities to take the lead in building their own homes in their areas.” - Fixing our broken housing market, 2017

“We will support community housing” - **Conservative Party manifesto, 2019**

“Housing built by community-led groups, including community land trusts and housing co-operatives, can deliver high quality affordable housing that cannot be delivered by the mainstream market.. We have supported community-led housebuilding through the Community Housing Fund and we will consider how best to maintain that support going

forward.” - **The charter for social housing residents, 2021**

- 2.2. The **Kruger report on Levelling up our communities**¹ commissioned by the Prime Minister recommended that community led housing “should be recognised as the future of social housing, both in rural and urban areas, and more enthusiastically backed by government.”
- 2.3. The **Bacon Review of Self and Custom Build**² recommended that “the Government should reignite the successful Community Housing Fund”, and “offer targeted funding to support the growth of Community-led Housing Hubs and consolidate support and responsibility for Community-led Housing into the proposed new Homes England Custom and Self-Build Housing Delivery Unit, with a boosted funding model”.
- 2.4. The Government’s **Building Better Building Beautiful Commission** noted in its final report³ that community led housing groups are “excellent at delivering places that people like and value” and recommended that “the government should continue to support community-led development [including] ongoing funding support for community housing projects, with a sensible long-term commitment, such as for the next five years”.
- 2.5. Community led housing is delivering on many of the Government’s priorities for housing and the aims for the Comprehensive Spending Review (CSR), as follows:

It delivers **additional supply** that is not available through the mainstream - community led housing groups are frequently able to overcome development constraints that would defeat or put off established housing providers and have access to sites previously unavailable or unattractive for development.⁴ A recent survey found that in 10% of cases community groups have developed

¹ <https://www.dannykruger.org.uk/new-social-covenant>

² <https://www.gov.uk/government/publications/independent-review-into-scaling-up-self-build-and-custom-housebuilding-report>

³ [Living with beauty: report of the Building Better, Building Beautiful Commission](#)

⁴ Capital Economics, September 2020, ‘Housing by the community, for the community: an assessment of the value for money of community led housing in England’, September 2020.
<https://www.communityledhomes.org.uk/sites/default/files/resources/files/2020-09/final-report-capital-economics-housing-community-community-sept-2020.pdf>

sites which local opposition had previously prevented.⁵ For example, RUSS will start on site this year to self-build 33 homes on a tight infill site in south east London with a recent £127k CHF grant;

It is giving deprived communities the means to **level themselves up** - analysis for the APPG for Left Behind Neighbourhoods found that community led housing is overrepresented in left behind neighbourhoods. Dinnington CLT is leading the regeneration of this former mining town in south Yorkshire off the back of a neighbourhood plan, starting with a 28 home scheme that got off the ground with a £30k CHF grant;

It is ready and able to support **local economic recovery** - there were 10,780 homes in live applications on Homes England's system following the closure of the Community Housing Fund in March 2020, and the pipeline has continued to grow in spite of funding uncertainty since. They are a vital source of contracts for local SME consultants and builders, saving local jobs in the construction industry. Many are developing on sites mainstream developers deem too challenging, especially in this current commercial environment, as proven by the recent study by Capital Economics;⁶ Leeds Community Homes are due to build 34 homes on a site turned down by other potential developers;

It is pioneering a **'gold standard' for the planning reforms**, building beautiful homes often based on local design codes - This is because the projects are community led and draw upon the ingenuity and creativity of local people. The Marmalade Lane cohousing project in Cambridge won multiple awards for its custom build and future-proof homes including the Royal Town Planning Institute's top award for Excellence in Planning to Create Economically Successful Places. We Can Make CLT in Bristol is densifying their 1930s suburb based on a design code created by local residents, with a £177k CHF grant;

⁵ Ibid.

⁶ Ibid.

It is **bringing ownership within reach** of more people and pioneering First Homes. For example, one of the first CLTs in Rock, Cornwall, pioneered First Homes 12 years ago, selling homes at 30% of open market value to local people with the discount locked in perpetuity. London CLT is currently on site building 11 homes for Discounted Market Sale on a small infill site in Lewisham having received £990k in revenue and capital grants from the CHF;

It is embracing innovation and **modern methods of construction** (MMCs) - Herstmonceux CLT is also using the latest MMC technology to make sure their 17 are built out in just 12 months, and got their project to planning permission with a £179k CHF grant. Bunker Housing Co-operative completed their first project on an infill site in East Brighton using a modular system and cross laminated timber structure in April 2020;

It is committed to building to **high environmental standards** - new research commissioned by the Community Land Trust Network indicates that CLH groups significantly exceed national minimum requirements⁷. Christow CLT was a pioneer of PassivHaus homes on Dartmoor National Park, Goodwin Development Trust has Hull's first code-5 social housing development which includes innovative features such as a communal rainwater harvesting tank and water recycling system, and Swaffham Prior CLT is installing a renewable district heating system for the entire village (which currently relies on oil).

- 2.6. Parliament has also supported the Government's policies towards the sector. For example the **House of Lords' Select Committee on the Rural Economy**⁸ urged "the Government to ensure that the funding provided through the Community Housing Fund is consolidated in the long term."
- 2.7. The Community Housing Fund prospectus noted that "the sector in the UK remains very small compared to many other countries in Europe and North America" and that "with the right kind of investment, this output could increase several fold over time to more closely

⁷ Forthcoming, October 2021

⁸ <https://www.parliament.uk/external/committees/lords-select/rural-economy/news/2019/report-publication/>

match that being achieved elsewhere.”

- 2.8. This Government has made considerable progress towards this aim.
- 2.9. Though short-lived, the 2018-20 programme (and 2019-23 in Greater London) has:
- Grown the potential pipeline of community led homes from an estimated 5,810 in 2017⁹ to over 23,000 today¹⁰, of which at least 12,000 could be delivered over the medium term.
 - Contributed to over half of local authorities in England now having policies and/or staff in place to support and enable community led housing.
 - Developed 26 local enabler hubs, trained and accredited over 100 professional advisers on a CIH recognised course and created a new website with a library of technical resources, improving the quality and consistency of advice and support given to communities.
- 2.10. There was twice as much demand for revenue funding as was budgeted.¹¹ Homes England's capital budget (Phase 2) was substantially underspent but this was to be expected given the insufficient time made available for schemes to progress to that stage. Indications are that the GLA's programme, which had a longer timescale, has fully allocated its revenue funding two years before closing, and will see the capital fully allocated or possibly oversubscribed.
- 2.11. Research by Dr Tom Archer and Catherine Harrington indicates that there is between £4.7 and £10.1m of demand for the £4m of revenue funding allocated in MHCLG's 2021-22 budget¹². That is, the subset of the overall pipeline which is at a sufficiently advanced stage and having the year to spend the grant. Many of these groups reached this milestone through investment from the CHF 2018-20 and support enabled through its sector

⁹ Unpublished analysis by Anna Kear, funded by Power to Change and the Nationwide Foundation.

¹⁰ Archer and Harrington (September 2021), Delivering the community led housing pipeline in England, accessed at: <https://www.communitylandtrusts.org.uk/news-and-events/new-research-on-delivering-the-clh-pipeline/>

¹¹ A response to an FOI submitted to Homes England and received in January 2020 confirmed that whilst £16m had been budgeted for pre-development revenue and local authority revenue, a total of £27m bids were received for pre-development revenue funding alone. Only £13m of the £16m budget was then allocated for pre-development revenue.

¹² Op cit Archer and Harrington

infrastructure grant. It would be a perverse if they could not proceed to the next milestone and get on site to build homes.

3. The value for money case for community led housing

- 3.1. In addition to the multiple benefits outlined above, recent research by Capital Economics¹³ demonstrates that community led housing delivers high value for money for the public funds invested. This is due to the additionality of the supply, the affordability of the homes and the wellbeing benefits.
- 3.2. In particular, Capital Economics found that, when using a ten-year horizon each pound of public support delivers 1.8 pounds of benefit, rising to 2.7 pounds when health and benefit savings, wellbeing and income distribution benefits are factored in. This places community led housing support in the medium to high value for money categories.
- 3.3. They also suggest that, given the long-lived nature of housing as an asset and legal clauses that ensure community led homes remain affordable in perpetuity, a longer timeframe for assessment is more appropriate. Over thirty years, each pound of public support delivers 3.1 pounds of benefit when health and benefit savings, wellbeing and income distribution benefits are allowed for. This places community led housing further into the high value for money category.

¹³ Capital Economics 'Housing by the community, for the community: an assessment of the value for money of community led housing in England', September 2020.
<https://www.communityledhomes.org.uk/sites/default/files/resources/files/2020-09/final-report-capital-economics-housing-community-community-sept-2020.pdf>

Benefit Cost Ratios and value for money categories of public funding for community led housing

		10 year horizon	30 year horizon
Narrow	Benefit Cost Ratio	1.8	1.8
	Value for money category	Medium	Medium
Broad	Benefit Cost Ratio	2.7	3.1
	Value for money category	High	High

4. Design of Community Housing Fund

- 4.1. We would propose that the Government extend the Community Housing Fund along similar lines to its 2018-20 design. But we have proposed here some changes based on learning from the existing programme.
- 4.2. **£43.5m of revenue funding for projects**, including £2.5m of costs for administration. Research produced by Archer/Harrington this summer¹⁴ identified a significant gap in the financing options for communities before they have security in a site and planning permission. At these early stages access to funding is prohibitively expensive or not available at all for new market entrants and small community organisations. There is an ecosystem of funders and lenders able to meet some of this need, but there is a gap, and those other funders have told Archer/Harrington that the CHF increases their confidence and capacity to invest or provide grants to progress the pipeline.
- 4.3. In the existing programme this funding was split between Homes England and Community Led Homes, and between the Greater London Authority and CLH London. Outside London, learning from the 2018-20 programme suggests that groups were asked to apply to Homes England too early in their development, and that the system worked better in London whereby groups received revenue grants from the enabler hub up to the point that they secure the site. With a project developed to this stage, they are better able to

¹⁴ Archer and Harrington (September 2021), Delivering the community led housing pipeline in England, accessed at: <https://www.communitylandtrusts.org.uk/news-and-events/new-research-on-delivering-the-clh-pipeline/>

apply to Homes England or the GLA. This is similar to the Tenant Empowerment Grant programme for resident associations and TMOs.

- 4.4. We would therefore propose that the revenue funding is allocated so that Community Led Homes delivers a grant programme up to and including milestone 2, so that groups are legally incorporated, can become Registered Providers and/or Investment Partners if needed, they have a feasible project with a viability assessment and progress on securing the site, and an outline business plan to deliver the project. From milestone 3 onwards the funding for detailed work to achieve planning and building control consents and get on site could be managed by Homes England and the GLA, as before, or the entire revenue programme could be delivered by Community Led Homes.
- 4.5. **£7.5m of capital funding for non-standard affordable tenures.** While the majority of the pipeline of affordable homes will be eligible for the Affordable Homes Programme, Archer/Harrington's research identifies projects with at least 250 homes that are aiming to build forms of affordable housing which are not eligible. These are communities pioneering innovative approaches to affordability such as Discounted Market Sale and Mutual Home Ownership. The community led sector has been pioneering First Homes for over a decade, and the ability to innovate in this way is often a key motivation for communities and landowners.
- 4.6. This capital could be provided as a distinct stream within the Community Housing Fund, as in 2018-20. Or Homes England could be granted greater discretion to fund communities developing a range of innovative products through the Affordable Housing Programme.
- 4.7. In the Affordable Homes Programme 2021-26, Homes England has recognised that grant rates for rural and community led schemes may need to be higher. Abnormal costs associated with small sites and the lack of economies of scale drive up the cost per home. New market entrants also lack the low cost borrowing and cross-subsidy that established businesses and housing associations are able to bring from historic stock acquired at very low cost. Grant rates in any additional capital funding through the CHF should also reflect these factors.

- 4.8. Through the Affordable Homes Programme, Homes England recognises the ongoing importance of capital funding for the purchase and refurbishment of empty properties. Community led housing providers are leading the delivery of affordable homes through empty properties especially in neighbourhoods where housing associations and private sector developers are not keen to develop new homes. Research from Action for Empty Homes¹ demonstrates that empty properties are concentrated in lower value neighbourhoods with concentrations of poor quality private rented sector accommodation and low income economies. Creating new homes through empty properties in these neighbourhoods can meet housing needs, improve the quality of the local environment and contribute in a very tangible way to the levelling up agenda. The availability of grants for the purchase and repair of empty properties needs to be reflected in any additional funding through the CHF. It should also be given significant priority through Homes England's main programme.
- 4.9. **£6m of revenue for local authorities.** Since 2018, research by the Community Land Trust Network suggests that the number of local authorities actively supporting community led housing through land disposals, loans, grants and officer support has increased from one third to over half¹⁵. This is a result of both the work of the Community Led Homes partners in engaging with local government, and the significant impact of the Community Housing Fund grants provided directly to local authorities in 2016-17 and via Homes England in 2018-20.
- 4.10. For example, Bristol City Council received a £535,000 revenue grant for 2018-20. This enabled the council to engage CLH organisations in the city to establish a plan; fund an enabling officer and manager; support the establishment of the enabler hub for the West of England combined authority area; develop an asset disposal policy which included consideration of CLH, grounded in a social value framework, and to develop a social value calculator for each tender process; and bring a first phase of 11 site disposals through. This resulted in a dozen new projects bringing forward between 12 and 300 homes on each site.

¹⁵ <http://www.communitylandtrusts.org.uk/what-we-do/our-campaigns/winning-over-your-council>

- 4.11. **£8m of revenue for sector infrastructure.** In the prospectus for the 2018-20 programme, the Government's third stated aim was "to deliver a lasting legacy for the community-led housing sector in the form of an effective and financially self-sustaining body of expertise within the house building industry."
- 4.12. The Community Led Homes partners have been leading work on this for the sector as a whole since at least 2014. During that time, the partnership has delivered work worth £3.7 million, matched by investment of £1.7 million from Power to Change's programme and the MHCLG grant for 2018-20 of £6 million. An academic evaluation of Power to Change's programme has found this infrastructure significantly increasing the pipeline of homes in their areas while also developing supportive relationships with housing associations and other housing providers, and informing local authority and combined authority policy and practice¹⁶.
- 4.13. Research published by Power to Change in 2018¹⁷ suggested that local enabler hubs would need 5 years to become self-sustaining. Some only started in the 2018-20 programme and have had less than one year's funding. Some parts of the national infrastructure are already self-sustaining, such as the CIH recognised training and accreditation programme for advisers, but other parts need ongoing support. The grant requirement for this spending period is therefore based on a tapering profile for different activities, aiming to achieve the Government's aim of a self-sustaining body of expertise across most of England within the current spending period.
- 4.14. The Community Led Homes partners will adapt the programme design based on learning in recent years. For example, we intend to develop the National Advice Centre into a digital peer-learning service. It will facilitate community groups, advisors, hub staff and policy makers to identify and adopt good practice and innovation, reduce duplication and improve delivery. This will be based upon trials and tests from digital working by Community Led Homes' partners over the past 18 months and many service design

¹⁶ <https://www.powertochange.org.uk/research/homes-in-community-hands-year-2-evaluation-executive-summary/>

¹⁷ <https://www.powertochange.org.uk/research/9652/>

methods commonplace in public and private sectors.

- 4.15. To ensure this programme is successful, the Government should permit subsidy to affordable community led, self and custom build housing through the Subsidy Control Bill. This could be achieved either with a streamlined route or published scheme. Given that these projects are local in nature and targeted at local housing needs, there is no risk of causing distortive or harmful economic impacts to competition and investment throughout the UK. The existing EU State Aid regime created significant uncertainty and bureaucratic cost, and held back the development of the more ambitious projects with the CHF 2018-20 where revenue subsidy exceeded the de minimis allowances.