

# SUBMISSION TO SPENDING REVIEW

## FEBRUARY 2025

### INTRODUCTION

The Community Land Trust Network, the Confederation of Co-operative Housing and the UK Cohousing Network represent most of the community-led housing organisations in the UK, which own or manage approximately 170,000 homes and other assets.

Community led housing can help the government deliver on its commitments to build 1.5 million homes and to double the size of the UK's co-operative and mutuals sector. We are working with MHCLG officials to develop the approaches and actions to diversifying housebuilding in England and achieve these two aims. This spending review submission sets out the evidence in support of our sector, and the key considerations for the government's spending review.

Community-led housing in the UK remains very small compared to many other countries in Europe and North America, currently delivering only around 400-1,000 units per year in England – less than 1% of total housing output. With the right kind of investment, this output could increase several fold over time to more closely match that being achieved elsewhere.

Our proposals are not new, and community led housing has delivered at scale before.

- The Labour government of 1974 established a revenue and capital grant programme for housing co-operatives that ran until 1988, creating 15,000 homes. At its height, around 10% of the capital budget for social housing was allocated to co-operative housing.
- From 1988 the emphasis shifted to co-operative management of council and housing association homes, which created 50 management co-operatives with 1,500 homes and 200 tenant management organisations with 70,000 homes. The last Labour government attempted to widen tenant engagement with an annual £11m Community Training and Enabling Grant.
- From 2017 to 2021, recent governments made revenue and capital grants available through the Community Housing Fund which has supported the delivery of over 4,000 homes and stimulated a potential pipeline of over 23,000.

Nor are our proposals unusual, with many international examples of significant government intervention to promote cooperative and community-led approaches to housing. For example:

- In Switzerland, the government guarantees and provides additional security on bonds issued by a Bond Issuing Cooperative for co-operative housing, and there is a presumption in favour of the disposal of public assets to co-operatives.
- In Denmark, tenants living in apartment blocks with more than six flats have a legal right of first refusal to buy the block through a co-operative, and loans and grants for social housing and retrofit are made available to co-operatives. The Danish government paid the interest on loans to the co-operatives and cohousing schemes in the 1980s leading to substantial scale-up of building during the 1980s. Housing co-operatives and cohousing today make up about 8% of all homes in the country.
- In France, after legislating for the Community Land Trust model in 2018 city governments have established 57 CLTs through endowments, revenue subsidies in the early stages and disposal of surplus public land, bringing in privately financed developers to build the homes which CLTs then buy back.

## PROPOSALS FOR THE SPENDING REVIEW

### Industrial policy and the long term housing strategy

Although housebuilding was not identified as a key industry in its industrial policy *Invest 2035*, the government will not diversify the industry and raise output without approaching the task in the same vein. Market diversification requires the government to engage in a sustained collaboration between the public, community and private sectors to meet societal goals, or missions; providing a direction for growth, increasing business expectations about future growth areas and catalysing activity that otherwise would not happen; building institutional capacity; building structures and ways of working which allow for holistic policy solutions, that cut across departmental boundaries and are transformational in scope; creating stable and certain policy direction to allow business and delivery partners to plan and make long-term (investment) decisions, with less policy churn.

In the past decade governments have taken limited initiatives to try to stimulate more community-led housing, self and custom build, and SME housebuilding. But they have been piecemeal and stop-start, and have not done anything to substantially reform a high risk, high barrier environment which impedes the growth of these market subsectors.

We have been working with officials in MHCLG on a set of proposals for the government's long term housing plan. This could provide an industrial strategy of sorts. From this there follow four themes that should be reflected in the spending review.

#### 1. Improve access to and affordability of finance

One of the key barriers to growth for community led housing, and for smaller private builders, is the lack of suitable and affordable finance, particularly for the earlier pre-development project stages. As the housebuilding market has become more concentrated, lenders and government agencies have increasingly designed financial instruments around the needs of large established suppliers.

We support Homes England, the Greater London Authority and combined authorities having flexibility with consolidated grant and investment funds. But they must be given explicit requirements to further diversification of the housebuilding market with these funds, including reference to community led housing. We would propose they be given a target of investing at least 5% of funds in community led housing over the next spending review period. We estimate the last Affordable Homes Programme was already up to circa 3%, partly due to the Community Housing Fund generating pipeline, and that cities like Birmingham have set targets for 5% of housebuilding to be community led.

These requirements could then open the door to investment proposals. Some are already operating, for example Resonance's Community Developers Fund, and others are in development, for example a possible equity investment into a pre-development enabler to bring forward a pipeline of 1,000 community-led social rented homes in rural communities.

The instruction for a 5% target should be reflected in the Affordable Homes Programmes. The potential of community led housing in this programme would be maximised if Homes England, the GLA and combined authorities exercised greater flexibility around affordable housing tenures, the provision of community infrastructure such as common houses, and other innovations in the community sector. They should also encourage and incentivise other providers, particularly Strategic Partner housing associations, to partner with community-led providers, which would have a particular benefit in boosting rural affordable housing supply.

The government should also consider renewing the Community Housing Fund with a revenue grant of up to £50m. Many of the government's reforms to 'fix the foundations' of the housing market will take years to bear fruit. If the government is to achieve its target of 1.5 million homes in this Parliament it also needs to stimulate supply in the next few years. The Community Housing Fund has been shown (as noted below) to be an effective and value for money way to quickly stimulate additional housebuilding, particularly in areas such as rural communities and small urban infill sites unlikely to be developed by other sources of supply. A renewed Community Housing Fund, with £50m in revenue grants, could both aid the delivery of the existing pipeline of homes and continue to catalyse further supply.

## 2. Build institutional capacity and structures for community led housing

As noted, an effective industrial strategy would build the institutional capacity and ways of working to significantly increase the output of the community led housing sector. Due to market cycles and policy churn in the past decade, there is not an effective body of expertise and capability to develop community-led housing at a significant scale in the UK, as exists in other European countries.

As a consequence, the sector has only built homes in the high 100s per year through a diverse array of start-up SMEs and nascent industry partnerships. In countries where the sector builds tens of thousands of homes per year it is much more common for a small cadre of intermediary vehicles to deliver growth in partnership with the public and private sectors.

We assess that an investment of £10m over five years, in the context of a wider sustained collaboration and set of policy reforms, could develop the institutional capacity within the CLH sector and the ways of partnership working with the private and public sectors.

This would build on the impact of recent investment, including £4m of the Community Housing Fund which from 2019 to 2021 trained over 500 industry professionals and established a network of 28 enabling organisations across the country. Since 2022 we have established the CLH Growth Lab with support from the Laudes Foundation and Nationwide Foundation to develop and grow this intermediary capacity and their effectiveness. The growth lab aims to generate enterprises capable of taking significant investment from the likes of Homes England to deliver thousands of homes with, and for, communities. Each enterprise targets a different market need or opportunity, with pilots focused on areas like rural affordable housing, suburban intensification, urban public sector land disposals and declining high streets.

### 3. Reform planning and improve efficiency of land markets

The land and planning system, as they stand today, operate as a significant barrier for diversification of housebuilding, affecting community led providers particularly acutely.

The Chancellor has set out her intention for the Planning and Infrastructure Bill to streamline and speed up the process of determining application. This must tackle the complexity, cost, information requirements and length of the planning system, which the Competition and Markets Authority identified as the most significant barriers for SMEs. It can only be done by ensuring that important environmental, social and economic considerations are dealt with 'upstream' in strategic and spatial plans, rather than putting the burden and risk on each applicant. We do not support a watering down of standards.

The government must be bold in using existing levers to tackle the complexity, cost and delays in the planning system. These include National Development Management Policies (NDMPs), Local Development Orders and further reforms to the National Planning Policy Framework. There is a particular opportunity to maximise the potential of Community Led Exception Sites and Rural Exceptions Sites. With strong NDMPs and 'site passports' these could give communities the tools to bring forward ambitious projects that meet local needs at lower cost and with a simple, low risk way to establish the principle of sustainable development.

The government should also use initiatives such as the New Towns Taskforce and the land holdings of public bodies like Homes England to promote diversification including community-led housing. We recently brought together a cross-section of the housing industry, including FTSE250 and SME developers, land promoters, planners, designers, academics and government officials, at which there was a strong consensus on the necessity of community led development and ownership to create more successful new towns,

The English Devolution Bill will introduce a Community Right to Buy. This must include a revised definition of Asset of Community Value that accounts for economic and environmental interests, as well as social; and that covers land and buildings that could be used to further those interests in future with a change of use, as well as those assets with an existing community interest. This would help communities unlock derelict and underused land and buildings to develop new housing, workspace and other assets that will support economic growth and prosperity.

The English Devolution Bill should also introduce a presumption in favour of the disposal of public land to community and co-operative enterprises. This would keep public assets in the hands of democratic organisations with public interests. To ensure that public asset disposals target the government's priorities such as economic growth and the construction of new social housing, the bill should also modernise the legislation and general consent orders for local and combined authorities, Homes England and other public bodies to ensure 'best consideration' achieves the optimal use of public land, reflecting policy requirements such as those in the spatial plan and any set out by the Secretary of State.

## THE CASE FOR COMMUNITY LED HOUSING

### Likely effectiveness and value for money

- Previous iterations of the Community Housing Fund effectively grew the potential pipeline of homes from 6,800 to 23,000, with a robust pipeline of 11,828 homes identified by Dr Tom Archer and Catherine Harrington in 2021<sup>1</sup>.
- A review of the previous Community Housing Fund published in September 2024<sup>2</sup> has found that only 5% of the 206 projects in the study sample had failed, with 27% either completed or under construction and a majority of the remainder with a secure site and a planning consent.
- The review also found that the Community Housing Fund had been very effective in catalysing the supply of over 4,222 homes in those projects, of which 90% were affordable.
- A 2020 study by Capital Economics<sup>3</sup> 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.
- Many projects go on to obtain capital grants from Homes England or the GLA. The value of the revenue grant from the CHF is often, in effect, recovered in a lower capital grant requirement at this later stage. For example, Aster Homes calculated that on a development of 10 social rented homes its AHP requirement would be reduced by 64-100% of the value of the CHF grant, depending on how it is calculated. Aster, Homes England and local authorities in the South West believe that the CHF is highly effective in increasing Aster's reach in rural areas where they would be unlikely to develop without a CLT's leadership.

### Economic and sectoral impacts

- Community led housing provides additional housing supply, and in particular social/affordable rented homes which account for up to 75% of the pipeline. The sector is capable of reaching places others won't, for example - in Homes England's words - leading to a significant increase in social housebuilding in the rural South West, especially in protected landscapes; unlocking public land; and building on small, sensitive infill sites.
- The potential for community-led development has been recognised by ministers, by the Radix Housing Commission chaired by Kate Barker, and in recent years by the Bacon Review and the Building Better Building Beautiful Commission. A more diverse and competitive industry, with a greater focus on quality, will be essential to build 1.5 million homes in this Parliament.
- In the Capital Economics study, 6 in 10 projects were also providing non-housing amenities including renewable energy infrastructure, work space, shops, pubs and post offices with a direct benefit on local employment and economic activity; and other amenities such as community hubs, libraries and sports facilities. Together, these help communities to build wealth that is retained in the local area.

- In an evaluation of a complementary £5.1m Power to Change programme focused in the Tees Valley, Leeds city region, Liverpool city region, West Midlands and West of England, CRESR found that as much as a third of development expenditure was on non-residential assets; that most projects were also helping people to find employment or providing training to improve skills to employment; and concluded that failing to continue the Community Housing Fund would have a ripple effect on the viability of projects and so stymie these wider benefits in terms of economic growth, wellbeing, living standards, housing and pride in place.<sup>4</sup>
- A UWE literature review demonstrated how a range of Community Led Housing models support healthy ageing, increase social capital and social cohesion, improve physical health, meet additional support needs and tackle multiple disadvantages.<sup>5</sup> Several studies have found that Community Led Housing groups and schemes increase feelings of social cohesion and trust in communities,<sup>6</sup> and decrease the loneliness of residents and volunteers.<sup>7</sup>

#### Distributional and locational impacts

- Community led housing delivers housing for all income brackets, but mostly affordable housing, and of that mostly homes for social/affordable rent, so the sector primarily helps households on low incomes. A recent study by Dr Tom Archer, Ian Wilson and the Nationwide Foundation found that 9 in 10 community led homes - including those built by CLTs - cost no more than 35% of local household incomes<sup>8</sup>.
- Projects in the review of the Community Housing Fund were in every region of the UK, but were concentrated in regions with the greatest affordability pressures (London and the south) and in regions where the sector has been able to develop the most effective market infrastructure to facilitate delivery.
- A study of CLTs in 2023 found that CLTs were disproportionately present in two types of place: those with the greatest affordability pressures, or those that are the most deprived areas in each region<sup>9</sup>.

#### Environmental impact

- A 2021 study of a random sample of CLT projects found that they all met, and most significantly exceeded, local and national policy requirements for energy efficiency<sup>10</sup>, showing that community-led housing achieves high environmental standards and can help to develop regional supply chains for these technologies and techniques.
- Two other recent studies have found that community-led development promotes a circular approach to the built environment<sup>11</sup> and promotes sustainable lifestyles with lower carbon emissions<sup>12</sup>.

## Endnotes

1. [https://www.communitylandtrusts.org.uk/wp-content/uploads/2021/09/Delivering-the-Community-Led-Housing-Pipeline-in-England\\_Final-Copy.pdf](https://www.communitylandtrusts.org.uk/wp-content/uploads/2021/09/Delivering-the-Community-Led-Housing-Pipeline-in-England_Final-Copy.pdf)
2. <https://www.communitylandtrusts.org.uk/news-and-events/review-confirms-success-of-governments-community-housing-fund/>
3. <https://www.communitylandtrusts.org.uk/wp-content/uploads/2021/08/999-final-report-capital-economics-housing-by-the-community-for-the-community-sept-2020-2.pdf>
4. <https://icstudies.org.uk/repository/homes-community-hands-year-three-evaluation>
5. <https://www.uwe.ac.uk/research/centres-and-groups/spe/projects/community-led-housing>
6. <https://www.communityledhomes.org.uk/join-movement/more-housing>
7. <https://www.communitylandtrusts.org.uk/news-and-events/tackling-loneliness-by-design/>,  
<https://cwmpas.coop/what-we-do/policy-publications/clh-schemes-during-lockdown/>
8. <https://nationwidefoundation.org.uk/wp-content/uploads/2024/01/Affordability-of-Community-led-Homes-FINAL.pdf>
9. <https://www.communitylandtrusts.org.uk/wp-content/uploads/2023/03/State-of-the-Sector-2023-PRESS-1.pdf>
10. <https://www.communitylandtrusts.org.uk/wp-content/uploads/2021/11/Leading to Net Zero.pdf>
11. <https://www.circularbuildingscoalition.org/blueprint-projects/and-the-people-x-european-community-land-trust-network>
12. <https://www.consciousliving.com/research-sustainable-coliving-cohousing/>