

- Progress towards meeting the target of 20,000 low carbon social homes for rent; and the extent to which current and projected levels of social housebuilding are likely to meet housing need
- The challenges faced by social landlords in increasing supply
- How housing standards and decarbonisation affect the delivery of new social housing
- The opportunities and risks in increasing government borrowing and institutional investment
- How effectively the planning system is supporting social housebuilding
- How to improve the strategic management of public and private land for social housebuilding, including compulsory purchase
- The potential for increasing income from land value capture mechanisms to invest in social housing
- The Welsh construction sector's capacity to build new low-carbon social homes; the potential for acquisitions of existing homes and remodelling of existing buildings
- How local communities can be effectively engaged in social housing developments in their areas.

Inquiry into Social Housing Supply

Senedd Housing and Local Government Committee

Cwmpas is a development agency working for positive change. We are a co-operative, and our focus is on building a fairer, greener economy and a more equal society, where people and planet come first. The current economic system is failing to tackle the key challenges our communities face today, from climate change to economic hardship. It does not have to be this way. Established in 1982 as the Wales Co-operative Centre, at Cwmpas we have made it our mission to change the way our economy and society works.

Homes are the foundation of our lives. They are essential to our physical health, mental health, and wellbeing. Yet, the current housing system is failing many people who need it to provide them with a solid foundation. We do not have the right number of homes, the right type of homes or homes in the right places.

At Cwmpas, like other third sector partners, we believe that everyone has the right to adequate housing and our Communities Creating Homes programme, funded by the Welsh Government and the Nationwide Foundation, provides advice and support to community groups and organisations across Wales looking to develop their own affordable, low carbon community-led homes. Community-led housing (CLH) involves local people coming together, alongside key stakeholders, to decide what kind of homes and communities they want to live in. People with a shared vision come together and have an influential voice in

the delivery of affordable homes. It can play an essential role alongside councils, developers, and investors to create affordable homes which meet local community needs.

The Communities Creating Homes programme is currently supporting thirty-six community groups and organisations across Wales, with a pipeline to deliver 235 affordable homes of all tenures for people in need. Some groups are delivering affordable homes for themselves, like [Gwyr Community Land Trust](#), some are working in partnership with housing providers to deliver housing for local people in need, like [Nolton and Roch Community Land Trust](#), some are providing housing to meet a specific need, like DreamHome Swansea, a development led by young people with learning difficulties who want more of a say over their homes and futures.

Whilst we are not best placed to respond to some of the questions in this consultation, we can give evidence on the current community-led housing movement, how CLH organisations are working to deliver affordable homes in innovative ways, and the potential to scale this approach to increase supply by removing some of the known barriers.

- **Progress towards meeting the target of 20,000 low carbon social homes for rent; and the extent to which current and projected levels of social housebuilding are likely to meet housing need**

We agree that the supply of social and affordable housing should be a priority for the Welsh Government and believe that community-led housing can play a part in tackling the current housing crisis, by giving people a voice and a choice in their homes and communities.

We were pleased to see a commitment from the Cabinet Secretary for Housing, Local Government and Planning that community-led housing counts towards the 20,000 social homes target, as well as CLH being included in the Programme for Government and Co-operation Agreement. As mentioned above, through our Communities Creating Homes programme, we are supporting a number of CLH organisations across Wales to deliver low carbon social homes for rent, to help reach the target.

However, we need to ensure that any homes delivered to reach the 20,000 homes target are high quality, truly affordable, and meet the need of local communities, including those communities typically marginalised or left behind. We feel that the current assessment method for understanding housing need is not effective and not reflective of the true need. Many communities that we work with will often say that they will not apply to housing need registers as they feel that they will never be rehoused.

Community-led housing is a great approach to delivering homes that truly meets local housing need. Due to the grassroots nature of CLH projects, they will be embedded in their community so will have good grasp on the challenges faced by local people trying to access affordable housing. Projects will also often conduct their own research and consultation to gather data on needs of the local community on a micro level, rather than relying on local authority data, which is often out of date and not relevant. In rural areas CLH organisations will work closely with the Rural Housing Enablers to help determine the local housing need.

This approach results in delivering a wide variety of home types and tenures, which meets the local need.

This approach has been recognised by the Welsh Language Communities Housing plan, which places CLH as central part for understanding and tackling the housing need in areas with high numbers of second homes and holiday lets. We are working closely with the Dwyfor Pilot Project to bring forward CLH projects delivered by and for local people, such as Nefyn Town Trust and Ymddiriedolaeth Tir Cymunedol Bro'r Eifl.

• **The challenges faced by social landlords in increasing supply**

Whilst we cannot speak for social landlords on this matter, we can share the challenges faced by CLH organisations in increasing affordable housing supply.

One of the most significant barriers is the ability for CLH projects to access appropriately priced and structured finance through the development process. CLH organisations face a range of additional funding needs and challenges, reflecting the fact that many groups are relatively new, lack a track record and are under-capitalised as a consequence of either not have a significant existing asset base, equity capital or alternative income streams which can be leveraged.

The following image illustrates the typical funding needs of CLH groups across the five typical stages of a development. Groups typically source finance from a range of sources for grant, debt, and risk capital/equity.

		GROUP	SITE	PLAN	BUILD	LIVE
Activity		Group formation Business plan Incorporation	Site search and identification Land/building secured	Scheme detailed design and plans submitted. PP risk resolved.	Homes built or property renovated. New tenants or owners move in	Properties lived in and managed and maintained
Relative Funding Need	Revenue	High	Medium	Low	Low	Low
	Capital	Low	Medium	Medium	High	High#
Investment Risk Profile		Very High	High	High	Medium	Low
Funding Source		Grant	Grant	Grant	Grant*	
			Risk Capital	Risk Capital	Risk Capital**	Risk Capital**
					Debt	Debt

Based on analysis of the sector, there are a number of key barriers facing groups in Wales.

These include:

- Shortage of grant funding/risk capital for covering upfront pre-development costs such as site searches, development appraisals and undertaking planning applications.
- Lack of dedicated funding for land acquisitions, in particular to allow groups to secure non-public land.

- Low depth of market for secured lending with groups often reliant on a small number of specialist social lenders.
- Lack of a single financial pathway, with groups reliant on making multiple applications to multiple different funders.
- Absence of grant for groups looking to deliver affordable housing but who are unlikely to work with registered social landlords.

Land is another significant barrier to CLH organisations bringing forward affordable homes. The current market-led system is dominated by developers competing for land, which is often in short supply, and therefore, those with the deepest pockets usually win, making it difficult for communities to access land and sites to take a leading and lasting role in developing affordable homes in their areas.

The privatisation and sale of large amounts of public land has led to private landowners having too much power over development in our communities. Private landowners have little incentive to offer consideration to the local community as to how they use their land and who benefits from this. Land has become a capitalist asset and the object of speculative lending and investment. Land and property owners are able to earn and store wealth in the form of rent and appreciation, allowing them to buy even more land and property, which in turn increases their income and drives a cycle of wealth accumulation and increasing inequality.

The uplift in land value when allocated for housing also causes challenges, especially when trying to deliver affordable housing. Many landowners, including public landowners will aim to get best value for their land, or be reluctant to sell it at a reduced cost for affordable housing, if they believe it could be utilised for market housing. A hectare of land is worth, on average, 100 x as much when used for housing. This hope value makes it challenging for groups to acquire land and also affects the financial viability of being able to provide affordable homes, making developments heavily reliant on grant intervention.

This system is not working for communities across Wales. It is causing landowners to hold onto their land and wait for the highest price, which delays the supply of affordable housing. Secondly, it is the landowners that benefit from the uplift in value, even though it is usually the community which has caused the price to rise.

Currently the CLH sector is heavily reliant on philanthropic landowners selling their land privately to CLH projects, sometimes for a reduced cost, because they recognise the value that CLH can bring to a community. This, however, is clearly not an option for every project, and not sustainable in the long term in terms of increasing supply. CLH groups continue to struggle to compete on the open market for land due to upfront capital costs, timescale, and competition.

Planning is another challenging area for CLH projects, but this is addressed in a following question.

- **The opportunities and risks in increasing government borrowing and institutional investment**

We have been pleased to be able to work with Welsh Government over recent years to help CLH organisations access existing government funding streams for pre-development finance, which would not have previously been available to them in the past. Recently we have supported the Gwyr Community Land Trust to access funding from the Welsh Government's Land and Buildings Development Fund which will enable them to purchase a site, undertake the necessary site searches and apply for planning, to bring forward their development of fourteen affordable shared ownership homes for local people in Bishopston, Swansea. We continue to support groups to access this route of funding for pre-development costs.

However, as mentioned above, finance is still a barrier for CLH schemes bringing forward affordable homes. Developing a revolving loan fund for community-led housing could be a way of overcoming this.

In 2019 Cwmpas had conversations with senior Welsh Government civil servants and the Minister responsible for Housing about accessing the underutilised financial transaction capital (FTC) money to develop a Revolving Loan Fund (RLF) model for community-led housing. As a result, Cwmpas commissioned work to create an outline business plan and RLF model. Unfortunately, due to the Covid-19 pandemic, the underutilised FTC was used for Covid recovery. However, the model is still viable, and we are keen to see it being developed.

The fund would provide finance to CLH organisations at three distinct points in their development journey (pre-development loans, development loans, long-term mortgage finance) to address the key financing challenges that arise from the under-capitalisation of groups, combined with the absence of significant levels of grant and appropriately priced risk capital/equity. The fund has been developed with the aim of addressing gaps in existing financing landscape and thereby would look to work with existing senior bank lenders and other funders to ensure that the nature of finance offered is supportive and does not cannibalise or crowd out existing offers.

Local authorities can also play a key role in providing finance support for CLH projects, through commuted sums, income from second homes/empty homes tax, and prudential borrowing. In Pembrokeshire, the local authority provided Nolton and Roch Community Land Trust with one million pounds, from their second home tax income, to buy land to develop nineteen affordable homes for local people in partnership with Ateb Housing Association. We would like to see more local authorities in Wales use these mechanisms to enable more CLH projects to progress and increase the supply of affordable homes for people in need.

- **How effectively the planning system is supporting social housebuilding**

We were pleased to see the release of the updated version of Planning Policy Wales (PPW) earlier this year which includes a reference to CLH organisations being able to deliver affordable homes, as defined by Welsh Government. We are grateful that the Welsh Government continues its support for the CLH sector and recognises the ability of CLH organisations to deliver affordable homes to tackle the housing crisis that we face in Wales.

However, in reality, the CLH organisations that we support are still facing adversity when engaging with some local planning authorities about potential affordable CLH developments, as there is still a lack of awareness and acceptance of CLH. In one example, following a pre-planning submission by a CLH project, the local planning authority has completely disregarded the updates to PPW and seem resistant and reluctant to accept that CLH organisations can deliver truly affordable homes in perpetuity. This is frustrating for groups, who feel that they are being scrutinised more heavily than other housing providers that are bringing schemes forward, which again, is slowing down the supply of affordable homes.

There is a lack of consistency across local planning authorities, with some very supportive and open to CLH developments, but others reluctant and unwilling to engage, despite a clear message in the national policy that CLH organisations can deliver affordable housing. Local authority planning departments are also severely under resourced, which is causing delays to applications being considered, and in turn, delaying the development of new homes.

To overcome some of these challenges, we suggest that Technical Advice Note 2 (TAN2) should include a definition of community-led housing as well as recognise the role CLH organisations can play, alongside RSLs, local authorities, and private developers, in delivering affordable homes. This, we hope, will reinforce, and strengthen the message set out in PPW, and help local authorities understand the role that CLH can play in delivering affordable housing.

Local authorities themselves should also have supportive policies in place that recognise CLH as a way to deliver affordable homes for local people, this could include the local development plan itself, place plans or specific guidance such as Supplementary Planning Guidance. Below are some examples of how local authorities across Wales and the UK have implemented supportive policies of CLH:

[Conwy Place Plan](#) – the recently adopted Colwyn Bay Place Plan includes a commitment to investigating opportunities for community-led housing.

[Pembrokeshire Coast National Park](#) adopted an SPG referencing how community land trusts can bring forward affordable homes.

East Cambridgeshire District council also have [a Supplementary Planning Document](#) for CLH which supports their wider commitments in the [local plan](#).

Community-led housing plays a key role in delivering affordable homes in both the [2023 Bristol Local Plan](#) and [2018 London Housing Strategy](#).

- **How to improve the strategic management of public and private land for social housebuilding, including compulsory purchase**

In March 2022, we published a report titled "[Community ownership of land and assets: enabling the delivery of community-led housing in Wales](#)" to stimulate discussion and innovative thinking on community ownership in Wales in relation to housing, in particular, community-led housing. The report gave several recommendations on how improving

community ownership rights to land and assets in Wales could help bring forward more affordable homes that meets local need. Recommendations included introducing new legislation giving communities power and funding to acquire land and assets for community benefit, including affordable housing, and local authorities using compulsory purchase powers more effectively to bring forward sites for affordable CLH projects. It would give communities a better chance to access and acquire private land and assets for CLH, which is currently extremely difficult to do. Communities in Wales are the least empowered across the UK and introducing stronger legislation on community ownership of land and assets, would help bring more homes forward, as well as protecting local assets/services, regenerating high streets, and protecting our natural environment and resources.

Alongside stronger rights for community groups, and as mentioned above, local authorities can enable more affordable CLH scheme to be developed with supportive policies around land/asset disposal/management. In [Bristol](#) and [Liverpool](#), the local authorities both have policies and processes for disposing of publicly owned land for CLH projects. If local authorities across Wales took a similar approach, this would help to scale and speed up the supply of CLH.

CLH can actually be a way of bringing forward sites for developing affordable homes, particularly smaller, more challenging sites, where larger housebuilders cannot or would not want to develop, such as infill or garage sites. In Bristol, the [WeCanMake CLT](#) is using a gentle densification approach, whereby they are working with the local authority to bring infill, garage, and even large back gardens into use for affordable housing. It is highly doubtful that these sites would have been brought back into use without the involvement and leadership by the community.

Other public bodies, such as health boards, fire authorities and Welsh Government itself, should also be required to and have policies to transfer their surplus land and assets for the development of affordable homes.

The Wellbeing of Future Generations Act has placed a duty on these bodies to think long-term, yet some public bodies are still reluctant to sell land for less than best consideration, even for affordable homes projects. If public bodies truly embodied the act, they would appreciate the additional value, both economic and social value, that affordable housing and community-led housing could bring to a local area and sell/lease their land at an affordable price, to ensure affordable homes can be developed to meet local needs.

In one example of this, we are working with a group in Cardiff, Serenity Cohousing, who have identified a suitable site for their affordable social rented project in the city, owned by a public body. Despite a number of attempts by us, and the group, the public landowner seems unwilling to engage in even an early conversation about bringing forward the land for an affordable housing project, despite the site being allocated for housing in the local LDP.

We are working closely with the Bevan Foundation and Housing Justice Cymru on the issue of land supply for affordable housing, as well as many others covered in this consultation. The Bevan Foundation will be conducting research at the potential of land held by different

types of social and public owners for the development of social and community-led housing and the barriers preventing this being done at scale.

- **The potential for increasing income from land value capture mechanisms to invest in social housing**

In our experience the current land value capture mechanisms, such as S106, are not as effective as they could be, and are not bringing forward more affordable housing or the infrastructure required. It is too easy for private developers to negotiate their way out of having to provide affordable homes, land or commuted sums that would benefit the local community.

Community-led housing in itself can capture value for the benefit of the community in perpetuity, by not only providing affordable homes for local people, but often, also delivering other community services and facilities. [Coin Street Builders](#) in London is one example of this. Following a campaign against so much commercial development in an area, which had led to school closure and of loss of key services, a local community came together to change the status quo. The local authority transferred the land to the community organisation at a reduced cost, which enabled the group to develop affordable homes for local people, as well as community space, and an income-generating conference space.

CLH organisations should therefore be considered, alongside local authorities and RSLs, as a vehicle for delivering affordable homes as part of S106 agreements. Priority should be given to onsite provision, but if that is not achievable, then alternative land could be provided for CLH projects, or financial support through commuted sums. Wilsford Community Land Trust in Lincolnshire received £100,000 from North Kesteven District Council' S106 monies. The funding allowed the CLT to purchase a site to bring forward ten affordable homes for local people.

Community-led housing projects across the UK have also developed innovative ways to capturing land value. The [Stretham Model](#) in Cambridge is an example of this. In this case, a community land trust (CLT) has worked with a local landowner to bring forward land for housing, which would not usually be considered because it fell outside of the settlement limits. The landowners received a capital receipt for the land, which is then allocated housing. A percentage in the uplift of the land allocated for market sales is then given to the CLT to cross-subsidise and finance the affordable homes. This model exemplifies how CLH projects can bring forward land for affordable homes otherwise unavailable for development, with a financial model that requires minimal grant funding.

- **The Welsh construction sector's capacity to build new low-carbon social homes; the potential for acquisitions of existing homes and remodelling of existing buildings**

Whilst we are not placed to comment on the construction sector's capacity to build new low-carbon homes, we do feel that CLH can play a role in bringing empty homes back into use and remodelling existing building into community-led homes. Recognising that affordable homes created via this route need to be providing additional affordable homes, rather than safeguarding existing occupied homes.

We are supporting a number of CLH projects that are looking to do just this.

Ymddiriedolaeth Tir Cymunedol Bro'r Eifl are working in partnership with Antur Aelhaearn to bring two empty homes back into use in Llanaelhaearn as part of the regeneration of the local bakery in the village. These two homes, which have been empty for years, will be rented out to local people at an affordable rent.

In Maen y Groes, Ceredigion, we are supporting Maenygroes Congregational Chapel to bring the empty chapel house back into use as affordable housing for a local family, utilising Welsh Government's Empty Homes Grant Scheme.

CLH can also remodel existing buildings into affordable housing. Rhisom Housing Co-operative in Cardiff are working to bring back an empty commercial building back into use for affordable housing, whilst retaining the ground floor space for commercial/community activity.

We are also supporting CLH organisations to take on existing community assets to be used for affordable housing and other community activities, like Ysgol Cribyn in Ceredigion and Llanfywio in Conwy.

While finance still remains a challenge for CLH organisations bringing empty homes back into use or remodelling existing buildings, especially to retrofit/bring the properties up to standard, it does also offer an opportunity to leverage in additional finance that might not be available to other housing developers e.g., community shares or loanstock. Refurbishing an existing property, instead of building new, saves the embodied carbon within the building, which is better for the environment.

- **How local communities can be effectively engaged in social housing developments in their areas.**

Community-led housing in itself is the most effective way for local communities to engage in affordable housing developments. It is not only a way of delivering affordable housing that meets local need, but it also helps to create cohesive and resilient communities.

Community-led housing comes in many shapes and sizes, but the beauty of it is that local people participate in decisions about the homes and communities that they live in. CLH is a not a tokenistic consultation exercise, it is true engagement, co-operation, and co-production of affordable homes.

There is no one size fits all approach to CLH, but all projects should be based on the following principles:

- Developments are led by the community and local people
- Homes are owned, managed, or stewarded by the community in the long term
- The homes are not-for-profit and benefit the local community
- Homes are affordable and meet local need.

While many CLH are formed to tackle the affordable housing need in an area, CLH can also be a way of giving communities of interest or typically marginalised communities a voice and

control over their housing. We are supporting Rhisom Housing Co-op in Cardiff who have come together to develop affordable housing for members of the LGBTQ+ community, a community that typically experience poor housing conditions. We are also supporting DreamHome Swansea, a group made up of young people with learning difficulties and their families who want to develop better, affordable accommodation for their future. Later this year, we will also be launching our internship programme which will be dedicated to collaborating with communities that are typically underrepresented and less engaged in community-led housing. Our first intern will focus on Black and ethnic minority communities, engaging people in CLH, understanding their housing challenges, and hopefully working with them to develop homes that meets their needs.

As mentioned above, we're also working closely with the Dwyfor Pilot Project, and other Welsh language support schemes, like Perthyn and Arfor, to support communities to take action to provide affordable homes for local people in areas with high numbers of second homes/holiday lets, to ensure that the Welsh culture and language is sustained and people are able to afford to live in the communities in which they grew up.

We're working with Arfor to share best practice around the challenge of second homes and the need for housing for local communities, including hosting event to start the conversation around CLH and encourage community engagement. The Arfor Programme has also provided funding for one CLH project through the ARFOR Challenge Fund, which will see two homes being brought forward, alongside the purchase of a local bakery, which will provide jobs for local people.

Community-led housing goes beyond engagement, it is a participatory approach to delivering low carbon homes, empowering people to exercise their power and autonomy over their homes, communities, and futures.

Conclusion

Community-led can increase the supply and diversity of affordable housing options in Wales. Homes are tailored to the needs and developed with local people in mind and rents and prices are set, based on the location population, ensuring affordability, now and in the future. CLH empowers communities to shape their own neighbourhoods and address their specific local housing needs, such as providing homes for older people, key workers, or young families. CLH can help to unlock sites that are not wanted by other housing developers and remodel or bring back into use properties for affordable housing.

However, it is well researched that community-led housing provides so much more than just bricks and mortar. CLH can also deliver wider social, economic, environmental, and cultural benefits, such as improved health and wellbeing, community cohesion, local employment, and reduced carbon emissions. In 2019, research that we commissioned about [the benefits of living in CLH](#) found that people felt more confident and connected to their community. In other [research](#) we conducted during the Covid-19 pandemic, we found that people living in CLH felt far more supported with improved wellbeing. In research conducted by the [London School of Economics](#), CLH was found to help to tackle loneliness and social isolation, and

communities developed in this way have the potential to reduce pressure on social and health services due to the informal support provided amongst neighbours and communities.

Community-led housing can and should play a key role in the supply of affordable housing, alongside local authorities, RSLs and private developers to tackle the housing crisis in Wales. The recommendations in this response can help unlock the potential of community-led housing in Wales, allowing communities to play a role and determine their own future.

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