

Response to consultation on changes to the current planning system - September 2020

The National CLT Network is the official charity supporting Community Land Trusts (CLTs) in England and Wales. We are a membership body and represent over 300 CLTs, who together have plans to deliver 7,000 homes by 2025. 2020 marks the ten year anniversary for the National CLT Network and more than a ten-fold growth of the CLT movement, from just 30 pioneering CLTs in 2010 to over 340 today.

1. Introductory remarks

- 1.1. CLTs are one form of community led housing, where communities come together to deliver new or refurbish existing housing to meet local needs. Other forms of community led housing include housing co-operatives, cohousing communities, development trusts and self-help housing.
- 1.2. CLTs are set up and run by local people to develop and manage homes and other assets. The CLTs act as long-term stewards of the homes, ensuring that they are genuinely affordable, based on what people actually earn in their area, not just for now but for every future occupier. CLTs are defined in Section 79 of the 2008 Housing and Regeneration Act.
- 1.3. As of August 2020, there are 347 active CLTs, of which 312 are legally incorporated. The movement has grown more than tenfold since 2010, driven chiefly by the shortage of affordable housing for those on local incomes and a strong appetite amongst communities to have more control over housing developed in their area. When combined with other forms of community led housing, there are now nearly 900¹ groups in all parts of the country developing homes.
- 1.4. As part of delivering affordable homes in perpetuity, a number of CLTs have been pioneering First Homes in the form of Discounted Market Sale (DMS) homes. We therefore welcome the opportunity for CLTs to benefit from the increased availability of retail mortgage lending on DMS that should arise from the introduction of First Homes and indeed support the delivery of First Homes.
- 1.5. As set out below, however, we are concerned that the requirement for 25% of affordable housing to be delivered as First Homes will limit the ability of CLTs to deliver other forms of affordable housing to meet local needs. Similarly, the introduction of First Homes exception site policy will impact on the availability of

¹ Dr Tom Archer 'ADDENDUM: Estimating the pipeline of community-led housing projects and its grant requirements', September 2020. http://www.communitylandtrusts.org.uk/filecache/519/bc6/1000-dr-tomarcher-pipelinereport_addendum_sept-2020-final.pdf

rural exception sites, the main source of sites for CLTs.

- 1.6. Moreover, the proposal to temporarily increase the threshold for onsite affordable housing to enable housing development by SME builders will significantly impact on the supply of sites for CLTs and the general supply of affordable housing. This is particularly the case in rural areas where the majority of development is on small sites and will have devastating consequences for the sustainability of those small rural communities.
- 1.7. The Government's investment in the Community Housing Fund has grown the pipeline of community led homes to 23,000, including First Homes. That pipeline can support SME builders and thereby economic recovery, delivers additional homes that would not otherwise come forward² and gives deprived communities the means to level themselves up. The homes are innovative, of high quality, create beautiful places and frequently use modern methods of construction. This was all recognised by the Rt Hon Christopher Pincher MP in his welcome address at our event on 15th September 2020. It is therefore vital that the measures proposed in this consultation do not stymie growth in the sector having invested in it thus far.

2. Response to relevant questions

Delivering First Homes

Q8: The Government is proposing policy compliant planning applications will deliver a minimum of 25% of onsite affordable housing as First Homes, and a minimum of 25% of offsite contributions towards First Homes where appropriate. Which do you think is the most appropriate option for the remaining 75% of affordable housing secured through developer contributions?

- i) Prioritising the replacement of affordable home ownership tenures, and delivering rental tenures in the ratio set out in the local plan policy.**
- ii) Negotiation between a local authority and developer.**
- iii) Other (please specify)**

Option ii) - The tenure mix of the remaining 75% should be negotiated between a local authority and developer.

² Capital Economics 'Housing by the community, for the community: an assessment of the value for money of community led housing in England', September 2020. Page 20.
<https://www.communityledhomes.org.uk/sites/default/files/resources/files/2020-09/final-report-capitaleconomics-housing-community-community-sept-2020.pdf>. A good example includes a CLT in Appledore, Devon, where 42% of homes are estimated to be holiday lets and second homes. With very little land available for housing, the CLT took on a vertiginous and difficult site that had been of no interest to commercial developers.

The tenure split for the remaining 75% should be determined in negotiation with the local authority and should be based as far as possible on evidence of local need. We recognise the Government's ambition for an ownership society. However, it is vital that the ambition to deliver First Homes does not squeeze out affordable rented housing if that is what is needed in that area. This is particularly the case in rural areas where the overwhelming need is frequently for affordable rented homes.

Q13: Do you agree with the proposed approach to different levels of discount?

In part.

We do support local authority discretion in increasing the discount to 40-50%. However, as set out in our response to the First Homes consultation, in many areas a 40-50% discount will not be sufficient for first time buyers. CLTs that develop discounted market sale homes provide a level of discount that means the home is genuinely affordable for those on lower quartile or median incomes if that is the need. In some cases the level of discount has needed to be as much as 70% to enable access to home ownership. CLTs could help the Government achieve its target of 1500 pilot First Homes as some are already delivering the product by another name. In order to do so though there needs to be the flexibility to provide a higher level of discount.

We therefore ask that CLTs are given the discretion to negotiate with local authorities to provide a higher discount if that is required to enable local people to access home ownership.

Q16: Do you agree that the First Homes exception sites policy should not apply in designated rural areas?

Yes. We do agree that the First Homes exception site policy should not apply in designated rural areas. However, we are very concerned that the introduction of First Homes exception sites will considerably damage the supply of rural exception sites in *non designated areas*. A significant proportion of CLTs develop on rural exception sites³. We understand that the Government's definition of designated rural areas are those designated under Section 157 of the 1985 Housing Act. This will exclude 70% of parishes with a population of 3,000 or less. In those areas landowners will choose to sell their land for First Homes Exception Site as

³ A report by 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-capitaleconomics-housing-community-community-sept-2020.pdf> - found that 30% of rural community led housing groups that responded to the survey developed on rural exception sites and 80% of respondents to the survey were CLTs.

opposed to rural exception sites because they will provide homes for sale and thereby command a higher land value. This will significantly limit the supply of sites for CLTs many of which depend on rural exception sites for development.

The Government clearly recognises the key role of rural exception sites in supporting the delivery of a range of affordable housing to meet local needs by not requiring that the policy applies in designated rural areas. However, by adopting the 1985 Housing Act definition of a designated rural area, the policy will exclude 70% of those small rural communities.

We therefore strongly support the request from ACRE et al. in their letter to the Rt Hon Robert Jenrick MP on 18th August 2020 for the Government to replace the definition of designated rural areas from those areas listed under S157 regulations to all parishes with a population of 3,000 or less and all parishes in National Parks and Areas of Outstanding Natural Beauty (AONBs).

Supporting small and medium-sized developers

Q17: Do you agree with the proposed approach to raise the small sites threshold for a time-limited period? (see question 18 for comments on level of threshold)

No. We fully support the ambition to support the delivery of housebuilding by SME builders and ensure there is not any further decline in the SME sector as the economy recovers from the impact of Covid-19. Indeed, CLTs are important customers of SME builders and are themselves SME builders. That is why we have teamed up with the National Custom and Self Build Association, Federation of Master Builders and the UK Cohousing Network, under the banner of Housing Diversification, to support the Government's ambition to diversify the housebuilding industry.

However, we do not agree with the proposed approach to raise the small sites threshold, even for a time-limited period. CLTs tend to develop on small sites⁴ and on those sites will develop affordable homes for local people. The requirement to build on-site affordable housing reduces the land price and thereby makes it possible for CLTs to compete with developers for these sites. Removing the requirement to provide on-site affordable housing will, in contrast, increase the land price and make it considerably harder for CLTs to compete with developers developing homes for sale - developers will be able to offer a higher price for a site than a CLT. In addition, some CLTs deliver the S106 contribution of a private development. The availability of such opportunities will be cut off by increasing the threshold.

⁴ As evidenced in the research by 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-capitaleconomics-housing-community-community-sept-2020.pdf>

Furthermore, the proposals could actually make it harder for SMEs to operate during this time. During the 2008 recession it was the guaranteed sales for affordable housing that supported cash-flow and kept local builders in business.

We appreciate the proposal to maintain the current threshold in designated rural areas. However, given that the majority of development in rural areas is of ten units or less, using the 1985 Housing Act definition of designated rural areas will mean that in 70% of parishes of 3,000 or less population no affordable housing will be required. This will significantly impact on the sustainability of those places.

Q18: What is the appropriate level of small sites threshold? i) Up to 40 homes ii) Up to 50 homes iii) Other (please specify).

iii) Other - none.

We do not agree with raising the small sites threshold and urge that the threshold is kept as it is as otherwise it will cut off the supply of sites for CLTs.

Q22: Do you agree with the Government's proposed approach to setting thresholds in rural areas?

In part. We support the proposal to maintain the thresholds in designated rural areas. However, by using the 1985 Housing Act definition of designated rural areas will mean that in 70% of parishes of a population of 3,000 or less there could be no delivery of affordable housing to meet local needs.

We therefore fully support ACRE et al. in their call to replace the definition of designated rural areas from those areas listed under S157 regulations to all parishes with a population of 3,000 or fewer and all parishes in National Parks and AONBs. We would also call for the Government to adopt the wording in the National Planning Policy Guidance introduced in July 2019 that allows local planning authorities to set their own thresholds for affordable housing in their designated rural communities but as above not just those with S157 designation.