
Overview and Scrutiny

Models of delivering new housing

March 2018

Membership of the Housing Select Committee in 2017/18:

Councillor Carl Handley (Chair)

Councillor Peter Bernards (Vice-Chair)

Councillor David Britton

Councillor Bill Brown

Councillor John Coughlin

Councillor Sophie McGeevor

Councillor Jamie Milne

Councillor Olurotimi Ogunbadewa

Councillor Pat Raven

Councillor Jonathan Slater

Models of delivering new housing

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Chair's introduction

[Picture]

Councillor Carl Handley (Chair of the Housing Select Committee)

Executive Summary

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Housing delivery models

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Recommendations***Housing delivery***

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Housing delivery

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The purpose and structure of this review

- 3.1 At its meeting on 18 April 2017 the Housing Select Committee agreed to hold an in-depth review of housing-delivery models.
- 3.2 At its meeting on 26 June 2017, the Committee agreed the scope of the review.
- 3.3 The key lines of enquiry were:

Consider the different models for delivering new housing in operation in Lewisham. The key characteristics of each, the number of new homes being provided, within what timeframe, at what cost, and with which partners? In particular, how many affordable homes are they to provide, and which types. What are the anticipated next steps for each model?

Consider the advantages and disadvantages of each model for Lewisham, in the short, medium and long-term, in terms of speed, cost, scale, quality, affordability, and the needs of Lewisham residents. And gather evidence about other models that could be of interest to Lewisham.

Consider the scope for further community-led models, looking at, among other things, scalability, costs and local demand. **Also consider scope for different models of joint venture,** looking at, among other things, land and assets available and possible partners to council could work with – public and private.

Consider how the council might work with partners in the future to ensure that good levels of affordable housing are achieved, taking into account, among other things, speed, costs, and tenure mix.

Consider the necessary involvement from the council for different models, in the short, medium and long term. What help and support can and should the council provide in terms of, among other things, guidance, coordination and management, and funding and investment? Does the council have the capacity and necessary expertise?

- 3.4 The timetable for the review was:

First evidence session – 5 July 2017

Council officers, RUSS, Lewisham Citizens, Deptford co-op, Brockley co-op, London Community Land Trust, National Community Land Trust Network.

Second evidence session – 6 September 2017

Council officers, other local authorities with experience of joint ventures (Newham, Croydon, Barking and Dagenham, Haringey), Shelter, LGA.

Report – 9 November 2017

Committee to consider final report presenting the evidence and agree recommendations for submission to Mayor and Cabinet.

Introduction and policy context

- 4.1 It is widely accepted that there is a housing affordability crisis in London. The London Housing Commission said that providing enough secure, affordable and decent homes is one of the biggest challenges facing the capital – with London needing at least 50,000 new homes each year to keep pace with its growing population.¹
- 4.2 The Commission found that the average house in London costs half a million pounds, more than 12 times the median income – the highest ratio since records began.² And according to Shelter, across England, eight out of ten working, private-renting families cannot afford a newly-built home in their area.³
- 4.3 Lewisham itself faces severe housing pressures across all tenures, with a chronic lack of supply of new homes driving higher prices and decreasing levels of affordability. Lewisham has a target of 18,165 new homes between 2009/10 and 2025/26.⁴ To achieve this, Lewisham is employing a range of models of delivering new housing, including community-led approaches and joint ventures with private partners.
- 4.4 This review took a closer look at these, in particular community land trusts, cooperatives and Lewisham Council's joint venture development in Besson Street.

Community-led housing in Lewisham

- 5.1 The Lewisham Housing Strategy supports community-led housing development. It has been included in the strategy for a number of years. Lewisham has a strong tradition of supporting community-led housing developments, including the pioneering schemes at Segal Close and Walters Way in the 1980s.
- 5.2 The council takes this legacy of investing in communities seriously and is working to promote unique, resident centred approaches to addressing the housing crisis.
- 5.3 There are two active community land trust (CLT) developments in the borough: one in Ladywell, with RUSS, and one in Sydenham, with the London CLT. As far as officers are aware, Lewisham is the only local authority in the country with two active CLTs. The council intends to monitor and assess the success of these.
- 5.4 The council is proud that housing development like CLTs are increasing the diverse range of models for building new homes being adopted across Lewisham. Community-led housing development represents one of the more innovative responses to address the housing demand in Lewisham.

¹ <https://www.ippr.org/publications/building-a-new-deal-for-london>

² *ibid*, p5

³ Shelter, *New Civic Housebuilding*, March 2017, p2

⁴ [Lewisham Core Strategy, 2011, p36](#)

- 5.5 The council recognises that community-led development is not just about building homes. There are vast benefits to a community approach, including increased resident satisfaction and community resilience, as well as contributing to addressing social disadvantage.
- 5.6 It is important to Lewisham Council, however, that community-led development and housing fits well with the available land and surrounding area. It is also crucial that such development aligns with the Lewisham Housing Strategy goal of “*building homes our residents need*”.⁵ With more than 9,000 people on the housing list, housing those most in need is one of the council's highest priorities, and any time there is development in the borough, social housing has to be considered.
- 5.7 It is also important to recognise that the council does not own a lot of land anymore. While there are some pockets of land, including commercial property, which may be suitable for community-led housing, the council has to carefully consider the consequences of whatever it does with its land. The council would need to think very carefully, for example, about the possibility of a first-refusal policy on certain pockets of land for community-led housing. A blanket policy like that would restrict the flexibility of what the council can do with its land.
- 5.8 During the course of the review, the committee received written and in-person evidence from witnesses involved in community-led housing, including a number of organisations involved in developments in Lewisham. This included RUSS (Rural Urban Synthesis Society), London CLT, National CLT Network, Locality, and Brockley Tenants’ Co-op.

Rural Urban Synthesis Society

- 6.1 RUSS (Rural Urban Synthesis Society) is a CLT based in Lewisham. It was established in 2009 and has 700 members. Its main focus is the provision of affordable homes in perpetuity for Lewisham residents. It’s also interested in reducing environmental impact and food growing.
- 6.2 RUSS’s first development, in Church Grove, Ladywell, will provide 33 homes of a range of tenures, including affordable sale, shared equity, affordable rent, and social homes. The sale price will be linked to average earnings in the area and RUSS will retain a 20% stake in each property to ensure that they are affordable in perpetuity.
- 6.3 A mixture of people are moving into RUSS’s Church Grove development. This includes older people downsizing and wanting to be part of a community. RUSS said that the Church Grove project has been quite a complicated process, noting that it’s a community land trust, self-build, and cohousing. The development is also being run as a co-design process with the residents, which means that the project can take longer and become more expensive.

⁵ Homes for Lewisham: Lewisham Housing Strategy 2015-2020, March 2015, pp19-21

- 6.4 RUSS had a ballot to allocate their homes, but applicants had to demonstrate a link with Lewisham for two out of the last five years and not be able to afford market prices. The link with the area is very important to RUSS.
- 6.5 RUSS noted that one of the main benefits to the community of self-build is the opportunity to provide training as you do it. RUSS is intending to offer accredited training on site to develop people's skills. The other incentive with self-build is that people can get a discount on a one-bed property of up to £48K if they do the full amount of custom building.
- 6.6 In terms of what makes a CLT successful, RUSS said that building a broad membership in an affordable way has been important to them. They also stressed the importance of linking in with the local community and talking about the development. RUSS said that "once we describe what we're trying to do, it resonates with people, people can't afford homes in the area."

London Community Land Trust

- 7.1 The London CLT helps communities provide permanently affordable homes in their local neighbourhoods. In Lewisham they're partnering with Lewisham Citizens.
- 7.2 In 2013, Lewisham Citizens started a campaign to get CLT homes built in the borough and asked the London CLT to partner with them. In March 2016 the Lewisham Mayor & Cabinet agreed that Brasted Close in Sydenham would be the first site.
- 7.3 Since then, London CLT ran a community-led design process, led by Lewisham citizens. They held workshops on site, invited the local school and neighbours, and shortlisted architects, which the people then picked.
- 7.4 The project is on an infill garage site and is hoping to provide 10-12 homes, which will be *genuinely* affordable (linked to local median incomes). A one-bed property will be around £166-180K, a two-bed will be about £215-231K, and a three-bed around £264-282K – roughly half the market price.
- 7.5 The homes will also be permanently affordable. When residents come to sell they will have to sell it on according to local median incomes again. This continues for as long as the lease exists, often 125 to 250 years. The site is aiming to go to planning at the beginning of 2018.
- 7.6 The way homes will be allocated has not yet been decided. With the London CLT's Mile End development, applications were scored according to a criteria agreed with the local authority and people needed to have very strong connection to the local area. The London CLT would support a similar policy in Lewisham, with more input from the council if it is their land.

National Community Land Trust

- 8.1 The National Community Land Trust Network (NCLT) is a network of 225 Community Land Trusts (CLTs) across England and Wales. The organisation has been around for seven years and in that time the community land trust movement has built 800 homes around England and Wales, with around 4000 more in the pipeline.
- 8.2 According to the NCLT, community-led housing (such as CLTs) is where the community initiates and controls the housing-delivery process, as opposed to being consultees, and is ultimately the owners or stewards of those homes in the long term.
- 8.3 Members of the NCLT network have a range of allocation policies. Those that work with a housing association or the council, for example, will often take a proportion from the council list. Those in rural towns and villages will often require people to demonstrate a strong connection to that area.
- 8.4 The NCLT noted that there are a number of community-led housing projects already active in Lewisham, including well-established cooperatives, cohousing groups, and self-help housing projects.⁶
- 8.5 According to the NCLT, “it is increasingly clear that we can only deliver the homes we need if we utilise all the different delivery models that are available, including the public, private and third sectors. “The current model is clearly not delivering the quantity of homes we need, and it is vital that we think imaginatively about where else supply can come from, including self and custom-build, Community Land Trusts (CLTs) in order to create a more diverse and resilient housing sector”.⁷
- 8.6 In 2016/17 the NCLT was involved in a review of new models of housing supply by the All Party Parliamentary Group on housing and planning. Among other things, the review found that there are obvious benefits to the community-led housing approach in terms of delivering *genuinely* affordable housing; that the community-led approach tends to lead to higher quality housing; and that community-led housing tends to see higher levels of community engagement and support, which often leads to communities accepting higher density developments.

⁶ Self-help housing involved local people bringing empty properties back into use – usually properties that awaiting decisions about their future use or their redevelopment. For further information see: self-help-housing.org

⁷ RICS, *National Housing Taskforce* (webpage), Nov 2016

Brockley Tenants' Co-op

- 9.1 The Brockley Tenants' Co-op (BTC) owns 90 properties and manages 72 others for Hexagon Housing Association. BTC told the committee that they have a lot to offer in bringing people and communities together. Their mission statement is: "delivering safe, secure, decent and affordable homes for our members".
- 9.2 There's a lot of ownership involved in cooperative housing and members are made aware of their responsibility to look after their home. BTC keep their costs at minimum to keep rents reasonable. If they had to spend money on repairing damaged homes or dealing with anti-social behaviour (ASB) issues the rent would have to increase. There is currently very little ASB in their homes.
- 9.3 BTC said that the main advantages of their model is that they are not too big to show that they care and not too big to communicate effectively. They said they have the time to go and talk to people, evaluate their needs and try to help them – something which is often harder to deliver with larger organisations.
- 9.4 BTC would like to provide their services on a wider scale in Lewisham and would be interested in working in partnership with Lewisham Council, particularly with new housing developments. BTC are also currently in discussions with Lewisham Council about a more defined allocations policy with them.
- 9.5 From the wide range of evidence provided to the committee, by witnesses and officers, a number of key issues were discussed and a number of potential barriers and opportunities for community-led housing identified.

Land

- 10.1 From the evidence received, it is clear that one of the main barriers to building more homes for community-led groups is accessing land, particularly in London and cities, where it's a very competitive land market. There has been fast growth of CLTs in rural areas, where Rural Exception Sites provide groups with access to land, but there is no equivalent for London.
- 10.2 Witnesses noted that initiatives such as Lewisham's programme of looking at infill sites and the Greater London Authority (GLA) and Transport for London (TFL) small-sites programme are a good opportunity for public authorities to think about how to make more sites available for community-led approaches. Community groups accept that they will often have to settle for more difficult sites (such as those with access, contamination or flooding issues) as they are unable to compete with big developers.
- 10.3 The committee heard that in areas where local authorities work with local groups, asset transfers of local authority-owned land or buildings can be extremely successful. Witnesses said that one of the key actions that local authorities can take to help community-led groups access land is to identify

suitable sites in their area for community-led housing, and create a process for making these sites available to CLH groups at less than market value.

- 10.4 In written evidence, one witness, Locality, noted that DCLG Community Buildings Grants can provide feasibility and pre-feasibility funding of up to £9,000 to support the development of a neighbourhood plan.⁸ Locality noted that the development and adoption of a neighbourhood plan, identifying suitable sites for community-led housing, can significantly speed up the planning process. Some councils have been very proactive in encouraging the development of neighbourhood plans and developing a framework to bring forward sites for community-led housing.
- 10.5 Another key route into housing delivery for community group is the empty homes sector. This offers a lower cost option and enables groups to take on assets and make homes available more quickly than other approaches. It can also provide skills training in the process. For further information see: self-help-housing.org.

Working in partnership

- 11.1 Witnesses involved in community-led housing acknowledged that there are other models to new housing delivery that community organisations could explore, including those highlighted in the background paper, such as partnering, for example. The committee heard, for example, that there is a CLT in Bristol which has partnered with a housing association.⁹ This has provided the CLT with access to core staff, which can also often be a barrier to community-led groups. RUSS noted that they would be in favour of trying a range of different approaches, including partnering with private developers and housing associations.
- 11.2 The London CLT's first development, St Clements in East London, is a private development built by Linden Homes in partnership with the Greater London Authority (GLA) and Peabody. This will provide 252 new homes, 35% of which will be genuinely affordable homes, including 58 for social rent and 23 community land trust homes. There will be CLT homes in all the blocks – there will be no separation from other tenures. The London CLT said that the benefit of being involved in a private development is that it's less risky for community groups as they will not need to borrow money to finance the procurement risk, for example. The downside is that community group will not get the same self-build opportunities.
- 11.3 The NCLT noted that community-led projects do not always have to settle for awkward pieces of land, with a number of local authorities in the UK with bigger development sites now aiming to have a percentage of homes delivered by a community-led organisation. This is how the London CLT developed their homes in their scheme in Mile End. The NCLT also suggested that with councils around the UK introducing self-build and custom-build registers, and

⁸ Locality, [Neighbourhood Planning](#) (webpage), undated

⁹ <http://bristolclt.org.uk/blog/contact-us/>

allocating a percentage of homes in local plans to these approaches, that the same could be done with community-build approaches.

- 11.4 Brockley Tenants' Co-op (BTC) would like to provide their services on a wider scale in Lewisham and would be interested in working in partnership with Lewisham Council, particularly with new housing developments. BTC would like to see cooperative housing included in new developments alongside the other types of housing. They would also be happy to manage housing stock on behalf of Lewisham Council. BTC said that one of the advantages of managing properties for others is that it allows it to expand its services in the community. The more properties BTC manage for others, the more revenue they can put back into housing.

Start-up advice and support

- 12.1 Community-led housing groups also face difficulties accessing start-up advice and support. In some parts of the country there are well-established organisations that can support groups from the point of having an initial idea, through to getting on site. Until now this hasn't existed in London. However, the NCLT is now working with the GLA to set up a community-led housing hub for London, which would provide this type of support. The Hub will provide community housing groups, including CLTs, with technical support as well advice on accessing funding and land.¹⁰
- 12.2 A number of witnesses noted that lack of staff and capacity, particularly among new community groups, often acts as a barrier to community-led housing development. RUSS noted that they, as a group of volunteers, have at times struggled with not having paid staff. They said that having the funding to employ someone to help run the organisation would make a significant difference.
- 12.3 The committee heard that councils could also help improve the community-led process by aligning their relevant departments in a way that helps the process of providing land to community-led groups work as smoothly as possible. This includes ensuring that officers are working across key Departments (planning, housing, community/neighbourhoods, for example) to identify opportunities for community-led housing and make it easier for groups to come forward with community-led housing proposals. Locality noted that it is often very hard for community groups to identify a champion within the Council to help them. Councils could also help by reaching out to community groups to encourage them to think about community-led housing and by making data on housing needs easily available to facilitate feasibility work and funding proposals.

¹⁰ [Greater London Authority announces Community Housing Hub](#), NCLT, May 2017

Procurement processes

- 13.1 The NCLT told the committee that it is important that community groups, which usually start out with very little money, do not have to go through costly competitive procurement processes. Groups can often be put off schemes if they have to fundraise £100k to go through a procurement process. Competitive procurement processes are often only affordable to big developers, who may deliver much poorer quality.
- 13.2 The NCLT said that if community groups are able to acquire land without having to compete in the commercial land market, at a price that's going to enable genuinely affordable development, then community-led housing is able to deliver high-quality, affordable housing, with high levels of community support, while building assets and skills in the local community.

Long-term target

- 14.1 In terms of increasing scale for CLTs, London CLT suggested setting a long-term target for the number of community-led homes. They said that being able to show that there's a programme in place over a number of years would make securing investment much easier. It would also provide community-led organisations with stability and allow them to plan ahead and consider employing staff. A target could be supported by agreeing a template legal agreement with CLTs, producing an accessible list of appropriate sites, and delegating the programming to officers.

Grant availability

- 15.1 The committee heard that another barrier for community-led housing development is lack of capital grant for development. Locality stated that, where new start groups and new build is concerned, due to the small scale of the initiatives and the often high cost of land and development, reliance on loan finance can often fail to prove a viable option. They said that this means that the availability of capital grants is of crucial importance to the growth of community-led housing.
- 15.2 Locality themselves manage six programmes of grants and support on behalf of the Department for Communities and Local Government. This includes two types of grants for Community-led Housing projects: Community-led Buildings Pre-feasibility Grant and the Community-led Buildings Project Support Grant. They do not cover the building stage of the project however.
- 15.3 Locality also manage the DCLG Community Buildings Grants, which can provide feasibility and pre-feasibility funding of up to £9,000 to support the development of a neighbourhood plan.
- 15.4 Locality noted that new support arrangements are being set up by many Councils on the back of the DLGG Community Housing Fund. However, it is not yet clear what this looks like across the country. In its first year, the Community Housing Fund allocated £60 million to 148 local authorities to support

community-led housing. Grants of £5,000 to £5,000,000 were paid to authorities that had the least affordable homes or the highest density of second homes. Lewisham received £38k. The fund is due to be re-launched in January 2018.¹¹

Joint ventures

- 16.1 Establishing a joint venture with a partner organisation is one of the options that an increasing number of local authorities are looking to in order to deliver affordable housing. Joint ventures can provide access to new land and development opportunities and allow councils to keep control of land and assets while sharing risk.
- 16.2 There are a wide range of joint venture models in operation across the sector, from one-off contractual agreements to special-purpose vehicles. The structure of any particular joint venture ultimately depends on the objectives of the partners involved.
- 16.3 A common model is where the housing provider owns land or assets and seeks a partner to invest equity funding in the venture and to manage parts of the process, for example, constructing and selling market sale homes. Another common scenario is where a housing provider enters a joint venture to access more land opportunities – some partners may have better land-buying capability or an existing land bank, for example.
- 16.4 Lewisham Council has been working towards the creation of a joint venture to develop the Besson Street site in New Cross since 2016. Lewisham's approach is to create a 50/50 equal partnership between Lewisham Council and a private-sector partner. The council would invest its land into the joint venture and secure equal investment from its partner.
- 16.5 In December 2017, following a partner selection process, the property management company Grainger plc was appointed as preferred bidder. (Mayor and Cabinet).
- 16.6 The Besson Street development is expected to cost around £75m to build. Setting up a joint venture company allows the council to share the funding of the development and retain some control of the land. The council would also benefit from any increase in value following infrastructure or other investment in the area.
- 16.7 As a commercial company the joint venture will make an annual surplus, of which the council would receive 50% - estimated to be around £500k a year. This additional income stream can help the council with the financial and savings challenges it faces.

¹¹ [Community-led housing](#), Ministry of Housing, Communities & Local Government, 27 November 2017

- 16.8 The development itself will provide 232 new homes, all of which will be rented. 35% will be let at London “living rent” levels, which are set according to the local median income. There will also be GP surgery and office and commercial space.
- 16.9 As all of the development is rented, the development will be tenure-blind. There will be no “poor doors”, and no way of knowing whether one flat is let for living rent or market rent. Allocations are expected to work in a similar way to other affordable housing schemes, with priority being given to people who live or work in Lewisham.
- 16.10 The joint venture company will be the tenants’ landlord, not the council. This means that tenants will not have council tenancies or be social tenants and will therefore not be able to exercise a right to buy their home.
- 16.11 The Local Government Association (LGA) is supporting a number of councils which are considering direct delivery of housing. The drivers for many councils include: generating revenue to reinvest in other services, adding quality and affordable private rented sector housing, and addressing gaps in the market for key workers.
- 16.12 The LGA has funded options appraisals to help councils assess the local landscape and identify the best route to intervene. For a number of councils considering setting up housing companies, the LGA has recommended taking more time to consider the best route to direct delivery for that particular area. Joint ventures may be more suitable than housing companies for some areas.
- 16.13 Some councils do come across barriers to direct delivery. The key barriers councils often face are skills and capacity. There are also barriers around change of land use.

Monitoring and ongoing scrutiny

- 17.1 The recommendations from this review will be referred for consideration by the Mayor and Cabinet at their meeting on **XX March 2018** and their response reported back to the Committee within two months of the meeting, or at the earliest opportunity following the 2018 local elections. The Committee will also receive a progress update six months after this in order to monitor the implementation of the review’s recommendations.