

Community-led housing and the speed of development

Briefing Note

October 2021



Introduction

1. The Centre for Regional, Economic and Social Research (CRESR), at Sheffield Hallam University, is currently evaluating the Nationwide Foundation's Decent Affordable Homes Strategy. As part of this work CRESR has undertaken a series of thematic studies looking at issues of significance for the Foundation's programmes. This briefing note summarises findings from work related to the Backing Community Led Housing (BCLH) programme. It explores the factors affecting the speed at which community-led housing (CLH) is being delivered.
2. With increased investment in CLH in recent years - particularly in England - the issue of development speed, and the growth of the sector more broadly, has become a key concern. This is a pertinent issue to a range of stakeholders, not least funders and lenders who wish to know how long it will take for impacts to be felt and repayments to be made. Nationally, little is known about development timescales for CLH, though anecdotal evidence suggests that schemes are generally completed within six years of conception. There are however legitimate reasons as to why it may take longer.
3. This short study sought to explore the issue of development speed in more detail, working with two enabler hubs funded through the BCLH programme; East Midlands Community Led Housing and Wessex Community Assets (Community Housing Hub). In each of these cases we analysed project development information for the groups supported, exploring scheme progress over the course of approximately one year. In addition to this we carried out interviews with both enablers and CLH group representatives. This reveals many of the factors affecting development speeds.
4. To set the context for this work, we explored a national dataset of CLH projects comprising information collected in 2019/early 2020. This contains the vast majority of projects in England at that time. The dataset identifies the of stage of development of projects¹, as well as other information about the group that initiated it. If we look at all the groups that were legally incorporated in 2014 (i.e. roughly six years from the point this data was collected), we can see that 35 per cent of these groups had a project at the 'Live' stage in 2019/early 2020. This is an imperfect measure, since the project being developed and reported on may not be the one which led the group to be incorporated in the first place. Nonetheless it is valuable evidence and suggests a sizeable minority of projects do complete within 6 years. Significant variation in geography and CLH type is likely to underlie this.

Findings

5. Working with the two enabler hubs identified above, the varied factors affecting development speeds have been explored in detail. These factors can be grouped into the following categories:
 - i. **Land/planning** - Site finding often takes the form of time-consuming cycles whereby a site is found, appraisals are carried out, negotiations are held and then (for a number of different reasons) the site is ruled out. This adds significant time to CLH

¹ The broad stages are defined as Group, Site, Plan, Build and Live, using a framework set out in: Archer et al (2018) *Targeting funding to support community-led housing*. Access at: <https://www.powertochange.org.uk/wp-content/uploads/2018/08/TargetingFunding- final.pdf>

developments. By its nature, CLH arises when private or other non-profit actors are not delivering on local housing needs, so groups are often targeting challenging sites that are not straightforward to develop. This is often compounded by delays in planning (over applications, negotiations over technical matters, highways objections, agreements over allocation rights etc). The nature of tendering processes for land can be prohibitive and demand significant investment of time.

- ii. **Funding and finance** - Whilst welcomed by interviewees, the Community Housing Fund (CHF) was not seen as impacting on the speed of development per se. Instead, it had ensured schemes were being considered that would not previously have been taken forward. This impacts more on volume than delivery timescales. Interviewees identified multiple issues relating to unsuccessful or untimely CHF allocations. Accessing commercial finance had proved time-consuming for certain groups too. Furthermore, competing in land markets requires not only sufficient funding or finance, but also that agreements with funders and/or lenders can be put in place rapidly.
 - iii. **Local support and capacity** - Local opposition to schemes can be problematic. Even where Heads of Terms are agreed with landowners, a lack of local support can affect landowner confidence and mean restarting the cycle of site finding. A shortage of skills and knowledge within groups means that some tasks take longer than they might, a product of 'learning on the job'. Schemes are often progressed through a core group of people who are capable of moving things on, but this network takes time to develop.
 - iv. **Partners and policymakers** - The absence of supportive development partners, like housing associations, had affected whether schemes progressed and the associated timescales. Alternative approaches (such as groups themselves becoming a Registered Provider) adds further time, as does decisions about who manages properties in the future. The speed of decision making and turnover in officers within local authorities was cited as a particular issue in progressing schemes quickly.
6. Whilst some interviewees were sceptical about policy solutions to resolve delays, others wondered about the possibility of creating a stronger platform in national and local policy. Examples included requiring all local authorities to identify land for CLH development, thereby speeding up the site identification and acquisition phase. Linked to this, interviewees considered whether there could be a public repository of land, or a public land agent, i.e. a point of contact locally that works with landowners purely to bring forward land for affordable housing. This could speed up the arduous site identification process. Other changes through local policy might refine planning and procurement processes to facilitate and reduce the burdens on CLH schemes.
 7. Other targeted changes could help specific sites to be progressed more quickly, for instance, if the requirements regarding entry level rural exception sites could be changed. In urban areas, interviewees considered whether new powers (or increased resources to apply existing powers) might enable local authorities to be more active in acquiring properties (like empty flats and commercial space). And more could be done to put in place rapid funding arrangements to enable groups to compete in fast moving markets. It was argued in relation to CHF that Homes England needed to release its funding much more quickly to improve the speed at which schemes develop.
 8. All project representatives stated that their enabler hub had provided invaluable support. This had helped groups avoid many of the pitfalls and dead-ends that can befall CLH schemes, though some issues are beyond a hub's control. Increasing evidence suggests an effective enabling infrastructure does affect scheme progression.

9. The speed at which CLH can be developed is an important issue for CLH groups, as they try to meet other objectives, i.e. specific local needs as well as organisational goals. Dilemmas can emerge when the speed of development conflicts with other concerns. For instance, groups may accept longer development timescales in order to become a Registered Provider so that they can exert more control over the development process. Or perhaps a group chooses to spend additional time appraising multiple sites so as to find one which maximises end-affordability for residents. Both scenarios represent a trade-off of speed for some other outcome.
10. One argument for creating and strengthening CLH enabler hubs is that they can help schemes progress more quickly. Testing this hypothesis, however, is far from straightforward. Each hub's portfolio of projects has - and will continue to - change over time. There are signs that hubs are now supporting schemes in more challenging areas, and providing that support at an earlier point in the process. The Foundation's funding is important in this regard as it has helped both of the hubs studied to expand their geographic coverage and services, affecting the nature of the projects they support. This is not necessarily a recipe for quicker development speeds.

Community Led Housing versus Private housebuilding

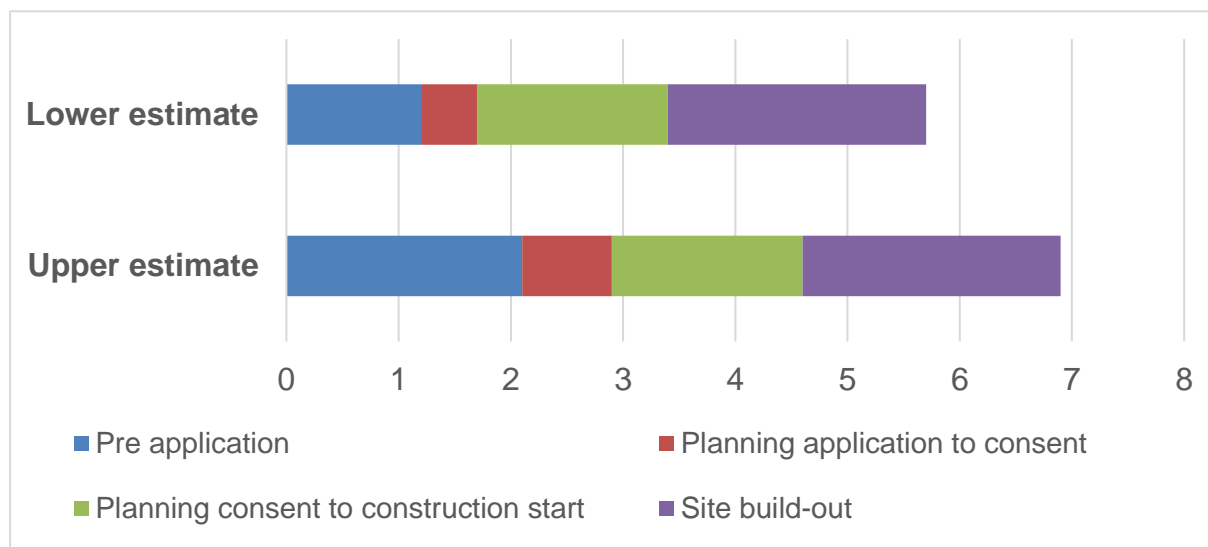
11. Comparing the development of CLH with other forms of housebuilding helps us understand whether CLH schemes are slow to develop, as has been suggested. Looking at the private housebuilding sector, research by the Local Government Association (LGA) in 2016² found that - on average - it took private housebuilders 2.6 years to develop housing from the point of receiving planning permission. This figure seems to be under constant revision, however. In 2017 Chamberlain Walker Economics (CWE)³ produced a report (on behalf of Barratts Development PLC) which looked at the land pipelines for housebuilding in the UK. CWE estimated that, on average, it took four years from detailed planning permission to site completion.
12. However, pre-planning activity is an important and decisive factor in development speeds. The Callcutt Review⁴ suggested that when this is factored in developments take 4.2 years for smaller schemes, or 5.8 years for larger ones. CWE revised this estimate in 2017 suggesting it was 5.7-6.9 years, when accounting for new data on the timescales at each stage of development. This is shown in Figure 1 below.

² Full report not available, figures quoted in media release by LGA in January 2016.

³ Chamberlain Walker Economics (2017) *The role of land pipelines in the UK housebuilding process* [online]. Accessed at: https://cweconomics.co.uk/wp-content/uploads/2017/10/CWEconomicsReport_Land_Banking.pdf

⁴ The Callcutt Review (2007) *The Callcutt Review of housebuilding delivery* [online]. Accessed at: https://webarchive.nationalarchives.gov.uk/20101208170101/http://www.callcuttreview.co.uk/downloads/callcuttreview_221107.pdf

Figure 1: Upper and lower range time estimates for private housing developments



Source: Adapted from CWE, 2017.

13. To make a fair comparison with CLH we need to understand the land supply component for private housebuilders, in order to know the time between securing sites and these being developed. The Lyons Review (2014)⁵ found that current land supply for the six largest housebuilders in the UK was between four and five years. However, other parties are often engaged much further up-stream on 'strategic sites'. When these sites are factored in, Lyons suggests housebuilders potentially have 20+ years of strategic sites they can access (many optioned or on conditional contracts). Hence, significant up-front investment (in both revenue and capital) is put into securing future sites for housebuilders, potentially decades before those sites get built-out. Added to this, these timescales for private development do not have a comparator for the group formation stage that many CLH schemes start with. All this suggests that the six-year average for CLH developments (sometimes used as a 'rule of thumb') does not look excessive at all. That is not to say, however, that schemes cannot be developed faster, or that longer timescales are unjustified given group formation, the focus on challenging sites etc.
14. It is important to note that the scale and growth of CLH is a function of speed *and* the proportion of schemes supported that actually result in affordable housing. Creating a metric to capture the speed, as well as the proportion of schemes that complete, may be a useful way to assess the efficacy of hub support. One way to do this would be for hubs to calculate the average years to completion for all their developed schemes⁶ and multiply this by the proportion of all groups supported that have folded or not been in contact in the last year. A lower number would represent a combination of quicker delivery with a higher 'hit rate'.
15. The speed of development in supported projects needs to be understood in relation to other issues. There is potential to develop measures which account for both quantity issues (e.g. volume of units developed per scheme) and quality issues (e.g. the extent to which the scheme meets local housing needs, delivers broader social impacts etc). Funders may wish to consider these things in combination, to arrive at a clear position on what they want to support, and over what timescales. The Nationwide Foundation, for instance, have shown patience and persistence in supporting the sector with grants for

⁵ The Lyons Review (2014) *Mobilising across the nation to build the homes our children need* [online]. Accessed at: https://www.policyforum.labour.org.uk/uploads/editor/files/The_Lyons_Housing_Review_2.pdf

⁶ A well-defined starting point would be needed, for instance, to exclude initial enquiries and early engagement from the time period.

over 10 years, acknowledging that the growth of the sector in England will take time and require the right infrastructure to be in place.

16. Future studies might try to explore differences in development speeds depending on scheme type, size, location etc. Furthermore, the factors affecting development speed might be mapped against the standard stages of CLH development (Group, Site, Plan, Build, Live), to understand at which point the most acute blockages occur.
17. If increased funding enables more challenging CLH schemes to be supported by hubs, then we might expect these schemes to have longer development timescales, which then affects the average timescale for all projects supported by that hub. This could be a scenario we support given the potential outcomes that may arise.

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