

2017



# Affordable Homes and Sustainable Livelihoods in Rural Wales

## Executive Summary

### Feasibility of a resilient neighbourhood at Llandovery

The Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016 require the population to live and work in radically different, environmentally sensitive ways. This investigation considers the potential for new settlement to fit the progressive legislative framework. The study area centres on Llandovery in the upper Tywi valley of Carmarthenshire, a town on the Heart of Wales railway, but is hoped to have relevance for other areas of rural Wales.

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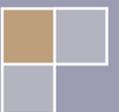


Cronfa Amaethyddol Ewrop ar  
gyfer Datblygu Gwledig  
Ewrop yn Buddsoddi mewn Ardaloedd Gwledig  
European Agricultural Fund for  
Rural Development  
Europe Investing in Rural Areas



Llywodraeth Cymru  
Welsh Government

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For Calon Cymru Network CIC  
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# Executive Summary

- **RECOMMENDATION 1:** Calon Cymru Network should form two community land trusts, (a) an umbrella trust for the Heart of Wales railway corridor and (b) an initial local trust for the Llandovery area, in collaboration with the Heart of Wales Line Development Company. The trusts should be community benefit societies, which can raise capital through community share issues (section 7). Calon Cymru Network and Heart of Wales Line Development Company can do this.
- **RECOMMENDATION 2:** Local authorities and partner not-for-profit community organisations should be able to compulsorily purchase land for affordable housing, where there is clear evidence of need, at less than development value. The price ceiling for compulsory purchase of land for development could be reduced, probably in stages, to agricultural value plus half the difference between that figure and full development value. On Rural Exception sites outside development boundaries, a lower ceiling could apply. This change would share the financial gain between the landowner and the community (section 4.4). Change of compulsory purchase regulations in Wales is now problematic. The devolution settlement was silent on the matter, but the Wales Act 2017 reserves most compulsory purchase powers to the UK Government in Westminster.
- **RECOMMENDATION 3:** Local authorities should develop a more systematic, clearly understood process for community asset transfers of land (sections 2.5.3-2.5.4). Carmarthenshire County Council and other
- **RECOMMENDATION 4:** A Community Right to Build policy should be introduced into Wales, and be included as a permitted category of rural development (section 4.4). The Welsh Government would determine this because housing is a devolved matter.
- **RECOMMENDATION 5:** Policies should also restrict developers' land banking by
  - **Limiting applications to renew expired planning permissions** (section 4.4). This might be achieved by local planning authorities and the Welsh Government together.
  - **Exempting community land trusts from leasehold enfranchisement and from bans on leasehold sales** (section 5.5.2). The Welsh Government could develop policy for this.
- **RECOMMENDATION 6:** Agricultural colleges should consider expansion of the range and depth of courses in fruit and vegetable production, including organic methods; in agroforestry and permaculture, and promotion of these courses within their catchment areas (sections 2.6.2, 6.3.1). Individual colleges would need to be convinced of the benefits of doing

this, but there are strong arguments in favour, including Wales' very low (about 5%) food security in fruit and vegetables, achievement of shorter supply chains between producers and consumers, and knowledge exchange between established farming communities and newcomers.

## **Introduction**

Criteria informing Calon Cymru Network's search for sustainable regeneration opportunities are:

- Provision of homes for local people to rent and sites for self-builders to buy. It is generally impossible to construct affordable homes to rent without subsidy, whether from government, or philanthropists, or both (see especially 9.2, 11.3.4 ).
- Homes to be constructed of locally sourced materials and designed to have energy performance certificates rated A.
- Renewable energy on site.
- Homes to have office work space, fast broadband capability, and electric vehicle charging point.
- Location within one mile of public transport, so that fewer residents feel obliged to have a private vehicle.
- Sites to have garden space, and/or allotments/ orchard for small-scale fruit and vegetable production, with surpluses contributing to ventures such as Black Mountain Food Hub's 'patchwork farm', or for direct sale locally. This would not be formal One Planet Development but would accord with the spirit of the Well-being of Future Generations (Wales) Act and the Environment (Wales) Act.

The process of investigation led to a shift in emphasis from the initial idea of an edge-of-settlement neighbourhood complying with the Welsh Government's 'One Planet Development' regulations, to a wider concept incorporating elements of the One Planet protocol, as appropriate for each site.

## **Section 1 The Rationale for the Project**

The Well-being of Future Generations (Wales) Act 2015 requires public bodies to think in a more sustainable and long-term way.

The Environment (Wales) Act 2016 sets specific and tough limits for greenhouse gas emissions. The Welsh Government must ensure that the net Welsh emissions for the year 2050 are at least 80% lower than the baseline (1990 or 1995 depending on the gas). Wales is lagging behind other UK nations except Northern Ireland in its efforts to reduce emissions.

The Planning (Wales) Act 2015 introduces a new legal framework for the Welsh Ministers to prepare a national land use plan, to be known as the National Development Framework for Wales. The framework will set out national land use priorities and infrastructure requirements for Wales.

Looking to the future, Calon Cymru Network's task included initiating development near Llandovery to accord with these criteria:

- Contribute to the Welsh Government's target, explicit in the Environment (Wales) Act 2016, of reducing greenhouse gas emissions by 80% before 2050.
- Meet the seven goals that the Well-being of Future Generations (Wales) Act 2015 requires.
- Echo the 'One Planet' concept detailed in One Wales: One Planet – the sustainable development scheme of the Welsh Government, published in 2009 and the associated guidance in 2010's Technical Advice Note 6, Planning for Sustainable Rural Communities.

## **Section 2 Six Frames**

(1) Climate change, soil degradation, uncertain water and fossil energy availability, and fluctuating food supplies demand local action to maximise resilience. This means having the capacity and skills to achieve higher levels of self-sufficiency and to replace non-renewable resources with renewable ones. The 'sustainable neighbourhood' rationale accords with these imperatives.

(2) Brexit will have profound implications for the future of the UK by stopping the flow of European Union structural funds to poor regions such West Wales and of agricultural subsidies to the whole nation. A 'hard Brexit' would be highly detrimental to Wales's farmers, some of whom would almost certainly decide to exit their businesses, despite the fiscal benefits of owning farmland. This could decrease the price of land and thus create opportunities for new enterprises including One Planet Developments, which are unsubsidised and geared far more to agroforestry and horticulture and to businesses adding value to produce, than to grass-based livestock farming. If land prices declined, sites would be more affordable for settlement-edge Rural Exception dwellings. Social enterprises like Calon Cymru Network could assume larger roles in creating employment and in keeping money circulating within the region. A big downside to be addressed would be financial stress for established farming communities.

(3) and (4) The General Election on June 8 2017 resulted in a Conservative minority administration depending on Northern Ireland's Democratic Unionist Party. The Fixed-term Parliaments Act 2011, establishing five-year gaps between elections, was bypassed, and could be again before 2022. Short-term considerations are likely to dominate to the detriment of long-term environmental and climatic priorities. In what

could well be a policy vacuum, Calon Cymru Network's role is to press ahead with plans for the low-impact revitalisation of the Heart of Wales line corridor.

(5) and (6) Carmarthenshire County Council has experience of One Planet applications, and owns suitable land within easy walking distance of public transport. Best value rules at this time of financial cutbacks mean that the county council could perhaps not sanction a cheap land disposal for a One Planet Development, but a Rural Exception Site for affordable homes is a different matter and negotiation with the county council for community asset transfer of a portion of its land should have a greater chance of success. To this end, **a clearly understood protocol for community asset transfers would be helpful.**

New residents keen to live according to One Planet principles are likely to be young and energetic, creating economic opportunities for themselves and in time for other people. They would contribute to rebalancing the demographic profile and to the creation of a more diverse economic base.

The project would need to be sensitive to the rural culture and linguistic heritage of the area. **One way to help bridge the gap between incoming One Planet Development enthusiasts and the established farming community would be for agricultural colleges to increase courses in commercial horticulture and agroforestry, and to promote these courses within their catchment areas.**

Homes on one or more Rural Exception Sites would be for local people, enabling them to stay in their home area. It would be part of the plan to accompany housing with community food production and access to small business units – sustainable livelihoods as well as affordable homes.

### **Section 3 The Land Conundrum**

Land adjacent to settlement limits has potential, as Rural Exception Sites, to be designated for affordable housing. The problem here is that landowners expect full development value if their site is to be used for housing, affordable or not, unless they are inclined to be philanthropic.

Farmland owners can qualify for valuable exemptions from Inheritance Tax and, by reinvesting sale proceeds, from Capital Gains Tax. These exemptions, the fact that land supply is fixed, and the UK's relatively stable political and legal environments, encourage not only farmers but investors from all over the world to shelter capital in UK farmland.

Savills' UK Agricultural Land Market Survey 2016 reports: "Cash, in almost 80% of transactions, remains the predominant source of purchasing funds. This includes rollover proceeds, which was the source of funds used by 7% of buyers... Farmers made up the smallest proportion of buyers since 2003 – at 43% of all transactions.

Meanwhile, non-farmers including lifestyle buyers, investors and institutional/corporate buyers represented the biggest percentage of purchasers in the past 12 years.”

The utility of land as collateral, apart from its use value, means that owners seek to apply political and legal power to protect their possession.

The subsidy system, added to the other advantages of owning farmland, discourages landowners from parting with it even for socially desirable purposes.

The Myers case of 1974 had a substantial influence on land costs. The judgement in Myers versus Milton Keynes Development Corporation, made by Lord Denning, Master of the Rolls, was instrumental in making compulsory purchase far more expensive and protracted. He ruled that landowners had a right to share in the increase in land value post-development. This marked the end of the post-war era of well-built social housing on generous plots, often acquired through compulsory purchase at agricultural value.

Given the minimal cost of holding the asset, many landowners are happy to retain land over the long term, even if they have no particular use for it. It is for this reason that some economists favour an annual land value tax, but the potential drawbacks are significant and include the difficulties of valuing land (and not structures on it), and keeping valuations up to date; the plight of income-poor people who happen to own land but cannot find a buyer for it; and the ever-present problem of exemptions.

#### **Section 4 Increasing the Supply of Affordable Rural Homes**

Policy changes worth considering to increase the supply of rural homes include:

- \* **Introducing a Community Right to Build policy in Wales.**
- \* **Strengthening compulsory purchase regulations** to reduce the value uplift passed to landowners until the uplift is shared equally between landowner and public authority (although this would be unpopular with the landowners affected). Local authorities and partner not-for-profit community organisations would be the beneficiaries.
- \* **Restrict renewal of planning permission on land which has not been developed although it has the necessary permission.**
- \* Planning policy alterations to
  - increase solar energy capture
  - incorporate more green open space in housing developments
  - promote orchards, allotments and wild planting within developments
  - include more live-work homes in new neighbourhoods.
- Exempting sales of land for Rural Exception housing from liabilities for taxation.

Several promising designs of low-cost, low-impact homes are now available. They include Western Solar's Ty Solar, with a factory in Pembrokeshire. Founder Glen Peters raised the initial investment from income from the solar farm on his property, and he is working to persuade housing associations and local authorities to adopt his designs.

Mark Waghorn Design offers caravan-footprint and live/work dwellings, made of local timber and thereby supporting forestry enterprise. These designs could help meet the demand for small homes in the Llandovery area.

Nick Dummer's Morphut design is also low-carbon in construction and use. It uses local materials and could be deployed as affordable housing without public subsidy.

Pioneering developments of affordable and intermediate-market homes in England have benefited from public subsidies. They include the Low Impact Living Affordable Community (LILAC) in Leeds, with straw-bale homes. The financial model for the LILAC mutual home ownership society is complex and has required considerable professional expertise. The community aspects of living at LILAC, including food-growing area, are valued by residents.

In Leicester, the Saffron Lane Estate is an imaginative use of disused land, supported financially by both local and national government. In Lewisham, London, the Rural Urban Synthesis Society (RUSS) has attracted substantial grants. Tigh Grian homes in Scotland, built to the Scottish 'Gold Standard' of sustainability, also need public subsidy to be accessible as affordable dwellings.

The Dutch bank Triodos and the Ecology Building Society both have critical roles in supporting the development of innovative, affordable, low-impact homes. The main UK banks have shown little interest.

## **Section 5 Obstacles and Challenges**

Tension between regulation and affordability cannot be avoided, but low impact developments can be destroyed at inception if regulations for building, infrastructure, water supply and other essentials are applied too zealously. Some experimental leeway would help broaden the range of construction methods available, to self-builders initially for example, so that the benefits and drawbacks can be assessed over time and, if appropriate, the regulations could be amended. There is a case for developing sub-sets of regulations for low-impact projects.

Issues over unfair clauses in leasehold agreements are prompting the Westminster government to consider banning leasehold sales of new houses in England, in favour of freehold. It is possible that Wales could do the same. While price control over future sale decisions can be specified in leases, it is harder to guarantee that

freehold properties remain affordable over the long term. Therefore, affordable homes are increasingly likely to be rented.

Mutual societies are sometimes promoted as a promising way forward for affordable housing. This may be the case, but when conflicts arise they can be serious, and highlight the need for painstaking attention to legal structures.

## **Section 6 Future Benefits**

The intention to include work spaces in affordable homes stems from Calon Cymru Network's wish to reduce emissions from commuting transport. Western Solar in Pembrokeshire, for example, incorporates space for home office work in its Ty Solar houses. High-speed broadband is essential, and in reach at Llandovery where the exchange is fibre-enabled.

A sustainable neighbourhood at Llandovery could be accompanied by a permanent display, possibly in one of the town's empty shops, or by a section in the town museum, if it should move to larger premises. Training courses and demonstrations could be organised from a permanent venue. These ventures would add to the numbers of visitors coming to Llandovery, and could help extend the season by taking place throughout the year.

If Coleg Sir Gar and agricultural colleges throughout Wales developed and promoted their range of horticultural and agroforestry courses, these actions would raise the profile of horticulture among the farming community, and enable established and new participants in land-based industries to meet.

New housing for local young people and families could trigger ancillary enterprises in construction, renewable energy, food processing, education and training and tourism, for example.

The lived experience of residents in a sustainable neighbourhood would indicate its replicability to other locations, although every location is unique. Welsh legislation, and expected climate change, require deep systemic reductions in the resources people consume, and therefore a sustainable neighbourhood has the potential to be a 'blueprint' for changes elsewhere.

## **Section 7 New Organisations: Community Land Trusts**

**The report proposes that Calon Cymru Network initiate two new community land trusts (CLTs): an umbrella trust for the Heart of Wales railway corridor, and a local trust for the Llandovery area.**

A CLT may choose to register as a charity if its aims accord with permitted charitable activities. Charities can attract donations and grants as well as loans, and the tax benefits are significant. On the other hand, regulation is heavy and a CLT must be able to prove how it is meeting its charitable aims. Once an organisation has registered as a charity, it cannot normally revoke that status. Trading is very restricted and must accord with the CLT's aims. For example, a CLT cannot build and sell dwellings on the open market, to fund affordable housing. It would have to set up a separate non-charitable venture and organise for profits to be paid to the CLT.

The Welsh Government could help to develop CLTs by:

- Access to revenue start-up support through the Wales Co-operative Centre.
- Investment and strategic support for a revolving loan fund for co-operative/ community-led housing projects in Wales.
- Policy guidance and support to help local authorities use innovative approaches for developing affordable housing on Rural Exception Sites.
- Assisting dialogue between prospective community-led housing schemes and potential local authority/ housing association partners.

It is important to build community participation in a land trust, to be patient, and pay attention to marketing to keep the organisation in the public eye. The skill of working with other individuals and organisations has to be developed, because a community land trust needs support from landowners, planners, funders and builders, as well as from the local population.

## **Section 8 Partnership Working**

The Welsh Government has identified skills gaps in what are called 'citizen-led' schemes. The expertise gaps tend to be in finance, land acquisition – and in securing partners to work with.

Once a CLT is formed, it can bring a new dimension to low-cost housing by treating homes as one element of a sustainable, resilient community, alongside other partners in construction, energy and food production, public transport and job creation, all in the context of environmental protection and climate change mitigation.

## **Section 9 Recommendations on Likely Viability**

The first proposal is to establish an umbrella community land trust for the Heart of Wales railway corridor, and a local trust for the Llandoverly area, initially to acquire land for components of a 'sustainable neighbourhood' in the Tywi valley near Llandoverly. The trust should be registered as a community benefit society.

At Dolau Fields, Llandovery, there is scope for 12 affordable eco-homes with solar energy generation and community food growing area. Timescale: 2 – 4 years.

At Llanwrda, 6-8 affordable eco homes could be constructed on the charity-owned school site. The charity also owns a listed building which contains 6 flats, one of which is occupied by the caretaker. The other flats are unfit for habitation and could not be brought up to current standards. The building could instead provide workspace and a community food growing area. Timescale: 4 – 6 years.

There is also a possible larger scale development at Llandovery, incorporating One Planet enterprises and Rural Exception affordable eco housing, with the goal of boosting the local economy through status as a demonstration project of regional significance, leading to work opportunities in education and training, as well as in land-based enterprises. Timescale: 6 – 10 years.

One Planet Development homes are not necessarily 'affordable', meaning they are not an obvious choice for Llandovery households with median and below-median incomes (see 2.6.1). Although OPD homes can be self-built for £10,000 to £50,000, this does not make them affordable housing. Self-builders use their own and unpaid volunteer labour, which if accounted for would raise the costs of homes. Self-builders often come with considerable financial resources and rarely appear to be driven by acute housing need. Wales' One Planet policy, which is not replicated in England, has encouraged OPD proponents to come to rural Wales from England. While this is a continuation of a trend over five decades, it has cultural implications which need to be considered in Welsh Government policies.

## **Section 10 Concise Business Plan**

A public meeting in Llandovery on April 20 2017 revealed concern about keeping homes affordable, enabling young people to remain in the area, and providing good jobs. There was less interest in One Planet Developments, which are not yet a familiar concept to the general public.

Probably the most important task facing Calon Cymru, after establishing a local community land trust and an umbrella community trust, is to develop partnerships with organisations and individuals who can work together to assist communities prepare for the future, in accordance with the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016.

### **One year**

1. To found a local community land trust, with one trustee from Calon Cymru Network, one from Heart of Wales Line Development Company, and others from the Llandovery / Cilycwm / Llanwrda area.

2. To collaborate with the Heart of Wales Line Development Company in setting up an umbrella community land trust for the line corridor.
3. The community land trusts will decide their own priorities.
4. Calon Cymru Network will suggest to the local-area community land trust the construction of 12 low-cost but highly energy efficient homes at the Dolau Fields site, Llandovery. The site has planning permission, which would need to be amended. Price negotiations have not officially started.
5. Calon Cymru Network will support the trustees of the Almshouse Charity of Letitia Cornwallis, if they so wish, in arranging the construction of six to eight energy-generating homes with community orchard/ vegetable garden on the primary school site, and also to gain permission to change the use of the listed building from residential to B1 (business) and D1 (including museums/galleries) and to secure funding to renovate it accordingly.

### **Two to five years**

1. To prepare proposals to put to Carmarthenshire County Council for a demonstration low-impact eco-hamlet with One Planet Development smallholdings, live/work homes and an education building on a portion of council-owned farmland close to Llandovery. This land is not currently available, and might remain unavailable for several years.
2. To monitor the availability of other potential sites for energy self-sufficient, EPC<sup>1</sup> A+-rated live/work homes, ideally with food production space. Possible sites include (a) opposite the former Ysgol Gyfun Pantycelyn, owned by Carmarthenshire County Council, and (b) Maes y Felin, privately owned. Both feature on the reservoir flood risk map, which is likely to increase the cost of insurance. The site opposite the closed school is likely to have archaeological restrictions.

### **At the end of five to seven years**

1. To have assisted the proposed local community land trust in the creation of affordable energy-generating homes.
2. To have suggested, to this community land trust, development of at least 18 affordable eco-homes, at least six of which are live/ work homes; two food growing areas, workshop space and a historical interpretation centre.
3. Through the umbrella community land trust, to have helped the formation of at least two other local CLTs in the corridor area.
4. To have assisted One Planet Development applicants to secure suitable freehold land within five miles, and ideally within two miles, of the Heart of Wales railway.
5. To have campaigned successfully for changes in land taxation rules and compulsory purchase regulations, to lower the costs of land acquisition by

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<sup>1</sup> EPC stands for Energy Performance Certificate.

public authorities and social enterprises, and to reduce the fiscal incentives which privilege land as an investment.

## **Section 11 Financial Projections**

The estimated cost of setting up an umbrella community land trust and the first local community land trust is about £8,275, if the directors and members of Calon Cymru Network continue to provide voluntary professional support.

The project for 12 affordable eco-homes at Dolau Fields has a ball-park cost of £1.5 million including land. This could be reduced to £1.1 million - £1.2 million if novel designs could be employed. It is only at this lower level that the task of a community land trust to raise the necessary funds looks practicable.

The housing waiting list for Llandovery area in 2017, household income data for Llandovery ward, and responses at the April public meeting, suggest that the primary need is for rented social housing, and therefore the most appropriate way for a community land trust to tackle this at Dolau Fields could be to seek a Social Housing Grant for a mix of 12 new-design low-impact homes, and to match fund through a community share issue, with interest payments set at about 3.5%.

Calon Cymru Network aims to assist the trustees of the Almshouse Charity of Letitia Cornwallis, if they so wish, in arranging the construction of six to eight energy-generating homes with community orchard/ vegetable garden on the site of the former Llanwrda primary school, and also to gain permission to change the use of the adjacent listed building, Cornwallis House, from residential to B1 (business) and D1 (including museums/galleries) and to secure funding to renovate it accordingly.