

# Research Report

## Rural housing: challenges, opportunities and solutions

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## Abstract

This research examines the wider role and impact of housing in rural England. It is well known that housing not only provides bricks and mortar, but it can create cohesive communities where different social groups are able to thrive. As the OECD argues, appropriate housing influences labour mobility, education and housing prospects. Where we live matters. Many young people and people working in the local economy, including essential workers, cannot afford to live where they have grown up or where they work. This is reducing social diversity and also contributing to an ageing population in rural England.

Housing needs are localised and, as such, housing solutions need to be tailored to those local needs. In some such places community-led solutions can be very effective. However, government also has a central and strategic role in stimulating access to land for affordable housing. Such actions involve the planning and tax systems. Creating the conditions that will allow for a mix of housing solutions within any given locality will contribute to a vibrant and sustainable rural economy.

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# Executive summary and recommendations

*Every now and again something comes up that is affordable, but you have really got to hunt for it...we have talked about owning a home, we are not going to be able to afford to buy a house here. We are going to have to move to // which is a good 20-25 minutes out.*

This is a very typical statement from young people seeking to remain in their community. It highlights how affordability, accessibility and availability are central to housing challenges in rural England. Housing is political. In some places, residents will resist development as they seek to preserve the community in which they live. Other residents seek development as it allows families to remain in the locality and it facilitates ageing in place. These complexities underscore the need to work from within the community to address housing challenges.

## Recommendations

1. Housing is a localised issue: different rural communities face distinct challenges. **It requires very localised solutions.** It is not about metrics or volume house building. Instead, creative solutions are found in very small scale local developments. Not all communities have the necessary **social, economic or political capital** to overcome housing gaps. Policies need to recognise the importance of place and the particular attributes that exist within a locality. Rural housing enablers (RHEs) can greatly support communities.
2. RHEs are powerful resources for addressing gaps in affordable housing and working closely with rural communities to support them, helping to overcome barriers such as NIMBYism. Not enough is known about the **technical skills** that could be provided to assist communities in addressing local housing need. For instance, **secondments into the community could provide critical resources.**
3. Accessing **finance is challenging** and often makes larger scale developments much more attractive to Registered Providers (RPs). Creative accounting approaches such as spreading costs over a number of small schemes can help to make the figures stack up. Equally, flexibility from banks was identified in some communities as a cornerstone of successful **community-led housing.**
4. Government should recognise that economies of scale in the traditional sense is not the only consideration. The **wider contribution of housing to the rural economy and in terms of its social impact is now only starting to be fully understood and recognised.** More needs to be done to understand the wellbeing benefits and the degree of increased social cohesion. This should be reflected in the planning system and in the allocation of points for housing need to take account of key workers.
5. Planning and access to land is problematic and better use can be made of the **planning and tax systems.** Community-led housing (CLT) schemes offer additionality, often developing sites on which housing would not otherwise be built (as they would not be considered financially viable by larger housing associations and commercial developers). CLTs typically ensure that properties **remain affordable in perpetuity**, with legal stipulations created relating to future potential sales and purchasers. Some local authorities, such as Cornwall Council, have committed to identify sites suitable for community-led housing initiatives. **Loopholes in the planning system** e.g. Section 106 agreements or local occupancy clauses should be closed.
6. The **Levelling Up agenda** offers a real opportunity to address housing demand and relevant funds should be used to build capacity and to support community wealth building in its widest sense. In a recent PWC survey (2021), 70% of

respondents agree that a focus on housing would be the most effective in **Levelling Up the country and reducing inequality**.

Done well, small scale rural housing developments can solve many challenges at once:

*We love the house. It's warm, comfortable, and spacious and has everything we need. The community-spirit is fantastic too. When we moved in, just after the Covid-19 lockdown, the locals put us on a mailing list and sent us newsletters so that we could be kept informed. I can honestly say that life is great. If we hadn't found English Rural, we'd be living in a small, expensive urban flat with no outside space. We're very grateful for the opportunity and to remain close to the farming community we both know and love. English Rural Tenant*

## Context for the study

Rural property seems to be at an all-time high, with figures from a 2021 Rural Property Report (Coulters Property<sup>1</sup>) revealing that rural house prices have risen by 20.8% during the last five years. There is likely a Covid-related impact in the increased interest in rural property as the rise in rural property price represents a 3.3% higher increase than in urban areas. Harborough saw the largest increase in rural property prices, with an increase by over 33.6% over the past five years.

The most affordable rural areas, according to this study are in order County Durham, Copeland, Wye with Northumberland appearing sixth on the list. These broad figures present one picture of rural England and in so doing, they also mask the complexities of rural housing. Take County Durham, where in the east of the county large portions of it comprise ex-mining villages and places where houses sell for as little as £40,000. This is a world apart from the gentrified places in other parts of England, many but not all of which are in the south, such as the vibrant market town of Barnard Castle in County Durham. Here house prices are much less affordable for many, and poor housing supply seriously limits the capacity of many to live where they would choose.

Housing is notoriously complex and localised. Access to affordable housing remains an important issue across England. A Resolution Foundation Report (2017) found that HCIR (Housing cost to income ratio) tended to rise with each generation – each generation spends more of their income on housing costs than the generation before them. Housing was the key issue identified in a PWC (2021) survey of 4,000 people across the UK in relation to quality, affordability and inequalities. The report advocates building housing across a range of tenures in the right places to balance both affordability and quality concerns will be essential as the economy re-opens after the pandemic and new work patterns emerge. This includes opportunities for people to work remotely on a longer term basis.

## Objectives of the study

1. To undertake research into the impact of Housing Needs Surveys on the provision of rural housing supply on the provision of rural housing.
2. To identify the wider benefits of community and social housing in a rural context.
3. To identify good practice in community-led housing.

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<sup>1</sup> <https://www.coultersproperty.co.uk/blog/the-2021-rural-property-report>

# Beyond housing: contribution to sustainable and visible communities

Housing transcends physical aspects of shelter and warmth (although it is notable that in some parts, this basic need is not met as there is evidence of private rental homes offering low quality housing) by providing a sense of belonging, wellbeing and a connection to a particular place. The OECD argues that housing greatly influences labour mobility and education: where you live matters and the capacity of an individual to make choices about where they live matters.

## Social impact

The wider benefits of community-led housing projects include supporting community empowerment so that communities became more self-sufficient, cohesive, resilient and sustainable (Colquhoun 2020). Additionally, Colquhoun's study provided a monetary value for housing, uplifting land value; bringing health and benefit savings; boosting societal welfare; and enhancing wellbeing in rural areas. Community-led housing has helped to encourage mixed tenure schemes not only to enable young people to remain in their area and others to age healthily, all of which maintains the vibrancy of the community. It can contribute to the viability of local shops, amenities, schools and services and assist local employers with the recruitment and retention of their workforce. As people with a local connection are not priced out of their community, support networks can also be created and maintained.

Housing thus contributes to viable, vibrant and **sustainable rural communities**, this is particularly the case where there is diversity of housing and thus diversity of residents. It prevents rural localities from becoming solely a place of retirement or one of second homes for instance and it allows young people to remain in the place where they grew up. It ensures diversity across residents, accommodating the needs of people on low, medium and high incomes.

Specificity of place means that considerations must be given to the different needs of the population as a whole, including those who may already have moved out of the community as well as older people who have few options to downsize due to a limited housing stock. In a rural context, housing makes visible tensions between the natural environment as a museum versus it being somewhere to work and live, an issue that is particularly pertinent in amenity areas such as those in and around beauty spots. This exposes fundamental differences between those who seek to preserve and those who support sustainable local development and raises questions about who has the right to live in a locality. Even setting aside the issue of housing as a human right, persuasive socio-economic and environmental arguments can be made. Most communities need to create opportunities for lower paid workers to remain in place, avoiding the need for long commutes into and out of the locality. This prevents the creation of 'reluctant leavers', identified by Ford and colleagues nearly 25 years ago which occurs when local people are displaced from the community in which they wish to live and work (Gallent and Scott, Ford et al. 1997). Benefit cost ratios and value for money measurements suggest that

housing delivers high value for money over time (Colquhoun 2020), but not all benefits are fully quantifiable<sup>2</sup> and more research is needed.

**Focus on North Yorkshire:** *The contribution of affordable housing to the community is illustrated through the case of North Yorkshire where property prices and the age profile of residents are key challenges. On the one hand, there is a large and growing elderly population in area, with 152,675 older people, aged 65 years or over. This is equivalent to one-in-four (25%) of the total population, and it is expected to increase significantly in the next 20 years. On the other hand, the proportion of residents who make up the younger working age population is significantly less and is forecast to fall even further over the same period. North Yorkshire is a desirable place to live and during the past year it reported some of the highest rises in house prices<sup>3</sup>. This has implications for young people wishing to get on the property ladder and for those working in the local economy, on wages that are typically fairly low.*

*The North Yorkshire Rural Commission estimates that there is a missing generation of young people who have moved out of the area for a number of reasons including unaffordable housing; lack of access to training, education and employment; and an ageing population. If the area had the same percentage of younger adults as the national figure, there would be 45,551 additional younger working age adults living in the county than there are today.*

*Without the contribution of this missing generation, the annual cost to North Yorkshire's economy is significant. According to the ONS, in 2020, the average UK salary for a full-time worker in this broad age category was £32,739. If this figure is multiplied by the estimated number of missing younger workers, the Commission estimates that the current size of the hole in North Yorkshire's economy is approximately £1.5 billion, annually, and increasing year on year. The report asserts that this hinders the ability of North Yorkshire to achieve the full potential of an effective economy.*

## How to define affordability?

Affordable housing is defined by the UK Government as, 'social rented, affordable rented and intermediate housing, provided to specified eligible households whose needs are not met by the market<sup>4</sup>.' Policymakers, including local planning authorities employ the National Planning Policy Framework definition of affordable housing which provides a list of affordability for different contexts, but generally understands affordability as being at 20% below market rates (House of Commons Library<sup>5</sup>). However, many different stakeholders consider this to be less than satisfactory. The Affordable Housing Commission advocates for the adoption of 'a new definition and alternative measures of housing affordability, which relate to people's income and circumstances<sup>6</sup>.'

The failure to link affordability with real income levels and prices within a locality results in definitions which 'lack credibility'. Affordable housing is subsidised housing that meets the needs of those who cannot afford secure decent housing on the open market either

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<sup>2</sup> <https://www.insidehousing.co.uk/comment/comment/social-housing-can-help-stimulate-the-economy-from-its-darkest-days-66205#:~:text=That's%20called%20the%20multiplier%20effect,will%20be%20paying%20their%20employees>

<sup>3</sup> <https://www.bbc.co.uk/news/business-58502618>

<sup>4</sup> <https://www.gov.uk/government/statistics/affordable-housing-supply-in-england-2019-to-2020>

<sup>5</sup> <https://commonslibrary.parliament.uk/research-briefings/cbp-7747/>

<sup>6</sup> <https://static1.squarespace.com/static/5b9675fc1137a618f278542d/t/5e784fadf476076330c82344/1584943027023/Making+Housing+Affordable+Again+-+Executive+Summary.pdf>

to rent or buy. Affordable housing can be affordable rented housing (where rent is <80% of market rate and can be unaffordable for those who don't have a place to live); London affordable rented housing (rent is set by GLA); social rented housing (where rents are determined by national rent regime or an equivalent rental agreement); and intermediate housing (includes intermediate rent, affordable home ownership and shared ownership). Research for Joseph Rowntree (in 2018) found that affordable rents for typical two-bed properties work out at 30% more expensive than social rents. On average this is £1,400 per year. Affordable rents are more expensive throughout England, the difference is noticeably bigger in Southern Regions. Yorkshire and the Humber is the region with the smallest difference between affordable and social rent at £650 per year, in the South East this is £2,000 per year and in London it's £3,350 per year. Social housing is less prevalent in rural England where it accounts for 12% of housing stock as compared with 19% in urban areas (Rural Housing Alliance, 2016).

Keswick Housing Trust follow the National Housing Federation standard which is that no more than 25% of net income should go on either rent or repayments. They note that if they followed Homes England's definition which is that affordable homes can be up to 80% of market value that still equates to unaffordable prices locally as most people work in hospitality or retail jobs.

Part of the challenge in providing affordable housing in rural areas is about removing the stigma attached to it. Some argue that the term has been so abused and misused that it requires a re-definition. Focusing on incomes rather than house prices seems to be a fairer way to define affordable housing. The Labour party proposed a definition of affordable home that is linked to income not to market prices. Many advocate that households should not pay more than a third of household income on housing costs (Affordable Housing Commission 2019). The residual income approach defines housing as affordable if a household can cover basic goods and essential needs after paying for housing (ibid). The Minimum Income Standard details the income that different households are believed to need to reach a minimum socially acceptable standard of living in the UK.

Housing is very political. Social housing and affordable housing schemes can carry a lot of stigma. For that reason, housing associations are striving to ensure their houses do not have the appearance of 'social housing'. In some places high prices reduce social diversity as those on low incomes cannot afford house prices.

## Understanding community needs

Terminology around Housing Needs Surveys and assessments is confusing. Housing Needs Surveys are different to Housing Needs Assessments. Assessments are carried by local authorities as part of their duties. The purpose of Assessments is to establish what housing need there is, in terms of tenure, size of dwellings, accessibility and so on, or in other words they provide a macro snapshot of housing need in a local authority area. It is a strategic document which allows authorities to predict housing need and what needs to be built. This is essential information for any local authority but what this macro level analysis cannot identify is the particular need of any single village or parish.

Surveys are typically carried out by housing associations, community groups, or RHEs, and they identify specific need at the more local or micro level. These can drill down into the need at a more localised level, for example, at the village or parish level, and the demand from local people in those areas. People may wish to stay in the local area but are unable to do so because of a lack of housing stock and the high cost of existing properties.



## **Housing Needs Assessments**

A Housing Needs Assessment typically involves compilation and evaluation of specific demographic data, economic characteristics and trends, current housing inventory and characteristics, government policies and incentives, and the adequacy and availability of selected community services, as well as collecting the input of area stakeholders and residents. The assessment concludes with quantifying the number of housing units needed in the market by tenure (rentals vs. for-sale), price point, bedroom type and market segment (e.g. families, seniors, disabled, young professionals, etc.). The assessment may also provide recommendations on how to achieve certain housing goals and will provide recommendations on potential housing policy initiatives that would benefit the local housing market. In instances where a community has available land that could be used to develop new housing or the adaptive reuse of existing structures, site-specific analysis can also be included as part of an overall Housing Needs Assessment. An analysis can even be conducted on submarkets or select neighbourhoods within the subject community. In short, a Housing Needs Assessment can be customised to meet the specific needs of a community.

The users and beneficiaries of a Housing Needs Assessment are broad. Typically, a Housing Needs Assessment is used by local governments to identify housing issues and solutions that can be used to make strategic decisions related to the housing market and is often used as a basis for future housing and policy decisions and/or to secure financing for various housing programmes and projects. Additionally, the assessment is used by local entities (government, economic development, chamber of commerce, etc.) to attract and encourage residential development activity and investment. Such assessments can also be used by social services organisations to understand housing issues specific to their interests and allow them to focus on ways to meet the needs of certain special needs populations (e.g. homeless, disabled, etc.). These assessments are also used by private developers and non-profit entities to identify areas of development potential so that they can strategically develop the types of housing most needed in the community. Finally, the assessment will enable local leaders and residents of the community to provide valuable insight as to the housing challenges they see in the market and help interested parties understand where focus should be placed on addressing such challenges. As such, a Housing Needs Assessment provides the information and tools for a variety of entities to make data-driven decisions about the area's housing needs.

## **Housing Needs Surveys**

Housing Needs Surveys are an objective tool principally used to gather factual information on the scale and nature of housing need at the local (community) level. This is achieved through a range of survey techniques to gain information on the attributes of households seeking accommodation whose requirements are not being met by the current housing stock. This may be a consequence of the housing not being available or the respondent not having the income to buy or rent a home that meets their needs.

The key to effective engagement is having a robust evidence base that provides an assessment of the scale of need and an understanding of its characteristics in terms of, housing tenures, house sizes and types, affordability, household characteristics and bespoke adaptive requirements. The National Network of Rural Housing Enablers<sup>7</sup> has

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<sup>7</sup> <https://lrha.co.uk/wp-content/uploads/2017/01/National-Network-for-Rural-Housing-Enablers-Document.pdf>

produced guidance which sets out ten principles which should be adhered to when carrying out a survey:

1. The goal of all Housing Needs Surveys is to provide an objective evidenced overview of the scale and nature of the full range of housing need in a locality, usually a village or parish.
2. Housing Needs Surveys are independent and balanced and seen to be so.
3. The process for collecting the data is open, fair and transparent.
4. Any secondary data used as a principal source of information or to augment data collected from households is up to date and relevant to the geography of the survey.
5. Data is anonymised and confidentiality and data protection statements are clear and correct.
6. The community, which is wider than just the parish council, is informed of the reasons for the survey, invited to participate and able to access the results.
7. The reports are written in plain English with explanations of how the findings and conclusions are drawn, including any caveats and noting sources of data.
8. Housing Needs Survey reports are publicly available once the commissioning body has agreed and signed off the survey.
9. Housing Needs Surveys are a snapshot in time, their 'shelf-life' is stated and a process for updating the data is available.
10. The Housing Needs Survey is only the start of the process. Once it is completed ongoing liaison should be maintained with the community, housing association or other developer, local authority and landowner to take the project forward.

In particular Housing Needs Survey identify the need for:

- Affordable housing to rent;
- Affordable housing to buy;
- Starter homes;
- Downsizing;
- Adapted and/or housing with care support.

At a local level Housing Needs Surveys can be used to help shape the future development of their community. They are useful for the community, for landowners and for housing associations as they can influence the Local Plan or bring forward their own Neighbourhood Plan; they can directly engage in development activity through community-led housing schemes such as rural exception sites and Community Land Trusts; and they can be used to support comments on planning applications.

Whilst the actual questions in a survey will vary they will universally collect information to establish

- How many people have a housing need?
- What is their age?
- The composition and size of their household that has a housing need?
- What are their current housing circumstances and why they require alternative accommodation?
- What type and size of housing are they seeking?
- What tenure are they seeking?
- What can they afford including income and savings?
- What is the nature of their connection with the community?

Surveys may also be used to take a measure of the level of support for a housing scheme to meet local needs. It can only be measured from the responses to a specific question that probes opinion. Local affordability models have been used to estimate the gross need for social rented housing by calculating the number of new households expected over a period of time that cannot afford private housing given house prices and incomes, and the net need for new social housing units by netting off from this figure the expected number of relets. This model is normally applied at local authority level, and where relets exceed the number of newly emerging households that can't afford private housing, will give negative need estimates (that is surpluses of social housing). This approach allows for economic factors, and is well suited to local application, but says nothing about existing need within an area.

The survey approach to identifying general housing needs and social housing requirements has become common and popular, especially for communities that are trying to drive forward small scale developments themselves or in collaboration with a RP. There is considerable scope for divergence across Housing Needs Surveys including the area covered (some surveys target local businesses in the area and in adjacent parishes); the specific types of need investigated; the methodology employed (e.g. postal, doorstep, use of social media, web-based) and use of the resulting data.

The biggest strength of surveys is that they are well suited to uncovering existing need, generating information that cannot be accessed in other ways. In this way they plug a gap left by the statutory housing needs assessment. They are weakest with respect to future need, as asking individuals to identify what their circumstances will be one, two or five years into the future does not necessarily generate responses that are grounded in reality. However, surveys can be extremely expensive.

Local surveys should try to identify people in housing need with a local connection, such as relatives of existing residents, people who have previously had to leave to find suitable accommodation and people who work in the area. Some RHEs do contact local employers and have tried using social media but generally response rates are relatively low.

## **Advantages and limitations**

The macro level approach is concerned with housing need of the larger authority, and by definition is unable to look at the housing need and sustainability of smaller villages and communities. In the past the Regional Spatial Strategies (RSS), that were abolished in 2010 (superseded by the Localism Bill), provided a holistic account of housing and other development needs, taking full consideration of interconnections between different sectors. Some of our respondents considered that the combined authorities offer potential for a return to the more granular considerations achieved through the RSS and recognition of the importance locality. Additionally, current funding structures, including set targets, can have unintended consequences including that providers avoid rural exceptions<sup>8</sup> and small scale sites so that they can more easily meet targets. As a result, fairly large scale housing is then built in market towns and 'less rural' space. Many, but not all, RPs are more keen on larger scale housing as the finances stack up and they can also hit their targets.

For small villages and communities, the required housing for the community is likely to be few in number, and while important for the viability of the community, this number is less

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<sup>8</sup> Rural Exception Sites are small sites that are used for affordable housing in perpetuity where sites would not normally be used for housing <https://www.gov.uk/guidance/national-planning-policy-framework>.

attractive to property developers. The macro level approach is unable to take account of the needs of people who may have left communities because they are unable to afford to live there, but are very keen to live in these communities. The macro level surveys are driven by the ambition to ensure sufficient housing for everyone in the authority area, and to ensure an absence of homelessness due to insufficient housing. There is less concern with where the housing is actually located which means that given market forces it is more likely to be located in cities or large market towns<sup>9</sup>. This threatens the sustainability of rural communities and villages which need houses but not at a commercially attractive level. In summary, the macro level approach is spatially blind.

## Community-led housing

Affordable housing is low-cost housing for rent or sale, usually delivered through a housing association, to meet the needs of local people who cannot find accommodation through the open market. A lack of affordable housing in rural communities has been a problem for many years. Incomes in rural areas tend to be lower than the regional average which makes it difficult for people working locally to live in the village where they work and high house prices prevent first-time buyers from getting a foothold in the housing market.

An OECD report has highlighted that England is the only country in Europe where it is more expensive to live in rural rather than urban areas. To address this problem there is a growing interest in many areas in Community-Led Housing projects, which have been successfully implemented across the country. These developments aim to provide homes which are genuinely affordable to rent and buy, and to keep them affordable in perpetuity for future generations.

Community Led Homes understand Community-Led Housing<sup>10</sup> where:

- Open and meaningful community participation and consent takes place throughout the process.
- The community group or organisation owns, manages or stewards the homes in whichever way they decide to.
- The housing development is of true benefit for the local community, a specific group of people (an intentional community), or both. These benefits should also be legally protected in perpetuity.

Appropriate legal agreements are usually made to ensure that the homes developed remain affordable in perpetuity and are not subject to right to buy. Social rented properties will be offered in the first instance to applicants in housing need who have a local connection.

Local connection is broadly defined as:

- The person is continuously resident in the locality for three years immediately prior to occupation; or
- The person has been in continuous employment in the locality for at least the last six months and for a minimum of 16 hours per week immediately prior to occupation; or

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<sup>9</sup> North Yorkshire Rural Commission Report (2021) Rural North Yorkshire: The way forward. North Yorkshire County Council.

<sup>10</sup> <https://www.communityledhomes.org.uk/what-community-led-housing>

- The person is a former resident who wishes to return to the locality; or
- The person needs to live in the locality because they need substantial care from a relative who lives in the locality, or because they need to provide substantial care to a relative who lives there.

Below are listed the most common routes communities can take to achieve these goals: cohousing, Community Land Trusts (CLTs), community self-build, housing co-operatives and self-help housing.

## **Cohousing**

Largely adopted from the Danish model, Cohousing communities are intentional communities, created and run by their residents. Each household has a self-contained, private home as well as shared community space. Although cohousing encourages communal living it should not be confused with a commune. Generally, there are shared spaces such as a laundry room, but residents are free to choose how much interaction they have.

## **Community Land Trusts**

They are a way for communities to build, bring back into life or protect buildings and services that are important to them. Projects that CLTs have taken on include building and renovating houses; taking over the running of local pubs and shops; creating play areas and nature walks; and building workspaces. CLTs acquire land, either by buying it, on a long-lease or as a gift, the trust then oversees the development of affordable housing to rent or buy and when the homes are complete the CLT remains a steward.

CLTs typically build homes that local people need and can afford. Many groups are taking a radical approach to how they calculate rent and sale prices by taking houses out of the market and tying costs to what local people earn. This means living costs can be dramatically reduced. It is not just the current residents that benefit from the lower housing costs. An asset lock means the affordability is legally protected so that future residents will also benefit. Homes cannot be sold for inflated profits, and any extra money that a CLT earns or raises must go back into the pot to be used for community benefit.

## **Housing co-operatives**

Housing co-operatives are non-profit housing organisations where members democratically control and manage their homes. Some housing co-ops own the homes that they manage, some lease them from another organisation (e.g. a housing association) and some manage properties that belong to a different landlord, such as their local council. Unlike some other types of community led housing the membership of a co-op is limited strictly to its residents. The community in question is made up of the people living together.

## **Community self-build**

A self-build scheme can fall into the community-led housing category if it involves members of the community coming together to build their own homes. An individual self-build scheme is not a community scheme. Self-builders might undertake most of the work or use contractors for some or all of the build. The self-build group could be a co-op or a Community Land Trust.

## Self-help housing

Self-help housing projects refurbish existing properties and often offer a range of opportunities for 'hands on' involvement by members during the refurbishment process. This form of housing has the potential to offer solutions for communities with a housing stock that is of low quality/ not fit for purpose or for implementing the Green Growth Strategy and improving energy performance of housing.

There are two ways in which self-help housing can work:

1. Properties could be purchased and then refurbished. This would require funding for both acquisition and refurbishment. Community asset transfer is one way in which communities may acquire such properties.
2. Properties could be leased and refurbished. In this case it would only be necessary to cover the cost of renovation. Properties need to be leased for long enough to make it financially viable from a co-operative landlord, such as a local authority or housing association, and ideally at a pepper corn rent.

## Financial viability

There are a range of funding sources and finance available to support the revenue and capital costs of developing CLH. Access to grants and finance across all stages of the CLH development process is uneven, particularly grant funding for the early stages of housing projects. It is a very politically sensitive issue with different funding programmes being created to support different aspects of community housing schemes (see also next section). Some authorities with dedicated officers assist CLH groups with their funding bids.

Like any other development CLH is funded through raising private loan finance and if the scheme involves affordable housing it will also draw on capital subsidy. Sources of private loan finance include:

- Ethical lenders
- Community shares
- Crowd funding
- Public Works Loan Board
- Existing housing associations (RPs) - where they are working in partnership with a CLH group. The RP will raise the loan through its own loan facility that funds its development portfolio.

Existing community-based housing organisations with local roots can decide to develop more homes adding to their stock, or non-housing organisations can branch into housing for the first time. They are often well placed to overcome local planning objections as they already have a presence in the local area. Community organisations may also have existing assets which can be used to access funding for projects. Existing groups will also have experience of managing projects and a fit-for-purpose legal framework, enabling them to move more quickly than newly established groups. from scratch. They are also likely to continue developing more homes, using the learning from their first housing project.

New organisations need a great deal of support, the availability of which varies throughout the country, but has been boosted through the investment of the Community Housing

Fund. Several CLH support organisations and regional support hubs can advise CLH groups.

## Housing, the planning system and the State

A local authority could take a strategic view of the potential of small and larger sites in their area for CLH and shape their planning policy accordingly. This could involve the proactive assessment of sites suitable for CLH and allocation of them in their local plans. It could then work with CLH practitioners or local community organisations to see if CLH could be developed on these sites. Some authorities have encouraged CLH developments through their local plans and associated affordable housing supplementary planning documents (SPDs). Some rural authorities have looked at a policy to make land available for CLH through new affordable housing policy in its Local Plan and some are prepared to consider the development of affordable housing on rural exception sites. East Cambridgeshire District Council's SPD has a presumption in favour of affordable CLH projects when considering proposals outside development envelopes.

Housing development plans in most areas suggest that housing will be more accessible to younger people. However, because of the way the planning system works, larger housing schemes are often built in larger 'rural' places, allowing local authorities to meet rural housing targets. This can mean that small scale housing in more remote rural locations is less attractive to RPs, i.e. housing associations. This can cause frustration for parish councils, as a parish council clerk explains:

*...we did try to engage with one of the local housing associations, but they weren't interested. It maybe that...but the types of properties we identified that we needed were these types of bungalows single story accommodation, suitable for older people. And I don't think we are unusual in that regard in terms of the locality. (24.03.21)*

Thus the way in which 'rural' is defined within the planning system is critical. Building small scale housing schemes is supported through the Rural Exceptions Policy and this is generally the route followed by RPs. Community-led housing (CLH) solutions have become very popular in the past few years due to the significant injection of government funds into the Community Housing Fund<sup>11</sup>. It is not yet clear what the legacy of this will be, but it has created a lot of interest in CLH and possibly a degree of tension between RPs and community solutions.

For areas that are very attractive and have high amenity value, second home surcharges can help generate extra income for the community, although it must be noted that the surcharge is unlikely to put people off from purchasing a second home given its relatively small amount (when compared to the overall capital at the disposal of the second home buyer). Leakage in the planning system results in affordable housing stock shifting out of the mainstream market i.e. rental properties being sold on as holiday lets or second homes. In certain areas there are local occupancy restrictions which means that house sales are restricted to local occupancy e.g. Lake District National Park<sup>12</sup>. One challenge is appropriate monitoring of this clause (a planning authority may not have sufficient resources) and in our study some respondents described houses being sold on the open market in Keswick during the recent past. Fundamentally the planning system has a

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<sup>11</sup> <https://www.gov.uk/government/collections/community-housing-fund>

<sup>12</sup> <https://keswickreminder.co.uk/2020/10/26/uproar-over-local-homes-being-used-as-holiday-lets/> , <https://www.lakedistrict.gov.uk/planning/applicationsanddecisions/occupancy-restriction-webmap>

powerful influence on rural housing. Section 106 agreements fail to achieve longstanding impact if properties are sold on the open market; ditto for local occupancy clause properties. This loophole needs to be closed.

Meanwhile land value taxes have the potential to radically adjust how land and property is valued. As it incentivises landowners to improve their land, it has the potential to stimulate the renovation of derelict buildings. As the current system exists, landowners are taxed on the value of properties, rather than on the land meaning they may be disinclined to improve properties. Further, they may also be more willing to landbank, leaving land undeveloped in anticipation of better market conditions.

The Government has specific policies relating to affordable and social housing. In late 2020 the Affordable Homes Guarantee Scheme<sup>13</sup> was created. It offers RPs access to loans underwritten by Government at lower than normal borrowing rates. The money is available for RPs to build homes for social rent, affordable rent and for shared ownership in England and is expected to deliver 17,000 new affordable homes. The scheme complements the Affordable Homes Programme<sup>14</sup> that runs from 2021-2026 and has a target of 180,000 homes. Outside of London, funds are administered through Homes England. Housing associations are currently building the majority of affordable housing, but local authorities, developers, for-profit providers and community-led organisations can also apply for this Government funding. Section 106 homes are ineligible but there are some funds available to bring empty homes back into use. To receive grant funding, developers must be qualified investment partners of Homes England or working with an organisation that is. Schemes must be in line with some of the Government's new objectives for housebuilding.

The Affordable Homes Programme<sup>15</sup> currently provides grant funding to support capital costs of developing affordable housing for rent or sale. It is a large-scale programme aimed at housing associations, local authorities, developers, for-profit providers and community-led organisations. The Community Housing Fund was withdrawn in 2022 having provided support for community-led housing since 2016<sup>16</sup>. It offered support for submitting a planning application, submitting an application for capital funding and/or starting on site.

## **Section 106 Agreements**

These are formal Deeds made pursuant to Section 106 of the Town and Country Planning Act 1990 to secure planning obligations which are required in order to make a proposed development acceptable in planning terms. The idea is that the planning obligations mitigate the impact of a proposed development. Section 106 has been a key factor in the provision of affordable housing since its introduction. A 2021 study by Savills<sup>17</sup> found that 47% of new affordable housing since 2016 was comprised of Section 106 developments, the equivalent of 18,000 homes per year.

For a construction company to be granted permission from the relevant local authority to build on a piece of land, it has to achieve a Section 106 agreement. As a new development will have an impact on the local community and infrastructure, such as more children in

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<sup>13</sup> <https://www.gov.uk/government/publications/housing-guarantee-scheme-rules-affordable-homes-guarantee-scheme-2020/affordable-homes-guarantee-scheme-2020>

<sup>14</sup> <https://www.gov.uk/government/collections/affordable-homes-programme-2021-to-2026>

<sup>15</sup> <https://www.gov.uk/guidance/apply-for-affordable-housing-funding>

<sup>16</sup> <https://questions-statements.parliament.uk/written-questions/detail/2022-03-21/143745>

<sup>17</sup> [https://www.savills.co.uk/research\\_articles/229130/316463-0](https://www.savills.co.uk/research_articles/229130/316463-0)



schools and more cars on the road, Section 106 requires the applicant to make a contribution to pay for this impact.

This can be a financial contribution, but another requirement is that a certain percentage of the new homes is allocated for affordable housing, with lower rents or market price. The exact percentage is up to the local authority, but the Government has set thresholds around this.

Section 106 has successfully delivered affordable housing across the country. However there have been cases where developers have been accused of selling properties allocated for affordable housing at market values. This has been attributed to the fact that some councils have not adequately monitored Section 106 which is not surprising given the austerity agenda and the reduction in funds for local authorities. There is a perception that local authorities could require more affordable housing in some projects as part of the agreement, perhaps by offering concessions in other areas of Section 106. Developers often cite that the project is no longer financially viable if it adheres to the original affordable housing requirement.

In August 2020 the Government published a white paper<sup>18</sup> which included plans to lift the threshold for a housing site being liable for Section 106 payments from 10 units to either 40 or 50, which would exempt many thousands of housing schemes from developer contributions.

The Section 106 system in 2019 delivered 28,000 affordable homes, which is around half the total, according to the National Housing Federation (NHF), meaning this change could hit affordable housing delivery by more than 5,000 homes a year. The consultation paper justified the shift by stating: "However, we anticipate that raising the threshold would make more sites viable for SME (small to medium enterprise) developers and would increase the pace of their delivery as the need for negotiation would be removed. On balance, the proposed approach would allow more small sites to come forward and help minimise the economic pressure that SMEs are under."

## **What is a rural exception site?**

A rural exception site is an area of greenbelt land exempt from normal planning policy. Permission will be granted for limited development in exceptional circumstances where a clear need for housing has been proven. The properties built on this site will be affordable, and only available to those with a strong connection to the local area.

Development on a rural exception site will usually be carried out by a housing association, including consultation with the parish council, district council and the local community. In order to ensure the housing remains reserved for local people (both on initial rent/sale and also in the future), a Section 106 agreement is drawn up and signed by the housing association and the council.

This agreement will secure the new housing as affordable and available only to people connected with the local area. The local connection criteria will also be laid out in this agreement, which will then be used in the allocation of the properties to residents. In general housing enablers can:

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<sup>18</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/927157/200805\\_Changes\\_to\\_the\\_current\\_planning\\_system.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/927157/200805_Changes_to_the_current_planning_system.pdf)

- Raise awareness about the lack of affordable housing for local people within rural areas.
- Gather information to recognise the need for affordable housing within the rural communities.
- Give power to local communities so that they can investigate innovative options
- Assist communities to form appropriate partnerships.
- Offer support to residents in relation to sustainable communities.
- Improve the relationship between voluntary and statutory agencies and communities.
- Work with communities so they can register the needs of local people.

Access to detailed legal, financial or planning advice seems to be variable and costly and it is not something that housing enablers can offer as a comprehensive package. Providing communities with access to these resources would greatly assist certain communities with lower levels of social, economic and cultural capital.

## **Housing allocation and housing needs**

Housing allocation prioritises social housing for those with the greatest housing need and this is enshrined in the Localism Act by statutory reasonable preference criteria. It is needs based and 'reasonable preference' must be given to those categories of people set out in housing legislation. The allocation is through a points based system, and while some consideration may be given to those with local connections<sup>19</sup>, other factors e.g. amount of savings, may exclude key workers such as health and social care workers who would otherwise not be able to afford to live in an area. This system may not fully take account of wider rural development interests that seek to create a sustainable community and thus may need to provide housing for key workers. The Lake District National Park leads on a comprehensive housing strategy for Cumbria 'Fit for Purpose', that seeks to ensure an integrated approach across housing, planning, transport and economic development. Ultimately it must operate within a wider planning and housing policy framework that sets parameters of housing need. There is a need to reconsider what constitutes housing 'need' so that the wider interests of the community are properly accounted for.

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<sup>19</sup>

[https://england.shelter.org.uk/professional\\_resources/legal/housing\\_options/allocation\\_of\\_social\\_housing/people\\_who\\_qualify\\_for\\_local\\_authority\\_housing#title-1](https://england.shelter.org.uk/professional_resources/legal/housing_options/allocation_of_social_housing/people_who_qualify_for_local_authority_housing#title-1)

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