

Neighbourhood Planning

Planning for Community-Led Housing

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Image: Saffron Acres community-led development under construction.

Introduction

The guide is targeted at people and organisations that are currently preparing neighbourhood plans, or have recently made a neighbourhood plan and are looking at ways to deliver its aims. The focus of the guide is on community-led development, in particular small community-led housing schemes.

A neighbourhood plan can put in place a statutory planning policy framework for an area. Achieving its aims depends on suitable schemes being brought forward by private developers, public bodies, not-for-profit organisations, partnerships - or in an increasing number of situations - through community-led development.

There are real benefits in considering community-led housing or other kinds of community-led development during the preparation of the neighbourhood plan or immediately after a plan is

made. This guide sets out those potential benefits and considers how neighbourhood plans and community-led development schemes could be prepared in parallel.

Locality has prepared other guidance on community-led development and community-led housing, which may be useful to read in conjunction with this guide. More information is given at the end of this guide.

Why consider community-led development?

Benefits of Community-led Development

There are various reasons why groups preparing neighbourhood plans should consider getting directly involved in undertaking development. Neighbourhood plans can bring many benefits, including creating investor and business confidence, ensuring development is sustainable and gaining local support for growth. However, community groups often want to go further than can be achieved by planning policies alone. Community-led development can be a means to achieving these benefits and they can also address land and development viability problems.

Market Failure: Viability

For development to be viable to the private sector, the sale price of development needs to exceed land acquisition, construction and other costs, allowing for a reasonable profit margin. Where development is to be rented, projected rental income needs to provide a return on the investment within a reasonable period of time.

Where land and property prices are low, there can be viability problems that make it difficult to attract investment to the area. This can mean that development does not take place, even though there are sites available, infrastructure in place and a clear local need. Viability can be a problem especially for smaller housing schemes, due to the economies of scale that benefit larger schemes.

The neighbourhood planning process includes engagement with landowners, developers, housing associations and trusts, the local authority and others that can provide data and advice on viability, so any viability problems should become apparent. Sometimes, property prices and development viability can vary greatly between different parts of an area, even though they are close together. There may also be viability issues with specific site, due to ground conditions, infrastructure deficiencies or other factors.

Where there are problems in attracting new development, or when communities are keen to address specific local issues directly, community-led development can be the way forward. Community organisations sometimes have access to capital funding or donations of cash, land, tools or materials. In addition, they can work on a not-for-profit basis. This can help cover or reduce development costs and make schemes more viable.

Market Failure: Overheating

Some parts of the country, such as London, have suffered from high-level house price inflation. The results is that even so-called 'affordable' housing beyond the means of most people.

In some areas, like Cornwall, there are discrepancies between income levels and housing property prices. This can be a result of a high proportion of properties being second homes for people living elsewhere.

A simple review of local estate agents will give a good indication of property prices, and whether there are variations across an area.

Community-led development can be a means to providing specialist housing or easier access to housing in areas where prices outstrip income levels. Creative solutions can be developed to allow access to housing for people who could otherwise not afford it (see later sections of this guide). Where land is donated to community organisations or offered at below market rates, it actually removes or reduces the greatest element of cost from the equation.

Addressing Need

Neighbourhood plans and local plans must be based on evidence of need. Policies can require a proportion of housing to be more affordable or to cater for different sizes of household.

The housing development market caters for demand. There is evidence to suggest that developers under-provide for smaller dwellings, despite there being local need. This is because larger housing units tend to be more profitable.



Image: Prefabricated units for Hull.

Community organisations can operate on a different business basis to private sector developers, helping to make certain kinds of development deliverable, even where market conditions are challenging.

Community-led housing can focus specifically on need, providing housing that private builders are not providing in sufficient numbers. A small community-led housing scheme could be entirely comprised of affordable or smaller accommodation. This could include specialised forms of housing, such as housing suitable for the elderly or for people of limited mobility. Thus, community-led schemes can help to create a more balanced mix of housing in a neighbourhood area - a mix that neighbourhood plan policies would not achieve alone.

Community-led development could provide other facilities too. For example, a development scheme could include more green or urban open space than could be required by neighbourhood plan policies. In areas where there is a shortage of open space, this could deliver an effective solution. Such space could be designed to support play or to accommodate events, markets or other social and economic activities.

Land Value Increase

When planning permission is granted, the increase in land value is often taken out by the landowner, who sells the site on. Where a community organisation owns the land, any increase in value can be retained in the development. This can help to achieve more affordable accommodation, or larger and better quality accommodation at a given price level.

Retaining land value increases for community benefit could be a reason for using a *Community Right to Build Order* to gain planning permission. This is dealt with in more detail later in this guide.

Exemplar Schemes

Neighbourhood plans may encourage good design and include design policies and housing standards. Design policies may prevent poor design and lift quality generally, but they can't require exemplar or innovative developments.

Community-led development can incorporate very high standards of architectural and urban design. Good design is wide in scope and addresses how a place functions, safety, sustainable living patterns, pedestrian convenience, opportunities for social interaction, active lifestyles and a range of other factors. In this way, design makes a real difference to quality of life, social inclusion and sustainability.

Quality of place is closely aligned with an area's economic performance and ability to attract investment, jobs, population and visitors. Very high quality community-led development can

help to achieve a range of community aspirations and aims (social, economic and environmental), and this can impact not just on the development itself, but also on the wider area. Exemplar developments can help to change negative perceptions about an area, raise expectations and create investor confidence.

Building performance and other aspects of sustainable construction can be incorporated into community-led development. Whilst the Building Regulations require certain standards, buildings could be designed to achieve much higher standards, for example in terms of insulation qualities and energy use. This is beneficial not just in terms of environmental sustainability, but also in creating accommodation with low running costs, delivering long-term social and economic benefit.

So community-led development provides opportunities to deliver high standards of urban design, building design and sustainable construction, creating long-term benefits for occupiers and the surrounding community.

Providing Choice and Opportunity

A neighbourhood plan can't specify who undertakes development or set out creative financial models to make housing more accessible. Community-led development is a means of taking control of the design process, construction and then subsequent management of housing. It can enable more creative approaches.

For example, community-led housing could be a means to enabling and delivering self-build housing. This could be based on individual housing designs, or designing a small estate.

Some self-build housing includes 'sweat equity' arrangements, where potential occupiers provide free labour on construction of the development in exchange for their deposit being provided. This can allow families to get onto the housing ladder, where normally they would have no means of saving a deposit.

Co-housing is another possibility, where a local community can commission, develop and occupy a purpose-built development, including shared community facilities.

Community-led development is not just about housing. Indeed, considering housing in isolation will limit the chances of realising an area's potential. There is sometimes a misconception that neighbourhood planning is mainly about housing, but this is not true. Especially in many parts of the North and the Midlands, the key challenge is in attracting investment and enabling economic restructuring. In many areas, the need may be more about attracting employment opportunities or community facilities. A community-led approach may be used to provide all kinds of development, including enterprise space and community energy generation. It is essential to consider the communities needs against a wide social, economic and environmental context.

Promotion of sustainable and healthy live/work patterns is about ensuring a good mix of uses in an area, including a range of residential accommodation, employment opportunities and access to a range of recreational and community facilities. A mixed-use development may be one of the way of achieving this.



Image: Plans for three new bungalows in Hudswell.

Example of Community-Led Housing



This self-build housing scheme in Alt Street, Liverpool utilises a ‘sweat equity’ model to cover the value of the 10% deposit. This provides opportunities for people to get onto the housing ladder, where otherwise they would be excluded. The scheme has helped to address land market viability issues.

Working together on the scheme helps to develop skills, confidence and a strong sense of community. The scheme incorporates flexibility over the internal layout, including whether the roof space is developed to provide additional living space.

In this case, the community-led housing scheme preceded a neighbourhood plan. A neighbourhood area for a much wider area has now being proposed.

Key questions

1. What is the state of the land and property economy in your area? Are there problems with affordability of property or with viability?
2. Is the market addressing local need? If not, what are the deficiencies?
3. Is the area able to attract high quality and sustainable design in new development?
4. Could creative financial models be used to provide choice and better access to housing?

Considering Community-Led Housing

For neighbourhood planning groups, need for community-led development may be identified at various stages of the neighbourhood plan process.

Evidence and Community Engagement

Neighbourhood plans require a proportionate evidence base to be compiled to underpin policies. They also involve extensive community and stakeholder engagement at all stages of their preparation.

Analysis of the evidence base and the outcomes of engagement can highlight where there is unfulfilled need in the area or where there are issues with the land economy, such as affordability or viability issues. Local issues may include housing, community facilities, access to employment, infrastructure deficiencies, and open space deficiencies, among others.

Addressing Local Issues

Neighbourhood plans may address many of these issues. Aims and policies can be formulated. However, as set out above, economic conditions may raise doubts over the ability of the market to deliver. Or the community may have aspirations beyond what can be achieved through the neighbourhood plan.

Consideration of community-led development during the preparation of a neighbourhood plan can be a means of addressing issues highlighted by evidence or local engagement and then of ensuring actual delivery of the neighbourhood plan's aims and policies.

The neighbourhood plan process may provide some of the data on which to develop a project, including formulating a sustainable business plan. This may include consideration of funding sources available or of other means of raising capital funding.

Stakeholder engagement for the neighbourhood plan may identify and establish dialogue with potential delivery partners. These could include housing associations, housing trusts, land trusts, community development trusts, and the local authority.

Key Considerations

Key considerations for community-led development to take into account may include:

- Land use policies in the local plan
- Other nearby land uses
- Traffic and transport
- Infrastructure, including broadband, highways, pedestrian paths, and public transport.
- Local community facilities.
- Urban design characteristics, including scale, how streets and spaces are defined and patterns of movement
- Socio-economic data
- Data on the land and property market
- Local community facilities
- Special natural environment or built heritage designations, such as Areas of Outstanding National Beauty (AONBs), Sites of Special Scientific Interest (SSSIs), listed buildings and conservation areas.

This list is not exhaustive, but highlights some common considerations. The neighbourhood plan or local plan evidence bases are likely to include data and analysis on many or most of these matters. So there could be a common evidence base for community-led housing schemes.

Key questions

1. Has analysis of the neighbourhood plan evidence base or outcomes of community engagement highlighted issues that could be addressed by community-led development?
2. To what extent can neighbourhood plan policies address all of the issues identified?
3. Could community-led development help to deliver the community's aspirations for the area?

Delivering Community-led Housing

This part of the guide focuses on the role of neighbourhood planning bodies in delivering community-led development.

Locality has prepared other guidance on delivering community-led development and community-led housing, which provides more detail on project delivery. This guidance is included in a series of toolkits to help emerging community led housing projects. Links are included at the end of this document.

Delivery Bodies

A legal body needs to be in place to deliver community-led development. Suitable bodies may already be operating in the area, such as community development trusts or local land trusts. Such bodies could be approached by neighbourhood planning bodies, where they have identified opportunities for community-led development.

Alternatively, a new community-development body could be established. This could be formed from neighbourhood forums or neighbourhood plan steering or working groups, providing an ongoing delivery role after the neighbourhood plan is in place. This would require the constitution of the forum to be amended. Also, the forum would need to consider gaining an appropriate legal status, such as limited company (not-for-profit), community interest company, charity or other suitable legal model.

Partnering is another option to consider, for example with private developers or with housing associations and housing trusts.

Finding Sites

It is necessary to find a site to develop. This could be a clear site, a site capable of being cleared, or a site with buildings capable of being converted and perhaps extended. This could

include heritage buildings, which can be a useful catalyst in delivering regeneration and attracting funding.

Site appraisal is necessary to identify any stability issues, services, ground conditions, condition of buildings and other physical characteristics that need to be addressed. The physical, social, economic and environmental context of a site also needs to be assessed. This will often have been done or is being done as part of the neighbourhood plan process.

The neighbourhood plan process can be useful in identifying suitable sites and engaging with owners. A neighbourhood plan may include site allocations and/or policies to enable development. For site allocations, viability will be considered as part of the neighbourhood plan process. This is also useful in identifying sites suitable for small-scale community-led development.

Neighbourhood plans will consider gaps in provision of existing housing stock in terms of meeting local need. This provides a context for community-led development, as previously discussed. Neighbourhood plans can also look at other issues, such as local infrastructure, identifying deficiencies.

Public authorities, church bodies and other organisations with social purposes may be prepared to donate land, sell at below market rates or enter into partnerships or other legal arrangements to make sites available. Such sites can be ideal for small-scale community-led development.

Scheme preparation

Good practice in preparing neighbourhood plans includes close liaison with the local planning authority. This would also provide opportunities to discuss community-led development proposals. This will help to clarify that there are no policy, environmental or other planning problems with a proposed site and also help to identify any technical reports required to support development proposals.

In preparing schemes, account should be made of other neighbourhood plan aims and policies. This includes not just policies on housing, but wider policy aims such as creating sustainable live/work patterns. The policies of the local plan for the area and national policies would also need to be taken into account.

Selecting a professional team with the necessary design skills is essential to achieving successful and sustainable development. More detail on this is given in Locality's other toolkits on community-led housing. See 'Other Resources' section later in this guide.

Where a neighbourhood plan includes, or is intended to include, design policies or housing standards, a community-led housing scheme could be designed to demonstrate those policies or standards. It is obviously important for there to be consistency and conformity between the neighbourhood plan and any scheme being promoted or delivered by the neighbourhood plan body.

Engaging with local people

As with a neighbourhood plan, it is essential to undertake rigorous community and stakeholder engagement and consultation in respect of community-led development schemes.

Community and stakeholder engagement for the neighbourhood plan and the community-led housing scheme could be held together, though care would be required in explaining the scope of both to the community, to avoid confusion between them.

For example, a controversial specific development scheme could trigger a drop of support for an emerging neighbourhood plan, if there was confusion between them. On the other hand, an exemplar scheme, designed to deliver community aspirations, could provide an early win and help foster public support for growth and development.

The level of detail required when preparing a scheme depends on the kind of planning permission being sought. The following section on planning permission options discusses this in more detail.

Key questions

1. Are there already active community organisations undertaking development in your area?
2. Are there people on the neighbourhood forum or neighbourhood plan steering/working group interested in getting involved in the delivery of development?
3. Are any of the potential development sites in the neighbourhood area potentially suitable and available for community-led development?
4. Has there been robust community engagement to establish support for a community-led scheme?

Gaining Planning Permission

Options

Early consideration of community-led development at the neighbourhood planning stage provides certain opportunities and options for gaining planning consents. Whilst there is always the option to go for conventional planning applications, there are also neighbourhood planning options for gaining consent through the use of neighbourhood development orders (NDOs) or, for small community-led developments, community right to build orders (CRtBOs). Both of these involve similar processes to that for neighbourhood plans, including the need for an independent examination and referendum. These are discussed below, or a link to more detailed guidance is given at the end of this document.

Neighbourhood Development Orders

Neighbourhood development orders (NDOs) have real potential in enabling community-led development and, indeed, development generally. NDOs can be used to grant planning permission for certain kinds of development.

For example, NDOs could grant outline planning permission for sites identified or allocated in a neighbourhood plan. NDOs retain some flexibility, as a detailed planning application would still be required before development could go ahead, allowing the detailed design process to take place later.

An NDO could be prepared in parallel with a neighbourhood plan, including the independent examination and referendum. This would help to create economies, as the same independent examiner could be used for both, and then the referendum for both could be held on the same day.

It makes a lot of sense to consider preparing an NDO, especially where a neighbourhood plan is making site allocations.

Community Right to Build Orders

A community right to build order (CRtBO) can grant planning permission for small-scale community development. Such an order grants planning permission for a detailed scheme, so there needs to be a high degree of certainty over the form of development to make use of a CRtBO, as the scope for later modification is limited. The level of information required for a CRtBO is often similar to that needed for conventional planning applications.

As with NDOs, a CRtBO could be prepared in parallel with a neighbourhood plan, including the independent examination and referendum.

In addition to granting planning permission, a CRtBO ensures that any profits made from a site are used for community benefit. For community-led development, this is an important consideration.

A further benefit of using a CRtBO is that it saves the cost of planning fees for the community organisation undertaking the development.

Planning Applications

Conventional planning applications can be used to obtain outline or full planning permission. A planning application is also required to approve reserved matters, where there is an NDO or an outline planning permission in place. A design and access statement and various technical reports may be required to accompany planning applications.

Where a planning application is approved, it may be subject to conditions or a Section 106 obligation, requiring infrastructure works or requiring affordable housing. It is often possible to agree minor amendments to a scheme without the need for new planning application to be submitted.

Planning Applications could be used after a CRtBO, if significant changes to a scheme were necessary. The CRtBO will have already have established the principle of development.

Key questions

1. Could use of a Neighbourhood Development Order to grant permission for key sites help to create certainty and save time?
2. Could use of CRtBOs help community organisations to gain planning permission and save on the cost of planning fees?

Conclusion

Community-led development can help deliver neighbourhood plan aims. It also has the potential to deliver beyond the scope of a neighbourhood plan.

The following is a summary for considering community-led development as part of the neighbourhood planning process:

- Bear in mind the possibilities of small-scale community-led development from the beginning of the neighbourhood plan preparation process.
- During analysis of evidence and the outcomes of community engagement and consultation, consider whether community-led development could be a means to address some of the issues raised.
- Consider the potential for community-led development as a solution to market failures, such as addressing affordability or viability issues.
- Avoid focusing on housing in isolation. Consider the wider social and economic needs of the community, including access to employment and community facilities.
- Identify potential sites suitable for community-led development as part of looking at development sites within the neighbourhood area.
- Identify and speak to other stakeholders that may be interested in delivering community-led development.
- Robust community and stakeholder engagement is just as important for community-led development as it is for neighbourhood plans.
- Consider whether neighbourhood development orders or community right to build orders could be used to help enable community-led development.

Other Resources

[Community-led Housing Toolkit 1: Getting your community-led housing project up and running](#)

[Community-led Housing Toolkit 2: How to tackle project planning](#)

[Community-led Housing Toolkit 3: How to fund your project](#)

[Community-led Housing Toolkit 4: How to deliver your community-led housing project](#)

[Locality Neighbourhood Planning Roadmap Guide](#)

[Neighbourhood Development Orders and Community Right to Build Orders](#)

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