

REPORT OF THE RURAL HOUSING POLICY REVIEW



Affordable Housing: **A Fair Deal for Rural Communities**







Chair's foreword

There are severe housing shortages throughout the UK. But rural areas face special difficulties:

- Competition from commuters, retirees and second home owners means on average rural house prices are 26% higher than in urban areas.
- Local earnings are consistently lower in rural than urban areas, averaging £19,700 in rural districts compared with £26,900 for the major urban areas.
- And there is much less housing association and Council housing, not least because of higher levels of Right to Buy sales. 12% of rural housing stock is social housing compared with 19% in urban areas. So housing affordability is a much greater problem.

Even given the low national targets for new affordable homes, the fair share for rural areas (relative to population) should be no less than 7,500 homes a year. But in 2013 we built only 2,886.

Over the last decade a series of excellent reports have made the case for more affordable rural housing. Our review has considered whether progress has been made in taking forward the clear recommendations from these reports. We have to conclude that the position facing the next generation who need to live and work in rural areas has become even tougher in recent years.

None of the pressures identified in earlier reports has eased:

- Output of affordable housing by housing associations has not returned to pre-2008 levels and falls below the percentage share that reflects the population in these places;
- And looking ahead, the key housing associations told us their pipelines of new schemes are at their lowest ebb for years.

We have been much encouraged by the clear support increasingly being shown in rural communities for development that can meet local needs. Land owners and local businesses, as well as local residents, are more than ever recognising that affordable housing is essential if rural communities are to thrive economically and socially in the years to come.

Nonetheless, from the evidence presented to us, it seems likely that a deteriorating situation is going to get even worse:

- The new proposition from Government for removing requirements for affordable homes on small sites is likely to reduce annual rural affordable housing provision by some 50%;
- Smaller, local housing associations and building companies lack the financial capacity to develop on any scale; yet most of the larger, regional and national ones are steering clear of small, complex rural schemes;
- Despite the special opportunities for development on "Rural Exception Sites", there are few incentives for

landowners to release land for affordable housing rather than hold on and hope for higher values from 100% market housing.

- Government has made welcome progress in giving village communities greater involvement in the planning process, but few of these communities have the funds and specialist support they need to organise Neighbourhood Plans, let alone the building of affordable housing in their villages.

We have looked for solutions that do not depend entirely on investment of public money. Our recommendations aim to achieve a change of gear by promoting the supply of sites, increasing private investment and securing the skills needed to deliver affordable rural homes. Leadership from central and local Government is essential and, indeed, Government is the target for most of the recommendations that are listed below. But harnessing the goodwill and creativity of local people – with housing associations working together to maximise their resources - will be just as important in boosting the supply of the affordable homes that are so essential to the future of our rural communities.

Lord Richard Best

Chairman of the Rural Housing Policy Review

Acknowledgements

This review has been undertaken by a small group of people who have a wealth of experience and are passionate about the rural affordable housing. However, it would not have been possible without the contributions of others. We are grateful to Hastoe Housing Association for sponsoring our review and to all the organisations and individuals that submitted evidence, met with us and shared their experiences; and the local authorities, parish and town councils who completed our surveys and provided us with such a valuable insight into how things work at ground level. Finally, we would like to thank Marie Kirk and Mary Anne Lobo for their behind the scenes, but very necessary, logistical support.

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 Links to external references are highlighted in **blue** throughout this review.

We have used a traffic light icon to illustrate the extent to which the recommendations of previous reports have been implemented.

Why a Rural Housing Policy Review was needed

We know from four reports published between 2005 and 2009 that there was a need for more rural affordable housing. But is this being delivered? The answer, sadly, is “No”.

Some of the recommendations of these reports ([Joseph Rowntree Foundation’s “Homes for Rural Communities,”](#) the [Affordable Rural Housing Commission report](#), [Living, Working, Countryside](#), plus the suite of publications published as part of HRH [The Prince of Wales’ Affordable Rural Housing Initiative](#)) have been implemented. Worryingly it has become increasingly obvious that many of these recommendations have been abandoned, or undermined by subsequent policy. It is salutary that the Government’s [Future of Farming Review Report](#) published in 2013 stated that the availability of housing in rural areas was still a recurring concern in the views it gathered. Our concern is that the situation is now worsening rather than improving.

The shortage of housing for the next generation has begun to change attitudes to new housing and the Localism Act has given communities a voice. They are using this to gain more affordable houses as well as market housing that will help keep their communities alive. But their steps are being thwarted.

We know that rural areas are different. Problems of affordability are worse and there is less social housing. Sites are smaller, schemes often more complex and

costly. There are fewer opportunities to build, so arrangements are in place to ensure the homes remain affordable for this and future generations.

Our task has been to identify what works, to rekindle the momentum that followed the publication of earlier reports. But also to respond to the fact that the delivery of affordable housing in rural areas is no higher than it was in 2008 and still falls short of the level of need.

How we undertook our Review

Our work has been organised around the four pillars of rural affordable housing delivery: site supply and planning; funding and finance; ensuring a long-term supply of affordable homes; and community and political support. We have investigated the extent to which the recommendations of the earlier reports had been implemented, examined the changes that have affected delivery in the intervening years and explored new ways of working.

We gathered our evidence by meeting with key stakeholders, running seminars and events, commissioning ‘think pieces’ and submissions, surveys of local authority staff and parish and town councillors. You can find a list of all those who provided evidence by clicking [here](#).



Northamptonshire Rural Housing Association

The housing market context in rural areas

The characteristics of housing markets in rural areas are well documented and it has not been the remit of the Review to undertake further research on these underlying factors. However, we did need to establish what has changed since 2008.

Before setting out this context it is important to give a cautionary note on the data. Gaining an accurate picture of delivery of affordable housing in rural settlements is not straightforward. Only the Homes and Communities Agency consistently provide data on delivery for settlements of less than 3,000 population. Most other data is provided at local authority level, which includes significant market towns, and in some cases small cities. In consequence, the situation in the smaller rural communities can be distorted, disguised or lost. Finer grained information was previously available for different types of rural settlement. Sadly, there is now very little analysis at this level.

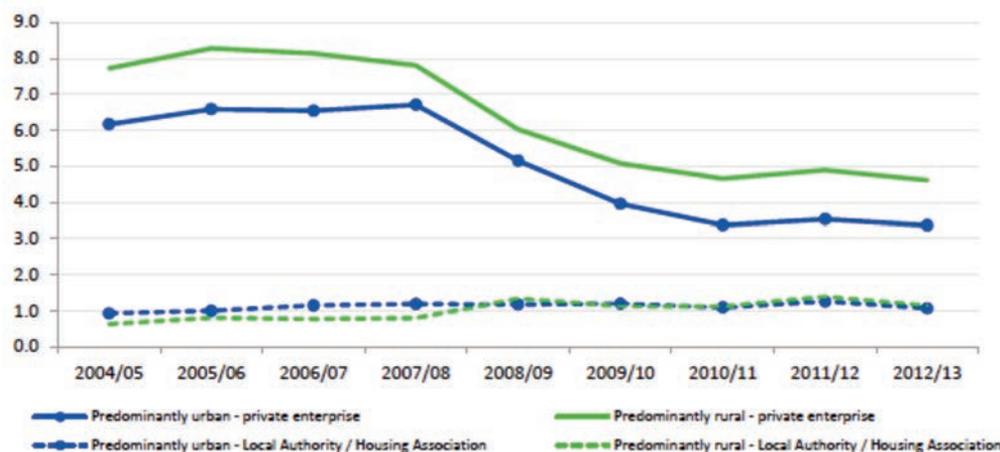
Overall housing supply and development

The level of private housing completions in all types of local authority declined rapidly in 2007/08. In 2011, the number of completions picked up, but fell slightly away again in 2012/13.

Private market housing completions have been consistently higher relative to population levels in predominantly rural local authorities compared with urban local authorities. (Figure 1) This indicates a degree of resilience to economic downturn within the rural housing market which, if recognised by policy makers, could be used to advantage for the UK economy as well as rural communities.

Figure 1

House-Building: permanent private and Local Authority / Housing Association dwellings completed per 1,000 households, by Local Authority Classification, in England, 2004/05 to 2012/13



Source: Defra
 Statistical Digest of
 Rural England -
 March 2014 – using
 Defra Urban /rural
 classification

Affordable housing completions per thousand population are well below that of private delivery. Rates across urban and rural areas are roughly comparable and reasonably stable.



Northamptonshire Rural Housing Association

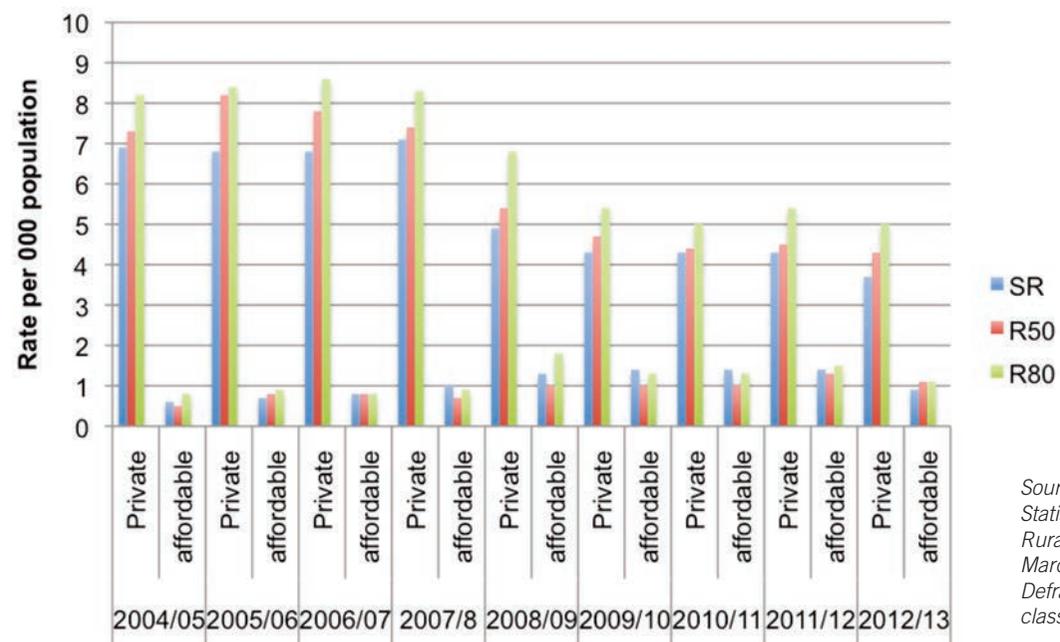
The trend in delivery between different types of rural area is also roughly similar, as shown in Figure 2. However, it is interesting to note that delivery across rural districts per thousand population of both private and affordable housing has consistently been higher in the most rural local authorities (R80 local authorities¹).

However, this data can be very misleading. Firstly, it records delivery at district council level and as such, as noted above, includes development in larger market towns as well as smaller communities. More significantly the actual number of affordable homes delivered is very small and, as the evidence given below demonstrates, well below that which evidence shows is needed.



Figure 2

Completions per thousand population by rural local authorities 2004-2014



Source: Defra Statistical Digest of Rural England - March 2014 – using Defra Urban /rural classification

Key

- SR** Significantly Rural
- R50** Districts with 50% -79% of their population in rural settlements of less than 10,000 population and larger market towns
- R80** Districts with 80% or more of their population in rural settlements of less than 10,000 population and larger market towns

¹Defra has produced a rural urban classification of local authorities. R80 districts are the most rural where at least 80% of residents live in rural settlements of less than 10,000 people and larger market towns https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/248666/Rural-Urban_Classification_leaflet_Sept_2013_.pdf

House prices

Historically, rural house prices have been higher than in urban areas. The latest research published by **Halifax Building Society** concludes that rural house prices across Great Britain are £46,575 (26%) higher than in urban areas. Whilst this premium exists across all regions, it is greatest in the West Midlands and lowest in the North East.

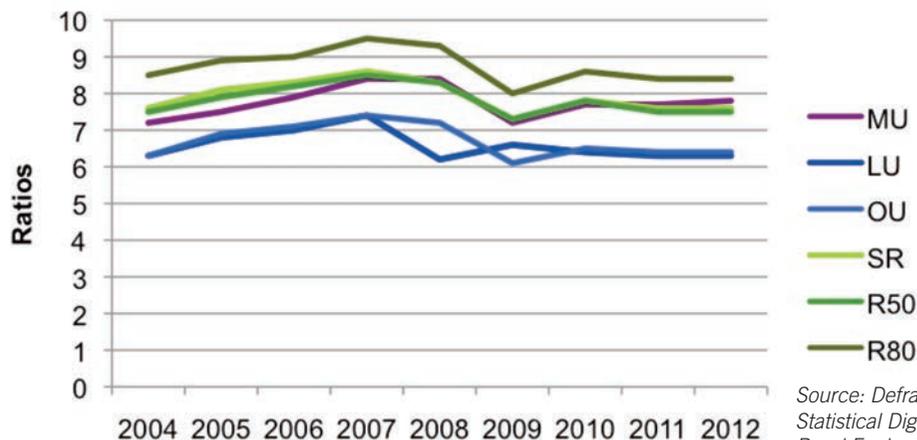
Affordability

Given these higher house prices and generally lower locally earned incomes, it is not surprising that affordability is a bigger issue in rural areas as illustrated by the amount of income needed to purchase a house. The Halifax research identified that only two English rural local authority areas had an affordability ratio below the historical long-term average. On an averaged house price, the affordability ratio in rural areas is 6.8 compared with 5.6 in urban areas.

Figure 3 shows that lower quartile affordability has remained worst in the R80 districts. Even during the credit crunch lower quartile affordability ratios were above 8:1 in the most rural local authorities, substantially worse than urban areas on average. The latest evidence published by Defra reveals that the lower quartile ratio in the most rural local authorities (R80s) was 8.4:1 compared with 6.4:1 for large and other urban areas.

Figure 3

Lower quartile affordability ratios by rural/urban local authorities



Source: Defra
 Statistical Digest of
 Rural England –
 March 2014

Key

MU	Major Urban authorities
LU	Large Urban authorities
OU	Outer Urban authorities
SR	Significantly Rural
R50	Districts with 50% -79% of their population in rural settlements of less than 10,000 population and larger market towns
R80	Districts with 80% or more of their population in rural settlements of less than 10,000 population and larger market towns

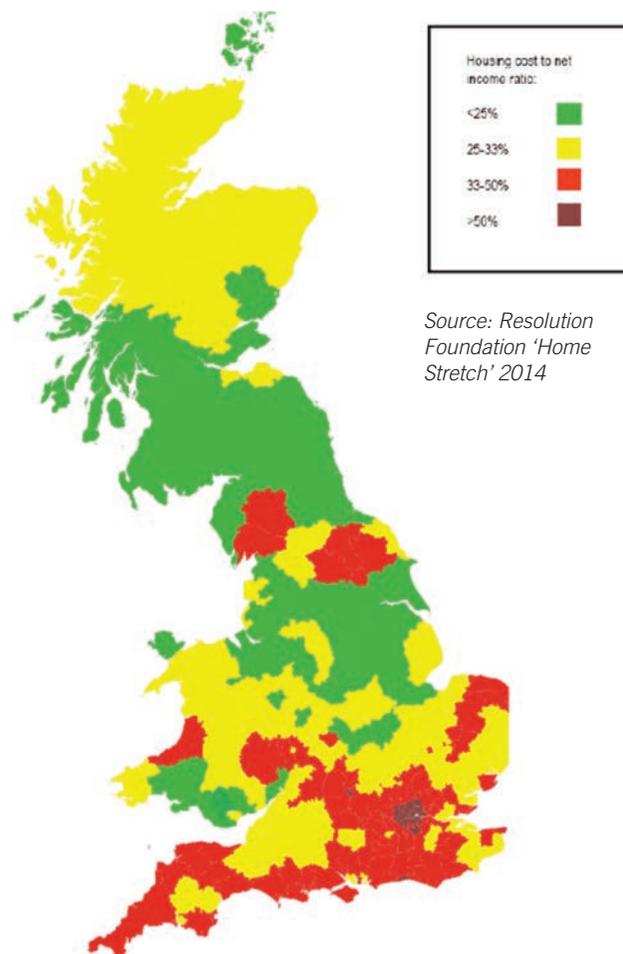




This is graphically illustrated by Figure 4, which was produced by the Resolution Foundation in its report, **Home Stretch 2014**. London is the least affordable, but beyond London the worst affordability is predominantly in rural areas. There are large areas, primarily rural in nature, across the country where households would need to spend 30% to 50% of their income buying a home with a mortgage.

Figure 4

Affordability of buying with a mortgage across Great British local authorities, all property sizes 2013-14



Source: Resolution Foundation 'Home Stretch' 2014

For first time buyers this presents particular problems, again evidenced by the Halifax report that found 42% of purchasers in Great Britain to be in this group, compared with 54% in urban areas. It is challenging in southern England, for example in East Dorset only 24% of sales were to first time buyers.

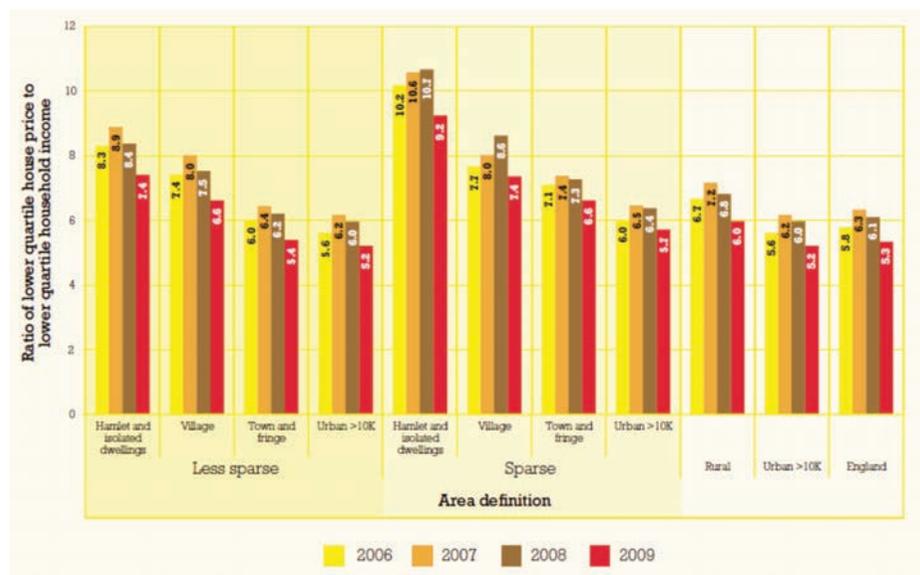
Again these local authority figures may mask even worse affordability ratios for the most rural settlements. Unfortunately, as this level of analysis is no longer available the most recent data is that provided in the Commission for Rural Communities' State of the Countryside Report 2010. These data, shown in Figure 5, illustrate that affordability certainly was a greater problem in smaller rural settlements, that includes villages, and in sparse rural areas.



Figure 5

Ratio of lower quartile house price to lower quartile household income

Source: Commission for Rural Communities: State of the Countryside 2010

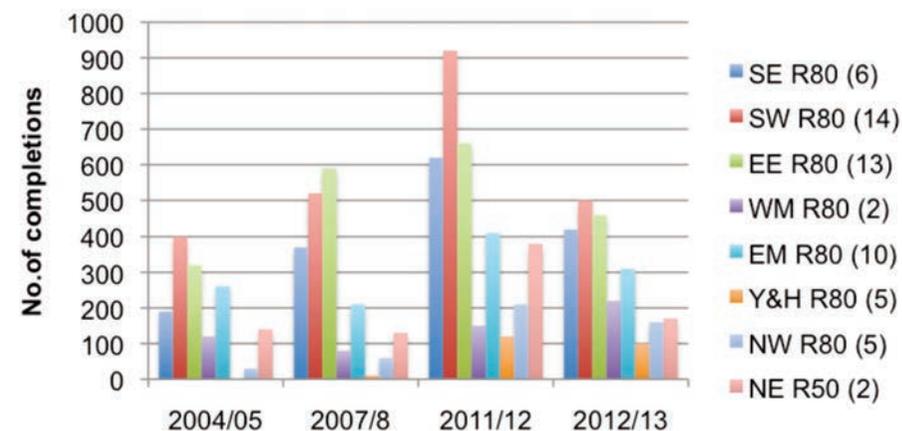


Supply of local authority and housing association homes

For those unable to afford to buy in the market a supply of affordable housing in the form of properties provided by local authorities and housing associations is crucial. As shown in Figure 1 affordable completions in both urban and rural areas are well below that of private development. Figure 6 shows the geographical variation in levels of delivery during 2008 to 2013. To a large extent this reflects the number of rural local authorities within each region. However it is interesting to note that the South East out performs the East Midlands which has a greater number of rural districts. This may be a consequence of greater awareness of the problem, more housing associations being willing to develop small rural schemes and the better financial viability of developing in higher value areas.

Figure 6

Affordable housing completions in R80 LAs by sub-region



Source: DCLG Live Table 253

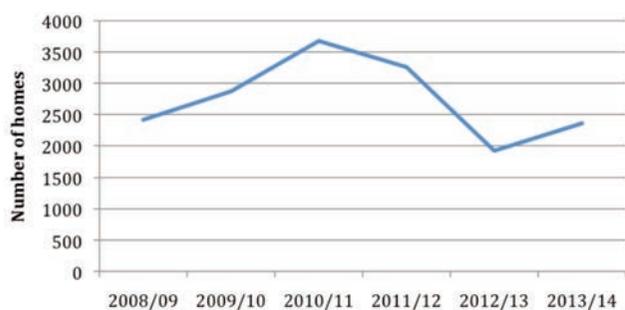
(no.) = number of R80 districts in the region

Data for R50 is included for the NE because since local government re-organisation there are no R80 districts in the region.

Looking specifically at settlements of less than 3,000 population reveals significantly lower levels of affordable housing delivery. The most consistent source of data is provided by the Homes and Communities Agency, that specifically monitors delivery at this level. Figure 7 shows that delivery peaked in 2010/11 at 3,463 new homes. In part this was because immediately after the credit crunch developers were keen to work with housing associations as they offered a guaranteed source of income. Delivery was at its lowest in 2012/13, with only 1,762 new homes being provided. Last year, 2013/14, there was an increase to 2,279, but this is still less than was being produced in 2008/09.

Figure 7

Total number of affordable homes in settlements of >3k funded by HCA 2008 - 2014



Source: HCA completion data



Warwickshire Rural Housing Association

How many rural affordable homes do we need?

In the absence of more recent data, we believe the recommendation of the Rural Affordable Housing Commission, that at a minimum there is a need for 7,500 new affordable homes per annum in settlements of less than 3,000 population, is still the best available estimate. It has never been updated, neither is there anything to suggest that this has changed. Affordability ratios have not improved and there has not been a significant increase in the supply of affordable housing. If anything, given the national calculation of affordable housing requirements produced by [Cambridge University](#) in 2013, our figure is likely to be an underestimate. To put this into perspective, that is equivalent to one home per parish council per year.



Warwickshire Rural Housing Association

We need more sites

Without sites there can be no additional affordable housing. Unlike other elements of delivery, there is no substitute, so the Review has explored the factors that encourage landowners to release sites and planners to take a positive approach to rural affordable housing development. Whilst there have been helpful changes in national policy, local implementation is undermined by a lack of resources. But the most damaging change is the Government's decision that affordable homes should not be sought on sites of less than 10 units. This will be disastrous for the delivery of rural affordable housing.

Implementation of previous recommendations



PLANNING POLICY

In part. National policy, principally through the rural elements of the National Planning Policy Framework and National Planning Practice Guidance and the community rights enshrined in the Localism Act. However, as our findings explain in more depth, they are particularly undermined by the Government announcement that affordable housing should not be sought from sites of less than 10 units and other elements of the NPPF, plus lack of resources to support implementation at a local level.



SITE SUPPLY

A Government guidance note that set out how landowners could retain ownership of land and be given nomination rights was never published and no changes were made to the tax system. The Government has strongly encouraged the release of publicly-owned land at less than full market value, but sadly this has often gone unheeded or only applied to large scale sites.

Our key findings on planning and site supply

1. The Government's announcement in November 2014 that local authorities should not seek an affordable housing contribution on sites of less than 10 units will have a disastrous affect on the delivery of rural affordable housing.
2. There is a real risk that the supply of sites for rural affordable housing could rapidly dry up because:
 - the removal of affordable housing requirement from sites of less than 10 units means landowners will not release exception sites or larger sites that require an affordable housing contribution.
 - the lack of up to date Local Plans and the requirement to have a rolling five year land supply is resulting in landowners holding on to sites in the hope that their site will be allocated, resulting in a significantly higher land value.

3. The price of sites is rising, reducing the amount of affordable housing that can be delivered, particularly on Rural Exception Sites. Many landowners are supportive of affordable housing for social and business reasons, but quite reasonably require a return for releasing land. However, their expectations of land value are increasing as a consequence of local authorities not having an up to date Local Plan or five year land supply and as the Government's 10 unit threshold policy.
4. Whilst Neighbourhood Plans have had a positive impact, there is a danger that they will not deliver the affordable homes needed because:
 - there is critical lack of access to finance, technical expertise and skills to assist communities to develop their Plans.
 - there remains a lack of clarity in the status of Neighbourhood Plans where there is no up to date Local Plan.
5. There is a real danger that a planning vacuum is opening up in rural areas. Local Plans are looking to Neighbourhood Plans to determine the location and type of development in rural communities, but Neighbourhood Plan uptake is focused in the affluent areas of the south of England. In consequence, either there will be no development in many rural areas or it will be of a size and nature that does not support the sustainability of the community. This in turn will increase community resistance to future schemes.

What our evidence tells us

KEY FACTS

55% (33) of Local Authorities responding to our survey were using a plan that was more than 6 years old.

52% (31) of Local Authorities surveyed identified lack of sites as a barrier to providing rural affordable homes.

53% (54) of Parish Councils surveyed, who support but have been unable to provide affordable housing, stated inability to find a site as a barrier.

In 2012/13 66% of affordable housing built in settlements of less than 3,000 were on S106 sites.

Across 10 rural Local Authorities from across England, an average of 84% of rural development sites were less than 10 units.

Of 50 rural Neighbourhood Plans, 73 % support housing growth as long as it is in scale and contributes to meeting local housing needs.

Local Plans

Our evidence indicates that finding sites for rural affordable housing remains a barrier and, whilst the NPPF has had a positive impact, its potential gains have not been realised.

The most immediate and probably the most devastating change has been the **Government's announcement in November 2014** that an affordable housing contribution on sites of less than 10 units should not be sought. Small sites are the mainstay of rural development with mixed market and affordable housing sites accounting for 66% of affordable housing delivery in settlements of less than 3,000 population. It will:

- rule out this essential delivery route.
- seriously undermine delivery through Rural Exception Sites because landowners would be less likely to offer their land for this and they would be deprived of capital funding that often comes from financial contributions taken from small sites in lieu of homes on site.
- increase site values that could well exclude SME developers, who are the usual builders of rural affordable housing schemes.

Although it includes some rural exemptions, their geographic coverage is limited, they do not apply to applications for 5 or fewer homes, and will only trigger a financial contribution for which there may not be a suitable affordable housing site locally. The main affect of this announcement will be to increase site values and reduce release of Rural Exception Sites.

Rural communities, Rural Housing Enablers (RHEs), those involved in Neighbourhood Plans and planners all



reported to us that communities are receiving developments that are inappropriate in terms of its size and the type and tenure of housing (See for example the **Planning Think Pieces**). This is a consequence of the fact that the majority of rural areas still do not have an up to date Local Plan or five year supply of deliverable sites. In such cases the NPPF requires that there is a presumption in favour of sustainable development and permission is granted unless there are material reasons for not doing so, or the NPPF indicates that development should be restricted in that type of location. As **two High Court judgements** make it clear, determining what is sustainable development is a matter of judgement on the potential social, economic and environmental benefits and harm of development.

Although emerging Local Plans are more flexible, **our survey evidence** shows that most still adopt a form of settlement hierarchy to determine where development

will happen, even though this does not conform with either the NPPF or the advice in the National Planning Practice Guidance. We received strong representations that a firmer line was needed from Planning Inspectors at Local Plan Examination to enforce the positive approach to rural development promoted by the NPPF and NPPG. It was suggested that this could helpfully be supplemented by an expansion of the NPPG to demonstrate how these can be built in to the preparation of Local Plans and then incorporated into their policies.



Hastoe Group

Neighbourhood Plans to allocate sites and determine the type and tenure of housing to be provided in specific communities. However, frequently, neither communities nor local planning authorities have the time, skills or resources to support Neighbourhood Plans. There is a danger that rural communities will find themselves in a planning vacuum, which will result in no development or unsustainable development.

Rural Exception sites

Our [survey of local authorities](#) showed that allowing an element of market housing on Rural Exception Sites has been widely incorporated in policy, often driven by the cuts in grant funding that require cross-subsidy from market housing to fill the gap. However, our survey showed that these policies were not being implemented. The explanation for this was offered by [Housing Associations and RHEs](#) who noted that, despite the wording in the NPPF, landowners often expect a price for their land which can make it unviable for affordable housing. This is exacerbated in areas where there is no five-year land supply. Here landowners will either hold on to sites or put them forward as speculative developments that often only include a minimal affordable housing contribution. As the RICS pointed out, this is likely to continue as the need for a five-year land supply is a rolling requirement.

Neighbourhood Plans

Neighbourhood Plans are widely acknowledged as having a positive impact. A report published in March 2014 by [Turleys](#) shows that 67% of published plans

cover rural neighbourhood areas. 78% of the 50 rural Neighbourhood Plans they examined included either objectives or policies for more housing as long as it is of a size appropriate to the community and contributes to meeting local housing needs, particularly for affordable housing.

However, the support for Neighbourhood Plans is qualified by concerns that the process is complex, costly and undermined by a critical lack of access by Neighbourhood Planning groups to technical assistance.

The consequence is that the take up of Neighbourhood Plans is very uneven. The Turley report found 46% of published plans being in the south east and 12% in the south west. From this they conclude that ‘these statistics confirm that areas of below average affluence are less likely to enter into the Neighbourhood Planning process’. This is further confirmed by evidence submitted by [James Derounian](#), a trained Neighbourhood Plans Independent Examiner who states, ‘they are complicated, highly technical and take a lot of time and money’. He also points out that their preparation places a heavy burden on volunteers. In Shropshire, there is only one adopted Neighbourhood Plan, and that will deliver just 14 extra homes. Its production took up to two years of local authority officer time.

Unfortunately, the Government’s funding for Neighbourhood Plans is a fraction of the costs that Neighbourhood Plans have been incurring in practice. Indeed, even the limited funding available actually ran out in August 2014, with no funding available at all until it was re-instated in November 2014 and which runs out again in April 2015 (or earlier if take-up is heavy).

A new programme of support is supposedly being commissioned, but the funding for this will only be until April 2016 and its form and quantum is unclear.



Midlands Rural Housing Association

Finally, there remains a lack of clarity on: the weight that can be given to a Neighbourhood Plan where an up to date Local Plan is absent; what happens if one is subsequently adopted to which the Neighbourhood Plan does not conform; and what happens if a Neighbourhood Plan is out of conformity following a change in national planning policy. Indeed, many recent Neighbourhood Plan affordable housing policies may already be out of date as a result of the removal of the requirement for affordable housing on sites of less than 10 units. Yet these plans have been developed in response to the very particular circumstances and needs of the community, and the process for updating them has yet to be set out at all by Government – if it is equally long-winded and costly as their original creation support for the whole process could rapidly evaporate.

In the face of these challenges local authority planners and others highlighted the benefits and appetite amongst communities for Community or Parish Plans. Although not statutory plans, they can be used as a 'material' consideration and assist in the identification of development opportunities. For example, in Shropshire there are 60 community plans that have identified a significant number of sites. In Stratford upon Avon they are the foundation for its Local Choice sites for housing, including affordable housing. However, it was also pointed out that as non-statutory community documents, there is no national standardisation to assure the quality and rigour of Community/Parish Plans. For this reason it was suggested that an agreed set of quality and content 'tests' and advice on how they can be used to inform Local Plans and decision making would be helpful.

Landowner attitudes to affordable housing

It is clear that, whilst planning policy has a role to play, landowners hold the key to land availability. Many are supportive of affordable housing, but evidence presented by land agents [Smiths Gore](#) revealed that landowners are of course looking for measures that give them some form of return. This may be monetary, especially for smaller farming enterprises looking for a cash injection for capital equipment or diversifying their enterprise. For others, it includes being able to house members of their family or employees. Of particular interest to larger estates is the ability to retain long-term ownership of the land and/or homes. This group has also shown an interest in developing and managing affordable housing themselves as part of their estate's business. For them it is the complexity and risks associated with the planning application process that presents a significant barrier.

Agricultural tied dwellings

A further issue raised in discussion with the RICS and in the [Future of Farming Report](#) was that some local authorities do not enforce agricultural dwelling restrictions. These are attached to planning permission for new dwellings approved on the basis that they provide a home for someone in a local farming or forestry job. If enforced these properties should be available at 30% of open market sale or rental value. In effect they provide another form of affordable home. Left unenforced, after 10 years the occupier can seek Certificate of Legal Use (CLU). If allowed the home can be sold as an open market house with no reductions in value.

Recommendations

Planning 1

A Since the vast majority of rural schemes are on small sites, Government's policy to remove from local authorities the power to require affordable homes on sites of less than 10 homes must be reversed.

B Local Planning Authorities should require all sites, whatever their size, to make an affordable housing contribution. The level of this contribution – in cash or kind – will be determined by what works in the housing market of that area.

Planning 2

Government should require local authorities to set local targets for delivery of affordable housing for their rural areas against needs. These should be collected by DCLG and reported nationally.

Planning 3

Government should require all local authorities to complete their Local Plan preparation within two years. To assist completion it should consider how it could provide additional resources to speed up Local Plan preparation, such as the New Homes Bonus.

Neighbourhood Planning 1

Government should increase and extend its funding for Neighbourhood Plans beyond April 2015 to support many more communities to produce Neighbourhood



Plans with resources for expert input and training for volunteers engaging in these initiatives. This could include consideration of a long-term recyclable Neighbourhood Planning Fund to support costs of up to £20,000 per Neighbourhood Plan, with the possibility of recycling the funding by taking some repayment from any New Homes Bonus or Community Infrastructure Levy paid to the community as a result of development following the adopted Neighbourhood Plan.

Site Supply 1

Government should consider new incentives to encourage land owners to develop rural affordable housing to meet local needs or to release sites for these homes, and to stimulate the local economy including tax incentives to encourage landowners to develop

and/or release land for rural affordable housing to meet local needs:

- Affordable rented housing is added to the asset classes eligible for Conditional Exemption from Inheritance Tax on death. This would be up to the value of the affordable housing let to people with a local need.
- Ability for those who would not normally qualify for Capital Gains Rollover provisions on the sale proceeds to do so when they sell land either as rural exception site development, a site for 100% affordable housing or for S106 mixed market and affordable housing sites where the affordable housing contribution is 20% above the requirement set in the Local Plan.



More details on this and the following proposal are available in the **Tax Incentives paper** developed by the Review. In summary, the first may postpone a tax receipt, both bring a saving to the Exchequer by reducing the need for capital grant for affordable housing as a result of lower land costs.

Site Supply 2

Government should revisit, revise and publish the draft Government advisory note/guide drawn up after the Living Working Countryside Review by a DCLG task group in 2009 on incentivising landowners to release land through the use of mechanisms by which landowners can retain long term control of land or housing and secure nomination rights for part of a rural affordable housing scheme.

Site Supply 3

RICS should produce guidance for valuing Rural Exception Sites that explains to landowners, communities and local authorities why a low land price at a low multiple of agricultural land value is critical to meeting the purpose of Rural Exception Sites, providing affordable housing to meet local needs.

Site Supply 4

RICS or the Central Association of Agricultural Valuers (CAAV) should research the degree to which the lack of enforcement of agricultural dwellings conditions impacts adversely on the provision of affordable housing in rural areas and recommend a cost-effective

way in which Local Authorities can ensure that these properties remain available for their original purpose. This may, for example, include providing a central register, requiring owners/occupiers to complete a regular declaration as to use or excluding such properties from the CLU provisions.



Warwickshire Rural Housing Association

We need to be able to pay for it

Alongside land, access to capital finance is critical to delivering affordable housing. Typically this comes from public funding, in the form of grant, and private finance, usually in the form of loans. In addition, the increasing expectation is that open market sales will be used to pay for the affordable housing element of a scheme. It is perhaps this element of delivery where there have been the greatest changes and challenges since 2008; a consequence of the Credit Crunch, recession and radical changes in Government policy for affordable housing. Most rural delivery is small scale and often relies on specialist housing associations and SME builders who have increasingly struggled to raise the necessary finance.

Implementation of previous recommendations

FUNDING AND FINANCE

National target for HCA investment in rural areas was adopted and subsequently abandoned. Now it only exists as monitoring target.

Number of homes delivered through the HCA's Affordable Homes Programme in settlements of less than 3,000 during 2011-15 is less than in 2008-11 and less than the proportion of the population living in these villages.

Some Local Authorities are able to use the Housing Revenue Account to build new council homes, but there are no robust protections from loss through Right to Buy.

Our key findings on funding and finance

1. New sources of public and affordable private finance are desperately needed so that smaller Housing Associations and SME builders can provide rural affordable housing.
2. For reasons of viability Affordable Rent is normally charged at 80% of open market rents, but this is unaffordable to many working households in rural areas.



What our evidence tells us

KEY FACTS

Rural delivery funded by the HCA in 2013/14 is less than in 2008/09.

In 2011 grant rates were cut from an average of £45k per unit to £20k per unit.

38% of local authorities who responded to our survey reported lack of finance and viability as a barrier to delivery.

100% of respondents to the local authority survey are using other funds and cross-subsidy to fill the funding gap left by cuts in HCA grant.

The number of SME builders has fallen by 72% since 1980s – there are now 2,800 delivering 27% of all new homes.

Funding for housing associations

Across the range of housing associations giving evidence there was a universal view that reductions in the HCA AHP budget, coupled with halving of grant rates, had made it unviable to deliver affordable housing in many rural areas. They cited the often-higher development costs of rural schemes, arising from an inability to achieve economies of scale to cover infrastructure costs, and high design requirements, particularly in protected landscape areas.

The HCA's Affordable Homes Programme has been, and continues to be, the principal source of funding for rural affordable homes. Our [analysis of the HCA's rural investment](#) since 2008 shows that the number of homes delivered last year (2013/14) is less than in 2008/09. On average, across the 2011-15 Programme, annual rural delivery was 2,374 homes per annum, less than the annual average for 2008/11 of 2,902 homes and significantly less than the 7,500 per annum calculated as needed by the Affordable Rural Housing Commission. This figure has never been revised, but continuing problems in rural areas of affordability of open market housing and low levels of affordable housing supply mean this is unlikely to have changed.

During 2008 /11, 6% of the AHP was spent on schemes in settlements of less than 3,000 population. A peak in completions in 2011/12 saw this rise to 11% of the AHP for the 2011/15 Programme. However, this is still below the 13% that would reflect the proportion of England's population living in these villages.

Looking forward, the HCA has only allocated funding for 2,139 new affordable homes in settlements of less than

3,000 population for the period 2015-18. There will be further allocations during the period, but data collected for the report indicate that there are very few rural schemes in the pipeline. For example, nine housing associations that operate across the South and Midlands have only 66 homes in settlements of less than 3,000 population that will be submitted for funding during 2015-18.



Shropshire Housing Group

The Government's intention was that Affordable Rent, charged at up to 80% of open market rents, would fill the gap left by cuts in grant rate. This has left housing associations with a serious dilemma. Lower grant levels means they have to charge higher rents. In high value areas it results in a rent that is not affordable to people dependent on local incomes. Tenants, even those in work, increasingly have to rely on Housing Benefit to help pay the rent. In a few areas the rent is above the Local Housing Allowance that sets the rent levels up to which Housing Benefit will be paid, leaving the tenant to find the remainder. In contrast, but still problematic, in low values areas even charging 80% of open market

rent is not enough to cover the funding gap. In both types of area housing associations are having to cover the gap by increasing their capital borrowing.

These factors will result in a loss of specialist rural providers. Many of the smaller housing associations that specialise in rural development told us that one or more of their lending covenants is restricting further development. Neither do they have the balance sheet strength to take on the risks associated with cross-subsidy schemes. Some of the larger housing associations, who do have the financial capacity, pointed out that they have little appetite to take on rural schemes that are have longer lead in times and require a higher degree of community involvement than for their other developments. Small rural schemes are often judged by these larger housing associations to be too costly, complex and slow and therefore too risky.

Finance for SME builders

[SME builders reported similar difficulties](#) and that these were undermining their companies' viability, echoing the findings of CPRE's report, "[Increasing Diversity in the Housing Building Sector](#)". As these firms are the principal builders of rural schemes, and often important local employers, this has further adverse consequences for affordable housing delivery and the local economy. They too are struggling to raise development finance and do not have the resources to cover any funding gaps. The lack of housing association interest or ability to 'buy off the shelf' puts their cash flow at risk.

Together these factors mean that what they can offer for sites is reduced often to the point where landowners are unwilling to sell. Although the Government has offered help to builders the programme is only for two years and is for stalled sites between 15 – 250 units.

An alternative form of covering build costs is by cross-subsidy from open market sales. As we point out in the previous chapter, this source will no longer be available as a consequence of the Government's decision that affordable housing should not be sought on sites of less than 10 units

New approaches to financing rural affordable housing

Other forms of capital funding, such as local authority capital grants, New Homes Bonus, and commuted sums are increasingly used to fill the gap. However, concerns were raised that these were finite and it was sometimes difficult to find sites in rural areas on which to use the funds in the timescales required.

Faced with these challenges some local authorities are taking a much more entrepreneurial approach to affordable housing development, using their own money and/or land often on a loan basis to lever in private capital. Examples include the trail blazing initiatives of **Cornwall Council**. Perhaps the most innovative practice is to be found outside England. The Scottish Government has run a Land Bank Fund for a number of years that it has recently extended from £3m to £9m. One of the beneficiaries is **The Highlands Small Communities Housing Trust** that set up a Revolving Land Bank Fund in 1998, initially funded by the

Scottish Government. This is now being used to help deliver a number of alternative low cost home ownership models. In Wales a 'club' of 19 housing associations have borrowed long term finance from the capital markets. **The Welsh Government** support this by paying the interest on the loans through their Housing Finance Grant.

Recommendations

Finance 1

To provide a driver for action and delivery by housing associations of all sizes, a new national minimum target for delivery of rural housing through the Homes and Communities Agency should be established of 13% of the HCA's national investment, reflecting the proportion of the population living in these settlements.

Finance 2

The Government should direct the HCA to take account of the potential additional costs of delivering small schemes in its value for money assessments and that there is flexibility in grant rates that respond to the different local costs and values of rural schemes across the country.

Finance 3

Government should not require housing associations to charge 'affordable rents' at up to 80% of market rents as a condition for receiving HCA funding for rural

schemes. Instead, as in Greater London, rents should be charged at a level agreed between the local authority and the housing provider as being affordable in relation to local incomes.

Finance 4

Government should find ways of supporting the development funding of small and medium-sized builders and housing associations that undertake smaller developments: e.g. recalibrating its loan guarantee scheme to cover schemes of less than 25 homes.

Finance 5

Government should provide a one off grant, administered by the HCA, to assist formally established county wide Rural Housing Partnerships to set up their own revolving land bank fund. Its design should draw on the proven experience in Scotland including that of the Highlands Small Communities Housing Trust.

Finance 6

Local authorities and housing associations of all sizes should take an entrepreneurial approach to financing and delivering rural affordable housing. In particular, they should use their land and capital assets and their ability to borrow at relatively low rates of interest and, where appropriate, work together to increase the supply of affordable housing.

We need it to be there for future households

We need it to be there for future households

Providing affordable homes that will be available now and in the future for people that are connected with the community has always been a cornerstone of rural affordable housing policy and practice. Affordable housing for people who already live and/or work in rural areas is crucial to the availability of services, a thriving local economy and being able to draw on the informal support of family and friends.

The constraints on development make it difficult to replace affordable homes that are sold into the open market. Unlike urban areas, where there are greater development opportunities and a more mixed housing market, there are dramatically fewer housing options for low income rural residents. For landowners to release sites, often at well below full market value, and gain community support, assurances are needed that priority will be given to people who have links to the village through residency or work and the homes will be available as affordable in the long term.

Implementation of previous recommendations

RIGHT TO BUY DISCOUNTS

The increase in the level of discounts available for Right to Buy has completely undermined the helpful changes that had followed from the earlier reports.

Statutory protections to retain shared ownership in the affordable housing sector have been helpful, but

undermined by restrictive mortgage lending on these properties.

SECOND HOME IMPACTS

None of the recommendations to tackle the serious impacts of high levels of second home ownership in some rural areas has been adopted.

Our key findings on providing a long-term supply of affordable housing

1. The acceleration in Right to Buy is depleting an already small supply of affordable homes without the possibility of one for one replacement.
2. The lack of lenders willing to provide mortgages on rural shared ownership properties that are subject to perpetuity arrangements is resulting in:
 - potential residents being unable to buy
 - shared ownership properties being converted to rent or sale
 - SME builders and some housing associations being unwilling to develop rural affordable homes.
3. The Localism Act's provisions for managing waiting lists, Affordable Rent and the Bedroom Tax are excluding low income households with a local rural connection from rural affordable housing.

What our evidence tells us

KEY FACTS

55% (33) of the surveyed local authorities reported an increase in Right to Buy sales since 2012.

90% said they would not be able to do 1 for 1 replacement of properties sold under Right to Buy in their rural communities.

67% of local authorities responding to our survey had experienced problems selling rural shared ownership properties.

Only two national lenders are offering mortgages on shared ownership properties where perpetuity restrictions apply.

65% of the most rural local authorities surveyed have or plan to remove the lowest band from their Choice Based Lettings system.

In 33% of villages in the Lake District National Park 20% of their properties are classed as second or holiday homes.



Midlands Rural Housing Association

Right to Buy

In 2012 and 2013 the Government increased the discount available to tenants wishing to buy their council homes. This is now up to 70% or £77,000 across England (except London). This has triggered an increase in Right to Buy sales. However, the low value of the receipts combined with lack of additional capital funding and limited development opportunities in rural areas means that local authorities cannot achieve one for one replacement in their rural communities. Given that the social housing stock in rural areas is already small and turnover is generally very low, there has been a disproportionately negative impact in rural communities. In Scotland, since 2001, the Government, recognising the difficulties this caused, allowed local authorities in designated 'Pressurised Area Status' to suspend the Right to Buy for 5 years, later extended to 10 years. It has now ended Right to Buy for all council and housing association tenants.

Difficulties accessing mortgages on 'protected' shared ownership homes

Shared ownership housing in rural communities almost always carries a perpetuity arrangement (whereby these affordable homes will always be prioritised for people with a connection to the community) that is now protected in statute. However, these arrangements are seen as a risk by mortgage lenders, a position heightened during the credit crunch. Even now there are only two national lenders willing to provide mortgages on rural shared ownership homes, and then only a proportion of any one scheme. 67% (41) of those responding to the local authority survey said that as a result of these mortgage lender policies they had

experienced problems selling shared ownership homes and had taken steps to try and improve the availability of mortgage finance. Housing associations and private developers highlighted the increased financial risk of being left with properties they cannot sell. However, equally, landowner and community representatives told us that a pre-requisite of their willingness to sell land or support a scheme is that the homes remain affordable. Indeed it is a requirement of the rural exception site policy. 38 of the local authorities responding to [our survey](#) stated that they had taken steps to reduce risk to lenders. It also became apparent on closer inquiry that the lack of mortgage lending on these properties seems to be as much about the rejection of non-standard mortgage applications and the array of S106 requirements as lenders' perception of risk.

Changes to Choice Based Lettings and Allocation Schemes

A new challenge that was brought to our attention is the impact of changes to Choice Based Lettings eligibility criteria as a consequence of the Localism Act. As [our survey](#) confirmed, many local authorities are removing the lowest qualifying band. This was the eligibility criterion under which rural residents in chronic rather than acute housing need could register. If they are not registered, they cannot 'bid' for properties, so, even if the allocation criteria takes local connection into account, these people will not be amongst the 'bidders'. In consequence those with an acute housing need, but no local connection, may be allocated the property, even though there is a household with chronic housing need and local connection (either residential or work) seeking a home in that community.

Landowner representatives, communities and the Rural Housing Alliance all alerted us to the detrimental effect this failure to respect local connection will have on future delivery of rural affordable homes. Landowners will withdraw or not make Rural Exception Sites available if they cannot be assured that the homes will go to people with a local connection. Similarly, as our parish and town council survey illustrated, proposed schemes will fail to attract community support.

However, we were also told of local authorities that had used the Localism Act to include 'rural connection' or 'rural sustainability' as an 'other factor' as one of the eligibility criteria for registration on Choice Based Lettings or the local Housing Register. We consider this to be good practice that could be promoted as a rural proofing mechanism to allocations on Rural Exception Sites.

Spare Room Subsidy / Bedroom Tax

In high value market areas the Affordable Rent is not affordable to the people for whom the housing is intended. As a consequence residents of these homes, even working households, often have to claim Housing Benefit to be able to pay the rent. They then can be excluded from these homes through the Spare Room Subsidy or, as it is more commonly known, the Bedroom Tax.

The Rural Housing Alliance, amongst others, pointed out that there is a very limited supply of one bedroom properties for rent in rural communities. Schemes are generally 2 and 3 bedroom homes reflecting the need to have a flexible stock where supply is limited. It also supports the principle of providing housing that allows



people to remain in, and support the viability of, their community as their household circumstances change. Finding a smaller property is likely to mean having to move a considerable distance. This may mean them losing their job as the necessary public transport is often unavailable and certainly losing the support of family and friends.

Second homes

In many coastal communities and villages in National Parks and Areas of Outstanding Natural Beauty, second homes now often make up over a quarter of the housing stock and can be up to 80%. Local people are often

unable to compete with these buyers and the need for affordable housing becomes even more acute, but supply is very low. Their exclusion from these villages means there is not a large enough permanent population to support local services. The result is a vicious cycle of decline, leaving behind an ageing and increasingly vulnerable population.

We heard of a number of measures that are being promoted to try and prevent the loss of permanent to second homes. For example, [South Lakeland District Council](#) who, with sixteen other local planning authorities, is pressing the Government to allow them to use the Sustainable Communities Act to introduce a use class order to control the conversion of permanent to

second or holiday homes. Taking a slightly different approach, **Lynton and Lynmouth's** adopted Neighbourhood Plan has included a policy that controls the use of new properties, in much the same way as an agricultural tie. Rather than restricting the use to a particular type of person, ie one who would be required to live in the house on a permanent basis, planning permission is granted with a condition that the dwelling can only be used as a main or principal residence. Counsel's opinion, sought by **Exmoor National Park Authority**, states that this approach is lawful and it has now also been incorporated into a policy in Exmoor National Park Authority's draft Local Plan.

This issue is not a problem generally across rural England but where it exists, its impact on the local community and economy is severe.

Recommendations

Perpetuity and Access 1

Government should give rural local authorities the power to suspend the Right to Buy where there are already problems from the low levels of affordable housing and limited opportunities to build any more. This would bring Council properties in line with the exemptions from Right to Acquire for housing association properties.

Perpetuity and Access 2

The Council of Mortgage Lenders should produce a standardised mortgage form for rural affordable home ownership that incorporates a 'perpetuity' arrangement.

This is to ensure buyers of low cost part-ownership homes can easily get a mortgage, and the homes are not at risk of being sold by the bank on the open market if the mortgagee defaults, but are retained as affordable in perpetuity.

Perpetuity and Access 3

The Chartered Institute of Housing should promote existing good practice and provide guidance to local authorities on how they can include rural connection in their Choice Based Lettings and Allocation Scheme eligibility criteria.

Perpetuity and Access 4

Government should abandon the Bedroom Tax, or at the very least there should be an exemption for properties in settlements of less than 3,000 population where suitable one or two bedroom properties are very rarely available to move to.

Perpetuity and Access 5

Where an area is experiencing high levels of second home ownership, Government should endorse the approach taken by the Exmoor National Park Authority, and in other places, by requiring a proportion of new open market homes granted planning permission – up to a 100% in exceptional cases – to be with the condition that they can only be used as principal residences.



Midlands Rural Housing Association

Leadership from national government to local communities

Leadership is the least tangible, but also an essential pre-requisite, for delivering rural affordable housing. This is as true at national as it is at community level; as pertinent to policy development as on the ground delivery. It is evident that attitudes to new housing and the Localism Act have given communities a voice. They are using this to gain more affordable houses, as well as market housing, that will help keep their communities alive. This energy and drive cannot be bottled. But it is possible to put in place the support and conditions that inspire and give individuals the confidence to become the leaders that ‘make it happen’.

Implementation of previous reports’ recommendations



NEIGHBOURHOOD PLANS

The Localism Act has provided a number of community rights that assist communities take the lead in providing affordable housing, including Neighbourhood Plans. The process for their adoption is complex, costly and there is a lack of resources to pay for the technical support communities need.



COMMUNITY LAND TRUST

A statutory definition of Community Land Trusts (CLTs) is now in place and the National Community Land Trust Network offers advice and support to local groups. But sites and capital funding are hard to secure.



RURAL HOUSING ENABLERS

No further national funding has been made available to support the RHEs and their numbers have halved since 2008.

Our key findings on leadership

1. There has been a failure of Rural Proofing of national policy that affects delivery and access to affordable housing.
2. There has been an almost catastrophic loss of the staff with the skills that support community leadership to deliver rural affordable homes. This includes local authority planning and housing staff and, specifically, Rural Housing Enablers. Between them they provide essential technical assistance for Neighbourhood Plans and delivery through more conventional routes.

What our evidence tells us

KEY FACTS

The number of RHEs has fallen from 58 in 2008 to 25 in 2014.

57% of local authorities identified local opposition as a barrier to delivery of rural affordable housing.

78% considered that their councillors supported rural affordable housing.

70% stated that schemes encounter local opposition, but proceed.

82% (339) of Parish and Town councils responding to our survey had or were positively engaged in providing affordable homes in their communities.

In a survey of 50 rural Neighbourhood Plans, 78% (39) contain policies and objectives that support housing that contributes to meeting local affordable housing needs. 90% of the 170 CLTs are in rural areas and between them have delivered 400 affordable homes, with another 600 expected by 2017.

National leadership through Rural Proofing

Throughout this report are examples of Government policy where rural circumstances were not taken into account at the design stage and which have since had a negative impact in rural areas. As [Lord Cameron's review of the implementation of rural proofing](#), published in January 2015 noted, whilst there are good examples of where Impact Assessments (IA), which are prepared as policy is developed, have been rural proofed "there were many that only included brief comment on rural proofing with little in the way of robust evidence or analysis to support their commentaries. Somewhat more concerning was that the majority of IAs failed to consider the rural dimension at all." Lord Cameron's report includes some helpful recommendations that if implemented will put rural proofing at the heart of Government policy making. However, as the [OECD Rural Housing Policy Review](#) stated this needs additional specialist support, beyond RDPE (now RCPU). It was pointed out to us that the demise of the Countryside Agency and then the Commission for Rural Communities means there is no longer an independent expert rural voice that can assist rural proofing. Action for Communities in Rural England (ACRE) has made every effort to fill this void, but has been constrained by cuts to its budget. In their place Defra's Rural Communities Policy Unit (RCPU) has made considerable efforts to encourage other departments to rural proof policies. But ultimately, Defra is a government Department and as such is restricted in its ability to be openly critical of Government policy and to pro-actively raise rural issues.

Local leadership

The, too often, unsung leaders are local people, ward, parish and town councillors. 415 of them responded to the [Parish and Town Councils' survey](#) undertaken for the Review. 82% had or were engaged in providing affordable housing. Overwhelmingly, they are inspired to take this on because they want to provide affordable homes for local residents, followed by seeing affordable housing as essential to the ability of their community to thrive. Conversely, lack of need and unavailability of suitable site were the most common reasons given for their lack of engagement. Having up to date information on housing needs, understanding the pre-development process and being assured that such developments provide high quality accommodation, that will be retained for the local community in perpetuity, can go a long way to give councillors the confidence to take on the leadership role. This includes being able to withstand what can be very aggressive opposition from small groups within the community.

Supporting local leadership through Rural Housing Enablers

These infrastructure organisations play a crucial role in supporting communities prepare Neighbourhood Plans and deliver affordable housing. [Rural Housing Enablers](#) have been one of these sources of assistance, providing frontline support since the 1990s. Matching national grant funding for RHEs was withdrawn in 2008, since when their numbers have halved. Pressures on local authority budgets and difficulties delivering rural affordable housing have resulted in a loss of local grant and not always sufficient fee income to bridge the gap.



The most financially secure are the RHEs that are employed through a formally constituted rural housing partnership, as found in North Yorkshire, Oxfordshire, Hampshire and Devon, but even here their long term future is precarious. Yet the RHE role is still vital. 158 of the respondents to our [Parish and Town Council survey](#) noted the support given by RHEs and 54% gave them the highest rating in terms of helpfulness. It is interesting too to note that the [local authorities'](#) perceived reasons for lack of community support are anti development and anti affordable housing, followed by a lack of knowledge of what affordable is, who it houses and how it is provided. The core of the RHE role is to provide information and facilitate engagement so residents can see the benefits of affordable housing.

If anything, the RHE role is becoming more necessary. An interesting finding to come out of the Parish Council survey is the increasing role of the Neighbourhood Plan as the platform for further community action to provide affordable housing. RHEs are helping communities implement the housing element of Neighbourhood Plans. They ease the complexities, reduce delivery times and risks by gaining positive community

engagement and acting as independent brokers. If, as seems likely, capital funding is increasingly offered on a recoverable basis, this de-risking role will be crucial. In some areas, such as **North Yorkshire**, they are embedded into the policy making process, which, in effect, helps the rural proofing of local policies. There is no other organisation or post that provides the catalytic role performed by RHEs, one that brings all the different interests together and applies their resources to the common goal of providing more rural affordable homes.

Local leadership through Community Land Trusts

For some this will take the form of a Community Land Trust (CLT). Evidence submitted by the **National Community Land Trust Network (NCLTN)** states that there are over 170 CLTs, half of which have formed in the last two years in England. 90% of these are in villages and on average develop 10 affordable homes. This amounts to nearly 400 homes with another 600 in the pipeline. However, there is an uneven geographic distribution of CLTs, with clusters in the South West, East of England and North West. In part this is explained by coverage in these areas by Umbrella CLTs that provide face-to-face specialist technical advice and support. It is apparent that Neighbourhood Planning groups are looking to deliver their housing plans through CLTs, for example in Herefordshire, Cheshire and Sussex. Significant interest and delivery has been achieved by local CLTs working in partnership with Registered Providers, encouraged by the HCA's specific Community Led Programme, which, unfortunately, no longer exists. Other CLTs have chosen the stand-alone route. The National Community Land Trust Network has proposed that CLTs could take a more significant

role if; there was a presumption in favour of communities in the disposal of public land and assets; more and affordable capital finance, including use of revolving funds; and, re-instatement of a specific HCA community-led funding stream in every future Affordable Homes Programme. It is also clear that, despite the best endeavours of NCLTN and the Umbrella CLTs, communities find it difficult to gain the hands-on advice they need for what is a technical process. Moreover, these organisations are also financially fragile, particularly in the first three years, when there has not been sufficient delivery to raise the income to cover their costs.

Recommendations

Leadership 1

The Department for the Environment, Food and Rural Affairs, as the champion for rural areas, should ensure 'rural proofing' is continuously and consistently applied to national policies specific to delivery and access to affordable housing. This should be supported by the availability of specialist, rural technical expertise available for all Government departments. An annual report on action taken and delivery of rural affordable housing should be produced jointly by DCLG and Defra.

Leadership 2

Government should increase and extend its funding for Neighbourhood Plans beyond April 2015 to support many more communities to produce Neighbourhood Plans with resources for expert input and training for volunteers engaging in these initiatives.



Leadership 3

Funding should be made available to formal rural housing partnerships to employ Rural Housing Enablers. This should be provided by contributions:

- as a grant from the HCA as part of its enabling function in rural areas
- Housing Associations, as a 'roof tax fee' that is an accepted cost when the HCA assess bids for grant.

Leadership 4

Government should re-instate a community led programme as part of the HCA's Affordable Homes Programme and an affordable revolving loan fund for community led developments, drawing on private investment sources.

Leadership 5

Defra should produce regional statistical digests with more information by rural settlement typology and make the underlying data available in a way that local authorities can easily access and build individual Parish Profiles.

List of recommendations

Recommendations for Government

Local Plans, Neighbourhood Plans and site supply

Since the vast majority of rural schemes are on small sites, Government's policy to remove from local authorities the power to require affordable homes on sites of less than 10 homes must be reversed. (Planning 1A)

Local Planning Authorities should require all sites, whatever their size, to make an affordable housing contribution. The level of this contribution – in cash or kind – will be determined by what works in the housing market of that area. (Planning 1B)

Government should require local authorities to set local targets for delivery of affordable housing for their rural areas against needs. These should be collected by DCLG and reported nationally. (Planning 2)

Government should require all local authorities to complete their Local Plan preparation within two years. To assist completion it should consider how it could provide additional resources to speed up Local Plan preparation, such as New Homes Bonus. (Planning 3)

Government should increase and extend its funding for Neighbourhood Plans beyond April 2015 to support many more communities to produce Neighbourhood Plans with resources for expert input and training for volunteers engaging in these initiatives. This could include consideration of a long-term recyclable Neighbourhood Planning Fund to support costs of up to £20,000 per Neighbourhood Plan. (Neighbourhood Planning 1)



Government should provide incentives to encourage land owners to develop rural affordable housing to meet local needs or to release sites for these homes, and to stimulate the local economy including tax incentives to encourage landowners to develop and/or release land for rural affordable housing to meet local needs.

- Affordable rented housing is added to the asset classes eligible for Conditional Exemption from Inheritance Tax on death. This would be up to the value of the affordable housing let to people with a local need.

- Ability for those who would not normally qualify for Capital Gains Rollover provisions or the sale proceeds to do so when they sell land either as rural exception site development or for S106 sites where the affordable housing contribution is 20% above the requirement set in the Local Plan. (Site Supply 1)

Government should revisit, revise and publish the draft Government advisory note/guide drawn up after the Living Working Countryside Review by a DCLG task group in 2009 on incentivising landowners to release land through the use of mechanisms by which landowners can retain long term control of land or housing and secure nomination rights for part of a rural affordable housing scheme. (Site Supply 2)

Funding and finance

To provide a driver for action and delivery by housing associations of all sizes and for the HCA, the Government should reinstate the Homes and Communities Agency's national target for delivery of rural housing with 13% of investment being in villages. (Finance 1)

The Government should direct the HCA to take account of the additional costs of delivering small schemes in its value for money assessments and that there is flexibility in grant rates that respond to the different local costs and values of rural schemes across the country. (Finance 2)

Government should not require housing associations to charge “affordable rents” at up to 80% of market rents as a condition for receiving HCA funding for rural schemes. Instead, as in Greater London, rents should be charged at a level agreed between the local authority and the housing provider as being affordable in relation to local incomes. (Finance 3)

Government should find ways of supporting the development funding of small and medium-sized builders and housing associations that undertake smaller developments: e.g. recalibrating its loan guarantee scheme to cover schemes of less than 25 homes. (Finance 4)

Government should provide a one off grant, administered by the HCA, to assist formally established county wide Rural Housing Partnerships to set up their own revolving land bank fund. Its design should draw on the proven experience in Scotland including that of the Highlands Small Communities Housing Trust. (Finance 5)

Long term supply of affordable homes

Government should give rural local authorities the power to suspend the Right to Buy where there are already problems from the low levels of affordable housing and limited opportunities to build any more (this would bring Council properties in line with the exemptions from Right to Acquire for housing association properties). (Perpetuity and Access 1)

Government should abandon the Bedroom Tax, or at the very least there should be an exemption for properties in settlements of less than 3,000 population. (Perpetuity and Access 4)



Where an area is experiencing high levels of second home ownership, Government should endorse the approach taken by the Exmoor National Park Authority, and in other places, by requiring a proportion of open market homes – up to a 100% in exceptional cases – to be granted planning permission with the condition that they can only be used as principal residences. (Perpetuity and Access 5)

National and Local Leadership

The Department for the Environment, Food and Rural Affairs, as the champion for rural areas, should ensure “rural proofing” is continuously and consistently applied to national policies specific to delivery and access to affordable housing. This should be supported by the availability of specialist, rural technical expertise

available for all Government departments. An annual report on action taken and delivery of rural affordable housing should be produced jointly by DCLG and Defra. (Leadership 1)

Defra should produce regional statistical digests with more information by rural settlement typology and makes the underlying data available in a way that local authorities can easily access and build individual Parish Profiles. (Leadership 5)

Leadership 4

Government should re-instate a community led programme as part of the HCA's Affordable Homes Programme and an affordable revolving loan fund for community led developments, drawing on private investment sources. (Leadership 4)

Recommendations for The Homes and Communities Agency

Funding is made available to formal rural housing partnerships to employ Rural Housing Enablers. This should be provided by contributions:

- as a grant from the HCA as part of its enabling function in rural areas
- Housing Associations pay a fee per home that is an accepted cost when the HCA assess bids for grant.

(Leadership 3)



Hastoe Group

Recommendation for local authorities and housing associations

A number of our recommendations to Government and other organizations are also relevant to local authority policy and practice. Specifically we recommend:

Local authorities and housing associations of all sizes should take an entrepreneurial approach to financing and delivering rural affordable housing. In particular, they should use their land and capital assets and their ability to borrow at relatively low rates of interest and, where appropriate, work together to increase the supply of affordable housing. (Finance 6)

Recommendations for others

RICS should produce guidance for valuing Rural Exception Sites that explains to landowners, communities, local authorities why a low land price at a low multiple of agricultural land value is critical to meeting the purpose of Rural Exception Sites, providing affordable housing to meet local needs (Site Supply 3)

RICS or the Central Association of Agricultural Valuers (CAAV) should research the degree to which the lack of enforcement of agricultural dwellings conditions impacts adversely on the provision of affordable housing in rural areas and to recommend a cost-effective way in which Local Authorities can ensure that these properties remain available for their original

purpose. This may, for example, include providing a central register, requiring owners/occupiers to complete a regular declaration as to use or excluding such properties from the CLU provisions. (Site Supply 4)

The Council for Mortgage Lenders should produce a standardised mortgage form for rural affordable home ownership, which incorporates a 'perpetuity' arrangement. (Perpetuity and Access 2)

The Chartered Institute of Housing should promote existing good practice and provide guidance to local authorities on how they can include rural connection in their Choice Based Lettings and Allocation Scheme eligibility criteria. (Perpetuity and Access 3)

List of those who provided evidence

Meetings

The Rural Housing Alliance – smaller housing associations operating in rural areas
National Housing Federation organised seminar for larger Housing Associations operating in rural areas
Royal Town Planning Institute organised seminar for local authority officers working on Local Plans and Development Management
The Homes and Communities Agency
The Country Landowners Association
The Royal Institute of Chartered Surveyors
Council to Protect Rural England
Highlands Small Communities Housing Trust
Cornwall Council and Communities workshop
The Addington Trust

Written submissions and ‘think pieces’

Jake Berriman	Shropshire Housing Group
James Shorten	Geog and Co. Ltd
James Derounian	University of Gloucestershire
James Hulme	Home Builders Association (part of the National Federation of Builders)
Graham Townsend	North Devon District Council (in his own capacity)
Trevor Cherrett	Town and Country Planning Association
Jason Beedell	Smiths Gore
David Hedges	Cyngor Da
Rural Housing Enablers Network and ACRE	
National Community Land Trust Network	
North Yorkshire Strategic Housing Partnership	

Surveys

60 Local Authorities officers, primarily housing enabling officers, who responded to our survey
415 Parish and Town Councils

Glossary A-H

Affordable Housing	Is defined in the National Planning Policy Framework (NPPF) as Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.
Affordable Homes Programme (AHP)	Is the capital funding pot that is allocated by the Homes and Communities Agency for the building of affordable housing.
Affordable Rent	Introduced in 2011 can be charged by housing associations or local authorities on social housing at a rent that is no more than 80% of open market rents
Allocation Schemes	Are documents published by local authorities that set to whom and how they will allocate affordable homes that become available to let
Bedroom Tax	See Spare Room Subsidy
Choice Based Lettings (CBL)	Many local authorities run a CBL system that means that people looking for an affordable home who are on the Housing Register can 'bid' for suitable council or housing association properties in their area
Community Land Trust	Is a non-profit, community-based organisations run by volunteers that develop housing, workspaces, community facilities or other assets that meet the needs of the community, are owned and controlled by the community and are made available at permanently affordable levels
Commuted Sum	Is a financial sum that is paid by the developer to a local authority in place of providing affordable housing on site as part of a market housing scheme.
Designated Protected Areas	Under the Housing and Regeneration Act 2008 a statutory protection exists that prevents the sale of shared ownership housing onto the open market. Housing Associations are required either to cap the amount of equity that can be owned by a resident to 80% or make a commitment to buy back a fully owned Shared Ownership property when the resident wants to sell.
Housing Associations	The common term for the independent, not for profit organisations that build and manage affordable housing. Most are registered and regulated by the the HCA and are also known as Registered Providers (RPs)

Glossary H-P

Homes and Communities Agency (HCA)	The Government body that allocates and manages capital grant for investment in affordable housing and regulates most housing associations.
Housing Register	Is a register held and managed by local authorities that records the people who are eligible and seeking affordable housing provided either by the council or housing associations. To be considered for an affordable home a household has to be on the Housing Register.
Housing Revenue Account (HRA)	The HRA specifically accounts for spending and income relating to the management and maintenance of council-owned housing stock. By law it must be kept separate from other council accounts. It can be used to build new affordable homes.
Local Housing Allowance	Is a flat rate allowance that is used to calculate how much Housing Benefit will be paid in an area for particular types and size of property. It is based on private rental values for that housing market area. There are different allowances across the country
Local Plan	Is the statutory development document, that is prepared by the local authority that sets out policies for the use of land and the amount and form of development in an area
Local Planning Authority	Is the body statutorily responsible for the preparation of the Local Plan and determining Planning Applications. These are usually the local authority but also include National Park and Broads Authorities.
National Planning Policy Framework (NPPF)	Issued by Government it provides the principal policy requirements that Local Planning Authorities are required to adopt in the Local Plans they make and the decisions they take
National Planning Practice Guidance (NPPG)	Issued by Government it is a web-based resource for local authorities to assist them implement the policies within the NPPF
Neighbourhood Plans	A development plan prepared by a Parish Council or Neighbourhood Forum for a particular neighbourhood area, which conforms with statutory requirements, including being found 'sound' at Examination and Public and supported by 50% or more of the people who vote for it in a local referendum
New Homes Bonus	Is a grant paid by Government to local authorities based on the extra Council Tax that is raised from building new homes.
Parish Plan	Also known as Community Plans they are prepared by the local community, often led by the Parish Council. They can cover a broader set of issues than land use planning. They have no statutory power, but in some circumstances may be taken into account when planning applications for the community are being considered.

Glossary P-Z

Right to Acquire (RTA)	Is a statutory right for tenants of housing associations of homes built with public grant after April 1997 to buy their property at a discount. However, in settlements of less than 3,000 population there is an exemption from the Right to Acquire.
Right to Buy (RTB)	Is a statutory right for council tenants in secure tenancies to buy their property at a discount. There are some statutorily designated rural areas where on resale the council will either buy back the property or require that it is sold to someone with a local connection to the parish.
Rural Classification	Introduced by Defra it is used to distinguish between urban and rural areas and is often used in statistical analysis. It defines areas as rural if they fall outside of settlements of more than 10,000 population. It also classifies different types of rural settlement and types of local authority. It is different to the 'rural' definitions used for Right to Buy, Right to Acquire and Designated Protected Areas for Shared Ownership housing.
Rural Exception Sites	Are small sites within or on the edge of rural settlements that will only be considered for development if they provide affordable homes to meet local needs in perpetuity. Small numbers of market housing may be allowed if this provides cross-subsidy essential to deliver the affordable homes.
Rural Housing Enablers	Are employed specifically to provide independent advice and support to rural communities who are wanting to meet the need for affordable housing in their community.
Rural Proofing	Is a requirement set out in the HM Treasury's Green Book that requires that all Government departments should take account of rural circumstances as they develop policy and adjust it to avoid any unintended consequences.
Section 106 Agreement (S106)	Is a legal agreement under S106 of the 1990 Town & Country Planning Act between a local authority and a developer. They require that extra works related to the development are undertaken, including the provision of affordable housing.
Section 106 Sites	This is usually used to refer to sites that contain a mix of market and affordable housing. The affordable housing is secured using a S106 Agreement.
Shared Ownership	Is a form of affordable housing where the resident part rents and part buys their home. Over time they can increase the share that they own. There are limits on how much a Shared Ownership tenant in a rural area can own – Designated Protected Area.
Site thresholds	Set the size of site by area and number of dwellings where a contribution to affordable housing will be required as part of a development of open market housing.
SME Builders	Small Medium Enterprise Builders
Spare Room Subsidy	Also known as the Bedroom Tax. Was introduced in 2013. Its affect is to reduce the amount of Housing Benefit paid to a resident that is judged to be living in a property with more bedrooms than they need.