Campaign to Protect Rural England
Standing up for your countryside

CPRE Response to the Affordable Housing Commission: Call for Evidence




Question	Response
SECTION 1: UNDERSTANDING THE AFFORDABILITY CHALLENGE	
Q1: What does affordability mean for different people in different places?	Household incomes and affordability At its most basic, an affordable home is one that a household can live in and still have a decent standard of living after housing costs. However, as the Affordable Housing Commission's own initial focus group research found, 'the concept of a "decent" standard of living is problematic due to perceptions about other people's lifestyle choices.' Nevertheless, there is a growing public and policy consensus that affordability must be defined in relation to incomes, rather than private rents or house prices (as is current Government policy). CPRE endorses the proposal in the Planning (Affordable Housing and Land Compensation) Bill, introduced by Helen Hayes MP in February 2019, to define affordability as 'no more than 35% of net household income for lowest quartile income groups in each local authority area'. Yet, in practice, this apparently straightforward standard is difficult to implement and monitor, not least because average earnings can vary so widely across relatively small geographical areas. In particular, local authority level income data can be insufficiently granular to get an accurate picture of housing affordability in small rural settlements, usually defined as being those with populations of less than 3,000. In a local authority area containing a city or town and a rural hinterland, data on average earnings will tend to reflect the situation in the largest population centre more accurately than the settlements outside it. Such data can flatten out discrepancies in earnings, even between nearby towns and villages, and obscure pockets of extreme unaffordability. For example, rural Copeland in West Cumbria has the third highest median earnings of any local authority area in England (due to the large number of well-paying jobs in the nuclear industry at Sellafield) and consistently tops lists of the most affordable places in the country to live, based on house price to income ratios.[i] Yet the district also includes part of the Lake District National Park, where house prices and private rents are much higher and wages (particularly in the tourist industry) tend to be lower than the local authority average. For instance, a parish survey of the coastal village of Seascale by Action with Communities in Cumbria found that house prices there were 10.7 times higher than earnings, compared with an average of 2.7 times across Copeland as a whole.

Overall, data from Defra shows that, as of December 2017, average workplace earnings in rural areas were lower than in urban areas, while average *residence* based earnings were higher.[ii] The discrepancy is attributable to people living in rural areas commuting into larger towns and cities to higher paying jobs. What constitutes an 'affordable' home might therefore be quite different for individuals living and working in a particular rural community, compared to those commuting elsewhere.

It is to be hoped that indexing affordability to lower quartile incomes, rather than the median or mean for a local authority area, should help to iron out some of these discrepancies, since such an approach would take into account the circumstances of the lowest earners, regardless of whether they live in a village or a large town or city. However, it would be particularly advantageous to rural communities for a revised definition to specify that lower quartile *workplace* based earnings should be the benchmark for determining affordability, rather than residence based incomes.

Age can also be a significant factor in what people can afford to pay for housing, in terms of upfront costs and ongoing outgoings. Rural areas tend to have rapidly ageing populations. Analysis of DCLG data by the National Housing Federation in 2017 revealed that nearly half of rural households are projected to be aged over 65 by 2039.[iii] There are often disparities between age groups in terms of wealth, income, and ability to access mortgage finance, all of which can affect which tenures are appropriate for different groups.

Moving beyond a narrow focus on rent or mortgage repayments, it is also important to consider the cost of heating and lighting a home when assessing overall housing affordability and whether it offers access to affordable transport options. Public transport tends to be scarce and costly in the countryside, resulting in an almost universal reliance on cars to get around, with all of their attendant costs (for more on this see our response to Question 3). Fuel poverty is proportionally more prevalent in rural areas, too, and heating costs can easily make an otherwise 'affordable' home unaffordable to a low income household.[iv] While factoring heating costs into an official definition of affordability would be too complex to be practical, it is essential that new homes are built to high standards of energy efficiency to keep running costs down. There are an increasing number of excellent rural affordable housing schemes around the country that employ Passivhaus technology, which can keep heating costs to as little as £120 per year, according to research carried out by Hastoe housing association.

High and low demand areas

Affordability tends to be presented as an issue which mainly affects London and the wider south east; but covering housing costs can be a challenge for low income households nationwide, and there are areas of particularly high housing demand in all regions. However, the problem of housing affordability does manifest itself differently in different places. In high

	demand areas, house prices and residential land values continue to rise much faster than wages, which in turn pushes up private rents. Government funding to increase 'affordable housing' supply since 2011 has been concentrated on the construction of new homes to be let at what Government defines as 'affordable rents'. These are defined in relation to the cost of private/market rented housing, rather than incomes, even though this is often more than low income households can comfortably pay. This is a problem in desirable rural areas, as well as urban ones. In lower demand areas, the challenges are different. House prices are substantially lower in many post-industrial towns but there are also significant levels of poverty. Here, there are often problems with the quality of the housing stock, too, due to unbalanced levels of public and private investment across our regions over decades. This is why an approach to housing policy which targets investment purely in areas with high house price to earnings ratios is flawed. It is true that an increase in the supply of low cost housing in the wider south east is urgently needed, but we must not focus only on economically buoyant, high demand areas. Before the Housing Revenue Account cap was lifted for all councils in October 2018, the Chancellor announced an extra £1bn of borrowing headroom for councils, to be targeted at the 50% of local authorities which were evaluated as being most 'unaffordable', using the evidence of their affordability ratios. This excluded Sheffield, Stoke, and Newark and Sherwood councils, all of which had worked with MHCLG officials on the initial proposals to expand borrowing. The bidding criteria did not consider factors such as levels of homelessness and housing waiting lists. At the time Sheffield had a waiting list of 28,852 households, Stoke of 2,477, and Newark and Sherwood of 2,133. The focus on affordability ratios in establishing eligibility obscured high levels of housing poverty. This example also demonstrates why it is important to distinguish between renting and buying when considering affordability. The Commission's early research demonstrated that the public associates the term 'affordable housing' most strongly with first time buyers. Yet issues around housing affordability go beyond house prices. Indeed, our submission will argue that funding and support should actually be targeted primarily towards increasing the delivery of homes for social rent. The discrepancy between public perceptions of 'affordable housing' and the tenures which are most needed suggests that the term needs a fundamental rethink. [i] ONS, Ratio of house price to workplace-based earnings (lower quartile and median): 1997 to 2017, April 2018,

	https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian. [ii] Defra Rural Earnings Statistics, December 2017, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/670038/Earnings_December_2017.pdf. [iii] Affordable Housing Saving Rural Services: Rural Life Monitor 2017, National Housing Federation Report, November 2017, https://www.housing.org.uk/resource-library/browse/affordable-housing-saving-rural-services/. [iv] Defra, Fuel Poverty in Rural Areas statistical briefing, February 2018, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/683010/Fuel_and_Energy_February_2018.pdf
Q2: Why is housing unaffordable?	Rural areas are often viewed as being a world apart from large metropolitan centres, and there are undoubtedly some factors which specifically affect affordability in small settlements. Increasing levels of second and holiday home ownership, for example, can lead to rapidly rising housing costs and the erosion of community cohesion in many tourist hotspots, as highlighted in research carried out Professor Sarah Skerratt for the Prince's Countryside Fund.[i] Nevertheless, the fundamental drivers behind unaffordable housing in rural areas are the same as in towns and cities. Four crucial factors are the inflated cost of land, a lack of capital investment in high quality social housing, a flawed definition of affordability tied to the market rather than to local incomes, and a planning system which holds local authorities accountable for the failure of the private housebuilding industry to deliver enough homes. <u>The cost of land</u> Underpinning much of what is not working about the way we currently deliver housing is a dysfunctional speculative land market. For too long, land has been treated primarily as a financial asset, with decades of rising house prices entrenching expectations of future increases. Land prices are currently rising even more rapidly than house prices. Using MHCLG data published as 'Land value estimates for policy appraisal', we can see that agricultural land increases in value 275 times on average across England when residential planning permission is granted (120 times on average excluding London).[ii] In high demand areas, the increase can be much greater. The high cost of land makes it difficult for affordable housing providers to compete on a level playing field with large private developers, when it comes to acquiring sites to build on. And the more that a housing association or local authority pays for land, the fewer low cost homes they can afford to build. Soaring land values have been baked into the system in part by precedent, but also by current legislation governing compensation arrangements in

	cases of compulsory purchase. The 1961 Land Compensation Act (specifically sections 14 and 17) enshrines the right of a landowner to 'hope value'; that is, the amount of money that the land would command with residential planning permission which it does not currently have (for more on land compensation see our response to Question 6). <u>The definition of affordability</u> The definition of affordability in the 2018 National Planning Policy Framework (NPPF) is flawed. It comprises a wide variety of tenures, some of which are much more expensive than others. In particular, 'affordable rent', which can be up to 80% of market value, is not affordable for many low income households. The breadth of the definition in the 2018 NPPF is such that the term is now rather misleading, with very different tenures being conflated. The confusion over what the term really means stokes opposition to the development of new 'affordable housing', because the public does not trust that homes will be truly affordable. Moreover, since 2011 Government funding through the Homes and Communities Agency (now Homes England) has been skewed towards less affordable tenures, at the expense of investment in homes for social rent. Indeed, it may be that 'affordable housing', as a catch-all term in planning policy, has reached the end of its useful lifespan. Whether or not the term is retained as an overall definition, Local Plans should aim for specificity about the tenure breakdown needed in each plan area — as identified in a Strategic Housing Market Assessment (SHMA) — and funding decisions should be targeted towards delivering homes of those tenures. <u>Lack of capital investment</u> In the countryside, as in towns and cities, the best way to provide a secure home for people on low incomes is to build more social housing. Social rented homes can be built by councils or housing associations, and the rent is usually around 50-60% of the market rate for a comparable property. At present there are far too few social rented homes in the countryside to meet the needs of the people who live there. In 2006, the Affordable Rural Housing Commission concluded that at least 7,500 new homes for social rent were needed every year in rural areas but delivery has been less than half that. MHCLG figures show that there were 173,584 households on local authority waiting lists in rural authorities as of April 2018 but last year only 1,336 new homes for social rent were built in these areas. At the current rate it would take 130 years just to meet the backlog of need.[iii] Addressing the shortfall will require significant capital investment. Between 2011 and 2017 central government grant funding was only available to fund

	homes for 'affordable rent', not social rent. Housing associations who wished to build homes for social rent had to fund them through a cross-subsidy model. This was reversed slightly in June 2018 with the announcement of £1.67bn of new funding by 2021/22, of which just over half would be spent on new homes for social rent. Although a step in the right direction, this money will deliver only 12,500 homes for social rent — fewer than the number of households currently on the local authority waiting list in Cornwall alone. In some places, councils themselves may be able to play a key role in financing and building new social housing stock. The Prime Minister indicated that she intends them to do so when she lifted the Housing Revenue Account borrowing cap in October 2018. However, not all local authorities have Housing Revenue Accounts. In fact, only 31 of 91 rural authorities own their own housing stock, according to MHCLG's 2017/18 Local Authority Housing Statistics.[iv] Two-thirds of rural councils are therefore unable to take advantage of the new borrowing flexibility. At present, the Government spends more on subsidising the private housing market than building new affordable homes. The 2017 Budget included a total projected housing spend of £44bn over five years, with an estimated £11.87bn for Help to Buy equity loans up to 2020/21. Meanwhile, the budget for the Affordable Homes Programme over the same period was just £9.1bn.[v] A radical rebalancing of spending is required if we are to build the kind of low cost homes which will actually address the affordability challenge, rather than ever more unaffordable market housing. <u>The planning system favours large developers</u> CPRE has long campaigned for a planning system that works in the public interest, but our planning rules are currently weighted in favour of large housebuilders, at the expense of smaller builders and affordable housing providers. Due to cuts in capital grant funding and financial restrictions on councils, we rely heavily on private developers to deliver a large share of new affordable homes through the Section 106 system. This gives developers a lot of political power, as well as significant financial risk. It is hard for local planning authorities to push back against developers who are not meeting their affordable housing obligations, when the planning authorities themselves are being held to account by central Government for the overall number of homes delivered. Stronger planning rules would increase certainty for developers and make it easier for local authorities to ensure that they meet their affordable housing targets. [i] Recharging Rural: creating sustainable communities to 2030 and beyond, Prince's Countryside Fund, July 2018,

	https://www.princescountrysidefund.org.uk/downloads/research/recharging-rural-full-report-final.pdf [ii] Gathering the windfall: How changing land law can unlock England's housing supply potential, Thomas Aubrey for the Centre for Progressive Policy, September 2018, https://progressive-policy.net/2018/09/gathering-the-windfall-how-changing-land-law-can-unlock-englands-housing-supply-potential/; MHCLG Land value estimates for policy appraisal 2017, https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal-2017, May 2018. [iii] MHCLG Live Table 600: numbers of households on local authorities' housing waiting lists, by district, England, January 2019, https://www.gov.uk/government/statistical-data-sets/live-tables-on-rents-lettings-and-tenancies; MHCLG Live Tables 1006 to 1009: additional social rent and affordable rent dwellings, November 2018, https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply. [iv] MHCLG Local authority housing statistics data returns for 2017 to 2018, January 2019, https://www.gov.uk/government/statistical-data-sets/local-authority-housing-statistics-data-returns-for-2017-to-2018. [v] HM Treasury Policy Paper: Autumn Budget 2017, November 2017, https://www.gov.uk/government/publications/autumn-budget-2017-documents/autumn-budget-2017#housing.
Q3: Costs and consequences of unaffordable housing – what's at stake and who are the priority groups that most need support?	Whereas the causes of housing unaffordability are similar across urban and rural areas, its effects can be substantively different in different places. Unaffordable housing has specific impacts on rural communities and the wider rural economy, fundamentally altering their character and, in extreme cases, posing an existential threat to their sustainability. Increasingly, housing costs are forcing younger and poorer households out of rural areas, leaving our villages and market towns as the sole preserve of older and wealthier people. Impact on individuals and households The most extreme individual consequences of unaffordable housing do tend to be more visible in metropolitan centres. For example, there are generally lower levels of homelessness per capita in rural areas than in cities; though rural homelessness is still a significant and growing problem, as highlighted in a 2017 report by the IPPR.[i] The causes of rural and urban homelessness also proved to be strikingly similar: in both cases, the IPPR study found that the ending of an assured shorthold tenancy was the most common cause of homelessness, followed by relationship breakdown. There are, however, specific challenges for local authorities trying to provide services for homeless people in rural areas. The distances involved tend to be greater and the problem less visible, councils are underfunded and economies of scale do not work in a rural context.

	Even those households who are able to cover their housing costs without falling into financial difficulties often find themselves trapped in insecure or unsuitable accommodation because they cannot afford to live in a more suitable home. An increasing proportion of low and middle income households are finding themselves trapped in the private rented sector. This affects rural as well as urban areas and cuts across age groups, though it is particularly prevalent among younger people. Privately renting is one of the greatest generators of social inequality and financial instability, with recent research by the National Housing Federation demonstrating that almost half of all children growing up in privately rented accommodation are living in poverty.[ii] Eventually, being unable to find an appropriate, affordable place to live can lead people to move away from rural areas where they would otherwise have chosen to stay and contribute to the local community. <u>Impact on rural communities</u> Rural areas suffer disproportionately from the outmigration of working age people, who cannot afford local house prices or private rents, and this has a significant impact on communities. This is especially the case in popular tourist areas with high levels of second and holiday home ownership, which push up prices still further. The problem is further compounded by a lack of reliable public transport and employment, which can make it difficult for social housing tenants to stay in rural areas, and make social landlords reluctant to take on homes in remote locations. The loss of just a few young families or key workers from a village can quickly affect the viability of local services such as GPs, schools, post-offices or buses. Research by the National Housing Federation (NHF) in 2017 found that the period since 2012 had witnessed the loss of 52 rural schools, 81 post offices and over 1300 pubs.[iii] The NHF also analysed MHCLG demographic projections and found that by 2039 almost half of rural households are predicted to be over the age of 65. This is likely to place increasing strain on GP and care services, at a time when rising housing costs are pricing out the very people needed to staff them. Moreover, there are limited options in terms of supported housing and care facilities for older people living in small settlements. This means elderly residents often find themselves trapped in unsuitable accommodation, or forced to move away from friends and family to larger towns to access appropriate care. The positive corollary of rural settlements' vulnerability to changes in their working age population is that just a handful of new homes for social rent or discounted ownership can have a transformative effect on the vitality and cohesion of a community. For example, Bernicia Housing Group built four

	new family homes for social rent on Lindisfarne in 2010, which helped keep the island's only primary school open. <u>Impact on the rural economy</u> IPPR North produced a report on the rural economy in 2017.[iv] They found that economic growth in rural areas was actually slightly higher than in urban areas outside of London. So there is an untapped opportunity here – the rural economy is not a tale of inevitable decline. However, unaffordable housing puts up a number of barriers to a thriving and equitable rural economy, for example: • A shortage of workers in low wage economies, like agriculture, retail and tourism. • A shortage of key workers, such as nurses, teachers, carers and bus-drivers. • The economic impact of increasing populations of commuters, as higher income workers spend their wages outside of the communities where they live. • The impact of reverse commuting, where people working in rural communities are forced to live in cheaper urban areas and drive to the countryside to work. This also has significant environmental impacts, which could be avoided if people could afford to live near where they work. [i] Right to Home? Rethinking Homelessness in Rural Communities, IPPR Report, July 2017, https://www.ippr.org/publications/right-to-home. [ii] Briefing: Poverty and housing in the private rented sector, National Housing Federation, January 2019, https://www.housing.org.uk/resource-library/browse/poverty-and-housing-in-the-private-rented-sector/. [iii] Affordable Housing Saving Rural Services: Rural Life Monitor 2017, National Housing Federation Report, November 2017, https://www.housing.org.uk/resource-library/browse/affordable-housing-saving-rural-services/. [iv], Forgotten opportunities: The dynamic role of the rural economy in post-Brexit Britain, IPPR North, February 2017, https://www.ippr.org/publications/forgotten-opportunities-the-dynamic-role-of-the-rural-economy-in-post-brexit-britain.
Q4: What's being done and is it working, and what are the implications and policy trade-offs?	At present, Government housing spending is allocated in a way that does not do enough to tackle the root causes of the affordability crisis, and in some cases actively exacerbates them. This is sometimes a matter of necessity, such as the rising housing benefit bill – a consequence of our failure to meet the need for low cost rented homes over many decades. In other instances, though, inefficient or counterproductive spending is the result of active ongoing policy choices. Chief among these is the continuation of demand-side subsidies such as Help to Buy. The Chartered Institute of Housing's 2017 UK Housing Review calculated that 79% of Government housing funding up to 2020-21 had been reserved for the private sector.[i] Not only does Help to Buy fail to address the root causes of housing unaffordability, it actively

	exacerbates the problem. The policy has had a demonstrable inflationary effect on the price of new build market homes. It has helped a limited number of relatively wealthy first-time buyers onto the property ladder at the expense of overall housing affordability for everyone else. Money currently committed to Help to Buy and other demand-side subsidies could be far more productively spent on grant funding to increase the supply of low cost rented homes, suitable for low and middle income households. On a more fundamental level, there is a prevailing false assumption that simply building more homes, of any kind, will bring down prices. Thus councils are placed under ever-increasing pressure to meet unrealisable housing targets, compelled to release more land for development, and grant more planning permissions, even while many sites which already have permission are not built out. Last year, the final report of Sir Oliver Letwin's review of build out rates found that the largest housebuilders are consistently delivering expensive homogenous homes, only as fast as the open market can absorb them without lowering prices. This business model deliberately and explicitly fails to result in the reduction in house prices assumed by those who advocate unconstrained market housebuilding as a solution to the affordability crisis. It does not and cannot deliver the kind of homes that communities need, but will continue to cover the countryside in poor quality, piecemeal development. Worse still, because the 'standard method' for estimating local housing need is based on the relationship between house prices and incomes, building more expensive homes, especially in rural areas, leads to an increase in the apparent demand for housing calculated using this method and the cycle of unaffordable speculative housebuilding continues. The most recent ONS statistics on housing affordability in England and Wales show worsening levels of affordability over a five-year period across most of the country, despite the consistent weakening of the planning system.[ii] At a local level, communities are taking steps to address the problem of unaffordable housing, by planning for or developing low-cost homes themselves. Many communities have produced or are working on Neighbourhood Plans (NPs) calling for more affordable housing. However, the neighbourhood planning system is under serious pressure, with NPs in danger of being undermined by high housing targets at a local authority level and the requirement in the revised NPPF for more frequent reviews. Some communities have also set up community-led hosuing organisations to develop homes themselves, but this sector (though growing) is still rather small at present. [i] UK Housing Review 2017, Chartered Institute of Housing, http://www.cih.org/resources/PDF/1UKHR%20briefing%202017.pdf. [ii] Housing affordability in England and Wales: 2018, ONS statistics, March 2019, https://www.ons.gov.uk/releases/housingaffordabilityinenglandandwales2018.

SECTION 2: TOWARDS A NEW AFFORDABLE HOUSING OFFER – INCREASING SUPPLY	
Q5: What role should housing providers play and what products old and new should be backed by government and how?	There is a dominant evidenced need for low cost rented homes in rural areas, whether these are provided by councils, housing associations, or the small but growing community-led housing sector. The decision to lift the Housing Revenue Account borrowing cap – announced by the Prime Minister in October 2018 – constituted an important acknowledgement by the Government of the need to build more homes for social rent. However, only 31 of England's 91 mainly or largely rural local authorities currently have a Housing Revenue Account. Two-thirds of rural councils are therefore reliant on other providers to deliver social rented homes at scale. It is likely that different kinds of social housing providers will be appropriate in different locations. Some rural authorities may wish to start providing council homes for social rent again. Under current rules, they can build up to 200 homes using their General Fund, before setting up a Housing Revenue Account. For some small rural authorities, this may be sufficient to meet identified local need. In other places, councils might set up a local housing company, or pool resources and share a HRA with a neighbouring authority. Elsewhere, it may be appropriate for development to be carried out by a housing association, a community-led housing organisation, or an Arms-Length Management Organisation (ALMO). There are several specialist rural housing associations, capable of delivering high quality, low cost homes in areas without local authority capacity, and also an increasing number of community land trusts working on delivering homes to meet identified local needs. However, all these organisations must be properly funded, and enabled to compete favourably with the market development sector in identifying and assembling suitable development sites. (See response to Q6 and Q7).
Q6: What planning reforms would deliver more affordable housing?	At present, the planning system actively reinforces market trends. The standardised method for calculating 'objectively assessed need' for housing in each local planning authority area — which takes household growth projections as a baseline and adjusts them according to market signals — concentrates growth and investment in areas which are already economically buoyant, with overheated housing markets and (usually) well organised opposition to new development. In the long run this simply stokes more demand, further inflating rents and house prices, straining local services and exacerbating the oppositional nature of the planning process. Moreover, it

	further unbalances the national economy. (For more on this, see our response to Q13). Current Government planning policy, as set out in the revised and updated 2019 National Planning Policy Framework (NPPF), prioritises driving up the overall quantum of homes delivered over other considerations, including tenure mix. It also holds local authorities to account for things which are outside their control, such as the failure of the volume housebuilders to build out sites quickly. The introduction of the Housing Delivery Test (failed by 108 authorities last year) places councils under such pressure to deliver more homes overall that it is difficult for them to reject proposals for inappropriate developments, including those which do not comply with local affordable housing policies. Moreover, many applications which initially propose to meet local affordable housing requirements are later renegotiated by developers on the grounds of viability. Our 2018 research with Shelter found that rural sites where a viability assessment was used saw a 48% drop in the number of affordable homes delivered.[i] It is to be hoped that the changes made to the Planning Practice Guidance on Viability in 2018 should help to curb the practice of negotiating down affordable housing contributions after an initial application has been submitted, but the practical effect of these changes remains to be seen. Government must ensure that the new rules are properly and consistently enforced. CPRE also believes that the Housing Delivery Test should be scrapped and local authorities should be encouraged to plan first and foremost to meet identified local need for social housing and other low cost tenures, even if this affects overall delivery rates. Where permissioned sites are built out unacceptably slowly, or affordable homes are not delivered at the agreed rate, authorities could even be given the power to transfer the planning permission to a Registered Provider or other provider of affordable housing, to deliver the right homes to meet local need. Underpinning much of the unpopular speculative development that the planning system currently delivers is our dysfunctional land market. As stated in our response to Q2, the granting of residential planning permission can increase the value of land around 120 times in England excluding London. High land values make it very hard for SME builders and affordable housing providers to compete with the volume housebuilders, who have far more capital available up front, and are a major barrier to delivering more affordable homes. Changes to land compensation rules could help to share more of the benefits of rising land values with communities. At present, sections 14 and 17 of the 1961 Land Compensation Act entitle landowners to ‘hope value’ (i.e. what

	the land would be worth with residential planning permission). Amending the law to remove 'hope value' would have the effect of bringing down the market values of land. Local authorities could then assemble land much more cheaply, potentially through public-private partnerships with landowners, and masterplan developments which would provide more public benefits including a higher level of social housing and other low cost tenures. Another smaller scale change within the existing planning system, which would specifically benefit rural areas, is the removal of the small sites threshold for developer contributions. Currently, developers are not obliged to provide affordable housing on sites with fewer than 10 homes. In designated rural areas (as rather narrowly defined in Section 157 of the 1985 Housing Act), authorities may set a lower threshold of 5 homes, but contributions on sites of 6 to 10 are usually made in the form of off-site cash payments and there is no guarantee they will be spent in the community affected by the development. Given that rural schemes tend to be smaller than urban ones, the 10 dwelling threshold has a disproportionate impact on rural communities. Developer contributions must be levied on all sites and, other than in exceptional circumstances, they should be made in the form of affordable homes on-site, rather than cash payments. [i] 'Viable Villages: Closing the planning loophole that undercuts affordable housing in the countryside', Rose Grayston and Rebecca Pullinger, March 2018, https://www.cpre.org.uk/resources/housing-and-planning/item/download/5317.
Q7: How can government support the funding and financing of affordable housing and what needs to change with the current system?	At present, most new build social housing is provided through Section 106. Of the 5,415 new social rented homes completed in 2017-18, 3,904 were funded through S106 contributions (72% of the total). S106 also accounted for 41% of all 'affordable rent' completions and 66% of shared ownership completions in 2017-18.[i] The result of this reliance on the private sector is that communities must be willing to accept large numbers of market homes alongside the homes that are actually required to meet local need. This stokes opposition to new development, even from people who recognise the need for more truly affordable homes. It also makes the delivery of the affordable homes conditional on demand being sufficient to support the construction of the market homes. Where a specific local need for new affordable homes can be identified, an alternative method for delivering them is through the rural exception site policy. Rural exception sites are small sites that would not normally receive residential planning permission, but where permission is granted, as an exception to normal planning policy, on the condition that the resulting homes should be affordable to people with a local connection in perpetuity. Rural communities may be more inclined to accept new housing

	development if priority in allocating the affordable homes is given to households with a connection to the parish. Homes on exception sites can be funded by a mixture of grant and (since 2012) cross-subsidy with a small number of market homes. The cross-subsidy model can be effective in facilitating developments which would not otherwise be viable, but it does leave housing association finances more vulnerable to market fluctuations in house prices. Those councils which have a Housing Revenue Account can now use their new borrowing powers to increase the delivery of social rented homes and CPRE applauds those who chose to do so. However, as noted in response to Q5, only a third of rural councils have a Housing Revenue Account and councils across the board are struggling with a lack of capacity. In order to build enough social rented homes to meet the needs of the most vulnerable households, and also the growing number of people trapped in the private rented sector, we will need significant public investment through Government grant funding programmes. We recommend a rebalancing of spending from demand-side initiatives like Help to Buy to supply-side programmes of affordable and especially social housing delivery. The budget for the Affordable Homes Programme (AHP) should be substantially increased and, within it, more money should be spent on rural housing. Homes England spent £142.3m on rural schemes between 2012-13 and 2016-17: just under 9% of total AHP spending per annum. Considering that 17% of the population of England live in rural areas, and that 16% of the total number of households on local authority waiting lists in April 2018 were in rural authorities, this constitutes a significant underinvestment. AHP spending on rural schemes should also prioritise delivering homes for social rent. While intermediate tenures such as shared ownership undoubtedly have a role to play in creating mixed and balanced rural communities, grant funding should focus primarily on meeting the most pressing housing need in these communities, which is for low cost rented accommodation. [i] MHCLG Live Table 1011: additional affordable housing supply, detailed breakdown by local authority, November 2018, https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply.
Q8: What needs to change to ensure the skills and capabilities are in place to deliver more affordable housing?	Local authority planning departments and the Planning Inspectorate have seen significant cuts in financial and staff capacity since 2010. The National Audit Office's report on Planning for New Homes, published in February 2018, found that council spending on planning has fallen by 15% since 2010/11, with total staff numbers reduced by a similar amount between 2006 and 2017.[i] Indeed, proportionally planning departments have been

	subject to some of the most severe budget cuts of all local authority teams. The National Audit Office report also pointed to a failure by national Government to take these shortages seriously enough, or appreciate their impact on exacerbating the affordability crisis. Significant investment in planning departments is needed, or local authorities risk losing ever more planning staff, including to higher paying jobs in the private sector, as large developers actively seek to recruit talented local authority planners. Moreover, a change of culture is required, with the role of planning being properly appreciated within local authorities. The final report of the Raynsford Review recognised that increased professional standing for planners within local government is essential if talented people are to be recruited and retained within the profession, and recommended the created of a statutory Chief Planning Officer post for all Local Plan authorities.[ii] [i] Planning for New Homes, National Audit Office Report, February 2018, https://www.nao.org.uk/wp-content/uploads/2019/02/Planning-for-new-homes.pdf. [ii] Planning 2020: Raynsford Review of Planning in England, Final Report, November 2018, https://www.tcpa.org.uk/Handlers/Download.ashx?IDMF=30864427-d8dc-4b0b-88ed-c6e0f08c0edd.
SECTION 3: TOWARDS A NEW AFFORDABLE HOUSING OFFER: MANAGING DEMAND	
Q9: What tax and macro-economic policies and changes in mortgage lending would help ensure housing is more affordable?	There are two ways in which CPRE can see that housing affordability could be addressed through fiscal policies. Both need more investigation and public debate. These are: 1. Mortgage lending rules, which allow wealthier people to borrow ever increasing amounts of money, contributing to property inflation, increased indebtedness, and greater unaffordability for lower income households. 2. Land value taxation, which could help to bring down the cost of land in rural areas, incentivise its efficient use, and discourage property speculation.

Q10: What regulatory reforms and new products/schemes are needed to make both social and private housing more affordable?	We do not feel qualified to answer this question.
Q11: How can we ensure the better use of existing stock	Rural communities have been disproportionately affected by the sale of social housing through Right to Buy. Research carried out by Rural Housing Enabler Jo Lavis for the ACRE Network found that between 2012/13 and 2013/14 the rate of Right to Buy sales to replacements in rural districts was 8:1, and that 42% of rural authorities were not using the rural protections in S157 of the 1980 Housing Act, due to the cost and complexity of enforcement. We therefore recommend that the Government suspends Right to Buy in rural areas (settlements with a population of fewer than 3,000), since the replacement of social rented homes sold under the policy can be extremely challenging in small settlements. There is potentially a case for suspending Right to Buy on a national scale, as has already happened in Scotland and Wales, due to dwindling social housing stock and low replacement rates. Certainly Government should allow councils to set discounts locally, as recommended by the Local Government Association, to give more control to those authorities who find themselves struggling to replace homes sold under the policy. Furthermore, local authorities should be allowed to retain all of their receipts after debt repayment, rather than giving up a proportion to the Treasury, provided that they spend them on replacement social rented homes. This additional flexibility, in combination with the Government's positive decision to lift the Housing Revenue Account borrowing cap, would leave local authorities in a much better position to achieve one for one replacement of homes sold under Right to Buy. In some popular holiday destinations, second home ownership is also a particular challenge. CPRE supports the Government's decision to allow local authorities to charge the full rate of council tax on second homes, and levy a council tax premium of up to 100% on long-term empty homes. This should be extended, so that a council tax premium can be levied on all homes which are not primary residences and higher premiums can be charged on long-term empty homes.

	It might also be possible to take advantage of the significant over-supply of large homes with gardens in rural areas to develop a programme of supporting community-led schemes to facilitate and/or subsidise the conversion of suitable homes into two or more smaller units, subject to the usual design and amenity considerations. These could then be managed or part-managed by Registered Providers. This could be an attractive option for elderly people wishing to downsize, but stay in the same community, for example, as a large home could be converted into a lower floor accessible flat and an upper floor flat for social/affordable rent.
Q12: How can the welfare system ensure that those on low incomes, with particular needs or those experiencing financial shocks have the right level of support in a timely way to reduce housing stress	The Local Housing Allowance cap has been hugely damaging for low-income renters across the country. However, it has a particularly distorting impact in rural areas, since there are very few shared and one-bed flats in the private rented sector in villages and small towns, but their rents determine LHA rates. The cap should be scrapped to support vulnerable people who increasingly find themselves trapped in private rented accommodation. It is also significant that 25% of benefit claimants in rural areas have to travel for more than 45 minutes to reach a job centre, which can often be inaccessible by public transport.
SECTION 4: WHAT ELSE NEEDS TO CHANGE?	
Q13: What other areas of policy need to change, such as reforms to the machinery of government, governance of housing providers, place-making and public realm?	As noted above, the methodology currently used to calculate housing targets reinforces market trends rather than positively planning to redistribute economic development activity to rebalance the economy in line with the Government's Industrial Strategy. Our current situation – with some areas of extreme high demand and unaffordability, and others experiencing long-term decline – is the consequence of a decades long failure to properly plan for and invest in balanced economic and housing growth across the country. The usual defence of the status quo is that businesses want to invest in high demand areas, which is why people want to live there, and that planning policy cannot 'buck the market'. However, this aspect of the 'market' is dependent upon government policy decisions, including the allocation of funds for infrastructure development and decisions on major new infrastructure projects. For example, per capita investment in transport infrastructure in London is more than double what it is in the north, and projects such as the Heathrow expansion are justified on the basis that the

	will bring more jobs to already overheating parts of the national economy. The outcome of the 'standard method' for calculating local housing need should not simply be taken as a 'predict and provide' indication of where to build new homes, but as an urgent alert for where action needs to be taken to manage housing demand.
Q14: How can an agenda for change get backing from the public and what should others (beyond government and the housing world) be doing to help?	We believe that the public is already sympathetic towards the need for more truly affordable homes. Polling carried out as part of Shelter's recent Social Housing Commission found that an overwhelming majority of respondents supported the building of new homes for social rent in their area, and that support cut across political affiliation. At a local level, political leadership within local government can play a vital role in creating momentum behind new affordable housing delivery, but community involvement is also crucial, especially in rural areas which tend to have a very strong sense of communal identity. This involvement can be as simple as public meetings to ask communities how the design of new homes could best reflect local styles, or as complex as setting up a community land trust to build and manage homes. It is vital however, that communities feel they have a stake in new development.
Q15: Do you have any other thoughts about what could help ensure housing is more affordable, including examples of best practice from UK (devolved nations) and overseas?	We consulted with our network of local and regional groups to request examples of good practice in terms of rural affordable housing development. Some examples we received were: Two developments in **Forest of Dean District** which received awards from CPRE Gloucestershire: A rural exception site at Whittington Close, St Briavels, which was sensitively designed to fit the vernacular of the older parts of the villages, and a 92 home redevelopment of a brownfield site at Cinderford, with a high proportion of affordable rented homes and designed to support sustainable living. http://www.cpreglos.org.uk/awards/awards-recipients-in-2014 The redevelopment of the Old School at **Wells in Norfolk**, which received an award from CPRE Norfolk: The school building was converted into 10 affordable homes by Homes for Wells community land trust. It was awarded CPRE Norfolk's Askham Award for the creative use of existing land and buildings. https://www.fakenhamtimes.co.uk/news/rural-communities-honoured-at-cpre-norfolk-awards-1-4248518 A scheme at **Toller Porcorum in West Dorset**: Six affordable homes and a post office provided in a small Dorset village by a local community land trust

	in partnership with Aster Group housing association. http://ruralhousingalliance.net/case-studies/community-land-trusts/toller-porcorum-community-land-trust-west-dorset/ Passivhaus scheme at **Wimbish in Essex**: A 14 home rural exception site built by Hastoe housing association. This was the first rural affordable Passivhaus accredited scheme in the UK. A two-year review of energy efficiency found that residents' heating bills were as low as £120 per year. https://www.hastoe.com/page/760/Wimbish-passivhaus-performs--Hastoe-releases-results-of-two-year-study-.aspx