



Campaign to Protect
Rural England
Standing up for your countryside



A LIVING COUNTRYSIDE

Responding to the challenges of providing affordable rural housing

Foresight Paper No.5

Campaign to Protect Rural England: Housing Foresight Series

The objective of the Campaign to Protect Rural England's Housing Foresight Series is to provide evidence-based research papers that support innovative policy solutions to critical housing issues.

The purpose of the series is not to set out the Campaign to Protect Rural England's official policy position on the future delivery of housing. Rather, it will explore a number of 'blue-sky' policy solutions with the aim of inciting and provoking wide ranging discussion over the future shape of housing policy.

With this in mind, we welcome comment on the policy solutions identified within the Housing Foresight Series.

Over two years, eight research papers will be released that examine different areas that are impacting upon the delivery of housing in England. We welcome any recommendations on subject matters for these papers. Please email lukeb@cpre.org.uk

Housing Foresight Series Papers So Far

1. **Increasing Diversity in the House Building Sector (Published: July 2014)**
2. **Removing Obstacles to Brownfield Development (Published: September 2014)**
3. **Better Brownfield: Ensuring Responsive Development on Previously Developed Land (Published: March 2015)**
4. **Getting Houses Built: How to Accelerate the Delivery of New Housing (Published: June 2015)**
5. **A Living Countryside: Responding to the Challenges of Providing Affordable Rural Housing (Published: July 2015)**

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Executive Summary

- Affordable housing is crucial to the vitality and sustainability of the countryside. Housing in many rural areas has become increasingly unaffordable to people on low and average incomes, and the failure to create affordable homes is fuelling some of the main issues facing rural communities. The closure of rural services (such as post offices and pubs) and the skewed population structure, due to falling numbers of young people, is linked strongly to the ability of people to be able to afford a home.
- In recent years there has been a lack of political focus on affordable housing in the countryside. This has been compounded by out-of-date estimates on the level of need for affordable housing in rural communities on a national scale and inaccurate data on affordable housing completions. This has not been helped by the varying definitions of rural used by different parts of Government. It has been estimated that affordable housing accounts for 8%¹ of total stock in rural areas compared with 20% in urban areas.
- Providing affordable housing in rural areas is often more challenging for housing associations than it is in urban areas because of higher construction costs, the need for design standards particular to different areas, and increased community engagement. For these reasons, rural affordable housing should be treated as a special case in the formation of policy. However, instead of encouraging affordable rural housing provision, recent and proposed policy changes threaten to reduce the provision of affordable rural housing.
 - Development sites that come forward in rural areas are often small in scale, so the recent introduction of national policy that does not require affordable housing to be included on development sites of 10 units or less (5 units or less in National Parks, Areas of Outstanding Natural Beauty and certain areas designated rural by Secretary of State) is hindering the provision of affordable rural housing.
 - Changes to 'rural exception' policy have enabled an element of market housing to be delivered on schemes to cross subsidise affordable housing provision. In the longer term, this risks the perverse impact of preventing affordable housing coming forward due to increasing a land owner's 'hope value' (the price a landowner might expect to achieve for a parcel of land).

¹ Department for Communities and Local Government (2011) English housing survey, DCLG

- Due to the low levels of existing affordable housing stock, the proposed extension to the Right to Buy - which will allow housing association tenants to buy their properties at a highly discounted rate - would have a damaging impact on the ability of those with low and medium incomes to access suitable housing in rural communities. Due to the expense and specialist skills required to deliver affordable housing in these communities, it is unlikely that the replacement of this housing would be possible in the short term.

Policy solutions

Drawing from the analysis above, as well as evidence set out in the Report of the Rural Housing Policy Review (Affordable housing: A fair deal for rural communities, 2015)² this report identifies a range of solutions to increase and sustain affordable housing in rural communities.

² Best, R. et al (2015) Affordable housing: A fair deal for rural communities. Rural Housing Policy Review

- 1. Introduce better funding structures and guidance for providing rural affordable housing.** The Homes and Communities Agency should re-establish minimum targets for housing provision in rural areas and increase the proportion of budget spent on providing affordable housing in rural communities. There is also a need for clearer guidance and funding structures for housing enablers, neighbourhood planning and community land trusts in rural areas.
- 2. Make more sites available for rural affordable housing.** Local authorities categorised as rural should register suitable small-scale brownfield sites in rural communities, while capital gains tax incentives should be introduced to make land owners more willing to put suitable sites forward under the 'rural exception' policy.
- 3. Increase transparency in cross-subsidy on rural exception sites.** There is a need for greater transparency in cross subsidy on rural exception sites where an element of market housing is used to fund the delivery of affordable housing. The use of open-book viability assessments and guidance on expected land values can help ensure that affordable housing provision is maximised on these types of sites.

4. Exempt rural communities from the proposed extension to Right to Buy.

Communities of fewer than 10,000 people in local authorities that are categorised as significantly rural, rural-50 or rural-80 should be exempted from the proposed extension to Right to Buy, which would allow housing association tenants to buy their homes at discounted rates.

5. Allow rural local authorities the freedom to set their own levels of affordable housing contributions required on small development sites.

Rural local authorities should be exempted from the nationally imposed 10 unit (or 5 unit in areas designated as rural by the Secretary of State) thresholds for the provision of affordable housing and enabled to set levels of expected contributions of affordable housing that best meet local need.

Glossary

³ Department for Communities and Local Government (2012) National planning policy framework, DCLG

Affordable housing: Affordable housing is social rented, affordable rented and shared ownership housing, provided to eligible households whose needs are not met by the market.³

⁴ Long, R. and Wilson, W. (2013) Community land trusts. House of Commons Library

Community land trusts: A Community Land Trust (CLT) is a local community-controlled organisation set up to own and manage land and other assets in perpetuity for the benefit of the community. The assets other than land may be, for example, affordable housing, workspaces, agricultural facilities, commercial outlets, or community facilities.⁴

⁵ Department of Communities and Local Government (2012) National Planning Policy Framework, DCLG

Rural exception sites: Small sites used for affordable housing in perpetuity which would not normally be used for housing. Rural exception sites seek to address the needs of the local community by accommodating households on medium or low incomes who are either current residents or have an existing family or employment connection.⁵

⁶ Definition of a Rural Housing Enabler (2012) available from: <http://www.rhewales.co.uk/>

Rural housing enablers: independent experts working with rural communities to support the delivery of homes for local people.⁶

Section 106 Agreement: Planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended) are a mechanism that makes a development proposal acceptable in planning terms, that would not otherwise be acceptable (for instance, by providing a proportion of affordable housing). They are focused on site specific mitigation of the impact of development. S106 agreements are often referred to as 'developer contributions'.

Differing definitions of 'rural' currently used by Government

Government Statistical Service⁷

The Government Statistical Service defines rural areas as 'those areas consisting of settlements below 10,000 people or are (in) open countryside'. It divides rural categories in three sub-sections depending on the population spread at ward level:

- Rural: town and fringe
- Rural: town and fringe in a sparse setting
- Rural: village
- Rural: village in a sparse setting
- Rural: hamlets and isolated dwellings
- Rural: hamlets and isolated dwellings in a sparse setting

Department of Environment, Food and Rural Affairs (DEFRA)⁸

At a local authority level, DEFRA defines divides rural local authorities in three categories:

Category	Definition
Significant rural	Districts with more than 37,000 people or more than 26% of their population in rural settlements and larger market towns
Rural-50:	Districts with at least 50% but less than 80% of their population in rural settlements and larger market towns
Rural-80:	Districts with at least 80% of their population in rural settlements and larger market towns

Homes and Communities Agency⁹

The Homes and Communities Agency tends to consider settlements with a 'population of fewer than 3,000' to be rural communities.

Housing Act 1985 Section 157 (Right to Buy Definition)¹⁰

The Housing Act 1985 sets restrictions for Right to Buy in rural areas.¹¹ It identifies National Parks, Areas of Outstanding Natural Beauty and specific areas designated by the Secretary of State* as rural.

* These specific areas are usually individual parishes and require approval from the Secretary of State to be considered rural. They account for approximately 19% of all parished areas.

⁷ Government Statistical Service (2011) The 2011 rural-urban classification for output areas in England

⁸ Department for Environment, Food and Rural Affairs (2009) Defra classification of local authority districts and unitary authorities in England: A technical guide, DEFRA

⁹ Best, R. et al (2015) Affordable housing: A fair deal for rural communities. Rural Housing Policy Review

¹⁰ Housing Act (1985) Section 157, available at: <http://www.legislation.gov.uk/ukpga/1985/68/contents>

¹¹ Lavis, J. (2015) Independent research, Rural Housing Solutions

1.0 Introduction

For too long, the lack of supply and provision of affordable housing has been considered to be mainly an urban problem by policy makers. There has been a lack of political focus and research on housing demand and need in rural areas in recent years, and this knowledge gap has contributed to a reduction in the provision of affordable housing in these areas. Current statistics on affordable housing supply and need do not provide an accurate portrayal of challenges facing rural communities.

Affordable housing is essential to the vitality and sustainability of the countryside. However, housing in many rural areas has become increasingly unaffordable to people on low and average incomes. This failure to supply affordable homes is fuelling some of the main issues facing rural communities. The closure of rural services (such as post offices and pubs) and the skewed population structure, driven by falling numbers of young people, is strongly linked to the ability of key population groups being able to afford a home.

Significant barriers exist that make the provision of affordable housing in rural areas more difficult than in urban areas. These barriers mean that rural affordable housing needs to be treated as a special case in the formation of policy. However, recent and proposed changes in policy are likely to have a severely negative impact on the provision of rural affordable housing, exacerbating the problems faced by rural communities.

This paper examines available information on current rural affordable housing need and supply, and identifies recent and proposed policy changes that are likely to impact on future provision. It goes on to make a number of recommendations about how affordable housing provision can be increased in rural areas and how this can be sustained into the future.

1.1 Affordable housing need and supply in rural areas: a complex picture

The most recent significant studies into estimating the level of housing need in rural communities were published in 2006.¹² Since then, the policy landscape surrounding the provision of affordable housing has changed dramatically. Even the definition of affordable housing has changed to classify 'affordable' rent at 80% of market values.¹³

Assessments of rural affordable housing need have also varied, depending on the methodology used. In 2006, the Affordable Rural Housing Commission estimated that there was a need for a minimum of 7,266 new affordable homes a year in settlements with a population of 3,000 or less. Research conducted by the Commission for Rural Communities evaluated housing need in smaller rural communities and hamlets (below 1,500 population), including backlog of need, at between 10,000 and 14,000 per year over a five-year period. The Joseph Rowntree Foundation report 'Homes for rural communities' (also published in 2006) estimated a need for an annual programme of 9,500 affordable homes in settlements under 10,000 people.¹⁴ Since these documents were published, there has been no official, up-to-date estimate of housing need in rural communities.

The provision of affordable housing has since been monitored more closely by the Government, although there are still issues with the accuracy of data provided. The graph overleaf identifies housing completions per thousand population in rural areas from 2004 to 2013. It shows that that, since the 2008 recession, private house building in rural areas has declined significantly from around eight houses per 1000 population to just five. The data shows that affordable housing completions per 1000 population have remained relatively stable throughout this period at about one completion per 1000 population, way below the levels of housing need identified above.¹⁵

¹² Taylor, M. (2008). Living Working Countryside: The Taylor review of rural economy and affordable housing. Department for Communities and Local Government.

¹³ Department for Communities and Local Government (2012) National planning policy framework, DCLG

¹⁴ Taylor, M. (2008). Living Working Countryside: The Taylor review of rural economy and affordable housing. Department for Communities and Local Government

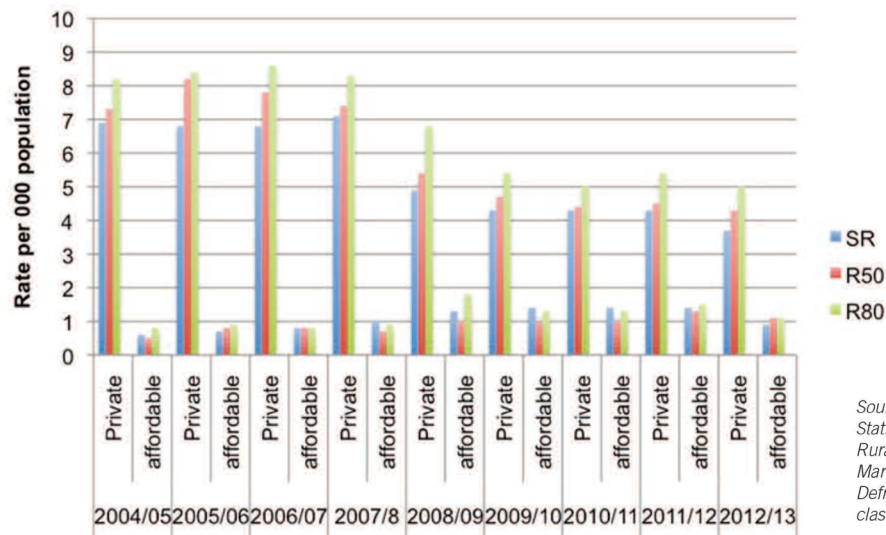
¹⁵ Best, R. et al (2015) Affordable housing: A fair deal for rural communities. Rural Housing Policy Review



Completions per thousand population by rural local authorities 2004 - 2014¹⁶

¹⁶ Department for Environment, Food and Rural Affairs (2015) Statistical Digest of Rural England, DEFRA

Completions per thousand population by rural local authorities 2004-2014



This housing completion data may, however, be skewed and unrepresentative of rural communities because of the method by which it is collected. The Government statistical service defines rural communities as ‘those areas consisting of settlements below 10,000 people or are (in) open countryside.’¹⁷ It divides rural categories in three sub-sections depending on the population spread at ward level:

¹⁷ Government Statistical Service (2011) The 2011 rural-urban classification for output areas in England

- Rural: town and fringe
- Rural: town and fringe in a sparse setting
- Rural: village
- Rural: village in a sparse setting
- Rural: hamlets and isolated dwellings
- Rural: hamlets and isolated dwellings in a sparse setting

Data for housing completions and affordable housing completions, however, is collected at local authority level. This geographical method of collecting data makes it difficult to monitor housing delivery in settlements of 10,000 or fewer as the Department for Environment, Food and Rural Affairs divides local authorities containing rural areas into three categories.

Definition of 'rural' at local authority level¹⁸

Category	Definition
Significant rural	Districts with more than 37,000 people or more than 26% of their population in rural settlements and larger market towns
Rural-50:	Districts with at least 50% but less than 80% of their population in rural settlements and larger market towns
Rural-80:	Districts with at least 80% of their population in rural settlements and larger market towns

¹⁸ Department for Environment, Food and Rural Affairs (2009) Defra classification of local authority districts and unitary authorities in England: A technical guide, DEFRA

Local authorities in any of these categories can contain large market towns, and in some cases small cities. This means that data collected which is intended to identify affordable housing completions in rural communities becomes 'distorted, disguised or lost'.¹⁹ However, this data does show that it is likely that the provision of affordable housing in rural communities has not kept pace with estimates of need.

¹⁹ Best, R. et al (2015) Affordable housing: A fair deal for rural communities. Rural Housing Policy Review

Given the ambiguity of those estimates and a changing policy landscape, there is a need for a new benchmark study to establish the level of rural housing need on a national scale. Identifying the number of affordable homes required to meet housing need in rural communities will help inform the development of policies that can best achieve increased affordable housing provision. With worsening affordability in rural areas, and recent policy changes that have made it more difficult to provide affordable housing, it is likely that level of housing need in many rural areas has increased significantly since 2006.



1.2 The affordability of housing in rural areas

The average price of a house in rural areas is higher than in urban areas. Halifax bank has estimated that rural house prices are on average 26% higher than in urban areas (although this varies between regions).

²⁰ Lloyds Banking Group (2014)
Buyers pay an average premium of £46,600 for homes in rural areas: Press Release, Lloyds Banking Group

Rural and urban regional average house prices 2014²⁰

Region	Average Price 2014 (£)*		% Change (2009-2014)		Premium for Rural v Urban	
	Rural	Urban	Rural	Urban	£	%
North East	151,290	133,720	12%	13%	17,570	13%
North West	209,694	145,363	5%	12%	64,330	44%
Yorkshire and Humber	188,193	138,226	11%	12%	49,967	36%
East Midlands	193,755	147,250	13%	14%	46,505	32%
West Midlands	243,717	154,936	8%	13%	88,781	57%
East of England	261,577	229,925	17%	22%	31,652	14%
South East	349,208	261,332	22%	25%	87,876	34%
South West	251,620	194,740	7%	13%	56,879	29%
Scotland	175,412	149,325	4%	6%	26,087	17%
Wales	162,263	138,280	5%	9%	23,983	17%
Great Britain (excl London)	225,217	178,641	12%	18%	46,575	26%

Source: Halifax. *12 months to September

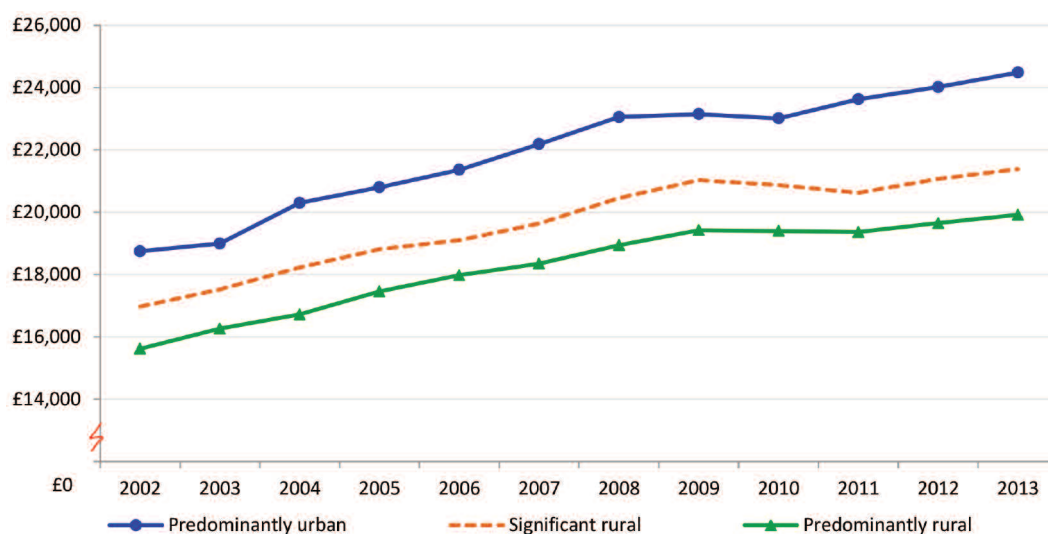
There is also a significant discrepancy between the average earnings of people living in urban and rural areas. And the gap between urban and rural earnings is consistently increasing; in 2013, the median gross annual earning in predominately rural areas was £19,900 compared with £24,500 in urban areas. Data also shows that average earnings are consistently rising faster in urban areas than in rural areas.²¹

²¹ Department for Environment, Food and Rural Affairs (2015) Statistical Digest of Rural England, DEFRA



Workplace based median gross annual earnings, 2002 - 2013²²

²² Ibid



With worsening affordability in rural areas, the provision of affordable housing is becoming more and more important. Recent and proposed changes in policy, however, coupled with the difficulties experienced by housing associations trying to build rural affordable housing mean that supply is likely to stay below levels of need, or even fall.

2.0 Current difficulties in the provision of affordable rural housing

2.1 The impact of policy changes

The amendment to National Planning Practice Guidance

In November 2014, the National Planning Practice Guidance (Planning Obligations: paragraphs 12-23) was amended to state that affordable housing contributions should not be sought from developments of *'10-units or less, and which have a maximum combined gross floor space of no more than 1000 square metres (gross internal area).'*²³ While this policy does not apply to some rural areas (exemptions are in place for National Parks and Areas of Outstanding Natural Beauty, which lower the threshold to five units but seek contributions only in the form of a commuted sum on the completion of development), this policy is likely to reduce significantly the provision of affordable rural housing.

²³ Department for Communities and Local Government (2015) Planning Practice Guidance: Planning Obligations (paragraphs 12-23) DCLG

²⁴ Best, R. et al (2015) Affordable housing: A fair deal for rural communities. Rural Housing Policy Review

²⁵ ibid

²⁶ Hulme, J. (2014) National Federation of Builders – think piece for Rural Housing Policy Review, National Federation of Builders

²⁷ Department for Communities and Local Government (2011) Planning policy statement 3: Housing, DCLG

²⁸ Department for Communities and Local Government (2012) National Planning Policy Framework, DCLG

The nature of rural settlements means that the types of sites that come forward for development tend to be relatively small. Recent research carried out for the Report of the Rural Housing Policy Review showed that, in a study of 10 rural local authorities, 84% of rural development sites were fewer than 10 units.²⁴ Previous research has also shown that contributions through Section 106 Agreements on these small sites have been a key method of providing much needed affordable homes in rural communities. Indeed, in 2012/13, 66% of affordable housing built in settlements of fewer than 3,000 was delivered through Section 106 Agreements.²⁵

These statistics suggest that taking away the ability for rural local authorities to decide on the level of affordable housing required on small sites is likely to result in a decline in the overall affordable housing provision in the rural communities that require it most. It is also likely to have a significant impact on site availability as it means that land owners will be less incentivised to release larger sites that still require an affordable housing contribution. Further to this, the expectation that no affordable housing will need to be provided on these sites is likely to raise the value that a landowner might expect for development. This may have the effect of pricing out locally based small and medium sized house builders, who are the most common developers of small sites in rural communities.²⁶

Changes to rural exception policy in the National Planning Policy Framework

The introduction of the National Planning Policy Framework in 2012 made significant changes to policy on rural exception sites. Previously, the focus of these sites was to allow developments that would usually be deemed unacceptable in planning terms, so long as they met local need by providing housing that was affordable in perpetuity.²⁷ The National Planning Policy Framework allows rural exception sites to contain an element of market housing in order to ‘facilitate the provision of significant additional affordable housing to meet local needs’.²⁸



Research from the 2015 Report of the Rural Housing Policy Review has shown that allowing an element of market housing on rural exception sites has been incorporated widely into policy. This has been motivated mainly by the cuts in grant funding that require cross-subsidy from market housing to fill the gap.²⁹ The number of rural exception sites coming forward, however, has decreased. This could be because the policy has been undermined by the increased 'hope value' that land owners give the site when the sites are able to contain a mix of affordable and market housing. This then makes acquiring and developing the site impossible for affordable housing providers.³⁰ CPRE research has shown that this problem is likely to be exacerbated in local authorities that cannot demonstrate a five-year land supply, because land owners will be tempted to put sites forward for speculative developments that contain no, or a minimal, affordable housing contribution (if they are over 10 units).³¹

The impact of the proposed extension of Right to Buy on rural affordable housing stock

The Queen's Speech of May 2015 announced that a forthcoming Housing Bill will '*enable the extension of Right to Buy levels of discount to housing association tenants*'³² If implemented, these policies could drastically decrease the already dwindling amounts of remaining affordable housing stock in the countryside. The previous Right to Buy scheme, set out in the Housing Act 1985, allowed council house tenants to purchase their homes from their local authorities. Right to Buy schemes remain a driver of decline in affordable housing stock in rural areas. The 2011 English Housing Stock Survey revealed that in rural areas just 8.6% of stock in rural residential, village centre and hamlet/isolated can be considered social (owned by both housing associations and local authorities).

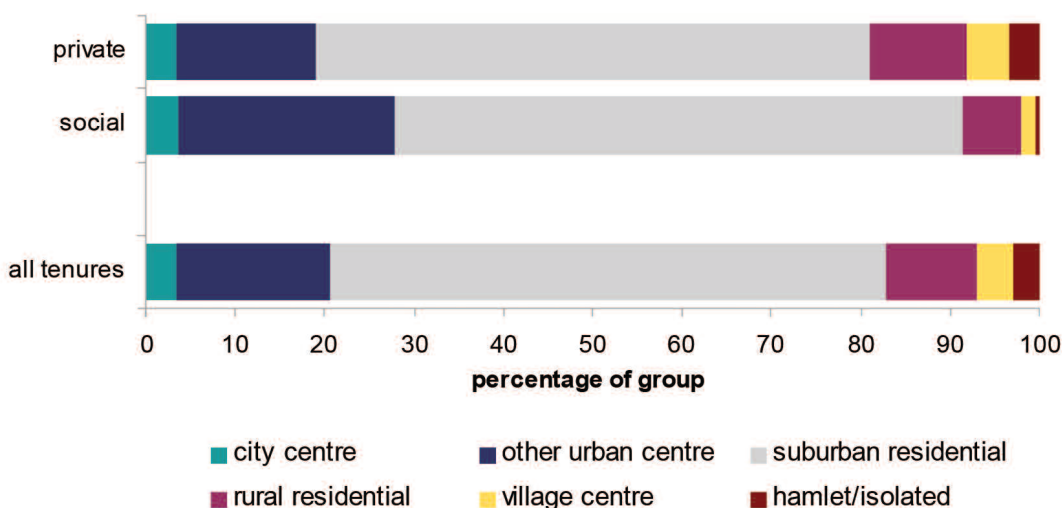
²⁹ Best, R. et al (2015) Affordable housing: A fair deal for rural communities. Rural Housing Policy Review

³⁰ Campaign to Protect Rural England (2014) Planning campaign briefing 3: Housing, CPRE

³¹ Campaign to Protect Rural England (2014) Community control or countryside chaos: The effect of the National Planning Policy Framework two years on, CPRE

³² Prime Minister's Office (2015) The Queens Speech 2015: Background Briefs. Prime Minister's Office

Percentage of dwellings in each tenure type by location 2011³³



³³ Department for Communities and Local Government (2011) English housing survey, DCLG

Evidence from the 2008 English Housing Stock Survey revealed that the proportion of social housing (both local authority and housing association stock) in rural areas was 10% of total affordable housing stock in 2008. This figure had declined by 2% to just 8% in the three years to 2011. Although there is a lack of available data, it is likely that affordable housing stock in rural areas decreased even more significantly in the years before 2008 as a result of the Right to Buy scheme that allows local authority tenants to purchase their homes. The loss of affordable housing stock through Right to Buy is likely to have happened despite rural restrictions put in place on the scheme. These are intended to limit the loss of affordable housing by controlling to whom a property purchased through the scheme can be sold after purchase. These restrictions are laid out below.

"If your home is in one of the following areas:

- *a National Park*
- *a designated Area of Outstanding Natural Beauty*
- *an area designated by the Secretary of State as rural for Right to Buy purposes*

*and you want to buy your home from your local council or a housing association under the Right to Buy (or under the Preserved Right to Buy from a registered provider, if your home was transferred), special rules apply. When you buy in these areas, the sale will be on the condition that you may only resell it to someone who has been living or working in the area for 3 years. Alternatively, your landlord may require you to offer your home to them if you want to resell within 10 years of buying (see the section on the 'Right of first refusal' on page 9 for further information). The landlord would then have to pay you the full value of the property. It may be helpful to check with mortgage companies that they are happy to give mortgages on homes with a rural restriction."*³⁴

³⁴ Housing Act (1985) Section 157, available at: <http://www.legislation.gov.uk/ukpga/1985/68/contents>

The 1997 Housing Act already gives many housing association tenants (those who live in eligible properties or new lettings provided with Social Housing Grant or transferred to a housing association after 1 April 1997) the Right to Buy their property for a discount through the Right to Acquire schemes. These discounts range between £9,000 and £16,000 on open market value depending on location. This policy exempts 'properties situated in areas designated as rural by the Secretary of State, using a guideline population of 3,000 inhabitants.'³⁵

³⁵ The Housing (Right to Acquire) Regulations (1997) available at <http://www.legislation.gov.uk/uksi/1997/619/schedules/made>

In the implementation of previous schemes that allow tenants to fulfil the aspiration of owning a home, it has been recognised that rural communities are a special case, and that the loss of affordable housing is detrimental for the vitality of rural communities. The levels of affordable housing stock in rural communities are already low, and to prevent further loss there is a need to protect all rural communities from the proposed extension to Right to Buy.

2.2 Difficulties faced by housing associations delivering affordable rural housing

Providing affordable housing in rural areas is significantly more challenging than in urban areas. A result of this is that the largest housing associations, which provide the highest levels of affordable housing, often do not operate in rural areas. This leaves smaller, more specialist, organisations to provide housing to meet the complex needs of rural communities.

A key difficulty for housing associations wanting to provide dwellings in rural areas is achieving economies of scale. In urban areas, development schemes are often larger and in closer proximity to services than in rural areas. This means that infrastructure costs, such as getting work force and materials to development sites are significantly higher in rural areas. Rural schemes often also require more stringent design requirements, including the use of local materials to fit in with the character of rural settlements. This is particularly the case in protected landscape areas such as National Parks or Areas of Outstanding Natural Beauty.³⁶

Academic research carried out by the University of the West of England has also suggested that rural communities are also likely to be vocal in their opposition to new developments (and particularly those that contain affordable housing). Securing the support of local communities can increase the time it takes for a development to start, increase its cost and can mean that much needed affordable housing schemes becomes unaffordable for the housing association.³⁷

While good design and community support are important in the provision of affordable rural housing, they require employee skills and expertise that many housing associations may not have. Hastoe Housing Association is one of the few rural providers that have a strong track record in this area (see case study on next page). Together with cost barriers, these complex problems mean that many housing associations are reluctant to provide affordable housing in rural areas, thereby lowering supply levels.

³⁶ Best, R. et al (2015) Affordable housing: A fair deal for rural communities. Rural Housing Policy Review

³⁷ Curry, N. (2012) Sustainable rural development in England: policy problems and equity consequences. Local Economy , 27 (2). pp. 95- 102.

Affordable Rural Housing and Community Involvement: Case Study

Griffin Close, Hemyock, Devon

- A key challenge facing the provision of affordable rural housing is successful collaborative working between housing providers and rural communities. An example of positive and effective collaborative working is in the village of Hemyock (Devon), where the Upper Culm Community Land Trust worked in partnership with Hastoe Housing Association and others to deliver affordable homes to meet the housing needs of local people.
- The Upper Culm Community Land Trust was formed in 2011 with the aim to provide affordable housing in the village of Hemyock to local people in housing need. In 2012, a plot of land in the village was offered to the community land trust by a local developer. Having identified and recorded a high level of housing need in the village, the trust proposed to build 12 affordable houses on the site, including nine for affordable rent and three for shared ownership, in order to cater for a range of different needs of the population.
- Despite the community based nature of the project, there were several challenges to the development from local residents in the village. To overcome these challenges, representatives of the trust and local rural housing enablers had regular meetings with their partners, Hastoe Housing Association (who manage and maintain the properties over the long term), Mid Devon District Council and the Wessex community land trust project.
- A particular issue raised by the community was the need to draft the Section 106 Agreement to ensure local people had priority for the homes. The project team was involved in the negotiation of the S106 and the subsequent lettings policy to ensure that the homes went to people with strong local connections. The homes developed are also of high quality design, scoring level four on the code for sustainable homes and with materials used in the construction picked to match the local vernacular.
- With the support of the local community, a planning application was made in late 2012 and was permission was granted in February 2013. The following month Homes and Communities Agency grant funding was obtained and construction began in May 2013. The development was completed in March 2014; the first homes funded by a community-led development grant to be built on community-owned land and fully occupied. Ten of the twelve properties were allocated to people from the core parishes of Hemyock and Clayhidon, the other two being allocated to families from near-by parishes.



3.0 Policy solutions: how to increase affordable housing in rural communities

3.1 Better funding and guidance to support the increased delivery of rural affordable housing

The Homes and Communities Agency's affordable homes programme budget has been identified as the primary source of funding for rural affordable housing. With Government grant rates to housing associations being halved, this source of financing has become even more important. The HCA used to operate a system of minimum targets for rural areas, but these have been abandoned. During the 2008-2011 affordable housing programme, just 6% of the budget was spent on providing affordable housing in settlements of less than 3,000 population. This increased to 11% in the 2011-15 programmes but is still proportionally below the 13% of the UK's population that live in these smaller settlements.³⁸

³⁸ Rural Housing Policy Review (2015) Analysis of the Homes and Communities Agency's funding for rural affordable housing: 2008 – 2011, Rural Housing Policy Review, HCA

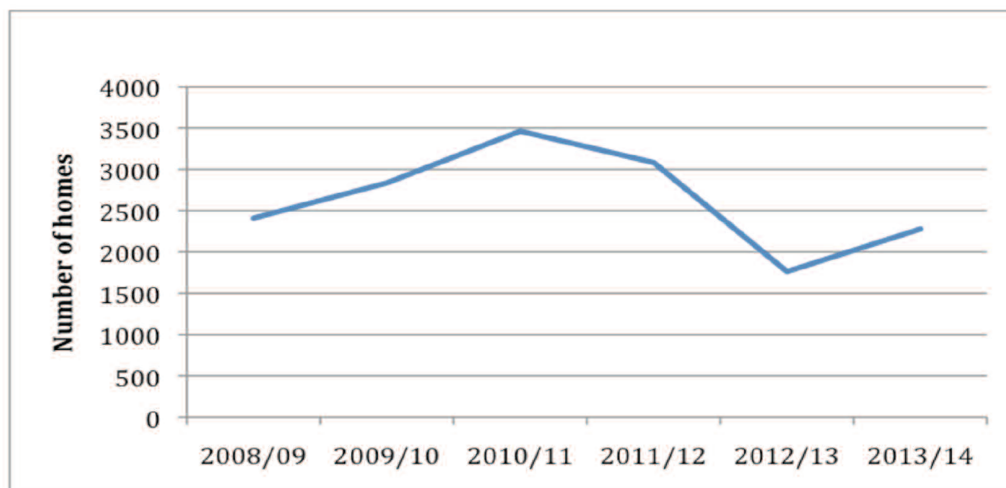
Despite this funding, the provision of affordable housing funded by the HCA has remained way below the target of providing 7,266 affordable homes per annum in rural areas. This is likely to continue in the future as the HCA has only allocated funding for 2,139 new affordable homes in settlements of less than 3,000 population for the affordable homes programme 2015-18. While other sites may come forward, this is unlikely given the expected impact of the policy changes identified above.³⁹

³⁹ Ibid



CPRE Chief Executive Shaun Spiers visiting a rural affordable housing scheme in Devon

Total number of affordable homes funded by the Homes and Communities Agency in settlements of under 3000 population 2008 - 2014⁴⁰



To increase the levels of affordable housing provided in rural communities, the 2015 report of the Rural Affordable Housing Review suggests that, 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'. The HCA can also alter national investment to reflect the proportion of the population living in communities of under 3,000 people when laying out spending plans.⁴¹

⁴¹ Best, R. et al (2015) Affordable housing: A fair deal for rural communities. Rural Housing Policy Review

Local leadership is important in providing increased levels of affordable housing and rural housing enablers (independent experts working in rural communities to support the delivery of homes for local people) have played a key role by working with rural communities to identify appropriate sites. However, continuing national funding cuts have meant their numbers have fallen from 58 in 2008 to just 25 in 2014. Despite being essential to the continued provision of affordable housing in rural communities, their existence is still under threat from further funding cuts. More funding should be made available for formal housing partnerships to employ rural housing enablers in rural areas with the highest level of housing need.

Greater use of both neighbourhood planning and community land trusts can also increase the availability of rural affordable housing. Neighbourhood plans empower local communities to make decisions on land use, including providing affordable housing at a local level. The £22 million funding stream granted by the Government for neighbourhood plans in February 2015 is welcome but local authorities and housing associations need to provide guidance on how affordable housing can be successfully incorporated into neighbourhood plans for rural communities.⁴²

⁴² Thomson, M. Neighbourhood plans: go forth and multiply: Blog, The Campaign to Protect Rural England

There are currently more than 170 community land trusts in England, and half of these have formed during the past two years. Ninety per cent of these are in villages and on average each deliver 10 affordable homes to meet the needs of communities. Community land trusts can work in partnership with housing associations to help deliver affordable homes in rural communities where they are most required. The nature of the establishment of community land trusts means that they are broadly supported by the rural communities in which they are located. However, the acquisition of land for development and finance are key issues preventing their success. Affordable housing could be increased if there was improvement in the disposal of un-needed public land for community land trusts and the reinstatement of a specific community-led funding stream in future affordable homes programmes. The recently announced 'Right to Build' may aid the acquisition of land for these trusts. Organisations involved in the provision of affordable housing should investigate how they can harness this scheme to provide additional affordable housing stock.⁴³

⁴³ Prime Minister's Office (2015) The Queens Speech 2015: Background Briefs. Prime Minister's Office



3.2 Making land available for rural affordable housing

A key barrier identified as preventing the delivery of affordable housing in rural areas is the lack of availability of suitable land available. There are steps that housing associations and national and local government could take to support the identification of land suitable for affordable housing in rural communities. As a starting point, it is important for rural local authorities to produce up-to-date plans for housing supply, and a register of small scale brownfield sites within villages that may be suitable for development.

Currently land owners are not incentivised to provide land for rural exception sites and this is preventing the delivery of rural affordable housing. Research carried out for the Report of the Rural Affordable Housing Policy Review found that land owners releasing land for rural exceptions do not currently qualify for capital gains tax roll-over provisions. This roll-over relief allows capital gains tax on chargeable gains to be delayed where the proceeds from disposing of certain qualifying classes of qualifying asset are reinvested into new qualifying assets.⁴⁴ Allowing land owners to benefit from these roll-over provisions for rural exception sites could increase the amount of affordable housing delivered in rural communities.⁴⁵

Such a scheme would work by allowing land owners to benefit from roll-over provision on the sale of land sold as rural exception sites development (either 100% affordable housing or scheme or for a cross subsidy scheme where the level of affordable housing provided is 20% above the expected levels identified in local planning documents). The change to current rules would be that the roll-over provisions could be used for investment in a wider range of activities (excluding the creation or maintenance of the landowner's principal residence) matching the wider relief available for properties that are compulsory purchased.⁴⁶ This roll-over provision would incentivise land owners as they would receive a higher financial return than is currently the case, it would also not result in a total loss of tax collected by the Treasury.⁴⁷

⁴⁴ Her Majesty's Revenue and Customs (2014) Capital gains business asset roll-over relief HMRC

⁴⁵ Best, R. et al (2015) Affordable housing: A fair deal for rural communities. Rural Housing Policy Review

⁴⁶ Rural Housing Policy review (2015) Proposals to increase site supply through tax incentives to land owners, Rural Housing Policy Review

⁴⁷ Ibid

3.3 Clarifying rural exception sites policy to focus on the provision of affordable housing

The purpose of an exception sites policy has always been to allow the delivery of housing in locations that would not normally be considered suitable for housing as long as it was meeting local housing need in perpetuity.⁴⁸

Evidence from a survey of local authorities carried out for the Report of the Rural Housing Policy Review, however, suggests that the changes to rural exception sites to allow an element of market housing has significantly reduced the delivery of affordable housing in rural areas. As there is limited data on the completions of affordable housing through rural exception sites, it is hard to determine the precise impact of this policy in the physical delivery of affordable housing. However, the evidence available suggests broadly that the number of affordable houses delivered on exception sites is likely to have fallen since this change.⁴⁹

With the current limited availability of Government grants for rural affordable housing, the rationale behind providing market housing on rural exception sites is that it makes the delivery of affordable homes viable on sites that otherwise wouldn't be developed. Where market housing is provided on these sites, however, it is essential for local authorities, land owners and developers to fully understand the development economics of individual schemes in order to maximise the proportion of affordable housing delivered. The Government can help by providing clearer guidance to local authorities on the development of rural exception sites with a mix of rural and market housing.

For instance, the Planning Advisory Service has found that rural local authorities can potentially guide land owners and housing associations on the viability of rural exception sites that include cross subsidy from market housing by setting out expected land price value markers in supplementary planning documents. These markers can take the form of an expectation that land values on exception sites will not exceed a certain amount per plot depending on the local housing market. The development of all exception sites that include an element of market housing should also be accompanied by a clause that allows for negotiation using an 'open book' viability approach to enable transparency throughout the whole development process.⁵⁰

⁴⁸ Department for Communities and Local Government (2011) Planning policy statement 3: Housing, DCLG

⁴⁹ Best, R. et al (2015) Affordable housing: A fair deal for rural communities. Rural Housing Policy Review

⁵⁰ Planning Advisory Service and the Local Government Association (2015) Planning on the doorstep – the big issues: Rural Housing. PAS and LGA.

3.4 Exempting rural areas from the proposed extension of the 'Right to Buy'

As identified above, rural areas have been considered a special case in the formation of previous Right to Buy legislation. To protect vitality of the countryside, it is important to extend the earlier approach of restricting Right to Buy in rural areas by limiting the sale of the property to someone from the existing area, to a total exemption of the scheme across all rural areas.

Currently, restrictions (on Right to Buy) and exemptions (on Right to Acquire) have been applied only to Areas of Outstanding Natural Beauty, National Parks and those 'areas designated as rural by the Secretary of State'. While the Government recognises there is a need to treat these designated rural areas as special, many rural areas are not currently covered by any restrictions or exemptions. The impact is that many rural communities with low levels of affordable housing stock will be left vulnerable to the extended Right to Buy and the remaining affordable housing stock could be lost to the open market. This in turn is likely to undermine the vitality of these communities and reduce the viability of local services, such as pubs and post offices.

Current definitions of 'rural' vary between Government departments, and there is a need for clarification of the definition to aid in the formation of policy. The existing list of areas designated as rural by the Secretary of State may also then require updating. Many areas have been designated at parish level and some designations date as far back as 1981. While it is unlikely that the character of these areas will have changed dramatically, it is unclear how these selected parish designations differ from other fundamentally rural areas. Within the current definitions, to reduce the impact in the most vulnerable rural communities, the Government should consider designating all communities of under 10,000 population in, significantly rural, rural-50 and rural-80 local authorities as exempt from the extended Right to Buy. This will protect existing housing stock and help support the vitality of these communities.

3.5 Exempting rural areas from the 10-unit threshold for the provision of affordable housing

As explored above, the recent Government exemption of section 106 affordable housing contributions to sites of 10 units or fewer is having a negative impact on the provision of affordable housing. The Government already recognises that the provision of affordable housing in rural areas is a special case, with a lower threshold of five applying, but only in rural areas designated under section 157 of the 1985 Housing Act. However, this section of the Act only covers three categories of rural area: Areas of Outstanding Natural Beauty, National Parks and areas designated as rural by the Secretary of State under this provision. This rather narrow definition of rural is having a detrimental impact on the provision of affordable housing in rural communities outside of these areas.

To increase the supply of much needed affordable housing in rural communities, local authorities that contain rural areas (i.e., those local authorities with significantly rural, rural-80, rural-50 and rural status) could be empowered to set their own policy on the provision of rural affordable housing on development schemes. This would ensure that more small scale sites are providing affordable housing where it is viable. It would also allow for more negotiation to take place between local authorities, local communities, landowners and developers about the type of affordable housing that is required in local communities, ensuring that the most suitable types of housing are developed.



4.0 Conclusion

Rhetoric on increasing affordable housing often focuses on the problem of urban areas. In reality, issues of housing affordability and affordable housing construction are often worse in rural areas. Estimates of the need for affordable housing in rural areas on a national scale are out of date (with the most recent official estimates in 2006). Data on affordable housing completions are likely to be inaccurate due to the varying definitions of what constitutes rural areas used by different Government departments. To rectify this problem, there is a need for clarity on the Government definition of rural and up-to-date assessment of affordable housing need in rural areas around which policy can be formed.

The data shows that rural areas have higher average house prices than urban areas, while the population living and working in rural areas have lower average wages than their urban counterparts. This means accessing housing on the open market is generally more difficult for the rural population, making the increased provision of affordable housing even more important. The provision of affordable rural housing needs to be treated as a special case. Adoption of the policy solutions described above could increase the stock of affordable housing in rural areas.

Recent and proposed policy changes identified above are likely to be having a negative impact on the supply of affordable housing stock. Many of the housing sites that come forward in rural communities are small, and the introduction of policy that does not require development schemes of fewer than 10 houses to provide affordable housing is likely to mean a significant decrease in the amount of affordable housing provided in rural communities. It may also have the impact of raising land values to an extent where they become inaccessible to local small and medium sized house builders, thereby in effect preventing development.

Allowing an element of market housing on rural exception sites to cross subsidise affordable housing is also likely to be impacting upon the number of affordable houses coming forward in rural communities. While cross-subsidy is important in a climate of Government spending cuts, this policy may be having perverse impacts, raising the amount of money landowners expect for their land, and actually reducing the number of sites coming forward for rural exceptions.

The proposed extension to the Right to Buy, which will allow housing association tenants to buy their properties at the same levels of discount as local authority tenants, is likely to further shrink the already depleted stock of affordable housing in rural areas. The complexities involved in providing affordable housing in rural areas means that providing replacement stock will be expensive and time consuming.

The provision of affordable rural housing needs to be treated as a special case in policy formation and funding. HCA targets for providing affordable rural housing needs to be reintroduced, alongside an increase in the HCA's investment in rural housing. Increasing funding for rural housing enablers and guidance for neighbourhood planning can also help increase affordable rural housing provision. Offering suitable surplus public sector land to community land trusts could also make a significant contribution.

To make land available for affordable rural housing provision, local authorities that contain rural areas should identify and register suitable small scale (particularly brownfield sites) and work with local communities, housing associations and rural housing enablers to apply the best methods of maximising affordable housing delivery on these sites. Adapting Capital Gains tax regulations by extending roll-over provisions would also encourage land owners to release more suitable land for rural exception development schemes.

Due to the low levels of existing stock and particular challenges of developing new affordable housing in rural areas there is a need to exempt rural communities from the proposed extension to the Right to Buy. Previous Right to Buy schemes have recognised that there is a need to protect stock to encourage vitality and diversity of rural communities and enhance local services. Housing association properties in communities of 10,000 population or under in significantly rural, rural-50 or rural-80 local authorities should be exempted from the Right to Buy.

There is a need for clarity of policy around rural exception sites that allow an element of market housing to cross subsidise affordable housing. On these sites, greater transparency in the development process is essential to allow better understanding of the economics of individual development schemes. To achieve transparency and maximise affordable housing contributions, expected land price 'markers' can be set by local authorities from an early stage and 'open book' viability assessments should be required.

Finally, the recent change in policy, which means that developments of 10 units (5 units in areas designated as rural by the Secretary of State) or fewer are no longer required to provide affordable housing, is having a significant negative impact on the affordable housing provision because sites that come forward in rural communities are often small sites. To tackle this problem, planning departments in significantly rural, rural 80 and rural 50 local authorities should be able to set and negotiate the level of affordable housing contribution on individual sites to reflect local need.



CPRE is an environmental charity campaigning for a beautiful and living countryside that everyone can value and enjoy.

We aim to defend the countryside from damaging development by:

- influencing national and local planning policy relating to housing
- promoting appropriate brownfield development
- promoting examples of sustainable urban and rural development and good practice
- influencing the approach of the Government towards the countryside and planning

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