

Report
Summary

Affordable Housing:
A Fair Deal for Rural Communities
REPORT OF THE RURAL HOUSING POLICY REVIEW

Members of the Rural Housing Policy Review

Lord Richard Best OBE DL (Chair of the Rural Housing Policy Review)

Lord Matthew Taylor

Lord Ewen Cameron DL FRICS

Margaret Clark CBE

Sue Chalkley OBE FCIH

Elinor Goodman

David Fursdon DL MA FRICS

Professor Mark Shucksmith OBE FAcSS

Peter Moore CIHCM

Peter Hetherington

Sarah Davis CIHCM

Anne Hall

Jo. Lavis MRTPI (Secretary and member)



We are grateful to Hastoe Housing Association for sponsoring our review and to a wide range of people who met us, submitted evidence and completed our surveys. Their knowledge, insights and experience have made an essential contribution to our Review.

To read our full report, please go to:
www.hastoe.com/fairdeal

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

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Chair's foreword

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

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

So housing affordability is a much greater problem.

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

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

work in rural areas has become even tougher in recent years:

None of the pressures identified in earlier reports has eased;

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

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



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

- The new proposition from Government for removing S106 affordable requirements on small sites is likely to reduce annual rural affordable housing provision by some 50%;
- Smaller, local housing associations and building companies lack the financial capacity to develop on any scale; yet most of the larger, regional and national ones are steering



clear of small, complex rural schemes;

- Despite the special opportunities for development on "Rural Exception Sites", there are few incentives for landowners to release land for affordable housing rather than hold on and hope for higher values from 100% market housing.
- Government has made welcome progress in giving village communities greater involvement in the planning process, but few of these communities have the funds and specialist support they need to organise Neighbourhood Plans, let alone the building of affordable housing in their villages.

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

Lord Richard Best
Chairman of the Rural Housing Policy Review

Recommendations

Because more sites are needed:

1. Since the vast majority of rural schemes are on small sites, **Government's policy to remove from local authorities the power to require affordable homes on sites of less than 10 homes must be reversed.** Local Planning Authorities should require all sites, whatever their size, to make an affordable housing contribution. The level of this contribution – in cash or kind – will be determined by what works in the housing market of that area.
2. **Government should provide incentives to encourage land owners to develop rural affordable housing** to meet local needs or to release sites for these homes, e.g. through tax incentives or nomination rights, which would also stimulate the local economy.
3. Since local communities cannot properly influence what kind of development takes place without a Local Plan, **Government should require all local authorities to complete their Local Plan preparation within two years.**
4. **Government should exclude rural areas from the "spare room subsidy withdrawal"** ("bedroom tax") because there are so few opportunities for rural tenants in houses to move to 1 or 2 bedroom flats in villages; these households should not be forced to move away from their long-standing social and support networks to urban areas elsewhere.
5. Where there are already problems from the low levels of affordable housing and limited

Because new homes must be affordable to local people:

4. **Government should exclude rural areas from the "spare room subsidy withdrawal"** ("bedroom tax") because there are so few opportunities for rural tenants in houses to move to 1 or 2 bedroom flats in villages; these households should not be forced to move away from their long-standing social and support networks to urban areas elsewhere.
5. Where there are already problems from the low levels of affordable housing and limited

opportunities to build any more, **Government should give rural local authorities the power to suspend the Right to Buy.**

6. To provide a driver for action and delivery by housing associations of all sizes, **a new national minimum target for delivery of rural housing through the Homes and Communities Agency should be established of 13% of the HCA's national investment (in proportion to the population in settlements of less than 3,000 population).**
7. To address problems of accessing development finance, **Government should find ways of supporting the development funding of small and medium-sized builders and housing associations** that undertake smaller developments: e.g. recalibrating its loan guarantee scheme to cover schemes of less than 25 homes.

Because affordable homes need to be there for future households:

8. To ensure rents are affordable in 'low wage, high house price' rural communities, **Government should not require housing associations to charge "affordable rents" at 80% of market rents as a condition for receiving HCA funding.** Instead, as in Greater London, rents should be charged at a level agreed between the local authority and the housing provider as being affordable in relation to local incomes.
9. Where an area is experiencing high levels of second home ownership, **Government should endorse the approach taken by the Exmoor National Park Authority, and in other places, by requiring a proportion of new open market homes granted**

planning permission – up to a 100% in exceptional cases – on condition that they can only be used as principal residences.

10. The Council of Mortgage Lenders should now produce a standardised mortgage form for rural affordable home ownership, to ensure buyers can easily get a mortgage but the homes will be retained as affordable in perpetuity and cannot be sold on the open market by the lender if the mortgagee defaults.

Because leadership is needed from national to community level:

11. **The Department for Environment, Food and Rural Affairs, as the champion for rural areas, should ensure "rural proofing" is continuously and consistently applied to national policies,** with specialist, rural technical expertise available to all Government departments.
12. Because Neighbourhood Plans are a vital means for rural communities to deliver affordable homes, yet require resources and expertise, **Government should increase and extend its support (beyond April 2015) for more communities to produce Neighbourhood Plans. And the Homes and Communities Agency should offer match funding to housing associations for the employment of Rural Housing Enablers** who can play the key role in bringing together parish councils, land owners, local authorities and housing associations to achieve affordable rural homes.