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## 1. INTRODUCTION

1.1 Delivering rural affordable housing brings with it particular challenges and opportunities. These are shaped by landscape and planning policies, the often small scale of development, and the capacity and willingness of local authorities and communities to support its development. All these were recognised by the Affordable Rural Housing Commission and following its report<sup>1</sup> the Homes and Communities Agency (then the Housing Corporation) was asked by Government to set up a Rural Housing Advisory Group.

1.2 The aim of the group is to:

- improve the quantity, quality and speed of delivery of rural affordable housing.

Its remit is to:

- advise the Government on issues relating to the delivery mechanisms for affordable rural housing and sustainable rural communities
- promote joint working between key stakeholders
- explore and promote innovative approaches to the delivery of affordable homes in rural areas.

1.3 Since its inception there have been significant changes that affect delivery, including the recession and the establishment of the Homes and Communities Agency. These, together with the recommendations and government response to the Matthew Taylor MP report<sup>2</sup> have made the work of this group even more imperative.

1.4 Over the next two years the Rural Housing Advisory Group will take forward a programme of work to improve the quantity, quality and speed of delivery of affordable housing in England's villages and market towns. This business plan sets out why we need to do this and the activities which we as a group will undertake to deliver our goal.

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<sup>1</sup> Affordable Rural Housing Commission: Final Report

<http://www.defra.gov.uk/rural/pdfs/arh/comm-report/affordable-housing.pdf>

<sup>2</sup> Living Working Countryside: The Taylor Review of rural economy and affordable housing 2008

<http://www.communities.gov.uk/documents/planningandbuilding/pdf/livingworkingcountryside.pdf>

## 2. BACKGROUND

### *The need for rural affordable housing*

2.1 A considerable body of evidence demonstrates a lack of affordable housing in rural areas. Pressure of demand arising from people on higher incomes from outside the area, in a market constrained by limited new development, has resulted in high house prices. In consequence large parts of rural England are no longer affordable to the people who live and work in these areas. This is captured in the following statistics:

- The lower quartile affordability ratio in urban areas in 2007 was 8.4:1 across all rural areas, peaking at 9:1 and 9.7:1 in villages and hamlets in less sparse and sparse areas respectively. This is compared with 7.5:1 in urban areas and 7.7:1 across England.<sup>3</sup>
- Despite the recession the median affordability ratio has only improved by 0.1 between December 2007 – 2008; 7:1 for rural areas, compared with 6.3:1 for urban<sup>4</sup>.
- Low cost market housing makes up a smaller percentage of the housing market. In December 2008 properties costing less than £100,000 accounted for 10% (572 sales) of the rural market compared with 20% in urban areas<sup>5</sup>
- There is a more limited supply of housing provided by housing associations and local authorities; 13% in rural and 22% in urban areas.
- Overall, using the Government's methodology the Affordable Rural Housing Commission (ARHC) calculated that there was a need for 11,000 new affordable homes per annum in settlements with a population of less than 10,000.

### *The Government response*

2.2 Faced with continuing delays and shortage of supply government has, over the last five years, shown considerable interest in unblocking the obstacles to the delivery of rural affordable housing.

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<sup>3</sup> State of the Countryside 2008 – Commission for Rural Communities  
<http://www.ruralcommunities.gov.uk/files/5613%20CRC%20The%20State%20of%20the%20Countryside%2021.pdf>

<sup>4</sup> Rural Economies recession Intelligence – CRC March 2009  
<http://www.ruralcommunities.gov.uk/files/rural%20recession%20intelligence%20rpt%20march09.pdf>

<sup>5</sup> Rural Economies recession Intelligence – CRC March 2009  
<http://www.ruralcommunities.gov.uk/files/rural%20recession%20intelligence%20rpt%20march09.pdf>

2.3 In 2005 it commissioned the Affordable Rural Housing Commission to find ways of improving the supply of affordable housing for people who live in rural area. This was followed in 2007 by Matthew Taylor MP's report, 'Living Working Countryside'<sup>6</sup>, which arose from a request from the Prime Minister to undertake a review of the countryside, and to make recommendations about how to nurture a healthy rural economy and ensure an adequate supply of affordable rural housing. In essence both reports concluded that the planning system's adoption of a narrow interpretation of sustainable development has resulted in a lack affordable housing and jobs, undermining the sustainability of rural communities. Specifically in terms of market towns, Matthew Taylor MP identified that growth pressure combined with un-ambitious planning practice has resulted in poorly designed incremental housing and business developments that bring few benefits to existing and future residents.

Both reports offered recommendations that would unlock delivery. Those of the ARHC identified action to be taken at national, regional, local authority and community levels to improve site supply, funding, use of existing property and increase the capacity of local authorities and communities to support the building of rural affordable homes. Matthew Taylor's recommendations built on this, but with a specific focus on what Government could do to improve the operation of the planning system to the benefit of villages and market towns.

2.4 Government has taken significant measures to respond to the ARHC's recommendations through the publication of PPS 3, reinstating a national rural target, strengthening perpetuity powers, and measures to strengthen the local authority enabling role and community engagement. It has accepted the majority of the Taylor report's recommendations<sup>7</sup> and is now taking these forward. This includes a working group to identify incentives to encourage private landowners to release land for affordable housing; and in its latest consultation version of PPS 4 it will require planning authorities to take a positive and constructive approach to economic activity in rural areas<sup>8</sup>.

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<sup>6</sup> Living Working Countryside: The Taylor Review of rural economy and affordable housing 2008  
<http://www.communities.gov.uk/documents/planningandbuilding/pdf/livingworkingcountryside.pdf>

<sup>7</sup> The Government response to the Matthew Taylor report – CLG (2009)  
<http://www.communities.gov.uk/documents/planningandbuilding/pdf/1184991.pdf>

<sup>8</sup> PPS 4: Planning for a Prosperous Economy- consultation – CLG 2009-07-03  
<http://www.communities.gov.uk/documents/planningandbuilding/pdf/consultationeconomicpps.pdf>

### **3. THE DRIVERS FOR THE DELIVERY OF RURAL AFFORDABLE HOUSING**

- 3.1 Since the ARHC report and subsequent to Matthew Taylor MP's report a number of changes in delivery mechanisms and market conditions have emerged that impact on the delivery of rural affordable housing.

#### ***The Homes and Communities Agency***

- 3.2 In 2008 the Homes and Communities Agency (HCA) was established with the goal to create opportunities for people to have a home they can afford and in a place they want to live in; and places that fulfil local needs, aspirations and ambitions. In so doing it will contribute to the Government's drive to promote sustainable development, which includes providing opportunities for residents and communities to have a greater say in shaping the future of their communities, taking responsibility in delivering services and owning assets.
- 3.3 Central to improving delivery of affordable housing in rural areas will be the extent to which the HCA's practices and policies respond to the structures and nuances of delivery in rural areas. Equally, the traditional ways of delivery will have to change. This will be driven by the HCA's new approach to investment. It will seek to align its funding with that of others to improve the quality and quantity of affordable housing and contribute to economically thriving communities in ways that are environmentally responsible. They will apply their powers and resources to providing capital funding, assemble land, promote innovation and good practice and build the skills of those who play a part in the delivery of sustainable communities.
- 3.4 The deployment of these resources will be through the Single Conversation which is the HCA's most important business process. Through a dialogue with local partners, including local authorities and public and private sector developers, a local vision and priorities will be agreed. They will result in an ongoing Local Investment Plan and Local Investment Agreement which will marshal resources to secure delivery at the local level in support of local and national objectives. It is intended that this will be through a rolling programme of activity.

### ***Tenants Services Authority***

- 3.5 Of particular relevance to the work of the HCA is the impact of the Tenants Services Authority (TSA). Its goal is 'to raise the standard of services for tenants'. It will set standards for provision, particularly around tenancy terms, rents, tenant involvement, and financial viability, governance and contributions to sustainable communities. It is expected that in time it will be responsible for all affordable housing, whether provided by local authorities or housing associations. Private landlords too will be able to register as providers of social housing.

### ***The impact of the economic climate***

#### *Delivery*

- 3.6 Rural delivery is not immune to the impacts of the recession. As in urban areas delivery of housing has significantly slowed down, with few opportunities for delivering affordable housing through S106 agreements. There are concerns that new sites are not coming forward as landowners wait for an upturn in the market. Difficulties associated with raising private finance are affecting developer's ability to deliver rural and urban schemes. The greater risk averseness of lenders to offering mortgages on low cost home ownership is heightened in rural areas on properties that are subject to perpetuity arrangements.
- 3.7 Yet the recession is also providing opportunities. As larger strategic sites are put on hold, local planning authorities are recognising the need to bring forward smaller sites across a dispersed area if they are to meet their targets. Smaller developers recognise these opportunities and have sites and capacity to work with Registered Social Landlords to provide affordable housing. Rural exception sites are seen as an opportunity, although in some areas this is also leading to competition and rising values. For their part local authorities are exploring new approaches to delivery and providing a range of tenures that help people remain in their homes, provide a new supply, and put them in a stronger position once the market recovers.

#### *HCA funding and targets*

- 3.8 In the light of current economic difficulties there will inevitably be a need for the HCA to revise all targets, including that for rural areas. However, it has reiterated its

commitment to delivering rural affordable housing as part of addressing the wider needs of rural communities.

- 3.9 The pressures on the public purse will continue and additional effort will be needed to extract as much leverage from public resources as possible.

### ***Wider policy drivers***

#### *Climate change*

- 3.10 Tackling climate change has become an imperative. It has become a central part of government planning policy through a supplement to PPS 1. Through the Code for Sustainable Homes Government has sought to drive up the eco-efficiency of new housing developments. PPS1 and the Government's response to Matthew Taylor MP report encourages planning authorities to take a positive and holistic approach to sustainable development in rural areas, which does not choose the environment over development, but recognises both and strikes a balance. In contrast, the Code has presented difficulties. It is often not economically viable to provide the type of provision that would improve energy efficiency on small rural schemes; the lack of a gas supply makes it difficult to achieve the Code in some villages; and design criteria can rule out the building of more radical, but eco-efficient homes. In practice, rural schemes that are delivering to the current and next targets of the Code are exemplars, using advanced, expensive and often complicated technology.

#### *New Local Authority structures and 'localism'*

- 3.11 Through the Local Government and Public Involvement in Health Act and the Sub-National Review, new structures, strategies and ways of working have come into place. These have vested local authorities with additional powers and responsibilities, including working with other public and private sector interests through Local Strategic Partnerships. These present challenges to rural areas, particularly in two tier areas, if rural needs are not to be overlooked. Some of these are now being raised in response to the Local Democracy, Economic Development and Construction Bill.
- 3.12 At community level there is much greater emphasis on their engagement in shaping policy, delivering services and owing assets. This is backed by duties placed on local authorities, including a duty to consult, and resources, such as the Community Empowerment Fund.

#### **4. THE TOP FIVE CHALLENGES FOR RURAL DELIVERY**

4.1 These drivers translate into five challenges for rural delivery to which the work of the Rural Housing Advisory Group responds. It will do this through supporting specific projects, influencing policy and practice, and raising awareness of what works. As such, it is often responding and contributing to work which is being led by another organisation. It will use its limited resources to add value to existing work, rather than duplicating activity. Through the accumulated experience of its tasks the Group will play a key role in rural proofing future policy and the development of practice so that it supports and improves the delivery of rural affordable housing.

The table of activities on pages 10 - 15 provides further detail on these activities.

##### **1. How to maximise the benefits for rural areas benefit from the new HCA's approach to investment**

###### ***RHAG Action***

- *Call for and receive evidence on the supply and demand for rural affordable housing and use this to influence future target setting and policy*
- *Rural proof the single conversation process*
- *Promote delivery arrangements that align sites and funding to provide a rolling programme of rural schemes.*

##### **2. How to maintain a supply of funding for rural schemes**

###### ***RHAG Action***

- *Use the evidence it has collected to influence future funding and target setting*
- *Work with government departments and lenders to ensure that any standardised S106 and new flexible tenure models support the delivery of intermediate affordable housing in rural areas.*
- *Promote alternative funding models and seek changes in government policy to assist rural schemes draw in private funding.*

**3. How to respond to climate change without jeopardising delivery of rural affordable homes**

***RHAG Action***

- *Support and promote techniques that provide eco-efficient cost effective rural affordable housing*
- *Assist rural proofing of the Review of the Code for Sustainable Homes.*

**4. How to equip local authorities and communities to take action that improves the quantity and speed of delivery**

***RHAG Action***

- *Promote examples of techniques that provide a means for communities to engage positively in the provision of affordable housing*
- *Explore areas of work to promote training and advice to build the capacity of rural local authorities*
- *Promote through a national award steps that local authorities can take to improve delivery of rural affordable housing.*

**5. How to make sure that new targets, policies and practices developed by Government and the HCA support the delivery of rural affordable housing**

***RHAG Action***

*Integral to most of its action is 'rural proofing'. Alongside the influencing work associated with specific projects there is a dedicated rural proofing work stream.*

- *Through a protocol with the HCA the Rural Housing Advisory Group will establish routes by which it can feed its experience and expertise into the HCA Board; Ministers and senior departmental officials; and respond to formal consultations.*













## **Rural Housing Advisory Group Membership**

Candy Atherton (Chair)	Homes and Communities Agency
Sylvia Brown OBE	Action for Communities in Rural England
Fenella Collins	Country Land and Business Association
Jim Dixon	Association of National Parks Authorities
Helen George	Improvement and Development Agency
James Hulme	The Prince's Foundation
Kathleen Kelliher	Department for Environment, Food and Rural Affairs
Helen Kelly	Department for Communities and Local Government
Arlene Kersley	Community Council of Berkshire
Colin Molton	Homes and Communities Agency
Richard Moriarty	Tenants Services Authority
Gary Porter	Local Government Association
Graham Russell	Commission for Rural Communities
Neil Sinden	Campaign for the Protection of Rural England
Debby Wheatley	Chartered Institute of Housing

As of October 2009

**Rural Housing Advisory Group – Secretariat**

Rural Policy Manager  
Homes and Communities Agency  
Beaufort House  
51 New North Road  
Exeter  
EX4 4EP

Tel: 01392 284529  
Email: [Matthew.Dodd@hca.gov.uk](mailto:Matthew.Dodd@hca.gov.uk)