

## Planning on the Doorstep: The Big Issues – Rural Housing

Rural housing continues to be a huge issue for councils and communities across the country; an issue that councillors face regularly on the doorsteps of their electorate. This advice note looks at the challenge facing local authorities is to deliver the right amount of rural housing, the right type of rural housing and in the right place for an area.



## **What planning can do to deliver homes in rural areas?**

Local authorities are facing huge challenges to deliver the required homes and this is a particular challenge when delivering homes in the rural areas. The challenge facing local authorities is to deliver the right amount of rural housing, the right type of rural housing and in the right place for an area. How councils make these decisions to deliver the needs of their communities is a huge challenge. Authorities can deliver against this challenge through working together as officers, members and communities and having good clear policies, understanding the local viability issues and strong leadership.

A considerable body of evidence demonstrates that there is a lack of affordable housing in rural areas across the country. Pressure of demand arising from people moving in to rural areas on higher incomes from outside the area and being in a market constrained by limited new development has resulted in high house prices. A consequence of this is that large parts of rural England are no longer affordable to the people who live and work in these areas.

This advice note is for local councillors and is one of a series looking at some of the big issues that local government and planning are facing.

## **Is planning for rural housing different?**

The definition of what is 'rural' for settlements varies between locations: this could be settlements of less than 3,000 populations for some, to towns of well over 10,000 populations for others.

Planning for rural housing is not inherently different to that in urban areas. Any development has to meet identified market and affordable housing needs of the population. However, with past rural development tending to be focused on larger and more expensive homes which, coupled with limited supply, it requires a greater policy emphasis on providing smaller market and affordable homes.

*Some factors that affect delivery of rural housing:*

- *A more restrictive approach to development in rural areas*
- *Sensitive environments leading to higher design requirements*
- *A limited range of landowners, which can restrict supply of sites*
- *Strongly held views from local residents on what type and amount of new housing is acceptable.*

## **Policy Shapes Delivery**

Housing decisions are made using national policy - The National Planning Policy Framework (NPPF) - and locally held planning policies, a council's local plan and, potentially, neighbourhood plans.

The NPPF aims to give a wide choice of potential sites and housing within an area to allow quality homes to be delivered through making local plans, which need to:

- Deliver to meet objectively assessed need for the area
- Have 5 year deliverable site supply (+5% or 20% depending on previous levels of delivery)
- Identify size/tenure and type for particular locations
- Including policies for providing affordable housing – preferably on site of developments

Specifically on Rural Housing the NPPF states that local plans need to:

- Plan to meet local needs for market and particularly affordable housing
- Consider allowing market housing where it will significantly increase affordable housing to meet local need
- Locate development where it will enhance vitality of a community – hubs and clusters
- Avoid isolated dwellings in the countryside

*Planning Practice Guidance on Rural Housing:*

*“It is important to recognise the particular issues facing rural areas in terms of housing supply and affordability, and the role of housing in supporting the broader sustainability of villages and smaller settlements.*

*“Assessing housing need and allocating sites should be considered at a strategic level and through the Local Plan and/or neighbourhood plan process. However, all settlements can play a role in delivering sustainable development in rural areas – and so blanket policies restricting housing development in some settlements and preventing other settlements from expanding should be avoided unless their use can be supported by robust evidence.”*

*Paragraph: 001 Ref ID:50-001-20140306*

Housing requirements for plans for an area are set through the use of a strong evidence base. This evidence base will include:

- Housing Need Assessments
- Sub-market analysis
- Use of existing data over surveys
- Population projections and structure
- Housing market signals: prices/rents, affordability, turnover
- Land Availability Assessment

The type of specific evidence required to building rural policies includes:

- Housing Needs Assessments
- Use range of existing data

- Ward level data or settlement data such as ONS Neighbourhood Stats or information from County Council research teams
- Waiting list data at settlement level: level and type of need & turnover
- Land availability assessment
- ALL sites: Call for land includes all sites/landowners/local publicity

Local polices should address divergences between local conditions and other comparable areas such as affordability, fuel poverty, ageing population or a lack of social housing.

### **Community Led Housing**

Local communities can also drive local housing provision such as rural housing requirements through community led policies such as neighbourhood plans. These local policies can steer the type and positioning of housing in an area. They are produced by local communities, with local authorities giving support, and add specific detail on local community requirements for an area. One of the first neighbourhood Plans produce in Upper Eden (Eden District Council, Cumbria), prioritised affordable rural housing and required housing on farms and for rural business.

<http://uecp.org.uk/upper-eden-neighbourhood-development-plan/>

### **Viability is Critical!**

Viability testing of rural housing is critical to make sure that it can be delivered, as it is for all housing. A basic level of understanding of development viability is becoming more important in planning as it is one of the major driving forces to delivery or non-delivery of development. Local and neighbourhood plans are tested to make sure that obligations such as affordable housing requirements do not stop development happening by making it not profitable for the landowner or developer.

There is not a single approach to assessing viability but all the different viability approaches are trying to give a decent projection of the costs and returns from undertaking a development.

A useful way to look at viability is as *Residual Value* of development. This is taking what a development can be sold for (Total Development Value) and taking the build costs, developer's borrowing costs and required profit (Development Costs) from it. This gives the *Gross Residual Value*. Taking the costs of charges from the local authority including affordable housing requirements, S106s, CIL, etc from the Gross Residual Value leaves what is available to pay for the land; this is called the *Net Residual Value*. If the costs of the land, or borrowing, or building cost, or requirements from the local authority are too high then a development becomes unviable and will not get built. Balancing these requirements with a developer and landowner and the local authority are key to making development happen.

*NPPF: 'sites and the scale of development ... should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened' and 'provide a competitive return to a willing land owner and willing developer.'* NPPF, Plan Making (Para173)

## Rural Exception Sites

*There are three potential housing site types:*

1. **Allocated Sites in a Local Plan with an affordable housing contribution** (as part of 5 year land supply) = Residual valuation drives land price and there is a market return for landowner
2. **Windfall sites with affordable housing contribution** = Residual valuation drives land price and there is a market return for landowner
3. **Rural Exception sites** (primary function to provide affordable housing) = Value reflects that this is not a site allocated for market development BUT the landowner will want more than the present agricultural value of the land

An additional rural option for delivery of affordable housing is to consider whether “...some market housing would facilitate the provision of significant additional affordable housing to meet local needs..” (NPPF, Para 54). Understanding the economics of rural exception sites with market housing providing essential cross subsidy is important. The value of putting down a marker for expected land values for exception sites that included cross subsidy from market housing is recognised. However, this cannot be in Local Plan policy, but can be expressed in a Supplementary Planning Document (SPD) in the form of an expectation of land values not exceeding £X per plot or normal exception site values. This should also be accompanied by a clause that allows for negotiation using an open book viability approach.

It is important to remember that areas will differ and the minimum number of market house needed to deliver a viable exception site in one area may not be enough in another, where market values are lower. In such areas, there may be a need to look at grant funding with safeguards so that this does not feed into higher land values. A robust understanding of market conditions and viability, including policies for cross-subsidy on rural exception sites, is crucial.

## The Councillor Role

The delivery of rural housing depends significantly on strong leadership from councillors and corporately. Different styles of leadership from councillors are a big factor in deciding whether objectives are met.

The main roles for councillors are as ambassadors for housing, including affordable housing, in their wards; and leaders/champions for rural housing, including affordable housing within the Council.

Councillors face some key challenges in their role as leaders and decision makers in the challenge of delivering rural housing. Working with their officers, fellow councillors and communities the key leadership roles of councillors include:

- Maintaining a consistency in councillors and council views and in decision making
- Facing up to parochial stance of resistance to the need for new required development

- Having an up to date understanding of the evidence base, viability issues and inter-linkages of council policies
- Engaging in policy making at the early stages of Local Plan/SPD development.

### **Examples of Good Practice**

#### **Shropshire Council**

- *35 % of development to rural areas in the development strategy*
- *Communities put themselves forward as possible 'hub' or 'cluster'*
- *Intense community engagement in deciding type of development needed*
- *Local reward for accepting development*

#### **New Forest District Council**

- *Identification of 10 settlements with acute affordability problems*
- *Allocation of sites with 70% affordable housing requirement*
- *Supported by evidence from SHMA and EVA*

#### **Harrogate Borough Council**

##### *Differential rural affordable housing policies*

- *Affordable housing requirement = 40% in rural*
- *Allocates rural exception sites with*
  - *Affordable Rent/Shared Equity (50%)*
  - *Cross subsidy from local needs sale housing*

#### **Cornwall Council**

##### *Cross-subsidy on rural exception sites*

- *Must meet proven need and have community support*
- *Target 60% affordable housing*
- *Land price set at no more than £13k per plot*
- *Unfettered open market provides cross-subsidy*

#### **Key tips**

- *Have an early involvement of councillors in policy development and site specific discussions*
- *Have a good understanding of the housing need, especially affordable housing need, and potential sites available in the area - including viability*
- *Build confidence and trust between councillors and officers so they can act more as a 'team' with good strong councillor leadership of the issue*
- *Work closely with the community and land owners*
- *Feedback on impact of policy and delivery*
- *... and celebrate your successes!*

## References and Sources for Further Information

National Planning Policy Framework:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6077/2116950.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6077/2116950.pdf)

National Planning Practice Guidance - Rural Housing:

<http://planningguidance.planningportal.gov.uk/blog/guidance/rural-housing/>

Assessment of Land Availability:

<http://planningguidance.planningportal.gov.uk/blog/guidance/assessment-of-land-availability/what-is-the-purpose-of-the-assessment-of-land-availability/>

Assessment of housing and economic development needs:

<http://planningguidance.planningportal.gov.uk/blog/guidance/assessment-of-housing-and-economic-development-needs/what-is-the-purpose-of-the-assessment-of-housing-and-economic-development-needs-guidance/>

Viability Testing Local Plans, Advice for Planning Practitioners, Local Housing Delivery group chaired by Sire John Harman, June 2012:

[http://www.pas.gov.uk/c/document\\_library/get\\_file?uuid=90fc2589-685a-441f-be9c-1874de4f20b9&groupId=332612](http://www.pas.gov.uk/c/document_library/get_file?uuid=90fc2589-685a-441f-be9c-1874de4f20b9&groupId=332612)

Housing Standards Review Consultation, Impact Assessment, August 2013, DCLG:

<https://www.gov.uk/government/consultations/housing-standards-review-consultation>

Neighbourhood Planning – My Community Rights – Locality:

<http://mycommunityrights.org.uk/neighbourhood-planning/>

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