



Change is inevitable: it should be for the better

POSITION STATEMENT

AFFORDABLE HOUSING IN OUR TOWNS AND VILLAGES

Summary of policy position

Development plans should incorporate the following principles for affordable housing tailored to reflect the different circumstances of individual planning authorities and settlements:

- *Be provided to meet the need, assessed by objective housing needs survey, of people who work locally or have a long-established connection with the settlement, and should remain affordable in perpetuity.*
- *To maximise flexibility, the threshold at which the local authority can require a proportion of affordable housing in new developments should be set at three dwellings.*
- *For settlements of greater than 3000 inhabitants, the release of land for new housing should be conditional on 40 to 50% of the housing being affordable.*
- *For settlements of between 500 and 3000 inhabitants, permission for free market housing should be very restricted and only as part of community not developer led initiatives to provide affordable housing. Community Land Trusts and self-build co-operatives should be encouraged.*

Introduction

The definition of affordable housing, as set out in the National Planning Policy Framework (NPPF), is:

Affordable housing: *housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers).* There is a requirement to comply with one or more detailed definitions. These are set out in the Annex to this statement.

The NPPF also sets a 10% minimum contribution of affordable housing on large developments. Conversely the NPPF says that provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). Elsewhere the contribution may be set by the local authority.

The need for affordable housing exists both in cities and rural communities. However the situations are different. In cities, while there is a need to provide lower cost housing to help first time buyers the need for affordability often relates to low income associated with unemployment or very low wage employment. There is usually a reasonably adequate stock of housing to meet a wide range of incomes. Also, with development policy focussing housing on major sites in cities and larger towns there is greater opportunity to provide affordable housing as part of mixed new development.

In contrast, the need for affordable housing in rural areas arises because a significant proportion of rural jobs are relatively low paid while the price of rural property has escalated driven by demand from commuters, second home owners and retirees. The result is that the cost of housing is way in excess of that which can be afforded by many in full time employment in rural jobs.

This position statement concentrates on the problem of providing affordable housing in Gloucestershire in settlements other than the main urban areas of Gloucester and Cheltenham.

Background

Research by the National Housing Federation and by CPRE has shown that there is a desperate shortage of affordable housing in rural areas in England. There are about half a million families on waiting lists which are getting longer every year. These are people on low incomes who have been excluded from the housing market because they simply cannot afford what the market demands. In rural areas the average house price is some sixteen times the average rural household income.

Providing housing that can be afforded is in everyone's interest not just those who are on housing waiting lists. Rural employers often struggle to find staff for the less well paid jobs. The person who is in need of affordable housing is often the person a community relies on; be it in public services such as health, teaching and the post or in private services such as shops, pubs, carers, building maintenance and people who work on the land in all its forms. There is plenty of evidence that balanced communities are more lively, support local services and help ensure that local people can stay in their communities as they get older. But without affordable housing young people will increasingly be forced to move to the larger towns and our smaller towns and villages will become the preserve of the wealthy and the isolated elderly.

One of the fears that rural communities have is that affordable housing will be used to house the deprived from the cities and this has indeed happened in the past. More recently however it has become possible to ensure that affordable housing is only allocated to people with a local connection such as working in the village area or having a close relation in the village (usually a parent or a child). It is natural that many young families wish to live in the community in which they were brought up and where they can call upon parental help with childcare so that they can work. Conversely, older adults can provide care and support to the elderly and thus help them to stay in the community.

In Gloucestershire the magnitude of the problem varies from district to district but overall it is acute with the disparity in affordability being much greater than the national average as a result of higher than average house prices but with a significant portion of the population earning much less than the national average wage. While our local authorities all recognise the importance of affordable housing the big issue is funding. Affordable housing has to be subsidised. There is some central government money but it is not nearly enough so other mechanisms have to be found.

The most frequently used method for securing affordable housing is that in return for granting planning permission for a housing development the planning authority requires a certain percentage to be affordable housing. This approach can work well in the larger towns where the target for affordable housing in new developments is between 30% and 50% depending on the district. However, the house building industry is challenging this target on the grounds that current market conditions simply mean that developments will not be viable and the percentage should be much reduced. On the other hand by the time the houses are built market conditions may well be more benign. The court of appeal has ruled that it is quite acceptable for local authorities to set targets which are in excess of what current market circumstances can support; and there are examples

where by firm but flexible negotiation local authorities have achieved close to their affordable housing target.

The problem in villages is rather different. Typically the problem of housing in any one village could be solved by a very small number of affordable houses. In many cases it should be possible to accommodate them without significantly harming village character or the landscape. The trade off of some small change to village character or the landscape is worth it for the strengthening of the community which will result. What would be damaging would be to remove all control on free market housing so that the urban approach can be applied. This would result in an unsustainable flourishing of new commuter housing and be very destructive of village character.

The cost of land is a very large proportion of the cost of housing; owners of land have become accustomed to expecting land with planning permission to reflect the inflated value of free market housing.

The trend in current government thinking is to take a broader approach to national policy expecting local planning authorities to fill in the detailed policies to reflect local circumstances. Under the current NPPF, national policy which allowed local authorities to allocate sites for 100% affordable housing has been lost, but the policy for rural exception sites remains (defined in the NPPF as *small sites used for affordable housing in perpetuity where sites would not normally be used for housing*) but with the discretion that local authorities may allow small numbers of market homes on such sites where this is essential to enable the delivery of affordable units without grant. Also, through the Localism Act communities can now take forward small projects which have local backing through a Community Right to Build. So long as they conform to local plan policies, such projects, which could include small housing schemes, would not require planning permission.

Looking forward

In November 2023 CPRE published research into the issues affecting the supply of rural affordable housing and recommendations to address the problems identified. The report was titled *Unravelling a Crisis: The state of rural affordable housing in England*.

Supply issues include:

- The definition 'affordable housing' as being 80% of the local market value and 'affordable rent' at least 20% below local market rents, is still unaffordable for many and does not enable the delivery of sufficient genuinely affordable homes, particularly lower rent homes that are so desperately needed.
- As many as half of all parish councils in rural England are not covered by regulations which prevent resale of affordable housing units at market prices or as second homes, leading to further loss of housing stock for rent.
- Most affordable housing in new developments is secured through agreements with developers. These are frequently renegotiated downwards with the developer arguing that they cannot deliver the number of affordable homes specified as the development would no longer be viable.

Recommendations include:

- **Redefining the term 'affordable housing'** so that the cost of new affordable homes to buy or rent is directly linked to average local incomes.
- Increasing minimum requirements for affordable housing, with **specific targets for social rented homes**.

- **Promoting greater use of Neighbourhood Plans and Rural Exception Sites** to deliver small scale affordable housing on the edge of villages in line with locally assessed need.
- Making **more funding** available to enable more social rented housing be built.
- **Supporting community-led development** where it meets a local need, for example through Community Land Trusts.

The full report is available through CPRE's website.

CPRE Gloucestershire Policy Position

Against the above background CPRE Gloucestershire's position is to recognise that the circumstances of districts and individual settlements can be very different depending on their size and existing housing stock. We therefore encourage local authorities to apply the following principles in their development plans:

- 1) For all settlements the need for affordable housing must be assessed by local housing needs surveys identifying the number of dwellings required, the distribution of sizes and the amount that the target population can afford. The housing register is an input into such a survey but is not of itself a reliable guide to need. If the price of housing on the open market can meet these needs then there is no or a reduced requirement to provide subsidised housing. In most settlements this will not be the case. If affordable housing is to be provided then it should be to meet the needs of people who work locally or have a long established connection with the settlement. Affordable housing should not be built for those who work in larger towns and will commute to them and have no connection to the settlement.
- 2) For all settlements new affordable housing should remain affordable in perpetuity and this means that it is most likely to be rented accommodation. In addition, we encourage district councils and housing authorities to avoid actions which will deplete the existing stock of affordable housing. We are concerned that a focus on shared ownership will result in affordable housing being sold on the open market without replacement housing being identified or built. In our view it is already difficult enough to find sites for the additional housing which is needed without encouraging the future stock to be reduced even if the subsidy is in theory available to be recycled.
- 3) For all settlements the threshold at which the local authority can require a proportion of affordable housing in new developments should be set at three dwellings. Although not obliged to apply the threshold, it would give the authority the flexibility to maximise the provision of affordable housing in rural areas. For small developments it may be more appropriate to require a financial contribution to affordable housing elsewhere.
- 4) For settlements of greater than 3000 inhabitants affordable housing should be provided as a condition of approval for the release of land allocated for housing in the local plan or on any windfall sites which come forward. Evidence gathered to support local plan preparation suggests that local authorities should include a target of 40 - 50% in their plans and not be swayed by developers' arguments about current market conditions. Plan policies will have a life of 15 years or more (subject to periodic review) and must take a long term view. The need for affordable housing is a paramount consideration but we recognise that the quantum and type of housing will vary for each development and be influenced by the amount of other community related facilities/ road improvements required. To get the best answer requires an open and transparent dialogue between developers and local authorities on the business economics of each development.

5) For settlements/parishes of between 500 and 3000 inhabitants, and where no land for market housing has been allocated in the local plan, we encourage local authorities to have policies which are based on the following package of principles:

a) Deflate the expectation of high land values by applying rigorous restrictions on new free market housing in these settlements. This will mean that land is only worth an “affordable housing price”: it will take time for people to accept that land is not worth what they used to think but it can be done with persistence.

b) Release surplus publicly owned land for affordable housing at preferential prices, where the location is appropriate.

c) Encourage communities to come forward with proposals to meet their affordable housing needs by identifying suitable sites for application of rural exception sites policy.

d) Encourage dialogue and negotiation with local landowners to help identify suitable land for affordable housing including encouraging altruistic landowners to gift surplus land to the village for affordable housing.

e) Put in place safeguards to ensure that projects are community not developer led and the sites selected would not be significantly damaging to the character of the village or the landscape and the housing will be well designed. Policy should encourage conversion of existing buildings, distributing affordable housing in the settlements rather than always going for a single site, and ensure that affordable housing is not built to service the housing needs of larger settlements.

f) Encourage a wide range of community approaches including Community Land Trusts and self-build co-operatives.

In our view this approach is fully in line with the Government’s aspirations for more local decision making. We emphasise that critical to success is that projects must be driven by the local community. It starts with a proper survey of local housing needs undertaken at the parish level identifying those with a genuine local need. If such surveys are sponsored by the parish council then there should be local confidence in and local backing for the findings. This equally applies to the location of any land and any proposals for free market housing.

g) For settlements of less than 500 inhabitants it is likely that the lack of local facilities, including transport and remoteness from service centres will mean that affordable housing will not be viable, given that exceptions are already allowed for housing for agricultural and other land based workers. Nevertheless, where exceptionally need can be demonstrated specific to that settlement schemes as above should be contemplated.

Updated June 2024

CPRE Gloucestershire Policy Statements are regularly reviewed and updated as necessary. They should be read as a set

ANNEX

Affordable Housing definitions

a. Affordable housing for rent: meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).

b) Starter homes: is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.

c) Discounted market sales housing: is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.

d) Other affordable routes to home ownership: is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.