



Briefing Note

Implications of the Autumn Statement for rural affordable housing

The Autumn Statement 2012¹ sets out a number of measures for changes to planning and housing policy and funding that will have a direct impact on rural areas.

Planning

Proposal to consult on a new 10 unit threshold for S106 affordable housing contributions (paragraph 1.226)

No detail is provided at this stage. This could reduce delivery of rural affordable housing for the following reasons.

- Sites in rural areas tend to be small and provide the only opportunity to secure affordable housing through allocated or windfall site. Given that this delivery is often without or very low levels of grant they are an important source of affordable housing when public funding for affordable housing is limited.
- It could mean that delivery in smaller communities becomes reliant on rural exception sites. Whilst these have played a valuable role in providing affordable housing, in the recent past they accounted for about 25% of homes built using HCA finance in settlements of less than 3,000 population
- Reliance on rural exception sites means that providing rural affordable housing becomes opportunistic rather than part of a strategic approach to meeting affordable housing needs in smaller rural communities.
- The competitive nature of HCA funding could mean that Registered Providers will be less willing to develop in rural areas if they are unable to cross-subsidise with some nil grant schemes from these market developments
- If there is no affordable housing requirement on these sites their value will rise, excluding RPs from being able to buy these sites.

1

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263942/35062_Autumn_Statement_2013.pdf



- A number of local planning authorities have policies for a zero or very low threshold for triggering an affordable housing contribution, either on site or as a commuted sum. Introducing a 10 unit threshold as the lower limit for an affordable housing contribution could undermine these policies, or lead to further delays in adopting a Local Plan as policies are revised. In turn this could lead to the continuing exposure of local authorities to speculative applications that they are unable to resist because they do not have a five year land supply.

Review of New Homes Bonus in spring 2014 with possible proposal to withhold New Homes Bonus where decisions are made on appeal

This could encourage more local authorities to put an up to date Local Plan in place. However, it could have an unintended consequence when coupled with the presumption in favour in the NPPF. Authorities without a Local Plan or 5 year land supply will be under increasing pressure to allow development even though it is not in an appropriate location or offer the scale or type of housing needed in a locality. Moreover, such developments often foster opposition and will be seen as undermining local community involvement in development decisions.

Housing

The proposals for financing new delivery are shifting strategic responsibility from local authorities to LEPs. Funding to unlock sites and increasing HRA borrowing limits 'will be placed under the strategic influence of the LEP' (paragraph 1.230)

There are two parts to the package:

- 1. £1bn to unlock development of 9 sites**
- 2. Increase borrowing limits for HRA to £150m in 2015/16 and £150m for 2016/17. This will be allocated on a competitive basis with bids required to show:**
 - **The proposal has been agreed with the LEP**
 - **It offers value for money**
 - **The LA will be expected to work with a RP or set up a Joint Venture Arrangement**
 - **Should include public sector land**
 - **Include disposals of high value social stock.**



The HRA changes could bring benefits in those rural areas that still own and manage stock. However, these may be limited for smaller rural communities for the following reasons.

- LEPs are likely to want to see development that is directly linked to creation of jobs and there is a danger that they will see little value in supporting affordable housing schemes in smaller rural communities.
- Rural schemes tend to be more costly to develop because their small scale makes it difficult for them to absorb infrastructure costs. They may then be seen to offer poor value for money compared with larger urban developments.
- Using public land would be helpful, but there is a limited supply of sites in public ownership in rural areas. Moreover those that exist tend to very large surplus sites, such as MoD land in isolated locations. There also continues to be a reluctance to by local authorities to offer land at a price that makes it viable for affordable housing, particularly given the pressure on core LA budgets.
- Some rural authorities have adopted Joint Venture arrangements. However, these have tended to focus on larger sites in the market towns and urban centres where sites are larger and more attractive to private developers. Packaging a range of sites into a Programme can to some extent overcome this problem.
- Requiring sale of high value council stock is likely to have a particularly adverse impact on the supply of affordable housing in rural areas. The nature of housing markets in rural areas means that relatively speaking council housing will be high value. Many are now occupied by older people and so are likely to become vacant, or potentially because they are larger properties they may fall vacant as a consequence of the Spare Room Subsidy. However, in most cases it will not be possible to replace them within the community where they sold. In consequence the supply of affordable housing in rural areas is likely to be depleted.



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Further support for Right to Buy putting in place RTB Agents to assist potential purchasers and providing £100m to establish a fund to help purchasers access mortgage. (paragraph 1.233)

Encouraging Right to Buy, without provision to ensure replacement in smaller rural communities will further reduce their already limited supply of affordable housing.

There is evidence that Right to Buy has increased in rural areas since 2012. These measures could increase the rate. The statutory protections against the loss of stock in rural areas are already under pressure as local authorities do not have the budget to exercise buy-back.

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