



## **MHCLG CONSULTATION: CHANGES TO PLANNING POLICY AND REGULATION.**

### **Consultation Response from the Rural Services Network.**

**29<sup>TH</sup> SEPTEMBER, 2020**

#### **About the Rural Services Network (RSN)**

The RSN is a Special Interest Group of the Local Government Association. Our membership includes 120 Local Authorities serving rural areas across England and over 200 non local government service providers and organisation concerned with rural issues.

We are the national champion for rural services, ensuring that people in rural areas have a strong voice. We are fighting for a fair deal for rural communities to maintain their social and economic viability for the benefit of the nation as a whole.

#### **OVERVIEW**

The Government states that: "This consultation sets out proposals for measures to improve the effectiveness of the current planning system."

Four main proposals cover changes to the standard method for assessing local housing need, securing of First Homes through developer contributions, temporarily lifting the small sites threshold below which developers do not need to contribute to affordable housing and extending the current Permission in Principle to major development.

**Following consultation of our membership, RSN is extremely concerned about and fundamentally opposed to two of the proposals included in this consultation.**

Government statistics already show a chronic shortage of affordable housing in rural areas. Lower quartile affordability ratio for mainly rural districts is 9:1, only 8% of properties are social housing (compared with 19% in urban areas), and last year only 5,558 new affordable homes were built in rural communities with fewer than 3,000 residents. Two specific elements of the consultation raise significant concern as follows:

##### **1. Affordable Housing Thresholds**

The proposal to raise the threshold that triggers affordable housing contributions from 10 to 40 or 50 dwellings for a limited time period will drastically reduce the supply of rural affordable homes. This is because in many rural communities, residential developments tend to be smaller than 10 dwellings. Many rural communities, therefore, will see no affordable homes being provided at all.

The consultation document proposes an exemption to this rule in designated rural areas based on the S157 1985 Housing Act definition. However, this measure will be largely ineffective because it will not apply to 70% of smaller rural communities.

Despite good intentions, these changes will not, in practice, help SME builders in rural areas. Indeed, they are likely to be detrimental to the interests of such firms. During the 2008 recession, these developers continued to build because housing associations bought the affordable homes, guaranteeing the developers with an income that supported cash flow, kept the site under construction, contractors working and promoting future market housing. Removing affordable housing requirements will lead to higher land values and this will inevitably further constrain the ability of SME builders to compete in purchasing sites.

In a survey of our local authority members on this issue carried out this month, 78% said that raising the threshold to 40 dwellings would result in a loss of rural affordable housing from their pipeline of schemes in their communities of 3,000 population or fewer. This proposal, therefore, will not support SME builders in small rural communities and will not provide the affordable homes so desperately needed.

The threshold policies in Local Plans are based on evidence of local housing need, have been viability tested, scrutinised at Examination and found to be sound. Raising the threshold as proposed would mean that these needs would no longer be met, particularly in villages and rural towns where site opportunities are more limited

## **THE RSN OPPOSES THESE PROPOSALS FOR THE REASONS STATED ABOVE**

### **2. First Homes Exception Sites**

The proposed 'First Homes Exception Sites' will seriously damage the supply of Rural Exception Sites in non-designated areas and, with it, the ability to meet a broad range of housing needs.

Landowners will choose to sell their land for First Homes Exception Sites which, because they will provide predominantly affordable housing for sale, are likely to command a higher land value than Rural Exception Sites. They will also cause confusion and destroy the emphasis on community engagement and support. Gone will be the opportunity provided by Rural Exception Sites to provide a mix of affordable homes tailored to the specific needs of the community, often including discounted market sale in perpetuity.

A recent high-level analysis for ACRE that compares site values between First Homes Exception Sites and Rural Exception Sites across a sample of low, medium and high value markets shows that in all cases a First Homes Exception Site developed for 100% First Homes at the minimum discount offers a higher land value than rural exception sites.

In high value areas this is a positive residual value and landowners are likely therefore to sell for First Home Exception sites.

In low value and medium areas both forms of exception site result in a negative residual value. To plug the viability gap market housing can be included on both forms of site. However, unlike rural exception sites the land value of First Homes Sites is not pegged. In consequence the land value is likely to rise and landowners will choose to sell as a First Homes Exception Site. In such instances the level of market housing on a First Homes Exception Site could be at a level that none of the dwellings are in the form of rented housing, which is the primary need in rural areas, even in low value areas such as some coastal and remote areas where wages are low and there are high levels of second and holiday homes.

This risk is recognised in the proposal by not applying First Homes Exception sites in designated rural areas. However, again the chosen definition to define these areas means 70% of small rural communities will be excluded. This definition needs to be altered.

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### **Proposed Revisions in Aggregate**

The combination of the change to affordable housing thresholds and the proposed First Homes Exception Sites could have a catastrophic effect on the delivery of rural affordable housing.

Two small changes to the proposals could avoid these risks whilst still achieving the government's overall ambition:

- (i) Replace the definition of designated rural areas from those areas listed under S157 regulations to all parishes with a population of 3,000 or fewer. This would provide a definition that is transparent and readily understandable, easy to evidence and update, efficient and simple to apply, whilst providing consistent coverage across rural England.
- (ii) Adopt the wording in the NPPG1 that was introduced in July 2019 that allows local planning authorities to set their own thresholds for affordable housing in their designated rural communities but, as above, not just those with S157 designation.

It is critical that rural communities are allowed to thrive and that the many key workers who have been so important during the covid-19 pandemic and beyond, are able to afford to live in the communities they serve. These revisions will be fundamental in helping to achieve that end.

### **Rural Exception Sites**

The consultation document states the following in paragraph 66: "We intend to protect the important role that rural exception sites play in delivering affordable homes in rural areas, with rural exception sites being retained as a vehicle for delivering affordable housing in designated rural areas. However, we recognise that this delivery mechanism is currently underused in many cases, and we will update planning guidance in due course."

It is very welcome to hear the government commitment to the importance of Rural Exception Sites. These have been, and remain, critical in delivering affordable homes in many rural communities. Additional funding and clear planning policies which influence landowners to release sites would help other areas take advantage of this important mechanism.

However, this paragraph could be interpreted as suggesting that Rural Exception Sites will only be applicable in designated rural areas. This would be a retrograde step for those rural areas not included within the designation used. Rural Exception Sites are a fantastic example of what the Government states it is seeking to achieve – greater and constructive engagement of communities in the future of their communities. Rural Exception Sites must remain available to all rural communities as a key mechanism to achieve local engagement and the affordable homes needed by key workers, and rural communities and businesses to maintain local services and a sustainable rural economy.