



AFFORDABLE HOMES IN THE COUNTRYSIDE – THE ROLE OF ENTRY LEVEL EXCEPTION SITES

EXECUTIVE SUMMARY

- The revised draft of the National Planning Policy Framework proposes the introduction of a new policy called Entry Level Exception Sites.
- Entry Level Exception Sites are sites for those taking their first step on the housing ladder and are predominantly for affordable to own and affordable to rent properties.
- This new policy offers greater opportunities for landowners to build affordable homes as discounted market sale homes can be built and sold without the need for a housing association.
- Current policy options such as Rural Exception Sites are effective but used inconsistently across local authorities. Entry Level Exception Sites will increase affordable housing delivery in the countryside by providing a way for landowners to progress their own development.
- More affordable housing could be built in rural areas if national policy allowed landowners to manage affordable to rent properties.
- This briefing explains how the CLA believes the Entry Level Exception Site policy should work if it is to maximise affordable housing delivery.

The 2015 Rural Housing Policy Review *A Fair Deal for Rural Communities* identified a need for at least 7,500 affordable homes to be built in rural communities of 3,000 or less every year. As Table 1 shows, despite an increase in affordable housing delivery year on year, only half the homes needed are being built.

The CLA believes Entry Level Exception Sites (ELES) have the potential to incentivise landowners to deliver more affordable housing in rural areas, working alongside existing policies such as the Rural Exception Site (RES).

Year	Number of affordable homes built in settlements of 3,000 or less
2012/13	2,886
2013/14	3,688
2014/15	3,668
2015/16	3,696
2016/17	4,079

Data source: Local authority housing statistics data returns for 2016 to 2017. <https://tinyurl.com/yxclo6c>

In mainly rural areas, the ratio between lower quartile earnings and lower quartile house prices was 8.7 - second only to London (14.7) in terms of unaffordability. One of the impacts of this is seen in a pronounced and growing demographic divide between rural and urban areas as young people are priced out of the countryside.

Less than 50 percent of those living in rural areas are aged below 45 years, compared with almost 60 percent in urban areas, and the proportion of the population aged under 45 tends to decline the more rural the settlement type.

CLA MEMBER'S VIEW

"There is no affordable housing for the young in small villages. There needs to be a good mix for the local community." **CLA East member**

WHAT IS A RURAL EXCEPTION SITE?

Rural Exception Sites are small sites used for affordable housing in perpetuity on sites not normally used for housing. The affordable homes on a RES are built to meet the specific housing needs of the community.

WHAT IS AN ENTRY LEVEL EXCEPTION SITE?

Entry Level Exception Sites are intended to be sites outside existing settlements, on land which is not already allocated for housing. The Government says the sites should comprise a high proportion of entry-level homes that will be offered for discounted sale or for affordable rent suitable for first time buyers, or those looking to rent their first home, unless the need for such homes is already being met within the authority's area.

EXCEPTION SITES

Paragraph 72 of the draft National Planning Policy Framework (NPPF) states that a high proportion of homes on ELES should be for discounted sale or affordable rent, therefore a small proportion can be market homes. Market homes for sale or rent on ELES offer a much needed mix of tenures to the community in which they are built. While there is undoubtedly a need for affordable housing, homes for market rent and market sale are also needed.

New build market rented homes can be particularly effective in helping young people to move out of their family home, for someone to move into an area for employment, or give an elderly resident the opportunity to release equity, downsize and stay in their community.

The provision of some market housing on these sites will also make ELES more financially attractive for landowners, and encourage them to bring sites forward.

Rural Exception Sites

Between 2011 and 2017, 7,884 affordable homes were built on Rural Exception Sites (RES). Despite totalling a fraction of national housing need, the properties built are a source of affordable housing for a community and can help sustain local services and businesses.

Year	Number of affordable homes built on RES
2011/12	1,538
2012/13	981
2013/14	1,642
2014/15	1,632
2015/16	1,020
2016/17	1,071
Total	7,884

Data source: Local authority housing statistics data returns for 2016 to 2017. <https://tinyurl.com/yxclo6c>

Planning 'up'

For small settlements not normally allocated housing due to a lack of services such as a school, pub or post office, RES are one of only a small number of policy mechanisms available for meeting housing need.

As RES are windfall sites, meaning they are not sites identified in a local authority Local Development Plan, they can come

through on an ad hoc basis. This gives communities the tools they need at any time to solve their own housing needs. It is a way for communities to help themselves rather than have housing imposed on them¹.

ELES would also be windfall sites and operate similarly to RES, albeit focussing more on ensuring a supply of affordable ownership homes when it is not being met elsewhere in the local authority area.

Currently, the properties built on RES are informed by a housing needs survey. The survey will establish how many people with a local connection to the parish have a need for affordable housing. It will also inform what size and type of housing they require. As both sites are exception sites, an ELES would work very similarly, with a housing needs survey being carried out at the start of the process.

RES and ELES are particularly effective tools for rural regeneration because they cater to the specific needs of a community rather than being speculative, plus they remain affordable for the community in perpetuity. This tends to garner more local support for development.

Limits of Rural Exception Sites

While homes on RES can have a transformative effect on the communities in which they are built, they are not the panacea to the affordable housing shortage in rural areas.

This section sets out how RES work as well as some of the limitations of the policy. As you will see, a lot of what makes them successful also precludes them from contributing more to meeting rural housing needs.



EXCEPTION SITES

Dependent on reduced land values

RES depend on landowners donating or selling land just above agricultural value, which is significantly less than the value of land with planning permission for market housing. It is this reduction in price which provides the bulk of the subsidy required to build the affordable homes. As such, from a landowner's perspective, the decision to pursue a RES is socially motivated rather than in expectation of significant financial remuneration.

CLA data shows our members are concerned by the affordability and availability of housing in their community. Many provide sites at reduced cost, but it has to be emphasised that selling land at reduced value is something only a small proportion of landowners will feel able to do.

Selling land for housing is a once in a generation moment for many landowners, particularly those with smaller landholdings. In most circumstances the proceeds from any land sold is a crucial source of funding to re-invest in another part of a landowning business – investing in infrastructure, diversifying the business to set up a new income stream or establish the next generation.

By only relying on sites from those landowners who can afford to donate land or sell land at reduced value, RES are restricted to a small proportion of landowners.

KEY FIGURES

- **Half of CLA members** believe there is a housing crisis in their community.
- **27% of CLA members** want to build affordable housing

Landowner participation

The fact that RES are not commercially attractive reduces the likelihood that a landowner will act as the main driving force to develop a site. Currently, it is more common for a landowner to be approached by a proactive local community or housing association to progress a site. However, given the ELES policy opens up the prospect of having market homes on a site, and affordable for sale homes, landowners should be encouraged to drive the process forward, as there would be a stronger economic case to pursue a development.

Local authority participation

Local authorities can be very proactive in supporting RES delivery. Cornwall Council has worked closely with landowners and local groups to build 1,875 affordable homes since 2011. This accounts for 27% of all affordable homes on RES during this period.

It is clear from delivery rates across local authorities that some are proactive and some are not. Just five local authorities built 45% of all affordable homes built on RES since 2011.

TABLE 3

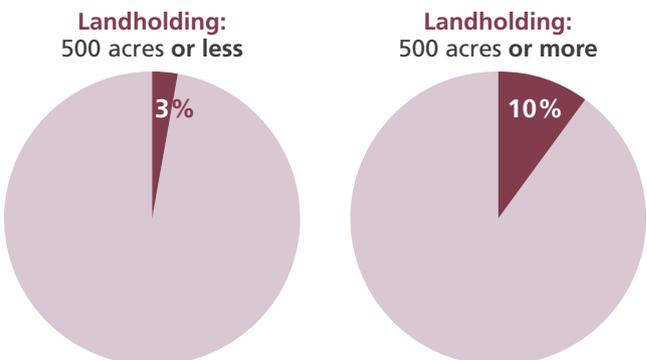
Local Authority	Number of affordable homes built on RES 2011-2017
Cornwall UA	1,875
Norfolk	466
Shropshire UA	403
Devon	413
Cambridgeshire	424
Total	3,581

Data source: Local authority housing statistics data returns for 2016 to 2017. <https://tinyurl.com/yxclo6c>

Motivating landowners by providing a greater economic incentive in the form of market homes on ELES will help to get landowners to pursue these sites themselves, resulting in more affordable homes being delivered in those local authority areas not currently delivering a high number of homes on RES.

KEY FIGURES

■ Sold or donated land for affordable housing



EXCEPTION SITES

Flexibility

Different landowners will approach affordable housing delivery in different ways. This is well illustrated by a study conducted by Smiths Gore of landowners in the East Midlands in 2012. The report shows how rural estates, which tend to be large, diversified businesses that already let housing or have development experience, prefer to deliver affordable housing compared to farmers who are more focussed on agriculture.

Therefore, ELES could appeal to estates who are more interested in retaining an interest in the development while RES would continue to offer a route for those who wish to have little involvement in a site beyond providing the land.

TABLE 4

Preferred way of delivering affordable housing (ranked preferences)	Estates	Farms
Leases site to a housing association. Landowner has no rights during term, reversion in 80 years minimum subject to a covenant on the letting of the houses.	1 st	4 th
Landowner develops and manages site. Section 106 planning agreement secures the properties as affordable in perpetuity.	2 nd =	5 th
Site sale to housing association or community land trust, no further involvement.	2 nd =	1 st
Sells site to a housing association or community land trust but has some nomination rights.	4 th	2 nd
Landowner lets existing house to a housing association under a long lease (60 years or more).	5 th	3 rd

Data source: Incentivising Landowners, Savills Smiths Gore, 2012



LANDOWNERS BUILDING AND MANAGING AFFORDABLE HOUSING

Delivering homes without a housing association

There are some excellent housing associations working in rural areas, notably the members of the Rural Housing Alliance. In addition, the National Housing Federation has put in place a 5-star plan to increase the development of affordable homes in the countryside.

However, many landowners find that some sites will not progress due to a lack of housing associations operating in their area, or unwilling to take on management responsibility for a small number of homes in an isolated rural location.

As such, in order to get homes built, CLA members have frequently expressed a desire to own and manage affordable housing themselves, without the need for a housing association or other provider.

In circumstances where the landowner already manages rented accommodation it is understandable that they would wish to retain control of any new affordable homes they build rather than sell the properties to a housing association.

Some landowners, such as the Bolesworth Estate, have worked with local authorities to achieve this. By setting out processes in a section 106 agreement, the Estate was able to retain the affordable properties and manage them as part of the wider estate, subject to a strict letting criteria, to ensure that local people have first refusal.

Making it work

The Bolesworth Estate shows that it is possible for rural estates and local authorities to co-operate to increase affordable housing provision, yet despite this, national policy restricts managing affordable rented properties to registered providers.

Approving these types of agreements in national policy would open up a new source of affordable housing in rural areas. As such the CLA recommends amending the section in the glossary of the NPPF that defines affordable housing to state that affordable rented housing can be *“owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority”*.

The process is theoretically straightforward. The landowner lets the properties on Assured Shorthold Tenancies at a rent comparable to what would be charged by a Registered Social Landlord for a comparable dwelling.

It is up to the interested parties (local authority, parish councillors, landowner etc) to determine the allocations policy. A landowner may be motivated to build the affordable housing to cater for their own staff so a discussion about the landowner nominations should take place from the outset.

In all options for delivering affordable housing without the involvement of a registered social landlord the local authority may make a charge to cover the cost of checking affordability and eligibility criteria.



KEY FIGURE

→ **39%** of members would be more willing to build homes for market rent if they were able to also manage the affordable properties.

How current policy permits landowners to manage affordable housing

While the NPPF definition of what qualifies as affordable rented housing may prohibit landowners from letting properties for affordable rent, there are no restrictions on who can provide ‘Discounted Market Sale Properties’.

These are homes that are sold at a discount of at least 20% below local market value. Like the ELES criteria, eligibility is determined with regard to local incomes and local house prices.

In order to qualify as an affordable home these properties should have provisions in place to ensure housing remains at a discount for future eligible households. As is seen in the case study of the Fallodon Estate in Northumberland this can be done using a section 106 agreement. In this example, the section 106 ensures that the 30% discount will be available to every subsequent purchaser of these homes.

CASE STUDIES



BOLESWORTH ESTATE

Bolesworth Estate in Cheshire were the first private landlord to be considered as a Registered Social Landlord (RSL) equivalent.

In 2004, Bolesworth delivered a scheme of seven homes in Burwardsley in 2004. This was a RES and the scheme delivered an element of cross subsidy with four open market homes for rental and three to be let at an affordable rent.

As an RSL equivalent, Bolesworth were able to retain the affordable properties and manage them as part of the wider estate subject to a strict local letting criteria to ensure local people had first refusal.

FALLODON ESTATE

Falldon Estate in Northumberland built discounted market sale sites as part of a development in Embleton in 2017.

The affordable properties were sold at a 30% discount from market value, with the discount remaining in place in perpetuity. There is an agreement with Northumberland County Council that whenever the homes are sold there must be three independent market valuations before applying the 30% discount.

There is a local connection policy in place to ensure that the properties are first offered to people in the parish, the homes are then made available to neighbouring areas, cascading outwards. Any purchaser must be able to demonstrate that they cannot afford a full market price home.



CONCLUSION



Tackling the housing crisis is one of the principle policy challenges of our time. In rural areas the impact of high house prices and low levels of affordable housing are contributing to a significant demographic shift. Without the next generation, the rural economy will struggle to achieve its potential.

Rural landowners are aware of the challenges faced by the next generation and many are keen to provide solutions. The Entry Level Exception Site bridges the current gap between a desire to help and a need to ensure financial prudence by improving the economic case to build affordable homes for the community.

“We need affordable housing for young people to provide the workforce in local communities so those communities don’t die out.”

CLA South East member

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