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RURAL HOUSING

ELO REFLECTIONS AND PROPOSALS

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Foreword

Our countryside is a great European asset, fashioned by people. Its future will depend on people too, the people who live and work there and who conserve its landscape and wildlife. Country people also generate 25% of the nation's wealth and 23% of its jobs, but this enormously important rural economy will succeed only if there is an adequate infrastructure of communications, public services, recreation facilities and, above all, suitable housing, in rural areas.

ELO's members, as owners of diverse landowning businesses, stand at the centre of this rural economy and have long been involved in the provision of rural housing in many ways.

We have been increasingly concerned that an inadequate provision of rural housing is making it difficult for rural people to afford to stay in the communities where they grew up and is frustrating the ability of the rural economy to serve the needs of the countryside and the country as a whole.

This report sets out the findings and the recommendations of a working group which has brought together the practical experience of ELO members with the expertise of professional planners, housing associations and others active in the provision of rural housing.

We have found that the pressures on rural housing are likely to increase unless urgent action is taken, that the national debate on housing and current planning policies are neglecting the growing crisis in housing in rural areas, particularly in villages in the wider countryside, and that the problem of affordable housing cannot be addressed in isolation from the insufficient supply of rural housing as a whole.

More housing for rural communities is needed. Our recommendations are not a charter for concreting the countryside. Rather, they are practical proposals to government, local councils and planners, housing associations and landowners themselves, to enable villages and smaller settlements once more to grow organically and incrementally, as they used to do.

We shall be taking these proposals to the Commission, the Parliament and Member States authorities. Part of our job will be to work with others and to highlight the imaginative ideas being pioneered in different parts of the country. Rural communities and business are not calling for a revolution in housing. But they do insist that policies at European, national, regional and local level must help, not hinder, the provision of suitable rural housing, and that a concerted effort is made now to tackle a growing crisis. Landowners must be closely involved in this effort.

Thierry de l'Escaille
ELO

Summary of recommendations

Providing suitable rural housing through the market

RECOMMENDATION 1

Measures should clearly encourage local planning authorities to meet local housing need as close to the origin of that need as possible through the organic, incremental growth of villages; to allow relatively small scale, well designed, housing developments in rural settlements of all sizes and to achieve the objective of sustaining rural communities and the rural economy – applying flexibility to the village envelope where necessary to achieve this.

RECOMMENDATION 2

European, national and local policy should contain a presumption in favour of the re-use of redundant agricultural, forestry and commercial buildings in rural areas. On some sites mixed commercial and residential use could be a sensible option in the locality. This presumption should extend to residential use, where the location is close to a highway and other public services.

RECOMMENDATION 3

The definition of previously developed land (brownfield sites) should be extended to include land supporting buildings previously used for agriculture, forestry or any other landbusiness.

RECOMMENDATION 4

The principles guiding planning authorities on housing in settlements of small scales (fewer than 3,000 people) in greenbelts, national parks and areas of outstanding natural beauty should be essentially the same as in the rest of the countryside, namely to allow small scale, well designed housing development, subject to demonstrated local housing need, to support the rural communities and businesses that give these areas their economic heartbeat and conserve the landscape.

Affordable housing in rural areas

RECOMMENDATION 5

European and national policies should support and encourage the contribution that rural landowners can make to the provision of affordable housing, and protect their ability to ensure that land or houses provided for this need can be retained in the affordable housing sector, for local people.

RECOMMENDATION 6

Subsidising affordable housing schemes through small scale open market housing development should be encouraged

RECOMMENDATION 7

Quota sites should not be seen as a support mechanism for solving the rural affordable housing problem, because they do not allow local planning authorities and the communities they

represent the flexibility they need to develop small scale housing provision in smaller settlements.

Agricultural ties on houses

RECOMMENDATION 8

The agricultural occupancy condition should be extended to a more general “rural-based enterprise” condition. However, it is equally important that local planning authorities show a greater readiness to accept that there are situations where the continuance of the tie is no longer appropriate.

The tax treatment of private sector rural housing

RECOMMENDATION 9

The fiscal boundary should be removed and all activities carried on as a single economic enterprise that are taxed should be treated as one business for all income tax purposes.

Design and use of EU produced materials

RECOMMENDATION 10

Local authorities and all involved in affordable housing schemes should recognise that well designed schemes are essential to the attractiveness and community spirit within the village or other settlement in which they are located.

RECOMMENDATION 11

Building regulations should be drafted so as to encourage, wherever practical, the use of European produced materials, particularly wood, in house construction. We urge housing associations and building companies to use European produced materials wherever possible.

Implications of the age profile in rural areas for rural housing

RECOMMENDATION 12

The detailed regulation of the physical facilities of care homes, especially as it relates to homes in remoter rural areas, should be reviewed and properly rural proofed, so that there is reasonable provision in rural areas, to enable older people to move into homes within range of friends or relatives.

Housing benefit

RECOMMENDATION 13

The thresholds on income and capital above which housing benefit is disallowed should be reviewed, in the light of the level of market rents in rural areas. The housing benefit system should be made to operate more efficiently.

1. ELO's role in rural housing

1. ELO's members are involved in all aspects of rural land management and in the wider rural economy. They manage a large part of the rural area of European Union. Their businesses generate jobs and incomes in the countryside and they provide land and buildings for investment. They are neither footloose nor transient players in the rural economy, but as owners and managers of rural businesses they have a commitment to the long term health of local communities. As owners of land ELO's members are in a key position to help deliver new housing in both the open market and affordable housing sectors.

2. Many are involved in affordable housing schemes, having made land available to rural housing associations free of charge or at significantly less than market prices. In addition, a recent Joseph Rowntree Foundation study (*Private Renting in Rural Areas*, by Mark Bevan and Lora Sanderling, Centre for Housing Policy, University of York) found that the contribution of British members to the private rented housing sector in rural areas is very significant. Much of this provision results from the involvement of integrated rural estates in housing and other rural infrastructure over a long period. The survey found that ELO's British members provide 38% of all private rented housing in rural areas. Some of this rented housing is at open market rents, but much too is at controlled rents. More again is provided to employees and retired employees at low rent or even rent free. Thus the provision of rented housing in rural areas, particularly for those employed in land based businesses, is already dependent to a significant extent on subsidised rents. This subsidy developed in an era when land based businesses, particularly agriculture, produced profits sufficient to support such infrastructure in rural areas as local rented housing, playing fields, upkeep of the local church, the village hall and so on. It can be easily forgotten that a consequence of a decline in the profitability of farming, as production support is reduced and European produce is exposed to global competition (sometimes at lower cost and with a lighter burden of regulation and environmental standards), will be that it becomes progressively more difficult for owners of integrated estates to support the subsidy and opportunity costs contained in low rent estate housing and houses with agricultural ties. This in itself raises questions about how sufficient affordable rural housing will be provided in future for local rural people, even before other factors, are taken into account.

3. ELO members wish to maintain the positive contribution they currently make to the provision of housing in rural areas. As the rural economy diversifies, and agriculture can no longer support wider rural infrastructure, new ways will need to be developed to enable owners of land and other rural businesses to fulfil this role.

4. Or, to put it another way, as land uses in the countryside change and as the number of agricultural buildings needed to support farming declines, ELO members find themselves with buildings that are costly to maintain but which could serve a new use for business or residential purposes to meet these changing needs.

5. For all these reasons the ELO is very well placed to speak on the rural economy and rural housing.

2. Growing pressures and rural housing for rural people

Why rural housing is such an important issue

6. The European debate on housing, on the availability of homes and the level of house prices, has focused so far on the situation in our cities and major towns and on housing pressures in the Golden triangle in particular. As a result, the debate has neglected the needs of the millions of people who live and work in the countryside, regarding their needs as secondary to those of the majority of voters who influence decision making at national and regional level.

7. This tendency to see the countryside from the perspective of the demands of the urban majority has two damaging effects. First, the countryside is seen as a secondary element in the national economy, whereas it should be recognised as an important place in its own right, generating 30% of the EU's jobs and 25% of its GDP, from 23% of the EU's population.

8. The rural economy matters, and must be encouraged by a framework of national and regional policies that recognise its particular needs. Proposals for this framework are the subject of a separate CLA policy document: *Rural Lives: Rural Livelihoods*. As rural policy in some member states are to be "refresh" such as in UK and France, these papers are highly relevant.

9. The second effect is that the countryside is seen primarily as a useful place to relieve pressure on the housing market in towns and cities. The intrinsic need of the countryside itself for a sufficient provision of suitable housing to meet local demand is forgotten in this top down view. Worse than that, it is frustrated where local authorities conclude that consents for major housing developments in larger settlements must be balanced by tighter restrictions on smaller scale housing developments in the smaller towns and villages. Such an approach will not supply the organic, incremental, small scale development of rural housing needed to enable rural communities and the rural economy to thrive in the future. Housing policies in the broad countryside of settlements of smaller group of people must, first and foremost, meet the needs of local people.

10. Decisions on action to tackle the pressures on the urban and rural housing markets cannot be taken in isolation, and the needs of one must not be subordinated to the demands of the other.

11. As Franz Fishler and Michel Barnier, recognised in their statement at the Salzburg Conference in 2003, it is essential both for the EU as a whole and for the countryside in particular that the rural economy is successful. To be successful there must be a sufficient provision of suitable housing in rural areas, just as any economy needs such a provision.

12. It will be futile to pass legislation to speed up the planning system, to introduce local development frameworks and new planning statements and guidance to encourage suitably scaled and designed economic development in the countryside, if at the same time action is not taken to ensure a sufficient provision of suitable rural housing.

13. Rural housing has been the subject of much interest, research and innovation in recent years. This is not surprising in view of the problems faced by country people trying to obtain suitable housing, as will be evident in the pages that follow. This report is not designed to reproduce that material. Rather, it seeks to focus on the main challenges to the sufficient provision of rural housing, based on this research and knowledge within ELO, and to propose new ways to overcome these difficulties.

14. This report shines a light on the wider countryside, on the small settlements. That is not to say that the lack of suitable rural housing is a problem that afflicts these smaller settlements only. Larger villages and market towns also suffer and solutions will need to be found to promote better provision there, as well as in the wider countryside. Indeed, successful larger villages and market towns are essential pieces in the jigsaw that is a successful rural economy. They generate jobs and provide markets for products from the countryside. The principles supporting the recommendations in this document are, in many ways, those that should underpin action for provision of suitable housing in these larger settlements. Nevertheless, this document concentrates on the settlements such as in UK, under 3,000 people, because these are the communities that tend to be left behind by the European housing debate, and which are not always susceptible to policies designed for larger or urban populations. This document aims not only to identify problems in the provision of rural housing, but to propose tailored solutions, some of them innovative or radical.

15. The report is the product of a ELO Rural Housing Working Group, whose members have not only brought their own knowledge and expertise to bear on the subject, but who have also, as a group, consulted other organisations and individuals active and experienced in the world of rural housing.

Factors increasing the pressure on rural housing

16. Easier communications, at least by private car, between urban centres and their rural hinterland, changing social patterns, smaller households and people's increased mobility throughout their lives make it difficult to make objectively robust estimates of the aggregate demand for rural housing.

17. However, the provision for rural housing in particular areas remains critically important, for the reasons explained above. In addition, a macro, or top down view of housing needs tends to neglect the value that exists in a rural community. At the same time as housing policy for urban areas is returning to the need to reconnect people with their local communities, the benefits that rural communities can provide, in terms of support networks, social enterprise and as a network for local business, should not be put at risk by ill considered policies.

18. Thus it is as valid and important to look at the pressures on the provision of rural housing through a qualitative assessment of the factors affecting this provision, as it would be to try to aggregate all the local rural housing need across the EU.

19. Furthermore, the factors affecting the provision of rural housing may differ from one part of the EU to another, just as the factors determining the success of the rural economy may also substantially vary. The countryside is not a homogeneous place.

20. Perhaps then it is less surprising that there are so many factors affecting the provision of rural housing in the Member States and, in this report, rural housing is taken to mean the provision of housing in small settlements – because it is in these settlements in particular that local needs are under threat, and need particular attention.

21. All the factors that follow have acted – or continue to act – to tighten the provision of rural housing in relation to demand.

Migration into the countryside

22. Unlike the experience of many parts of continental Europe, the decline in employment in major land-based industries over recent decades, especially in agriculture, has not been accompanied by a decline in the population in the UK countryside. Indeed, in the 25 years to 1996 the population of rural England grew by 24% compared to a national increase of 6% (Joseph Rowntree Foundation). Recent Defra figures show an inflow of population into rural areas in England alone in the period 1991-2001 of about one million (Defra: Rural Affairs Forum for England Conference, Reaseheath, November 2003). Taken together, these figures indicate a net increase of two million in twenty years. Similar figures are met in the European so called periurban areas.

23. Part of this demand has been met by new building, typically in larger private housing estates, but part too has been met through the purchase of houses in smaller settlements. Some of these purchases have been of new buildings or barn conversions, which add to the overall housing stock, but many others do not. The result has been a steady increase in the demand for rural properties, not met by a corresponding expansion of supply.

The changing mix of population in rural areas

24. Inward migration has brought an influx of commuters to the countryside. New blood is frequently a benefit to rural communities, but the increase in the proportion of residents whose livelihoods are derived from a separate, prosperous economy often raises the level of effective demand for houses. Outside money can price local people, dependent on a local, land based and/or lower wage economy, out of the market, and raise prices across the range of local housing.

Trends in the occupation of homes and tighter village envelopes

25. While the number of individual households in the country as a whole has risen, with more single occupancy households, house building and conversions have tended to focus on creating dwellings with three or more bedrooms. In addition, whenever adjoining cottages are bought and converted into a smaller number of larger homes, the supply of houses in relation to local demand falls. This is of particular concern to young, elderly and single people who find less choice of property to buy or let in rural areas than previously. Not only does this create difficulties for more people who would like to remain in the places where they grew up; it also undermines networks of family support and eventually puts a greater strain on social services (see also Chapter 5, Implications of the age profile in rural areas for rural housing). Infilling cannot always compensate for this reduction in smaller dwellings, and there are limits to the desirability of this practice, since in many villages it is the space between groups of houses and other buildings that give a settlement its rural character and make the village a successful community and a good place to live.

26. Interestingly, the Town and Country Planning Association (TCPA) in UK make a similar point in relation to residential densities in urban as well as rural areas in their policy statement on residential densities published in November 2003. The TCPA believes that a one-size-fits-all policy on densities will not work and stresses that many variations above and below this figure will have to be adopted as circumstances require. In particular, the TCPA rejects land-saving arguments for higher densities. In its view, building homes at higher densities does not necessarily save much land, unless community infrastructure is compromised. Some examples – smaller schools without playing fields – relate to larger developments, but the reference to smaller open spaces and fewer allotments readily applies to infilling in rural settlements. In a separate reference to the urban situation but very relevant to this report, the TCPA concludes that “if all the emphasis is placed on achieving high densities without addressing people’s

preferences, needs and aspirations, and design quality, then the urban renaissance will not be sustained, further stimulating flight from major towns and cities”.

27. As the countryside has accepted larger housing developments, usually in larger settlements, so local authorities have been keen to deflect pressure for new housing away from smaller towns and villages, and in particular away from greenfield sites. However, where the density of occupation per house is falling, such a policy further tightens the provision of housing in that village.

28. It is notable that the overall net increase in the rural population has not been matched by an increase in population in all villages and small settlements and, as in the housing stock as a whole, the number of empty properties in rural areas (already a very small figure in relation to the overall stock) is falling.

Second homes – how much of a problem?

29. In the most pronounced cases second homes may occupy a significant proportion of the housing stock – 53% of one parish in the district of South Hams in Devon for example (Devon Structure Plan), or in other touristic areas such as in South of France PACA (Pyrenees Alpes Côte d’Azur). At the other end of the spectrum, and to demonstrate how varied the EU can be, there are parts of more remote North Eastern England where the purchase of houses as holiday homes is seen by many as welcome. Where there is not an excess of demand over supply, the occupation of properties by visitors, together with the injection of cash that results from local tourism and the renovation of properties, is beneficial to the local economy.

30. In Wales recent research for the Welsh Assembly Government (WAG) by Bartlett School of Planning into second homes showed a marginal decline in their numbers. There is more pressure from people retiring with projected demographic trends for rural Wales, for example, suggesting a 26% increase in the retirement aged population by 2025.

31. Nevertheless, there is no doubt that the increase in the ownership of second homes has exacerbated problems of lack of supply of rural housing for local demand in some areas, although, just as with the trend in the conversion of separate cottages into larger houses, it could as well be argued that the problem emerges only when local planning policy does not respond to this trend by allowing a compensating increase in suitable housing elsewhere in the area.

32. Local authorities have usually the power to charge a tax on the owners of second homes.

Phasing out of Local Authority Social Housing Grant

33. Decisions such as the decision by the UK Government in 2003 to phase out Local Authority Social Housing Grant (LASHG) will have the effect of reducing the overall provision of centrally funded public support for affordable housing schemes in rural areas, because its loss will more than cancel out the increase in the Rural Programme of the Approved Development Programme of the Housing Corporation planned over the next two years (increase from 1,600 starts in 2003/04 to 1,750 starts per year in 2004/05 and 2005/06).

34. Local authorities retain the power to support affordable housing schemes from their own resources, to set quotas (within limits) for affordable housing on sites zoned for housing in local plans, and to negotiate agreements that deliver affordable housing alongside consents for other planning applications. However, there is no increase in local authority resources to compensate for the loss of LASHG, and there are many other demands on the resources of rural local authorities – which continue despite the fact that many shire authorities have recently been awarded grant settlements at below the average for the country as a whole.

The effects of environmental and planning designations

35. Designations, such as National Parks, Areas of Outstanding Natural Beauty, World Heritage Sites, Natura 2000 sites or simply conservation areas are all intended to protect desirable natural or man made features from unsuitable development. They can also have unintended though foreseeable additional effects on the housing market. They award a brand of “attractiveness” to an area, and entice people to want to live there, because they are “protected”, and they lead planning authorities to be more cautious than they otherwise would be in allowing housing development. This has reached the point that local representative bodies themselves have noted the restrictive effects that such designations have or are having on the provision of rural housing, including in the affordable housing sector. Many local authorities recorded the adverse effects on the economics of providing suitable rural housing of environmental designations.

Consequences: house prices out of reach for many and a less flexible rural housing market for all

36. All the factors above have the effect of widening the gap between the demand for and the supply of rural housing, and it is those rooted in the local economy – people employed in that economy, especially the land based economy, rural business owners who want to employ people who can live locally, people at the beginning of their careers and local people who have retired – who face the greatest difficulties as a result.

37. The most vivid manifestation of the growing imbalance between local demand for rural housing and its supply is the ratio between house prices and incomes, for example in UK:

- 5.25 in Cotswold district
- 5.18 in North Cornwall

(Ratio of 2002 prices for 4/5 room dwellings to total working household incomes. *Affordability differences by area for working households buying their homes*, by Steve Wilcox, University of York, published by the Joseph Rowntree Foundation, May 2003)

A comprehensive study of this relationship – a mortgage index of housing affordability – has been carried out by the Countryside Agency, as part of its study of *Indicators of Rural Disadvantage*, published in April 2003. The study compared average earnings to average house prices, by ward, throughout England.

38. The study, shows the rural wards where housing is the least affordable to the local population. These are not necessarily the poorest parts of England, but they are where the local housing market is most affected by the types of factors described above – especially inward migration, accessibility to urban centres linked to designated areas of landscape value, and places where second home owners or incoming retirees have had a significant effect on the market.

39. Apart from price inflation, the pressures described above have affected the provision of rural housing in other ways too. There is less flexibility in the housing market for people to move up and down the housing ladder, and to move in response to employment opportunities, because properties are more quickly snapped up, and because the more attractive properties, of whatever size, may rarely be seen on the market at all. There is also less of an incentive for people to apply to go on the housing register, because they think the chances of their being found affordable housing in the locality are so slim. This phenomenon has been recorded by local authorities when carrying out active surveys of local housing need.

40. Furthermore, the pressure on owners of private rented property to sell, when they can, into the owner-occupation market is great, and this has reduced the availability of cheaper rented

accommodation. There are examples recorded too by local authorities of owners of care homes for the elderly selling their properties back into the residential market. This may have created some new houses, but has exacerbated the difficulty for the elderly seeking to move from what may have become unsuitable houses (see also Chapter 5).

Conclusion

41. However rural housing need is calculated, be it on a macro or local basis, there can be no doubt that as long as these trends continue, the pressures on the provision of rural housing will increase, and as the opening paragraphs explained, the lack of sufficient suitable rural housing will become a problem not only for those most directly affected, important though that is, but also for the wider rural economy, and in turn for the country as a whole.

42. The report now looks at what is needed in the provision of rural housing, and what action needs to be taken to counter the factors that have been described and to provide solutions that meet the needs of rural communities, the rural economy and the wider interests of the country.

3. Providing suitable rural housing through the market

A bottom up approach in planning to meet local housing need through the market where possible

43. The problems of high prices and lack of flexibility in the provision of rural housing result, fundamentally, from suitable supply failing to keep pace with demand. In other economic sectors, supply would increase to match demand and the price would fall back to a new equilibrium.

44. Rural communities do not want disproportionately sized estates grafted onto the edges of villages. However, village appraisals often show that communities would be content to see smaller, well designed housing developments which enable the village to sustain its population, shop, pub and/or school. True sustainability in the countryside must rest on economic and social pillars as well as conservation of the environment. Indeed the local environment cannot be conserved in the absence of healthy rural communities and viable economic use of land and buildings. The planning system, so long as it follows a top down sequential approach to housing, will not reflect these local needs and therefore cannot promote rural sustainability. The local needs of Lozen (B), Wouw (NL) or Signac (B) are no less just because Zaventem, Bergen op Zoom (NL) are themselves expanding.

45. In the long term, the answer to housing need in rural areas must lie in there being an adequate stock of houses in all sectors of the market, so people can move up the ladder and vacate cheaper let or starter houses.

46. In the past villages traditionally grew in an organic incremental way, meeting small scale needs as and when they arose. There were rarely any dramatic changes or large scale developments.

47. However, as is clear from the analysis in Chapter 2, such organic, incremental growth is not being allowed or encouraged by current housing, planning and economic policies.

48. A community's need for a mix of housing types is a material consideration which should be taken into account in formulating development plan policies and in deciding planning applications involving housing. Local planning authorities nevertheless are still adopting overly restrictive policies.

49. A particular concern is the practice in certain areas of the planning policy framework identifying one village or rural settlement, from a number of potential locations, as being appropriate for development at the expense of the others. Such an approach leads to the balance of the chosen settlement being irretrievably altered and the continued viability of the others being called into question as both people and businesses find themselves obliged to move.

50. In our view a much more preferable approach would be to facilitate relatively small scale and well designed developments through planning guidance and local decision making that loosens village envelopes, allows conversion of redundant farm buildings into residential use as well as for commercial purposes, and extends these same principles to the green belt and within national parks and protected areas. In those designated areas planning authorities should be discouraging the major developments, not those meeting local need. They should also encourage the maintenance of existing buildings instead of imposing a return to whatever it was before calling it nature (Flanders). Otherwise these areas will become empty shells, losing the very heart and distinctiveness for which they are valued.

51. It is essential that local planning authorities plan to meet housing requirements in rural areas, based on an up to date assessment of local need. This idea is to be found in some planning policies but doesn't in itself prevent aggregation of assessments of local need and placement of housing development in larger settlements away from where the need originates.

52. ELO promotes a wholehearted commitment to allowing more small scale housing in rural settlements of all sizes. This, we believe, would assist flexibility in the provision of rural housing, by giving more options for people to move up the housing ladder and by enabling employees to live closer to diversifying rural businesses. It could also be expected to have at least some beneficial effect on house prices, although bigger trends in housing demand and supply across regions will continue to be the major influence on prices. Nevertheless, the most acute rises in recent years in prices in rural areas have been at the lower end of the market, so an increased supply of housing – so long as it was mixed and not only larger “executive style houses” - might be expected to start to moderate this skewed price effect. In any case, the positive impact on flexibility would be worth attaining on its own merits, in view of its benefits to the rural economy and rural sustainability.

53. A general relaxation of the planning controls on smaller, rural housing developments would match the remedy to the cause, rather than only treating the symptoms. By helping people in all parts of the housing ladder, it would free up opportunities at the lower end too, and ease the pressure for dedicated affordable housing.

54. There is thus a powerful argument that the affordable housing sector should not be seen or tackled in isolation, and that part of the increasing perceived need for greater provision of affordable housing has arisen as a result of excessively restricted flexibility and supply within the housing market as a whole. Thus, part of the solution to the provision of suitable rural housing must lie in reversing these excessive restrictions, and in encouraging the planning system to meet the local need for all types of housing, not just in the affordable sector.

RECOMMENDATION 1:

Measures should clearly encourage local planning authorities to meet local housing need as close to the origin of that need as possible through the organic, incremental growth of villages; to allow relatively small scale, well designed, housing developments in rural settlements of all sizes and to achieve the objective of sustaining rural communities and the rural economy – applying flexibility to the village envelope where necessary to achieve this.

Conversion of redundant farm buildings for residential use

55. As agricultural businesses rationalise, there is an increasing supply of former agricultural buildings. These buildings are often not required even where diversification has taken place as new businesses may require much less space in which to operate than does agriculture. We believe that in many cases such buildings could be brought into residential use.

56. It would usually be preferable for rural buildings to be reused, local planning authorities supporting their reuse, subject to considerations of that proposed use being in keeping with local conditions and conservation considerations.

57. However, this presumption most of the time does not apply if the intention is to use the building for residential purposes.

58. We assume that national authorities intention is usually to prevent redundant buildings becoming commuter homes. We do not see the justification for this. In our view, unless there

are strong factors against it, the presumption should always be for re-use. We would acknowledge that there are certain situations in which the reuse of a building for commercial purposes may be of greater benefit to the local economy than residential reuse. It might be difficult to argue the case for remote winter feeding sheds to be converted into residential use. That is, however, not an argument for a general presumption against residential use. Moreover a conversion to business use may require an element of residential accommodation to be provided nearby to be viable.

59. Conversely, there are circumstances where the claimed preference for commercial use is not justified. In some cases there is no commercial demand, particularly in remoter areas. In others the cost of maintenance, particularly of listed buildings for example, cannot be met unless a higher value use such as residential is permitted. In some parts of the countries the provision of holiday lets is in danger of saturating the market; here conversion to residential use, where the property is occupied all the year round and local businesses that have diversified into holiday lets are not undermined, would be preferable for the rural economy.

60. The better way forward would be for the presumption to apply equally to residential and commercial reuse.

61. A related barrier to the use of previously agricultural buildings for residential use is the definition of land – and buildings – used for agriculture as greenfield or otherwise protected land. However, redundant farm buildings are much more akin to brownfield sites. It would often be expensive and uneconomic to return such land to agriculture or nature, and the built site is already a part of the landscape.

62. Developed land has to be defined as *that which is or was occupied by a permanent structure (excluding agricultural or forestry buildings), and associated fixed service infrastructure ... The definition excludes land and buildings that are currently in use for agricultural or forestry purposes, and land in built-up areas which has not been developed previously (e.g. parks, recreation grounds and allotments – even though these areas may contain certain other features such as paths, pavilions and other buildings).*

RECOMMENDATION 2

European, national and local policy should contain a presumption in favour of the re-use of redundant agricultural, forestry and commercial buildings in rural areas. On some sites mixed commercial and residential use could be a sensible option in the locality. This presumption should extend to residential use, where the location is close to a highway and other public services.

RECOMMENDATION 3

The definition of previously developed land (brownfield sites) should be extended to include land supporting buildings previously used for agriculture, forestry or any other landbusiness.

Greenbelt, national parks and areas of outstanding natural beauty

63. ELO's policies for promoting thriving rural communities within greenbelts were set out by its members such as in CLA's 2002 report *A Living, Working Greenbelt* (www.cla.org.uk). As time goes on the key recommendations in that report on housing look less radical than when they were first made, and more mainstream. CLA argued that the provision of housing to meet local

needs in the greenbelt is acceptable and that the re-use of buildings in the greenbelt to provide housing should also be acceptable. Sustainability in greenbelts will be achieved through the same principles as elsewhere and, since planning policy across the countryside is directed more at promoting rural sustainability – the greenbelt should not be seen as a no go area for well designed relatively small scale housing developments, any more than in the wider countryside. It is recognised that major developments will not be permitted in the Greenbelt.

64. Similarly, these principles should guide planning policy for housing in national parks and areas of outstanding natural beauty. Relatively small scale, well designed housing development should be seen as part of the guarantor of the future of rural communities, businesses and the environment of these areas, not as a threat. Indeed, the threat to their future will come from excessively restrictive or top down planning policies on housing which fail to meet local needs.

RECOMMENDATION 4

The principles guiding planning authorities on housing in settlements of of small scales (fewer than 3,000 people) in greenbelts, national parks and areas of outstanding natural beauty should be essentially the same as in the rest of the countryside, namely to allow small scale, well designed housing development, subject to demonstrated local housing need, to support the rural communities and businesses that give these areas their economic heartbeat and conserve the landscape.

4. Affordable housing – challenges and options

65. Whilst the existence of development controls continues to restrict the supply of housing in the countryside below that which would meet demand in an unrestricted world, the price of housing will remain higher than local economic conditions would otherwise determine, and the availability of housing at the lower end of the market will be reduced.

66. “Affordable housing” in smaller rural settlements is not currently economic to deliver unless the land is made available at significantly below market value and there is a subsidy on the level of rents or through the provision of shared ownership.

67. Thus it is hardly surprising that there is widespread acceptance of the need for special and additional measures to increase the provision of housing in this sector of the market. Indeed, “affordable housing” is to a considerable extent, identifiable as that housing, either rented or in shared ownership, that can be provided only at rents or prices offered with the aid of some form of subsidy.

Constraints on the availability of finance for affordable housing in smaller rural settlements.

68. The subsidy that makes affordable housing viable comes in a number of forms, from traditional low or zero rents subsidised by private landowners through to Housing Corporation and local authority social housing grants through to new vehicles, such as community trusts. It is not a leap of faith or intellect to conclude that facilitating more sources of subsidy will be the key to unlocking greater provision of affordable housing in the future, but the options for this need to be explored and explained.

69. First, it is clear that whatever the current overall level of need for affordable housing, existing policies are likely to exacerbate the widening gap between provision and demand, not meet it.

70. Few affordable houses are being added to the stock in rural areas, even though “rural areas” is defined by many national authorities to include towns of up to a 10,000 population. For example, the UK Agency estimates that housing need in these rural areas is split approximately evenly between settlements above and below a threshold of 3,000 inhabitants, and so the Housing Corporation’s rural programme target of 1,750 new starts per year (for the years 2004/05 and 2005/06), which relates to settlements below that threshold, cannot be expected to meet current need.

71. However, it is clear from the experience of recent years that the current sources of financial support will come nowhere near meeting the need for affordable housing in settlements of fewer than 3,000 people, neither in England and Wales nor elsewhere in Europe, as identified in current, or likely to be identified in future, local housing needs surveys.

72. Public finance to support affordable rural housing throughout the countryside is likely to reduce, because of pressure on local authority resources, rather than increase, in the coming years, and also because a green trend to remove so called foreign building to the designated area (agriculture, nature, park designated lands).

73. Thus lack of finance continues to be a major brake on the provision of sufficient affordable housing in these smaller rural settlements, but also restrictive planning interpretations.

➤ **The availability of land**

74. Without land there can be no housing. Accordingly there need to be mechanisms which will encourage suitable sites to be made available.

75. Landowners may be willing to provide land for rural housing for a number of reasons, for example to diversify income to the landowning business or to expand the provision of local housing for employees for their or related local businesses. Unlike the purely speculative developer who builds on land he has acquired solely for that purpose, the landowner generally has a connection with the locality. It is his home and he will want to see it sustained by a level of limited sensitive development in the same way as any other local person would. And a commercial development can bring advantages to a whole local economy.

76. Equally, an affordable housing scheme can be beneficial, but there are factors which serve to discourage landowners from bringing land forward.

77. In particular he may be concerned about releasing land for affordable housing, if he cannot be sure that it will be kept in perpetuity for that purpose. If the landowner releases land he will not want there to be any possibility of it being lost as a consequence of enfranchisement or the right to buy.

78. So long as these specific safeguards do not change, it is still possible for rural landowners to grant long leases for the provision of affordable housing whilst maintaining their freehold ownership.

RECOMMENDATION 5

European and national policy should support and encourage the contribution that rural landowners can make to the provision of affordable housing, and protect their ability to ensure that land or houses provided for this need can be retained in the affordable housing sector, for local people.

➤ **The role of the planning system in facilitating affordable housing in rural areas**

79. Planning systems should facilitate affordable housing in rural areas. The first way is for land to be designated for housing, both open market and affordable housing, in the local plan. Chapter 3 makes recommendations for the better provision of suitable rural housing through the open market.

➤ **Cross subsidy ?**

80. General market housing or mixed developments consisting of high value housing could use cross subsidies for affordable housing on the same site.

81. It should be possible to fund the costs of developing five or six units of affordable housing from the construction and sale of one comparable unit of open market housing, assuming that the majority of the land is acquired at affordable housing value.

82. ELO would like to see a local planning authority accepting that the scheme provider could be allowed to develop some open market housing to underpin the scheme.

83. We believe that schemes funded in this way could deliver an increase of affordable housing in the countryside.

84. We appreciate that our proposal will involve a slight increase in development in rural areas but as described above we believe this may be necessary and beneficial in itself.

85. At a time when money's missing for local authorities so that they are being less active than they were, this option could be especially valuable, to provide a new means to underpin financially affordable housing schemes.

RECOMMENDATION 7

Subsidising affordable housing schemes through small scale open market housing development should be encouraged.

➤ Quota sites

86. Some Local Planning Authorities can make the grant of planning permission for an open market development above a certain size subject to a binding obligation, through an agreement, under which the developer is required to provide a certain percentage of affordable units. The areas of land brought forward for affordable housing in this way are often called “quota sites”.

87. A quota site policy will only be appropriate on sites above a certain size. Generally these are sites containing 25 or more dwellings or residential sites of one hectare or more, irrespective of the number of dwellings.

88. However, in settlements in rural areas with a population of 3,000 or fewer, the local authority is advised to adopt its own thresholds based on assessments of local needs and the available supply of land for housing. The thresholds should only be set through the local plan process.

89. In both situations the percentage of affordable housing to be provided is left to the discretion of the individual local authority; in a number of cases it exceeds 20% and requirements for 25-50% are not unknown.

90. Anecdotal evidence suggests that quota sites provide a useful mechanism for the delivery of affordable housing in general terms, although there appears to be surprisingly little research into the issue. However, they are not so useful in smaller, rural settlements.

91. An obligation on the developer to provide a certain number of affordable houses inevitably reduces the profit he makes (hence developers often describe it as a “development levy”). If the development is to be financially viable therefore, it must be of a sufficient size to take advantages of economies of scale. However, it will be rare for developments of this size to be given permission in rural areas. Developers have also stood off developing some quota sites in rural areas where they have believed that it would be better to wait until the quota required was reduced or removed. This effect can paralyse the development of affordable housing schemes elsewhere in the area.

RECOMMENDATION 7

Quota sites should not be seen as a support mechanism for solving the rural affordable housing problem, because they do not allow local planning authorities and the

communities they represent the flexibility they need to develop small scale housing provision in smaller settlements.

Commercial Investment

92. There may be a number of factors deterring investors from developing affordable housing on a purely commercial basis.

93. These may include: stamp duty land tax, VAT, the low ratio of rental income to maintenance costs and the difficulty of achieving economies of scale in small rural sites.

94. The problem in rural areas, though, is that developments of the size necessary to achieve the economies are extremely unlikely to get planning permission.

95. We are aware of certain small scale developers showing an interest in providing affordable housing on a purely commercial basis and note the work of Odyssey and the Housing Foundation, which use a variety of methods, in particular the conversion of redundant buildings and a reliance on the low land values in more remote rural areas.

96. At present there is only limited private commercial investment in affordable housing and little of what there is in rural areas. We do not know whether this is because it will rarely be economically viable to provide affordable rural housing on a commercial basis or merely because it is a young sector and the position will improve with the passage of time.

Savings Funds

97. Recent years have seen the rise of ethical savings banks. Investors accept a slightly lower rate of interest on the understanding that the money will only be used to fund activities which have some sort of social, environmental or cultural purpose. These may include providing financial support to the provision of affordable housing schemes.

98. The lower rate of return means that the banks can lend at a lower rate than can the more profit focused institutions.

99. No figures for the level of investment in affordable housing by ethical savings banks are readily available, but it would appear to be safe to assume the amounts involved are not great. Nevertheless every source of funding is, of course, to be welcomed.

5. Related issues

Agricultural ties

100. Agricultural ties were developed at a time when the planning system was first placing serious restrictions on the building of new houses in the countryside, but accommodation was still needed close to farms for farming employees, especially – but not only - on livestock farms. Houses with an agricultural tie should be used only for the purpose for which the tie was created.

101. As employment in agriculture has declined but other economic activity in the countryside has expanded, there have been understandable calls for these ties to be relaxed, and for the houses to become available to others in the rural economy. Of course, there may still be reasons why a particular worker may have a need relating to his or her employment to remain in the locality.

102. We therefore propose that the nature of the occupancy condition should be relaxed to reflect *the need to enable farm, forestry or certain other workers who are essential for the effective and safe operation of rural based enterprises live permanently at or near their place of work.*

103. We promote the guidance on the lifting of agricultural ties *dwelling ...with an occupancy condition attached, should not be kept vacant, nor should their present occupants be unnecessarily obliged to remain in occupation simply by virtue of planning conditions restricting occupancy which have outlived their usefulness.*

RECOMMENDATION 8

The agricultural occupancy condition should be extended to a more general “rural-based enterprise” condition and suggest that a similar relaxation should be made. However, it is equally important that local planning authorities show a greater readiness to accept that there are situations where the continuance of the tie is no longer appropriate.

The tax treatment of private sector rural housing

104. Many rural businessmen running land based businesses provide housing for employees and former employees, or have other let housing. Where these houses are let on controlled or even lower rents, the costs of maintenance are high in relation to the rental income, but under current tax rules it is not possible to treat let housing within the same business as trading for income tax purposes. This in itself is a discouragement to investing in new let housing except at open market rents or to making improvements to existing let property.

RECOMMENDATION 9

The fiscal boundary should be removed and all activities carried on as a single economic enterprise that are taxed should be treated as one business for all income tax purposes

Design and use of EU produced materials

105. All too often there can be a presumption that building will have an adverse impact on the environment. We disagree that this should be the case. A well designed building will often be a positive asset to the landscape. In any event, good design is essential when attracting the support of the local planning authority and, more significantly, existing residents. Although there may be a perfectly sound justification for a small scale development in or near a rural settlement, it is unlikely to be accepted if it is not of a sympathetic design.

106. Accordingly we note the efforts which developers, particularly in exception sites, have made to design buildings which are attractive as they are functional. We therefore wish to highlight the fact that in 2002 members of ELO such as the CLA introduced an affordable housing category into its Farm & Country Buildings Award Scheme. The awards are made every two years and are the most important award in the field of rural architecture and building. We believe it underlines the importance the CLA attaches to the need for affordable housing projects in rural areas.

RECOMMENDATION 10

Local authorities and all involved in affordable housing schemes should recognise that well designed schemes are essential to the attractiveness and community spirit within the village or other settlement in which they are located.

107. New house building is a clear opportunity to use EU produced materials, particularly home produced wood, in construction, for the benefit of the national economy and rural economies where these materials are produced.

108. In our view building regulations should be carefully drafted so as not to discourage, unnecessarily, the use of wood, including EU-produced wood. We also urge housing associations and building companies to look to use EU-produced materials whenever possible. In our view there are opportunities which are not being fully exploited.

RECOMMENDATION 11

Building regulations should be drafted so as to encourage, wherever practical, the use of EU produced materials, particularly wood, in house construction. We urge housing associations and building companies to use EU produced materials wherever possible.

Implications of the age profile in rural areas for rural housing

109. One of the characteristics of rural areas is that the age profile is usually skewed, with a greater proportion of people over 65 in the local population, and a smaller proportion of people aged between 25 and 40. This age profile places relatively greater demands on social services and on the provision of care homes. Where older people live singly the rebate on their Tax – which ELO understands and supports – reduces the base for local revenue raising.

110. The financial implications for local authorities of the greater strain on their social services budgets could be the subject of a separate paper in itself. This paper is concerned with the knock on effects on rural housing. First, rural authorities are very pressed for resources. The pressure on their resources constrains their ability to support affordable housing schemes in their areas. Second, pressure on the rural housing market, in particular where smaller properties have been effectively taken out of the local market as a result of increased demand from outside buyers (e.g. as second homes), can make it harder for older people to find properties to move into. Meanwhile they face the maintenance costs of a property that may be larger than they would wish.

111. Third, in a number of places care homes are being converted back to residential use. This is not entirely because residential house prices are high, although that is a factor. It is also because the costs of running such homes have increased as a result of the increased regulatory burden. Whilst those costs might be possible to accommodate in the construction of a purpose built new home, in rural areas many homes are themselves conversions, and the cost of upgrading may be out of proportion to the benefit for residents or the economics of the operation. Where care homes have – as a result - been converted back to residential use, the options for older people to move into such a home in their locality, and near their friends or relations, have also been reduced in a number of areas.

112. The best long term way to tackle the financial problems afflicting local authorities in more remote rural areas would be through the promotion of a more diverse and successful rural economy. ELO is proposing a framework of policies to promote successful rural economies in a separate paper, *Rural Lives: Rural Livelihoods*. In the meantime, to the extent that remote rural areas will always carry the burden of higher costs of delivery of public and private services, and bearing in mind that the central government assessment of indicators of need should reflect rural realities, not urban misconceptions (the cause of there being less social housing in rural areas is not greater affluence, but a reflection of the considerable losses of council housing in the 1980s), central government support to rural local authorities is still insufficient to meet rural needs.

113. So far as the specific housing problems are concerned, greater supply of a mixture of housing in rural areas would improve flexibility in the market and make it easier for older people to move into a house that more closely matched their needs. The policies recommended elsewhere in this report would thus help to alleviate some of the housing problems related to older people in rural areas.

114. Difficulties of local authority financing still need to be tackled through the local government financing settlement. The decreasing viability of care homes, caused by the increasing burden of regulation, also needs to be addressed, since its effects are most acutely felt in relatively remote rural areas.

RECOMMENDATION 12

The detailed regulation of the physical facilities of care homes, especially as it relates to homes in remoter rural areas, should be reviewed and properly rural proofed, so that there is reasonable provision in rural areas, to enable older people to move into homes within range of friends or relatives.

Housing benefit

115. It will take time for changes to the planning systems of the type recommended in this report to deliver the number of dwellings required. Nor can it be assumed that the costs of housing in rural areas will fall within the reach of all, even when housing provision has been improved and when a successful rural economy has raised the living standards of the majority of the rural population.

116. Thus housing benefit will remain an essential instrument of support for the foreseeable future. The system has advantages. It enables those in short term difficulty to remain in occupation of their home and it provides a source of comfort to the landowner that outstanding obligations will be met. Housing benefit should provide sufficient support for people to be able to afford the market rent for the area in which they live. As more affordable houses are built, market rents will decline (relative to the level at which they would otherwise be) and the housing benefit bill should also reduce, relatively.

117. However, the thresholds on income and capital above which benefit is disallowed are at a level that means that individuals may not be eligible for benefit but still cannot afford prevailing rents. The receipt of housing benefit by a person is invisible to others in the community and so confers no stigma. ELO therefore calls on EU and Governments to review these thresholds.

RECOMMENDATION 13

The thresholds on income and capital above which housing benefit is disallowed should be reviewed, in the light of the level of market rents in rural areas. The housing benefit system should be made to operate more efficiently.