

TACKLING THE HOUSING CRISIS IN ENGLAND

CLA POLICY ON SECURING AND INCREASING HOUSING SUPPLY IN ENGLAND 2013-2018



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FOREWORD

This report, *Tackling the Housing Crisis in England*, is the product of a working group which was created in May 2012 to guide the development of a CLA housing policy. It has been formed in response to the views of CLA members on this important area of work.

It illustrates the roots of the current housing crisis and calls on the Government and local authorities to deliver change through planning guidance to the National Planning Policy Framework (NPPF), secondary regulation to the 2011 Energy Act, taxation reform and policies devolved to the local level.

In the introduction we outline the housing contribution made by CLA members and identify the lack of ability to bring land forward for development as a key factor behind historic, long-term housing undersupply.

Our recommendations have been made to reflect a world where, to work effectively as a member of the knowledge economy, you no longer have to live in an urban location. In particular, we seek recognition that linked to transport policy and rural broadband delivery, our proposals will assist in smoothing land values at a national level.

The report acknowledges the progress made through the NPPF in England but identifies tax as a fundamental block to new supply. Affordable housing tax reform is aimed at existing and new stock. Market-rented housing tax reform is aimed at new stock only.

Tackling the Housing Crisis in England is a lobbying document aimed at government and decision-makers. It articulates how the CLA in England can help tackle national housing undersupply. Although we hope for some quick successes, many of our recommendations will take time to come to fruition. There will be an annual monitoring report assessing delivery on individual recommendations and highlighting where updates are needed.

The delivery of the policy has started. The CLA has worked extensively to influence planning guidance and permitted development rights and we have submitted an Expression of Interest to the Build to Rent Fund in England. In terms of existing stock, action has also been taken to source an Energy Company Obligation (ECO) partner. Meetings have also been held with individual local authorities specifically regarding:

- affordable housing models and the ability for landlords to retain stock;
- nomination agreements and local lettings policies;
- housing allocations; and
- rural economic development strategies incorporating housing.

I commend this policy and welcome your feedback.



A handwritten signature in blue ink that reads "Henry Robinson". The signature is written in a cursive, flowing style.

Henry Robinson
President, CLA

ACKNOWLEDGEMENTS

It is important to recognise the achievements of the 2004 CLA Housing Working Group led by its Chairman Sir Jeremy Bagge, past CLA President Mark Hudson, CLA Head of Planning Fenella Collins and former policy adviser for Wales Sue Evans.

They were instrumental in producing the 2004 CLA policy report *Housing the Rural Economy*. Planning recommendations from that report have been incorporated into the NPPF where the concept of rural growth is a firmly stated aim.

Thanks for this new report, *Tackling the Housing Crisis in England*, must go to members of the 2012 CLA Housing Working Group for their hard work, support and constant expert steer throughout the project. Special thanks must also go to Working Group Chairman Mark Bridgeman, Fenella Collins, CLA Taxation Adviser Richard Williams, CLA Senior Legal Adviser Harry Flanagan and CLA Communications Director Ollie Wilson.

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CONTENTS

Page

List of Abbreviations	4
Executive Summary	5
1. Introduction	6
2. Issues and Actions Required	7
3. Protecting and Maintaining Existing Supply	8
3.1 Taxation	8
3.2 Housing Regulation	9
3.3 Stock Management	10
3.4 Energy Efficiency	10
3.5 Retirement Housing	12
3.6 Welfare Reform	14
4. Design and Sustainability	15
4.1 Housing Range and Community Balance	15
4.2 Affordable Housing	16
4.3 Housing Design	18
4.4 New-Build Standards	18
5. Housing Growth to Deliver Economic Growth	20
5.1 Housing Numbers	20
5.2 Viability	21
5.3 Site Delivery	23
5.4 Rural Enterprise Housing	24
6. Summary of Recommendations	25
7. Appendices	30
7.1 Appendix 1 – Background	30
7.2 Appendix 2 – Rented Housing Taxation Deferral	31
7.3 Appendix 3 – S104 The Relief	32
7.4 Appendix 4 – Sustainable Traditional Buildings Alliance	32

LIST OF ABBREVIATIONS

AHA	Agricultural Holdings Act	GDP	Gross Domestic Product
AHP	Affordable Housing Programme	HCA	Homes and Communities Agency
AONB	Area of Outstanding Natural Beauty	HHSRS	Housing Health and Safety Rating System
AST	Assured Shorthold Tenancy	IHT	Inheritance Tax
BMHOB	Biomass Heat Only Boiler	LEP	Local Enterprise Partnership
BPR	Business Property Relief	LESA	Landlord's Energy Savings Allowance
BSHF	British Social Housing Foundation	LPA	Local Planning Authority
CABE	Commission for Architecture and the Built Environment	MEP	Minimum Energy Performance
CGT	Capital Gains Tax	NAHP	National Affordable Housing Programme
CHP	Combined Heat and Power	NPPF	National Planning Policy Framework
CIL	Community Infrastructure Levy	PSO	Private Sector Offer
CLA	Country Land and Business Association	PV	Photovoltaics
CO ₂	Carbon Dioxide	RDSAP	Reduced Data Standard Assessment Procedure
CPOs	Compulsory Purchase Orders	RHI	Renewable Heat Incentive
DCLG	Department for Communities and Local Government	S106	Section 106 Planning Covenant
DECC	Department for Energy and Climate Change	SHLAA	Strategic Housing Land Availability Assessment
DH	District Heating	SHMA	Strategic Housing Market Assessment
ECO	Energy Company Obligation	SO	Strategic Objective
EPC	Energy Performance Certificate	TDP	Tenancy Deposit Protection
EU	European Union	VAT	Value Added Tax
FIT	Feed-in Tariff		

EXECUTIVE SUMMARY

Housing supply in England is struggling to keep up with demand. The Government concedes there is currently a housing stock shortfall of more than 230,000 homes a year. CLA members want to change this.

We need to acknowledge that earnings generated through a fibre-optic cable can be used to support local services in often remote or low value locations – sustaining rural settlements and, if coupled with transport policy, smoothing national land values.

We need more homes for rural economy workers to keep communities in the countryside viable. More retirement homes are needed so that older people can pass on farm holdings to a younger generation, clearing the tenancy logjam that is hampering the future of farming.

Retirement homes are particularly vital alongside Rent Act housing stock where older people may occupy large houses with peppercorn rents. New homes are needed for first-time buyers and for owner-occupiers wanting to downsize.

Tax incentives should reward landlords who let homes at below-market rents, and the right balance needs to be struck between holiday lets and local housing.

The UK taxation system currently discourages the renting out of houses, in contrast to mainland European countries where there are large private rented sectors. We are calling for changes to the Taxation of Chargeable Gains Act 1992 and the Inheritance Tax Act 1984 to encourage private landlords to build new market-rented accommodation. We believe VAT should not be levied on self-build units or on non-domestic buildings converted into new homes.

Older housing stock is generally harder to maintain than modern houses, so we would like properties that are vacant and undergoing major repair work or structural alteration to be exempt from Council Tax for up to 12 months.

Energy efficiency is a complex area for owners of old buildings with the so-called Green Deal proposing interventions that will compromise breathable wall surfaces. The Energy Performance Certificate (EPC) methodology has been designed for modern buildings and is not suited to traditional properties without cavity walls. We want a new methodology to be developed by 2015.

Landowners who provide new affordable housing should be allowed to retain control of it. And it is important that rural housing schemes are attractive and follow design guidelines ensuring they fit well with existing housing.

Housing growth drives economic growth. The Strategic Housing Land Availability Assessment (SHLAA) should require Local Planning Authorities (LPAs) to provide up-to-date and fully justified evidence to support their reasons for not allocating housing development land in designated areas where housing numbers and viability require them to do so.

It is also important to cut planning red tape and ensure good guidance and consistent advice is given by all planning authorities.

These are just some of the measures needed to start to resolve the crisis in housing in England that is blighting a generation.



1. INTRODUCTION

CLA members own or manage around half of the rural land in England and Wales and aim to increase the scale of housing provision in their areas. This policy report articulates how housing supply in England can be increased and how existing supply can be safeguarded. A separate version of the report has been published for Wales.

The CLA's Housing and Residential Land Contribution

The 33,000 membership of the CLA exceeds that of the National Landlords Association and the Residential Landlords Association combined, and CLA members are significant providers of residential accommodation in their areas. They typically have long-term and multi-generational interests in places and their communities. For a variety of reasons, both economic and social, many landowners are keen to grow the size of the housing stock in their areas.

• Employee and Farm Tenant Housing

There is a need to increase the amount of housing that we provide for rural economy workers. The Government seeks to lessen reliance on EU farm support payments by enabling farm diversifications to occur and, therefore, employees and owners of rural enterprises should have the ability to live close to their places of work.

• Housing for Older People

There is a need to increase the amount of housing provided for older people. Former rural economy employees often live in family-sized housing because there is a lack of smaller housing for older people in rural areas. A dearth of retirement housing in the countryside can also mean that farm tenants, who are due to take over from their parents, can struggle to access the farm holding to which they have a legal right.

• New-Build Housing

There is a need to increase the number of smaller housing units available for sale and for rent. Through consultation with our membership, we have found a need for an increased number of smaller housing units in the countryside, for retired rural economy workers and farm tenants and also for:

- ▶ owner-occupiers wanting to downsize within the rural settlement that is home to them;

- ▶ young households/first-time buyers; and
- ▶ benefits claimants needing to downsize as a result of welfare reform.

Where entire new towns or garden cities are concerned, Compulsory Purchase Orders (CPOs) should not be issued until opportunities for "land pooling" and development partnership opportunities have been exhausted.

• Existing Rented Housing

The importance of CLA members' contribution to existing housing should be recognised. The Housing Acts 1988 and 1996 partially deregulated the rented housing sector by creating the Assured Shorthold Tenancy (AST).

Prior to the AST, the sector was more heavily regulated as regards rents and the provision of statutory security of tenure. While CLA members have greatly welcomed the ability to use the AST, some members provide rented housing at sub-market rents and experience very low stock turnover. Such practices help to make communities sustainable and should be recognised through the taxation system¹ – as a means to encourage greater provision of rented housing.

• Holiday Housing

There is a need to understand how much holiday accommodation the English tourism industry can sustain.

CLA members' provision of holiday lets helps tourism businesses and the wider rural economy. In some instances, the tourist accommodation will have been converted from redundant farm buildings; in others, period properties that are large and/or difficult to heat and maintain will provide holiday accommodation for large family groups.

In some geographic locations, an oversupply of tourist accommodation is evident. This is related to a reluctance by the Local Planning Authority (LPA) to lift planning conditions that would allow holiday accommodation to be let as domestic accommodation.

To highlight this difficult issue, this report will deal with holiday housing versus local housing in designated areas as a housing supply issue.

1. Particularly since the yield on this type of property investment is low at 3.3 percent to 3.5 percent net (HM Treasury) and, in some rural areas, yields may even be lower.

2. ISSUES AND ACTIONS REQUIRED

The March 2013 Budget sought to tackle the shortfall of 232,000 homes per year² in England by unveiling a stimulus package for existing and aspiring home owners:

- £3.5billion for equity loans supporting up to 74,000 buyers of new-build housing over the following three years;
- £1.9billion for mortgage (deposit) guarantees supporting up to 68,000 buyers of new-build housing and existing stock from 2014 to 2017.

This breakdown shows that the £5.4billion stimulus will help 142,000 purchasers of new and existing housing stock in England by 2017. This is a long way short of the 232,000 a year additional stock required.

As a means of making up the shortfall and in recognition that a range of tenures are needed in the English housing market, the Budget also sought to help new-build market-rented and new-build affordable housing delivery:

- £225million will be provided to boost the Affordable Home Guarantee Fund and is intended to provide 30,000 homes;

- £800million will be provided to boost the Build to Rent programme to a total of £1billion spend delivering around 50,000 homes.

The March 2013 Budget will not, therefore, provide even one year's supply of the housing requirement in England. In-depth analysis of the housing policy context can be found in Appendix 1.

It is this analysis that has led to the identification of four distinct areas that need to be considered if we are to make headway in increasing housing supply: tax, finance, planning and legal requirements.

These distinct areas underpin the strategic objectives (SO) below dealing with existing stock, new stock and sustainability:

- SO1 Protecting and maintaining existing supply
- SO2 Design and sustainability
- SO3 Housing growth to deliver economic growth
- SO4 Cross-cutting of planning, legal and fiscal regimes

2. The Department for Communities and Local Government's 2011 report *Laying the foundations: a housing strategy for England*.



3. PROTECTING AND MAINTAINING EXISTING SUPPLY

3.1 Taxation

Unlike European countries with large private rented sectors, the renting out of houses is discouraged by the tax system in the UK. In purely financial terms, it might often seem that it would be better for houses to be sold so that the sale proceeds can be reinvested in other business activities treated more favourably by the tax system. This is counterproductive when the scale of housing undersupply in England is considered – 232,000 new units required per year.

For private landlords, the principal fiscal discouragements to increasing their involvement in renting houses are Capital Gains Tax (CGT) and Inheritance Tax (IHT), which are taxes charged on illiquid assets. The need to pay IHT on the death of a landlord can force the sale of a property which was intended to be retained in long-term family ownership as rented property – or may even have been rented out at a sub-market rent as a form of affordable housing.

The payment of CGT following the sale of a rented house reduces the proportion of the sale proceeds which can be reinvested in buying or building new houses to rent. Unlike farming and other business activity, no rollover relief is available if the sale proceeds are reinvested in acquiring or constructing rented housing. The owner who rents out housing is regarded as carrying on a business which consists “wholly or mainly of making or holding investment” and is, therefore, ineligible for Business Property Relief (BPR).

On some farms or estates, small-scale provision of rented houses will qualify for relief³ because it is not “wholly or mainly” an investment business. Indeed, the greatest danger faced by a farmer or landowner who already

rents out some houses, and might have the knowledge and motivation to increase what he offers, is that the addition of more rented housing might push the whole estate the wrong side of the divide for BPR. And where open-market housing is built to cross-subsidise affordable housing, it is important that arrangements made between landowners and developers are not regarded as giving rise to capital gains which may be subject to income tax (see Recommendation 9ii).

Finally, it is dismaying that, unlike with new-build housing, there is a requirement to pay VAT on self-build and on the conversion of existing buildings brought forward as housing stock.

While the CLA enthusiastically supports proposals brought forward by the Government in 2013 to extend “permitted development rights”⁴, VAT should not be charged on these works since the resultant units will be residential and therefore helping to solve the national housing undersupply problem.

3. Through use of the “Balfour Formula”.

4. Enabling farm buildings to be converted for residential use without planning approval.

RECOMMENDATION 1

The CLA recommends that the private landlord contribution to new-build market-rented housing supply, and existing affordable housing supply, is incentivised by Capital Taxation deferment and the following action needs to be taken:

- i. Adaptation of Taxation of Chargeable Gains Act 1992 S247 (see Appendix 2) to provide a form of rollover relief to encourage private landowners to increase the supply of new market-rented accommodation.
- ii. Adaptation of Inheritance Tax Act 1984 S104 business property reliefs (see Appendix 3) to encourage private landowners to increase the supply of new market-rented accommodation.
- iii. Adaptation of reliefs above to encourage private landowners to increase the supply of affordable housing covering new and existing stock.
- iv. If an existing building is being brought forward as new housing stock through conversion work, there should be no VAT levied on that unit since, essentially, it will be a new-build unit and therefore helping with the national housing undersupply crisis.



3.2 Housing Regulation

Several tools exist to regulate the private rented sector:

- The Housing Act 1988 (as amended) laid down the circumstances under which a landlord may apply to court for possession of the property;
- Housing Standards governed by the Housing Act 2004 – this Act introduced the Housing Health and Safety Rating System (HHSRS) and Selective Licensing;
- Landlord and Tenant Act 1985 – sets out minimum repairing obligations for all landlords of leases of less than seven years;
- Tenancy Deposit Scheme rules – required the landlord to place the tenancy deposit in one of the recognised tenancy deposit protection (TDP) schemes if the tenancy started or, as the law currently stands, was renewed after 6 April 2007;
- Private Sector Offers (PSOs) – the Localism Act 2011 enabled local authorities to discharge the statutory homelessness duty into the private rented sector if certain housing and management conditions are met.

There are also House of Lords proposals to regulate letting agents and onerous Home Office proposals requiring landlords to check the immigration status of tenants.

Despite the wealth of regulatory “tools” already in existence, Newham Council, a London borough, has narrowly interpreted research⁵ and has brought forward a mandatory landlord licensing scheme, based on an already implemented Scottish model.

In addition, mandatory landlord licensing has been proposed within a Private Member’s Bill due for second reading in Parliament before the end of 2013. This is despite a statement from the then Housing Minister, Grant Shapps, in 2010: “Today I make a promise to good landlords across the country: the Government has no plans to create any burdensome red tape and bureaucracy, so you are able to continue providing a service to your tenants.”⁶

Since that statement, a review⁷ into the effectiveness of the established Scottish Mandatory Landlord Licensing Scheme has found that the Scottish model is under-resourced and difficult to implement and has also failed to tackle criminal landlords and left the most vulnerable client groups unprotected.

In fact, adequate regulatory tools already exist to safeguard vulnerable households from sub-standard landlords and powers available to local authorities through the Housing Act 2004 are particularly relevant.

For example, selective licensing is a measure targeted at failing neighbourhoods brought about by absentee,

amateur or criminal landlordism. Prior to the publication of a “general consent” by the Government in 2010, selective licensing enabled a local authority to tackle areas blighted by anti-social behaviour via application to the Secretary of State for Communities and Local Government.

If certain conditions existed, such as falling house prices, vandalism, arson, anti-social behaviour or criminal activity, the Secretary of State could grant the power to license by force all housing stock within a designated geographic area, within a local authority boundary. Removal of the requirement to “make the case” to the Secretary of State in line with the requirements of the Housing Act 2004, has led to a proliferation of red tape and bureaucracy, for good landlords, as blanket registration of all landlords within an increasing number of local authority boundaries has occurred.

We seek revocation of the 2010 “general consent” so that the original intention of the selective licensing can be pursued – that of targeted resource use within an evidenced area of poor provision, leading to the eradication of criminal landlordism.

For the most vulnerable tenants, those affected by homelessness, the Localism Act 2011 introduced the use of the PSO. Established as a way to reduce the time that homeless families have to spend in temporary accommodation and make best use of existing housing stock, the PSO allows the local authority to stipulate the quality and management of private sector rented accommodation on offer before confirming that the homeless household is adequately housed.

Although the PSO was formulated to cover existing housing stock, we seek use of the PSO in the context of new-build affordable housing so that CLA members can manage affordable units that they deliver – without the need to involve a housing association partner. See recommendations outlined in section 4.2.

Finally, and in recognition that many landowners already grant tenancies longer than the commonly granted six month fixed term, the Government should consider tax incentives to encourage more widespread use of long-term rental agreements. It is our view that more landlords would be willing to offer longer terms if it were not necessary to retain the ability to obtain vacant possession⁸ when selling, for example, to pay an Inheritance Tax Bill.

5. The 2008 Rugg Review recommended a greater role for the private rented sector – focusing on supply.

6. Government response to the Rugg Review.

7. Research by the housing charity Shelter commissioned by the Northern Ireland Assembly.

8. If a rented unit needs to be sold to pay IHT, the valuation is negatively affected if a sitting tenant is in place. See recommendations outlined in section 3.1.

The view that incentives are required is shared by the housing charity Shelter which commented in response to 2013 government proposals to regulate tenancy length via a “Tenants’ Charter”. The proposed Charter would allow tenants to demand longer rental agreements of between two to five years but Shelter said such a Charter “should be backed by incentives to encourage landlords to provide longer tenancies”.

RECOMMENDATION 2

The CLA recommends judicious use of existing housing regulation powers and the following action needs to be taken:

- i. Local authorities should use selective licensing schemes rather than mandatory landlord licensing to tackle criminal landlords.
- ii. The “general consent” published by the Government in 2010 should be revoked. The requirement for local authorities to apply to the Secretary of State for Communities and Local Government evidencing their reasons for requiring grant of selective licensing powers, in line with the Housing Act 2004, should be re-established.
- iii. Instead of regulation, the Government should consider tax incentives to encourage landlords to offer longer terms voluntarily. Allowing tenants to demand longer rental terms via a “Tenants’ Charter” could harm rented housing supply.

3.3 Stock Management

Older housing stock will be generally more expensive to maintain than modern housing. The age of the majority of rented rural housing stock is linked to:

- planning restrictions in rural areas;
- the tendency for CLA members to let properties on long rental agreements;
- Rent Act Tenancy stock where a number of succession rights exist.

This means that when empty periods happen, substantial repair work may be needed. It is disappointing that, unlike Belgium and France, the UK did not take the option of applying reduced VAT rates to the “repair, maintenance and cleaning of housing”.

Use of the option (10a of Annexe III of the EU VAT Directive) would mean that repairs and renovations on let domestic property would be more affordable. This would greatly help landlords in delivering maintenance programmes for older housing stock.

Similarly, the CLA is disappointed that the automatic Council Tax exemption for vacant properties undergoing “major repair work” or “structural alteration” has been removed⁹ by some local authorities. We believe that without some period of grace from Council Tax during empty periods, the ability to undertake major works in older, expensive-to-maintain housing stock will be reduced.

RECOMMENDATION 3

The CLA recommends that older housing supply is valued and safeguarded and the following action needs to be taken:

- i. Properties that are vacant and undergoing major repair work or structural alteration should be exempt from Council Tax for up to 12 months.
- ii. The UK Government should take advantage of option 10(a) in Annexe III of Directive 2006/112/EC (the VAT Directive) to apply a reduced rate of VAT to the renovation and repair of private dwellings.

3.4 Energy Efficiency

The UK is committed to European greenhouse gas emission reduction targets. These targets have led to the Energy Act 2011 which requires domestic and non-domestic buildings to achieve Minimum Energy Performance (MEP), via EPCs, by 2018. To do this, the Government has established a system of loans and grant monies known as Green Deal and ECO respectively. However, the only tax exemption designed to encourage energy efficiency work, the Landlord’s Energy Savings Allowance (LESA), appears to be at risk.

There are several problems with EPC regulations and the requirement to deliver a minimum rating by 2018.

- The EPC methodology is designed for modern buildings and not those constructed before 1919. This gives artificially low EPC ratings for housing without a cavity wall. While the Department for Energy and Climate Change (DECC) is aware of the issue and has commissioned £2million of research into the performance of traditional building materials, the results will not be available until 2015. Not only is this 12 months after secondary regulation for MEP is due to be laid before Parliament, it is also only three years before enforcement action is due to commence against “sub-standard” properties. For landlords with

9. Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012.



large property portfolios, three years is an impossible timeframe in which to commission and receive updated EPCs and bring about subsequent, meaningful, thermal efficiency upgrade work.

- There is conflict with building regulations which prohibit energy efficiency installations where a “breathable wall” surface is required. This is compounded by market failure arising from a lack of testing of existing solid wall insulation products. New technologies are required that are appropriate for the traditional housing environment. Linked to this is a concern that Green Deal loan assessors and installers may be insufficiently aware of the characteristics of traditionally constructed properties.
- There is a confusing level of inconsistency in the way that different housing tenures are dealt with under the different schemes.
- At seven percent, the cost of Green Deal finance is high for all but the largest energy efficiency interventions with the longest payback periods. The only tax allowance available to help landlords choosing to use their own resources is LESA, which is due to expire in 2016 on the basis that it “represents competition for Green Deal finance”.
- Many CLA members own housing stock under the Rent Acts 1976 and 1977 which are protected tenancies where rents can be lower than that charged on social rented housing. It will prove impossible to pay for the works required to deliver enhanced EPC ratings through the rental revenue on such properties.
- The UK Government is facing a legal challenge from the EU Director General of Tax over the low (five percent) VAT charge on energy efficiency materials and renewable technologies. If the EU is successful,

15 percent or 20 percent VAT will be payable on energy efficiency materials and renewable technologies with the result that:

- ▶ the cost of delivering the required EPC rating will be more expensive;
- ▶ the capital costs required to achieve the Renewable Heat Incentive (RHI) will be more expensive.
- Works undertaken in a bid to reach MEP will not be classed as repairs, but rather as improvements. This means monies spent can only be offset against CGT at the point of sale. However, the mandatory nature of MEP standards means that works undertaken pre-2018 and post-2018 as part of asset management plan delivery are by definition repairs and not improvements. This should be recognised by tax regulation.

Additional problems are anticipated regarding diminished rented housing supply in rural areas. Rural housing stock is older and rents are heavily regulated by Rent Act legislation and our concern is linked to government proposals to give the HHSRS primacy over MEP regulations.

Banning the letting of property through the HHSRS ignores the “golden rule” available through the Green Deal assessment process whereby the cost-effectiveness of delivering an “E” rating is measured and the requirement discarded where appropriate.

Finally, we believe there is a fundamental flaw in the criteria through which the reduction in greenhouse gas emissions from buildings is funded, since both the EPC methodology and the “energy efficiency interventions” that can be funded by Green Deal loans and ECO grants fail to take account of embodied carbon. The quote from the 2011 HM Government Low Carbon Construction Innovation and Growth Team Final Report illustrates our view: “the search for zero operational emissions may be at the cost of uneconomically raised embodied emissions. Whole life emissions must be the assessment basis.”

This means that when comparing the energy efficiency of new housing stock to existing housing stock, the carbon produced during the manufacture of concrete, PVC windows and other building materials should be quantified. As a result, it is anticipated that existing buildings, and particularly traditional buildings¹⁰, will score comparatively better in energy efficiency terms than is currently the case.

10. Traditional buildings are without cavity walls and tend to have been constructed pre-1919. One risk of sealing up breathable wall surfaces with solid wall insulation is that of creating mould.

RECOMMENDATION 4

The CLA recommends a consistent policy approach to Minimum Energy Performance (MEP) in dwellings and the following action needs to be taken:

- i. The proposals put together by the Sustainable Traditional Buildings Alliance (see Appendix 4) should be used to develop a new Energy Performance Certificate (EPC) methodology by 2015 because the EPC rating methodology has been designed for modern properties and is not suited to traditional properties without cavity walls.
- ii. The issue of market failure needs to be recognised with respect to energy efficiency materials. Solid wall insulation should be excluded as a “Green Deal Measure” by the Department for Energy and Climate Change (DECC) until appropriate technologies are developed for traditional properties.
- iii. Green Energy taxes allocated to fund Solid Wall Insulation inappropriate for traditional properties should be re-allocated to fund renewable energy technologies as a means to reduce CO₂ emissions.
- iv. The EPC rating methodology should take account of the embodied carbon within existing buildings and calculate the new carbon generated as a result of plastic double glazing and other Green Deal/ECO-funded interventions.
- v. An EPC rating of “E” is not appropriate for buildings constructed without a cavity wall by the 2018 regulation enforcement date and a rating of “G” is proposed. The MEP rating for traditional properties should rise five years after the EPC methodology has been amended.
- vi. The Government should take account of the “golden rule” before banning the letting of “F” and “G” rated properties through the Housing Health and Safety Rating System (HHSRS) so that existing housing supply is not burdened with enforced vacancies. The need to identify “F” and “G” properties uneconomic to bring up to standard in rural areas, should be seriously considered for inclusion within National Planning Policy Framework (NPPF) guidance on housing needs studies. This would enable new units to be delivered.
- vii. Landlord’s Energy Savings Allowance (LESA) availability should be extended beyond 2018 and cover £5,000 per annum spend per property as opposed to the current £1,500.
- viii. Where tenants refuse to sign up to a Green Deal plan, DECC should have a memorandum of understanding in place with the Valuation Office Agency so that consistency is delivered during Rent Act Tenancy Rent setting. The benchmark of 80 percent of open-market rents should be the minimum charge in order to assist with the payment of energy efficiency interventions needed to deliver MEP ratings.
- ix. Works required to deliver improved energy efficiency should be classed as repairs and not improvements for taxation purposes owing to the mandatory nature of new energy efficiency regulations.

3.5 Retirement Housing

The existence of privately subsidised rural housing is a little-known fact outside of the traditional rural economy¹¹. Fetters on housing stock governed by the Rent Act and agricultural tenancies go beyond registered rents and rent capping and include multiple succession rights meaning that landlords needing to house rural economy workers cannot access those units.

This frustration is magnified because the Rent Act was enacted at a time when the capacity for social mobility was ignored. There is a stark contrast between the archaic regime governing the letting of Rent Act housing and the new freedoms enjoyed by housing associations and stock-retaining local authorities, following the advent of “flexible tenancies” and “affordable rents” through the Localism Act 2011.

In the case of farmhouses provided under Agricultural Holdings Act (AHA) tenancies, the rent loss can be particularly acute since the calculation of farm holding rental value takes only minimal account of the rental value of the farmhouse – meaning that the farmhouse is subsidised by the overall farm holding.

This economic context acts as a powerful disincentive to many tenant farmers who might otherwise step aside for the next generation meaning that there is an urgent need to provide retirement housing for AHA tenants. The CLA proposes that lack of retirement housing for tenant farmers is brought centre-stage within rural local authority economic development strategies and planning policies as a “barrier to entry to farming”.

11. Criminal landlord behaviour that originated in the 1950s “Rachmanism” led to controls on security of tenure and rent levels via the Rent Act 1977. This Act generated a negative effect on housing supply and led to the introduction of the Assured Shorthold Tenancy. Owing to the lack of house building in the countryside since World War II, much of rural rented stock is still governed by Rent Act tenancies.



Older Person Bungalows, Derbyshire. Voted 5th best affordable housing scheme at 2013 Inside Housing National Awards. Scheme brought forward by CLA Housing Adviser in former role.

Image courtesy of Kier Group plc.

In 2012, the Welsh White Paper *Better Homes and Communities* grasped the nettle of tenancy reform and undertook to regularise the array of tenancies still in existence in the domestic letting market. The CLA highlighted the detrimental effects of Rent Act and agricultural tenancies through the White Paper consultation period, but in April 2013 it was confirmed that Rent Act tenancies and agricultural tenancies would be excluded from the tenancy reform programme in Wales. This is unfair.

In recognition of the difficulties in bringing forward tenancy reform, the Government should accept that new retirement housing needs to be delivered alongside Rent Act and agricultural tenancy housing stock so that under-occupied units can be made available to successors or to let. Policy HOU10, the Northern Irish Planning Policy which allows for one additional unit to be developed for retirement housing purposes within a single farm holding, is worthy of replication. Government proposals to extend permitted development rights could also be useful.

RECOMMENDATION 5

The CLA recommends that the limitations of agricultural tenancy and Rent Act housing stock are recognised and the following action needs to be taken:

- i. Succession rights and the landlord's difficulty in regaining possession of properties subject to Rent Act-protected housing should be accepted as a material consideration by Local Planning Authorities (LPAs) when assessing applications, by the owner, for new rural housing.
- ii. The Agricultural Holdings Act (AHA) tenancy model of including subsidised housing within the holding should be recognised as a barrier to new entrants to the farming sector within local authority economic development strategies.
- iii. Subsidised farmhouses held within AHA tenancies should be recognised as inappropriate retirement housing.
- iv. Where a planning application is made by the landowner for new housing appropriate to the retiring tenant, planning policies should allow for that new unit to be approved. Policy HOU10, the Northern Irish Planning Policy which allows for one additional unit to be developed for retirement housing purposes within a single farm holding, is worthy of replication in the event that proposed permitted development rights do not come forward.
- v. Housing density targets that are designed for urban areas should not limit the ability to deliver bungalow housing in rural locations.



3.6 Welfare Reform

Unlike the social housing sector, many private landlords do not wish to have housing benefit paid to them directly¹². They would prefer it to go to the tenant. There is dissatisfaction that benefit payment timings do not mirror rent payment requirements and that in cases of error, payments, often totalling up to thousands of pounds, can be claimed back from the landlord rather than the tenant.

For these reasons, some landlords require in the tenancy agreement that tenants in receipt of benefits must have those benefits paid directly to them, rather than the landlord, and that they must take responsibility for ensuring they are entitled to the amount received and for repaying any overpayments.

However, for other landlords, there is a view that if benefit payments are not made directly to them, they will not get paid. This sentiment tends to be expressed in lower value areas where the ability of the tenant client group to manage household finances may be lower. Often the landlord will not be able to prove that the tenant is “vulnerable” – which is generally the policy requirement for most local authorities before they will agree to pay rent to landlords.

Many rural landlords have expressed disquiet over the welfare reform policy of reducing benefit in cases where the size of the dwelling exceeds the needs of the tenant claiming benefits. While the initiative is understood, the

pronounced shortage of one and two bedroom units in rural areas means that rural landlords are now faced with the difficult choice between:

- absorbing rent reductions – limiting the ability to deliver MEP ratings; and
- sourcing larger households to rent their properties.

Evidence gathered to demonstrate the need for smaller units should be considered as part of the planning application process. Where the landlord is unsuccessful in achieving the necessary planning approval, there is a risk that some tenancies may be terminated without an offer of alternative accommodation.

RECOMMENDATION 6

The CLA recommends that welfare reform is used as a trigger to extend housing range and the following action needs to be taken:

- i. For those landlords wishing to receive rent on behalf of benefit claimants, proving tenant “vulnerability” should not be a prerequisite.
- ii. Where housing benefit errors are made, rent monies should not be retrospectively clawed back by councils from landlords.
- iii. In rural locations where a lack of one and two bed units can be proven, neither landlord nor tenant should be penalised through the “bedroom tax”.
- iv. In the context of welfare reform, lack of housing range in rural areas should be a material consideration when planning applications are made to deliver smaller units.

12. Direct payment of housing benefit to tenants as opposed to landlords is a feature of welfare reform.

4. DESIGN AND SUSTAINABILITY

4.1 Housing Range and Community Balance

In 2008 Lord Taylor of Goss Moor, Special Adviser to the Government on Housing and Economy in Rural Communities, identified that the sustainability of many rural villages and settlements has been put at risk as a result of the long-term reluctance to build new housing within or near to them. The low turnover of existing stock coupled with a lack of new stock can mean that bus services, the local shop, village school and pub may have already been lost. In some areas, rural enterprises developed on the back of planning policy capabilities may struggle to find local employees.

Some local authorities are seeking to lessen the risks outlined above through specific planning policies such as rural rebalancing policies where land allocations for housing development are made in rural areas. Staffordshire County Council meanwhile is seeking to influence the seven districts in its county through a rural economic development strategy. The CLA welcomes these efforts which act as a driver to ensure that housing delivery occurs where there is housing need¹³.

Disappointingly, some LPAs have policies that include a strong presumption that all new housing development should be in urban areas. In the event that these local plans¹⁴ are adopted following public inquiry, neighbourhood plans¹⁵ may struggle to achieve the allocations of housing in rural areas desired by local people. Local objections can mean that reliance on neighbourhood plans is a far “riskier” method of delivering rural housing than where distinct allocations are made through the Local Plan.

In this regard, draft planning policy guidance stating that “blanket policies against rural site allocations should be excluded” is welcomed. However, since the draft guidance is tempered with the ability to provide “evidence” for not providing rural allocations, we fear further spurious use by local authorities of conservation area status.

Often, the impetus behind very large or even single exclusive allocations in urban areas is the need to provide for infrastructure projects such as schools, hospitals or bypasses through the Community Infrastructure Levy (CIL). In such circumstances we would encourage local authorities to recognise that CIL-charging schedules can be issued over a wider range of settlements while highlighting the risks to viability if excessive CIL charges are proposed. We would also highlight the risks inherent

in over-reliance on single, large allocations in terms of sustaining a five-year deliverable supply of housing.

Finally, the shortage of smaller units in rural locations should not be viewed exclusively as an “affordable housing” requirement, but rather as a limit on the ability of older people to downsize and younger households to enter rural communities.

13. As required by paragraphs 54 and 55 of the NPPF.

14. Spatial Plans adopted following Examination in Public by individual Local Planning Authorities. They must be NPPF compliant.

15. Spatial Plans generated at the Community Level which must be compliant with the Local Plan.

RECOMMENDATION 7

The CLA recommends housing allocations in rural areas to assist with rural economic development and the following action needs to be taken:

- i. Planning guidance should ensure that paragraph 55 of the National Planning Policy Framework (NPPF), which enables development where there is housing need, is delivered at the local level through rural rebalancing or rural economic development strategies.
- ii. Planning guidance should highlight “housing range” in rural settlements and promote the delivery of two-bedroom units.
- iii. The advent of spurious conservation area status should not present a reason against allocating housing sites in rural areas because good design will mitigate against the visual impact of new housing.

RECOMMENDATION 8

The CLA recommends that when calculating the planning gain required to fund infrastructure, local authorities should issue viable charges across a range of sites as opposed to single charges on large strategic urban extensions which may not come to fruition.



4.2 Affordable Housing

Although the neighbourhood planning process introduced by the Localism Act 2011 is still young, it could struggle to deliver affordable housing in some rural areas because of objections from local residents. Indeed, the fundamental conflict undermining the concept of localism is that it asks individual residents to put the welfare of their community before the value of what in most cases will be their largest asset – their home. Even where the local community is supportive of a neighbourhood plan, there is a risk that some authorities will state that it is not in conformity with the strategic policies of the Local Plan¹⁶.

Tables A and B below show the low levels of rural affordable housing delivery nationally.

Table A. 1 October 2011 – 31 March 2012. NAHP and AHP Rural Starts on Site

Region Name	Affordable Home Ownership	Rent (Affordable Rent and Social Rent)	1 October 2011 – 31 March 2012 Total
East Midlands	21	84	105
East of England	7	83	90
North East	0	19	19
North West	15	96	111
South West	52	227	279
South East	48	193	241
West Midlands	11	107	118
Yorkshire and The Humber	3	39	42
Grand Total	157	848	1,005

Table B. 1 October 2011 – 31 March 2012. NAHP and AHP Rural Completions

Region Name	Affordable Home Ownership	Rent (Affordable Rent and Social Rent)	1 October 2011 – 31 March 2012 Total
East Midlands	40	122	162
East of England	103	308	411
North East	7	77	84
North West	31	73	104
South West	96	303	399
South East	154	481	635
West Midlands	66	224	290
Yorkshire and The Humber	38	121	159
Grand Total	535	1,709	2,244

Source: Homes and Communities Agency.

In the case of rural exception sites, the way in which local authorities interpret paragraph 54 of the NPPF¹⁷ is key. Insistence that use of 100 percent of the capital receipt on open-market units should be used to cross-subsidise affordable units in circumstances where the

resultant affordable housing units are not retained in landowner ownership will merely result in sites not being brought forward.

Some local authorities have recognised the issue and have requested help from the CLA in formulating their guidance. However, local authority proposals tend to rely on the leasing of sites to housing associations or registered provider partners which can run the risk of leasehold enfranchisement on the part of the landowner¹⁸ and alternatives are being explored.

The Growth and Infrastructure Act 2013 allows for the renegotiation of S106¹⁹ affordable housing obligations where it can be proved that the site is no longer viable as a result of the obligation. Amendments to the Bill through the parliamentary process excluded rural exception sites from viability negotiations. There is now a further risk that rural affordable housing will not be delivered because either insufficient cross-subsidy is allowed or because housing associations request development grant that is unavailable.

To circumvent neighbourhood planning and rural exception site delivery risks, we strongly believe that site allocations through the Local Plan process should be used to ensure S106 affordable housing development. Enough viability must be generated to ensure not only provision of affordable units but payment of the local CIL charge and sufficient incentive to ensure site release.

Landowners want to build and retain affordable housing units developed on S106 and rural exception sites they own. There are several ways in which this could occur:

- through registration as a Registered Provider with the Homes and Communities Agency (HCA);
- through formation of a housing charity – linked to umbrella structures such as the Almshouses Association;
- through the lobbying of central government for taxation recommendations as outlined in section 3.1;
- through alternatives to the leasing of sites to Registered Providers²⁰ linked to taxation reform as outlined in section 3.1;
- through the ability to apply for Government-funded development finance guarantees linked to taxation reform as outlined in section 3.1.

16. As allowed through paragraph 185 of the NPPF which is as yet untested.

17. Paragraph 54 introduces the ability for affordable housing to be delivered via cross-subsidy on rural exception sites.

18. The ability of the lessee to purchase the lease, whether residential or business, as established by case law.

19. S106 refers to legal covenants on development land that require certain contributions – often affordable housing.

20. The use of a sliding scale of equity as an alternative whereby the landowner attains 100 percent equity of affordable units once the development finance is repaid.



Regardless of the housing delivery structure used, CLA members are keen to ensure that nominations to affordable housing are restricted to households with a local connection to the settlement or adjacent parishes and not the wider catchment of the Statutory Housing Waiting List. In the case of urban S106 sites, there is acceptance of the requirement to accept some nominations to affordable housing stock from the local authority.

Most authorities use a system of choice-based lettings, essentially a bidding system for persons on the Statutory Housing Waiting List, as a means to allocate affordable housing. Where, as in the case of rural affordable housing, the bidding system needs to be circumvented, local authorities should use local lettings policies in line with S166A(6)(b) of the Housing Act 1996.

The Rural Local Lettings Policy will confirm the ability of the landlord to nominate tenants in perpetuity but also contain a requirement that households nominated by the landlord should comply with eligibility criteria set by the Statutory Housing Waiting List (including either current or historic bronze categories).

Where tenancy management of affordable housing units is concerned, some local authorities are insistent that the services of a housing association are used so that responsive repair times and governance can be tracked by the HCA.

However, there is conflict between a high-handed approach adopted towards the management services on new affordable units constructed without public monies and new freedoms afforded through the Localism Act 2011 as outlined in section 3.2. Through the Localism Act, local authorities are now able to discharge the homelessness duty into the private rented sector, via a PSO, meaning that some of the most vulnerable households are no longer living in accommodation managed by landlords monitored by the HCA.

We propose that the management service required by new affordable housing delivered by CLA members complies with the management service required by local authority PSO policies and that a blanket requirement

for housing association management is not required. It is important to recognise that where CLA members have used private finance to deliver affordable housing they are unlikely to jeopardise the fabric of the resultant asset with poor management practices.

RECOMMENDATION 9

The CLA recommends that the type of affordable housing provider accepted by local authorities is broadened and the following action needs to be taken:

- i. Landowners with S106 sites delivering affordable housing should have the ability to develop and retain control of that affordable housing. Local authorities should use Private Sector Offer (PSO) policies required through the Localism Act 2011, to define the management service required.
- ii. Either 20 percent of the gross capital receipt generated by open-market units should accrue to the landowner where a partner organisation brings forward a rural exception site or, where a partner organisation is not used, the landowner should have the option to retain all affordable housing units on rural exception sites having used 100 percent of the open-market capital receipt to deliver the affordable units. In either case it would be necessary for the Government to confirm that gains would not be within S755 of the Income Tax Act 2007.
- iii. One hundred percent of nomination rights to affordable housing on rural exception sites should rest in perpetuity with the landowner/successors who will “offer up” each nominee for confirmation by the local authority in line with Statutory Housing Waiting List eligibility criteria. On S106 sites, nomination rights to landowners will drop to 10 percent or a minimum of five units in perpetuity.
- iv. Local authorities should comply with guidance from the Department for Communities and Local Government (DCLG) and make allowance for local lettings policies as an addendum to their allocations policies.

4.3 Housing Design

The suburban character of some housing schemes can certainly be detrimental to the rural aesthetic of existing settlements and permanently damage visual amenity – thus providing a powerful tool for those who wish to stop rural house building.

It is vital new developments in the countryside follow design guidelines in terms of massing, palette²¹, orientation and layout. However, only the most expensive housing developments can be expected to be constructed, for example, out of stone. The CLA agrees with the Commission for Architecture and the Built Environment (CABE) that replication is not a prerequisite for good design: “This does not require pastiche. The aim is to exploit qualities in the character of local stock and link to them, not replicate them, recognising that in some circumstances there is a need for a step change in approach to overall design ethos.” (CABE – *Building for Life 12* design guide)

Draft planning guidance for the NPPF in 2013 puts forward the need for a “national design code” – and we would strongly agree with this view. Many local authorities have adopted *Building for Life 12* principles as part of their design guides with development control officers trained in the use of traffic light scoring systems.

The aim is that each new development should achieve 12 “greens” – “ambers” are acceptable, “reds” are unacceptable. We would like to support national roll out of *Building for Life 12* for use as the national design code. However, while the preamble to *Building for Life 12* states that the scoring system is NPPF compliant, two indicators are not – “public transport” and “facilities and services”.

Paragraphs within the NPPF make it clear that flexibility should be shown towards new developments in the countryside, and “red” scores generated by public transport and facilities and services indicators should therefore not be used to dismiss schemes in rural areas.

In terms of developing design feature, which can reduce the risk of flooding, the *Building for Life 12* design guide is helpful: “Identify whether there are any architectural landscape or other features that give a place a distinctive sense of character as a starting point for design. It may be possible to adapt elevations of standard house types to complement local character. Distinctiveness can also be delivered through new designs that respond to characteristics in a contemporary way.”

21. Size, colour and materials.

RECOMMENDATION 10

The CLA recommends that the importance of good design is highlighted in the countryside and particularly in designated areas.

A national design code should be established based on *Building for Life 12*. However, it should be recognised that two indicators within *Building for Life 12* are not National Planning Policy Framework (NPPF) compliant. Rural housing schemes should not be turned down on the basis of either public transport or facilities and services criteria.

RECOMMENDATION 11

The CLA recommends that where there is no alternative to use of the flood plain as a means to deliver new housing, local authorities will need to adapt design guidance to enable appropriate flood mitigation.

4.4 New-Build Standards

In 2012, the new-build standards trajectory for housing in England and Wales was for buildings to reach Code Level 4 by 2013²² with zero-carbon standards²³ targeted to happen in 2016.

While Wales appeared determined to stick to that trajectory, the Coalition Government delayed any move that would raise build costs during the economic downturn, before releasing a consultation in late 2013²⁴ that proposed the phasing out of the Code for Sustainable Homes. The Government now seeks to introduce zero-carbon standards for new-build housing through amendments to Building Regulations.

We support the streamlining of standards and regulation and agree that the proliferation of local standards brought forward by individual local authorities should be halted. However, we feel that the introduction of zero-carbon homes by 2016 is ambitious and could be difficult to implement in rural areas. This is because, under new proposals, the Government seeks to introduce zero-carbon homes via a total reliance on building fabric to the detriment of renewable technologies by eradicating the Merton Rule²⁵.

22. The Code for Sustainable Homes moved building standards beyond Building Regulation standards once Level 4 was reached. Zero-carbon standards would have been equivalent to Code Level 5 or 6.

23. Meaning that the new-build property is “carbon neutral”.

24. DCLG Housing Standards Review 2013.

25. A mandatory requirement to include renewable technologies in the delivery of zero-carbon homes.

Figure 1 below was generated in 2010 and excludes the modelling of build costs on rural sites owing to the absolute constraint on rural housing before the NPPF. Figure 1 shows that in 2010 the intended developer approach was to meet 2016 zero-carbon standards through use of renewable technologies alongside improvements to the fabric of the building.

Code for Sustainable Homes	Level 1, 2, 3 & 4	Level 5 & 6
Small Brownfield	Good fabric + PV	Good + BM HOB & PV
City Infill	Good fabric + PV	Good + BM HOB/DH & PV
Edge of Town	Good fabric + PV	Good + BM HOB & PV
Urban Regeneration	Good fabric + PV	Good + BM CHP/DH & PV
Strategic Greenfield	Good fabric + PV	Good + BM HOB & PV

Figure 1. Lowest cost energy strategies selected in overall modelling of Code costs.

However, developers also listed the following reasons explaining why renewable technologies should not be used to reach zero-carbon:

- insufficient roof space in which to place photovoltaics (PV);
- lack of robust supply chain for biomass fuel provision plus air quality issues;
- space constraints for wind turbine technology; and
- inappropriateness of anaerobic digesters.

In most circumstances, these constraints are less problematic for the rural landowner and on rural housing schemes. The CLA urges the Department for Communities and Local Government (DCLG) to work closely with DECC to model zero-carbon homes delivery on rural sites because since the advent of DECC's RHI and the Feed-in Tariff (FIT), the cost of renewable technologies has from 2010 gone down.

Renewable technologies are likely to represent a cheaper way for rural schemes to be carbon neutral and a flexible approach is required. Rigid new requirements that promote fabric over renewable technologies within building regulations could disadvantage small rural schemes which, by their nature, are more expensive to deliver.

In other areas of the Housing Standards Review 2013, we agree with the Government's views. The CLA agrees that space standards for affordable housing should be the same as for private sector housing and that standards covering disability access should be localised

and costed. Likewise, we agree that Secure by Design requirements should be streamlined into Building Regulations as a means to reduce administrative burden and deliver on the Government's "Red Tape Challenge".

RECOMMENDATION 12

The CLA recommends analysis of the contribution of renewable technology to new-build standards on rural schemes and the following action is required:

- Code Level 3 for Sustainable Homes, or its equivalent, should remain the standard in rural areas until 2018 to give the Government time to model the effects of new-build standards on rural schemes, including analysis of renewable technology versus improved fabric.
- A total reliance on building fabric to the detriment of renewable technologies as a means to deliver zero-carbon homes should be avoided. Those wishing to comply with the Merton Rule by using renewable technologies to deliver zero-carbon homes should still be able to do so.

RECOMMENDATION 13

The CLA recommends the streamlining of affordable housing space standards so they are the same as those within the private housing sector.

These standards should be described in terms of national minimum internal space standards. Disability access standards should be devolved and costed locally.



5. HOUSING GROWTH TO DELIVER ECONOMIC GROWTH

5.1. Housing Numbers

England's population is growing with the number of households expected to rise by 232,000 per year to 2033 (DCLG's 2011 report *Laying the foundations: a housing strategy for England*). LPAs must set aside enough land to satisfy housing demand and, in this respect, the NPPF advises the use of:

- Strategic Housing Market Assessments (SHMAs);
- Strategic Housing Land Availability Assessments (SHLAA).

However, research commissioned in 2012 found that English local authorities were planning for 272,720 fewer homes than they had been in 2010 (Tetlow King Planning). Reports in the national press also cited difficulties between neighbouring authorities required to agree housing numbers – known as the “duty to co-operate”:

“Stevenage contends that the other nine district councils in Hertfordshire are lowering their housing targets. They claim that this will lead to a shortfall of 50,000 homes by 2033. The duty to co-operate is flawed because local politics breeds different, sometimes conflicting, local visions for everything from employment to housing. Without a regional level of oversight to knock heads together, more councils could become locked into long disputes over housing and as a result, new homes will take longer to deliver.” (The Guardian)

The situation is complicated by the fact that, historically, the Government has not wanted to lay down in detail the method for calculating housing need preferring instead that local authorities should prepare their own guidance (House of Commons Standard Note SN/SC/3741).

The CLA has made it clear to the Government that:

- Robust guidance is required at a national level so that local authorities can regularly calculate housing need using recognised methodologies from robust evidence bases.
- The methodology should not use the Statutory Housing Waiting List as evidence of the need for affordable housing base because local authorities now have varying ways of assessing affordable housing need (see Appendix 1).
- The methodology should include “households in rural housing, uneconomic to bring up to an EPC rating of ‘E’” within the types of households considered to be in housing need.

- The methodology should acknowledge that the pattern of employment land supply will change as a result of NPPF freedoms enabling rural economic growth and that this will affect the need for housing.
- The methodology should take into account the stock of holiday housing in a local authority area and articulate the economic activity generated before discounting it from local housing supply²⁶.
- Where holiday accommodation oversupply is identified by the relevant tourist board, this too should be articulated in the SHMA. This is so that existing planning conditions on holiday accommodation can be lifted and business rates are not levied on empty properties where there is no demand. Future planning conditions requiring conversions to be utilised as holiday lets would not be issued in these circumstances.
- The duty to co-operate is open to interpretation and to generate a strategic overview of housing need, the duty to prepare a SHMA should be given to the Local Enterprise Partnerships (LEPs), alongside its economic development role. The 2013 decision to top-slice New Homes Bonus and award additional monies to LEPs is supported by the CLA on the basis that LEP capacity linked to housing should increase.
- As part of this duty, LEPs need to recognise the investment potential largely untapped in their rural hinterland.
- The methodology needs to clarify paragraph 184 of the NPPF which states that “neighbourhood plans must be in general conformity with the strategic policies of the Local Plan”.

Draft NPPF planning guidance released in 2013 has demonstrated considerable alignment with Recommendation 14. Although further work is required, lobbying successes can already be demonstrated on the back of CLA housing policy recommendations.

26. SHMA methodologies map existing housing supply as a means to calculate housing need.



RECOMMENDATION 14

The CLA recommends the robust calculation of housing need and supply and the following action needs to be taken:

- i. The Government should issue detailed guidance with regard to the regular delivery of Strategic Housing Market Assessments (SHMAs). The guidance needs to clarify paragraph 184 of the National Planning Policy Framework (NPPF) and the extent to which neighbourhood plans can be fettered by the Local Plan.
- ii. Local Enterprise Partnerships (LEPs) should be given the duty to deliver SHMAs, alongside their economic development role, on the basis that housing growth represents economic growth. The top-slicing of New Homes Bonus in favour of LEPs will increase their capacity and is welcome.
- iii. The methodology for calculating housing need should take holiday accommodation into account and calculate local spend/multipliers before discounting that supply from local housing stock. This approach requires consultation with the relevant tourist board and may uncover a surplus of holiday accommodation, in which case planning conditions on surplus stock should be lifted and new conversions allowed to provide domestic accommodation.
- iv. The SHMA methodology should not use the Statutory Housing Waiting List as a means to assess affordable housing need, because new freedoms delivered by the Localism Act 2011 mean the accuracy of the data can no longer be relied upon.
- v. The SHMA methodology should recognise that the ability to generate employment in rural areas is new. SHMA guidance should recognise the ability of the rural economy to grow and lead to contingency for housing windfall sites in rural areas, totalling 10 percent across the LEP area.
- vi. The SHMA should be the route through which the need for smaller units in the countryside is identified. The SHMA should also recognise that rural units that are uneconomic to bring up to an Energy Performance Certificate (EPC) rating of “E” may contain households in housing need.

5.2. Viability

The SHMA is the means through which housing need is calculated and the SHLAA is the means through which

those numbers are expressed in practice – through the allocation of development sites. In the main, existing SHLAA guidance is sound but either:

- has not been properly implemented by local authorities owing to political pressure and misunderstanding about the role of the greenbelt; or
- has been implemented at a time prior to austerity when public sector clean-up budgets existed for contaminated brownfield sites; or
- has been implemented at a time when market conditions and viability were better; or
- has failed to recognise derelict urban brownfield sites that are not viable to bring forward for housing development can regenerate naturally and deliver biodiversity and new ecosystems.

Existing SHLAA guidance (2007) makes specific reference to housing land allocations in greenbelt, national parks and AONBs by stating:

“The scope of the assessment should not be narrowed down by existing policies designed to constrain development so that the local planning authority is in the best possible position when it comes to decide its strategy for delivering its housing objectives.” (Paragraph 21)

New SHLAA guidance should require LPAs to provide up-to-date and fully justified evidence to support their reasons for not allocating housing development land in the greenbelt and other designated areas in situations where their housing numbers and viability require them to do so.

This is relevant where national infrastructure projects are concerned which, by their nature, will open up demand for new housing sites in previously unrequired areas. Where land supply is limited, SHLAA guidance should require LPAs to calculate whether flood plain sites can be made viable via “design mitigation” as opposed to the often expensive “de-contamination” of brownfield sites.

The issue of rural sustainability is omitted from current SHLAA guidance. This is perhaps best understood when the age of current guidance is considered. The year 2007 represented the height of the property boom in England and Wales with rural sustainability, rural growth and rural broadband almost entirely absent from government policy at that time. However, the omission needs to be rectified because:

- a. the current system of relying on rural exception sites or neighbourhood plans is at risk of “blocking” activity through the planning process;

b. working from home represents a legitimate tool through which the knowledge economy can be delivered to the regions over time as a means to reduce large variations in national land values and household incomes (see Figure 2 below).

Finally, the role of the SHLAA alongside the “duty to co-operate” needs to be considered. Alongside the proposal to require the LEPs to deliver SHMAs, delivery of the SHLAA by the LEPs will deliver consistency alongside their role in delivering employment land availability assessments.

This is particularly relevant where new towns or garden cities are being considered. Partnership activity with landowners and land pooling will be key actions required to reduce the risk of lengthy and unnecessary compulsory purchase order activity.

As with Recommendation 14, however, draft NPPF planning guidance released in 2013 has demonstrated considerable alignment with Recommendation 15 below. Although further work is required, another “quick win” for the CLA’s housing policy can be demonstrated.

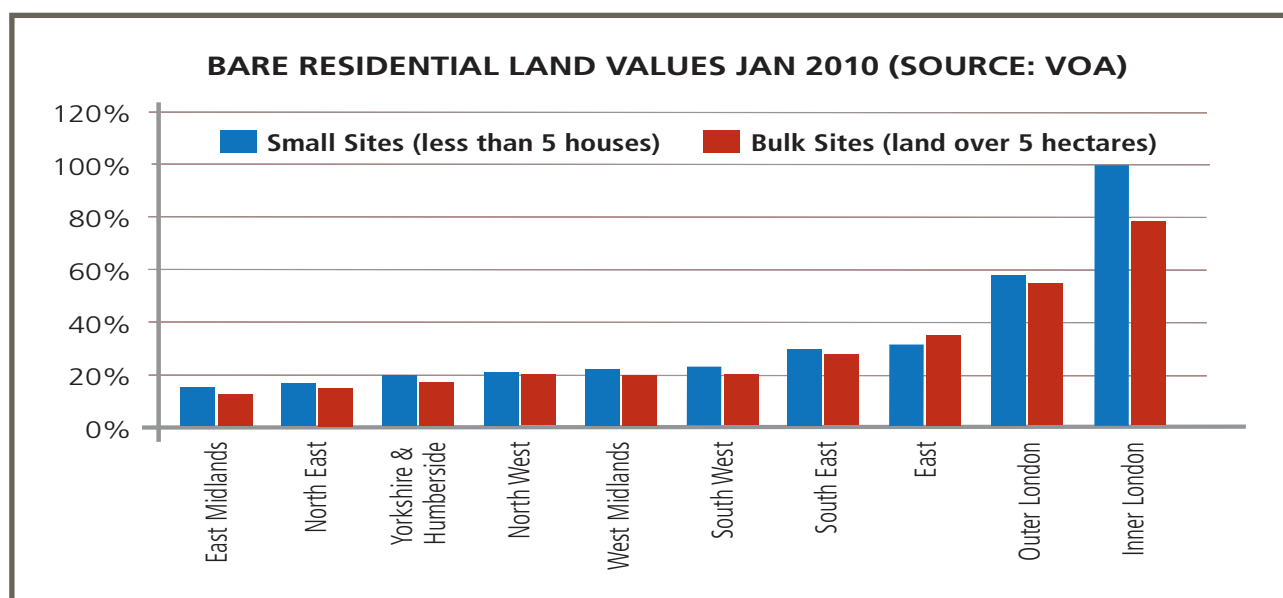


Figure 2. Recreated from Homes and Communities Agency data.

RECOMMENDATION 15

The CLA recommends that Strategic Housing Land Availability Assessment (SHLAA) guidance is updated to take account of austerity and the following actions need to be taken:

- i. Local Planning Authorities (LPAs) should be required to reassess the viability of historic urban brownfield allocations since public sector grant aid for clean-up no longer exists.
- ii. Guidance should state the need to allocate land protected by designations where viability and housing need dictate the requirement to do so.
- iii. Guidance should recognise that design mitigation relating to physical constraints (such as flood risk) can be more cost-effective as a means to bring land forward than activity required to clean up polluted or contaminated urban sites.
- iv. Guidance should include a requirement for LPAs to take account of future, national infrastructure projects, including rural broadband that can and will open up new housing sites and deliver the knowledge economy to the regions.
- v. Guidance should highlight the importance of rural site allocation linked to all rural settlements of all sizes as the current system of relying on neighbourhood plans or rural exception sites to deliver rural sustainability is difficult to implement and can be blocked by the planning system.
- vi. Guidance should recognise urban brownfield land that is not viable for redevelopment can regenerate naturally and provide both new ecosystems and biodiversity; this should help deliver paragraph 109 of the National Planning Policy Framework (NPPF).
- vii. Guidance should introduce the requirement for delivery of the SHLAA to happen at the Local Enterprise Partnership (LEP) level and the ability to link the SHLAA process to the duty to co-operate should be considered. This is particularly important where new towns or garden cities are being considered because partnerships with landowners and land pooling may be necessary.

5.3. Site Delivery

Planning authorities often demand huge quantities of material before they will validate planning applications for small-scale rural development. Some rural-based planning authorities do not provide pre-application advice or charge far too much for it. Therefore, many small-scale rural-based developers cannot obtain pre-application advice or, if it is available, the cost of obtaining the advice can be more expensive than the overall cost of the development proposal itself.

So, for many small-scale rural developers the first time the applicant hears from the planning authority is when the application is submitted. Additional costs are incurred because of demands for accompanying reports and statements and the imposition of numerous

conditions by risk-averse planning departments, many of which are not required for urban-based applications.

The CLA has raised concerns over the requirement to submit environmental impact assessments and environmental statements. These types of assessments are needed for major developments. However, more recently the CLA has been told that these assessments are being requested by planning authorities for smaller scale rural development as well.

Whether for large or small development, these are complex assessments and the costs of completing such assessments vary depending on the scale and nature of development because there is often a need to employ specialist consultants. Costs can vary from £1,000 to more than £1million.

RECOMMENDATION 16

The CLA recommends that disproportionate planning regulation is reduced and the following action needs to be taken:

- i. There needs to be consistency across all planning authorities on providing pre-application advice at an affordable price for small-scale rural developers. Regardless of the size of the proposed development, this advice is particularly necessary if well-considered appropriate development proposals, with relevant additional information, are to be submitted by small-scale rural developers.
- ii. Planning authorities tend to adopt a “one-size-fits-all” approach to the planning application process, not least in the information they require from applicants. This does not work. The information required must be relevant, and its extent must be proportionate to the proposed development and reasonable in all other respects.
- iii. Clearer guidance must be produced on when an environmental impact assessment or environmental statement is required, especially in respect of small-scale rural development proposals.
- iv. The costs of planning-related fees must be proportionate to the size and/or nature of the rural development in question and an urgent review of planning fees payable is needed.



5.4. Rural Enterprise Housing

Planning guidance in force before the NPPF was adopted set out government policy on when planning permission should be given for rural enterprise dwellings in rural areas. In essence, applicants were required to satisfy both financial and functional tests. The functional tests were known as “essential need” criteria and the requirement was for the rural economy worker to be engaged full-time in the business in question.

The abolition of financial and functional tests in the NPPF was welcome. They were frequently unhelpful in providing essential homes in the countryside to support rural businesses. However, this abolished guidance is still being used in appeal decisions by inspectors. This suggests there is still a need for a national guidance when determining such applications.

Reinstatement of former guidance is not the best way forward. The CLA welcomes proposals to extend permitted development rights so that they cover residential units, but there is recognition that, where the rural enterprise is new and entirely comprised of bare land, anticipated permitted development rights will not enable the development of a new home. There are also concerns regarding the proposed “either/or” blocks on investing in rural housing and rural buildings. We propose that judgments surrounding the appropriateness of a residential unit in the countryside, linked to a rural business, are restricted to whether 25

percent of household income is generated from the rural business in question.

Finally, there is a desire to ensure acknowledgement of “live-work” units – accommodation in which the occupants live and work – in planning guidance. Live-work units can deliver rural growth by attracting the knowledge economy to the regions.

RECOMMENDATION 17

The CLA enthusiastically supports government proposals to extend permitted development rights to encompass residential development and the following actions need to be taken:

- i. “Either/or” blocks on investing in rural housing and rural buildings need to be softened so that a time-limited approach is offered.
- ii. The definition of rural economy worker should be broadened to fit with paragraph 28 of the National Planning Policy Framework (NPPF).
- iii. Planning guidance should confirm the requirement for 25 percent of household income to be generated by a rural business before a new residential unit can be enabled on the bare land in question.
- iv. The development of live-work units should be acknowledged as a means to deliver growth in rural areas.



6. SUMMARY OF RECOMMENDATIONS

How the Government delivers housing supply is crucial to a range of inter-connected issues – including a growing and ageing population and a world economy that is still recovering from the global financial crisis. The CLA's recommendations below outline the contribution that is already made by CLA members and the future contribution that they are able to make through expansion of the rural economy.

Our recommendations have also been formulated to reflect a world where, to work effectively as a member of the knowledge economy, you no longer have to live in an urban location.

In this approach we are offering a fundamental shift – one where earnings generated through a fibre-optic cable can be used to support local services in often remote or low-value locations – thus smoothing land values and ensuring rural settlement sustainability.

Protecting and Maintaining Existing Supply

3.1 Taxation

Recommendation 1

The CLA recommends that the private landlord contribution to new-build market-rented housing supply, and existing affordable housing supply, is incentivised by Capital Taxation deferment and the following action needs to be taken:

- i. Adaptation of Taxation of Chargeable Gains Act 1992 S247 (see Appendix 2 in the CLA report *Tackling the Housing Crisis in England*) to provide a form of rollover relief to encourage private landowners to increase the supply of new market-rented accommodation.
- ii. Adaptation of Inheritance Tax Act 1984 S104 business property reliefs (see Appendix 3 in the CLA report *Tackling the Housing Crisis in England*) to encourage private landowners to increase the supply of new market-rented accommodation.
- iii. Adaptation of reliefs above to encourage private landowners to increase the supply of affordable housing covering new and existing stock.

- iv. If an existing building is being brought forward as new housing stock through conversion work, there should be no VAT levied on that unit since, essentially, it will be a new-build unit and therefore helping with the national housing undersupply crisis.

3.2 Housing Regulation

Recommendation 2

The CLA recommends judicious use of existing housing regulation powers and the following action needs to be taken:

- i. Local authorities should use selective licensing schemes rather than mandatory landlord licensing to tackle criminal landlords.
- ii. The “general consent” published by the Government in 2010 should be revoked. The requirement for local authorities to apply to the Secretary of State for Communities and Local Government evidencing their reasons for requiring grant of selective licensing powers, in line with the Housing Act 2004, should be re-established.
- iii. Instead of regulation, the Government should consider tax incentives to encourage landlords to offer longer terms voluntarily. Allowing tenants to demand longer rental terms via a “Tenants’ Charter” could harm rented housing supply.

3.3 Stock Management

Recommendation 3

The CLA recommends that older housing supply is valued and safeguarded and the following action needs to be taken:

- i. Properties that are vacant and undergoing major repair work or structural alteration should be exempt from Council Tax for up to 12 months.
- ii. The UK Government should take advantage of option 10(a) in Annex III of Directive 2006/112/EC (the VAT Directive) to apply a reduced rate of VAT to the renovation and repair of private dwellings.

3.4 Energy Efficiency

Recommendation 4

The CLA recommends a consistent policy approach to Minimum Energy Performance (MEP) in dwellings and the following action needs to be taken:

- i. The proposals put together by the Sustainable Traditional Buildings Alliance (see Appendix 4 in the CLA report *Tackling the Housing Crisis in England*) should be used to develop a new Energy Performance Certificate (EPC) methodology by 2015 because the EPC rating methodology has been designed for modern properties and is not suited to traditional properties without cavity walls.
- ii. The issue of market failure needs to be recognised with respect to energy efficiency materials. Solid wall insulation should be excluded as a “Green Deal Measure” by the Department for Energy and Climate Change (DECC) until appropriate technologies are developed for traditional properties.
- iii. Green Energy taxes allocated to fund Solid Wall Insulation inappropriate for traditional properties should be re-allocated to fund renewable energy technologies as a means to reduce CO₂ emissions.
- iv. The EPC rating methodology should take account of the embodied carbon within existing buildings and calculate the new carbon generated as a result of plastic double glazing and other Green Deal/ECO-funded interventions.
- v. An EPC rating of “E” is not appropriate for buildings constructed without a cavity wall by the 2018 regulation enforcement date and a rating of “G” is proposed. The MEP rating for traditional properties should rise five years after the EPC methodology has been amended.
- vi. The Government should take account of the “golden rule” before banning the letting of “F” and “G” rated properties through the Housing Health and Safety Rating System (HHSRS) so that existing housing supply is not burdened with enforced vacancies. The need to identify “F” and “G” properties uneconomic to bring up to standard in rural areas, should be seriously considered for inclusion within National Planning Policy Framework (NPPF) guidance on housing needs studies. This would enable new units to be delivered.
- vii. Landlord’s Energy Savings Allowance (LESA) availability should be extended beyond 2018 and

cover £5,000 per annum spend per property as opposed to the current £1,500.

- viii. Where tenants refuse to sign up to a Green Deal plan, DECC should have a memorandum of understanding in place with the Valuation Office Agency so that consistency is delivered during Rent Act Tenancy Rent setting. The benchmark of 80 percent of open-market rents should be the minimum charge in order to assist with the payment of energy efficiency interventions needed to deliver MEP ratings.
- ix. Works required to deliver improved energy efficiency should be classed as repairs and not improvements for taxation purposes owing to the mandatory nature of new energy efficiency regulations.

3.5 Retirement Housing

Recommendation 5

The CLA recommends that the limitations of agricultural tenancy and Rent Act housing stock are recognised and the following action needs to be taken:

- i. Succession rights and the landlord’s difficulty in regaining possession of properties subject to Rent Act-protected housing should be accepted as a material consideration by Local Planning Authorities (LPAs) when assessing applications, by the owner, for new rural housing.
- ii. The Agricultural Holdings Act (AHA) tenancy model of including subsidised housing within the holding should be recognised as a barrier to new entrants to the farming sector within local authority economic development strategies.
- iii. Subsidised farmhouses held within AHA tenancies should be recognised as inappropriate retirement housing.
- iv. Where a planning application is made by the landowner for new housing appropriate to the retiring tenant, planning policies should allow for that new unit to be approved. Policy HOU10, the Northern Irish Planning Policy which allows for one additional unit to be developed for retirement housing purposes within a single farm holding, is worthy of replication in the event that proposed permitted development rights do not come forward.

- v. Housing density targets that are designed for urban areas should not limit the ability to deliver bungalow housing in rural locations.

3.6 Welfare Reform

Recommendation 6

The CLA recommends that welfare reform is used as a trigger to extend housing range and the following action needs to be taken:

- i. For those landlords wishing to receive rent on behalf of benefit claimants, proving tenant “vulnerability” should not be a prerequisite.
- ii. Where housing benefit errors are made, rent monies should not be retrospectively clawed back by councils from landlords.
- iii. In rural locations where a lack of one and two bedroom units can be proven, neither landlord nor tenant should be penalised through the “bedroom tax”.
- iv. In the context of welfare reform, lack of housing range in rural areas should be a material consideration when planning applications are made to deliver smaller units.

Design and Sustainability

4.1 Housing Range and Community Balance

Recommendation 7

The CLA recommends housing allocations in rural areas to assist with rural economic development and the following action needs to be taken:

- i. Planning guidance should ensure that paragraph 55 of the National Planning Policy Framework (NPPF), which enables development where there is housing need, is delivered at the local level through rural rebalancing or rural economic development strategies.
- ii. Planning guidance should highlight “housing range” in rural settlements and promote the delivery of two-bedroom units.
- iii. The advent of spurious conservation area status should not present a reason against allocating housing sites in rural areas because good design will mitigate against the visual impact of new housing.

Recommendation 8

The CLA recommends that when calculating the planning gain required to fund infrastructure, local authorities should issue viable charges across a range of sites as opposed to single charges on large strategic urban extensions which may not come to fruition.

4.2 Affordable Housing

Recommendation 9

The CLA recommends that the type of affordable housing provider accepted by local authorities is broadened and the following action needs to be taken:

- i. Landowners with S106 sites delivering affordable housing should have the ability to develop and retain control of that affordable housing. Local authorities should use Private Sector Offer (PSO) policies required through the Localism Act 2011, to define the management service required.
- ii. Either 20 percent of the gross capital receipt generated by open-market units should accrue to the landowner where a partner organisation brings forward a rural exception site or, where a partner organisation is not used, the landowner should have the option to retain all affordable housing units on rural exception sites having used 100 percent of the open-market capital receipt to deliver the affordable units. In either case it would be necessary for the Government to confirm that gains would not be within S755 of the Income Tax Act 2007.
- iii. One hundred percent of nomination rights to affordable housing on rural exception sites should rest in perpetuity with the landowner/successors who will “offer up” each nominee for confirmation by the local authority in line with Statutory Housing Waiting List eligibility criteria. On S106 sites, nomination rights to landowners will drop to 10 percent or a minimum of five units in perpetuity.
- iv. Local authorities should comply with guidance from the Department for Communities and Local Government (DCLG) and make allowance for local lettings policies as an addendum to their allocations policies.

4.3 Housing Design

Recommendation 10

The CLA recommends that the importance of good design is highlighted in the countryside and particularly in designated areas.

A national design code should be established based on *Building for Life 12*. However, it should be recognised that two indicators within *Building for Life 12* are not National Planning Policy Framework (NPPF) compliant. Rural housing schemes should not be turned down on the basis of either public transport or facilities and services criteria.

Recommendation 11

The CLA recommends that where there is no alternative to use of the flood plain as a means to deliver new housing, local authorities will need to adapt design guidance to enable appropriate flood mitigation.

4.4 New-Build Standards

Recommendation 12

The CLA recommends analysis of the contribution of renewable technology to new-build standards on rural schemes and the following action is required:

- i. Code Level 3 for Sustainable Homes, or its equivalent, should remain the standard in rural areas until 2018 to give the Government time to model the effects of new-build standards on rural schemes, including analysis of renewable technology versus improved fabric.
- ii. A total reliance on building fabric to the detriment of renewable technologies as a means to deliver zero-carbon homes should be avoided. Those wishing to comply with the Merton Rule by using renewable technologies to deliver zero-carbon homes should still be able to do so.

Recommendation 13

The CLA recommends the streamlining of affordable housing space standards so they are the same as those within the private housing sector.

These standards should be described in terms of national minimum internal space standards. Disability access standards should be devolved and costed locally.

Housing Growth to Deliver Economic Growth

5.1 Housing Numbers

Recommendation 14

The CLA recommends the robust calculation of housing need and supply and the following action needs to be taken:

- i. The Government should issue detailed guidance with regard to the regular delivery of Strategic Housing Market Assessments (SHMAs). The guidance needs to clarify paragraph 184 of the National Planning Policy Framework (NPPF) and the extent to which neighbourhood plans can be fettered by the Local Plan.
- ii. Local Enterprise Partnerships (LEPs) should be given the duty to deliver SHMAs, alongside their economic development role, on the basis that housing growth represents economic growth. The top-slicing of New Homes Bonus in favour of LEPs will increase their capacity and is welcome.
- iii. The methodology for calculating housing need should take holiday accommodation into account and calculate local spend/multipliers before discounting that supply from local housing stock. This approach requires consultation with the relevant tourist board and may uncover a surplus of holiday accommodation, in which case planning conditions on surplus stock should be lifted and new conversions allowed to provide domestic accommodation.
- iv. The SHMA methodology should not use the Statutory Housing Waiting List as a means to assess affordable housing need, because new freedoms delivered by the Localism Act 2011 mean the accuracy of the data can no longer be relied upon.
- v. The SHMA methodology should recognise that the ability to generate employment in rural areas is new. SHMA guidance should recognise the ability of the rural economy to grow and lead to contingency for housing windfall sites in rural areas, totalling 10 percent across the LEP area.
- vi. The SHMA should be the route through which the need for smaller units in the countryside is identified. The SHMA should also recognise that rural units that are uneconomic to bring up to an Energy Performance Certificate (EPC) rating of "E" may contain households in housing need.

5.2 Viability

Recommendation 15

The CLA recommends that Strategic Housing Land Availability Assessment (SHLAA) guidance is updated to take account of austerity and the following actions need to be taken:

- i. Local Planning Authorities (LPAs) should be required to reassess the viability of historic urban brownfield allocations since public sector grant aid for clean-up no longer exists.
- ii. Guidance should state the need to allocate land protected by designations where viability and housing need dictate the requirement to do so.
- iii. Guidance should recognise that design mitigation relating to physical constraints (such as flood risk) can be more cost-effective as a means to bring land forward than activity required to clean up polluted or contaminated urban sites.
- iv. Guidance should include a requirement for LPAs to take account of future, national infrastructure projects, including rural broadband that can and will open up new housing sites and deliver the knowledge economy to the regions.
- v. Guidance should highlight the importance of rural site allocation linked to all rural settlements of all sizes as the current system of relying on neighbourhood plans or rural exception sites to deliver rural sustainability is difficult to implement and can be blocked by the planning system.
- vi. Guidance should recognise urban brownfield land that is not viable for redevelopment can regenerate naturally and provide both new ecosystems and biodiversity; this should help deliver paragraph 109 of the National Planning Policy Framework (NPPF).
- vii. Guidance should introduce the requirement for delivery of the SHLAA to happen at the Local Enterprise Partnership (LEP) level and the ability to link the SHLAA process to the duty to co-operate should be considered. This is particularly important where new towns or garden cities are being considered because partnerships with landowners and land pooling may be necessary.

5.3 Site Delivery

Recommendation 16

The CLA recommends that disproportionate planning regulation is reduced and the following action needs to be taken:

- i. There needs to be consistency across all planning authorities on providing pre-application advice at an affordable price for small-scale rural developers. Regardless of the size of the proposed development, this advice is particularly necessary if well-considered appropriate development proposals, with relevant additional information, are to be submitted by small-scale rural developers.
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- iv. The development of live-work units should be acknowledged as a means to deliver growth in rural areas.

7. APPENDICES

7.1 Appendix 1 – Background

7.1.1 Building on Success

The recommendations of the previous CLA housing policy report *Housing the Rural Economy*, published in 2004, are beginning to bear fruit in England. Many of its recommendations focused on the inequalities inherent within a planning system that:

- stifled the breadth of the rural economy and generated large house price differentials with urban areas making rural housing a sought-after commodity unaffordable for younger households and existing rural economy workers;
- failed to recognise that without new housing in rural locations, the sustainability of those settlements would be affected through a mixture of low turnover and ageing populations; and
- failed to recognise that many urban brownfield sites faced with extensive clean-up programmes would be unviable and, therefore, should not have been allocated for housing provision.

7.1.2. Where we are Today

The changes to bank lending behaviour, with greater reserves required by mortgage providers, have seen lending to house purchasers and house builders in England fall to historically low levels (Figure 3). Based on current trends, and depending on the success of “Help

to Buy” products, there is an expectation that by 2014/15, there will be more outright owners than households with a mortgage (Hometrack).

When mortgage unavailability is viewed alongside austerity measures and cuts in affordable housing grant funding, the national slump in construction goes some way to explaining both the reduction in Gross Domestic Product (GDP) and the acute shortfall in housing supply.

A notable trend to come out of the credit crunch is the rise in private sector rented units, which will exceed the number of social rented units by 2020 if the current trend continues. Research undertaken by the British Social Housing Foundation (BSHF) in 2010 also indicated that if current trends continue, 20 percent of all households in the UK could be private renters by 2020.

In fact, the private rented sector has grown by 91 percent over the past 20 years (Hometrack) meaning that despite historic mortgage availability, new-build delivery has failed to keep up with housing need over a prolonged period of time (Figure 4).

Indeed, the presumption that the rise in the private rented sector has been created from existing stock as opposed to new-build stock is verified by a 2010 DCLG survey into private sector landlordism. Only nine percent of private sector rented stock was found to have been sourced from new-build stock with a mere four percent of that figure built specifically for the buy-to-let market.

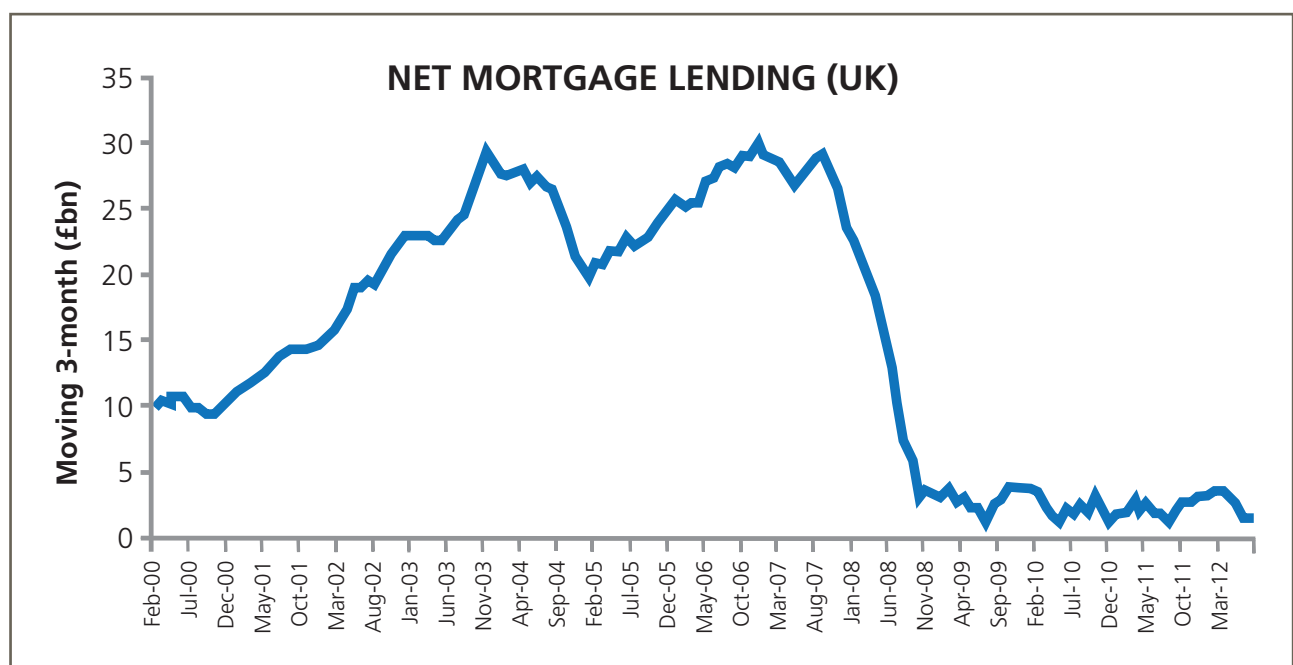


Figure 4. Recreated from Home Builders Federation graph.

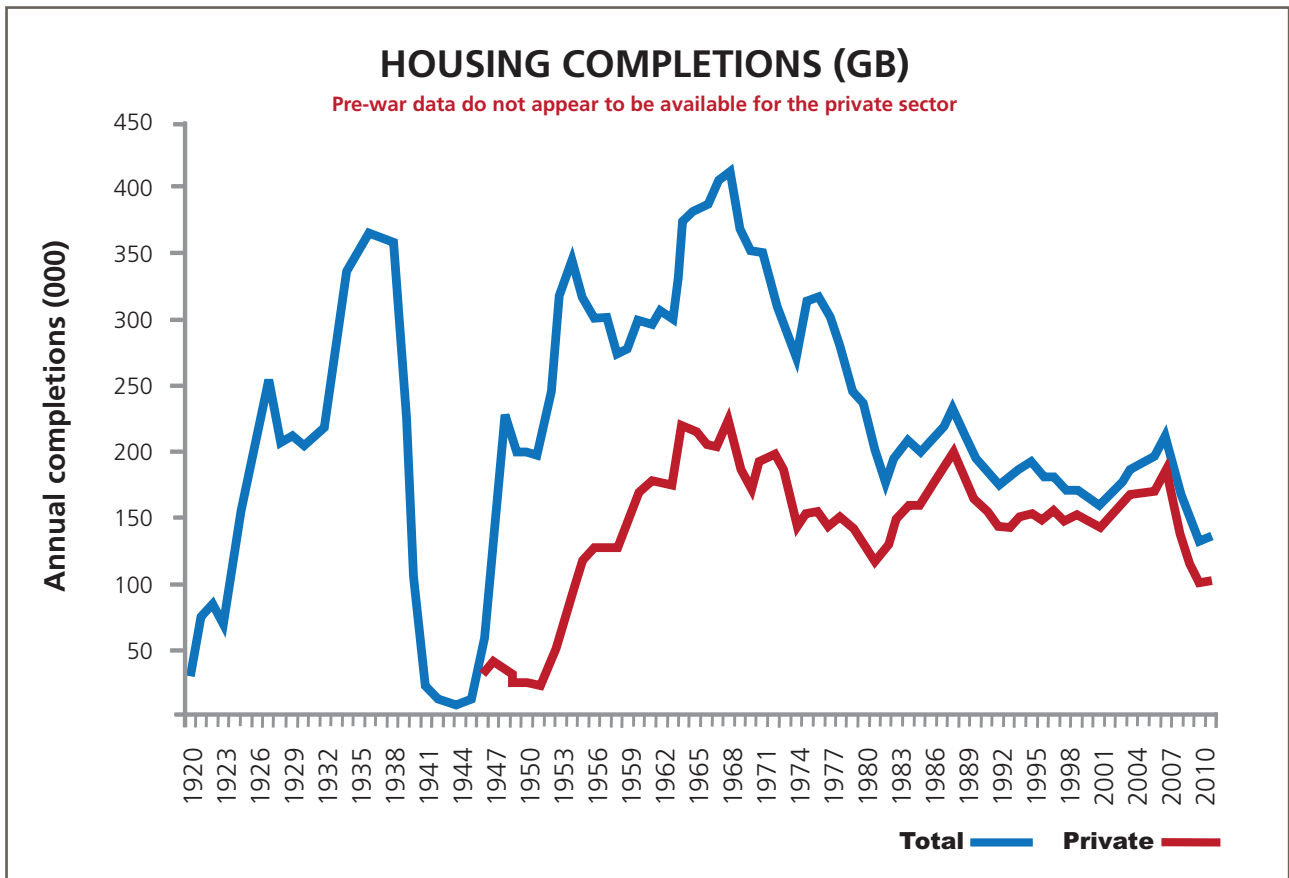


Figure 5. Recreated from Home Builders Federation graph.

7.1.3. What does this mean for CLA Members?

Contrary to the credit crunch and reduced returns in large sectors of England's property market, the price of some farmland has risen meaning that many CLA members have seen an increase in borrowing capability. This report seeks to harness this capability by helping to mitigate national housing supply shortfall and securing increased housing delivery in practice.

A target of 200,000 residential planning permissions achieved by CLA members in England by 2020 would perform the function of a "statement of intent" for both the policy, and the organisation. The tax implications to the membership of delivering heightened housing supply are highlighted within the body of this report and act as a caveat to the 200,000 unit target.

A self-sustaining rural economy that contributes to national economic growth targets need not compromise the rural idyll treasured by urban and country dwellers alike. Alongside proposals for limiting CO₂ emissions and taking advantage of renewable technologies in existing and new stock, this housing policy report contains strong place-shaping and design recommendations to try to make sure the beauty of the English landscape is enhanced by new developments.

7.2 Appendix 2 – Rented Housing Taxation Deferment

It has been recommended that S247 of the Taxation of Chargeable Gains Act 1992, which provides a form of rollover relief where land is compulsorily purchased, be adapted to provide a form of rollover relief to encourage private landowners to increase the supply of rented accommodation.

What makes this relief suitable, rather than the existing rollover relief available to farmers and other traders, is that:

- the relief is available to the landowner, who farms the land, or who lets it;
- the relief is available to the landowner who reinvests in land to be used, by the landowner, for farming or some other trade or to be let;
- for the protection of HM Revenue and Customs, S247 contains detailed preventions blocking the landowner from reinvesting in land which will be used as a principal private residence, so turning a deferment of the tax charge on the rolled over gain into an exemption.

7.3 Appendix 3 – S104 The Relief

Where the whole or part of the value transferred by a transfer of value is attributable to the value of any relevant business property, the whole or that part of the value transferred shall be treated as reduced:

- in the case of property falling within S105 (1)(a) or [(b) or (bb)] below by [100 percent];
- in the case of other relevant business property, by [50 percent] but subject to the provisions of the relevant chapter in legislation.

For the purposes of S104, the value transferred by a transfer of value shall be calculated as a value on which no tax is chargeable.

7.4 Appendix 4 – Sustainable Traditional Buildings Alliance

- Separate Green Deal Assessor Procedure is required for traditional buildings.

- BR443 (underpinning RDSAP and commercial U-value calculators) should not be used to calculate heat loss in traditional buildings without an understanding of its limitations.
- BS5250 should not be used to assess the moisture performance of traditional buildings or for the application of retrofit measures without an understanding of its limitations. Instead, EN15026 should be used to assess moisture performance – particularly for internal wall insulation.
- Building Regulations Part L1 B should separate internal wall insulation from other insulation measures and set realistic U-value targets for solid walls.
- Consequential measures such as ventilation and rain protection should be taken into account by assessors of traditional buildings.
- Good maintenance and repair work should be considered a valid retrofit measure through Green Deal.

CONTACTS

For more information on *Tackling the Housing Crisis in England: CLA policy on securing and increasing housing supply in England 2013-2018*, published in November 2013, contact:

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TACKLING THE HOUSING CRISIS IN ENGLAND

CLA POLICY ON SECURING
AND INCREASING HOUSING
SUPPLY IN ENGLAND 2013-2018