

# Developing a Rural Affordable Housing Scheme

This document has been developed by the Rural Housing Enabler on behalf of Leicestershire and Rutland Rural Housing Enabler Steering Group. It is a basic guide for rural Parish Councils and rural communities across Leicestershire and Rutland to the process of developing rural affordable housing for local people on exception sites.

This document explains what affordable housing and exception site developments are and how Parish Councils can assist in the delivery of affordable homes to meet the needs of their communities.



## WHAT IS AFFORDABLE HOUSING?

When we talk about affordable housing, we mean housing that can either be bought or rented for less money than it would cost on the open market.

Affordable housing is only available for households whose incomes are not sufficient to be able to buy or rent a home on the open market (these households are known as eligible households). It is of course important that affordable housing is provided at a price which eligible households can afford and this is determined with regard to local incomes and local house prices.

Affordable homes also have to remain affordable for future eligible households (in perpetuity). If an affordable house is sold then the money from the sale has to be reinvested towards new affordable housing provision. The rural affordable homes which we talk about in this document cannot be bought outright and

have to remain as affordable homes for local people in perpetuity.

Affordable housing consists of two types or tenures of housing; social rented and intermediate housing.

Social rented housing includes homes for rent by Local Councils and Registered Social Landlords (RSLs - also called housing associations). The rent charge is controlled by the National Rent Regime to ensure that it is kept affordable. On average rents are likely to be around £70 a week for a new three bedroom house.

Intermediate affordable housing is housing at prices and rents in between those of social rented housing and market housing which meet the criteria for affordable housing. This includes affordable homes for rent or sale such as shared ownership.

Shared ownership allows a share of a property to be purchased with the owner paying rent on the un-purchased part of the property (outstanding equity). The amount of rent is capped by the Housing Corporation at 3% of the outstanding value of the property. Until recently the entry level for shared ownership has usually been 50% of the market value of the home. The Council is now encouraging RSL's to offer an entry level of 25% where needed, because of the high cost of home ownership in some areas.

## WHY DO RURAL COMMUNITIES NEED AFFORDABLE HOMES?

You will be aware of concern nationally about the lack of affordable housing in villages. In many places, it has become impossible for people on lower incomes to remain in a village or to move there to take up work or support relatives.

Rural communities face a unique combination of housing pressures. The inward migration of commuters, retirees and owners of second homes has contributed significantly to demand-led house price inflation. At the same time, the 'Right to Buy' for council houses has had a proportionately greater impact in reducing the stock of affordable housing in rural areas than it has in urban areas, and fewer

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new affordable homes have been built to replace those sold. This is due in part to high land prices and a lack of development land but also because the type of developments which gain planning permission in rural areas tend to be small in scale and not subject to developer contributions or conditions to provide affordable homes as part of the development. (See S106 Agreement on this page.)

An affordable housing scheme can make a huge contribution to a parish, by:

- meeting the housing needs of **local** people
- maintaining the viability and amenities in the parish, and
- supporting the social mix and networks in the parish

## WHAT ARE RURAL EXCEPTION SITES?

The Government has developed an exception site policy to help rural communities to meet local affordable housing needs which is usually part of local authority's Local Plan policies.

Exception sites are sites adjoining the settlement boundary of a village (village envelope) or within villages with no settlement boundaries where residential development is permitted as an exception to normal planning policy.

Permission to develop an exception site will usually only be granted if;

- The need for affordable housing is established by the Council. Planning permission for rural exception sites can only be granted if there is clear evidence of local affordable housing needs.
- All housing developed on exception sites must be affordable housing for local people and remain so in perpetuity. A legal agreement, known as a section 106 agreement must be entered into to ensure this.
- The development would have to be in accordance with other local planning

policies. All potential sites around a settlement would need to be considered in order to find the best site. This must also meet all the criteria set out by the planning authority for standard residential development, such as layout, density, siting, design, external appearance, landscaping, access and parking requirements.

Sites within the settlement boundary can provide affordable housing as part of a market housing development. However these sites are usually too expensive to provide only affordable housing and the housing will not necessarily be for local people.

Because an exception site is located on land which would not be suitable for market residential development it does not have as high a land value.



## THE LEGAL S106 AGREEMENT AND LOCAL CONNECTION ALLOCATION POLICY

A Section 106 agreement (s106) is a list of planning conditions that must be fulfilled by someone wishing to develop anywhere. For example, a contribution towards local roads so that increased traffic flow can be supported, or a contribution towards open space provision.

For rural affordable housing schemes on exception sites the s106 will include clauses to ensure that homes will remain

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affordable to meet future local household's needs. Importantly, it will contain a local connection policy to ensure that they will be let to local people on the Council's housing register.

The local connection policy consists of lettings criteria which follow the following pattern;

- A property would usually be let to a household currently living in the Parish who needs an affordable home. Such a household would usually have to have lived in the parish for a minimum period of time (such as 9 out of the last 12 months).
- If no one who lives in the Parish needed the affordable home then a person with a Strong Local Connection to the Parish would be considered. Strong local connections include someone;
  - with immediate family living in the Parish
  - who previously lived in the Parish
  - who works in the Parish
  - who needs to move to the Parish to give care or receive support

The Council and Parish Council would work in partnership to publicise any affordable homes which become available to let or part own. This is to ensure that local people in need of an affordable home come forward to be considered for a property.

In the rare event that a property cannot be let to someone who either lives locally or who has a strong local connection, a cascade mechanism is put in place to ensure that an affordable property is not left empty. This opens up the letting of affordable homes to people who live outside the parish boundaries and enables people in need of an affordable home who live in neighbouring parishes to be considered before other people in the local authority area.

This local connection policy means that affordable housing on exception sites differs to affordable housing which is built as part of private developments in rural

areas where such letting restrictions for local people are usually not applied.

The s106 agreement would also usually require that:

- At present the maximum share that a shared ownership purchaser can buy is set at 80% of the property value. This is called limited staircasing; it prevents the property being sold on the open market and ensures that the property is available for future households in need of an affordable home.
- The Registered Social Landlord (RSL) who owns and manages the shared ownership properties on the exception site also has to agree to apply the Housing Corporation's Rural Repurchase Scheme. This scheme enables access to funding where necessary to ensure that shared ownership properties will be affordable for future purchasers who meet the local connection requirements but cannot afford to purchase the proportion of the property available for sale.
- Rented affordable homes within an exception site development cannot be bought as they are excluded from the Right to Acquire scheme (Statutory Instrument 2005 No.1995).

## HOW ARE RURAL EXCEPTION SITES DEVELOPED?

Your Local Council believes that the best way to develop affordable housing in rural areas is in partnership with local communities and Parish Councils. The Council promotes the use of the Rural Housing Enabler to assist Parish Councils to work with the community at all stages of developing a local affordable housing scheme, providing independent advice, information and support. The main stages of developing an affordable rural housing scheme are as follows:

- 1. Consider the Idea** – the Rural Housing Enabler and a Council officer will meet with the Parish Council to discuss local affordable housing needs.

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**2. Assess the Need** - this can be done by the Rural Housing Enabler through a local housing needs survey which will be considered together with other evidence of need held by the local authority .

The Survey would asks local people about their household, income and housing needs to inform on the need for affordable rented housing and shared ownership housing within a parish.

It is both Government and Council policy to enable both shared ownership and rented properties on rural exception schemes so that a range of people can benefit in ways that match their personal circumstances. In areas with high house prices, people on moderate incomes as well as those on very low incomes cannot afford to live and work locally. Shared Ownership affordable housing can help such households into home ownership.

**3. Wider Community and Partnership Involvement** – it is important that the local community are involved and the Rural Housing Enabler will assist the Parish Council to consult with their community.

The project would involve the Parish Council working in partnership with the Rural Housing Enabler, the Council and the Registered Social Landlord who will develop and manage the homes.

**4. Identify a Site** - having local knowledge, the Parish Council would be expected to have a key role in site identification and choice. Any site identified would have to be a good site in terms of planning requirements and policies. This would include considerations such as flooding, contamination and encroachment and whether any better sites were available locally.

**5. Design and Planning** - the Parish Council would be involved in the design and layout of the development; the selected RSL would work with the Parish Council (having regard to any Village Design Statement) and local planning policies to achieve an suitable design within reasonable scheme costs. (Unfortunately, natural stone is too expensive for affordable housing schemes

but where the surroundings require, there are possible artificial alternatives.)

The precise number and mix of dwellings on an exception sites varies from settlement to settlement and depends upon the site and the level of affordable housing needs identified. Most exception sites are small in scale. The typical size of exception sites developed in the Leicestershire and Rutland area has been 6 - 12 homes.

**6. Registering interest in the houses** - once a planning permission has been granted, the Council will start to look for tenants for the new homes. The Parish Council can assist by publicising the new homes and ensuring that those in need are registered on the Councils Housing Register.

**7. Celebrate!** - Everyone involved should feel proud of their achievement.

## MORE INFORMATION

If you would like more information about rural affordable housing then please contact either the Rural Housing Enabler or your local Council;



RURAL HOUSING  
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