

There's a will - here's the way:

Exploring the factors affecting Registered Providers' appetite for delivering rural affordable housing



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Glossary

- ◆ Affordable Homes Programme (AHP)
- ◆ Large Scale Voluntary Stock Transfers (LSVTs)
- ◆ Local Authorities (LAs)
- ◆ Local Planning Authorities (LPAs)
- ◆ National Housing Federation (NHF)
- ◆ Registered Providers (RPs)
- ◆ Rural Housing Enablers (RHEs)
- ◆ Strategic Partners (SPs)

The shortage of rural affordable housing and the consequences for individuals and rural communities is well evidenced and rehearsed. Significant research and reports have identified the principle and interrelated causes of this limited supply as lack of sites, delays in planning, community suspicion and insufficient grant funding to cover the additional costs of developing small rural schemes. A further challenge emerging after 2016, evidenced by research by the Rural Housing Alliance with Homes England in 2022, is the reduction in housing associations (aka Registered Providers, RP) willing to develop small rural schemes, particularly on Rural Exception Sites. Its survey of 63 local authorities revealed that 46% had experienced a reduction in RP activity on rural schemes between 2020 and 2022. During the same period, 48% reported no RP activity on Rural Exception Sites. This rose to 63% (12) in the [Mainly Rural](#) Local Authority areas.

To explore the factors and practice that drives RPs' decisions on whether to engage in rural delivery, Rural Housing Solutions and Trent & Dove, on behalf of the Rural Housing Alliance, undertook in-depth interviews with 11 housing associations, who have developed rural schemes. These took place over the summer and autumn 2023. With its focus on RP decision-making, this research provides a complementary study to the Rural Housing Network's report: 'Factors in the Effective Delivery of Rural Exception Sites', published in February 2024, which explored local authority practice and policy.

The interviews with RPs revealed that overall there was a willingness by RPs to deliver in rural areas, but their appetite to do so is variable with key differences between Strategic Partners (SPs) and non-Strategic Partners. For non-SPs, particularly the rural specialists, developing and managing these schemes is their 'raison d'être' and they remain committed to delivering small Rural Exception Sites. This extends to using flexibilities and drawing on internal resources to develop some schemes that otherwise would

not meet the organisation's internal financial hurdles used to assess financial viability. SPs too are willing to develop in rural areas, but their broader geographical coverage and a programme approach that spans urban and rural delivery, inevitably means that SPs are less likely to be focused on rural schemes. Whilst their programme approach allows some degree of cross-subsidy they often deploy less flexibility, driven by the need to meet their programme delivery targets. Their rural developments will generally be larger and in more accessible locations where financial viability is more easily achieved and the timescales to completion are quicker.

The fundamental challenge, mentioned by all those interviewed, is the impact of the additional costs of developing in rural areas, a consequence of an inability to achieve economies of scale on small schemes, remoteness and rurality. Again, it was recognised by all the RPs that these challenges are now heightened by the requirements to meet Net Zero, Nitrate Neutrality Mitigation and Bio-diversity Net Gain.

Last year's rural top-up grant from Homes England was welcomed, but considered insufficient. In addition, the non-SPs noted that Homes England's stated flexibility to respond to higher rural costs was not always applied. It was also noted that the flexibility Homes England afforded to SPs, was not always offered to the same level to RPs seeking funding through Continuous Market Engagement. Equally that these bids are subject to greater scrutiny than that applied to SP Programmes.

A new pressure to emerge from this research is the introduction of the new Consumer Standards. Six RPs noted that the costs and difficulties providing management and maintenance services to remote rural locations was becoming a factor in their decision whether to develop rural schemes. For some this has limited activity to within an hour of their service hubs, but with steps being taken to find more local RPs to provide this service.

Beyond internal factors affecting appetite for rural delivery, RPs also pointed to external factors that affect the organisation. Echoing the recent [University College of London](#)'s research for the Rural Housing Network, they highlighted the lack of capacity in local authority planning teams and raised the need for more flexibility and pragmatism in Development Management responses to Rural Exception Site proposals. Similarly, too, they noted the valued and critical role of local enabling by local authorities and Rural Housing Enablers and the how this function was often under-resourced and inconsistently available.

Unique to this study were the views expressed about working with Homes England with a marked difference between the experiences of the SPs and non-SPs. This reflects that the former have a dedicated Homes England manager. In contrast, the non-SPs expressed concerns that: rural is not a priority for Homes England, they seem not to fully understand the additional costs of rural schemes and need for higher levels of grant, and there appears to be inconsistency in the way rural schemes are considered and grant awarded across England.

As practitioners the interviewed RPs are well placed to identify steps that would encourage their greater engagement. As one RP stated,

“This is a tricky question - because of all the factors and disciplines involved in scheme design. The quick answer would be more grant, but there is a complex interaction of levers, all have to be in balance. Dedicated focused rural grant would help.”

This multi-faceted approach was reflected in the range of changes sought by the RPs. These all relate to the four key requirements for the delivery of rural affordable housing, as listed below.

Key requirements:

- ◆ Better funding to take account of the additional costs of rural development was the most frequently mentioned, equally by Strategic Partners and non-Strategic Partners.
- ◆ This was followed by higher and a greater consistency in housing enabling.
- ◆ Increasing the capacity of local authority planning teams and more flexibility.
- ◆ More pragmatic approach to Rural Exception Sites, bringing communities and parish councils on board.

Rural housing needs a boost:

Higher grants, simpler planning, more support.

Recommendations

The recommendations that flow from this research should be seen in the wider context of rural disadvantage. Research for the Rural Services Network, undertaken by Pragmatix Advisory, concluded that if rural was thought to be a region it would be more populous than London and the South East. The research concluded that using the then government's White Paper metrics, the need to redress inequalities in England's rural communities would be greater than any other region. It also concluded that other metrics would better identify those in need of help in rural areas, including house prices relative to local areas.

Rural affordable housing schemes are integral to breathing life back into rural communities, helping to break down barriers to opportunity experienced in rural communities and delivering a range of social, economic and health outcomes. These schemes may be small, but their impact is transformational. They provide high-quality homes for those unable to buy or rent in the open market. These are the people who run or are employed in existing and new local businesses, including those delivering green growth, nature recovery and sustainable food production. They provide the informal social support network for older and more vulnerable residents, often filling the gap left by a lack of formal service provision.

In essence the provision of affordable homes underpins and delivers sustainable development.

The overall picture to emerge from this research is that there is a willingness to develop rural schemes, but the appetite to do so is undermined by a funding and policy environment that is unresponsive to the nature of developing affordable housing in rural communities and in particular developing Rural Exception Sites.

There is no single solution, but a package of measures, which whilst mutually supporting, require action by different agencies and government departments.



Recommendation 1: Better grant funding to ensure financial viability

- R1.1** Set two national rural targets for Homes England
- ♦ A minimum of 10% of Affordable Homes Programme (AHP) completions are delivered in parishes with populations of 3,000 or fewer
 - ♦ A minimum of 10% of all Homes England's investment programmes are spent in parishes with populations of 3,000 or fewer.
- R1.2** Provide a Rural Multiplier targeted at schemes on small rural developments of less than 15 dwellings in parishes with a population fewer than 3,000 to cover the higher costs of small rural developments. It would ensure Homes England could meet its 10% rural delivery target and contribute to the move to Net Zero and ensure RPs can meet Bio-diversity Net gain requirements on their rural schemes.
- R1.3** Introduce three-year funding programmes for Rural Exception Site schemes developed by individual or consortia of non-Strategic Partner RPs, using the principles of Strategic Partnership funding. Targeted at parishes with a population of 3,000 or fewer. It would extend Homes England's 'place' based approach to rural areas and bring the advantages of a programme approach to planning, funding and delivery of rural affordable housing.
- R1.4** Homes England to publish and use their Rural Exception Site viability spreadsheet and RPs to adopt an open book approach to grant negotiations with Homes England. This would provide transparency and consistency in the grant decision-making process, including clarity on where grant has been needed and awarded to respond to local site circumstances.
- R1.5** Homes England to publish a publicly available annual report on the outcomes and outputs of Homes England's programmes in rural communities with a population of 3,000 or fewer, which delivers its Rural Strategy.
- R1.6** Appoint a rural champion on to the Homes England Board and member of the Senior Executive team with responsibility for reporting on progress in delivering its rural strategy.
- R1.7** Remove the need for waivers from restrictions on levels of equity that shared owners can buy in Designated Protected Areas and maintain long term supply and affordability by:
- ♦ Working with lenders to extend the practice they have adopted for First Homes to provide mortgages for shared ownership and discounted sale housing in rural areas where the future sales prices are restricted
 - ♦ Issue further guidance and provide top-up grant funding that allows an RP to reduce the equity, and therefore price, of shared ownership housing, so the seller can sell and second and subsequent purchasers can afford to buy these properties.



Recommendation 2: Simpler and consistent planning policies and well-resourced planning teams

- R2.1** Introduce a Rural Exception Site Planning Passport in the form of a bespoke Planning Permission in Principle for Rural Exception Sites. This implementation tool would reduce the costs, risk and time involved in Rural Exception Sites to gain permission. It would make these schemes more attractive to RPs and ease some of the pressure on Local Planning Authorities (LPAs).
- R2.2** Introduce a National Development Management Policy specifically for Rural Exception Sites. It should restate the principal purpose of these sites to deliver rural affordable housing to meet evidenced local housing need and include the mechanisms that deliver this purpose. It would provide greater consistency and stability in the policy framework, reducing the time that RPs and Local Authorities (LAs) currently spend explaining the policy and speed up decision making. Both of which would make Rural Exception Site schemes more attractive to RPs.
- R2.3** Provide resources to increase the capacity of small rural planning teams, particularly at senior level and invest in skills development at all levels, including an understanding of Rural Exception Sites and the factors that impact on their financial viability.



Recommendation 3: Enhance the Rural Housing Enabling Function

- R3.1** Early announcement of the continuation of the Defra funding for Rural Housing Enablers (RHEs) beyond March 2025 to provide three-years' tapered funding for a network of RHEs across the country. This will:
- ♦ Provide a targeted rural enabling resource that complements that of local authorities and provides the intensive, time demanding 'legwork' involved on Rural Exception Sites. This would encourage more RPs to engage in rural delivery
 - ♦ Act as a catalyst for and support strong community and parish council engagement.
- R3.2** Homes England to run and expand its programme to share good practice and build local authority capacity to enable the delivery of rural affordable housing.



Recommendation 4: Give councillors the skills they need to be leaders

Leadership – this is an elusive but critical factor in delivering rural affordable housing. It is a skill and commitment that is required of politicians and senior officers.

- R4.1** The Rural Services Network revisions to the [Rural Housing Alliance website](#) includes and keeps updated case studies of rural affordable housing schemes that demonstrate leadership shown by parish and local councillors and the impact of the development on the lives of those living in these homes.
- R4.2** The National Association of Local Councils to run training sessions for parish councillors, through the County Association of Local Councils Networks, that draw on the [Parish Councillor's Guide to Rural Affordable Housing](#) to provide practical advice and guidance that gives them the information and confidence to be leaders and advocates for rural affordable housing in their communities.

Context

A supply of rural affordable housing is one of the mainstays of sustainable rural communities. It provides homes for local households who cannot afford to buy or rent on the open market. Often these are the people who work in local businesses, deliver local services and provide informal social support for more vulnerable members of the community. Yet there is a well-documented shortage of rural affordable housing.

The 2021 census reveals that 9% of the housing stock in rural communities with populations of 3,000 or fewer was in the form of social housing. This compares with 17% in urban areas. Consistently, new delivery has failed to meet need, the number of completions has fallen, and delivery has become focused in a small number of local authorities. In 2021/22, 56% of Rural Exception Sites (RES) completions were delivered by just six local authorities.

There are a number of reasons for these trends including a decline in the number of housing associations willing to deliver small rural schemes. To investigate this further the Rural Housing Alliance joined forces with the Rural Services Network and Homes England to survey and 'map' levels of housing association interest. Their report produced in 2022 revealed a reduction in housing associations willing to develop small rural schemes, particularly on Rural Exception Sites. In the 63 local authorities who responded 46% had experienced a reduction in RP activity on rural schemes during the previous two years and during the same period 48% reported no RP activity on Rural Exception Sites, rising to 63% (12) in Mainly Rural areas.

Establishing the trend demonstrates the scale of challenge, unlocking it requires an understanding

of the factors and practice that drives RPs' decisions on whether to engage in rural delivery. To explore this, Rural Housing Solutions and Trent & Dove, on behalf of the Rural Housing Alliance, undertook in-depth interviews with 11 housing associations from across the country. This report provides the findings of this research and offers some recommendations on next steps.

In tandem, but independently, the Rural Housing Network, commissioned research from University College London to identify the factors and processes that advanced or impeded the successful delivery of Rural Exception Sites. The results of its conversations with national stakeholders, a survey of rural planning authorities and six case studies, were published in its report **Factors in the Effective Delivery of Rural Exception Sites** in February 2024.

Together these reports offer further insights into the range of factors that impact on the delivery of small rural affordable housing schemes, particularly on Rural Exception Sites. These, combined with experience from across rural interest groups, have defined calls to action set out in **A Manifesto for Thriving Rural Communities Through Affordable Housing**.

Survey of Registered Providers (RPs)

During the summer and early autumn of 2023, 11 RPs were interviewed. They were selected to provide insights from non-Strategic Partners and Strategic Partners, all who have a history of delivering rural affordable housing in different parts of rural England. The interviews were structured under four themes. A copy of the questionnaire which was used as the framework is included in Appendix One.

Interview themes

- 1) Corporate approach to rural delivery
- 2) Internal factors that determine their organisation's engagement in rural delivery
- 3) External factors that determine their involvement in rural delivery
- 4) Steps taken to overcome barriers to rural delivery

Each interview was undertaken online using Teams with Development Directors and staff from each of the participating RPs. **Table one** shows those who participated.

Registered Provider	Rural Specialist	Non- Strategic Partner	Strategic Partner	Area of operation	Size of organisation by properties
English Rural	✓	✓		SE – including Kent	1,250
Moat		✓		Kent, south Essex, outer southern London borough and East Sussex	20,000
Live West			✓	SW	40,000
Flagship			✓	EE	32,000
Rooftop			✓	WM	7,000
Platform			✓	WM /EM/SE	48,000
NCHA			✓	EM	10,000
Karbon			✓	NE/North Yorks	32,000
Broadacres	✓	✓		North Yorks	6,600
Castles and Coasts		✓		NW/NE	7,000
Eden	✓	✓		NW	1,850

Moat was included as a larger non-SP whose operational area included parts of rural Essex and Kent. The interview revealed them to be something of an outlier, with no recent experience in developing rural affordable housing and as an organisation that does not use Homes England grant funding. In practice their focus is on larger urban sites, with no recent Rural Exception Site delivery. However, their experience provided helpful insights into how larger RPs approach rural development.

Insights and findings

The insights and findings from the interviews are reported under each of the interview themes.

Corporate approach to rural delivery

There is a generic commitment to rural delivery. However, a recurrent theme emerging from the interviews was that the depth of this commitment is variable and often tempered by factors that characterise rural schemes, namely rurality, remoteness and limited opportunities to achieve economies of scale. All of which impact on scheme financial viability.

Seven of the 11 RPs reported that rural delivery was an explicit element in their Corporate Strategy. This included four of the non-SPs and three of the five SPs, with one reporting that their Corporate Strategy states that 30% of delivery should be in 'rural'. An additional SP that has a track record of rural delivery, noted their organisation is an amalgamation of RPs that operated in rural areas. In consequence, although rural is not explicitly part of its Corporate Strategy it remains implicitly committed to rural delivery.

Four of the SPs had a rural target in their partnership agreement with Homes England, ranging from 5% to 10% of their Programmes. Three had received a 'rural-top-up' to cover the higher costs of delivering in rural areas, this ranged from an additional £6.5k per unit to £9.5k per unit. One of these RPs stated that once the rural target was reached they would no longer develop in rural communities.

Interestingly, three SPs had not received the 'rural top-up', one stated because they were unaware of it and another because they already have generous grant rates. The third stated they had not sought this uplift because they will cross-subsidise across their programme. However, they noted that this means they are unlikely to take on small schemes, particularly when faced with the cost challenges of developing in areas distant from major urban areas.

In terms of priority, rural delivery was only a priority for the four non-SPs. However, one of these stated that to deliver in villages and market towns, they would want to see the presence of social infrastructure, in the form of access to public transport, community activity and amenity space. In effect this limits the rural reach of their activity.

Type of sites developed for rural delivery

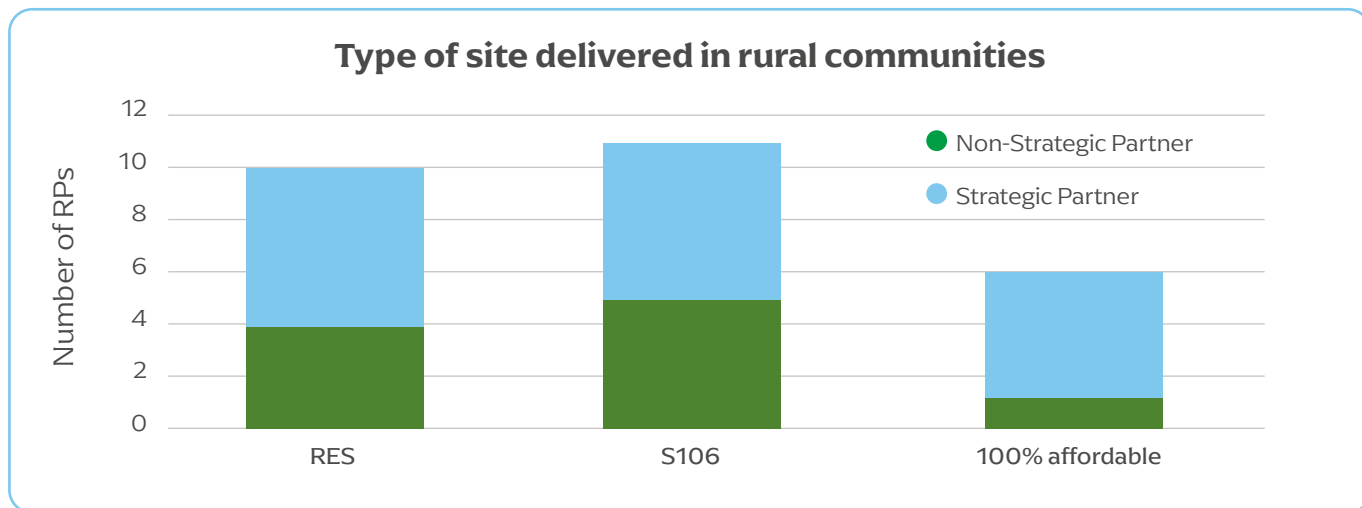
Diagram one, on the next page shows the types of sites that the interviewed RPs deliver in rural areas. All but one of the RPs deliver Rural Exception Sites. Equally all the respondents will develop S106 sites. Six RPs provide rural affordable housing through 100% affordable housing sites, five of these were SPs.

However, the interviews revealed differences between the non-SPs and SPs in the proportion of their rural development delivered through these different routes. For non-SPs this is weighted towards Rural Exception Sites. For these RPs, one stated that S106 sites were 15% of their rural delivery and another two RPs only took on small S106 sites in smaller market towns and villages that were not of interest to the larger RPs working in their areas.



An interesting phenomenon is the increasing interest in land-led 100% affordable housing schemes, which unlike RES, are sites that have been allocated in the Local Plan for market development. SPs more frequently mentioned this route, presumably because they have the resources to purchase these sites. Interestingly, during the interviews note was made that for 100% affordable housing sites they paid a land price higher than RES values, reflecting that these are often allocated sites that developers want to dispose of. In turn this often triggers a higher grant rate than received for RES schemes.

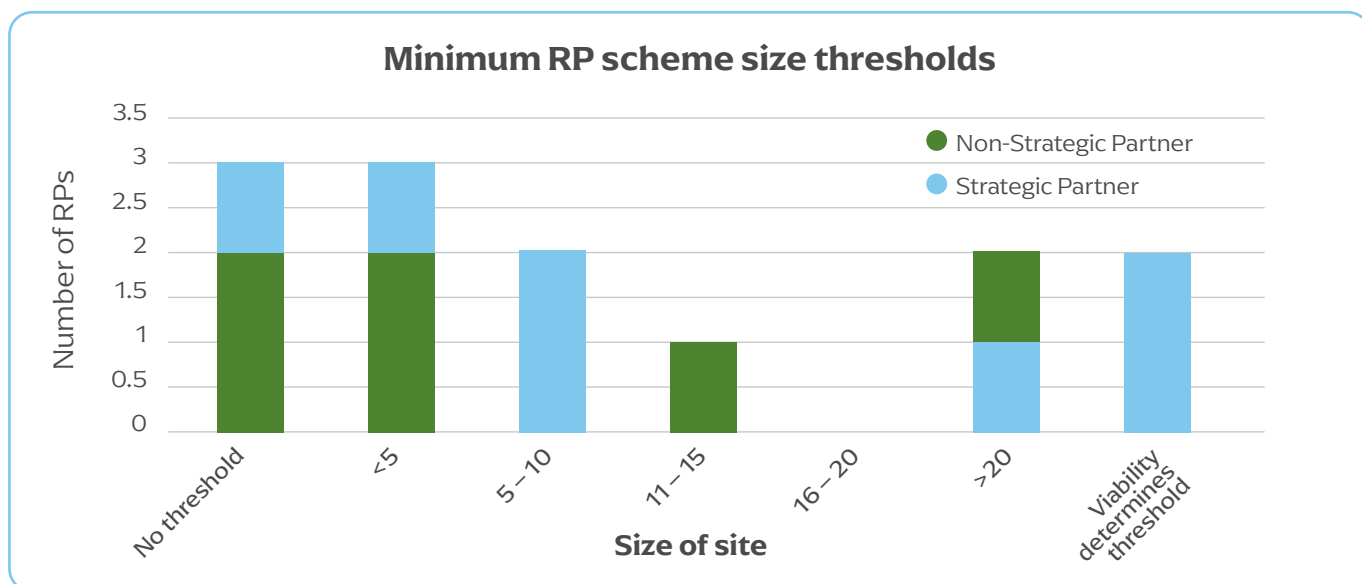
Diagram one



Thresholds

The other critical nuance in understanding RP appetite for rural delivery is the site thresholds which trigger their willingness to develop rural schemes. Responses are shown in diagram two, below.

Diagram two



In responding to this question caveats were offered. One non-SP noted that they were likely to increase their threshold in the future to eight dwellings. One SP stated that although they have a threshold of 10 most of their rural schemes are on average 20 dwellings. One SP has a threshold of 10 dwellings for Rural Exception Sites but stated that most of its rural development is on 100% affordable housing sites where the threshold is 20 dwellings. A further two SPs stated that they do not have a threshold with the decision whether to develop informed by financial viability. This is a recurrent theme as shown in the next section and given that all respondents noted the higher costs and complexities involved in delivering small rural affordable housing sites, it's likely that greater interest will be shown for larger rural sites. Only one RP quoted a maximum size for their developments, which is 25 dwellings.

Impact of management and maintenance cost

Another recurring theme in the interviews was the impact of higher maintenance and management costs on their appetite to deliver in rural communities. Six respondents specifically mentioned this as a factor, with remoteness, rurality, distance of between 30 minutes to an hour from their service hubs and condition of the

road network, all reducing their appetite for rural delivery, or favouring more accessible rural areas. Interestingly, two noted their stock swapping arrangement and the possibility of setting up a cost sharing vehicle to reduce these costs.

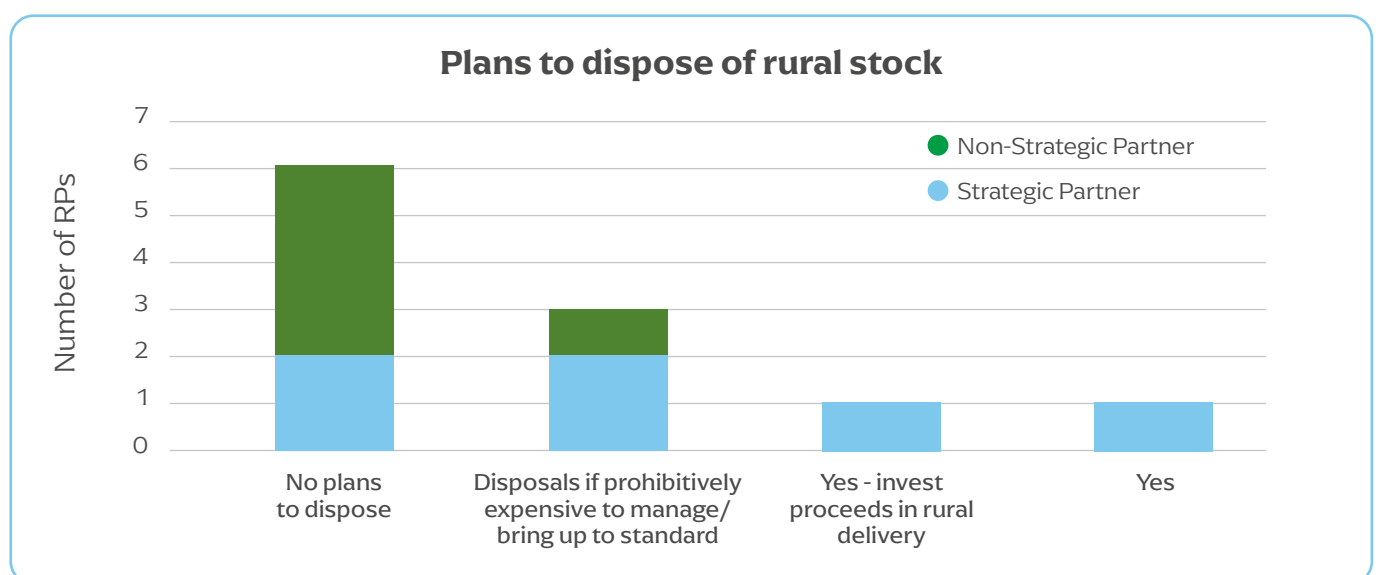
Plans for disposal of rural stock

Diagram three, below illustrates that only one of the interviewed RPs had a specific plan to dispose of rural properties, but as the second column shows the reasons for disposal are likely to exist in a rural context. Where costs of management and maintenance are the trigger, three RPs noted that where possible they were looking to arrange for a more local RP to take on these services.

Three RPs noted that they would not dispose of rural stock because this would deplete the supply of social housing where it was already limited. For one RP this has recently led to them changing their approach to disposals and they are no longer looking solely at Net Present Value to determine whether to sell in these communities.

Two noted that when they disposed of rural stock, they would try to re-invest the money in that community, but that a lack of site supply and loose definitions of 'local' meant this was not always possible.

Diagram three



Development teams

Delivery of rural affordable housing, particularly on Rural Exception Sites can be complex and time consuming. These schemes frequently encounter delay and high levels of risk that they may have to be abandoned. Anecdotally, RPs have identified these factors as reducing their appetite for rural delivery. To explore the extent to which these disincentives might apply, RPs were asked about the size and rural expertise within their development teams.

Not surprisingly the size of the development team reflects the size of the organisation, with SPs having higher levels of staff resource. At the extremes, the four non-SP rural specialists had between two and seven development staff, compared with teams of 12 and up to 60 for the SPs. It is also worth noting that the larger RPs drew on the skills of several teams, commonly new business, land purchase, project delivery and sales.

Given the uniqueness of Rural Exception Site delivery, RPs were asked whether there is a rural specialism in their development teams. Three RPs have staff dedicated to rural delivery. Five do not have development staff with this specialism

but were confident that the rural expertise existed and was shared across the development team. This reflected the organisation of development teams on a geographic basis or thematic basis. Interestingly, one SP had recognised that they were struggling to deliver rural schemes through their new business team and were taking a lot of time and resources to deliver. In response they have now transferred responsibility for meeting their rural target to a specific regeneration and rural team.

Financial considerations

The interviewed RPs use the same financial parameters for rural and urban schemes. All noted that cost inflation is having a negative impact on all new schemes, although a number of RPs noted S106 schemes stack up better.

The RPs reported common core financial hurdles that are applied to urban and rural developments including, Net Present Value, Internal Rate of Return, payback periods and organisational cash flow.

However, all the RPs highlighted the additional cost challenges of delivering in rural areas and in particular RES. Specific note was made of:

- ◆ **the size of sites limiting ability to achieve economies of scale,**
- ◆ **expense of material delivery,**
- ◆ **high labour costs that are built into high tender costs with one RP noting huge differences in tender prices for more remote developments; unwillingness of contractors to travel to rural locations or out of their usual area,**
- ◆ **topography,**
- ◆ **design requirements,**
- ◆ **working with communities,**
- ◆ **delays and cost associated with Nutrient Neutrality,**
- ◆ **Local Housing Allowance rates not reflecting rural rents.**

These translate into 14 'red lines' (boundaries/limits) variously applied in deciding whether to proceed with a rural scheme. These primarily relate in different guises to whether the scheme is financially viable and impact on meeting regulatory requirements. Table two below,

sets out the red lines noted by interviewees. Noteworthy is that responses again highlighted increasing concerns at the costs of providing management and maintenance services to small, dispersed, sometimes remote schemes.

Table two

Red Line	Number identifying this factor	Internal mitigating action
Financial viability	1	Willing to change tenure mix if a scheme meets a strategic objective
Scheme too small to achieve economies of scale	1	Look at raising threshold to eight dwellings
Does the development meet an evidenced housing need	2	RP doing their own Housing Needs Surveys (HNS)
Management and maintenance costs servicing remote developments	2	Stock swaps with other RPs and possible cost sharing vehicle
Timescales – how long will it take before scheme provides income	2	Introduce more rigour into which schemes are accepted into the development programme to those which have a good chance of delivery within three to four years
Land price has been inflated by hope value	2	
Lack of community support	1	
Support/strategic importance to LA/LPA	3	
Local occupancy cascade leading to voids	2	
Lack of mortgage lenders for Shared Ownership (SO) properties subject to exemption from leasehold enfranchisement in Designated Protected Areas and inability to secure LA waivers from these provisions	2 (SPs)	Delivered 100% rented schemes where planning constraints on shared ownership Using data on 'local' need try to find a balance between retention of affordable housing and ability of individuals to access a mortgage Negotiate S106 Agreements that constrain rented housing as affordable housing in perpetuity, but the SO is unconstrained

Grant rate

For all, but the one RP that does not use Homes England funding, the availability of grant to support rural delivery is critical.

The SPs all reported that they have a flat rate of grant funding across the urban and rural schemes in their Programmes, but with variations for different tenures and geographies, which means that similar rural schemes in different locations attract different levels of grant. Last year four of the six SPs received the Homes England 'rural top-up' which was welcomed. For one this bolstered what was already a commitment to rural delivery. However, a second noted that once they had met their rural target this funding will no longer be available at which point they will not take on any more rural schemes.

For the non-SPs greater levels of concern were expressed as to whether the Homes England grant was sufficient, even with the 10% rural uplift negotiated with government. Two expressed the view that whilst Homes England appeared to accept the need for higher grant rates, they do not fully understand the increased costs of rural delivery. For one RP this included the need for grant in low income, low house price areas. Another Development Director noted that their organisation was receiving the same grant rate as that which was awarded to the SP for whom they had previously worked. This is surprising because the expectation would be that grant rates would be higher for non-SPs who do not have the financial resources of SPs which underpin the lower average grant rates for SP Programmes. Allied to this was the experience of one RP Director with experience of SPs who was conscious that Homes England had done deals with SPs but does not extend the same flexibility to schemes considered through Continuous Market Engagement.

Impacts on rural delivery of current cost pressures

Across the country RPs are experiencing budgetary pressures as they face rising costs and the need to meet new priorities and regulations, including Net Zero, Nitrate Neutrality, Bio-diversity Net Gain and Consumer Standards.

Whilst these impact on all development programmes the interviewed RPs noted the heightened impacts these had on their rural development programmes. For example, three noted the additional costs of Nutrient Neutrality mitigation measures which one RP quoted as adding £9k - £10k per unit. Added to this, two RPs noted that the topography of their rural areas can make it impossible to make this provision. Costs of measures to meet Net Zero were also seen as having an additional rural cost. The installation of Air Source Heat Pumps can require the installation of a new electricity sub-station capable of taking the additional load. For one RP working in a National Park the ability to meet the Future Homes Standard in remote rural locations was going to be particularly challenging because of the already costly design requirements.

The impact of current cost pressures on rural development is variable. Four of the SPs noted that there would be an across-the-board short term cut in their development programmes. For two of the RPs this was likely to stall or reduce the appetite to deliver difficult schemes, including those in rural areas. A third RP reported that rural delivery would continue as the schemes were already in the pipeline, but it is worth noting that this RP would not develop any more rural schemes when the rural top up grant came to an end once their rural target had been met.

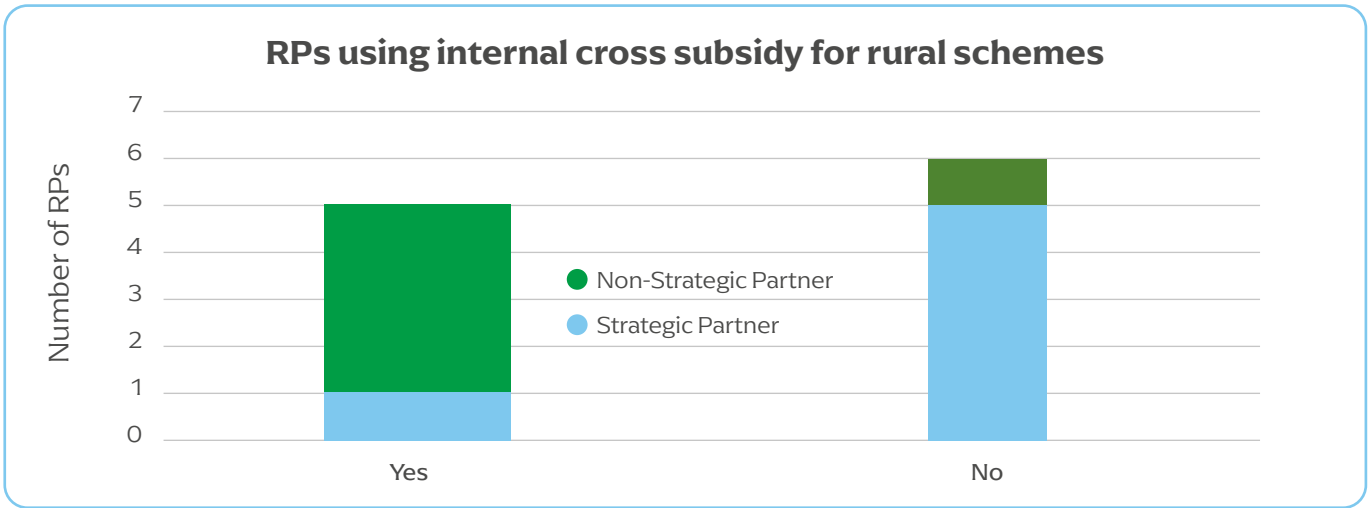
The non-SPs reported that there was likely to be a short-term slow down, but also a commitment to build a rural pipeline and continue to try and deliver in rural areas.



Use of internal cross subsidy

Diagram four below, shows that five RPs provide internal cross-subsidy from sources other than through a programme approach to fund rural schemes, with this being most used by non-SPs. It is often limited to particular purposes such as achieving Net Zero and usually requires that the scheme is still assessed on its own merits first and must have strategic fit with the organisation's objectives. In one instance, although use of internal subsidy is not formally used, the RP does apply some flexibility. For example, where a scheme may not achieve the necessary Net Present Value benchmark but meets the organisation's objectives and the core assessment criteria.

Diagram four

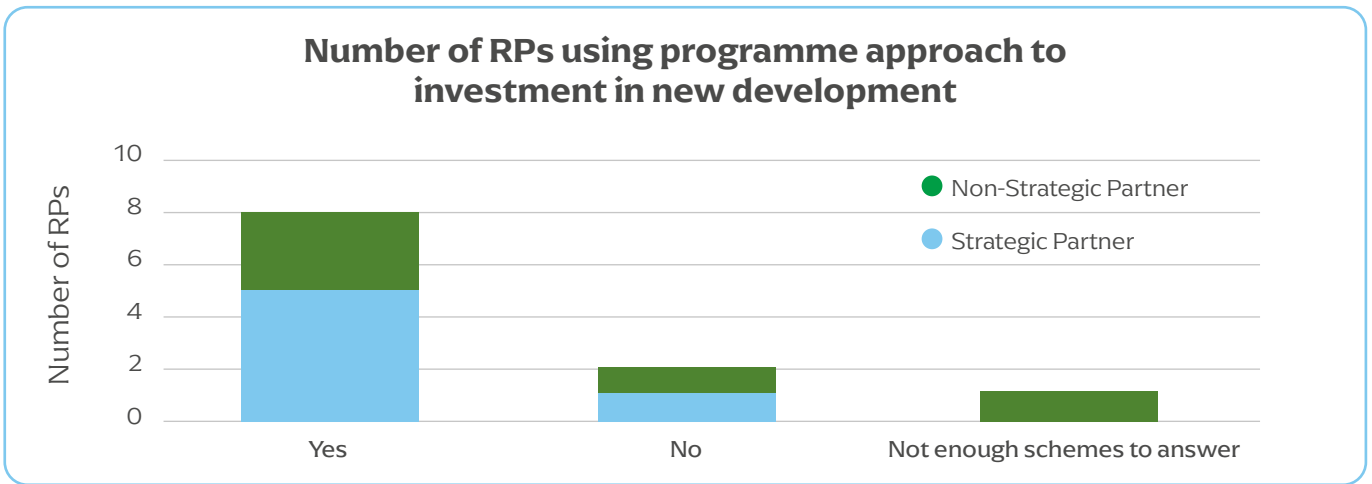


Two of the interviewees are Large Scale Voluntary Stock Transfers (LSVTs) with high proportions of their stock being debt free. For one of them this has allowed them to focus their activity on small rural schemes, primarily on Rural Exception Sites even at a time of cost pressures.

Use of a programme approach to investing in new development

In total eight RPs use a programme approach to investment in new development. Diagram five, below shows this to be common practice across all but one SP.

Diagram five



However, there were caveats to the extent to which SPs use the programme approach to absorb higher rural costs. For one SP, each scheme was still assessed on its own merits. A second would look at the performance of the programme as a whole and then take a balanced view of whether to proceed with a costly rural scheme. A third SP also has a development programme outside its partnership agreement.

For rural schemes in the programme it adopts a programme approach, but not for those outside it.

Three of the five non-SPs use a programme approach, with one noting that whilst schemes are still expected to meet financial hurdles there may be a bit more stretch, for example over the length of the pay-back period.

External factors affecting appetite to deliver in rural areas

There are a range of players who will have an impact on the willingness of RPs to deliver rural affordable housing. A finding echoed in the UCL report, **Factors in the Effective Delivery of Rural Exception Sites**. For the purposes of this research RPs were asked what they were looking for from six key partners when delivering Rural Exception Sites and whether they received the support and engagement they required.

Local Planning Authorities – policy and development management

Planning is universally seen as an obstacle to delivering rural affordable housing. Note was made of the lack of staff capacity and resources in Local Planning Authorities particularly in Development Management teams. RPs reported that supportive policies for Rural Exception

Site development are patchy and Development Managers' requirements for presence of social/community infrastructure and design can be unrealistic. It was also noted that local politicians involved in planning decisions can be unsupportive and obstructive in part because of a lack of understanding of affordable housing and specifically rural affordable housing delivery.

Local Authority Housing Enablers

The experience of most interviewees was that Local Authority Housing enablers are supportive and critical to schemes progressing. They act as consultee to the LPA, providing evidence of need and sometimes the 'legwork' with communities. But it was recognised they are often under-resourced and their advice is sometimes 'trumped' by planners.

Rural Housing Enablers (RHEs)

There was a mixed reaction to RHEs. Three RPs reported that there was no RHE in their area, with one not knowing what an RHE is/does. Five had good experiences working with RHEs and particularly welcomed their role in the following activities:

- ◆ **community consultation and support,**
- ◆ **evidencing need,**
- ◆ **acting as a conduit to site opportunities,**
- ◆ **building relationships with LAs,**
- ◆ **'educating' landowners/land agents on RES land values.**

However, concerns were raised that their role needs to be clarified, remain independent of the local authority, and adopt a consistent and professional approach. An interesting comment from one RP was the need for, 'Recognition that RPs get out of RHEs what they put in and so we are engaging much more proactively with RHEs'.

It is important to note that this research was undertaken before the Defra RHE programme was implemented. Since then, RHE funding has been approved for 34 counties and the funding Prospectus and ACRE training programme has sought to deliver a more consistent and professional service across England.

Homes England

The SPs were more positive about their relationship with Homes England and welcomed having a dedicated officer.

For the non-SPs it was a less positive picture with the following challenges being cited:

- ◆ **Homes England attention and staff resource is focused on SPs.**
- ◆ **they used to be creative, ‘knocking heads together’ but no longer carry out this enabling role.**
- ◆ **overall rural is not a priority for Homes England and the flexibility that applies to SP projects is less available for schemes submitted under Continuous Market Engagement and subject to much greater scrutiny.**
- ◆ **there is inconsistency in the way rural schemes are considered and grant awarded.**
- ◆ **there does not seem to be an understanding of the additional costs for rural schemes arising from a lack of economies of scale and site complexities.**

Only one non-SP noted that their Homes England lead was really helpful, but found other Homes England members of staff do not engage, communicate or reply to emails etc.

Rural Communities and Parish Councils

Whilst some of the RPs reported that communities and parish councillors were a ‘mixed bag’, the majority reported that they could be obstructive, unrealistically demanding, can be prejudiced and in some cases abusive. Bringing and keeping them on board requires a lot of time and energy. However, note was also made that parish councils can be very good advocates and where they are supportive Local Authority councillors will usually follow their lead.

One SP noted that if there is proven need for a scheme they will proceed even if this is in the face of local opposition. In a similar vein, one rural specialist expressed the view that parish councils should not have a veto where there is an evidenced housing need.

Local Ward councillors

Support from local councillors was seen as a variable, with some influenced too much by parish councils/the community. However, three RPs also noted the positive leadership role that local ward councillors can take in promoting the positive benefits of affordable housing in rural communities. They can also play a critical role in bringing parish councils on board by explaining what and how decisions that will affect the development and allocation of the homes will be made. Maximising these benefits, one SP noted that they go out of their way to explain what they want to achieve from a scheme to local councillors.



Overcoming the challenges

RPs were asked what external changes would encourage them to engage in rural development.

The responses to this question were succinctly summed up by one SP that has a long record of developing in rural communities.

“This is a tricky question – because of all the factors and disciplines involved in scheme design. The quick answer would be more funding grant, but there is a complex interaction of levers, all have to be in balance. Dedicated focused rural grant would help.”

As the table below shows this was reflected in the range of changes sought by the RPs. These all relate to the four key requirements for the delivery of rural affordable housing:

- Land
- Funding
- Planning
- Community support

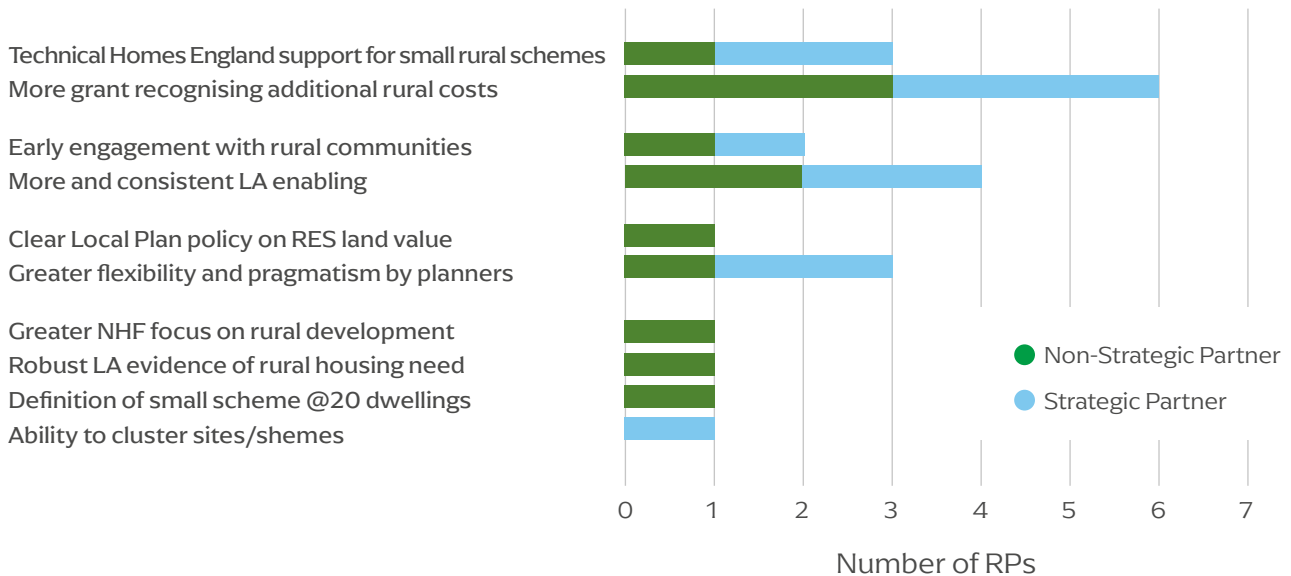
The overwhelming call was for more grant funding for small rural schemes in recognition of the additional costs and inability to achieve economies of scale. Interesting too, is the call for Homes England to re-design its programmes so they are more relevant to smaller organisations, including SME builders developing in rural areas.

This was followed by calls for more and greater consistency of local authority enabling, which could also be linked to earlier engagement of parish councils and rural communities.



Diagram six

External changes that would encourage RPs to deliver rural affordable housing



Conclusions

Appetite to develop small rural schemes exists across the social housing sector in various strengths. This research provides helpful insight into the factors that impact on a RP's decision to develop rural schemes.



For non-SPs, particularly the rural specialists, developing and managing these schemes is their 'raison d'être' and they remain committed to delivering on small Rural Exception Sites. Faced with the additional costs of these schemes they show a willingness to use internal resources and some of them have adopted a programme approach to finance rural developments that do not meet their standard financial hurdles. Even in the face of current cost pressures they have chosen to continue to develop rural schemes, even if this has meant slowing down development and focusing on building the future pipeline.

SPs too are willing to develop in rural areas, but their broader geographical coverage, a need to meet financial targets, and a programme approach that spans urban and rural delivery, inevitably means that SPs are less likely to be focused on rural schemes. It was also evident that even using a programme approach SPs are often less likely to absorb difficult and costly rural schemes and current cost pressures will lead them to focus on larger rural developments in more accessible locations. Noteworthy too for two of the SPs, is their hard line against accepting schemes in Designated Protected Areas where they are unable to gain waivers from the exemption from leasehold enfranchisement. In consequence of these factors SPs' rural developments will generally be larger and in more accessible locations where financial viability is more easily achieved and the timescales to completion are quicker.



Ultimately, it is financial viability that determines whether any RP will develop small rural schemes. All the respondents noted the additional financial challenges of rural developments arising from the inability to achieve economies of scale and increased costs associated with remoteness and rurality. Commonly it was recognised that these are heightened by the additional demands to meet Net Zero, Nitrate Neutrality mitigation and Biodiversity Net Gain requirements.



The research demonstrates once again how crucial it is that these additional cost pressures are reflected in higher grant rates. **Universally all the interviewees called for more and higher grant rates for rural schemes.**

The rural top-up grant offered by Homes England last year was welcome, but its use by SPs appears to have been variable and questions on its future availability is proving to be a disincentive to engage in rural delivery for some SPs.

Of greater concern was the responses of the non-SPs that lack the resources to absorb the additional costs incurred on rural schemes. **They all highlighted that the current levels of grant were insufficient and Homes England's stated flexibility to respond to higher rural costs was not always applied.** It was also noted that the flexibility that Homes England affords to Strategic Partners was not always offered to RPs seeking funding through Continuous Market Engagement. Equally that these bids are subject to greater scrutiny than that applied to SP Programmes.

A new pressure to emerge from this research is the introduction of the new Consumer Standards. Six RPs noted that the **costs and difficulties providing management and maintenance services to remote rural locations was becoming a factor in their decision whether to develop rural schemes.** For some, this has limited activity to within an hour of their service hubs, but with steps being taken to find more local RPs to provide this service.

Beyond internal factors affecting appetite for rural delivery, RPs pointed to those external to the organisation. Echoing the recent **UCL research** for the Rural Housing Network, they highlighted, the lack of capacity in local authority planning teams and raised the need for more flexibility and pragmatism in Development Management responses to Rural Exception Sites proposals. Similarly, they noted the **valued and critical role of local enabling by local authorities and Rural Housing Enablers and how this function was often under-resourced and inconsistently available.**

Unique to this study were the views expressed about working with Homes England with a marked difference between the experiences of the SPs and non-SPs. This reflects that the former have a dedicated Homes England manager. In contrast the non-SPs expressed concerns that rural is not a priority for Homes England, there seems to be a lack of understanding of the additional costs of rural schemes and the need for higher levels of grant. Concluding that there appears to be inconsistency in the way rural schemes are considered and grant is awarded.

Appendix 1:

Framework for interviews with Registered Providers

The framework was sent to interviewees in advance of the interviews and then used as the basis for questioning and discussion.

Exploring RP appetite for rural delivery

Thank you for agreeing to take part in this research for the Rural Housing Alliance. We are keen to understand internal decision-making processes and explore the external factors that support or discourage their organisation's appetite for developing rural schemes. Our focus is on delivery in settlements with a population of less than 3,000 and primarily on Rural Exception Sites, but we are also interested to hear your experiences of delivering S106 schemes in these communities.

To provide a framework for our discussion we have put together the following questions which are grouped under four themes.

- 1) Corporate approach to rural delivery
- 2) Internal factors that determine their organisation's engagement in rural delivery
- 3) External factors that determine their involvement in rural delivery
- 4) Steps taken to overcome barriers to rural delivery

1. Corporate approach to rural delivery

- 1.1 How much is rural delivery an element of your corporate strategy and what priority does it have compared with delivering in semi and urban areas?
 - 1.1b Does this include S106 and RES schemes?
- 1.2 Do you provide rural affordable homes using any other forms of delivery (100% affordable/renovation)? What are the drivers for adopting that approach?
 - 1.2b For Strategic Partners – does your Programme include a rural target? If yes, is there a rural top up grant rate in the agreed Programme?
- 1.3 In terms of your current stock could you let us know what % is in communities of less than a 3k population?
- 1.4 Does your organisation have any plans for disposing rural stock and if yes what are the reasons behind this?
- 1.5 Do either levels of stock holding or plans for disposal/retention impact on your organisation's appetite for rural delivery?

2. Internal factors affecting appetite for rural delivery

- 2.1** What is the size of your development team and how is this organised across your operating area?
- 2.2** Is there a rural development specialism within the development team?
- 2.3** For non-rural specialists how is this deployed/interacted with other members of the development team?
- 2.4** How well do rural schemes perform against your financial benchmarks – which are the ones that are the most challenging? Is this the same whether they are a S106 or RES scheme?
- 2.5** What factors inform the decision whether to develop any scheme (rural and non-rural)? What are the red lines?
- 2.5b** How do RES and rural S106 schemes ‘measure up’ against these factors and the red lines?
- 2.6** How does the grant rate you receive for your RES schemes compare with that you receive for your other ‘greenfield’ developments?
- 2.7** Overall, what is the impact on the development programme of current budgetary pressures (zero carbon, customer standards etc.) and how do these impact on rural development compared with urban schemes?
- 2.7b** Is there any difference between how you will approach RES and rural S106 as a result of these pressures?
- 2.7c** If there is a slowdown in development, are there any implications in terms of location and size of development?
- 2.8** Do you have a size threshold below which you will not take forward a rural scheme – RES and S106?
- 2.9** Does your RP provide internal cross subsidy for RES schemes?
- 2.9b** Has your willingness/ability to use internal subsidy changed in the last couple of years/is it likely to change in the future?
- 2.10** Do you use a programme approach to manage/fund your development programme?
- 2.10b** If yes, how do rural schemes fare using this approach?
- 2.10c** If not what approach is used to deciding which schemes proceed and how do rural schemes fare using this approach?
- 2.11** Are there any other internal factors that impact on your organisation’s appetite to deliver rural schemes?

3. External factors

- 3.1** For RES schemes what are you looking for from partners and do you receive the support/engagement you require?
- ♦ LA planning – policy and DM
 - ♦ LA housing enablers
 - ♦ RHE
 - ♦ Homes England
 - ♦ Community
 - ♦ Parish Council
 - ♦ Local politicians

4. Overcoming challenges

- 4.1** What steps has your organisation taken to maintain a rural development programme?
- 4.1b** What external changes would encourage your organisation to engage/increase their engagement in RES delivery?

Appendix 2: Useful further information

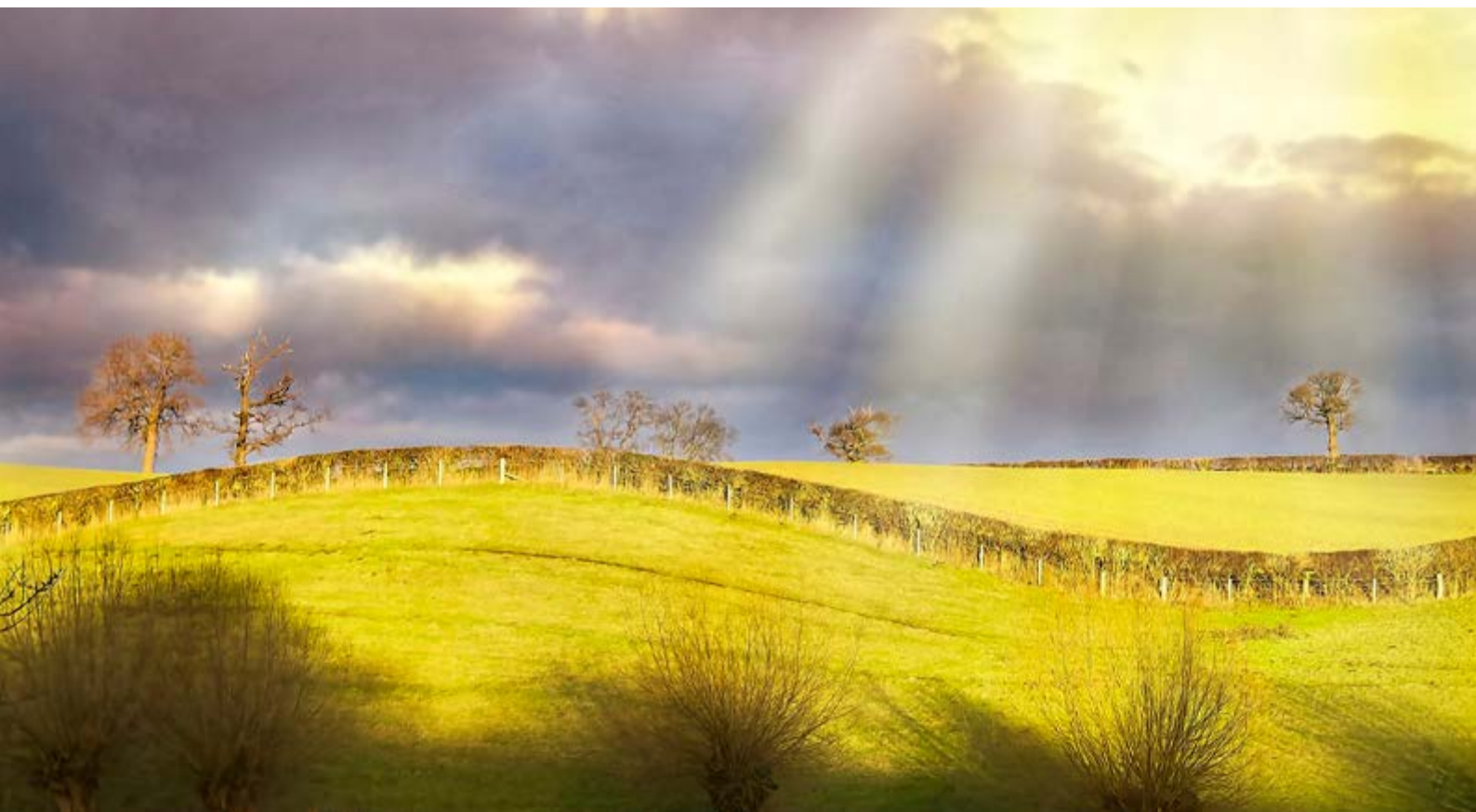
Factors in the Effective Delivery of Rural Exception Sites - The UCL research for the Rural Housing Network (*Nick Gallent, Andrew Purves and Iqbal Hamiduddin, Bartlett School of Planning, UCL, February 2024*): [**Factors in the Effective Delivery of Rural Exception Sites**](#)

Land, landowners and the delivery of affordable homes in rural areas (*Nick Gallent, Andrew Purves and Iqbal Hamiduddin, Bartlett School of Planning, UCL, February 2024*): [**https://www.housing.org.uk/globalassets/files/rural/factors-in-the-effective-delivery-of-rural-exception-sites-in-england-8.pdf**](https://www.housing.org.uk/globalassets/files/rural/factors-in-the-effective-delivery-of-rural-exception-sites-in-england-8.pdf)

Rural as a Region: the hidden challenge of Levelling Up (*Clare Leckie, Rebecca Munro, and Mark Pragnell, June 2022*): [**https://rsnonline.org.uk/images/publications/rural-as-a-region-the-hidden-challenge-for-levelling-up.pdf**](https://rsnonline.org.uk/images/publications/rural-as-a-region-the-hidden-challenge-for-levelling-up.pdf)

The Parish Councillor's guide to rural affordable housing: [**https://rsnonline.org.uk/images/rural-housing-alliance/parish_councillors_guide_to_rura.pdf**](https://rsnonline.org.uk/images/rural-housing-alliance/parish_councillors_guide_to_rura.pdf)

A Design Guide: Building tomorrow's rural communities (*David Barrowcliff, July 2024*): [**https://englishrural.org.uk/rural-housing-design-guide/**](https://englishrural.org.uk/rural-housing-design-guide/)



“This research confirms what many of us have long suspected - that delivering affordable homes in rural areas requires a unique approach and dedicated support. The willingness is there, but we need targeted policies and funding to turn that will into homes for our rural communities.”

Ursula Bennion, Trent & Dove CEO and Rural Housing Alliance member.

“Our findings demonstrate that rural housing providers are committed to their communities, often going above and beyond to deliver vital homes. However, they face significant challenges that require a coordinated response from government, Homes England, and local authorities.”

Jo Lavis of Rural Housing Solutions.

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Plunkett UK (pg 21)
English Rural Housing Association (ERHA) (pgs 2, 5, 6, 8, 20 & 22)
David Hicklin, Trent & Dove (pgs 17 & 27)

The Rural Housing Alliance urges policymakers to consider the report's recommendations, including the introduction of a Rural Multiplier for grant funding and the establishment of a dedicated rural housing champion within Homes England.



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