

# Rural Housing Delivery in Wales: How Effective is Rural Exception Site Policy?

## EXECUTIVE SUMMARY

This is a summary of research commissioned by Royal Town Planning Institute in Wales (RTPI Cymru) to understand the role and use of rural exception site policy in Wales. The research, carried out by Cardiff University School of Geography and Planning, is based on a policy review of all Local Development Plans in Wales, a survey, interviews, and workshop with a range of stakeholders, and series of case studies. The full report of the research can be found at: [www.rtpi.org.uk/the-rtpi-near-you/rtpi-cymru/policy-in-wales/wales-planning-research-agenda/](http://www.rtpi.org.uk/the-rtpi-near-you/rtpi-cymru/policy-in-wales/wales-planning-research-agenda/)

### Rural Exception Site Policy

In many rural areas of Wales there are issues facing local communities in seeking to increase the supply of affordable housing. Local planning policies are critical in this respect, but so is an understanding of issues around the economics of housing on rural exceptions sites and assessing development viability. Planning Policy Wales provides a means of identifying 100% affordable housing exception sites, defined as small sites, located within or adjoining existing settlements, to provide affordable housing to meet local needs. These sites are 'exceptions' and would not otherwise be allocated in a development plan.

### Findings

The research found that exception site policy works best where the development plan framework is mature and robust. The policy is seen as a useful tool for the delivery of local needs affordable housing, however it remains just one of many tools. The delivery of affordable housing through rural site exception policy is designed to meet local need in rural areas and can be an important factor in managing the requirements of different groups, particularly younger people. The delivery of sites remains limited due to requirements to ensure affordability in perpetuity which restricts mortgage availability and limits potential providers. Registered Social Landlords (RSLs) are a main provider due to the availability of social housing grants which improve viability however they are not always familiar with the rural exception site policy process.

Local Planning Authorities apply rural exception policy in a variety of ways designed to suit their locality. There was no consensus on whether Planning Policy Wales should be changed to allow market-housing to cross-subsidise affordable housing on exception sites. Although it could improve viability of sites it potentially increases hope/residual value leading to increased speculation. The inclusion of market housing on rural exception sites conflicts with national planning policy and is likely to not be accepted at examination due to the potential impact on hope value.

A key concern remains the ability to attract private developers and landowners to bring potential exception sites forward. It is important to manage landowner and developer expectations of land value for rural exceptions sites. A proactive approach between landowners, providers, potential users, and Local Planning Authorities can assist in the delivery of units on rural exception sites. Rural Housing Enablers are seen as key to bringing all parties together but support and coverage for them has declined recently.

## Recommendations

The project makes several recommendations:

- **Clarify guidance and improve data:**
  - Clarify data and definitions on affordable housing exception site permissions and delivery between Welsh Government and Local Planning Authorities.
  - Support and expand Rural Housing Enabler surveys used to identify current and future community housing need.
  - Clarify references to rural exception sites and affordable housing exception sites which are often used interchangeably.
  - Provide further guidance on the development management aspects of exception sites.
- **Expand local flexibility:**
  - Where they exist, Local Planning Authorities should consider removing restrictions on the type of housing provider that can develop on rural exception sites.
  - Local Planning Authorities should consider removing specific caps on the number of units that can be provided on rural exception sites.
  - In partnership with Welsh Government, Local Planning Authorities should explore opportunities to remove the residential restriction on rural exception sites to allow for mixed-use non-profit employment schemes.
- **Increase support for delivery:**
  - Welsh Government should explore the potential role of the Development Bank of Wales in providing mortgages for affordable housing in perpetuity.
  - Funding for Rural Housing Enablers should be increased to expand the number and activities of enablers across Wales.
  - A rural affordable housing toolkit should be developed that explains rural exception site processes, engagement, and links to other affordable housing tools and options.
  - Welsh Government should consider reviewing social housing grants for housing associations to ensure rural sites remain viable.
  - Other financial incentives should also be considered, including potential tax benefits for landowners who bring forward land for affordable housing in areas of identified need.
- **Further explore the impact of market-housing:**
  - No compelling evidence has been identified that suggests cross-subsidy of market-housing delivers more affordable housing, however the role of market-housing in enabling viability should be kept under review.
  - If market-housing cross subsidies are introduced, emphasis should be on a presumption in favour of 100% affordable housing with a maximum cap of 25% market-housing, maximums on land area that can be used for market-housing, a minimum absolute number of affordable housing units, and require that affordable housing be developed concurrently with market housing.
  - Wider research on the potential impact of market-housing cross subsidies on 'hope' value is necessary.
  - The inclusion of market-housing to cross-subsidise affordable housing on rural exception sites may require a different, specific policy framework.