Select Committee on the Natural Environment and Rural Communities Act 2006

Corrected oral evidence: Natural Environment and Rural Communities Act 2006

Tuesday 14 November 2017
12.05 pm

Watch the meeting

Members present: Lord Cameron of Dillington (The Chairman); Earl of Arran; Baroness Byford; Lord Cavendish of Furness; Lord Faulkner of Worcester; Countess of Mar; Baroness Scott of Needham Market; Baroness Whitaker.

Evidence Session No. 15    Heard in Public    Questions 127 - 136

Witnesses

I: Sue Chalkley OBE, Chief Executive, Hastoe Housing Association; Graham Biggs MBE, Chief, Rural Services Network.
Examination of witnesses

Sue Chalkley and Graham Biggs.

Q127 The Chairman: Thank you both very much for coming to see us. You have in front of you a list of interests that have been declared by members of the Committee. The meeting is being broadcast live via the parliamentary website. A transcript of the meeting will be taken and published on the Committee’s website, and you will have the opportunity to make corrections to it where necessary. As I say, thank you for coming. Would you both like to introduce yourselves? If you have any introductory statement to make, please feel free to do so.

Sue Chalkley: I am chief executive of Hastoe Housing Association, a rural specialist housing association, and co-chair of the Rural Housing Network, a body representing a number of rural agencies that are interested in rural housing, such as the Country Land and Business Association, ACRE, the Rural Services Network and the CPRE.

Graham Biggs: I am chief executive of the Rural Services Network, company secretary of the Rural England community interest company and a board member of the Connexus housing group, a housing provider operating across Shropshire and Herefordshire.

Q128 The Chairman: Thank you. My first question is about the Commission for Rural Communities. Do you think the CRC performed its functions adequately as advocate, adviser and watchdog for rural needs? Was it the right body with the right responsibilities and powers to do that job? In particular, how important was the in-depth research to the successful functioning of the CRC?

Sue Chalkley: I came into this rural world towards the end of the CRC’s life, but I have to say that since it has gone we have not had the same quantity and quality of data around rural communities. The annual state of the countryside reports were data-rich and were useful for a whole range of purposes, as were the individual reports on particular aspects of rural life. I can say a bit more about this later. There are many bodies looking at different aspects of rural communities, but the CRC seemed to bring that all together and provide rural communities with a voice. That does not exist to the same degree now.

Graham Biggs: I am afraid to say that I predate Sue by a number of years in that respect. For me, the CRC was one of many bodies that you do not realise how good they are until they have gone. There is no doubt in my mind that it did some very good and original work. It was well respected by rural stakeholder organisations, although I am not so sure about its prominence among rural residents generally. I question how much traction it had across Whitehall departments.

On the matter of whether it was the right body with the right responsibilities, there can be no doubt that all those roles best sit outside
as an independent body. I accept that there were perhaps some tensions between its roles—how can one be both an adviser to Whitehall and its watchdog?—but on the whole it balanced those very well indeed.

With regard to my opening comment about not really missing it until it had gone, the main aspect that is missed is the qualitative research. There is a key gap in what we have now compared to what we had with the Commission for Rural Communities. Bodies such as Rural England are trying to do their bit to plug it, but that gap is still significant.

Q129 Baroness Scott of Needham Market: I want to go a bit deeper into whether it is possible to be both watchdog, adviser and advocate. Are any organisations managing to do all three of these things, or are they dispersed? Does that matter, and where are the gaps?

Graham Biggs: I do not think anyone is fulfilling the watchdog role as such. Regarding the advocate role, many organisations, individually and collectively, such as the Rural Coalition, can do a very good job, but if you are going to have a watchdog you have to have a body that understands the role and is accepted across Whitehall as having the right and the responsibility to exercise that function, and its views must be listened to.

Sue Chalkley: I entirely agree. For me the word is “weight”; we need a body that carries weight.

Lord Cavendish of Furness: An idea has occurred to me. Overwhelmingly, we have heard that the research element was highly valued. Is it conceivable to have a body that just did the research?

Graham Biggs: Yes, if it were funded so to do, if it were accepted across Whitehall as a body that had been charged with doing that, and if its research were properly listened to, not simply dismissed with, “Oh, they would say that, wouldn’t they, because they’re rural advocates”.

Sue Chalkley: Research is an important and valuable element, but we need a body that can articulate to the Government what rural communities are like. Obviously there is a wide range of different aspects of rural communities, but policymakers tend to think that rural communities are like urban communities but a bit smaller. We need a body that can articulate the differences in the rural setting and explain how that might impact on the development of policies. Research is really important, but we need a body that can also influence and think forward.

Q130 The Countess of Mar: Where in recent years has rural policy worked well and where it has worked less well? What are the reasons for success and failure in each case? In particular, do you think that the quality and depth of rural-proofing has changed since the demise of the CRC and the RCPU?

Graham Biggs: You know, I have been thinking about this ever since I saw the possible line of questioning. I really struggle to find where rural-proofing has been an undoubted success. It is almost entirely—I am not
sure why I said “almost” then—brought in too late to be able to do the actual job that is needed.

Sue might want to say more, but the two areas that immediately come to my mind where it has not worked are where policy changes had a direct effect on the affordability of housing—those were certainly not thought through from a rural perspective—and the Department for Education policy on all schools providing meals. That policy was entirely laudable but completely impractical in many schools, and it gave the schools significant problems in complying with it.

It is hard to assess how the quality and depth of rural-proofing has changed. There is relatively little information about the extent of rural policy being undertaken by departments. Normally when we as representative groups get to see it, we wonder why we were not asked earlier what the implications would be for rural communities, businesses and areas. A short while afterwards, we then ask why they did not listen to what we said, even though it was too late.

**The Chairman:** Would you have noticed rural-proofing if it was actually working well and if good policies had evolved from discussions in a department having been rural-proofed right from the beginning?

**Graham Biggs:** Absolutely. Show me a good policy.

**The Chairman:** Good point.

**Q131 Baroness Whitaker:** In your written evidence, Ms Chalkley, you recommended that rural-proofing should be the responsibility of a single public body. What sort of body ought that to be and where do you think it should sit in government?

**Sue Chalkley:** I am trying not to look too much as if we are moving back to where we were before. However, if you look at the options available for properly representing the interests of rural communities, we now have a range of different bodies and entities—I can instantly think of 10 or 15, but there are many more—representing individual aspects of rural life. I include within that this Select Committee and APPGs. There are all sorts of activities going on, but none of them has that collective weight and the voice of rural communities to look across the piece at how this and that policy come together and impact on a rural setting.

**Baroness Whitaker:** We would probably still have Select Committees and APPGs.

**Sue Chalkley:** It is longevity as well. It is the ability to see what was happening 10 years ago, compare it with what is happening now and then look forward. I know that that front-footedness has been mentioned before, but if every time a policy is drafted rural representatives say, “That would not work in a rural setting”, we will subtly become quite irritating. We are always semi-objecting to something and saying that it would not work. It would be much better to have a body involved right at
the beginning that said, “This is what would work in a rural setting”. There are a lot of great things happening in rural communities.

**Baroness Whitaker:** Are you thinking of a body with any independence—an arm’s-length body or one in a department?

**Sue Chalkley:** It probably needs to be a quango. It needs to have the weight of being a government body so that it can influence government departments and thinking, but it also needs a degree of independence. That would be my dream come true.

**Baroness Whitaker:** Should it have a direct link to a Minister? Should it share direct accountability to the Minister rather than through a department?

**Sue Chalkley:** I would be slightly nervous of that, because we also need a body that is not too political. It needs to be able to state the position without being concerned about what a current Government might think. We would have to find that middle ground.

**The Chairman:** It would have to come under some form of government budget. Most of the services that affect rural areas—housing, transport, planning, economic growth and so on—are delivered by local government. Would it be best if this body were in DCLG rather than in Defra? I seem to remember that the Countryside Agency was reasonably effective when it was under DCLG or its predecessor. Things started to go wrong when everything moved to Defra. I put that to you as a possible theory.

**Sue Chalkley:** I am going to aim high and suggest the Cabinet Office.

**Baroness Whitaker:** Mr Biggs, do you have a view on this?

**Graham Biggs:** On balance I will go the same height as Sue and say the Cabinet Office. It is there at the heart of government and has the respect of other government departments. It can go in and see what is happening in those departments and try to shape their output. Even if the policy is the same, there are flexibilities in the way that policy is played out in rural areas. It is not necessarily the policy that is bad. It is everything else that gets strapped around it that means that you have a one size fits all in every respect. It is the bits of detail and implementation where the rural rub often comes.

**Q132 Lord Faulkner of Worcester:** I want to ask about affordable rural homes, which was the subject of some very powerful evidence from Hastoe and other organisations. Reading it, I get the sense that the situation is desperate and is getting worse. There have been changes in regulations regarding the development of smaller sites, which mean that it is not necessary for affordable homes to be included in the mix of a development. What challenges do people face in attempting to get a home in rural areas?

**Sue Chalkley:** If I can take us back briefly to the mid-1980s, 24% of rural homes were considered to be affordable. Today it is about 8% and
reducing: the proportion of affordable homes is going down and down. It is reducing more dramatically, because housing associations and councils are selling off rural homes because they are of higher value. You can sell off one rural house rather than two in a nearby market town. It makes sense from a value-for-money perspective. There is now a net migration of 50,000 people from towns and cities into rural villages every year. There are second homes and holiday lets. The housing market is shifting dramatically, as is the rural demographic. The average rural age is now 47 compared with 35 in urban areas. The age of the rural elderly is going up more quickly than in urban areas.

Young families are being squeezed out in this dramatic shift. The rural affordability gap is much more significant than it is in an urban area. The latest Halifax research this year showed that average house prices are about 20% higher in rural communities than in urban areas, yet local earnings are 23% lower. Housing policy is not addressing that massive affordability gap. For example, starter homes do not help rural people who are on £20,000 a year. That, in a way, is why I say that we need to think more positively about policy that is right for rural communities.

Lord Faulkner of Worcester: What sort of policy changes would you like to see?

Sue Chalkley: One of the things that we need to be doing is thinking more broadly. The policy on rural exception sites for example is very successful, but it has been dependent on communities coming forward, which they do in rural areas, but also on landowners making land available at very low prices—at between £8,000 and £10,000 a plot. Rural landowners are kind of invisible. We could be doing a lot more to incentivise rural landowners to develop homes for the community. About two months ago, a landowner rang me and said that he had between 10 and 16 acres available for housing development. He did not want a capital receipt; he wanted long-term income that his grandchildren could benefit from. To recognise that rural context and unlock some potential in rural communities with landowners, I definitely think—and you would expect me to say this—that a premium ought to be available on a grant for affordable housing to recognise the additional cost of delivering in rural communities. But it is not just about money; it is about unlocking some of the potential that exists already.

Graham Biggs: I would not argue with anything that Sue has said. There are some funding issues in that something like 9% of the Homes and Communities Agency grant goes into rural locations, but 20% of the population live there. I agree with Sue absolutely about grant rates. It is much more expensive to deliver a small number of homes, or indeed a large number of homes, in a rural location. You do not have the economies of scale, and you often have extensive ground works; it is not going to be on mains sewerage or gas. Thank goodness, there are higher design standards so that it actually fits in with the community. Then there are much longer timescales to deliver in many respects. One great thing about community-led housing is that the community welcomes it and
wants it and understands why it is being provided, but it takes a long time to develop so that everyone feels they have had their say, particularly if it is an exception site, when it has to go through those realms of planning.

To return to the threshold—that developers do not have to provide an affordable housing contribution on sites of fewer than 10 houses—I was told that 80% of Shropshire Council’s development sites in Shropshire are on sites of fewer than 10 houses. With the affordable housing contribution, they would all be delivered in effect without a grant; the grant was in the fact that the land was being provided at substantially less than market value. There has been a change in recent years such that there is now much more acceptance of perhaps a couple of market-rate houses that have a bit of surplus—I would not call it profit—that can then contribute to some of those additional development costs. At a stroke, the Government’s decision that sites of fewer than 10 houses do not have to make an affordable housing contribution, either on site or by an off-site contribution, is devastating to rural areas. It is a prime example of rural interests not being consulted early enough. When they were asked and they told the government what was wrong with the proposal, it still went ahead, despite all the pressures and amendments from other places.

Sue Chalkley: As a supplement to that, the Bishop of St Albans asked two Parliamentary Questions about the small-sites policy. One was about the impact on rural communities of affordable housing delivery, and the second was about the impact of small and medium-sized enterprise builders, because the policy was designed to incentivise them. The answer to the first Question was, “We don’t know, because we don’t monitor communities with less than a 3,000 population”. The answer to the second was, “We don’t know, because we have data only up to 2016”. So a policy that is having a fundamental impact on the availability of rural affordable housing has been put in place, but there is no monitoring of its impact.

Baroness Byford: I am in an unfortunate position. I cannot ask a question, much as I would like to, because I am secretary of the All-Party Parliamentary Group on Rural Services. However, if I could ask a question I would mention the word “perpetuity” with regard to affordable housing.

The Chairman: The word “perpetuity” has floated in from the outside. Perhaps you would like to comment.

Sue Chalkley: It is vital for the sort of landowner I spoke about earlier, who is generously making land available at a lower cost, and it is vital for a community that often has to overcome all sorts of internal dimensions when it has a vision of a scheme for local people and sees it over various hurdles over the years. I cannot say how vital it is that those homes remain in perpetuity for the purpose for which they were designed: for local people or people who are contributing, working or living, in that community. That is where government policy can accidentally undermine
something. I do not know whether we will talk about right to buy later on, but that is a really good example of a policy that has accidentally caused a loss of confidence.

Q133 The Earl of Arran: Do you think that rural exception sites have been successful in unlocking sites on the outskirts of villages for affordable housing? Secondly, how has the extension of right to buy to housing association tenants affected the delivery of rural exception sites? What could have been done to mitigate the negative effects?

Graham Biggs: I should say that I used to be a local authority chief executive of a very rural authority, and we used to be one of the leaders in rural exception sites. Unquestionably, they have played a fundamental part, with community support, in bringing to the fore small numbers of homes that are affordable to local people in perpetuity. Without such policies, those houses and homes simply would not be there. If the landowner, and perhaps more importantly his or her advisers, believes that there is some hope value or development value in the land, that is what they are going to go for, and you will not get these small sites released to housing associations.

Over recent years, exception sites have been combined with community-led housing. These days, many communities approach housing associations, community land trusts and councils after identifying a need for housing for local people at affordable prices after doing a village appraisal, a neighbourhood assessment or whatever, and they go on to seek to identify an appropriate site and to give an informed view on the design of the site, so you have community buy-in right from the outset. Over a longer timescale, but it is very worthwhile by the end of the process.

As for the damage done by the right to buy, why should a landowner give up a substantial proportion of the value of the land for someone else to make a profit on it? It pushes philanthropy to the nth degree. Unquestionably, it would have been so easy for the policy to have excluded exception sites, and I would have to say rural sites, if there had been some common definition across government of what "rural" means. They could have been excluded, and it would not have impacted at all on the Government’s policy. You only have to look at the small number of homes that have been sold, historically and now, under right to buy that have not been replaced nationally, and certainly not in the parish or general area where the sale took place.

The Earl of Arran: Is a housing association a tradeable asset? Could it be bought by a foreigner?

Sue Chalkley: A housing association is a non-profit-making organisation. The majority of them are charitable. They are all industrial and provident societies. I cannot think of the current term.

Graham Biggs: There are certainly no shareholders, so they cannot be sold in that respect.
**Sue Chalkley:** There are shareholders, but they pay only £1 each for the share, and they receive no dividends.

**The Chairman:** I can tell that you are dying to come in on these questions.

**Sue Chalkley:** I love the rural exception site policy. It is a really sweet policy that has been around since the mid-1980s and is a great example of how rural communities are doing stuff that is great. They should be leading the way in urban areas as well. Rural England is not always backward-looking. Sometimes it has some innovative, useful and interesting things happening. Every year, rural exception sites across England usually deliver about 1,500 affordable homes for their communities. The schemes can be any size. We have had schemes with two houses on Dartmoor, and some go up to 40. On average, there are about 10 homes in a village, so we are talking about that sort of size.

In 2015-16, delivery slumped by about one-third, so we were down to just over 1,000 homes on rural exception sites. That was due partially to the fear caused by the talk of the voluntary right to buy and partially to grant levels reducing, because rural housing delivery is a bit more expensive. Right to buy has had many impacts on rural communities. There is the psychological impact on communities and landowners, but also the fact that a one-for-one replacement could be built anywhere nationally. If one rural home is built, it is highly unlikely that the landlord will replace that on home in that community. They will probably replace it somewhere where it would be better value to replace it.

The other concern was that local authorities were expected to sell high-value assets to fund the discount being offered to the tenant, and many local authorities would sell their rural houses because they have a higher value than the flats in towns. It has impacted on rural communities in every way. However, the good news is that it was a voluntary right to buy in a deal done between the Government and the National Housing Federation, and things have slowed down considerably, so at the moment the discount is not being funded other than in the pilot areas and is not being fully introduced.

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**Q134 Lord Cavendish of Furness:** My question addresses the additional cost of delivering services in sparsely populated areas. To what extent do you think that funding cuts in local authorities and government agencies have intensified the problems associated with the rural premium? Have rural areas suffered disproportionately as a result of public sector budget reductions?

**Graham Biggs:** For the generality of rural services, the starting point for the funding cuts was that for decades the government grant to fund other government services has been skewed towards urban and against rural. Therefore, with this era of funding cuts, the starting point for what services were available in rural areas was so very much lower. It therefore follows that any cut is going to be a deeper cut in effect than in the urban context. But at least in the early years of the policy you could
say that there was some degree of equity, if you excluded the historical underfunding, in that every council would have received X% of its grant being cut—10% in a rural area and 10% in a rural area. In an urban area, in monetary terms that would be far greater sum than in a rural area, but in percentage terms it would be the same.

However, in 2015, the Government changed the basis on which they would distribute the necessary cuts and brought into play not only the amount of government grant that a council received but the council tax that it raised. To counterbalance the historical underfunding of rural areas, rural councils had over the years increased council tax to much higher levels than their urban counterparts. So, naturally, when the income that councils got from both grant and council tax was taken into account, the next wave of cuts fell disproportionately on rural areas. Between the provisional and final settlements of that year, the Government were persuaded—I am choosing my words carefully here—that there was something desperately wrong about that, and they introduced transitional relief for a two-year period. That transitional period ceases on 31 March next year, and we then go straight back to the same position, as was demonstrated by the then provisional settlement.

There can be no doubt at all that the implications for services of these cuts has generally been harsher because the starting point was lower, and the changes to how the cuts are calculated will make that even worse. One way in which that plays out is that in rural areas in the current financial year, rural residents will pay fractionally less—one penny less—than £87 per head, not per household, more in council tax than their urban counterparts. Many of us struggle to see the equitability in rural residents having to pay more for their fewer council services than their urban counterparts in the urban context.

**Sue Chalkley:** I have two specific points to make here. First, we commissioned a study into rural homelessness a few months ago, one outcome of which was the understanding that, in a rural community, the causes of homelessness may be the same but it can look very different. People who have troubles in their lives cannot access the support services that they need at the right time. By the time they start asking for help, the situation is much more serious and entrenched than it might have been if they had been in an urban area where they could have got support services. Rural homelessness is an example of an area in which a body could represent rural communities. When the Homelessness Reduction Bill went through, it would have been nice if it had given some consideration to the impact of homelessness in rural communities and how it plays out there.

The other contemporary point that I would like to make is that we had a planning consultation that ended on Friday on the right homes in the right places. Interestingly, and I am really pleased to see it, it is a subtlety but the report recommends that housing need should be calculated based on a formula that includes household projections. Rural communities have an influx of retirees, with the average age getting
higher and higher and squeezing out younger people. Older people do not reproduce as younger people do, so the household projections will be quite low compared to those for urban areas. Household projections will be for a lower increase, so less funding will come in to rural communities for housing, which is exactly what is needed to reverse this deterioration. That is where a body might be able to make the case and see through something into the consequences in a rural setting.

**Lord Cavendish of Furness:** Do you think that the terrible inequity that is being described here would be better served if there was a better understanding in the Treasury and the political class generally of the public good that the rural communities deliver?

**Sue Chalkley:** I listen to "The Archers" and I love it, although it is seen as being a bit backward-looking—and it is not actually; there is a lot of really forward-looking stuff happening in it. I would like a body representing rural communities to be quite forward-looking. There is a lot of really good stuff happening in rural communities. We even have a scheme that started in Wiltshire. The landowner insisted that we call "Imby Close". We have many imbys out there in rural communities—they are loud and proud—and it would be good to promote that.

Q135  **The Chairman:** Moving on to Brexit, do you see Brexit affecting the quality of life in rural areas at all? If so, how do we involve rural communities in the process?

**Graham Biggs:** There are two headline concerns. Obviously, there is the question of the labour force that will be available, which is fundamental to many businesses, which are mainly agricultural and food-producing businesses but not exclusively; there are other businesses as well. That is a major concern. There is also a concern about what happens at the end of the common agricultural policy to the money that hitherto has gone into rural farms, rural environmental businesses and so on. The concern is not just about individual farms or businesses but about the loss of that money to rural areas.

I think it is accepted that the Government will change the way they distribute money for food production and environmental protection, and I will certainly not sit here and argue that that is wrong and that we should just continue with the CAP way of doing things, but one of the important considerations is that, broadly speaking, the same amount of money at least ought to go into rural communities to support the wider rural economy and the wider rural communities.

**Sue Chalkley:** Briefly, from a housing perspective, our concern is about materials and labour. We can see our construction costs going up. Having said that, landowners might be more open to thinking about what they can do with their land, so there might be opportunities there as well.

Q136  **The Chairman:** The final question is a general one. What one recommendation would you like to see in our final report?
Graham Biggs: A comprehensive and properly-resourced strategy for rural areas is needed that embraces the economy, the environment and social well-being and covers at least the next 10-year period.

Sue Chalkley: I would like rural communities to be visible and understood. The only way to achieve that is to have a separate body that can be there for the long term. We need to collect data for rural communities. Not having data is not helpful.

The Chairman: Good. Thank you both very much for coming along today. It has been a very good session.