

## A NEW RURAL SETTLEMENT

### FIXING THE AFFORDABLE HOUSING CRISIS IN RURAL ENGLAND

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## SUMMARY

Coverage of the housing crisis all too often focuses on our towns and cities, principally those in London and the South East. But unaffordability, and the problems it causes, are not isolated to urban areas. Those in rural areas also face challenges in accessing decent, secure and affordable homes. In fact, housing costs in rural areas are notably higher - around 25 per cent more than in urban areas, while average wages are lower.

The consequences of high housing costs reach far beyond just the housing market. They can be a cause of poverty and deprivation, and at the most extreme of homelessness and rough sleeping. These impacts are true of all areas but there are particular consequences for rural communities and rural life. In the absence of sufficient affordable and long-term accommodation, young, economically active people will continue to move away from rural communities, essential services will close, and some villages risk terminal decline.

Many communities want to do something about this, but lack the tools to do so. Polling shows that a majority of those in rural areas welcome new affordable homes (65 per cent). Moreover, the high cost of housing in these areas stems from a set of unique characteristics that shape rural housing markets. Yet national policy frequently fails to pick up on these factors, creating unintended consequences for rural communities. Numerous reports have highlighted the failure of successive governments to rural proof policy, despite commitments to do so and the Labour party's recent housing green paper makes scant reference to the issues which affect rural areas most.

With housing policy now near the top of the political agenda, and reviews on social and affordable housing being undertaken by both major political parties, there is now an opportunity to make the case for a tailored approach to delivering the affordable homes that rural communities need. In light of the UK's decision to leave the European Union, there is also a need to rethink rural policy more widely, creating an opportunity to put the delivery of affordable housing at the heart of a new rural agenda.

This report sets out a series of policy solutions which would allow rural communities to build the homes that they need and ensure that the English countryside isn't just able to survive but thrive.

## RECOMMENDATIONS

- 1. A new deal for rural communities.** Local and combined authorities should enter into two-way negotiations with central government to develop devolution deals for rural areas, including the possibility of bespoke deals on housing and planning in which ambitious commitments are agreed to increase affordable housing supply. As argued in the IPPR report 'Rethinking rural homelessness' (Snelling 2017), rural areas should be clear in identifying their rural-specific challenges and ways in which devolution can help them implement more locally-focussed solutions. These deals could include, but do not need to be limited to:
  - a commitment to devolving funding in key areas, including affordable housing, infrastructure and social care, to rural areas, determined based on their populations and need
  - rural areas facing significant pressures associated with holiday and second homes should aim to secure devolved powers over council tax, including more flexibility on empty home premiums, potentially to finance dedicated temporary accommodation and homelessness services (ibid)

## KEY FINDINGS

- The affordability gaps in rural areas are high compared to urban areas. The average rural house price is around £19,000 above the average for England as a whole, at £320,700 compared to £301,900, and is more than £87,000 higher than the urban average excluding London (£233,600).
- Rural housing is less affordable to local people than in most urban areas. A family with one child, earning one full-time and one part-time median wage in a mainly or largely rural area would spend 31 per cent of their income on rent, compared to 26 per cent or 19 per cent in most urban local authorities. Only in major conurbations is this higher.
- Only 8 per cent of the housing stock in rural areas is affordable compared to 20 per cent in urban areas, and current delivery is failing to provide enough new homes.
- Rural areas are set to see significant reductions in their working age populations over the coming decades. Between 2014 and 2038, the working age population in rural areas is projected to decline by 75,000 people while the population aged over 65 will grow by around 1.5 million. By 2038, there will be 63 people aged over 65 for every 100 working aged people, 24 more than in 2014. This is significantly higher than in urban areas where there will be just 31 people aged over 65 to every 100 working aged people.
- In 2016/17, 1,071 homes were brought forward on rural exception sites. This is equivalent to 10 per cent of all the affordable homes built in mainly and large rural authorities and more than a quarter (26 per cent) of those in settlements of less than 3,000. However more than half of these (55 per cent) were developed by just five local authorities. Of these, one authority - Cornwall - accounts for 400 homes, 37 per cent of the total homes delivered on exception sites according to government data.

- as part of any deal, to consider giving local authorities the discretion to repeal, suspend or reform the statutory Right to Buy policy in their areas
- granting local authorities the right to establish rural housing burdens.

**2. A rural community house building programme:** The government should task and support Homes England with embarking on a significant Rural House Building Programme. This should involve:

- recalculating and reinstating the rural affordable housing target for grant allocation
- developing a specific rural grant to be administered by Homes England. This should be calculated using new analysis to assess the true cost of developing affordable homes in rural areas, including any rural premium in build cost and the potentially lower rental yield achieved through the rural living rent. Funding for this could come from Homes England's existing budget, with a proportion set aside and based on the housing need accounted for by rural areas
- government examining the possibility of developing a rural living rent, based on local earnings at a sub-local authority level, to truly connect local earnings with rents. It should be based on earnings made from activities and which are deemed vital to local rural communities and economies, and should go beyond just agriculture and tourism, taking stock of the wider rural economy.

**3. Planning for new homes in rural communities:** Land needs to be brought forward where it is needed at a price that means it can be developed for affordable housing. Landowners are willing to bring forward land but need support. What is more, rural exception sites, which have been successful at supplying land for affordable housing in rural areas, are being undermined by poorly designed policy that has unintended consequences in rural areas.

As part of this local authorities should:

- set an 'upfront' target in local plans for affordable housing in their local areas, including on sites of less than 10 units. Setting an upfront target would have the effect of adjusting land values to reflect the commitment to provide affordable housing delivery, reducing the cost of sites so that it is viable to deliver affordable housing. The upfront target should be calculated based on what is viable at a local level, taking into consideration local land values.

To achieve this, national government should:

- reform planning policy to explicitly exempt rural areas from changes to the section 106 requirements which no longer require affordable housing commitments on sites of less than 10 units
- ensure that restrictions on Entry Level Exception sites as proposed in the draft NPPF are restricted for use only in urban areas if they come to fruition
- establish regional rural planning hubs. These should increase planning capacity across local authorities to support the development of neighbourhood plans and bring forward land for affordable development, working with communities to do so
- where a local plan does not set an upfront target, place a default 35 per cent target for affordable housing delivery on all sites, including those of less than 10 units, and 50 per cent on public land
- reform the viability process in the NPPF to ensure that rural areas are not missing out on a supply of affordable housing in line with the recommendations made by Shelter and the CPRE in their report *Viable Villages*
- seek to promote the existing Community Right to Bid, which grants communities the right to register an interest in a plot of land and then be given first refusal over its purchase when it comes up for sale. This should sit alongside neighbourhood planning and allow land to be acquired for community purposes.

**4. Putting the needs of rural communities at the heart of government.**

Government should make a renewed commitment to rural communities, more explicitly designing policy to meet, and not adversely impact on, their needs, while embedding the interests of rural communities in the work of Defra. A number of steps should be taken to ensure this, including:

- adopting a commitment to rural proof all policy and setting out a clear framework for how this will be achieved
- government establishing a central rural policy unit, housed in the Cabinet Office, which focuses on promoting rural communities
- government developing and awarding a statutory definition of a rural community, so that policy can be differentiated between urban and rural areas.

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