

Institute for Public Policy Research



# **A NEW RURAL SETTLEMENT**

**FIXING THE AFFORDABLE  
HOUSING CRISIS IN  
RURAL ENGLAND**

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and Luke Murphy**

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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 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.

## 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% 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.

## 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-focused 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)
  - 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.

In designing the support which replaces the Common Agricultural Policy (CAP), government should make inclusive growth, of which the provision of affordable housing should be a key element, an explicit part of its replacement of the rural development programme.

# 1. INTRODUCTION

England's rural towns and villages still evoke an idealised vision of the English countryside - the perfect rural idyll of rolling hills, fresh pastures and winding lanes. These stereotypes have set in aspic a version of England's green and pleasant land that is affluent yet isolated, old-fashioned yet idyllic.

These stereotypes, however, mask a nuanced reality in which rural areas are much more vibrant and dynamic than many imagine but also suffer far greater deprivation and poverty too. The rural economy is not just made up of 'tractors and tourism', as essential as those things might be, but also the digital, hi-tech and manufacturing sectors, which have an increasingly important presence. After all, rural areas contribute 16.4 per cent of GVA to England's economy as a whole (Defra 2018a).

Moreover, while the proportion of people living in income poverty in rural areas is lower overall than in urban areas, there has been a recent increase in the total percentage of rural households who are in relative low income before housing costs (Defra 2017). Furthermore, fuel poverty is also far more prevalent in rural areas compared to urban (BEIS 2018).

Homelessness and rough sleeping are also a feature of our rural communities, belying its common depiction as an urban issue alone. A recent report by IPPR found that between 2010 and 2016, there was an increase in rough sleeping of 56 per cent in largely rural areas (Snelling 2017).

That report found that the lower levels of housing affordability; shortages in affordable homes and appropriate tenure options; high prevalence of second and holiday homes; and a decline in local authority-housing stock were key contributors to the problems of homelessness and rough sleeping in rural areas. It also found that too often housing policies were designed for urban areas, with little regard for the rural context

This report focuses on those wider issues of affordable housing in rural areas giving key consideration to the extent to which housing policies are developed with the rural context in mind.

This report is not the first to have addressed these issues in recent years. Our work builds on a number of publications in this area, most notably the Joseph Rowntree Foundation's *Homes for Rural Communities* report, the report by the Affordable Rural Housing Commission *Living, Working, Countryside*, the publications made as part of HRH The Prince of Wales' Affordable Rural Housing Initiative and the report of the Rural Housing Policy Review, Chaired by Lord Best, *Affordable Housing: A Fair Deal for Rural Communities*.

In light of these recent reviews, it is not unreasonable to question the need for another report into rural affordable housing. However, there have been two substantial shifts within policy and politics over the past few years which make this report particularly timely and relevant.

First, housing policy and the need for more affordable housing is higher up the political agenda than it has been for decades. This hasn't, however, fed into a higher

priority or specific focus on rural housing issues. The government has repeatedly failed to rural proof its housing policies, introducing one-size-fits-all solutions that could make the situation worse in our rural towns and villages. Moreover, the Labour party's recent social housing green paper makes scant reference to rural housing issues. In addition, while some of the recommendations from previous reports have been implemented, many remain proposals rather than implemented policy. Within this context, there is a need and opportunity to highlight the acute housing affordability challenges that are so apparent in our rural communities and to re-assert the need for a focus on rural-specific policy solutions.

The second substantial shift is Brexit which represents both a challenge and an opportunity for rural areas. Rural policy has been determined considerably by tradition and the Common Agricultural Policy (CAP) in recent decades (Cox et al 2017). The decision to leave the European Union (EU) therefore represents an opportunity to think rural policy anew, responding to the new environment. With a population that was marginally more likely to have voted to leave than urban areas (CLA 2017a) there is also a pressing need to ensure that rural communities are not left behind and are able to help meet the UK's wider economic and productivity challenges over the next few years. Key to that aspiration will be getting housing policy right in rural areas where increasingly the working-age population, faced with higher housing costs and lower wages than in many urban areas, simply cannot afford to live.

This report sets out a range of solutions for both policy and practice which, if implemented, could increase the amount of affordable housing in existing rural communities, ensure their ongoing health and support the rural economy. Alongside a programme of research and review of the existing literature on the rural housing crisis, these interventions are the product of substantial engagement with rural stakeholders through expert interviews, a call for evidence and a policy workshop with key stakeholders.

This engagement has led us to argue that if we are to resolve the rural housing crisis there is a need for intervention in four key areas.

1. Rural areas must be put at the heart of the place making agenda with a commitment from central government to enter into two-way negotiations to develop devolution deals, including possible bespoke deals on housing and planning, through which ambitious commitments are agreed to increase affordable housing supply.
2. There is a need for a sufficient supply of genuinely affordable homes in the right places of the right quality. This means a new approach to providing capital funding for affordable housing building and targets to ensure it is delivered.
3. Land needs to be brought forward where it is needed at a price that means it can be developed for affordable housing. This will require landowners to be supported and their expectations of land value managed.
4. It is necessary for new housing policies to be designed with rural communities in mind, ensuring that the unique characteristics of rural communities and rural housing development are understood and supported. Achieving this will require new institutional capacity within government.

The following chapters of this report set out the context and key problems, and propose a series of solutions.

## 2. A CRISIS OF AFFORDABILITY IN THE RURAL IDYLL

It is now well established that the housing supply across England has fallen well short of demand for decades. Recent research by IPPR found that in 67 per cent of local authorities, insufficient houses were built to meet demand in 2015/16 (Baxter and Murphy 2017). While housing undersupply alone is not the only factor impacting on the affordability of housing – for example the availability of credit is also a significant factor – it has been a key contributor. Since 1995, house prices have risen by 76 per cent, far outstripping inflation (ONS 2017).

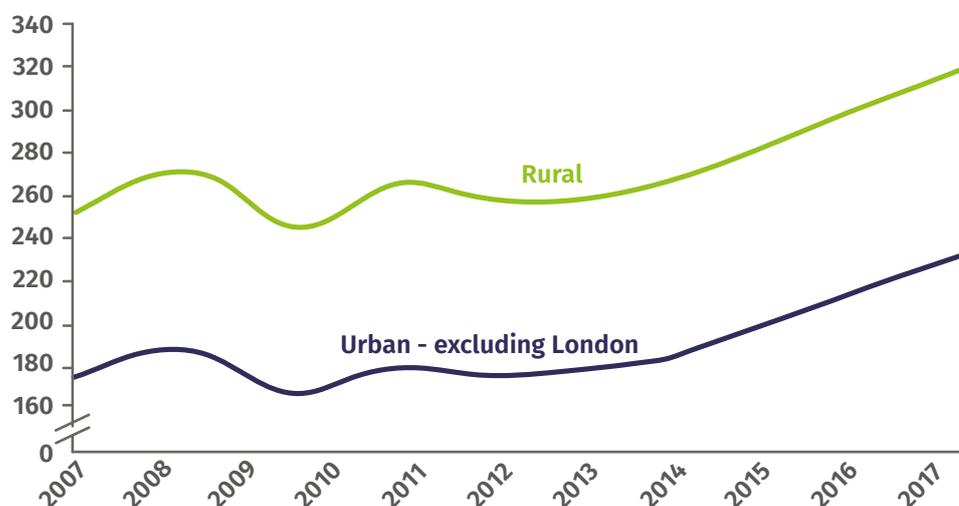
Moreover, the provision of affordable housing is woefully inadequate to meet the growing need for this tenure across England. IPPR research published last year found that affordable housing provision is falling short in 92 per cent of local authority areas. The crisis of affordability has wider impacts well beyond housing. For instance, high rents can lead to overcrowding, higher reliance on borrowing and constraints when purchasing essentials, such as food and clothing (Pennington et al 2012) and the provision of sub-market housing has the greatest impact on reducing poverty after housing costs (Tunstall et al 2013).

### HOUSING AFFORDABILITY IN RURAL 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) (Defra 2018b). As figure 2.1 shows, rural house prices have been much higher than the national average for urban areas for a number of years.

**FIGURE 2.1**

Annual average sale prices of houses (£000s), year ending 2007 Q1 to year ending 2017 Q3



Source: Defra (2018b)

The ratio between the average lower quartile house price and the average lower quartile earnings, which shows whether someone in the lower earnings band could afford to buy a house, was 8.3 in predominantly rural areas in 2016. By contrast, it was seven times in predominantly urban areas (excluding London) (Defra 2018b). Private rents are also slightly higher in rural areas (ibid).

**TABLE 2.1**

**Ratio of lower quartile house prices to lower quartile residence-based earnings, by Local Authority Classification, in England, 2008–16**

	2008	2009	2010	2011	2012	2013	2014	2015	2016
London	10.0	8.9	9.6	10.1	10.2	10.7	12	13.5	14.7
Urban with major conurbation	6.4	5.6	5.8	5.6	5.5	5.5	5.8	6.0	6.1
Urban with minor conurbation	5.7	5	5.2	4.9	4.8	4.9	5.2	5.3	5.3
Urban with city and town	7.4	6.5	6.9	6.7	6.7	6.7	7.1	7.6	7.9
Urban with significant rural	8.0	7.1	7.5	7.5	7.3	7.4	7.8	8.2	8.7
Largely rural	7.9	6.9	7.3	7.2	7.0	7.0	7.3	7.8	8.0
Mainly rural	8.7	7.6	8.1	8	7.8	7.9	8.1	8.4	8.7
Predominantly urban (excl. London)*	6.9	6.0	6.3	6.2	6.1	6.1	6.4	6.8	7.0
Predominantly rural**	8.2	7.2	7.7	7.5	7.4	7.4	7.7	8.0	8.3
England (re-weighted)***	7.8	6.8	7.2	7.2	7.1	7.2	7.7	8.2	8.6

Source: Defra (2018a)

Notes: \*Predominantly urban areas are those which fit into the urban with major conurbation urban with minor conurbation and urban with city and town classifications.

\*\*Predominantly rural areas are those which fit into the mainly and largely rural classifications.

\*\*\* Ratios are weighted by Local Authority household counts in order to allow for comparison of Local Authorities according to their 'Rural Urban' classification. The England figure included here is also weighted for the purpose of this analysis and as such will not match the original England data published by the ONS. Further details can be found in DEFRA (2018a).

Moreover, IPPR's bespoke analysis highlights how affordability differs by area and different household types. Three household scenarios on average wages (as set out in table 2.2) are employed in this analysis and then affordability is compared by area.

**TABLE 2.2**

**Household examples**

Household type	Earnings
Single person working full time	One person on full-time earnings
Couple with one child with one person working full time and one person working part time	One person on full-time earnings + one person on part-time earnings + child benefit
Couple both working full time	Two people on full-time earnings

The findings show that a family with one child, earning one full-time and one part-time median wage in a mainly or largely rural authority would need to spend around seven times their household income to afford to buy a home (table 2.3). This is significantly above the four and a half times for which a lender would grant a mortgage (Money Advice Service 2018) and much higher than most urban areas.

The same is found with rented homes. A family in the same situation would need to spend 31 per cent of their income on rent, compared to 26 per cent or 19 per cent in most urban areas. Only in major conurbations is this higher.

**TABLE 2.3**

**The affordability of housing by rural/urban indicator**

Measure of affordability	House price affordability ratio			Per cent of net income paying in rent		
	Single (1*FTE)	Couple (2*FTE)	Couple with child (1*FTE, 1*PTE, CB)	Single (1*FTE)	Couple (2*FTE)	Couple with child (1*FTE, 1*PTE, CB)
Mainly rural	9.80	4.90	7.13	0.46	0.23	0.31
Largely rural	9.95	4.97	7.21	0.45	0.22	0.31
Urban with significant rural	8.77	4.38	6.40	0.38	0.19	0.26
Urban with city and town	8.08	4.04	5.82	0.38	0.19	0.26
Urban with minor conurbation	5.30	2.65	3.76	0.28	0.14	0.19
Urban with major conurbation	11.39	5.70	8.32	0.51	0.25	0.35

Source: IPPR analysis of ONS (2018a), VOA (2018) and ONS (2016)

## EARNINGS IN RURAL AREAS

Local earnings in rural areas are consistently lower than in urban areas. For instance, in 2017, the median-earnings for employment in rural areas was £21,400 compared with £22,900 in predominantly urban areas (excluding London) (Defra 2018a).

## THE SOCIAL CONSEQUENCES

A lack of access to affordable housing has significant social costs, driving deprivation, poverty and overcrowding for those on low incomes (Shucksmith 2013) - 16 per cent of rural households are in relative poverty, which are those households whose incomes are below 60 per cent of the median income (Defra 2017). Whilst this is lower than urban areas, these figures mask significant inequalities within the countryside where a lack of access to services and hidden homelessness can be serious issues (Fecht et al 2017). Without sufficient affordable housing to meet their needs, these individuals will likely fall further into deprivation.

A lack of affordable housing can also lead to homelessness. A previous IPPR report found that between 2010 and 2016 mainly rural local authorities saw a 32 per cent increase in the number of people sleeping rough and 56 per cent for largely rural areas (Snelling 2017).

### BOX 2.1: FUEL POVERTY AND RURAL AREAS

Rural households are also subject to higher rates of fuel poverty. The average fuel poverty gap - the amount by which a fuel-poor household's energy bills exceed reasonable costs each year - is £756 per year for rural villages, hamlets and isolated dwellings, compared to £353 for all households (BEIS 2018). Rural households with the worst energy efficiency ratings have a fuel gap of £1,223 per year compared to £917 for all households (ibid).

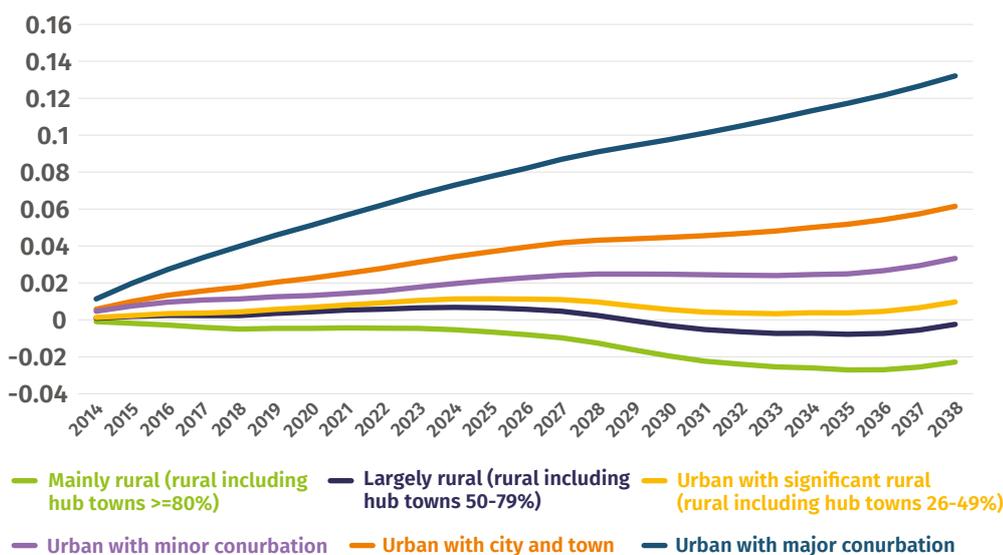
Both poor thermal efficiency and high heating costs contribute to this situation. Almost 40 per cent of rural homes have the lowest ratings for thermal efficiency (bands F and G). This is often because rural housing is harder to improve with energy efficiency measures, given the way in which homes are constructed, such as having solid floors and walls (FREE 2013). At the same time, a greater number of rural homes do not have access to mains gas - 71 per cent in villages and hamlets (CFP 2017) - and therefore cost more to heat. As such, they rely on more expensive, non-gas forms of heating such as liquid petroleum gas (LPG), oil or electricity (The Green Age 2018). Clearly, these factors can contribute notably to housing costs.

### THE COMMUNITY CONSEQUENCES

A lack of affordable housing can also lead to rural flight, where younger and less affluent households leave rural areas because they are unable to afford to live in them. This is supported by recent data which shows that villages and small communities have seen their old age dependency ratio - the number of people aged 65 or over for every 100 people of working age (16 to 64) - increase in recent years (IPPR analysis of ONS 2018b).

FIGURE 2.1

Percentage change from 2014 in the working aged population (16-64) by urban/rural classification, 2014-38



Source: ONS (2018b)

Moreover, IPPR analysis shows that the population in rural areas will continue to age rapidly. By 2038, there will be 63 people aged over 65 for every 100 working aged people, 24 more than in 2014.<sup>1</sup> This is significantly higher than in urban areas where there are predicted to be just 31 people aged over 65 to every 100 working aged people.

This driven both by an increase in the population aged over 65 alongside a reduction in the working age population (by around 2 per cent) (see figure 1). Mainly rural local authorities are predicted to see a 2 per cent decrease while the working age population living in major urban conurbations will grow by 13 per cent. Overall, the decline in the working age population in rural areas is the equivalent to the loss of 75,000 people while the population aged over 65 will grow by around 1.5 million (IPPR analysis of ONS 2018b).

This flow of younger and working age people from the countryside to urban areas can have a negative impact on the nature of rural communities. When young, economically active people leave rural communities it can lead to the closure of the services vital for communities to thrive. Over the last five years in rural areas 52 schools, 1,300 pubs and 81 post offices have closed (NHF 2017). A lack of access to such services makes living in rural communities difficult for those who rely on them, such as families with children who need to access schools (Grayston and Pullinger 2018).

At the same time, a higher proportion of older residents can lead to the concentration of health care problems in rural communities with accompanying challenges in delivering social care, due, among other factors, to remoteness and a lack of family members living locally who can offer or coordinate support (LGA 2017). Most significantly though, this undermines the ongoing sustainability of rural communities and could put some villages, parishes and hamlets at risk of terminal decline.

## THE ECONOMIC CONSEQUENCES

A lack of affordable housing can also present challenges for the rural economy. As Cox et al (2017) note the rural economy makes a significant contribution to the UK's overall economic performance. Rural areas account for 16.4 per cent of GVA (Defra 2018a), including innovative business in agriculture, tourism, advanced manufacturing, and energy (ibid). These sectors will play a key part in meeting the goals set out in the government's industrial strategy (BEIS 2018b), for example the ambition to achieve clean growth, which will involve both energy and advance manufacturing assets which are often located outside of urban centres (Cox et al 2017).

However, a lack of affordable housing could impede efforts to achieve these objectives. This is because employers in rural areas can struggle to address skills gaps and find employees in the absence of sufficient local labour, poor transport links and long commutes (UKCES 2013). This is worsened in areas which are particularly remote from urban centres (ibid). A decline in the working age population has the potential to further intensify this problem and this could accelerate if communities are not providing homes that local workers can afford.

This is occurring at a time when the rural economy is particularly vulnerable. The UK's exit from the European Union means that the policy framework which has supported the rural economy and agriculture will need to be replaced (Garrod et al 2017). As analysis by the National Farmers Union (NFU) conducted prior to the referendum shows, leaving the EU is likely to have a negative effect on farm incomes (van Berkum et al 2016). While this is admittedly only one aspect of the

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<sup>1</sup> The old age dependency ratio is calculated as follows: (population aged over 65/Population aged 16-64 [working aged])\*100

rural economy it does demonstrate that at this time of uncertainty, government should be investing in rural communities, ensuring their economies are supported. As earlier IPPR North research has shown, this could also provide a way to focus on the broader rural economy (Cox et al 2017), and with it wider rural life.

### 3.

# KEY ISSUES FACING RURAL AFFORDABLE HOUSING DELIVERY

## POLICY CONTEXT

Around one-fifth of England's population live in rural areas. With 9.4 million residents (Defra 2018a), around 500,000 more people live in rural communities than in London (8.54 million) (GLA 2017) and yet the capital city receives far more attention in policy terms. Policy in many areas is often developed with an urban focus, perhaps a consequence of issues in major cities and towns being more visible than those in the countryside.

With this in mind, the concept of rural proofing, whereby the likely impact of policy decisions on rural areas are considered, and, where necessary, adjusted to take into account the particular needs of those who live in, work in, or enjoy the countryside', (OECD 2011) was first adopted by the government in 2000 (DETR 2000). However, this approach is at best inconsistently applied, and at worst, ignored altogether.

A number of reviews have been undertaken into the need for intervention in rural housing markets (see the Taylor Review (Taylor 2008) the Rural Housing Policy Review led by Lord Best (Best et al 2015) the Affordable Rural Housing Commission (2006), the HRH Prince of Wales Rural Housing Initiative (HRH Prince of Wales 2003) and the Joseph Rowntree Foundations rural housing work (Best and Shucksmith 2006)). All of the reviews highlighted the failure of successive governments to effectively rural proof housing policy, but their recommendations have been largely ignored, despite the significant consequences of a lack of affordable housing.

Recent housing legislation and policy developed by both the government and the opposition are a case in point. The Housing and Planning Act 2016 was the subject of rigorous debate in the House of Lords as representatives from all parties and cross-benchers made the case for a number of exemptions from various housing policies, including starter homes, on the grounds that these one-size-fits-all policies would severely undermine the delivery of affordable housing in rural areas. The Labour party's social housing green paper, *Housing for the many*, also makes scant reference to rural areas on the need for tailored policy solutions to meet them.

In the sections that follow, we examine the current circumstances that rural communities face with regard to affordable housing in order to form a thorough understanding of the particular features of these areas which will require rural specific solutions.

## AN INSUFFICIENT SUPPLY OF GENUINELY AFFORDABLE HOMES IN THE RIGHT PLACES AND OF THE RIGHT QUALITY

In settlements of less than 3,000 people, a definition of a rural community which is commonly accepted, 4,079 affordable homes (of all types) were built in 2016/17 (MHCLG 2018). While a target for the level of affordable housing needed in small rural areas does not exist, the most reliable estimate of the need in these

communities is found in report of the Affordable Rural Housing Commission (2006), which placed need for genuinely affordable homes at 7,500. The commission itself argued that this may be an underestimate of the true need for affordable homes (ibid) and, at more than a decade since its publication, is likely to be out of date. Nonetheless, even this conservative and outdated target, is not being reached.

This is set against a backdrop of a reduction in policy support for rural areas. There is no longer a rural target for government grant funding for new affordable homes in settlements of less than 3,000 populations. Many respondents to our call for evidence felt that this lack of financial support had contributed to some housing associations not building in rural communities.

What is more, a lack of investment creates particularly acute problems for rural areas given that the cost of building in them is generally considered to be higher. Most rural homes are delivered on smaller sites where it is not possible to achieve economies of scale (Best et al 2015). Analysis from the Federation of Small Businesses shows that per square metre build costs are 6 per cent higher on sites of less than 10 units when compared to larger sites (FSB 2015).

The limited affordable housing which is being built is likely to be out of reach for most of those on lower incomes in rural communities. While rural local authorities, when standardised by the level of dwelling stock in these areas, are building affordable homes at a higher rate than urban areas, the proportion of these which are let at social rents is lower than in urban authorities (see table 3.1). This compounds the affordability problem as previous IPPR research shows that affordable rented homes, which are let at 80 per cent of market rents, and affordable home ownership products, are out of reach for many, particularly in areas with high house prices (Baxter and Murphy 2017). In only seven local authorities in the whole of England would affordable rents be in reach of those working in a full-time, minimum wage job (IPPR analysis of VOA 2018 and ONS 2016).

**TABLE 3.1**

**The number of affordable homes built per 1,000 units of dwelling stock by rural/urban indicator, 2016/17**

	Net additional social rent dwellings per 1,000 units of dwelling stock	Net additional affordable rent dwellings per 1,000 units of dwelling stock	Net additional intermediate, shared ownership and affordable dwellings per 1,000 units of dwelling stock	Total net additional affordable dwellings per 1,000 units of dwelling stock	Proportion of net additional dwellings which are social rent (%)
Mainly rural	0.2	1.3	0.8	2.3	9%
Largely rural	0.1	1.3	0.6	2.0	6%
Urban with significant rural	0.2	1.1	0.7	2.0	10%
Urban with city and town	0.3	0.9	0.4	1.6	19%
Urban with minor conurbation	0.1	1.0	0.1	1.1	7%
Urban with major conurbation	0.2	1.0	0.4	1.6	14%

Source: IPPR analysis of MHCLG (2017)

**TABLE 3.2**

**The proportion of all affordable housing stock delivered by type by urban/rural classification, 2016/17**

	Social rent	Affordable rent	Intermediate rent, shared ownership and affordable ownership
Mainly rural	9%	58%	34%
Largely rural	6%	64%	29%
Urban with significant rural	10%	57%	33%
Urban with city and town	19%	56%	25%
Urban with minor conurbation	7%	89%	7%
Urban with major conurbation	14%	59%	27%

Source: IPPR analysis of MHCLG (2017)

On top of challenges in delivering new homes, existing policy has also had the impact of removing affordable housing from supply in rural communities. The statutory Right to Buy, through which sitting tenants can purchase their home with a discount, has had a significant impact in rural areas. The Taylor Review found that the proportion of all housing stock which was affordable (social rent) in rural areas had fallen from 25 per cent in 1980 to 13 per cent in 2007 (Taylor 2008). This is compared against 36 per cent to 21 per cent in urban areas (ibid).

### **NOT ENOUGH LAND IS BEING BROUGHT FORWARD WHERE IT IS NEEDED AT A PRICE TO DEVELOP SUFFICIENT AFFORDABLE HOUSING**

More than half (52 per cent) of local authorities surveyed as part of the Rural Housing Policy Review highlighted a lack of sites as a barrier to building more affordable homes (Best et al 2015). However, there is evidence that landowners want to bring forward land to support the housing needs of rural areas.

A recent report by the Country Land and Business Association (CLA), who represent around half of the rural landowners in England and Wales, found that 32 per cent of their members had built housing for sale or rent in the past and 43 per cent intended to do so in the next five years (CLA 2017b). In addition, 27 per cent of those wishing to bring forward land for development wanted to do so to build affordable housing (ibid). However, landowners are put off from development by the planning process, fears about local objections and owing to government regulations and policies (ibid). A majority of landowners (63 per cent) reported that they would be more likely to develop if they could receive greater support from local authorities in navigating the planning process (ibid).

Rural Exception Sites have been a key mechanism for the delivery of affordable homes in rural areas, allowing landowners to bring forward sites to meet local need. Small sites outside the settlement boundary that would not normally be permitted for development, an exception to planning policy is made on the basis that homes will be available to local households and remain affordable in the future. The NPPF sets out that these are designed “to address the needs of the local community by accommodating households who are either current residents or have an existing family or employment connection” (DCLG 2012). Shelter analysis shows that since 2011/12, they have delivered 7,881 homes (Grayston 2018).

That these sites otherwise would not be allocated for development means that housing associations can purchase the land based on a multiple of agricultural value, enabling them to build affordable homes, although a small number of market homes are allowed if this is needed to make the development work financially (DCLG 2012).

A number of reviews into rural housing and rural life (Best et al 2015; Cameron et al 2017) have found these sites to be a vital part of delivering new homes in rural communities. However, the number of sites being brought forward in recent years is declining, and there are large discrepancies between local authorities in their use of these sites (CLA 2017c). Of the 1,071 homes which were brought forward on rural exception sites in 2016/17, more than half (55 per cent) were developed by just five local authorities. Of these, one authority – Cornwall – accounts for 37 per cent of the total homes delivered on exception sites (400 homes). Of the 91 mainly or largely rural authorities, only 14 brought forward homes on these sites in 2016/17. This demonstrates that more needs to be done to ensure a greater number of local authorities are using the policy levers available to them to deliver affordable rural housing.

However, these are not just practice-based problems and recent changes, and proposed changes, to policy have arguably undermined the delivery of affordable housing in rural areas. Three prime examples include changes to Section 106 orders on sites of less than 10 units, the proposed introduction of Entry Level Exception Sites and the Voluntary Right to Buy, which is currently at pilot stage.

#### **Changes to Section 106 obligations on sites of less than 10 units**

Section 106 agreements are agreements made between a developer and the Local Planning Authority (LPA) designed to help meet the cost of providing new infrastructure for an area, including affordable housing (Smith 2017). In late 2014, the government reformed planning guidance to exempt sites where less than 10 homes were being constructed from having delivery affordable housing as part of their Section 106 obligations (Lewis 2014). As part of these changes a threshold of 5-units may be applied in some designated rural areas, with a cash payment sought for developments of six to 10 units.

It was argued that developer contributions on small sites, where build costs are higher, were putting off development, limiting the number of homes being built (ibid). Freeing up the planning system, it was argued, would unlock greater amounts of new development (ibid).

This policy has particular impacts in rural areas. Most of the sites which are developed in rural areas are small (less than 10 units) and so this policy undermines a key flow of affordable housing into rural areas. In 2012/13 66 per cent of affordable housing built in settlements of less than 3,000 was on S106 sites (Best et al 2015).

The supply of affordable housing through Section 106 obligations is also undermined by the current rules regarding the financial viability of sites. Recent research by Shelter and the Campaign to Protect Rural England (CPRE) in their report *Viable Villages* has found that planning loopholes are allowing developers to avoid building affordable housing in many rural authorities (Grayston and Pullinger 2018).

The research argues that the viability assessment process, which allows developers to reduce their affordable housing commitments if they would make profit levels uncompetitive, is poorly designed (ibid). Over a year and in just eight rural councils, 938 affordable homes were lost through viability assessments (ibid). This therefore fails to commit developers to provide affordable housing and undermines the, albeit weak, mechanisms for land value capture which already exist. It also inflates land values, reducing the scope for contributions towards affordable housing thereby creating a vicious cycle.

### **The proposed introduction on Entry Level Exception Sites**

The proposed introduction of Entry Level Exception sites (ELES) in the National Planning Policy Framework (NPPF) consultation may limit land coming forward for development through rural exception sites and may raise the price of that which does. The proposal for Entry Level Sites appears to seek to replicate the success of rural exception sites. However, the sites differ in that they seek to bring forward a large proportion of open market housing and tailor support more explicitly towards first-time buyers (MHCLG 2018).

They also do not require any community engagement (ibid), a key part of the success of rural exception sites. This has led many rural organisations to warn that these sites may discourage land coming forward for rural exception sites, as landowners will pursue ELES sites which may give them a higher return instead (RSN 2018). What is more, given the lack of engagement, these sites risk a negative reaction from communities if they cannot see the new homes being built going to local residents.

### **The voluntary Right to Buy**

Another policy development which may undermine land coming forward in rural areas is the extension of the Right to Buy to Housing Association properties through proposed voluntary arrangements. The government is currently working towards delivery of a two-year Voluntary Right to Buy Pilot across the East and West Midlands, announced within the 2017 Autumn Budget and to commence during summer 2018.<sup>2</sup>

As a consequence of the policy, landowners have expressed concern that some or all of the affordable housing they provide will eventually be purchased outright by tenants exercising their voluntary Right to Buy rather than always being available at an affordable rent (House of Commons Communities and Local Government Committee 2016). This means that individuals may benefit financially, through the resale of a home at market value which they bought with a discount, when landowners have provided land at a reduced rate, which could contribute to a reduction in land supply in rural communities.

Overall, the failure of government to understand the particularities of the rural land market and to effectively rural proof policy has led to a range of policy changes which will negatively harm the land market in rural areas, driving up the cost of development.

## **WIDER BARRIERS TO BRINGING FORWARD LAND AT A REASONABLE PRICE**

There is significant evidence which demonstrates that the current model of development in the UK allows landowners to capture huge uplifts in the land value created by the planning system (Jeffreys and Lloyd 2017; Aubrey 2016; Bentley 2017). Successive legal decisions have allowed the inclusion of what is called 'hope value' in purchase prices. This means that landowners can expect a return closer to the developable value for their land rather than its existing use. The difference in prices can be significant and the process has had a distorting impact on the land market.

While proposals to deal with this wider issue in the housing market are beyond this report, we recognise that effectively dealing with this issue would require

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2 The pilot will enable testing of some of the key elements of VRTB that have yet to be tried, including portability and one-for-one replacement. Learning from the Midlands Pilot will inform the final design of the main scheme, although timescales for a national roll-out have yet to be announced by government. Housing associations will be able to opt out of the VRTB/Midlands pilot, and participating associations can choose to exercise their discretion in terms of defining what rural means in the context of their local area, and excluding rural properties where replacement is difficult and/or costly (and obviously where there are clear restrictive covenants around the protection of rural homes). However, the presumption for most rural associations will be to otherwise sell qualifying tenants the property in which they live, and rural associations have argued that they will find the replacement of rural homes sold under VRTB difficult or impossible.

system-wide reform, which we allude to in our recommendations. However, within the rural context specifically, there is evidence of the need to manage landowners expectations of value need to be managed. For example, a report of the Hampshire Alliance for Rural Affordable Housing found evidence that whilst landowners want to see their communities thrive, they nonetheless had starting expectations of land value that would make it economically unviable to develop affordable homes on their sites (Lavis 2018).

Drawing together these issues highlights a need for a more pro-active approach to planning, which actively seeks to work with land owners and communities to bring forward land at the right price. However, research by the rural housing association Hastoe which shows that more than half (55 per cent) of rural authorities have a local plan which is more than six years old, suggests there is a long way to go to achieve this more pro-active approach (Best et al 2015).

Neighbourhood planning could contribute to overcoming this and has been found to bring communities along in the process, building support for affordable housing provision (Balch 2017). However, a lack of resource for supporting communities to bring plans forward has been a key challenge in limiting their uptake (ibid), and potentially reflects why they have been principally adopted in more affluent areas (ibid). These high entry costs make it difficult for parishes, community led housing organisations and those wanting to self-build to take forward plans and develop their housing ambitions. This evidence was supported by stakeholders who felt that neighbourhood planning was a positive step but organisations often lack the resource, financial and expertise, needed to support them.

## **RURAL AREAS ARE TOO OFTEN OVERLOOKED AND IGNORED**

As highlighted earlier in this chapter, successive governments have received criticism for their patchy implementation of the requirement to rural proof policies across a range of policy areas.

The failure to rural proof policy was considered in a recent report of the House of Lords Select Committee on the Natural Environment and Rural Communities Act 2006 (2018) led by Lord Cameron. Their report argued that the closure of the functions designed to represent rural communities were at the heart of the problem (ibid). For example, the Independent Commission for Rural Communities (CRC), which advocated for those in rural communities, was disbanded, only for its replacement - a rural communities Policy Unit in Defra – to be later shut down as well (ibid).

The committee concluded that rural proofing is at present insufficiently practiced by government, principally . who hold the overall responsibility. They also argued that these recent structural changes have led Defra to move away from supporting rural communities towards a narrower focus on agriculture and the environment (ibid). This point was echoed by the stakeholders we engaged with.

A one-size-fits-all approach to policy ignores how it can play out differently in rural areas. Rurality can both compound and worsen existing disadvantage, for example through making it more difficult to access services and support. Research has found that existing understandings of deprivation employed by government fail to fully understand the nature of disadvantage in rural communities. This is due to the prioritisation of measures which are more likely to reveal the dimensions of deprivation from an urban perspective. Effective accounting for deprivation in rural areas needs to consider those dimensions that are most prevalent such as fuel poverty, hidden unemployment, and a lack of access to shops, amenities and services such as health, child or social care (Fecht et al 2017).

The monitoring of rural areas through data collection is also inadequate. While Defra collects data on rural areas in many areas, the Office for National Statistics (ONS) and Ministry of Housing, Communities and Local Government (MCHLG) produce few breakdowns for settlements of less than 3,000. Without effective data collection and monitoring, rural areas can effectively be invisible to government.

Housing policies, as acknowledged throughout this report, have been particularly symbolic of the failure to rural proof policy. But this is not just about rural proofing. Government should recognise that rural communities, as much as urban areas, need interventions which aim to address poverty, deprivation, low pay and other social problems – as well as more bespoke approaches to housing and labour markets.

This will be increasingly important as the UK leaves the European Union (EU). To date, the EU has through the Common Agricultural Policy (CAP) provided support to UK agriculture. Regardless of the deal the UK strikes with the EU, upon its exit it will need to reform and re-draft its rural policies (Mitchell 2017). The nature of the deal which is struck and the policy arrangements which are adopted could have significant impacts on the livelihoods of farmers and wide rural communities. For example, analysis by the National Farmers Union (NFU) has shown that leaving the EU is likely to impact negatively on farm incomes (van Berkum et al 2016).

## 4.

# A UNIQUE OPPORTUNITY TO MAKE RURAL HOUSING AFFORDABLE

With housing at the top of the political agenda, Brexit underway and a renewed interest in a place based approach to policy making, there is a clear opportunity to take a new approach to delivering affordable housing in rural communities and ensure it is a priority for government.

### A NEW DEAL FOR RURAL COMMUNITIES

An overarching challenge that has been highlighted in this report and cuts across the delivery of affordable housing in rural areas is the failure of government to recognise the nature of rural communities and make policy which responds to this. Too often there is a one-size-fits-all approach which harms rather than helps the countryside.

Devolution is changing the shape of governance in England, meaning that for many areas significant powers are being transferred to decision makers closer to home and it is essential that these bodies similarly ensure they are serving, and not unintentionally disadvantaging, rural areas.

The government's housing white paper, Fixing our Broken Housing Market (DCLG 2017, committed the government to pursuing bespoke deals with local and combined authorities on housing and planning, which could provide a vehicle for this kind of activity. IPPR North has set out the case for establishing rural devolution deals which could support the rural economy (Cox et al 2017). These would allow for interventions in housing markets to deliver a supply of affordable homes. At the same time, existing or new devolution deals made with government in areas that cover rural areas should make a commitment to those areas.

**We recommend that 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 increasing 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)
- **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.**

#### **BOX 4.1: RURAL HOUSING BURDENS**

The Rural Housing Burden (RHB) mechanism, which has been operating in Scotland since 2004, allows an obligation to be placed in the title deeds of a house or plot of land ensuring that it stays affordable in perpetuity (Alexander 2011). It does so by granting a local authority or local 'rural housing body' the right to repurchase the home from the occupant when it comes up for sale with the original discount. In the case of Right to Buy a local authority or other 'rural housing body', such as a housing association, would have first refusal on purchasing an ex-council tenants home when it came to market, with the original discount, adjusted for house price inflation, applied. If the authority or body did not choose to purchase the home it could be sold at market prices but the RHB remains on the property meaning the next occupant would also have to give the authority or Rural Housing Body first refusal upon re-sale (ibid). In practice, this would ensure that the original discount would be embedded in the value of the home.

In practice, this would mean that the Right to Buy would be reformed so that tenants would move into a form of discounted ownership rather than into mainstream home ownership. However, in order to make this latter option work, while achieving the stated aims of the Right to Buy, local authorities would need to ensure a sufficient supply of sub-market homes for households to move between. This could be achieved through the provision or procurement of Affordable Home Ownership properties, which provide discounts for residents in perpetuity.

#### **A RURAL COMMUNITY HOUSE BUILDING PROGRAMME**

One of the ways to address the cost of housing is through ensuring adequate access to genuinely affordable homes. Yet, as it currently stands, there is not enough affordable housing stock in rural areas to meet their needs. 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. Policy support for delivery in rural areas is weak and this undermines the efforts of communities to deliver the homes they need. A renewed effort is needed to support communities to work with housing providers in delivering new homes. Meeting the affordable housing need will require new affordable homes. Delivery these will need grant to support local authorities, housing associations and communities to build homes in their communities.

**We recommend that 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.

#### **BOX 4.2: A RURAL LIVING RENT**

Stakeholders fed back to us that while a rural living rent was a positive aspiration, the lack of sufficiently granular data on rents and earnings would make it hard to achieve. The lowest level at which house price data has historically been made available by the Office for National Statistics (ONS) has been at local authority level (ONS 2018a). However, the ONS is currently developing more granular statistics on house prices using data from the property search site Zoopla (ONS 2018c). This will be presented at Middle Super Output area (MSOA) (ibid), which currently has a minimum population size of 5,000 and a mean of 7,500 (NHS 2018). These data are not currently recognised as official National Statistics, yet could make a promising start in assessing and setting rents at a smaller level. Model-based data on incomes are also available through the ONS at MSOA level.

Government should work with organisations involved in the delivery of rural housing and the ONS to understand whether this data is sufficiently robust or appropriate for use in calculating a rural living rent.

For all developments that are supported by this programme, the developers, whether housing associations or local authorities, should work with communities as a default, allowing them a say in a development. All developments, whether they are in urban or rural communities should involve sustained and meaningful engagement with the local community. But in rural areas, particularly in small settlements where even a few houses represent a significant expansion of a community, there is a particular need for intensive engagement with local people to ensure that they retain support.

While making a formal recommendation on energy efficiency is beyond this report, there is also a strong argument, given the fuel poverty issues which we highlighted in the previous chapter for a particular focus on the energy efficiency of new rural homes. This could take the form of tough targets for energy efficiency set by Homes England to ensure that households have low energy costs. Grant rates would need to be set accordingly, recognising that heating costs in rural areas which are not connected to mains gas are high. Building to a much higher energy efficiency standard would further reduce housing costs.

#### **RURAL MASTER PLANNING**

Meeting the housing needs of rural areas requires land to be brought forward (Grayston and Pullinger 2018). However, a lack of support and recent policy changes have put landowners off bringing forward sites and has raised the value of those that do. This makes it harder to develop them for affordable homes. New support and better use of existing planning mechanisms are needed to ensure land comes forward in the right places and at a suitable price.

Addressing the cost of housing will not be possible without addressing the cost of land. This will require mechanisms to manage the price landowners can expect to achieve for their land. Mechanisms, such as Rural Exception Sites, already exist to achieve this but they risk being undermined by policies such as Entry Level Exception Sites.

Efforts are therefore needed to ensure rural communities have a clearer approach to identifying and setting out sites, ensuring expectations of land value are managed. Local plans are a key mechanism for ensuring the value of land is more tightly controlled in rural areas. However, greater ambition from a greater number of

local authorities and support from central government will be needed to ensure that they effectively manage land value.

In response, we propose that local authorities in rural areas 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. This should be calculated based on what is viable at a local level, considering local land values
- developing a standard set of principals governing the approach to cross-subsidy on rural exception sites. This process should recognise that cross-subsidy should only exist to make schemes viable
- set out plans to work more proactively with rural landowners to not just identify sites but to work with them to bring them forward, providing advice on the planning process, assistance in engaging with communities and introductions to housing associations

To support this government should:

- 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 the restrictions on Entry Level Exception sites, if they come to fruition, are restricted for use only in urban areas
- 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, where a local plan does not set an upfront target
- 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 Campaign to Protect Rural England (CPRE) in their recent joint report *Viable villages* (Grayston and Pullinger 2018).

#### **BOX 4.3: REFORMING THE VIABILITY TEST**

Setting clear standards on how to assess land values in the NPPF by:

- re-drafting the NPPF so that it offers developers the opportunity for ‘a return’, not ‘competitive returns’. Under the current system developers can determine for themselves what a competitive return is and this provides the basis for whether a scheme is viable
- clearly defining circumstances where viability assessments can be used, reserving them for exceptional circumstances rather than to mediate normal market risks
- pursuing a system of transparency by committing to publishing all viability assessments so that they are open to scrutiny.

To counter the wider issues around land value expectations highlighted earlier in this report, a number of organisations including Shelter (Jeffreys and Lloyd 2017), the Royal Town Planning Institute (2018) and the Centre for Progressive Capitalism (Aubrey 2016) have recommended the reform of compulsory purchase laws, by amending the 1961 Land Compensation Act. Under these recommendations, the land compensation rules would be amended so that the state has the power to purchase land at much closer to current use value. In practice, the expectation would be that compulsory purchase would be used sparingly (though it must be a credible threat) but this change would reduce price expectations and allow

the cost of land to fall. While this is a far from rural specific issue, it does have a significant impact on rural areas and therefore there is clear merit in delivering these reforms.

### **SUPPORTING BEST PRACTICE FOR LOCAL PLANNING**

Many local authorities and parish councils are already taking proactive steps to address the rural housing crisis within the powers they currently have at their disposal. While this report has so far focussed on a number of areas which effect rural areas as a whole, some factors are locally specific or need policy which is tailored to specific circumstances. One example of this is the case of second home ownership.

Whilst this is a problem that does not affect all areas, it can have profound impacts in those that it does (Wallace et al 2005). In response, a number of areas have sought to limit or overcome the impacts of second home ownership through their planning powers, although this is not yet widespread (Lake District National Park 2008). One such example is St. Ives, which in its 2015 Area Development plan, introduced the *H2 Principal Residence Requirement* which mandates that planning permission will only be granted for new open market housing if it is subject to a restriction which ensures that it can only be occupied as a principal residence (St Ives Area Neighbourhood Plan Steering Group 2015). This was implemented subject to a referendum and was upheld by the High Court after legal challenge (Hilditch 2017).

Rural authorities and parish councils which are affected by similar issues might benefit from this proposal, and reflections on its implementation being shared more widely. Beyond just second homes, authorities reported to us through our call for evidence and expert interviews that many rural parishes and housing providers are demonstrating good practice in setting local connection policies, efforts to increase the energy efficiency of new stock, and in bringing forward land for affordable housing delivery. Similarly, many parishes would benefit from case studies demonstrating these successes being disseminated more widely.

**Accordingly, we recommend that government provides funding to support relevant organisations to create a portal to share good practice between rural parishes and authorities.**

### **COMMUNITY PLANNING AND HOUSING**

Communities in rural areas have a significant role to play in developing plans for their Parishes and in developing and managing housing for their local areas. To support this, government should establish regional hubs in order to increase planning capacity and to support the development of neighbourhood plans, working with communities to do so. A local hub would sit in a region working across a number of local authorities including, providing planning, finance and legal support.

**To further support community engagement, we recommend that the Government should 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.**

### **PUTTING THE NEEDS OF RURAL COMMUNITIES AT THE HEART OF GOVERNMENT**

Government needs to better design policies to support rural communities. New devolution deals will go a long way to achieving this but there needs to be a commitment to rural areas at all levels of government. This is best achieved through new institutional capacity.

**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.**

- **Adopting a commitment to rural proof all policy and setting out a clear framework for how this will be achieved.**
- **The government should establish a central rural policy unit, housed in the Cabinet Office, which focuses on promoting rural communities.**
- **Government should develop and award a statutory definition of a rural community, so that policy can be differentiated between urban and rural areas.**
- **In designing the support which replaces the Common Agricultural Policy (CAP), government should make inclusive growth, of which the provision of affordable housing should be a key element, an explicit part of its replacement of the rural development programme.**

#### **BOX 4.4: A NEW FOCUS ON RURAL ISSUES IN CENTRAL GOVERNMENT**

The government should take on the recommendation made by the House of Lords Select Committee on the Natural Environment and Rural Communities Act 2006 in its review to establish a central rural policy unit which focuses on promoting rural communities. This unit should work across government with representatives from Defra and MHCLG but should ultimately be a part of the Cabinet Office. It should be tasked with monitoring and rural proofing policy and in doing so engaging with rural stakeholders, bringing them into the policy making process. The unit should be brought into effect with statutory powers ensuring that it cannot be removed without proper scrutiny.

Part of its work should be to develop and award a statutory definition of a rural community, so that policy can be differentiated between urban and rural areas. This will be particularly relevant for some of the policies so far proposed, such as devolving control over the Right to Buy. Ultimately this should be open to consultation, however IPPR suggests a two-fold definition based on settlement size. This should consider both settlements of less than 3,000 and settlements between 3,000 and 10,000. Doing so would represent a range of rural life and allow policy to be effectively tailored to meet the needs of these different forms of community.

To assist in this process, the Ministry of Housing, Communities and Local Government should commit to breaking down their housing statistics to reflect the new definitions of rural communities so that they can be effectively monitored. In the interim, this should be done for settlements of less than 3,000.

# CONCLUSION

The consequences of high housing costs and low affordability can lead to range of negative outcomes for individuals and wider society, including poverty, deprivation and inequality. In rural areas, however, there is much more at stake - the very future of some villages hang in the balance.

But there is much that can be done to combat this challenge and this report has set out a case for supporting these communities, and those within them, through the delivery of rural affordable housing.

With housing a top political and policy priority for both the government and the opposition, the case now needs to be made for a much stronger emphasis on rural specific solutions to tackle the particular challenges that these communities face. A plan for delivering more affordable housing in rural communities must rest on four areas.

1. Rural areas must be put at the heart of the place making agenda with a commitment from central government to enter into two-way negotiations to develop devolution deals, including possible bespoke deals on housing and planning, through which ambitious commitments are agreed to increase affordable housing supply.
2. There is a need for a sufficient supply of genuinely affordable homes in the right places of the right quality. This means a new approach to providing capital funding for affordable housing building and targets to ensure it is delivered.
3. Land needs to be brought forward where it is needed at a price that means it can be developed for affordable housing. This will require landowners to be supported and their expectations of land value managed.
4. It is necessary for new housing policies to be designed with rural communities in mind, ensuring that the unique characteristics of rural communities and rural housing development are understood and supported. Achieving this will require new institutional capacity within government.

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