

Affordable housing

Summary of RSN policy messages

- Recognise that special policy measures are needed to retain and deliver affordable housing in small rural settlements.
- Build rural exemptions into the policy which will extend the Right to Buy to housing association tenants e.g. for small settlements and rural exception sites.
- In these exempted rural areas allow an 80% limit on the equity share which tenants of mixed tenure housing can acquire through leasehold enfranchisement.
- Accept that decisions are best taken locally about the amount of affordable housing that will be viable on small development sites.
- Reinstate a rural target to the HCA Affordable Homes Programme to support delivery in rural areas.
- Account for higher rural development costs in HCA assessments and grant awards.
- Make Housing Discretionary Payment assistance available to more of the most rural local authorities, where they have a limited social housing stock.

Context

Rural communities should be places where people from different age groups and backgrounds can live. Yet house purchase and rental costs are frequently beyond groups such as young adults, families and those on ordinary wages, displacing those with a local connection. Over time this changes the nature of rural communities and risks turning many into retirement or dormitory settlements for the better off. It undermines the future sustainability of rural areas and their economies.

It is a concern that is frequently raised by rural communities. Whilst true that major development proposals in rural areas often attract a hostile reaction from those living nearby, who would be most affected, there is typically community support for smaller scale developments offering affordable homes that will address local needs.

A linked policy briefing note on the planning system will be produced in due course.

Rural issues

Among key rural issues are the following:

- High house prices: purchase prices in rural areas are substantially above the national average, making it hard to get on the housing ladder, especially for those relying on local wages. Average wage rates in rural areas are below the national average. Defra analysis finds that in rural areas lower end house prices are roughly eight times lower end annual wages.
- Demand and supply: in some locations the situation is particularly severe, due to added demand from second home-buyers and holiday lets. In areas of protected countryside, such as National Parks, there will be tight planning constraints on new house building.
- Social rented housing: this sector comprises a small and shrinking proportion of the rural housing stock. The situation is most acute in smaller rural settlements. By 2011 social (local authority and housing association) housing made up just 8% of the stock in villages with less than 3,000 population. This compares with 19% of the urban housing stock.
- Right to Buy: a key reason the social housing stock has shrunk in rural areas is its depletion under the existing Right to Buy scheme. DCLG figures show that between 2012/13 and 2013/14 only one replacement home was built in villages for every eight homes that were bought out by their tenants.
- Development costs: a particular issue faced by housing associations (or registered landlords) is that rural build costs are high. Development plots are typically small, so economies of scale are lost, while design standards and infrastructure costs tend to be high. This matters when the Homes & Communities Agency (HCA) has reduced its grants to housing associations from an average £40,000 to an average £21,000 per dwelling. Unsurprisingly, the number of grant-funded housing starts in villages has fallen significantly.
- Private sector contribution: an increasing emphasis was therefore placed on private sector developers to deliver affordable housing within otherwise market housing sites; typically through negotiated planning agreements which stipulated that a proportion of the dwellings would be affordable. Government figures for the period 2011-13 showed that two-thirds of all new affordable housing built in villages came about as a result of this mechanism.
- Exception sites: another means for delivering affordable housing in small settlements is the 'rural exception sites' policy. Many Local Plans allow for housing to be exceptionally granted planning permission on greenfield sites adjacent to villages. These usually include a written agreement that the homes will be used to meet local needs and will be retained as affordable in perpetuity. This is crucial since it gains community support for such schemes and typically results in landowners selling the site at a sub-market price.

- Under-occupation: in 2013 Government introduced a policy it called removal of the spare room subsidy and which others dubbed the bedroom tax. This seeks to move under-occupying tenants in social housing into smaller homes or to reduce their housing benefit if they are unwilling to move. In rural areas this has proved complex, since opportunities for moving tenants are limited within a small social housing sector. Moreover, larger homes were often built to provide future flexibility within this stock. Evidence shows that there has since been an increase in tenants in rental arrears.

Government policies

Governments have acknowledged that providing affordable housing in rural areas is challenging by introducing certain exemptions from national policies. They are:

- Existing Right to Buy for local authority tenants: this does not apply to parishes within National Parks, Areas of Outstanding Natural Beauty (AONBs) and elsewhere where designated as having met certain rural criteria;
- Right to Acquire for housing association tenants: it does not apply in any settlements with a population of less than 3,000;
- Housing Discretionary Payment: funding assistance is available to some local housing authorities so certain tenants can remain under-occupying without losing any housing benefit. It includes six rural authorities in England.

In late 2014 Government exempted small development sites (less than 10 dwellings) from planning agreements which meant they must include some affordable homes. Most rural development sites are small and, as noted above, this mechanism is the key means for delivering new affordable homes in villages. The policy had a partial exemption which applied to National Parks and AONBs. However, in July 2015 this policy was overruled by a High Court judgement and, as such, it no longer applies.

The Queen's Speech after the 2015 General Election announced a new Housing Bill. It intends to extend the Right to Buy to housing association tenants and make local authorities sell higher value stock which becomes vacant, to compensate housing associations so they might build replacements. This would almost certainly deplete further the rural affordable housing stock. The existing Right to Buy scheme has a poor track record of replacing homes and those which do get built could be in different locations e.g. in towns rather than villages. Another issue is that most rural local authorities no longer own much (if any) housing stock they could sell to raise the compensation. Furthermore, this could undermine the rural exception sites policy: communities are unlikely to support such sites and landowners are unlikely to sell them at a discount if they know tenants will gain a legal right to buy the housing after a few years.

The Government's Rural Productivity Plan (August 2015) promotes the development of Starter Homes in rural areas, which will be made available to first-time buyers under the age of 40 at a 20% discount from their full open market value. Local Plans will be expected to include policies which support them and Neighbourhood Plans will be able to back them, including on rural exception sites.

RSN policy messages

The Rural Services Network considers that:

1. Central Government should acknowledge the seriousness of the affordable housing shortage in rural areas and accept that special policy measures are required for smaller settlements. A wide array of rural organisations and commentators consider that certain recent policy decisions can be expected to have a detrimental impact on both the existing stock and future supply.
2. The extension of the Right to Buy to housing association tenants should not apply to certain rural areas. Government should exempt: settlements with less than 3,000 population; National Parks; AONBs; Community Land Trusts; rural exception sites and other rural places designated as facing severe housing market pressures e.g. from second homes. The sale of higher value local authority properties to help fund the Right to Buy extension should also not apply in these places.
3. In these same exemption areas social landlords should be allowed to restrict to 80% the equity share that tenants of mixed tenure (i.e. part-buy, part-rent) housing may gradually acquire through so-called stair-casing. That will ensure this valued form of rural affordable housing is not lost where tenants gain 100% equity, under a measure known as leasehold enfranchisement.
4. Government should accept (and should not appeal) the recent High Court judgement which overruled the exemption of small development sites from planning agreements ensuring that they deliver some valuable affordable housing. Decisions about the amount of affordable housing that is viable on individual sites should be left to the discretion of local planning authorities through their negotiations with developers.
5. A rural target should be reinstated to the HCA Affordable Homes Programme, to ensure that sufficient focus is given to funding rural needs. Without it the tendency has been to meet the overall programme target by concentrating on urban areas, where sites are larger and development costs are lower.

6. The HCA should take into account the relatively high cost of building social housing in small rural settlements when it assesses the value for money of scheme applications and when it awards grants to housing associations.
7. Whilst Starter Homes could play a useful role in rural areas, Government should not allow them to be treated as affordable housing on rural exception sites. They should, instead, be built on allocated development sites. The purpose of exception sites – to deliver new homes which will remain affordable and for local needs – will otherwise be weakened, since Starter Homes can be sold on the open market after a few years.
8. Housing Discretionary Payment assistance should be made available to many more of the most rural local authorities. This would recognise that under-occupation is inevitably a more common feature in rural areas, given their limited stock of social housing. Rural tenants should not be penalised for this.

RSN policy briefing notes are written primarily for use by Network members and partners. They are updated from time to time in order to take account of policy developments. RSN welcomes suggestions for updating this material.



Version: August 2015