



Revitalising Rural

 **RURAL SERVICES NETWORK**

Realising the Vision

AVAILABILITY OF RURAL AFFORDABLE HOUSING





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Realising the Vision

The Rural Services Network

We are a membership organisation and we work on your behalf for rural communities.

The RSN is the national champion for rural services, ensuring that people in rural areas have a strong voice. We are fighting for a fair deal for rural communities to maintain their social and economic viability for the benefit of the nation.

Our membership comprises 116 rural local authorities plus over 210 other rural service providers and interest groups including Rural Housing Associations, Healthcare Trusts and Charities. We also have over 200 larger Parish or Town Councils in the Rural Market Town Group.

You can find out more about the RSN at our website www.rsnonline.org.uk.

We always welcome new members and if you are interested in joining the RSN, click here for more information. [Join the RSN!](#)

Revitalising Rural, Realising the Vision

Revitalising Rural, Realising the Vision is a campaign run by the RSN, which sets out a number of policy asks in 14 key subject areas to help support rural areas to achieve their full potential, and to 'level-up' areas of historical underinvestment.

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Why it matters

Rural communities should be diverse and inclusive places where people of all ages and backgrounds can live together. A supply of affordable housing helps to ensure that is the case. Without it, rural communities become places where only the more affluent (who are disproportionately from older age groups) can afford to live. There is a risk that the cost of open market housing rises further in rural areas if more people move there from urban areas following the recent pandemic.

Equally important is that those who grow up or have connections in rural communities have the option to live there. This includes young people forming new households, typically with limited financial resources. A supply of affordable housing keeps families and local support networks intact which, in turn, helps to address isolation and loneliness.

Businesses in rural areas need access to a workforce, including for jobs which typically attract or can only sustain modest pay rates. This includes many of those who are classed as “essential workers”. A

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supply of affordable housing benefits the rural economy, with employers able to recruit and retain staff across a range of jobs.

Nationally, there is a widely acknowledged shortage of housing which is affordable. Rural areas – including small towns and villages – should contribute to meeting that need and form part of the solution.

The national policy context

Key elements of national policy include:

- Market approach – the Government target has been that by the mid-2020s the UK should be building 300,000 new homes each year. To support that aim, in 2017 it announced various funding mechanisms, including a Home Building Fund to assist small housebuilders and a Land Assembly Fund to bring forward development sites. The Government hopes that by increasing supply and the quantum of homes, the whole housing market will become more affordable. Its recent Planning White Paper proposes allocating house building targets to each local planning authority (which would sum up to 300,000 nationally).
- Affordable housing definition – over the years Government has broadened its definition of ‘affordable housing’ to embrace new tenures. These are set out in the National Planning Policy Framework. They include traditional social rent housing, plus ‘affordable rent’ (set at 80% of market rental value), shared ownership or part-rent part-buy tenures and discounted starter homes to buy. Social rent remains the most affordable option and for those on the lowest incomes the only realistic one. Despite the name, ‘affordable rent’ is above what many in rural areas can afford.
- Affordable housing quotas – planning authorities use Local Plan policies to set the share of homes on development sites they expect to be affordable. However, for some time Government has exempted sites of fewer than 10 dwellings from such policies. This is problematic as most rural sites are small. The small sites restriction has now been relaxed, giving planning authorities some flexibility in ‘designated’ rural areas, but it remains in place across most of rural England.¹ More helpfully, a Planning White Paper proposal to raise the site size threshold for affordable housing has been put aside for now.

¹ Designated rural areas are those in National Parks, Areas of Outstanding Natural Beauty or listed under Section 157 of the Housing Act 1985. These comprise around 30% of all rural parishes.



- Rural exception sites – local planning authorities have been able to permit development on small rural sites which would ordinarily be protected from development, where they deliver affordable housing to rent that meets locally identified needs. These rural exception sites can be especially useful in villages where there is strong countryside protection. A while ago Government introduced a similarly framed policy called entry level exception sites (ELES), where homes for sale at below market value to first time buyers could be built. Concerns were expressed that the ELES policy was likely to have a detrimental impact on delivery of rural exception sites. The Planning White Paper proposed replacing all existing first-time buyer tenures with a new First Homes tenure. ‘Designated’ rural areas are to be exempt from the First Homes exception sites policy, but this still means it will apply to most of rural England.
- Right to Buy schemes – the established Right to Buy scheme has given tenants living in local authority owned housing the right to buy their property at a discount (which reflects the length of time they have lived there). Whilst popular with tenants, the level of discount on offer has been increased over time, aiming to boost take-up further. Local authority income derived from Right to Buy sales is meant for reinvestment in affordable homes (see later). A voluntary Right to Buy scheme for housing association tenants has been piloted in the midlands.

The rural dimension

Housing is relatively expensive to buy or to rent privately in rural areas and can be beyond the means of many. Excluding London, the average house purchase price is £90,000 higher in rural areas than it is in urban areas.²

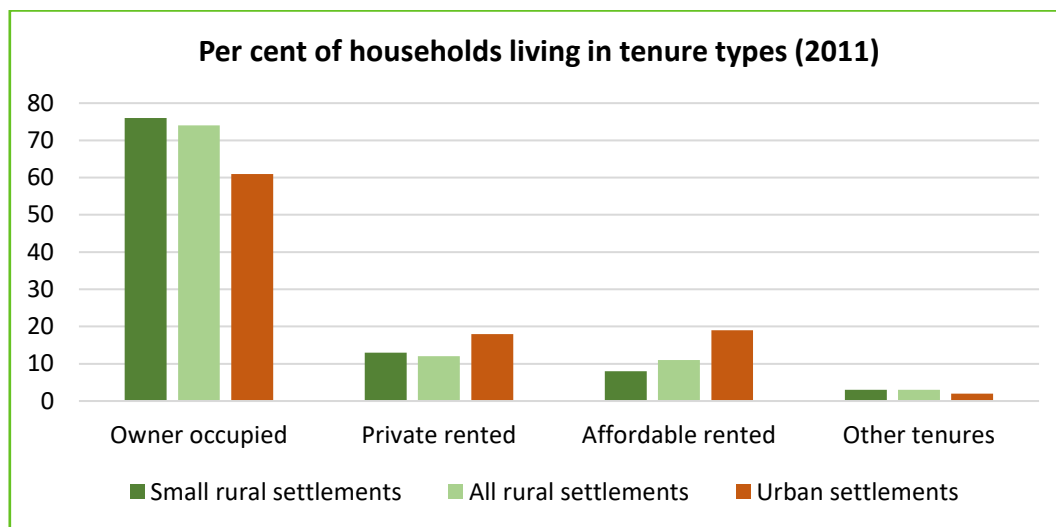
As a result of this plus relatively low local wages, housing is less affordable in rural than in urban areas (excepting London). This remains true for those buying at the cheaper end of the housing market. The

² Rural Economic Bulletin for England, Defra (2020), based on Office for National Statistics data.

housing affordability index measures the cost of bottom quartile housing as a multiple of bottom quartile annual earnings.³ In 2019 that multiple or ratio was:

- 8.6 in predominantly rural areas, having risen from 8.0 in 2015; and
- 7.4 in predominantly urban areas (excluding London), having risen from 6.8 in 2015.

The mix of housing tenures found in rural areas is fairly distinct, with less social rented housing available, especially in the smallest settlements. Just 8% of households from villages and hamlets lived in affordable rented housing, contrasting with 19% of households from urban settlements.



The number of social rented homes in predominantly rural areas has reduced further with the Right to Buy scheme. By 2015 sales of local authority housing were running at 1% of that stock per year.⁴ Although the sale income generated is intended for reinvestment, in rural areas only 1 replacement home was built for every 8 homes sold (with replacements rarely in the same settlement).

A previous estimate is that 7,500 new affordable homes need building each year just in England's smaller rural settlements (i.e. villages), a figure which is now considered an under-estimate.⁵ It is the smaller settlements where meeting affordable housing needs can be most challenging. Just under 5,600 such homes were completed in villages in 2018/19.

Figures are also available for affordable homes built or added to the housing stock in predominantly rural areas (of which small settlements are a part). These are of interest not least because they include information about different affordable housing tenures. A notable feature is that very few of these affordable homes added in predominantly rural areas are for social rent i.e. the most affordable tenure category. In 2018/19 they comprised just 6% of new affordable homes (or half the 12% figure in predominantly urban areas).

³ *Statistical Digest of Rural England*, Defra (2020), based on Office for National Statistics data.

⁴ Analysis of Ministry of Housing, Communities & Local Government data.

⁵ *A fair Deal for Rural Communities*, Rural Housing Policy Review group (2015).

Additions to the affordable housing stock by type of tenure (2018/19)

	Predominantly rural areas		Predominantly urban areas	
	Numbers	Per cent	Numbers	Per cent
Social rented housing	1,090	6%	3,880	12%
Affordable rent housing	9,490	57%	16,360	52%
Intermediate tenures	6,200	37%	11,430	36%
All affordable tenures (total)	16,770	100%	31,680	100%

Last year some 13% of Homes England's Affordable Homes Programme (AHP) was delivered in rural areas. Much as the provision of specific funding for a rural programme within the AHP is welcomed (and is something the RSN has been calling for over many years); it should increase from 10% to at least 13% to match last year's delivery. Over the life of the CSR even the 13% needs to increase given that 17% of England's population live in rural areas. The monitoring of delivery against the targets will need to be monitored and barriers to funding affordable rural homes identified.

Recent research⁶, estimates that new affordable homes in rural areas spur an economic stimulus. Building ten affordable rural homes typically generates Gross Value Added of £1.4 million (from construction jobs, supply chain jobs and tax receipts), which outweighs the initial investment or build costs of £1.1 million. It further estimates that each rural affordable dwelling built today will, over the next 30 years, create a return of £54,000 for the Treasury.

Policy solutions

Adequate housing provision is not simply a question of numbers of homes built. Just as important is the type of housing built – especially its tenure and size – to ensure it addresses the local community needs. Allowing the needs of rural communities to be met will require substantial changes to be made to public policy, to planning and to funding arrangements.

⁶ [Rural Recovery and Revitalisation: the economic and fiscal case for investing in rural affordable housing to drive post-pandemic recovery, Pragmatix Advisory \(2020\)](#).



Availability of Rural Affordable Housing

Specific policy asks

Affordable housing quotas: Government should amend its existing policy on quotas. Local planning authorities should be able to require an affordable housing contribution from development sites building fewer than 10 dwellings (i.e. those building 5 to 9 dwellings) in all rural settlements with a population under 3,000 residents – or with a population density of less than 2 persons per hectare. Furthermore, those authorities should be able to require that the affordable housing be delivered on-site. The current system, where on small sites a financial contribution is required, the actual affordable housing provided can be some distance from the original contribution site, means the affordable housing funded can be far away in a different (larger) settlement.

Since the RSN made this ask the Government has announced that it is putting aside, for now, its Planning White Paper proposal to increase the development site threshold for affordable housing from 10 dwellings to 40 or 50 dwellings. This proposal could have proved disastrous for rural areas.

Grant funding: Homes England should increase the provision in its recently announced Affordable Homes Programme from 10% to at least 13% to match last year's delivery. Even this 13% needs to be increased over the life of the CSR, given that 17% of England's population live in rural areas. The programme should offer grants at realistic levels which are realistic to ensure good design and energy efficiency, and which recognise extra building costs typical on small development sites in rural areas.

Community-led housing: the Community Housing Fund, which offers grants and supports community-led schemes, has been useful, although the fund is stretched and could be increased. A share of that fund should be allocated to projects in rural areas, such as Community Land Trusts, Co-housing schemes and Self-build projects. This would restore an original rural objective of the fund.

Exception sites: the principle of delivering low cost housing suited to first time buyers is not disputed, especially if it meets rural needs of young families and essential workers. However, the proposed introduction of a First Homes tenure must not be at the expense of much-needed rural affordable homes for rent. Local planning authorities must, therefore, be able to set policies that require Exception Sites to deliver solely or predominantly affordable homes to rent in all smaller settlements (and not just those in 'designated' rural areas). Without that, landowners will inevitably be attracted to release land for more financially attractive first-time buyer homes.

Sales of affordable homes: Government should allow local authorities to retain 100% of the proceeds from Right to Buy sales (rather than the current 50%), so they can re-invest this to replenish the dwindling stock of affordable housing for rent. The local authorities also need time and the ability,

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where necessary, to allocate more support per unit. Lessons for rural areas must be learnt from the voluntary Right to Buy pilot scheme for housing association tenants, before any further roll out of that scheme is considered.

Since the RSN made this ask the Government has announced that it is extending the time period given to local housing authorities to re-use financial receipts from Right to Buy sales.

Related policy asks also appear in the chapter on Rural Planning.