

Rural Affordable Housing: Policy Briefing

Context

We all have the right to a home we can afford to live in, wherever we are. CPRE's founding principles included a commitment to promoting good development in rural areas. Patrick Abercrombie, our first Honorary Secretary, wrote in 1926 that development should 'bring forth something new but beautiful' in our villages and market towns. And his vision of diverse and vibrant rural communities is still ours today.

Good planning and policymaking should ensure that everyone has access to a decent home that they can afford. Yet for far too long rural communities have suffered from an acute lack of truly affordable homes, as house prices and private rents have risen steadily and wages have not kept pace. Now high housing costs are pricing out the nurses, teaching assistants, shop workers and bus drivers who help keep rural communities alive. This briefing sets out CPRE's position on how we can turn the tide and provide the right homes to keep our countryside thriving for generations to come.

The Causes of Unaffordability

While policies with specific negative impacts on rural affordable housing delivery do exist, the fundamental drivers behind unaffordable housing in rural areas are the same as in towns and cities. Four crucial factors that we have chosen to prioritise in our current policy work are:

1. The inflated cost of land.
2. A lack of investment in high quality social housing.
3. A flawed definition of affordability tied to the market rather than to local incomes.
4. A planning system which holds local authorities accountable for the failure of the private housebuilding industry to deliver enough homes.

1. *The inflated cost of land*

The granting of residential planning permission can increase the value of agricultural land more than 275 times in England (120 times outside London), according to MHCLG's land value estimates. At present, most of the planning gain from new development flows to landowners and private developers. This dysfunctional speculative land market leads to slower build out rates, less infrastructure, lower design standards and fewer affordable homes.

Currently, the 1961 Land Compensation Act means that councils must pay landowners 'hope value' in cases of compulsory purchase. This has baked high land values into the system, making it hard for SME builders and affordable housing providers to compete with the volume housebuilders. Amending Section 14 and 17 of the 1961 Act to remove 'hope value' would have the effect of bringing down the market values of land. Local authorities could then assemble land much more cheaply – potentially through public-private partnerships with landowners – and masterplan developments which would provide more public benefits, including a higher level of social housing and other low cost tenures.

CPRE recommends: Amending Section 14 and 17 of the 1961 Act to remove 'hope value' and allow local authorities to assemble land more cheaply and invest in social housing.

2. *Lack of investment in social housing*

The dominant evidenced housing need in rural communities is for homes for social rent. In 2006, the Affordable Rural Housing Commission concluded that at least 7500 new social rented homes were needed every year in rural areas but delivery has consistently been less than half that. Moreover, rural communities have been disproportionately affected by the loss of council homes sold under Right to Buy and never replaced.

Neither local authorities nor housing associations have access to sufficient finance to build social rented homes in the quantity needed. CPRE welcomed the Prime Minister's decision to lift the Housing Revenue Account borrowing cap for all stock-owning local authorities in October 2018, but only 31 of 91 authorities classified by Defra as mainly or largely rural have a Housing Revenue Account. Elsewhere, grant funding is required but more public money is currently spent on Help to Buy equity loans than on funding for new homes through Homes England's grant programmes.

CPRE recommends: More central Government grant funding for social housing, with a fair proportion allocated to rural areas, and the suspension of Right to Buy in settlements of less than 3,000.

3. *The definition of affordability*

The definition of 'affordable housing' in the 2018 National Planning Policy Framework (NPPF) is flawed. It comprises a wide variety of tenures, some of which are much more expensive than others. In particular, Affordable Rent – introduced by the Government in 2011 and set at up to 80% of market value – is simply not affordable for many low income households. The current definition of affordability is so wide that the term has become confusing and misleading. This stokes opposition to the development of new 'affordable housing', because the public does not trust that homes will be truly affordable.

One of the key barriers to adopting a new definition of affordability is a lack of consensus over how an income-linked definition would work and what data it would rely on. However, one option which is currently garnering support across the housing sector is to define an affordable home as one that costs no more than 35% of net household income for lowest quartile income groups in each local authority area.

CPRE Recommends: Affordability should be defined as consuming no more than 35% of net household income for lowest quartile income groups in each local authority area.

4. *Problems with the planning system*

CPRE has long campaigned for a planning system that works in the public interest, but our planning rules are currently weighted in favour of large housebuilders, at the expense of smaller builders and affordable housing providers. Due to cuts in capital grant funding and financial restrictions on councils, we rely heavily on private developers to deliver a large share of new affordable homes through the Section 106 system. This gives developers a lot of political power.

Current planning policy, as set out in the revised and updated 2019 National Planning Policy Framework (NPPF), prioritises driving up the overall quantum of homes delivered over other considerations, including tenure mix. It also holds local authorities to account for things which are outside their control, such as the failure of the volume housebuilders to build out sites quickly. CPRE will continue to campaign for more local democracy in the planning system and we hope that one of the outcomes will be more truly affordable homes.

For more on CPRE's planning work, see [our website](#).

The Impacts of Unaffordability

Whereas the causes of housing unaffordability are similar across urban and rural areas, its effects can be substantively different in different places. Unaffordable housing has specific impacts on rural communities and the wider rural economy, fundamentally altering their character and, in extreme cases, posing an existential threat to their sustainability.

1. *Impact on individuals and households*

The most extreme individual consequences of unaffordable housing tend to be more visible in metropolitan centres but rural homelessness is still a significant and growing problem, as highlighted in [a 2017 report](#) by the IPPR. There are also specific challenges for local authorities trying to provide services for homeless people in rural areas. The distances involved tend to be greater and the problem less visible, councils are underfunded and economies of scale do not work in a rural context.

Even those households who are able to cover their housing costs often find themselves trapped in insecure or unsuitable accommodation because they cannot afford to live in a more suitable home. An increasing proportion of low and middle income households are finding themselves stuck in the private rented sector, sometimes in homes that they cannot heat properly or which do not meet their accessibility needs. Eventually, being unable to find an appropriate, affordable place to live can lead people to move away from rural areas where they would otherwise have chosen to stay.

2. *Impact on rural communities*

Rural areas suffer disproportionately from the outmigration of working age people, who cannot afford local house prices or private rents, and this has a significant impact on communities. The problem is compounded by a lack of reliable public transport and employment. This makes it difficult for low-income tenants to stay in rural areas and can make social landlords reluctant to take on homes there.

The loss of just a few young families or key workers from a village can quickly affect the viability of local services such as GPs, care services, schools, post-offices, pubs or buses. [Research](#) by the National Housing Federation in 2017 found that the period since 2012 had witnessed the loss of 52 rural schools, 81 post offices and over 1300 pubs.

On the positive side, just a handful of new homes for social rent or discounted ownership can have a transformative effect on the vitality and cohesion of a small community. For example, Bernicia Housing Group built four new family homes for social rent on Lindisfarne in 2010, which helped keep the island's only primary school open.

3. *Impact on the rural economy*

IPPR North produced [a report](#) on the rural economy in 2017. They found that economic growth in rural areas was actually slightly higher than in urban areas outside of London. So there is an untapped opportunity here - the rural economy is not a tale of inevitable decline. However, unaffordable housing puts up barriers to a thriving and equitable rural economy, for example:

- A shortage of workers in low wage economies, like agriculture, retail and tourism.
- A shortage of key workers, such as nurses, teachers, carers and bus-drivers.
- The economic impact of increasing populations of commuters, as higher income workers spend their wages outside of the communities where they live.
- The economic and environmental impact of reverse commuting, where people working in rural communities are forced to live in cheaper urban areas and drive to the countryside to work.