The Progressive
Policy Think Tank

Escape to the country: Examining England's affordable housing crisis in the rural idyll.

Call for evidence

April 2018

Contact

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Context

Homes in rural areas are notably more expensive than those in urban areas, up to 50 per cent more expensive than all but the most densely populated urban areas, and are out of sync with local earnings, creating profound issues with affordability.

This is a significant problem. A failure to provide affordable housing in rural areas leads to a range of negative outcomes, contributing to inequality, deprivation, and homelessness. Moreover, this can lead to 'rural flight' and undermines the viability of rural communities and rural services.

In response, IPPR is working to develop a series of policy solutions aimed at tackling the shortage of affordable homes in rural areas. To support this, we are seeking evidence on, and policy ideas aimed at addressing the key issues we have identified. We are particularly interested in policy solutions specific to rural areas rather than system-wide reforms.

These key areas have been drawn out of consultation with key rural stakeholders, a literature review and desk based research. They are set out below alongside a series of key questions.

In each key area we have set out a number of policy ideas that we are exploring, but we want respondents input on how we go beyond this and build a set of positive, progressive solutions to the broader challenges facing rural areas.

Key issues

1) **There is a disconnect between local earnings and local house prices and rents in rural areas, alongside a failure to build enough genuinely affordable homes:**

   - Local earnings in rural areas are often lower than those in urban areas creating issues with affordability, particularly considering the higher cost of homes in rural areas. Rural local authorities have limited ability to build genuinely affordable housing to meet need given a lack of subsidy.
   - The proportion of housing stock which is affordable housing is lower in rural areas than in urban ones. The Right to Buy has played a role in reducing the total amount of rural affordable housing stock.
   - Competition from those purchasing second and holiday homes, or retiring or relocating to rural areas creates competition for scarce properties, driving prices up beyond levels affordable to those who are local to rural areas.
   - Local authorities can struggle to allocate scarce social housing to those with a local connection. Local connections are generally set at a local authority wide level, which lacks the granularity needed to support small rural communities, and, in the context of a large waiting lists for social housing, councils have to make the choice between allocating to meet acute need and local connection.

Our research thus far has revealed some policy solutions which may be helpful in this area and which we are currently exploring, such as:

- Developing a rural affordable rent based on 'real' rural earnings, reflecting the wages earned in rural areas rather than local authority or broad housing market area averages;
- Developing a policy for local connection that works for deeply rural communities;
- Giving local authorities greater powers to control second and holiday homes in rural areas.
- Repealing or giving local authorities greater control over the Right to Buy.

Questions

Q 1.1. Do you agree this is a key issue and have we framed it correctly?

Q 1.2. Can you provide any evidence to further support the argument we have set out?

Q 1.3. Are there any policy proposals that are being introduced or being consulted on that will have an impact on these issues?

Q 1.4. Do you think there are barriers to delivering the proposals and if yes how could these be overcome?

Q1.5. Can you suggest policy or legislative changes that would help deliver these outcomes?

Q 1.6. Other than those listed, have you any recommendations for policy solutions to the issue as it is set out here? Can you identify any areas of existing good practice in addressing this issue?

2) It is more expensive and difficult to build homes in rural areas:

- The cost of building in rural areas is higher, due to:
  - o Increased infrastructure costs – e.g. dealing with homes off the gas grid.
  - o Working on smaller sites so not achieving economies of scale.
  - o These additional costs can put housing associations off building in rural areas.

- There has been a long-term decline in the number of small to medium (SME) sized builders who traditionally are more likely to develop in rural areas.
- There is no longer a rural target for government grant funding for new affordable homes in villages of less than 3,000 population. This has contributed to some housing associations not building in rural communities.
- The small scale of rural developments and infrastructure needs has excluded SME builders and potentially rural LAs for bidding for other capital grant and loan funding.
- There is frequently very vocal opposition to providing affordable housing in rural communities that can prevent schemes progressing despite evidence of the need for this type of housing in the community.

Our research thus far has revealed some policy solutions which may be helpful in this area and which we are currently exploring, such as:

- Reinstating a rural specific grant to deal with the cost of building in a rural area.

- Examining how the Housing Infrastructure Fund is being spent and set targets for how much should go towards rural areas.
- Greater support for SME builders through finance, planning certainty and access to land.

Questions

Q 2.1. Do you agree this is a key issue and have we framed it correctly?

Q 2.2. Can you provide any evidence to further support the argument we have set out?

Q 2.3. Are there any policy proposals that are being introduced or being consulted on that will have an impact on these issues?

Q 2.4. Do you think there are barriers to delivering the proposals and if yes how could these may be overcome?

Q 2.5. Can you suggest policy or legislative changes that would help deliver these outcomes?

Q 2.6. Other than those listed, have you any recommendations for policy solutions to the issue as it is set out here? Can you identify any areas of existing good practice in addressing this issue?

3) **Bringing forward land for affordable housing in rural areas presents some particular challenges:**

- Most sites in rural areas are small and recent policies which have weakened Section 106 requirements for affordable housing on sites of less than 10 have undermined a key flow of affordable housing into rural areas;

- This policy can drive up the cost of land by increasing the expected return a landowner would expect to gain for their land;

- The ownership of land in rural areas is different to that in urban areas. There is some evidence that rural landowners are willing to release land at existing use value if it is to benefit rural communities and their ongoing viability. But the policy mechanisms to encourage this are not strong enough.

- There is a need to ensure that land is coming forward at the right price, with landowner's expectations of land value managed.

- Planning loopholes are allowing developers to avoid building affordable housing in many rural authorities, undermining the, albeit weak, mechanisms for land value capture which already exist.

Our research thus far has revealed some policy solutions which may be helpful in this area and which we are currently exploring, such as:

- An 'upfront' target in local plans for affordable housing across all rural authorities.
- Repealing the decision to weaken Section 106 requirements on developments of less than 10 units.

- Tax incentives to encourage landowners to release land for explicitly affordable developments.
- A more active approach to planning which makes clear value landowners can expect from their land.

Questions

Q 3.1. Do you agree this is a key issue and have we framed it correctly?

Q 3.2. Can you provide any evidence to further support the argument we have set out?

Q 3.3. Are there any policy proposals that are being introduced or being consulted on that will have an impact on these issues?

Q 3.4. Do you think there are barriers to delivering the proposals and if yes how could these may be overcome?

Q 3.5. Can you suggest policy or legislative changes that would help deliver these outcomes?

Q 3.6. Other than those listed, have you any recommendations for policy solutions to the issue as it is set out here? Can you identify any areas of existing good practice in addressing this issue?

4) The need for, and lack of, an active approach to planning

- In addressing the prior key areas, rural areas need to pursue an active approach to planning in order to ensure enough of the right land is brought forward, that the right homes are built on it and that communities are brought along in that process. However, a lack of policy levers at a local level (e.g. an ability to choose the correct tenure mix) and a lack of financial and staff resource means that this isn't happening universally.
- Neighbourhood planning has been a positive step but organisations often lack the resource, financial and expertise, needed to support them.

Our research thus far has revealed some policy solutions which may be helpful in this area and which we are currently exploring, such as:

- Allowing councils to borrow to build homes for social rent;
- Moving away from a demand led approach to state house building (as implied by the methodology for assessing housing need proposed for consultation by DCLG) and embracing the role of local authorities in creating and sustaining communities;
- Delivering funding, based on a local hub model, to increase planning capacity in order to support the development of local plans and the establishment of locally owned housing companies designed to bring forward and develop land;

Questions

Q 4.1. Do you agree this is a key issue and have we framed it correctly?

Q 4.2. Can you provide any evidence to further support the argument we have set out?

Q 4.3. Are there any policy proposals that are being introduced or being consulted on that will have an impact on these issues?

Q 4.4. Do you think there are barriers to delivering the proposals and if yes how could these may be overcome?

Q 4.5. Can you suggest policy or legislative changes that would help deliver these outcomes?

Q 4.6. Other than those listed, have you any recommendations for policy solutions to the issue as it is set out here? Can you identify any areas of existing good practice in addressing this issue?

Responses

Please send responses to Darren Baxter (d.baxter@ippr.org) no later than 30th April 2018.