



The benefits of affordable rural housing to the local community

The problem

The lack of affordable housing in rural communities has been a serious problem for many decades but recently it has reached crisis proportions. House prices have outstripped average incomes by very large margins.

In many parts of Essex we have a serious affordability gap where a house buyer will often need to borrow between 8 to 10 times their income to get a mortgage. *The reasons are well known:*

- Higher house prices in rural areas
- Lower average rural wages
- The loss of low cost council housing through Right To Buy
- Restricted supply of suitable land sites
- Strict planning polices
- Insufficient new build of affordable home

The shortage of affordable homes strikes at the very heart of what is required to sustain the social and economic well-being of small and large rural communities.

However, simply deciding to build more houses will not necessarily be the answer. We need to ensure that all new housing is affordable and built in the right areas where there is housing need. Whilst new development is always encouraged in more sustainable locations, exception sites are very positive and can help protect the future balance of the whole countryside.

The impact of inadequate rural affordable housing

Because rural incomes are well below average, local families and young adults are increasingly being priced out of their home village. These people cannot afford to buy or rent in their village.



This has an impact on the local rural communities who struggle to keep open shops, schools, pubs, post offices and maintain other local rural services- in fact all the services that make family life possible. Rural businesses such as farming also suffer as they cannot employ local people to work as potential employees cannot afford to live locally.

What is affordable rural housing?

There are many definitions of affordable housing, depending on whether you speak to people in the community, government officers or even high street estate agents. In summary, and for the purpose of delivering affordable housing across Essex, the RCCE considers affordable housing for local people to be *'housing provided at below market prices and allocated on the basis of need to people who live or work in Essex or need to move to Essex to receive/provide support and who are unable to afford to purchase or rent houses generally available on the open market without financial assistance'*.



The benefits of affordable rural housing to the local community - *continued*

Most affordable housing is built using some form of public subsidy either through the District Councils or from the Homes and Communities Agency (a Government funded body), although it can be delivered through the planning system which requires no public subsidy. Whilst most affordable housing is likely to be rented, some people may benefit from low cost home ownership.

Affordable housing is only available for households whose means (incomes and savings) are not sufficient to buy or rent a home on the open market (these households are known as eligible households). It is important that affordable housing is provided at a price which eligible households can afford and this is determined with regard to local incomes and local house prices.

Affordable rural homes also have to remain affordable for future eligible households (in perpetuity). For future developments, every opportunity is taken to ensure that rural affordable homes cannot be bought outright and remain affordable for local people in perpetuity. Affordable housing, as defined in Planning Policy Statement 3: Housing (PPS3), "includes social rented and intermediate housing, provided to specific eligible households whose needs are not met by the market.

Affordable housing should:

- **Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.**
- **Include provisions for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative housing provision"**

Social rented housing

This is rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime.

Intermediate affordable housing

This is housing at prices and rents above those of social rents, but below market price or rents, and which meet the criteria set out above. These can include shared equity products (eg HomeBuy), other low cost homes for sale and intermediate rent.

New Build HomeBuy (NBHB) scheme

Previously referred to as shared ownership - is available for certain properties in some areas of England. The resident can buy a share of the property with the housing association retaining ownership of the rest. Residents' share can be as low as 20% and on exception sites is restricted to a maximum of 80%. Rent is usually payable on the part owned by the housing association. Residents can increase their share but this would be at market rates so the property is re-valued at that time. If the resident wishes to sell their home they receive the percentage of equity relative to the amount of the share they own i.e. if they have purchased 50% of their home they would receive 50% of the price paid by the new resident. The new purchaser would also be required to meet the local criteria as set in the Section 106 agreement.

As with any home purchase the resident would have to raise a mortgage for their share and pay legal fees, deposit and stamp duty if applicable.

Development that enhances rural communities

Rural areas need to be developed sensitively to maintain their characteristics and not simply become urbanised or overly industrialised. The policy to retain our best and most versatile land and landscape and wildlife biodiversity should be maintained, for future food production, energy provision and quality of life.

A balance must be struck between the need to attract business investment, affordable housing with other issues such as heavy traffic volumes and pressure on the local road infrastructure.