



Commission for
Rural Communities

Tackling rural disadvantage

Calculating housing needs in rural England



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Introduction

The serious shortage of affordable housing in rural England has been an increasing cause for concern for many years. There is a considerable body of research on the issue and its impacts on the lives of people and the wider rural community. More recently, its public profile has risen in line with escalating house prices over the last decade. In response, in July 2005, the Government established an Affordable Rural Housing Commission, chaired by Elinor Goodman (due to report shortly), to look at the situation and to suggest what action is needed. In addition, both HRH The Prince of Wales and the Joseph Rowntree Foundation have initiated action to look at ways of tackling this problem. The Commission for Rural Communities (CRC) has conducted its own inquiry, seeking the views of rural communities themselves on the problems and possible solutions, as part of the CRC's detailed evidence to the Affordable Rural Housing Commission.

However, until now, there has been no detailed, updated assessment of the numbers of new affordable homes needed in rural England. The most widely used estimates are figures produced in the 1990s by one of our predecessor bodies, the Rural Development Commission, of 10,000 additional affordable homes needed annually, split roughly equally between settlements below 3000 population and those between 3000–10,000. Although local housing needs surveys are regularly undertaken in rural towns and villages, it is difficult to collate these on a national, or even regional, level. At the same time, the methodological challenges to calculating robust estimates of need at these broader levels are considerable.

To fill this gap, we commissioned a major research study in 2005 to estimate the scale of housing requirements in rural areas of England. This document summarises the results of this study, discusses the strengths and limitations of the methodology and raises some of the policy implications of the findings. It invites comments and responses from stakeholders on the next steps and need for further work.

We believe that it will make a significant contribution to our knowledge and understanding of the nature and scale of housing problems throughout rural England.

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Purpose and approach of the study

The main aim of the research programme was to develop a rigorous and transparent methodology, which could be used to produce national and regional figures of the numbers of households in rural England who will be in need of affordable housing, annually, over the next five years [2006-2011]. The research was undertaken by Roger Tym and Partners and Jordan Research.

Phase 1 (2004-2005) of the research study explored the methodology¹ available for the task and developed a preferred approach which included:

1. establishing the existing backlog of housing need, based on existing homelessness, unsuitable accommodation, waiting lists, etc, and
2. the annual needs, arising from people forming new households in rural areas and the extent to which they could afford housing at market prices².

Phase 2 (September 2005 – March 2006) applied this methodology to calculate estimates of rural housing needs for each region and for rural England as a whole.

The methodology for both these calculations is well tried and robust, based on `cohort survival` projections of those age groups forming new households, together with available data on households' incomes and house prices and rents. Essentially, it computes housing needs arising from within rural areas as a result of existing need (the `backlog`) and from households forming from the younger `critical cohorts` aged between 16 and 35 years over the period 2006 to 2011.

This approach and method does not attempt to take into account the impacts of migration³. This is partly because the latter is strongly influenced by a range of factors, including economic conditions and planning policies at regional and local levels, and also because it presents challenging technical difficulties in the calculation process⁴. Therefore, these projections present a picture of future need based exclusively on the needs of the existing rural population over the next five years. The implications of this approach and the possible effects of urban-rural migration are discussed later.

The calculations of rural housing need were made for three different types of rural area, based on the Government's recently adopted urban-rural classification:

1. Small villages and dispersed dwellings: rural areas comprising settlements with populations below 1500 [we have labelled these Rural 1 areas];
2. Small villages, dispersed dwellings (as above) plus sparse town fringe wards which include freestanding small towns and villages between 1500 and 10,000 population, typically market and coastal towns [Rural 2 areas];
3. All rural areas with settlements below 10,000 population, including the above plus less sparse town fringe areas [Rural 3 areas].

Although based on the most recent data, there are difficulties in comparing the results of these three area calculations with previous and contemporary estimates, which are discussed later.

¹ Specifically, this involved critically assessing the approaches developed over several years by Holmans, Bramley, Wilcox and which have been applied at national and lower spatial scales.

² We used the same affordability thresholds as recommended by the ODPM.

³ Our national projections are not altered by internal migration – some regions lose households (e.g. North East), whilst others gain them (e.g. South East and South West). The scale of international migration (about 230,000 people net), however, does affect the regional projections particularly for those regions with major centres of employment and population.

⁴ This largely relates to the unavailability of the requisite datasets from ONS and methodological concerns regarding parameters, which are themselves based on forecasts.

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Summary of findings

The Table 1 below shows the research results by the three rural definitions we have applied, separating the 'backlog' and emerging household needs.

Table 1: Needs for affordable housing existing and arising from rural areas (Annually over next 5 years)	Rural Area 1 Small villages (Settlements < 1,500 population)	Rural Area 2 Small villages and 'market towns' (Area 1 plus sparse settlements 1,500-9,999 population)	Rural Area 3 All rural areas (All rural areas < 10,000 population, i.e. Rural Areas 1 and 2 plus less sparse town fringe areas)
Backlog (Existing needs)	4,500	4,750	8,000
Newly arising needs (The 'critical cohorts')	10,400	11,250	22,800
Total needs (Existing and arising from rural areas]	14,900	16,000	30,800

Thus, for rural England as a whole (defined by settlements below 10,000 population), the research study calculated that over 8,000 homes would be needed annually over the next five years just to meet the current backlog of rural housing need – the homeless, those in unsuitable accommodation, registered on waiting lists, and so on. An additional 22,800 would be needed annually over the same period to meet the newly arising needs of those living in rural areas, i.e. the new households being formed by age groups between 16 and 35 years, seeking separate accommodation but unable to afford to purchase the latter within the private housing market. Thus, in total over 30,000 homes per annum would be needed to meet the affordable housing needs (ie sub market housing to rent or buy) of the existing population of rural England over the 5 year period 2006-2011, excluding the effects of migration.

This compares with a total of 51,340 homes required per annum for all new homes (both market and affordable) required by new rural households over the same period (ie excluding existing backlog). Thus, only about 55% or 28,500 of total housing requirements newly arising from rural England per annum could be met by the open market, i.e. this number would be able to afford to purchase or rent homes on market-entry prices or rents. However, this proportion varies markedly between regions; as might be expected, it is much lower in the South East (just under 30%).

However, it is apparent from the figures in Table 1 that nearly half of these needs are located within the settlements between 1500 and 10,000 population in less sparse areas (i.e. Rural 3 areas less Rural 1 and 2 areas). Arguably, many of these settlements are on the fringes of large towns and

centres of population and some of these needs may in fact be more closely associated with urban housing needs, although the housing market and planning implications are difficult to unravel at national level. Further research is needed to explore this issue more thoroughly.

The detailed results, including regional figures, are set out and explained in annex 2.

The migration effect

We have established that these results are based on sound methodology, based on existing data on numbers in housing need combined with calculations of newly arising cohorts of households whose incomes are assessed against known house prices and rents. There is scope for refinement (annex 1 on Methodology), but we are confident that the study has produced robust estimates of affordable housing needs arising from within rural England over the next five years.

However, one very important factor, which it was not possible to assess within this approach, was the effect of migration to and from rural areas. Clearly, the rate at which people are moving into and out of rural areas impacts on housing needs, but there is no straightforward method to assess the future impact of such movements across the country as a whole, or even within individual regions. This is, partly, because migration is to some extent driven by policy (for housebuilding and employment for example) and, partly, because it is more difficult to assess the housing needs and motivations of the migrants. This is especially true of the out-migrants, who may be pulled by the attractions of urban employment, education, or bright lights, or pushed by the lack of affordable housing. An analysis of these factors could only be realistically undertaken at a sub-regional or local level, where local market and planning influences can be more fully taken into account.

At the national level, we do know from the work of Professor Tony Champion⁵ that approximately 12% or so of the newly arising rural households in the 16-35 age group are likely to leave (the net loss) over the next five years (or 2-3% annually). However, we do not know the circumstances under which they will be leaving, i.e. whether they are pulled or pushed, and whether they impact on the numbers seeking affordable accommodation. Nor is it possible to translate accurately the proportion and numbers of individuals migrating into a proportion and number of households not requiring affordable housing. If the same proportion of net out-migration is applied to affordable housing needs at the annual rate of, say, 3%, the effect would be relatively marginal, reducing the total need of 30,800 by less than 1000, and the need in villages and market towns (Rural Area 2) of 16,038 by less than 500. However, this is based on a very simplistic assumption and newly commissioned datasets from ONS covering rural England would be needed if net-migration is to be taken into account.

It might also be argued that such research will not be able to capture fully short inter-ward movements, whereby new households move to find cheaper accommodation. Again, further research and survey work is needed to assess this particular phenomenon. But the policy implications

⁵ Personal Communication of 11 April 2006

need to be considered too. Such movements exacerbate housing market segmentation into 'different sides of the tracks', and will not help to create the mixed communities sought by government policies.

Our comments on the findings

What initial conclusions can we draw from these research findings?
Our starting points are that:

1. This research study has calculated the numbers of affordable homes which would be needed to accommodate the existing population in rural England, including those in existing need (the 'backlog') and those critical cohorts seeking to form households within the next five years. Both these estimates are based on robust methodology – data on existing needs, and 'cohort survival' data on new households coming into the housing market by age group over the next five years and their ability to pay for accommodation in the private market.

2. From a predominantly rural perspective, we might focus attention on the villages and small towns in sparser rural areas where there are particular problems in providing housing to meet rural needs, i.e. Rural Area 2. However, much of the 'urban-rural fringe' areas (Rural Area 3) will include towns and villages which are perceived to be 'rural', especially in regions such as the South East. In any case, it is equally important that the needs of these areas are taken into account within national, regional and local assessments elsewhere and not simply 'lost'. For the purposes of this report we consider a range of outcomes depending on our definitions of 'rural', on which we invite discussion.

3. The migration effect is complex, under-researched and, to some extent, policy driven. Our initial view is that net out-migration is relatively modest and that inter-ward movements motivated solely by the need to secure more affordable housing are less common in rural areas because adjoining wards often experience similar problems. Overall, our working assumption would be that the realistic level of net out-migration, reducing the need for affordable housing, is unlikely to be more than 10% pa, but we also consider the effects of a higher rate of net out-migration.

Thus, future rural housing needs will vary according to rates of out-migration, together with assumptions concerning the extent to which 'town fringe' areas are included in the total rural area. We suggest that, allowing for substantial levels of the above two rates (and the policy implications which go with them), this will result in at least 14,000 newly arising households in need each year over the next five years; if, on the other hand, these two rates are relatively low, then there would be some 19,000 new households in housing need per year. Both these figures include households requiring 'intermediate' as well as 'social' housing, ie all households unable to afford current market prices and rents. In addition, there will be a backlog of at least 7,000 households who will be in need of accommodation.

However, we are clear that there is need for further work to refine the figures, around:

- Further refinements to the research methodology, including, in particular, access to capital, affordability thresholds and migration;
- Further exploration of the rural area definitions and the implications for policy, including, in particular, the regional variations and the needs of the 'rural-urban fringe';
- Further breakdown of affordability levels, for example between social housing needs and 'intermediate' needs;
- Further detailed research on migration trends and implications;
- Comparing the results with other housing research at national level on an equivalent basis [see below].

How do the results compare with other research?

It is important to place the results of this research into the context of wider studies of housing need undertaken at national level.

The Barker Review⁶ has recently critically reviewed national estimates of housing requirements, drawing principally on the work of both Holmans and Bramley. In its analysis and assessments of these approaches, Barker concludes that England needs 48,000 (later adjusted to 40,000) socially rented homes annually. It has taken a somewhat narrow definition of housing need, since it ignores all those households that seek to own or rent in the private housing market with some support from government. All the projections reviewed are national estimates, though some regional estimates are offered as well. However, no attempt is made to differentiate between rural and urban areas.

'Whether all of these households should be categorised as equally needy is questionable.' [Barker Review Final Report, p.92]

*'One way of assessing the level of need... is to consider the following as **less** needy than others: households in shared accommodation; would-be couples living apart; households who cannot afford mortgage payments; expiry of lease or inability to afford rent; and households with children living above the ground floor.'* [Barker Review Final Report, p.95, footnote 10]

Without going into detail, Holmans⁷ provides an estimate of housing requirement of over 200,000 homes per annum.

Bramley⁸ estimates, focusing on affordability and the net new need for affordable housing, that approximately 125,000 new households in England were in need of affordable housing in 2002. In net terms, the equivalent is around 90,000 new households per annum⁹, which includes not only socially rented homes, but a variety of intermediate tenures, some supplied through the planning system¹⁰.

In its assessment of these estimates, the Barker Review steers a course, which excludes a large proportion of these "needs" and argues that the overall annual requirement of 48,000/40,000 social rent homes is needed to underpin long-term affordability in the housing market. Indeed,

⁶ See Barker Review [2003], Interim Report – Analysis and Barker Review [2004], Final Report -Recommendations

⁷ See Barker Review [2003], Interim Report – Analysis, p.91

⁸ pp.56-57, *ibid*

⁹ See Barker Review [2004], Final Report – Recommendations, paragraph 5.23, p.94

¹⁰ Secured through planning obligations with private development

Bramley provides estimates based on economic modelling to illustrate the impact of building more homes on this position¹¹. The course followed by Barker needs to be carefully followed and we concur with the Barker Review's sentiment that:

'Assessing the level of housing need is subject to differences of opinion.'
[Barker Review Final Report, p.92.]

Our estimates of affordable housing requirements are more closely aligned to Bramley's estimates [Table 2]. Indeed, some of the key components of methodology are the same, but with the major difference that our focus is on rural England, which was defined by applying the Government's new urban-rural classification.

Table 2: Affordable housing requirements, annual averages, England and rural areas, numbers and %.		
Bramley's Estimates	125,000	Rural Areas as a % of Bramley's Estimates
All rural areas (R3)	31,300	25.1%
Small villages and 'market towns' [R2]	16,020	12.8%
Small villages & dispersed dwellings only [R1]	14,957	12.0%

For all rural areas in England, our affordable housing requirement is equivalent to 25% of Bramley's estimates, whilst the annual requirement in the small villages and market towns is equivalent to 1 in 8 affordable homes for England as a whole.

Matching needs with supply

This research study was not asked to look at the different needs for affordable housing, for example the proportion of 'intermediate' housing required to meet the needs of those unable to afford market prices and rents, but who do not qualify for social housing. Nevertheless, the policy implications of this research in terms of housing supply are significant. Broadly, there are two main routes to supplying affordable housing: first, housing cross-subsidised by market developers through planning agreements, which, as well as providing rented housing through housing associations, may also be targeted at meeting the 'intermediate needs' of those unable to afford market housing, but who do not qualify for social housing. Social Homebuy schemes, shared equity arrangements and community land trusts may be deployed to effect this kind of supply; and, second, the provision of subsidised 'social housing' for those unable to compete in the market

¹¹ See Barker Review [2003], Interim Report – Analysis, pp.33-34 and p.57

or unable to afford even intermediate housing, including the homeless, families in unsatisfactory accommodation and, often in rural areas, those on low wages etc. An analysis exploring implications for the supply of affordable rural housing through private and public funding is given in annex 3.

Observations on the policy implications

Clearly, the results of this research point to much higher levels of housing need in rural England than had previously been established. In our view they are not unexpected and they simply reflect the real effects of very high rural house prices, combined with lower incomes and the low level of housebuilding at the lower end of the market in rural areas in recent years. It would not surprise many of those who gave evidence to our housing inquiry to learn that nearly half of those local people coming into the housing market could not afford market prices in their areas (or indeed nearer two-thirds in regions such as the South East).

One of the reasons why the figures may look especially high is that they mask the effects of migration. In recent years, high rural house prices have resulted in many people having to leave rural areas to seek cheaper accommodation elsewhere, typically in towns and cities, but sometimes in nearby wards (although this is a much less likely option in regions such as the South East and much of the South West). They have been replaced in turn by wealthier in-migrants seeking to live in the country. Thus, a proportion of affordable housing needs arising in rural areas are likely to have been met by cheaper accommodation in urban areas.

Even so, a preliminary analysis of migration rates suggests that the latter is unlikely to account for more than 10% of the emerging households. But more detailed analysis is required to corroborate this, especially at sub-regional and local levels.

Even if out-migration was higher than this, which it may well be in some regions, the question still arises concerning the extent to which this is driven by high house prices (and low wages) forcing younger people to move away. If we do nothing, rural affordable housing needs will continue to be exported to towns, with the risk that it becomes an exclusively urban problem and, conversely, rural areas will become exclusive enclaves for the wealthy.

This is not only an issue affecting social justice, reflected in the Government's policy objectives which seek to provide homes for people where they seek to live and work, but it also relates to the social and economic sustainability of rural communities as thriving, diverse places.

We conclude that much higher levels of affordable housing need to be provided in rural England, discussed in greater detail in Annex 3. However, further work is needed in order to develop appropriate policies and decisions. These are set out below:

1. Improving the accuracy of the calculations, in particular regarding household income and access to capital for the purchase of accommodation, lowest quartile house prices and rents and levels of backlog needs.

2. Undertaking detailed sensitivity analyses to assess the impact of changes in assumptions on the above.
3. Assessing the range and levels of affordable housing need, which can be matched to different types of housing supply, in particular intermediate housing.
4. Detailed analysis of urban-rural migration patterns and motivations, and their impact on needs for rural affordable housing.
5. Financial and planning constraints which limit the future supply of affordable housing.

Furthermore, although the results of this research indicate the scale of the problem, they need to be refined at sub-regional and local levels to take account of assumptions about future migration, the workings of sub-regional and local housing markets, and local planning policies.

Thus, we do not present these results as firm targets, which must be met within a prescribed timescale. Rather, we are setting out the first rigorous and transparent attempt to calculate rural housing needs on the basis of firm household, income and price data at national and regional levels. These calculations indicate the scale of a problem, which deserves further more detailed discussion and investigation.

Nevertheless, it is our firm conclusion that these estimates indicate the direction and speed of travel which we must adopt to provide affordable housing in rural areas, if we are to maintain and promote mixed, balanced communities which improve the opportunities and life chances of young people in the face of continued colonisation of rural areas by wealthier in-migrants.

Next steps

One of the basic aims of this research exercise was to develop and improve the robustness and transparency of estimates and projections of affordable housing needs in rural England. These research results take us a long way down that road, but we consider that further work is needed around three key areas of research:

The impact of migration into and out of rural areas, including motivational questions – how many people leave rural areas because they want to, and how many are forced away by high house prices?

The rural location of need – to what extent are the total needs of rural areas dominated by larger market towns and urban-rural fringe areas? How can we guide sub-regional housing assessments and Local Development Frameworks [LDF] by providing more locally-based projections [e.g. by district]? What improvements could be made to the definitions of rural areas to assist this guidance?

Accessing appropriate datasets for rural England – further refinements to methods of estimating household incomes and access to capital, and market-entry house prices and rents will be pursued, which

should reflect more closely the dynamics of housing markets in rural areas in England.

We believe it would be helpful to continue to develop and improve the methodology we have developed for calculating rural affordable housing needs, not just for our benefit but for others working in this field. So, we would like to do this with the co-operation and partnership of the key stakeholders involved and those likely to use the material to inform their policies and decisions. We are considering undertaking a third phase of the research later this year to secure these advances in the accuracy and robustness of the calculations, and provide an ever stronger foundation for exploring their implications for rural housing and planning policy.

However, before moving forward we would welcome comments and views on the findings of this work so far and the issues set out in this paper. We would also welcome views on the areas we have identified for further work and expressions of interest from those who would like to be involved in taking it forward.

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Annex 1: The methodology in more detail

Phase 1 of the research undertook a critical assessment of the different methodologies that are used to calculate housing requirements. This assessment recommended an adaptation of the approach developed by Professor Glen Bramley. This approach calculates the numbers of new households being formed as existing age groups move up and into the household forming stage and the extent to which such households are able to afford to rent or purchase accommodation on the open market, based on estimated incomes and house prices and rents.

During Phase 2 of the research the methodology was rolled out across rural England to establish regional and national affordable housing requirements annually over the next five 2006-2011. A summary of the methodology follows. A full description of the methodology, with a worked regional example, can be found in the full report at www.ruralcommunities.gov.uk

The methodology has two principal components: first, the calculation of the existing, or backlog, of housing needs; and, second, the modelling of future housing requirements, or housing needs arising, based on the continuation of current trends.

The current backlog of housing needs:

Estimates of the housing backlog are based on 2001 Census Area Statistics tables which, by using urban-rural identifiers, focussed exclusively on rural areas. The definition of housing backlog used in the research follows that used by Alan Holmans and has three main components:

- households, and would-be households, without self-contained accommodation;
- owner-occupiers and private sector tenants wanting local authority tenancies;
- local authority and housing association tenants in overcrowded accommodation, and families with young children in flats.

Allowance was made for the fact that, in some cases, provision of a new dwelling would release a dwelling suitable for re-occupation. Thus, for example, two sharing households can often be adequately re-housed by the provision of one additional dwelling.

Some aspects of the housing backlog can be met by improvements to existing housing stock, for example, improvements to amenities, and so do not necessitate provision of new housing. Further details on these aspects of the backlog can be found in the full report at www.ruralcommunities.gov.uk

The housing needs arising:

To calculate the housing requirements of those new households that will form in the future, a `cohort survival` model was used. The model simulates the development through time of various cohorts of a population, defined by age and sex using Census 2001 data. The methodology focused on `critical cohorts` of households aged between 15 and 34 from which the majority of new households attempting to break into the housing market will form in the five years between 2006 and 2011.

The methodology then goes on to test the ability of these newly forming households to access the local housing market, for purchase and renting in the private market sectors. In addition to an assessment of the relationship between income and house prices, allowances were made for those households that have access to capital, for example through loans from friends or family, or inheritance. House price data was taken from Land Registry records, income data from the Department of Work and Pensions, rental data from the Survey of English Housing and the effect of access to capital from previous work by Bramley .

Of course the existing housing stock is able to absorb some proportion of newly forming households as current householders leave their existing homes and this has been taken into account in the methodology. It is important to note that the analysis used to calculate needs arising is based on a continuation of current trends – a similar approach that was adopted by others [i.e. see Barker Review, 2004].

Affordability and affordable housing:

Both terms have been used in this report and require careful definition. Affordability determines whether people have the ability to satisfy their housing requirements by buying or renting on the housing market. Following government guidance the affordability threshold applied in this report is 25% of net equivalent household income. The requirements given below for affordable housing refer to below-market price properties that are available for sale or rent to specific categories of people, for example housing association homes for rent or for shared ownership.

Rural definitions:

New rural and urban definitions were developed for use by Government Departments in 2004. This definition adopts a population threshold of 10,000 as the minimum size of urban areas, with the remaining areas below 10,000 being defined as rural. Within areas defined as rural there are further classifications between town and fringe, villages and dispersed settlements, and between sparse and less sparse areas. For the purposes of this research analyses were undertaken to distinguish between housing requirements in villages and dispersed dwellings [R1], small villages and market towns [R2] and all rural areas, including less sparse town and fringe [R3]. Three sets of figures are given below:

- The first show the affordable housing requirements for rural areas in their entirety.
- The second show the requirements of the villages and small towns.
- The third show the requirements for villages and dispersed areas only.

Further explanation of the definitions used, and a further breakdown of the requirements figures between sparse and less sparse towns can be found in the main report on www.ruralcommunities.gov.uk

Note: Household projections, though based on Census Area Statistics 2001 ward-based tables, have been prepared at the regional level only. The methodology is explained in the Final Report for the current phase [Phase 2] of this research; the process is complex and dependent on a number of datasets, which in some cases are not currently available at the desired level. Further development of the methodology, and in particular securing new datasets, is planned which will make it possible to undertake more work using the methodology below the regional level.

A2

Annex 2 The findings in detail

As discussed above three sets of housing requirement figures are provided here: one for all rural wards of rural England which includes town and fringe, villages and dispersed settlements; a second for villages and market towns; and a third for villages and dispersed settlements only. The full report at www.ruralcommunities.gov.uk also includes full regional summaries and data.

Figures are provided here for each of the principal components of housing requirements – the current housing backlog (Table 3) and the housing needs arising (Table 4). Finally, the figures showing the total requirements for new affordable homes in rural areas annually from 2006 to 2011 are given (Table 5).

The current housing backlog:

The figures for the housing backlog equate to the numbers of new homes needed to meet the needs of those households currently in housing need. To reiterate, this includes those households without self-contained accommodation, households wanting local authority tenancies and local authority and housing association tenants in overcrowded accommodation and families with young children in flats.

Table 3 shows that the requirement for new affordable homes to meet the existing backlog of needs in all rural areas totals over 42,000 in rural England. This is equivalent to nearly 8,500 affordable homes per year for the period 2006 to 2011. Regionally both the South West and South East region have a backlog of housing requirements of over 10,000 affordable homes, equivalent to over 2,000 per year.

Taking villages and dispersed dwellings in isolation, the backlog of requirement is over 22,500 affordable homes, or over 4,500 per year for the period 2006 to 2011.

Table 3: Total and annual affordable housing requirements to meet the backlog, by region; for all three rural areas in rural England

Region		EE	NE	NW	EM	WM	SE	SW	Y&H	Rural Eng
All rural areas (R3)	Total	7,716	439	3,737	3,395	4,459	10,308	10,151	2,094	42,299
	Annually if split over 2006-2011	1,543	88	747	679	892	2,062	2,030	419	8,460
Small villages and 'market towns' (R2)	Total	3,929	138	1,786	1,862	2,827	5,808	6,517	967	23,834
	Annually if split over 2006-2011	786	28	357	372	565	1,162	1,303	193	4,767
Villages & dispersed dwellings only (R1)	Total	3,717	123	1,688	1,854	2,774	5,808	5,694	888	22,546
	Annually if split over 2006-2011	743	25	338	371	555	1,162	1,139	178	4,509

Regionally, the pattern is comparable to the figures for all rural areas, with the South East and South West regions showing the highest housing backlog within their villages and dispersed settlements.

The housing needs arising:

To reiterate, the housing needs arising over 2006 to 2011 were identified using a cohort survival model based on current trends. Assessments were made of the ability of newly forming households to access the housing market as well as absorption rates of the different tenures of the existing housing stock. As well as identifying the housing requirements of those households forming in rural areas over the period who will not be able to access the housing market, the research has also identified the requirements of those who will be able to access the market. These market housing requirements do not take into account wider aspects of market demand [e.g. due to net migration or those households omitted from the critical cohorts], but they provide an indication of the numbers of market houses needed to meet the requirements of those household that will form in rural areas over the period 2006 to 2011.

Overall, 55% of all the newly forming households in the critical cohorts can afford market- entry housing; whilst the other 45% of the newly forming households in rural England are unable to afford these market-entry prices or rents.

Table 4 shows that in **all rural areas** of England nearly 23,000 affordable homes are needed each year from 2006 to 2011. Regionally, the South East region has the highest requirements, with nearly 6,700 affordable homes needed per year, followed by the South West and the East of England regions with each region needing over 4,100 affordable homes per year across their rural areas. The North East region has significantly lower numbers of affordable homes needed each year, due in part to it being the most affordable region overall.

Taking the **small villages and market towns**, the annual needs arising fall by nearly 50% to just over 11,250 affordable homes for each year from 2006 to 2011. Again, the pattern of housing need is concentrated in three regions: the South East, South West and East of England.

Taking only **villages and dispersed dwellings**, the figure for all England drops to just below 10,500 affordable homes needed annually from 2006 to 2011. Regionally the pattern is similar to that for all rural areas, with the South East region needing the most new affordable housing in its smaller settlements at 3,300 per year, and both South West and East of England regions needing around 2,000 affordable homes per year each.

As has been discussed the market housing figures in Table 4 do not take into account wider aspects of demand and are illustrative of the requirements only of those households that will form from 2006 to 2011 in rural areas who will be able to access the market. Nonetheless, they do show the scale of the market housing that will also be required in rural areas and how this compares to the needs for affordable housing. Regionally the balance between the requirements for affordable housing and market housing varies greatly. In the North East where the need for affordable housing is lowest (263 houses per year for all rural areas), the requirements for market housing are significant (2,316 houses per year

for all rural areas). In the South East the relationship is reversed with 6,690 affordable homes per year, compared to 2,809 market homes. The wider implications of the balance between market and affordable housing, particularly in relation to finance, are discussed below.

Table 4: Annual affordable housing requirements and market housing arising from 2006 – 2011; by region; for all three rural areas in rural England

Region		EE	NE	NW	EM	WM	SE	SW	Y&H	Rural Eng
All rural areas (R3)	Affordable housing req'	4,114	263	1,618	2,121	1,728	6,690	4,235	2,071	22,840
	Market requirements	5,252	2,316	2,472	4,743	2,685	2,809	5,008	3,241	28,500
Small villages and 'market towns' (R2)	Affordable housing req'	2,242	67	763	780	990	3,300	2,321	791	11,254
	Market requirements	2,867	567	1,195	1,744	1,541	1,406	2,745	1,233	13,298
Villages & dispersed dwellings only (R1)	Affordable housing req'	1,917	49	671	766	905	3,300	2,146	694	10,448
	Market requirements	2,454	408	1,055	1,712	1,513	1,406	2,569	1,088	12,205

Total affordable housing requirements:

The total annual affordable housing requirements shown in Table 5 are calculated by adding together the annual affordable needs arising figures (from table 4) and the affordable provision needed to meet the housing backlog when spread over 2006 to 2011 (from table 3). It shows that overall the requirements for affordable housing in all rural areas of England total 31,300 affordable homes per year 2006 to 2011. The rural areas of the South East alone require over 8,750 affordable homes per year, with the South West and East of England needing over 6,250 and 5,600 respectively per year.

Taking small villages and market towns, over 16,000 affordable homes are needed annually over 2006 to 2011, with 70% of affordable homes being required in just three regions where affordability is most acute [i.e. in South East, the South West and East regions of rural England].

Taking only villages and dispersed dwellings, nearly 15,000 affordable homes are needed annually over 2006 to 2011. The South East needs the highest number of homes at just below 4,500. The needs in the South West are also high, at over 3,250 affordable homes per year, as are the East of England with over 2,700 homes per year needed.

Table 5: Total annual affordable housing requirements for 2006 – 2011 to meet newly arising needs and backlog of existing needs; by region, for all three rural areas in rural England

Region	EE	NE	NW	EM	WM	SE	SW	Y&H	Rural Eng
All rural areas (R3)	5,657	351	2,365	2,800	2,620	8,752	6,265	2,490	31,300
Small villages and 'market towns' (R2)	3,028	95	1,120	1,152	1,555	4,462	3,624	984	16,020
Villages & dispersed dwellings only (R1)	2,660	74	1,009	1,137	1,460	4,462	3,285	872	14,957

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Annex 3 Analysis of potential supply scenarios

Clearly, on the basis of the need for affordable rural housing identified in this research, there are significant implications for the supply of affordable housing, both from private finance and social housing grant. In terms of private finance, there will need to be substantial increases in affordable housing provided through section 106 Agreements with private housing developers. The levels of affordable housing needed in rural areas arising from this research point to both an increase in the numbers of market houses required to be permitted in rural areas and in the proportion of affordable housing included. Table 6 illustrates the numbers of market houses which would be required to deliver the numbers of affordable houses calculated by the research study (excluding the effects of migration), assuming a high quota level recommended by the Rural White Paper (2000) of 50%, which in this context now looks prescient.

Table 6: Market housing needed to deliver required affordable housing at 50% quota – by region

Region	EE	NE	NW	EM	WM	SE	SW	Y&H	Rural Eng
All rural areas (R3): number of Housing Units needed to deliver affordable housing requirement @ 50% quota	11,313	702	4,730	5,600	5,240	17,504	12,531	4,980	62,600
Small villages and `market towns` (R2): number of Housing Units needed to deliver affordable housing requirement @ 50% quota	7,304	190	2,240	2,304	3,110	8,924	7,248	1,968	33,288
Small villages & dispersed dwellings only (R1): number of Housing Units needed to deliver affordable housing requirement @ 50% quota	5,320	149	2,018	2,275	2,921	8,924	6,570	1,744	29,915

However, estimates of the proportion of newly formed households that can afford market-entry housing for the critical cohorts show that for rural England this is 55%; 45% cannot afford and therefore these household need affordable housing. Regional variations are wide and therefore if we assume that affordable/market housing is to be delivered on 50:50 basis, then some regions will meet their requirements, whilst others will not.

Table 7 below shows the regional breakdown, emphasising that the major deficits will be in three regions (SE, SW and Eastern) whilst the overall total for rural England is also showing a deficit. For these regions, the affordable housing proportion would have to come from other market housing being built for the other older households and which is located in more urban areas! The position of those regions with above capacity - NE, YH, NW, EM and WM - could imply that more of the market housing will be built in the urban areas in these regions in any case.

Table 7: Affordable housing deficits/surpluses arising from 50% quotas on market housing									
Region	EE	NE	NW	EM	WM	SE	SW	Y&H	Rural Eng
All rural areas (R3)	-404	1965	107	1943	65	-5943	-1127	724	-2801
Small villages and 'market towns' (R2)	-161	472	76	592	-14	-3056	-879	249	-2722
Villages & dispersed dwellings only (R1)	-203	334	24	575	53	-3056	-716	216	-2771

Clearly, the future operation of Section 106, with or without a new Planning Gain Supplement, will be critical. This, in turn, will impact on rural planning policies and assessments of wider housing needs of rural communities, taking into account their wider aspirations for social, economic and environmental sustainability.

Turning to affordable housing funded through Social Housing Grant, current Housing Corporation allocations for smaller settlements (below 3000 population) in 2006-08 total around 4000 units or around 2000 per annum (see Table 8). ODPM estimates that a total of 6000 social housing units will be provided annually in the 2 years 2006-08, with an additional 3,539 Low Cost Home Ownership units and 25 `others`, making a total of 9,555 in predominantly rural districts. However, the latter includes large towns, such as Salisbury and Bath, which are likely to absorb much of this development in urban locations.

It seems likely, therefore, that there will be a need to increase the level of social housing required for rural communities, but it is not possible to estimate the precise size of the gap without further research.

Table 8: Housing Corporation Rural Allocations 2006 - 2008	
South East	780
South West	993
East Midlands	535
East	864
West Midlands	329
Yorkshire & Humberside	283
North East	96
North West	230
TOTAL	4110 or 2055 pa

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