



The Rt Hon Matthew Pennycook, MP
Minister of State for Housing and Planning
Ministry of Housing, Communities and Local Government
2, Marsham Street,
LONDON
SW1P 4DF

Dear Minister,

HOUSING PROVISION IN RURAL AREAS OF ENGLAND

I am writing on behalf of the members of the Rural Services Network [RSN] and, by extension, the rural people, communities, and businesses they serve.

Our review of the proposals regarding the NPPF raise several very significant concerns

which we wish to bring to your direct attention as the Government develops its thinking on the provision of housing in the rural areas of England. The issues go beyond those relating to the planning system. We have, of course, responded in full to the recent NPPF Consultation following our own substantial consultation with our members (Local Planning Authorities and Housing Authorities/Providers and others).

Wider Issues

As you will know well the issues go beyond a narrow view of “housing”

We agree with the Government that housing to meet local needs is essential and we are pleased to see the Government’s commitment to delivering the biggest increase in social and affordable housebuilding in a generation. Key to that in the rural context is that the new homes are genuinely affordable based on local workplace-based incomes.

We note that housing is a key part to the Government’s Mission to Kick Start Economic Growth and therefore wish to bring to your direct attention a landmark report published on 19th September 2024 which reveals the enormous potential of the rural economy, which could generate billions of pounds annually in additional tax revenues.

The [Reigniting Rural Future Report](#) shows that with the right policy framework, the rural economy could increase productivity significantly, leading to an additional £9 billion to £19 billion per year in tax revenues. This growth would not only support rural communities but also have far-reaching benefits for the national economy, helping to fund essential public services and drive broader economic initiatives. The Treasury stands to gain substantially from an invigorated rural economy, making this an opportunity too significant to ignore.



Commissioned by [The Rural Coalition](#) (of which the RSN is a member) and developed by [Pragmatix Advisory](#), the report highlights the critical need for focused investments and policy changes to bridge the productivity gap between rural and non-rural areas. This is a crucial step to ensure that rural England contributes fully to the nation's economic recovery and growth.

Chronic underinvestment: A barrier to rural prosperity. For years, rural England has faced chronic underinvestment, resulting in a widening productivity gap with non-rural areas. Currently, the productivity of the rural economy stands at just 82% of its non-rural counterpart, and without intervention, this figure could drop to 79% by 2040. The report calls for immediate action to reverse this trend, warning that failure to address these disparities could have severe consequences for the national economy.

A call for action: Time for change. The report advocates for a comprehensive policy overhaul that addresses the unique challenges faced by rural communities. Key recommendations include targeted investments in rural infrastructure, **(including affordable housing)**, ensuring fair funding for rural councils and other public services, and empowering local governance. With the right policies in place, rural England has the potential to contribute far more significantly to the UK's economic future. The time for action is now, and the report highlights that these changes are not just beneficial but essential for national prosperity.

The report builds on the Rural Coalition roadmap, [A Better Future for Rural England: an Opportunity for Change](#), which sets out nine policy principles to address the structural inequalities and weaknesses facing rural areas and the people who live and work in rural England.

The findings of this report serve as a powerful reminder of the untapped potential within rural England. As the government seeks to drive economic growth, it must recognise the critical role that rural areas can play in the nation's prosperity. The Rural Coalition's call for action is clear: with the right support, rural communities can flourish, contributing billions to the economy and enhancing the quality of life across the UK. The time for change is now.

'Investing in affordable rural housing will level up and turbo charge the rural economy' according to 2020 research from CPRE, the countryside charity, English Rural and the Rural Services Network

It is well known that affordable rural homes create sustainable communities, but the 2020 research [Rural Recovery and Revitalisation](#) conducted by Pragmatix Advisory goes further showing how these homes can help 'level up' against rural disadvantage, while also

providing a turbo charge for the economy. **For every ten new affordable homes built, the economy will be boosted by £1.4 million, supporting 26 jobs and generating £250,000 in government revenue.** When multiplied by the number of affordable homes needed, this would lead to a massive boom in affordable homes, while providing a huge boost to jobs and the economy, saving the NHS and benefits bill thousands of pounds, and even cutting the government's budget deficit.

Whilst there are many areas of concern, I set out in the Appendix to this letter four of the main ones. I would be happy to provide a more detailed Briefing Note on each if that would be helpful. The four key issues:

- **Issue 1:** The totally **disproportionate increase in the housing requirements proposed for rural areas:** the impacts and consequences.
- **Issue 2:** Measures to **better support and increase rural affordable housing**
- **Issue 3:** The **definition of 'affordable housing'**
- **Issue 4:** **Non-Planning Considerations.**

The NPPF Consultation states that one of the main aims of the proposed changes is “*to deliver affordable well-designed homes and that local planning authorities are able to prioritise the types of affordable homes that communities need on all housing development.*” The overarching principle is “*to create sustained economic growth as the only route to improving the prosperity of our country and the living standards of working people*”

The Consultation also states that “*the government supports the principle of directing housing growth to our larger urban areas and that urban centres should be working together across their wider regions to accommodate need.*” The consultation further says that the proposals will maximise delivery in urban areas.

The planning system does have a significant role in addressing the housing needs of rural (and urban) housing, but it cannot address all the complexities involved. What is clearly needed, is a strategic policy to address the different needs, constraints, and opportunities in rural areas which brings together the different strands with the necessary funding to achieve the policy objectives.

The NPPF Consultation states “*the Government believes that decisions about what to build and where should reflect local views, and planning should be about how to deliver housing an area needs - not whether to do so at all.*” We note the stress on local views and housing an area's needs. There will not be 'buy-in' from local communities in rural areas to the proposals as they currently stand.

The NPPF Consultation gives no details of how each of the individual changes proposed impact on the distribution of the 1.5 million homes the Government wishes to see distributed over the next 5 years. Can this information be supplied, please?

Irrespective of the number finally required to be delivered in rural areas there is the fundamental question of whether an increase is likely to address in any meaningful way the overwhelming affordable housing needs of our rural communities? This also raises questions about the definitions of affordable housing and how truly affordable the different tenures are in relation to rural workplace-based incomes.

As ever, granting more permissions does not get houses built. Indeed, just turning on the tap may just see more houses built in locations with the best expressed demand (by price signals) but could well see less houses built in sustainable locations - and those with a higher latent need.

All our experiences over past decades are that commercial developers will build the most profitable homes they can if they believe they can sell them. In practice this means that the developments do not meet the local housing needs upon which land was allocated for residential development (except for the required affordable housing contribution integral to that development). The households seeking to purchase these additional houses will come from outside of the local area. Thus, the increased number of homes which the NPPF is seeking to require to be built in rural areas will not in practise meet the objective of responding to local need.

In the short term there are clear risks of creating further unsustainable and extensive urban growth in rural areas that are both 'popular' with developers and within relatively easy reach of urban centres. There is nothing in this amended policy that will encourage or support the creation of small scale and affordable housing to fulfil the needs of the rural economy / community for social/affordable housing.

Linking the concept of 'sustainable development' to decision making over planning applications when there is a deficient Local Plan or 5-year housing land supply makes it even more essential that a strong definition is included in the NPPF that can be used for plan making, especially in respect of smaller rural communities. **We suggest that urgent action is needed by Government and rural representative organisations to draw up a new definition of 'sustainable development' as it applies to settlements of less than 3000 people and rural networks of villages and small towns in existing / traditional settlement patterns.**

There are no proposals to amend the plan making requirements of the NPPF in relation to sustainable development. We consider this a missed opportunity when it comes to strengthening the requirements on Local Planning Authorities (including National Parks)

to plan in a way that genuinely pursues the social, economic and environmental sustainability of their rural communities. For the purposes of the NPPF the definition of sustainable development is imprecise and open to interpretation by both LPAs and developers.

It is not always the absence of a Local Plan that results in development that might be considered 'unsustainable'; **there is also a risk of failing to plan the future sustainability of small settlements and the settlement pattern of which they form a part**

Most housing that will exist in 2050 already exists now. Focusing just on the sustainable characteristics of additional development without making the future sustainability of the whole settlement pattern to which it is being added is clearly a mistake and could result in unintended consequences.

Some of the key issues which impact on housing provision across rural areas are:

- Incomes earned in rural economies are substantially less than the national average.
- The cost of living is higher
- Housing costs – to purchase or rent – are much higher than other areas, excluding London
- The population is much older than the national average
- The impact of second homes and Airbnb
- The age of the housing stock is older (and more difficult to heat and treat) with large numbers off the gas grid
- Higher development costs
- Poorer infrastructure – including the capacity and vulnerability of the electricity network serving rural areas.

The above impacts are exacerbated by other issues such as lack of transport options and poor connectivity (both broadband and mobile phone).

The issues also impact on health, access to healthcare, loneliness, recruitment, and retention of employees across all sectors and rural economies, generally.

The RSN and our colleagues in other rural interest groups would welcome the opportunity to discuss the issues with you.

I am copying in your colleague Steve Reed OBE, MP, The Secretary of State at Defra and Hywel Lloyd, Co-Founder, Labour Coast and Country.

Yours sincerely

**Kerry Booth
Chief Executive,**



Rural Services Network

ABOUT THE RURAL SERVICES NETWORK

The Rural Services Network (RSN) is the national champion for rural services, ensuring that rural people have a strong voice and that rural communities receive a fair deal. It is a membership organisation representing over 500 organisations from across the public, private and third sectors. With 82 local authorities (county, district and unitary councils) 16 housing associations and over 400 service providers or rural interest bodies (including fire and rescue authorities, health and care providers, utility companies, rural businesses and grass root community organisations).

The Rural Services Network is also a Special Interest Group of the Local Government Association. We provide the Secretariat to the Rural Services All Party Parliamentary Group and are members of DEFRA's Rural Insight Forum.

Find out more at <https://www.rsnonline.org.uk/>

HOUSING PROVISION IN RURAL AREAS OF ENGLAND: 4 KEY ISSUES

ISSUE 1

THE TOTALLY DISPROPORTIONATE INCREASE IN THE HOUSING REQUIREMENTS PROPOSED FOR RURAL AREAS: THE IMPACTS AND CONSEQUENCES.

The Numbers

Despite the NPPF Consultation stating that “the government supports the principle of directing housing growth to our larger urban areas and that the proposals will maximise delivery in urban areas. Our analysis shows that the proposals mean:

- In Predominantly Rural Areas overall – an increase of 70.2% (32,215 additional houses, or 6% per 1000 of the dwelling stock.
- In Predominantly Urban Areas - an increase of 6.4% (14,267 additional houses, or 0.9% per 1000 of the dwelling stock

As shown above the proposed changes to the standard method results in a significant increase across rural areas. This is entirely counter intuitive. It is imposing the exportation of unmet housing need from larger urban centres.

We are confused by the affordability ratio which is proposed to be applied to housing requirements. We understand the basic ratio of 4:1 to mean where house prices are 4x income. But it then goes on to say ‘for every 1% above that 4:1 ratio’ there will be a further increase. Does this mean that when the ratio hits 5:1 there will be another increase in housing requirement? That implies a 100 per cent increase (i.e. house prices have gone from 400 per cent of earnings under 4:1, to 500 per cent of earnings under 5:1). More detail is set out in our response to Q15 of the Consultation. **We would welcome clarification.**

Other analysis shows:

- For all property types, homes tend to be less affordable to buy in ‘Predominantly rural areas’ than anywhere else outside London.
- In 1 in 5 of the Predominantly rural areas, the median affordability ratio of house price to income was more than 12:1
- In 1 in 4 of the Predominantly rural areas, the median affordability ratio of house price to income was more than 8:1

This demonstrates the critical importance of the affordability proposals for rural areas.

We do not support the whole premise of the proposed new approach that is based on housing stock. By failing to also take account of population and wider housing market conditions it provides housing requirement figures that are unrealistic and undeliverable. This is for the following reasons:

- The new housing numbers are often significantly higher than the numbers that would have been produced under the household projection methodology. This indicates a gap between stock and demand, which is likely to translate into insufficient interest from developers to build in these areas.
- It is based on historic supply, which because of the demography of an area may already result in over-supply. This is particularly likely in post-industrial areas. These are areas of low demand where developers do/will not want to build.
- Using stock numbers takes no consideration of the distribution of the housing stock. In rural areas much of the housing stock is dispersed across the LPA area in small rural communities. The stock-based approach increases the housing numbers in these areas but does not consider how these will be accommodated in both National Landscape and un-designated and coastal rural areas.
- The stock-based approach takes no account of whether the houses are occupied as permanent residences and therefore includes second and holiday homes. This results in an overestimation of the amount of stock that is housing the local permanent population, particularly in National Landscape and coastal areas.
- In rural areas where LAs have gone for growth, the new NMS results in high housing requirements, but takes no account of whether the demography/market would support these new levels of growth.

We would propose that the Government provides a range of housing requirement numbers derived from two methodologies, that based on stock and that based on 2018 population projection numbers. Local authorities would be required to plan on the basis a number within this range, evidencing this with reference to deliverability.

The Impacts and Consequences

The stock -based approach in the new methodology is likely to result in:

- Developers continuing to build where and what they want, irrespective of local needs.
- No change in the geographic imbalances of where new housing is provided
- Deliverability considerations will often mean that market housing will be developed where and at a scale where it is not needed
- A push to deliver large numbers of homes at the expense of quality in rural and urban areas that will not deliver 'well designed places or sustainable development

There is a real risk that the proposals potentially have negative effects on urban areas where effectively the proposals push people out of those areas into rural locations because that is

where the housing stock will be in significant proportions. It creates a pattern that is really directing developments to rural areas -where the infrastructure isn't available - and drawing people out of urban areas where the infrastructure is available.

This is compounded by the real concerns that the market in rural areas would not be able to deliver the level of development. When combined with the wider changes in terms of the five- year supply, and particularly the retention of the housing delivery test, there becomes a real risk that authorities will very quickly be in a situation where the presumption in favour of sustainable development appeals kick-in and that potentially results in undermining the plan led approach to development.

It is helpful to have clarity on the housing requirement for an area. However, this can only be the case where the standard methodology is constructed in such a way that recognises the very real limitations that an area may have in delivering housing. There should be an additional factor around the actual ability to deliver homes at the rate required.

It is also felt strongly that more onus should be put on developers to deliver sites quickly. Once Local Planning Authorities (LPA's) have allocated land and issued planning permissions, national policy should introduce measures to ensure delivery from developers/housebuilders in a timely manner.

LPAs can only affect the supply of planning permissions, not the number of homes that are delivered. Thus, whilst it may be fair that LPAs are penalised if they fail to plan for sufficient housing or refuse consent that accords with its plan. However, the proposed system will punish LPAs when:

- Land is promoted as being deliverable in the Local Plan but is not delivered
- Land is delivered but not in accordance with the allocation i.e. watered down
- Applications are submitted that do not accord with the Affordable Housing etc. requirements
- No applications are submitted so it is impossible to approve them
- Developers game the delivery of their site to engage the tilted balance to land bank more consents but do not build them out

In these circumstances the LPA gets punished for the lack of delivery by the land promoter/developer. Even when sites do come forward when the LPA seeks to ensure compliance with the allocation, or its adopted policies developers know that the spectre of the 5-year housing land supply can be used to drive down standards as delivery trumps quality/compliance. There needs to be a more level playing field where the pain for lack of delivery also falls on developers e.g. the LPA could levy Council Tax on any allocated sites not brought forward or delivered within, say, 5 years with the funding used to help release

the site; Government could raise tax on sites land-banked; ensure forced sale of land that has been allocated but not brought forward etc.

The RSN supports the suggestions for amendments to the revised wording of the NPPF text made by ACRE in its response to Q6 of the Consultation.

ISSUE 2

MEASURES TO BETTER SUPPORT AND INCREASE RURAL AFFORDABLE HOUSING

It is disappointing in the extreme that no suggestions were put forward by the department given all the submissions made over the years by the RSN and other rural interest groups. Overall, some of the proposed changes are helpful, but it is disappointing that so little attention is given in the NPPF to achieving sustainable development in rural communities. Whilst some of this is down to lack of rural specific content, it is also because of unintended consequences that arise from not considering the circumstances of rural areas.

There is a clear need for a comprehensive rural housing strategy rather than trying to 'tweak' an urban base policy to address the different rural issues.

Our suggestions include:

- The NPPF should require that local authority assessments of size type and tenure, as set out in paragraph 63, include a specific assessment of housing needs in communities with populations of 3,000 or fewer, leading to adoption of a specific target in the Local Plan for delivering rural affordable housing in these communities.
- A definition of affordable housing *that* sets out the principle of what is affordable using the definition recommended by the Affordable Housing Commission that no households should not use more than 33% of their net household income on rent or mortgage
- Distinct definitions of each different form of affordable housing tenures that can meet this affordability principle – including clear and separate definitions of Social Rent and Affordable Rent, with the overarching requirement that the tenure provided should meet the principle that no than 33% of a household's net household income should be spent on rent or mortgage
- Set clear benchmark land values for land prices for Rural Exception sites. Allow LAs to CPO small sites (max 25 units) on the edge of or well related to existing settlements giving landowners a BLV above agricultural use but with no 'hope value' addition.
- The wording around the proportion of market homes on rural exception sites could also possibly be reviewed so that it is clearer that any such provision should be subsidiary to the provision of new affordable homes.
- Local Planning Authorities should be permitted to determine that the proportion of the totally assessed local housing need that is generated by the 'Affordability Criteria'

should be allocated only to homes that are truly affordable (but to include affordable home ownership products) to those household on local rural level wages/salaries.

- Site thresholds is another area that needs addressing. While the NPPF does identify the ability for designated rural areas to set a threshold of five or fewer this designation isn't automatic and in fact relates to S157 of the Housing Act and must be applied for through the Secretary of State. Approximately 66% of parishes of 3,000 population or fewer are not in Designated Rural Areas. As we have argued many times the ability to set a threshold of five or fewer should automatically apply to all rural communities with populations less than 3,000. Site thresholds should be set by each LPA.
- Affordable housing needs to not only be affordable to rent or buy, but affordable to run, and affordable to provide quality of life. Thus, housing needs to be well constructed and insulated, with minimised running costs, with good access to daily necessities. This is best enabled by a plan led system, which takes time and energy, not rapidly imposed housing numbers which will enable a rash of speculative and ill thought out applications.
- We welcome the acknowledgement that "to promote sustainable development in rural areas, housing should be allocated where it will enhance or maintain the vitality of rural communities. Planning policy should identify opportunities for villages to grow and thrive, especially where this will support local services. However, in the rural context it will remain important that existing communities are not 'swamped' by large scale development - especially those for market housing which will not meet the identified local housing need.

Along with several other rural organisations we have in our response to the Consultation proposed six planning measures that would improve the delivery of rural affordable housing. We recognise that successful delivery requires a number of mutually supporting measures to be in place and a package of non-planning measures is proposed.

ISSUE 3

THE DEFINITION OF 'AFFORDABLE HOUSING'

In rural communities, especially ones that are under considerable market-led development pressure, there is a well understood need to create additional housing for those whose housing needs are not being served by either the private sale or rental market.

The definitions of 'affordable housing,' 'social housing,' 'local needs housing' etc. used in relation to this can be very important for these communities and are often the 'make or break' issue over the way in which a proposed development is received. However, they are distinctly different products and vary in the extent to which they are affordable to rural residents dependent on locally earned incomes, which are lower than for their urban counterparts. Of particular concern is Affordable Rent, which charged up to 80% of market rents and is often unaffordable to these households.

We believe that Government should adopt, as a central plank of housing policy, the recommendation of Lord Best's Affordable Housing Commission that no household should have to use more than 33% of its net income to meet its housing needs.

To meet these concerns, we believe the NPPF glossary definition of affordable housing should be changed by:

- Setting the principle of what is affordable using the definition recommended by the Affordable Housing Commission
- Followed by distinct definitions of each different form of affordable housing tenures that can meet this affordability principle
- Supporting a greater diversity of providers of affordable housing, without compromising the need for fair, transparent and high-quality management, and maintenance of affordable rented properties.

ISSUE 4

NON-PLANNING CONSIDERATIONS

Research and practice consistently demonstrate that successful delivery requires five mutually supporting elements to be in place. In addition to positive planning policy and practice these include capital grant funding, supply of deliverable sites at a price that ensures schemes are viable, strong local housing enabling, constructive community engagement and local leadership.

It should be recognised that rural areas have significant elderly populations, and many elderly households have a desire to move into more manageable bungalow style homes freeing up their larger family homes. They do not want to move away from the area having spent time and energy establishing social groups and support within the community

Improved capital grant funding for small rural affordable housing schemes by:

- Homes England being required to adopt a national target for the delivery of affordable housing in parishes of 3,000 population or fewer.
- Providing funding and capacity support to smaller specialist Registered Providers.
- Requiring that if Registered Providers have Strategic Partnership funding, they must be required to deliver an agreed target for rural as part of that contract.
- Homes England to apply a rural multiplier to grant rates for small (15 dwellings or less) rural exception sites in parishes with populations of 3,000 or fewer to cover the higher costs of developing these schemes arising from lack of economies of scale, rurality, and remoteness.
- Homes England to introduce/use 3-year funding programmes for rural affordable housing delivered through an individual or consortia of RPs, which could be SPs or non-SPs, or a combination of the two. These rural programmes would be for delivery in parishes of 3,000 population or fewer.

- These recommendations flow from research that demonstrated a significant loss of RPs willing to develop small rural schemes. This was followed by an investigation into the factors that affect RP appetite to undertake this form of delivery. The underpinning cause cited by all RPs is that Homes England grant rates are insufficient to cover the higher costs of developing these small rural schemes because of the inability to secure economies of scale, rurality, and remoteness.
- Amend Section 269 of the Taxation of Chargeable Gains Act 1992 so all sales of land for rural exception sites to Registered Providers or legally constituted Community Led Housing groups are treated on a no gain, no loss basis, effectively providing relief from Capital Gains Tax on these disposals.

Strengthening local enabling, community support and local leadership

- Early announcement of continuing and sustained national government for the national network of Rural Housing Enablers (RHEs).
- Government to provide revenue funding for communities to commission and /or undertake detailed Community Led Housing Feasibility studies, design and preparation for planning applications and project management.