



**7 September 2010**

## **Agenda for change: releasing the economic potential of England's rural areas**

The Government believes that business is the driver of economic growth and innovation, and that we need to take urgent action to boost enterprise, support green growth and build a new and more responsible economic model. We want to create a fairer and more balanced economy, where we are not so dependent on a narrow range of economic sectors, and where new businesses and economic opportunities are more evenly shared between regions and industries. (The Coalition: our programme for government, May 2010).

### **Introduction**

Rural England is making a major contribution to achieving our national economic recovery. Rural firms and communities stand ready to play their part in the national drive to achieve our full economic potential. In turn they ask for fair recognition and support from all tiers of government.

Over the past year the Commission for Rural Communities (CRC) has led discussions with rural entrepreneurs, communities and their representatives about how to release this economic potential. With the support of the Regional Development Agencies (RDAs), we have hosted five economic summits, across England, based on the report, *England's rural areas: steps to release their economic potential*<sup>1</sup>. From these discussions, we have drawn up this *Agenda for change*. Those who attended our final and national summit endorsed our key themes and conclusions and we have reviewed and renewed the document to reflect feedback and more recent economic and policy developments.

The proposals in this *Agenda for change* offer government, at all levels, a basis for action to promote sustainable economic growth and economic wellbeing in rural England. The CRC is offering to support a number of the activities that we here commend to Government and to others. We will continue to prioritise this work while we remain an arm's length body. We will discuss with the Department of Environment, Food and Rural Affairs how best to ensure continuity of approach thereafter.

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<sup>1</sup> 'England's rural areas: steps to release their economic potential' (CRC, 2008)  
<http://ruralcommunities.gov.uk/2008/07/01/crc-74-englands-rural-areas-steps-to-release-their-economic-potential-summary/>

## **Conclusions and recommendations**

### **Ensuring mainstream policies and programmes release rural economic potential**

Government at all levels has been active over the last two years addressing the challenges of the recession. We have heard from the business sector a generally positive view about such interventions, including some of the support offered by the RDAs and local authorities.

But now the attention must shift from reactive activity towards a longer term focus on supporting economic growth. We are pleased that this is one of the central messages of the 'programme for government' set out by the new coalition government<sup>2</sup>. Supporting economic growth must be a priority responsibility for all public bodies.

Over the last year many have endorsed our analysis<sup>3</sup> that more of the potential of our local rural economies can and should be realised. Supporting the release of this potential should be a major strand of the next stage of growth of the UK's economy. This should be a challenge adopted right across government, and not just by Defra and Business, Innovation and Skills (BIS).

Of course, many rural economies share characteristics and links with nearby urban economies. In these rural areas, businesses may benefit from government's mainstream economic policies and support structures. But other rural areas differ in their economic profile and contribution because of distance, sparsity, history or environment. To help all areas to achieve their full economic potential, adjustments may be needed to policies and programmes. Sometimes some rural areas will also need separate support programmes to help them grow in their particular circumstances. The Rural Development Programme for England is an important example of such a separate programme.

Rural businesses and communities should be given the same chances and support to grow as businesses in other areas. Yet over the last year we have heard of too many examples of rural entrepreneurs having difficulties in obtaining public funds, securing permissions, or meeting regulations. This is because Government policies and programmes are too often designed around majority – urban – characteristics and needs. This needs to change.

Whilst annoyance at the 'burdens of red tape and bureaucracy' are heard from businesses everywhere, it is a particularly important issue for small rural businesses. They have to operate within a context of multiple tiers of local government and other public agencies, some of whom are distant from and unfamiliar with rural communities and businesses.

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<sup>2</sup> 'The coalition: our programme for government' <http://programmeforgovernment.hmg.gov.uk/>

<sup>3</sup> 'England's rural areas: steps to release their economic potential' *ibid*

**Conclusion.** More explicit, positive action is needed to ensure that the characteristics and potential of rural communities and businesses are properly taken into account in the development and delivery of economic policies. Central, regional and local government should be able to demonstrate that their activities to achieve sustainable economic growth are being applied equitably between different places.

How to do this:

- The Rural Business Finance Forum (convened by the CRC) includes representative bodies of rural businesses. This Forum offers Government a route into discussing and addressing challenges faced by rural businesses. For example, the Forum discusses solutions to reducing the tax burdens on, and introducing a fair tax system for, small businesses. We commend the value of this Forum to HM Treasury, Her Majesty's Revenue and Customs (HMRC), BIS and Defra.
- Local Enterprise Partnerships, local authorities and other successor bodies to RDAs should work to support economic growth in rural areas as part of their mainstream functions and programmes. We encourage them to show (for example, in their annual reports) how this results in equitable support for rural businesses and places in their priorities, programmes and, investments. The CRC offers to work with the Local Government Association (LGA) and others to support this activity.
- If requested by BIS and by the Better Regulation Executive, the CRC is ready to offer advice and support, based on our Rural Champions project<sup>4</sup>, on how to identify and address rural issues. Feedback from this project from other Departments suggests that it quickly delivers solutions to help Departments increase their impacts in rural areas through their mainstream policies and programmes.

### **Giving more power and responsibility to businesses**

Rural businesses generally display strong degrees of self-reliance. They are not waiting for support from the public sector. Indeed, they may make little call on government resources, at least until external challenges demand additional help (for example following natural disasters of various types). But at this point an inability easily to access support may then frustrate their ability to adjust, regroup and grow.

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<sup>4</sup> The Rural Champions project seeks better rural mainstreaming and rural proofing for example via bespoke adjustments to the internal wiring of each Department's policy making processes; stakeholder management systems; data and evidence systems; and performance management reporting.

When rural businesses need help they respond well to so-called 'empowerment,' being allowed to develop their own local solutions to employment, skills, and innovation and support needs. But empowerment is built on trust, and poor understanding between local businesses and public sector bodies can limit effective empowerment.

By contrast, resilience, dynamism and growth can be seen in local rural economies where relationships are strong, aspirations are shared and resources are in place.

**Conclusion.** We should make sure that we devolve greater power and responsibilities to businesses over relevant business support and employment support measures.

How to do this:

- Local authorities and public bodies should engage local business and other economic stakeholders in their activities (e.g. design and delivery of economic programmes). Government departments should encourage this to happen.
- Local authorities should rural and business proof their structures for economic development, including new local enterprise partnerships. The CRC offers to work with local government to help make this happen. All local authorities should encourage and support strong partnership working with local businesses, including community enterprises, to draw on their experience and to respond to their ideas.

### **Strengthening links between local communities and local government**

Community-led planning tools have been used over the years by many rural communities, including local businesses. Such tools<sup>5</sup> set out the economic, social and environmental aspirations of local places and actions for realising them. This approach is supported by the Government's plans to reform the planning system "to give neighbourhoods far more ability to determine the shape of the places in which their inhabitants live"<sup>6</sup>. Local authorities and local councillors have often been admirably supportive of community-led planning.

But we have heard that the *response* to the resulting action plans from local government and other public bodies is inadequate in many places. For example, the response has been limited in terms of changing local development frameworks, and local resource and planning decision making. Unsurprisingly, this is frustrating for local businesses, communities and for many local councillors. On the other hand we have also heard that local and regional economic agencies find the business and employment elements in these plans to be absent or weak, reflecting in part limited input from local employers and firms.

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<sup>5</sup> These include Market Town Healthchecks and Action Plans; Parish Plans; and Development Trust plans.

<sup>6</sup> The coalition's programme for government, *ibid*

This shows a wider disconnect between local businesses and local government in some areas. There is so much good practice in this area as well. It is vital that local government really supports business and economic growth, for the benefit of their localities and for the benefit of the country as a whole.

**Conclusion.** We should help local democracy work well on economic matters.

How to do this:

- A positive response to community-led plans is required from local authorities and other public bodies. These bottom-up plans should be explicitly embraced in any strategy for local economies, for example for local enterprise partnerships. The Department of Communities and Local Government (CLG) should work with Defra and others including local authorities and the LGA, Action for Market Towns, Action with Communities in Rural England, and the Development Trusts Association, to gather and release good practice on the economic aspects of community-led plans.
- We should gather, share and celebrate good practice examples of local businesses working with local communities and local authorities for mutual benefit. We are willing to work with BIS, the UK Commission for Employment and Skills (UKCES), Sector Skills Councils, and business representatives (such as Business in the Community) and others to achieve this.

### **Spatial planning must support local economic growth**

Rural England is a great place to do business. Many businesses thrive in ways that complement their local environments, bringing economic opportunities for residents and employees.

But we have heard that the application of the statutory development planning system continues to frustrate business operation and expansion in some, but not all, rural places. Some successful rural firms have been 'advised' that their expansion is inappropriate or unacceptable in rural locations. This can result in a loss of jobs, investment and opportunities. Yet other firms with similar activities have been enabled to develop in premises and places of similar character.

The Government's commitment in the 'programme for government' "to create a presumption in favour of sustainable development in the planning system" should give support to many firms which plan to stay and grow in their rural communities and benefit local jobs and services. This would be further reinforced by adopting the perspective in the Conservative's Open Source Planning Green Paper that the planning system shouldn't unnecessarily restrict economic growth in rural communities based on assumptions of what are 'appropriate' rural businesses.

**Conclusion.** Reforms in planning practices are required. This should aim to reduce unjustified inconsistencies in treatment of development between places and recognise the interdependencies that exist in local economies between housing, business, transport and community development.

How to do this:

- Relevant bodies – including CLG, the LGA and professional planning bodies – should work together to deliver a more consistent (but not uniform) planning regime in rural England: one designed to support sustainable economic growth, broaden economic choice and embrace the distinct features of many rural economies. These include home-based; community-run; land or environmental businesses. The Planning Policy Statement (PPS4) sets out a good starting point for local authorities and their partners. But this national policy now needs to be translated into plans and decisions regionally and locally. There may be a case for PPS4 to become one of the national economic priorities set out in the revised national planning framework<sup>7</sup>.
- Local authority planning officials, when making recommendations to councillors on economic planning applications, should advise on how they consider the application would support ‘sustainable economic growth’.
- CLG and Defra should continue to work to deliver outcomes for affordable housing, planning and rural economies set out in *The Taylor Review of Rural Economy and Affordable Housing*, and regularly report on actions taken.
- CLG should also engage with the Rural Coalition<sup>8</sup> with a view to embracing its consensus on planning and sustainable rural communities.

### **We need equitable access to modern communications**

Rural firms have shown that they can successfully supply any market, global to local. Many rural businesses collaborate with distant associates and institutions, use advice and funding sources distant to their location, and recruit from distant labour pools. Some are run from well equipped factories, workshops and offices which benefit from well-developed communications infrastructure. But such infrastructure is not yet universally available in rural England.

The lack of modern ICT infrastructure (telephone, mobile and broadband) in too much of rural England was one of the strongest messages we heard from rural businesses and communities over the last year. Rural businesses need effective infrastructure to be successful and to realise their potential and to contribute to national economic growth.

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<sup>7</sup> The coalition’s programme for government, *ibid*

<sup>8</sup> For more details on the Rural Coalition see: <http://ruralcommunities.gov.uk/rural-coalition/> its members include: ACRE, CPRE, CLA, LGA, RTPi, and TCPA.

We're pleased that the coalition Government's 'programme for government' includes a commitment to "introduce measures to ensure the rapid roll-out of superfast broadband across the country" and that "we will seek to introduce superfast broadband in remote areas at the same time as in more populated areas".

**Conclusion.** Government and public agencies need to deliver modern communications infrastructure to support economic growth in rural areas. In the light of the Universal Service Commitment, they should use dedicated investment funds (such as a share of the Digital Switchover budget) and support community-owned broadband networks.

How to do this:

- All departments, led by BIS and DCMS, should ensure that the Universal Service Commitment for everyone in Britain to access a minimum speed of 2Mbps by 2012 is delivered across all rural communities.
- BIS and DCMS should lead representatives of the communications industry and the public sector to explore new ways of servicing rural and other hard to reach communities, working with Ofcom. We encourage the adoption of an investment framework that identifies those communities most disadvantaged by their lack of capacity, critical mass or infrastructure, and targets solutions at these in the first instance. The CRC has provided powerful evidence (see our 'Mind the Gap: Digital England – a rural perspective' report) to help decisions over investment and prioritisation.
- Local Enterprise Partnerships or other successor bodies to RDAs should work with local authority and other partners and identify those communities in most need of investments and improvements in communications infrastructure.
- Mobile phone coverage remains patchy. Government should ensure that mobile phone coverage is not forgotten when addressing the importance of modern communications and infrastructure for rural businesses.
- With partner organisations, the CRC will continue to develop a practical Community Broadband Support Package. We believe that this will be a valuable mechanism for stimulating and supporting community broadband solutions in the more remote rural areas where the market is very unlikely to deliver on its own.

## Measurement matters

Many rural communities have benefitted over the years from *gradual* local economic growth. Measuring such growth over the short term often shows only limited economic outputs and small contributions to Government's economic targets. But gradual and sustainable economic growth can still be substantial and can still result in very positive impacts on local communities. This needs to be better recognised and supported in the methods of valuation and in investment decisions.

**Conclusion.** The Government is committed to 'urgent action' to address climate change, cut carbon emissions, decarbonise the economy and support the creation of new green jobs and technologies. To help make this happen the Government needs to develop and use metrics, investment and performance frameworks that support sustainable local economic growth.

How to do this:

- Defra, DECC and HM Treasury should work together to agree metrics and good practice to value social and environmental components of 'sustainable economic growth'.
- Their conclusions should be effectively communicated to all parts of the public sector. For example, through guidance on the valuation metrics for 'sustainable economic development' plans, and on other appraisals and evaluations to show how public bodies can give the right weight to social and environmental outputs. This should include reviewing the content of the green book prepared by HM Treasury, which gives guidance on the economic assessment of spending and investment and on the preparation of business cases for the public sector<sup>9</sup>.
- The Office of National Statistics (ONS) should make available the results of their work to develop Gross Value Added (GVA) and GVA per job data series to the Government's rural:urban definition. The ONS should then regularly publish such output and productivity data at NUTS 4 level<sup>10</sup>. This will help local authorities and their partners build the evidence base showing the contribution of rural places to 'sustainable economic growth'.

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<sup>9</sup> For more information see: [www.hm-treasury.gov.uk/data\\_greenbook\\_index.htm](http://www.hm-treasury.gov.uk/data_greenbook_index.htm)

<sup>10</sup> Nomenclature of Territorial Units for Statistics (NUTS) is a geocode standard for referencing the administrative division of countries for statistical purposes. NUTS 4 roughly equates to the county level of geography in England.