



Commission for
Rural Communities

Tackling rural disadvantage

England's rural areas:
steps to release their
economic potential

Advice from
the Rural Advocate
to the Prime Minister

Summary document

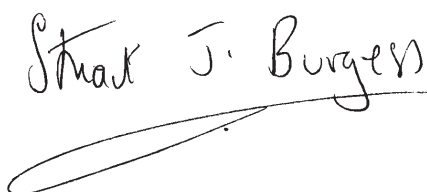
Foreword

Following the floods and animal diseases in 2007, the Prime Minister asked me to advise on how rural economies could be strengthened. My advice supports the shift in focus from economic sectors to sustainable places; regions and localities need to be empowered to build on their particular strengths.

This report demonstrates the huge contribution rural areas make to the national economy and points to ways in which further potential can be released. Targeting areas of underperformance in rural economies could perhaps double the £325 billion currently earned each year by rural firms, reduce worklessness and poverty and help close the persistent gap between rural and urban wages.

I now propose some substantive and innovative initiatives:

- I propose that the Government creates a Rural Finance Forum to examine and overcome the causes of lower capital investment, poorer access to finance, and lower funding for rural economic initiatives.
- We should create a Rural Innovation Initiative to address the special challenges and opportunities in sparse or remote rural areas, building upon proposals in the White Paper 'Innovation Nation' for new partnerships to strengthen innovation,
- We need to develop new forms of brokerage, networks and clusters to improve access to support programmes and share good practice.
- We need a new compact between government, insurance and rural industries to improve response to shocks caused by disease and bad weather and develop new insurance products.
- Rural communities should be supported by the Environmental Transition Fund to develop new forms of flood protection.
- Finally, I propose that the Government should convene a national Rural Summit and sponsor a series of regional summits to focus the attention and activity of government and its agencies, together with regional, city and local leaders, on releasing the potential of rural economies.



Stuart Burgess
Rural Advocate and Chairman,
Commission for Rural Communities

My vision

During 2007 rural areas and communities across rural England were adversely affected by environmental and economic shocks. I have witnessed and heard of the effects of animal diseases on farmers in the south east and hill farms of Cumbria, of floods in Gloucestershire and Yorkshire, and of closure of large employers in market towns in the Midlands. Communities' abilities to cope with these shocks depend on the economic health of businesses and households, on the capacity and resources of community institutions, and on support from central to local government.

On the back of the flooding and foot and mouth disruptions over the summer, you asked me to advise you on what steps your government might take to strengthen England's rural economies. This report builds on my initial advice offered at the end of October. I set out here an important package of proposals. I look forward to developing these proposals with you and your colleagues over coming months. The proposals aim to release the economic potential of rural areas, and to raise rural outputs to match the English average where this is feasible and desirable.

Rural England – a place to do business in

As I travel round the country, the overwhelming impression that I have been left with is of resilience, enterprise and community spirit. I have seen many rural businesses showing the spirit the whole of Britain needs – entrepreneurship, risk taking, hard work, innovation, community support.

I have also seen large changes sweeping through our rural economies that confounds prevailing views about the nature of rural businesses.

The erosion of distance by new technology changes the way rural England interacts with national and international markets. New technology is also heralding a fresh set of possibilities being seized by a new generation of entrepreneurs.

Rural England is witnessing a boom in home working, healthy rates of new business start ups, high levels of entrepreneurship (where levels among women are much higher than the national average) and the growth of small firms in new business areas.

This is not just land-based industries, but high-tech and high-value. I have seen a diversification not just of farms, but of the whole economy in a way that challenges established views.

But I have also seen many challenges and pressing problems.

There is strong evidence that high levels of rural business aspiration are not being translated into their full potential for growth, whilst high levels of entrepreneurship are not bringing with them commensurate levels of wealth creation.

There is also strong evidence that rural businesses struggle to access the support and advice available from government or work effectively in partnership to address the obstacles they face. This can include hurdles in planning or infrastructure, accessing services or gaining new skills for employees – all of which can prevent the leap from micro business to a business that blossoms to boost the local economy.

The social justice imperative for change

At present, low wages and limited opportunities confine many young people in rural areas to a stark choice between leaving their communities in search of greater skills and better employment or staying and lowering their aims. This is a tragic waste of potential.

It also creates pressing social problems – nowhere is this more clearly illustrated than in housing. The problem of lack of affordable housing in rural areas is not just a problem of high prices, but also of low incomes. The frustration voiced by many rural communities at not being able to provide homes for their sons and daughters is also a frustration that the economic earning potential of rural areas is failing to keep up with cities.

As well as condemning many communities to low skilled, low paid employment it also condemns them to marginalisation against the greater economic power of the town. This reinforces old divisions, rather than setting out a new vision. The risk of not changing our approach is that we will continue to see a growing polarisation of rural communities. Enclaves for wealthy, commuters and the retired bring inequalities, resentments and contribute to a loss of talent and potential. We need to make clear that rural economies have a vibrant future – where Britain can be a winner from new economic opportunities.

Towards a rural renaissance?

My report looks at this evidence. It also sets out one central theme for action. This is based on the realisation that there are many different types of rural economy and within this diversity there are many different challenges.

The answer lies in allowing local businesses in partnership with local government to better access government support, with a particular emphasis on benefiting from investment and innovation. This will allow them to set their own objectives and aims in overcoming obstacles whilst addressing the weaknesses that they have.

This report sets out the many challenges that rural businesses face, but also shows clear potential.

I see villages with new life and business – bustling places where small businesses, workshops, home-based offices, drawing on the power of the internet and new markets, can sustain and encourage hard working families.

I also see a new spirit of sustainability, where market towns are not just dormitories for commuters, travelling greater and greater distances, but

living hubs of activity – cutting the carbon emissions of commuting and revitalising the social fabric of communities.

The right level and type of government help can act, I believe, as a powerful catalyst to help rural businesses thrive and help achieve a better vision for the economic future of rural communities. We estimate that targeting weaknesses set out in this report could substantially increase the revenue earned by rural firms, perhaps to over £700 billion per annum; reduce the 0.3 million ‘workless’ households in rural areas; reduce the one sixth of rural households living in poverty and close the persistent and widespread gap between rural and urban wages.

For Britain to succeed in a new global economy it needs to include the whole of Britain – and I am convinced that rural Britain can contribute a huge amount. Britain cannot afford to let us rest on comfortable stereotypes of traditional rural industries whose decline is simply to be managed.

Just as this government has helped cultivate an urban renaissance I believe now is the time for government to help fully realise the potential of rural England in the twenty-first century.

My recommendations

I believe that our rural economies have much **unfulfilled potential**. To a fair extent this can be unlocked through better access and adjustments to national and regional economic programmes.

In some areas rural businesses are contributing proportionately less economic output than would be expected from their employment and business base. The **challenge** is to extend growth and productivity across more firms, employees and communities in rural England.

The evidence and solutions offered in this report are aimed at securing a step change in the performance and resilience of our rural economies, and the commitment from the public sector to their future. I believe that specific activity and government support is needed, in four areas:

- inspiration and leadership;
- investment;
- innovation; and
- empowerment of rural communities to tackle environmental disruptions.

Inspiration and leadership

Many of the specific proposals that follow in this report seek recognition of the strengths, contribution and needs of rural economies, and more equitable outcomes or different interventions, from those devising and delivering economic policies and programmes.

I believe that releasing the potential of rural economies deserves and merits similar high profile attention to promotion of City Regions or The Northern Way, for example.

Following receipt of this advice may I invite you, Prime Minister, to:

- Ensure that your Government convenes a national summit and a short series of regional summits to focus attention and activity of your government and its agencies, together with regional, city and local leaders, on releasing the potential of rural economies.
- Initiate a programme under a senior Economic Minister to examine the proposals set out in my advice, and allow this Minister and me to report back on progress for the Budget 2009.
- Adopt other steps and signals, including perhaps the appointment, networking and promotion of 'rural' champions within prominent forums such as your Business Council, the UK Commission for Employment and Skills, and the Boards of Regional Development Agencies (RDAs).
- Direct your Government to demonstrate a greater and more transparent commitment to 'rural proofing'¹ relevant policies, research, evaluations, speeches, consultations and so on. As you will know, it is the job of the Commission for Rural Communities (CRC) to advise you in this work.
- Encourage and resource the creation of strong sharing networks to support improvement and efficiency for rural and sub-regional authorities on local economic development. This will increase the prospects for successful devolution of the economic agenda following your review of sub-national economic development. The Local Government Association (LGA), CRC and IdEA have made a start on this and we should be challenged and supported by the Department of Communities and Local Government (CLG) to make this happen more widely.

Investment

If rural firms generated turnover levels comparable to the rural share of employment or enterprises in England, we assess that this **unfulfilled potential** growth in output from rural firms, may achieve around £236 to £347 billion pa. We set out the analysis behind these figures in Appendix 2.

Releasing the **unfulfilled potential** of rural economies requires improvement in the ability of firms and employees to learn about and gain access to central and regional programmes and public funds and private finance.

Lower capital and revenue investment in rural areas must be reversed. I offer a number of solutions based around existing programmes and a selection of new approaches/ initiatives.

The successor to Local Authority Business Growth Initiative (LABGI) should be designed to provide a meaningful and reliable reward scheme for all local authorities – rural as well as urban – that invest to strengthen their economies.

Rural local authorities and sub-regional partnerships that can show good progress in tackling high levels of worklessness and improving enterprise levels should be able to draw down resources from the new £1.5 billion *Working Neighbourhoods Fund*, or its successor or a similar *Working Areas Fund*.

Brokerage services based around expanded networks of locally-based brokers and agents should be funded to operate within rural districts, to

¹*Rural proofing* is an integral component of Better Policy Making and Impact Assessments. By *rural proofing* policy developments and delivery, departments and agencies can ensure that all places can benefit from and contribute to the goals of that policy agenda. The CRC's remit to monitor and report to you on how well government undertakes this activity should help to achieve your aim of mainstreaming rural needs and opportunities into all areas of government's work.

improve access of firms and employees to government's employment and business development programmes.

Financial assistance, information and imaginative schemes are needed to encourage rural firms to commit to employee training. We need to raise the number of rural firms who commit themselves to training their workforce. Funds and imaginative means of training promotion and provision may help to offset extra costs and difficulties that rural employers and employees may face in accessing more distant training institutions, or creating accredited courses of in-house training.

As well as working to reduce confusion and overlap in government's support programmes for businesses, the *Business Support Simplification Review*, should work to increase longevity of products. I have heard repeatedly from rural leaders and agencies about the effect of the short term, changeable nature of some funding streams. The Review must successfully reduce such concerns.

Not enough is known about the extent and causes of weaker levels of investment in rural firms and rural districts. Accordingly, I believe that a more overarching exploration is needed.

I recommend that a **Rural Finance Forum** is established of property, finance and investment, accountancy and business support professionals, supported by representatives of RDAs, the LGA, Department of Business, Enterprise and Regulatory Reform (BERR) and CLG, to examine the nature and causes of lower capital investment and access to finance by rural firms, and lower external funding to rural local authorities. I would be pleased to be asked to lead this Forum and report back with proposals to HM Treasury, BERR and CLG by the end of the 2008/09 financial year.

I ask the government to encourage City Region authorities to strengthen shared decision making and joint investment with neighbouring rural authorities. CLG could invite those developing Multi-Area Agreements (MAAs) to explore how Joint Investment Strategies can acknowledge the interdependencies between rural areas and city nodes.

I believe that many of these proposals echo and should find support in the new Enterprise Strategy – '*Enterprise: unlocking the UK's talent*,' published in March 2008 by your Minister for Competitiveness.

Innovation

"In the context of globalisation, innovation is a must for all regions, whether rural or not. The capacity of regions to support learning and innovation processes is a key source of competitive advantage, a multiplier of economic activity, employment and development. This is particularly relevant for rural areas." OECD Secretary General.

The Department of Innovation, University and Skills (DIUS) should ensure that the direction and measures set out in its new Innovation White Paper, *Innovation Nation*, has clearly identifiable relevance to rural economies and communities. This applies equally to regional and sectoral strategies and measures, as to national schemes.

Innovation is needed in England's rural economies to boost product and service development, to deliver consumer needs such as energy, housing and transport, to harness environmental qualities and services and to empower and increase the resilience of communities. Innovation is also about people, ideas and places.

Rural areas host research capacities in private companies as well as public sectors. New ways should be sought to share such research and development capacities and infrastructure, for wider local business benefit, not just distant markets.

I would recommend an examination initiated jointly by a Technology Strategy Board/CRC-led group of rural and innovation representatives of how national Knowledge Transfer Networks and regionally-funded networks could engage more effectively and fully in rural areas.

Rural areas need support to pioneer forms of brokerage and create virtual clusters or networks to access such services and share good practice. The Learning and Skills Council (LSC) and DIUS should establish rural pathfinders under the Further Education Special Innovation Fund, as proposed in *Innovation Nation*, the Innovation White Paper.

Working with BERR, DIUS, the Technology Strategy Board, National Endowment for Science, Technology and the Arts (NESTA) and the Organisation for Economic Co-operation & Development (OECD), I want to explore a **Rural Innovation Initiative** to tackle technology and policy challenges of peripheral/sparse areas.

I would want policy makers, researchers, technologists, firms and communities to jointly explore opportunities for new technology, processes and ideas to enhance economic opportunities in these areas. We need to find modern and appropriate responses to disadvantages of distance, weaknesses in service provision, ageing populations and environmental shocks.

This Initiative might form one of the new Partnerships for Innovation proposed in the Innovation White Paper.

Empowering rural communities to tackle environmental disruptions

At the heart of rural communities' resilience to withstand and recover from environmental disruptions, is their economic and social health. The measures I have outlined in this report are aimed at improving their economic health.

For the most part, I have set out the evidence and offered solutions without focusing on or profiling specific industrial sectors. However, our rural environment is intimately and distinctively dependent on land-based activity – farming, forestry, water and resource management. Climate change, environmental challenges and expectations, and concerns about food security in an era of strong global trading has rightly raised questions about the vitality and purposes of our farming, forestry and food industries.

In my Rural Advocate's report this year, I have argued for a reinvigorated national debate on how land should be used. I restate here my desire to encourage and participate in this debate.

Firms, employees and communities indirectly affected (by environmental disruptions), have even less opportunity to plan precautionary measures, insure themselves against losses, or receive compensation than those directly affected. This needs to be recognised.

In the Pre-Budget Report 2007, RDAs were given the lead on handling economic shocks. I welcome this, but would ask your government to make it clear that this should include recovery of businesses from environmentally-led emergencies or shocks.

Farming, insurance industries and government should be encouraged to explore the development of wider insurance products to address weather-related damage on land and produce, and to develop a new compact on handling disease-related events. I would like to work with Defra to take forward these issues during 2008.

I recommend that the proposed Defra '*Environmental Transition Fund*' should allow small rural communities to adequately assess and inform mainstream and alternative flood protection infrastructure.

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