

Appendix 1: Policy Guidance Note (PGN) - the rural economy

This appendix provides background information and explanatory text for principles in the PGN.

1. Rural economic activity

The land-based sector (agriculture, forestry and fishing) represents only around 8% of rural economic activity in England, but totals 85,000 businesses, nearly a fifth of all rural enterprises.¹ It plays an important role in supporting other businesses: it provides essential raw materials for industries, such as food processing, and it maintains the beauty, character and diversity of the countryside upon which recreation, tourism, hotels and catering depend. It also contributes towards creating a high quality environment capable of attracting inward investment and a skilled workforce. Diversification is important for the land-based sector to remain viable, to thrive and be more resilient.

Outside the land-based sector, the range of rural economic activities largely mirrors that in urban areas. Where rural areas differ is:

- higher rates of home working in rural areas at over double those in urban areas (3%) rising to 15% in some areas;²
- the prevalence of micro and small businesses.³

For example, CPRE research shows micro and small businesses make up 97% of businesses in local food supply chains.⁴ Such businesses are likely to show greater compatibility with sustainable rural communities. Micro and small enterprises have the potential to foster economic growth in ways that use local natural assets sustainably, operate at a scale that is sympathetic to a rural setting and are likely to be strongly connected to the area, including using local services.⁵ Such businesses often use redundant buildings and support local economies by providing jobs and services which add diversity and distinctiveness to the area.

2. The policy context: growing the economy of rural areas

2.1 The Rural Economy Growth Review

The Government has put growing the economy at the heart of its programmes. All government departments are expected to contribute and to prioritise growth in their own programmes. The Department for Environment, Food and Rural Affairs (Defra) published its Rural Economy Growth Review in November 2011. This introduced new measures to stimulate sustainable growth in the rural economy and to help rural businesses to reach their full potential.⁶

2.2 Planning

Many of the planning reforms introduced over the last few years have as their aim to stimulate economic growth. This is the case for the National Planning Policy Framework (NPPF) and the recent extension of permitted development rights, for example over change of use for redundant farm buildings. The NPPF encourages local planning policies to *'support economic growth in rural areas in order to create jobs and prosperity by taking a positive approach to sustainable new development'*. This includes support for the *'sustainable growth and expansion of all types of businesses'* (our emphasis). It also recognises the importance of retaining and developing local services and community facilities in rural areas.

2.3 Local Enterprise Partnerships (LEPs)

There are 39 LEPs covering England. They are responsible for important decisions on developments relevant to the rural economy. LEPs are private-sector led partnerships charged by Government with providing strategic leadership on local economic priorities and creating the right environment for business and growth for their local areas. LEPs are developing strategies for allocating £5.3 billion of European Structural and Investment Funds (ESIF) in an integrated way through their Strategic Economic Plans. They will also co-ordinate investment of a portion of rural development funding not paid directly to land managers or via the LEADER approach: £177 million of the European Agriculture Fund for Rural Development (EAFRD) channelled via ESIF should support a

range of activities in rural areas. This will target building knowledge and skills in rural areas; funding new/developing micro, small and medium-sized rural businesses; funding small-scale renewable and broadband investments and supporting tourism activities in rural areas as well as growing the rural economy overall. LEPs are not democratically accountable bodies and it is unclear as yet how effectively they will engage with local rural communities or consider environmental issues. LEPS should set up Rural Sector groups to engage more widely with local stakeholders on rural economic development issues. They should recognise and support the potential of local micro and small businesses to innovate and grow the rural economy.

2.4 Localism Act - Assets of Community Value

Buildings which serve the well-being of the local community such as local shops, public houses and community halls can also be valuable for economic development and need to be protected. The Localism Act 2011 requires local authorities to keep a list of 'assets of community value' such as community centres, libraries, swimming pools, village shops, markets or pubs.⁷ Buildings or land can be listed if their main use or recent main use "furthers [the] community's social well-being or social interests (which include cultural, sporting or recreational interests) and is likely to do so in the future."⁸ Community organisations with a connection to the area such as parish councils and not-for-profit groups, as well as groups of 21 or more individuals, can nominate assets for the list. The Act enables a moratorium on sale to be invoked for up to six months if the owner notifies the local authority of their wish to sell. This gives time for local community groups to get together to plan, raise finance and bid to buy the asset when it comes onto the open market.

3. Some key actors in the rural economy

3.1 The Department for Environment, Food and Rural Affairs (Defra)

Growing the rural economy is a priority for Defra. It leads the new Rural Development Programme for England (RDPE) for 2014-2020. This package of measures will fund environmental improvements via the New Environmental Land Management Scheme (NELMS), initiatives to increase the productivity and efficiency of farming and forestry businesses (Farming and Forestry Productivity Programme) and to promote strong rural economic growth (Growth Programme). Defra delegates allocation of funding for some projects to LEPS and LEADER (see below) but the RDPE Delivery team at Defra will play an important role in appraising projects for their technical aspects and value for money.

3.2 Natural England (NE)

NE's primary purpose is to conserve and enhance the natural environment. It will administer £3.1 billion of payments to land managers under existing and new agri-environment and forestry schemes under the RDPE (NELMS). This funding supports land manager incomes in return for management which protects biodiversity, landscape and natural resources, so contributes directly and indirectly to the health of the rural economy.

3.3 Local Actions Groups (LEADER approach)⁹

LEADER delivers RDPE funding to support smaller-scale rural businesses using an established community-led approach. A Local Action Group (LAG), a collaboration of local public, private and civil society representatives, develops a Local Development Strategy to identify priorities for their area. LEADER will deliver 4% of the next RDPE, some £138 million, with 70% targeted towards the rural economy.¹⁰

3.4 The Rural and Farming Network (RFN)

Set up by Defra in 2011 the RFN comprises 17 groups across England's rural areas which act as 'a 2-way channel between Defra ministers and rural communities and businesses.' The RFN groups can raise issues directly with Government and support rural proofing to ensure policies are rural friendly. Defra has identified the operation and impact of the RDPE as an area on which the RFN may wish to provide feedback to Defra.¹¹

3.5 Action with Communities in Rural England (ACRE) / Rural Community Councils

The 38 Rural Community Councils which form the ACRE Network act locally to support rural communities across the country. ACRE works nationally to influence policy on rural issues including

housing, health, transport, broadband, services and fuel poverty. ACRE's aim is to 'help develop and sustain vibrant rural communities' by working across social, environmental and economic aspects of rural issues and works in partnership with the third sector and statutory bodies. ACRE is part-funded by Defra.¹²

3.6 Local Enterprise Partnerships (LEPs) - see note 2.3 above

4. Explanatory text for rural economy principles

4.1 Valuing a high-quality countryside

The countryside makes a significant contribution to the national economy and to the health and well-being of people and gives access to and experience of beautiful and tranquil countryside. Policy and practice should positively contribute to these benefits.

4.2 Planning for a thriving rural economy

The integration of social, economic and environmental goals must be at the forefront of planning for economic development in rural areas, especially by local authorities and Local Enterprise Partnerships. The planning system should bring together housing, infrastructure and economic development with environmental protection to ensure growth in rural areas is sustainable. Recent extension of permitted development rights to enable conversion of farm buildings to homes weakens effective planning and, in particular, will lessen the scope for conversions for diversification and rural businesses start-ups.

4.3 Housing the rural workforce

A thriving and sustainable rural economy needs adequate labour. High house prices in rural areas are an impediment to economic stability and many lower paid jobs can only be filled by workers commuting out of urban areas, where housing is likely to be cheaper and 'affordable housing' more readily available. Where larger-scale housing or economic development is proposed, the planning for these should be integrated to ensure jobs and housing are not widely dispersed.

4.4 Fostering local business

Evidence shows that a high quality rural environment is 'good for business' which, in turn, supports a thriving, diverse and well-managed countryside. It is also of considerable value to the national economy. Rural areas generate around one fifth of jobs and Gross Value Added (GVA) amounting to £200 billion. Around 2.7 million jobs and £68 billion GVA are connected to the natural environment.¹³ Market towns play a central role in enabling rural economic growth. They provide a range of services for their rural hinterland. They also offer a more sustainable location for businesses wishing to expand, a wider stock of buildings, a supply of a skilled workforce, adequate housing for staff, and transport and communications infrastructure. There is potential to encourage re-localisation of supply of goods and services by developing facilities to enable small-scale local processing and production such as juice processing, bakeries, microbreweries, dairies and meat cutting.

4.5 Linking sustainable leisure and tourism with the landscape

Attractive and well-managed countryside, with a diverse landscape and thriving villages and market towns, is the foundation for much leisure and tourism and warrants strong protection. Successful tourism and recreation businesses are important for job creation and help to market the rural landscape as well as supporting its maintenance. Yet, many landscapes are relatively undiscovered. CPRE believes that the distinctive character of rural areas - in particular designated landscapes - is an underused marketing tool. The promotion of local food and other products, linked to their provenance in rural areas, also has great potential to help local businesses stay viable and to foster visits and tourism.

4.6 Realising the potential of community enterprises

Social and community enterprises increasingly provide important services and jobs in rural areas, as well as making the local community and economy more resilient. Such businesses usually have a strong social and/or environmental purpose, close financial links locally and involve the community in many ways.

4.7 Getting the infrastructure right

Good transport and communications networks are essential for economic development in rural areas. Local residents without use of a private car, particularly the young, elderly and those on low incomes, need to be able to travel for work, training and to reach key services. Lack of good public transport systems is also a barrier to growth of sustainable tourism. Digital tele-communications can enable a wider range a wider range of businesses to operate and thrive, especially in remoter areas. These can provide high-quality jobs and services, which strengthen the local economy and quality of life. Technology also creates opportunities for greater home-based working, so reducing demand for travel. It can foster the growth locally of businesses, such as arts, culture- and knowledge-based industries. These place fewer physical demands on local transport infrastructure. Access to mobile and superfast broadband services in rural areas is vital to business success.

4.8 Safeguarding farmland

Agricultural land faces continual pressure for change of use for development as well as potential loss to flooding. It needs protection from permanent loss both as an important strategic resource to secure long-term food supply and to prevent further intensification of farming elsewhere needed to maintain productive capacity. Policy identifies the most productive land as ‘best and most versatile’¹⁴ (BMV) but recent evidence of its quality and its distribution is lacking. National and local policies should be stronger and an up-to-date evidence base is needed to enable policy to be effective.

4.9 Sustainably managing woodland

Rural woodland can be managed to provide multiple benefits for jobs, the rural economy and the environment. Ancient and semi-natural woodland is valuable to landscape and for biodiversity and, if carefully managed, can provide better wildlife habitat as well as generate renewable crops of timber, woodfuel and other products. In particular, there is scope for greater use of coppicing and forestry waste for local renewable heat and micro-power generation.¹⁵ This could cut energy costs while diversifying and decarbonising rural energy supply. These benefits should not be undermined by long-distance transport of wood.

¹ Defra, *Rural businesses - January 2014*

² Defra, *Rural economy growth review 2011: evidence report*, November 2011

³ Defra, *Rural businesses - January 2014*

“In urban areas 61 per cent of people employed in registered businesses are employed in those with 250 or more employees, and in rural areas the proportion is 27 per cent. □ In regard to smaller businesses, in urban areas 14 per cent of people employed in registered businesses are employed in those with up to 9 employees, whilst in rural areas the proportion is 34 per cent.”

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/276118/Businesses_January_2014.pdf

⁴ CPRE, *From field to fork: The value of England's local food webs*, June 2012

⁵ Micro and small businesses would comprise micro (1 - 9 employees), small (10 - 49 employees) together with sole traders and partnerships with working partners only and no other staff. See Defra, *Rural enterprise*, updated May 2013

⁶ Defra, *Rural Economy Growth Review*, November 2011

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/183289/rural-economic-growth-review.pdf

⁷ DCLG, *A Plain English guide to the Localism Act*, November 2011

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5959/1896534.pdf

⁸ My Community Rights, *Understanding the Community Right to Bid*. <http://mycommunityrights.org.uk/wp-content/uploads/2012/04/Understanding-the-Community-Right-to-Bid.pdf>

⁹ <http://rdpenetwork.defra.gov.uk/funding-sources/leader-resources>

¹⁰ For numerous examples see <http://www.leader-programme.org.uk/success-stories>

¹¹ <https://www.gov.uk/government/policies/making-sure-government-policies-and-programmes-benefit-rural-businesses-and-communities/supporting-pages/details-page-rural-and-farming-network>

¹² <http://www.acre.org.uk/>

¹³ Data from Defra, *Rural economy growth review 2011: evidence report*, November 2011 and Defra, *Rural economy growth review 2011: evidence report*, November 2011 and GFA Race/GHK Consulting, *Revealing the value of the natural environment in England: a report to Defra*, March 2004

¹⁴ ‘BMV’ land is given extra protection by the NPPF: local planning authorities should ‘take into account the economic and other benefits of the best and most versatile agricultural land’ and that “‘areas of poorer quality land’ should be used ‘in preference to that of a higher quality’ where development is shown to be needed. DCLG, *National Planning Policy Framework*, March 2012, para.112 p32. NPPF policy is weaker than earlier policy in PPS4.

¹⁵ <http://www.forestry.gov.uk/england-woodfuel>