

Rural economy

Summary of RSN policy messages

- Government economic policies should be rural proofed so that rural areas can contribute fully to economic growth.
- LEP Strategies should be clear how they benefit rural businesses and communities.
- LEPs should have a 'rural champion' on their Board and monitor their rural impacts.
- LEP funding should target small scale rural needs as well as higher profile projects.
- Government should clarify how it expects superfast broadband to reach the last 5% of premises.
- Government should continue funding for the Wheels to Work scheme coordinator.
- Government and the Higher Education sector should seek to plug geographic gaps in that sector's provision.
- Government should monitor and report on delivery of its Rural Productivity Plan.
- Devolution to local and sub-regions needs encouragement, allowing governance arrangements that suit shire areas.

Context

The economies of England's rural areas form a significant part of the national economy. Local authority areas classified as 'mainly rural' or 'largely rural' contribute 16% of Gross Value Added (worth £210 billion in 2013) and areas classified as 'urban with significant rural' contribute a further 12% of GVA (worth £152 billion).

We take it as read that rural areas should therefore play a key part in the country's future economic growth, through enterprise, business competitiveness and a buoyant jobs market. Indeed, evidence shows that a disproportionate share of economic growth has derived from non-metropolitan areas.

Rural issues

Among key rural issues are the following:

- Small firms: micro businesses, sole traders and small partnerships are more prevalent in rural economies. Some 33% of rural employment is in businesses with fewer than 10 employees. The urban comparator is 19%.

- Low wages: rural areas, especially in peripheral locations, have many low paid jobs. The average (median) for gross annual earnings in 2013 was £19,900 in rural areas and £24,500 in urban areas – a gap of £4,600. This in part reflects less management, professional and technical jobs in rural areas, and the number of jobs in low pay sectors, such as tourism and agriculture.
- Agriculture: rural economies are diverse and the range of sectors is not so different from urban areas. One obvious difference is the farming, forestry and land management sector. A high proportion of farmers are approaching retirement age and 60,000 new entrants are needed over the coming decade.
- Low productivity: although in one sense the rural GVA figures are impressive, it is nonetheless a fact that GVA per worker is lowest in the most rural areas. In 'mainly rural' areas it is only 83% of the national average (2013 figure). A noticeably low share of GVA in rural areas derives from the financial/ insurance and the information/communications industries.
- Business support needs: research indicates that the needs of rural based businesses are the same as those based elsewhere, if they are to be enabled to start up, grow and survive. Access to finance, professional advice, premises, transport and telecommunications networks are vital.
- Access to training and employment: rural communities need transport in order to reach training and employment opportunities. Public transport networks in rural areas are often limited or even absent. This can be a significant problem for groups like the young and unemployed, when they do not have a car.
- Broadband connectivity: high quality internet access can be key to business productivity and innovation. Equally, it facilitates homeworking, home-based business start ups, job searches and job applications. This topic is covered in more detail by the RSN's policy briefing note on broadband connectivity.
- Premises and sites: rural areas sometimes suffer from a paucity of premises for businesses to move into or that allow business to expand without moving out of the locality. The planning system needs to provide for these needs, as well as offering a balanced approach, with affordable housing of mixed tenures for a local workforce and the necessary supporting infrastructure.
- Higher Education: mapping by the Higher Education Funding Council for England (HEFCE) identified significant geographic gaps in university or HE provision, matching with rural areas. The HE sector plays a key role in workforce skills and economic growth. Analysis shows a good proportion of young rural adults going on to HE, but their local options are often limited.

Government policies

In August 2015 Defra published a Rural Productivity Plan, describing how the Government supports productivity in rural areas. It did so against ten headings for: broadband services; mobile communications; transport connections; access to education and training; expanding apprenticeships; enterprise zones; planning and regulation; more housing; affordable childcare; and devolution of power.

Between 2015 and 2020 Defra will contribute £177 million of EU funding from the Rural Development Programme for England (RDPE) towards the Government's Growth Programme. This will offer grant support for new and expanding businesses in rural areas. The programme is being channelled through 37 Local Enterprise Partnerships (LEPs) with rural areas, with the detail of delivery varying from one LEP to another.

Sixty Local Action Groups (LAGs) have been established in rural areas to deliver the LEADER programme – another £138 million RDPE programme. They will offer small grants to rural businesses, service providers and communities to help deliver job creation and business growth, based around locally defined priorities.

Countryside Productivity is another RDPE programme, which will deliver £141 million of grants to the farming and forestry sector, to help it innovate, collaborate, improve and improve its productivity or supply chains.

In its Spending Review announcement (November 2015) Government said that 15 Enterprise Zones will either be set up or expanded in small towns and rural areas, paid for by the Local Growth Fund. Businesses locating in these areas will be entitled to business rate discounts and (where they overlap with Assisted Areas) enhanced capital allowances.

The Government is negotiating devolution arrangements with a number of local or sub-regional areas, giving them more powers and local control over more funding so they can more readily pursue local economic growth. Shire areas are engaging with this agenda, though most of the initial devolution agreements are with city-regions.

RSN policy messages

The Rural Services Network considers that:

1. Policy makers at all levels and from all sides need to understand and acknowledge the contribution of rural areas to the nation's economy. The Government's Rural Productivity Plan is useful in that regard. When it develops economic policies they should be properly rural proofed.

2. All Local Enterprise Partnerships (LEPs) whose geographies include rural businesses and communities should make clear how their Strategic Economic Plans will benefit them. This should apply to LEPs whose areas are mainly (but not entirely) urban, as well as to LEPs in more obviously rural areas.
3. LEPs should follow good practice and ensure there is someone on or appointed to their Boards who is charged with acting as a rural champion. When monitoring the impacts of their programme delivery LEPs should be transparent in recording and publishing figures on their impact in rural areas.
4. Whilst recognising that LEPs will want to focus their effort and make a difference, this should not result in overlooking the (generally) smaller scale needs of rural businesses and communities. Growth programmes need to be delivered in ways which are suited locally to rural needs and circumstances.
5. Government needs to decide soon how it will support extending superfast broadband networks beyond its current 95% of premises target. The remaining 5% still represents around a quarter of rural premises. Further policy messages can be found in the RSN policy briefing note on this topic.
6. Government should continue grant funding the national coordinator post for Wheels to Work schemes. These offer moped loans for young people in rural areas, so they can access training and employment. This is a simple and cheap way to help such schemes survive and develop. The schemes could be extended to older working age groups in some cases.
7. Government should work with the HE sector and act upon the findings of HEFCE, seeking ways to plug some of the more significant geographic gaps in that sector's provision.
8. Government should set out how it intends to monitor delivery against its 2015 Rural Productivity Plan. Publication of an annual update report, agreed between Defra, Treasury and other departments, would be useful.
9. Government needs to ensure that shire areas can take full advantage of its devolution agenda and allow this to happen with governance arrangements that suit areas beyond metropolitan and big city regions.

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