



# Commission for Rural Communities

Tackling rural disadvantage

---

Rural micro-businesses:  
what makes some  
thrive in a challenging  
economic climate?

The Commission for Rural Communities acts as the advocate for England's rural communities, as an expert adviser to government, and as a watchdog to ensure that government actions, policies and programmes recognise and respond effectively to rural needs, with a particular focus on disadvantage.

It has three key functions:

**Rural advocate:**

the voice for rural people, businesses and communities

**Expert adviser:**

giving evidence-based, objective advice to government and others

**Independent watchdog:**

monitoring, reporting on and seeking to mainstream rural into the delivery of policies nationally, regionally and locally

---

# Contents

<b>Foreword</b>	4
<b>Executive Summary</b>	5
<b>Recommendations</b>	7
<b>1. Introduction</b>	9
<b>2. The state of the rural economy in England</b>	12
<b>3. Common success factors for thriving rural businesses</b>	15
<b>4. The growing importance of broadband communications</b>	24
<b>5. Access to credit</b>	27
<b>6. Issues facing rural businesses</b>	29
<b>7. Government initiatives</b>	32
<b>8. Conclusions and recommendations</b>	34
<b>Acknowledgements</b>	42
<b>References</b>	43

---

## **Foreword**

As the global economy continues to present a challenging picture, much is being made of the importance of small businesses as drivers of renewed growth. The Commission for Rural Communities (CRC) was keen to find out more about the issues facing small businesses in rural areas, and in particular to highlight any common factors which have enabled some to continue to grow – to thrive – in difficult times. This report aims to provide a snapshot of issues facing small rural businesses at the start of 2013. It is presented primarily to Government – to Ministers at Defra and at BIS - looking for ways in which the growth of small businesses may be enhanced at a time of economic difficulty. Given the CRC's limited capacity, it is hoped that those Departments can spend time developing and responding to the issues we raise, including by undertaking more research where necessary. The report is also aimed at businesses themselves, and it contains several examples of businesspeople who have positive stories to tell about generating success in recent years, some of which may be of interest to others running businesses in rural locations. And we hope that others, such as those offering business support services, or those who interact with the rural private sector on matters such as planning or broadband infrastructure, may also find the report informative.

The CRC is scheduled to close at the end of March 2013, and responsibility for Government policy relating to rural communities now falls to Defra's Rural Communities Policy Unit. This paper identifies progress being made by Government to introduce new measures to support rural businesses and growth remains, rightly, a top priority for Defra. Many of the recommendations in this paper relate to the Unit's work and I hope they will feel able to take them forward.

### **Dr Stuart Burgess**

Chairman

Commission for Rural Communities

January 2013

---

## Executive Summary

The value of England's rural economy is about one fifth of the national total, and it can therefore make a substantial contribution to restoring the economic strength of the nation. Rural economies are largely comprised of small or micro-businesses, operating in a very diverse range of sectors.

This paper largely derives from qualitative research undertaken with over 40 rural micro-businesses which have continued to see good profits, to thrive, despite the recent adverse economic conditions. The most important factor behind any business is the business acumen of the owner or manager. Whilst accepting that there are specific factors such as sector, location or the availability of finance, which mean that every business will need its own recipe for success, the CRC has identified the following factors behind the continuing success of some rural micro-businesses:

- Diversification – being able to react to changes in the market, so that the business continues to be relevant to the needs of its customers. Many farmers, for example, have diversified into other areas of business activity.
- Identifying a niche market, either with a specific rural-focused product or service, or in a location where that product is currently hard to obtain.
- Understanding the needs of a rural local market, and being able to adapt to meet them. Successful small rural shops have tended to do this, for example.
- Networks, through which businesses are able to work together to offer a combined package of products; and are able to learn from each other and link to wider markets, services, or public sector initiatives. In rural areas it is common for small, tightly-knit networks to exist, sometimes formal and sometimes less so.
- Maximising the benefits of being in an attractive rural location. Some self-employed professionals have obtained great quality of life having re-located, for example; and some farmers have let business units in former farm buildings on the back of an idyllic location.
- Finances – some business costs are higher in rural areas, but for some businesses costs such as rent, rates and parking charges can be lower.

Broadband has become an essential business tool. Without it, or with a slow and unreliable connection, rural micro-businesses are at a competitive disadvantage compared to urban businesses. Some are operating web-based transactions from urban locations, increasing their costs but enabling them to provide a service which customers have come to expect.

Concerns which rural micro-businesses identified included limited availability of adequately skilled staff, an inability to expand due to planning constraints, reduced access to credit and the availability of business support (with an emphasis on the benefits of mentoring).

Defra's recently published Rural Statement indicates a commitment to helping rural businesses with a range of worthwhile initiatives, although there are other business-focused initiatives which the Government has launched which might have benefitted from rural-proofing to meet the specific interests of rural micro-businesses. There have also been calls for Government initiatives to be capable of being distributed with a greater level of local discretion, so that they are allocated on the basis of a sound understanding of specific opportunities and needs.

---

## Recommendations

1. Defra should continue to promote policies that will enhance the attractiveness of rural locations for businesses, both through its protection of designated areas and through the rolling out of an ecosystems approach to tackling issues of sustainable development within the planning system and in natural resource management.
  2. In order to enable rural businesses to operate with comparable broadband infrastructure to urban businesses, Defra, BIS and CLG should make a clear, costed commitment, beyond existing commitments, to introduce high speed broadband (at least 24mbps) to all rural areas within five years.
  3. Defra should work with LEPs and BIS to encourage the development of flexible mechanisms for public bodies to engage with formal or informal business associations in rural areas.
  4. As the economy moves into a recovery phase, Defra should commission research to explore the motivations of rural micro-businesses, the interdependencies between rural and urban economies, and the impact of public, private and voluntary sector support programmes on rural micro-business. Such an evidence base would underpin measures to rural-proof Government support for businesses going forward.
  5. Local Authorities, working with ACRE, should publicise the simplifications inherent within the National Planning Policy Framework and work with rural communities to make use of the flexibilities enshrined in the Localism Act.
  6. Defra should commission research into the extent to which alternative sources of funding such as venture capital or crowd-sourced funding are currently being used by rural micro-businesses, with a view to Government helping to target the benefits to more such businesses
  7. Defra's rural-proofing activities should help ensure that future Government decisions relating to allocations of Government funding to business, such as from RDPE or the Regional Growth Fund, are subject to considerable local discretion over the levels of funding allocated and which businesses receive it.
- 7 Rural micro-businesses: what makes some thrive in a challenging economic climate?

8. Local Enterprise Partnerships should draw on the energy and potential of voluntary organisations and business support organisations to encourage an increase in the number and diversity of mentoring programmes available to rural small businesses.

# 1

---

## Introduction

---

### Key lines of enquiry

1. The CRC set out to address the following questions in this project:
  - i. What are the critical elements that enable some micro-businesses based in deeply rural areas to thrive?
  - ii. By contrast, what are the known or perceived barriers to success among such businesses, whether in respect of established companies or start-ups?
  - iii. In respect of limited rural broadband coverage, what evidence is there of successful businesses (including farms) actually being hindered by this as opposed, for example, to businesses whose distance-selling model is weak for other reasons?
  - iv. Are there any particular factors to be identified that show comparative advantage for this group of businesses compared with those in 'less' rural areas and which are closer to major centres of population?
  - v. What examples can be identified of 'good practice' among successful businesses in *deeply* rural areas in respect of the 'rural' challenges they face? What lessons from this can be carried over to potential start-ups?

---

### Methodology

2. In order to answer these questions we have reviewed Government policy in this area, academic reports and literature, and assessed data from Government and other sources to obtain a picture of the issues facing rural small businesses. Importantly, we have spoken to over 40 rural businesses which have grown despite the effects of the global economic crisis. We did not set out to speak to a representative sample of rural micro-businesses, but a sample of businesses which have continued to succeed despite

economic difficulties. Most were established businesses, having operated for two years or more, although we also spoke to some which had set up more recently. Many of their stories are inspirational and feature throughout this report. We also undertook a three-day visit to Cornwall, where we met several small businesses and people working for organisations who support businesses, and the Chairman and Chief Executive of the Cornwall and Isles of Scilly Local Enterprise Partnership.

3. That research is the foundation for this report. We have focussed on businesses with ten or fewer employees, and have taken a particular interest in those with fewer than five staff – referred to in this report as micro-businesses.

4. The report aims to focus on success factors for businesses in deeply rural areas – typically those located within the ‘Rural 80’<sup>1</sup> classification used by the ONS. The majority of businesses we spoke to were located in such areas, although we also benefitted from speaking to businesses in areas where there is more social and economic interaction with urban centres. A 2011 ONS report indicates that ‘where remoteness or sparsity can be shown, ‘two countrysides’ often emerge: one group of more well-off, better connected areas spread across England and Wales; and one much smaller group of less well-off areas concentrated in a handful of areas’<sup>2</sup>. When quoting businesses, this paper indicates when they were located in rural (rather than ‘deeply rural’) locations; the CRC believes that the issues identified are all applicable to businesses in deeply rural areas.

---

## **Success**

5. This paper is about rural micro-businesses which have continued to thrive during challenging economic times. We have defined success in terms of growth – businesses which have been able to expand, increase their profits and take on additional staff have clearly been successful.

---

## **Structure of the paper**

6. The paper begins with an analysis of the state of the rural economy (section 2), before discussing common factors behind the success of rural

---

<sup>1</sup> Rural-80: districts with at least 80 per cent of their population in rural settlements and larger market towns

<sup>2</sup> ONS Regional Trends 43, 2011

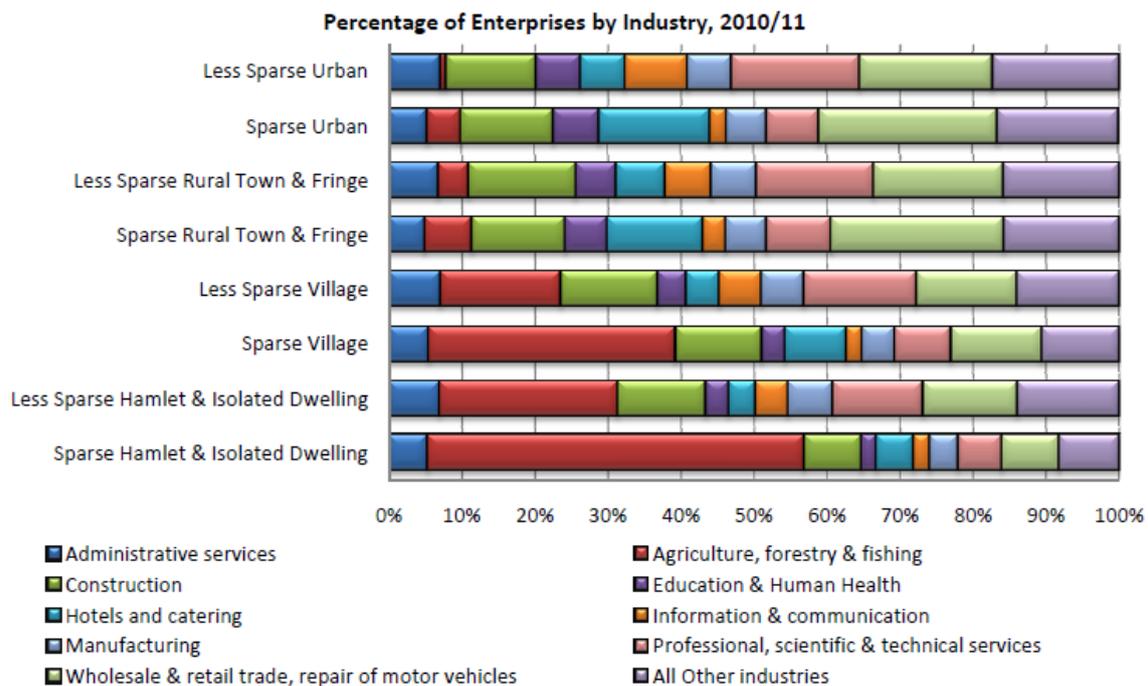
micro-businesses (section 3). Sections considering the specific issues of broadband connectivity and access to credit follow (sections 4 and 5), and then there is a section which discusses some of the issues facing rural micro-businesses (section 6). The Government's recent rural statement sets out a number of initiatives which will help rural businesses, and these are described in section 7, before conclusions and recommendations in section 8.

# 2

## The state of the rural economy in England

7. It is well known that internationally and nationally, significant economic challenges exist. The Bank of England's September 2012 Inflation Report indicates that 'global demand growth has slowed, with activity in the euro area being especially weak....and underlying demand growth is likely to remain muted in the near term'. The report stresses the importance of healthy export markets, particularly in the Eurozone.

8. England's rural economy is worth £205 billion, equivalent to about one fifth of the national economy<sup>3</sup> - a significant proportion. Whilst it can be instinctive to think of agriculture as the key feature of rural economies, they are characterised by large numbers of very small businesses operating in as wide a range of sectors as in urban areas, as the following chart<sup>4</sup> shows:



9. As can be observed, the sectoral composition of the rural economy is not dissimilar to that of the economy in urban areas, although as would be

<sup>3</sup> Centre for the Rural Economy, Newcastle University

<sup>4</sup> Defra Statistical Digest of Rural England 2012, derived from ONS data

expected agriculture is much more significant and professional services and communications services are less so. As for the size of companies, recent research by Calderdale Council for Leeds City Region (LCR) indicates that 'over three quarters of all companies in the City Region are located in the rural areas, and yet rural businesses only employ 5% of all employees, with an average of 1.27 employees per company'<sup>5</sup>. That position is replicated across rural England more generally.

10. Rural economies are facing difficulties. Rural unemployment has increased since 2006 as the proportion of the working age population claiming unemployment-related benefits has more-or-less doubled<sup>6</sup>. The gap between rural and urban areas has remained at a similar level since 2006. Whilst there have been indications of improvements since the peak of the recession at the turn of 2008-09, including fewer redundancies and fewer insolvencies in both rural and urban areas, rural businesses are facing a significant drop in confidence and investment, according to the 2012 second quarter findings of the SmithsGore Rural Economy Index, operated for the Country Land and Business Association. It indicates that confidence among the farming sector for the following 12 months fell dramatically compared with the first quarter, and that investment for non-agricultural businesses fell significantly at the same time. Of course, some of this concern may be due to fears about the effects on farms of the adverse weather conditions experienced in 2012.

11. The Office for National Statistics' Regional Trends publication reports that 'self-employment and working from home (or being based at home) are both more common in rural areas of England than in urban areas. They are more common still in sparse areas, where people are twice as likely to be home-based or self-employed, as those in less sparse areas (one in four in sparse areas compared with roughly one in eight in less sparse areas)'<sup>7</sup>. This is particularly relevant at a time when more people appear to be moving into self-employment after having been made redundant.

12. More positively, levels of unemployment and redundancy rates in rural areas tend to be a little lower than in urban areas. One indicator of the

---

<sup>5</sup> Contribution of the Rural Economy to the Leeds City Region, Felix Kumi-Ampofo, Economic Evidence Manager, Leeds City Region Economic Intelligence Unit

<sup>6</sup> ONS Labour Force Survey

<sup>7</sup> Regional Trends 43, 2010/11

health of rural economies may be the rate of survival for rural businesses, although some economists argue that a high survival rate may partly be a consequence of less competition. Businesses in rural areas are more likely to survive for more than three years compared to their urban counterparts (71% compared to 63%)<sup>8</sup>. Looking at data relating to businesses which existed in 2010/11, we find that the deepest rural areas are those where business survival has tended to be strongest, but that insolvencies in such areas have grown at a time, since 2009, when insolvency rates in other areas have fallen. We find that those small rural businesses (10 employees or less) which offer accommodation and food services, health and care services, and those offering professional and technical services are amongst those less likely to survive for more than three years.

13. Beyond mere survival, Newcastle University's 2011 Rural Business Survey identified that 43% of rural businesses wished to expand, across sectors from manufacturing to accommodation, and an earlier national survey<sup>9</sup> recorded that rural businesses were as keen to expand as urban ones.

---

<sup>8</sup> Defra analysis of Inter-Departmental Business Register for CRC

<sup>9</sup> Annual Business Survey, ONS 2004

# 3

---

## **Common success factors for thriving rural businesses**

14. As noted earlier, we have taken success to mean growth. We have sought businesses which have seen expansion, increased profitability, and/or growing numbers of employees at a time when many businesses have been unable to achieve this. Most of the businesses that we spoke to in the course of this project were being successful, despite the recession. Many had full order-books, and others told us that they were taking on more business than they had expected to.

---

### **Being a good businessperson is the most important thing**

15. There were very many examples in our discussions of strong leaders developing their businesses in inspirational ways, often by following sound business principles and being prepared to make considerable efforts. We were frequently told that there was no hidden secret to running a successful micro-business – that being prepared to work hard and to deliver excellent customer service were key. Others spoke of the importance of recruiting staff with the right set of skills for the business or of having the capability to train people to deliver to the requisite standards. Similarly, employing good marketing tools and a strong, well-recognised brand had helped several businesses expand locally, or in some cases nationally.

---

The above findings were perhaps to be expected: **the key area for us was to identify critical success factors which have benefitted micro-businesses in rural areas. Our findings are outlined in the next few sections.**

---

### **Diversification**

16. Many of the businesses we spoke to, farming and otherwise, had diversified into different areas as their market changed. The 2009/10 Defra Farm Business Survey indicates that 50% of farms 'had diversified activity', and that 'diversified enterprises had generated 15% of the income of farm

15 Rural micro-businesses: what makes some thrive in a challenging economic climate?

businesses' in that year. Around 16% of farms were planning further diversification in the following twelve months.

17. One farming family we spoke to in Yorkshire ran a business with arable and livestock farming, a coppice with a rotating crop, a business centre in which small companies operated from former farm buildings, and a 'care farm' previously used by the Local Education Authority for school trips but now offering trips to a farming environment for clients of adult care services. The only staff in the business were the father and son who owned the farm. They had found that diversifying into business premises had given them a stable income at a time when farm prices were fluctuating; and that the coppice required little maintenance but delivered a high yield from a specialist crop.

18. However, it is not just farms that find diversification to be a route to continued success. We spoke to a business in Lincolnshire that had started by selling pebbles to garden centres and for aquaculture. They had found trade to be highly seasonal and so had decided to diversify into recycling waste plastic products and selling these to manufacturers of bottles and pallets, which gave them a year-round market. Another business had expanded from being a garden centre to one that recycled bio-degradable household waste and was selling their products to agricultural businesses. Both commented that their market was expanding, and that they had been able to expand the workforce.

19. For many, diversification is essential to maintaining a successful rural business as circumstances change. One couple we came across had purchased land close to a scenic area that was intended to include part of an international cycle route. They began construction of a centre for bicycle sales, repair and hire, whilst in parallel the opening of the cycle route was deferred, perhaps indefinitely. They feared that this would affect the potential of a business that was going to focus on the needs of cyclists, so they decided to diversify, letting sections of the building for a coffee shop and a sportsware shop, and retaining the rest as a cycle hire shop. As a result three businesses now operate on the site and trade is strong from local customers. They were minded to ensure that the businesses within the building were complementary, and could all benefit from trade from the cycle route should it go ahead at a later date.

20. That was clearly an example of people with sound experience of running a business having the management capacity to respond to changing circumstances. It should be noted that for some, the time required to run a business can limit the capacity for diversification.

---

### **Niche markets**

21. Linked to diversification is the ability for businesses to identify a niche in the market, giving them a competitive edge. This may be a result of offering a niche product, or it may be because no one else in the locality offers a comparable product or service. A caravan dealer in Northamptonshire had opened in a rural location where there were no competitors and had generated immediate and impressive sales of new products. A farmer had diversified into training people to operate 4x4 vehicles and had established contracts with utility companies, quarries, national parks and with coast guard services; and had been able to grow the business as health and safety requirements became more stringent. One Local Authority he worked with had told him that 'there is no other supplier'.

#### **Case study: Chris Robinson, Aynho Wharf Caravans**

Chris runs a caravan dealership in Aynho, Northamptonshire, a rural village with accessible road links to urban areas. He has five employees. The business started in May 2012, and had sold an impressive 37 units by end of September. Chris worked for a caravan dealership previously, and knows the trade well. He cites the lower rent, and the fact that his is the only such dealership in the area, as key rural factors behind his success. He believes that Aynho, with its pleasant setting by the River Cherwell, has the potential to attract more visitors and tourists. The slow broadband connection means that one of his employees has to operate the company's website from his home in a nearby town. The company aims to open an on-line shop soon, which will mean more urban home-working for a business that believes in the benefits of operating in a rural setting.

22. Several of the food businesses we talked to offer high quality products which were not easily available through shops and supermarkets, and for which a competitive but profitable price could be charged. In all cases, the niche markets identified had connections to rurality, either because their products or services could be marketed as rural in character (which in

some cases enabled them to justify a premium price), or because the nature of the product was such that it could only be made or sold from a rural base. It appears that food producers who sell direct, or through high-market retailers, are able to capture more profit per unit than those whose products might routinely be sold through more mainstream retail channels.

23. In Cornwall we met the owner of some rented holiday cottages, who had identified a niche in rented accommodation for dog-owners. Being close to good walking country, they had directed their advertising at that market, and had been rewarded with strong trade throughout 2012. In contrast, a different owner of rented holiday cottages commented that the market for rented holiday accommodation is shrinking and that she was thinking of diversifying by renting cottages out for residential use.

---

### **Adapting to the requirements of the market, locally or more distantly**

24. Some rural micro-businesses supply to a largely local market, whilst others sell nationally or internationally. Indeed, the CRC's 2010 report, *Agenda for Change*, indicates that 'rural firms have shown that they can successfully supply any market, global to local'. Although internet sales are enabling many rural businesses to expand their markets, many of the companies we spoke to highlighted the ability to source supplies, and to sell products locally as key to the success of their business. The need to understand, and cater to the interests of a local market was emphasised by many, across a number of sectors.

25. A village shop owner in Hampshire, for example, talked of the importance of getting to know the community, so that a visit to the shop became a social occasion, and so that they were able to stock products that they knew to be in demand in the village. When a large supermarket had opened within travelling distance for local people, she had begun to specialise in more local products and this had helped to maintain sales. Both recycling companies we spoke to talked of sourcing waste materials from local sources, and of selling their products locally ('we are a long way away from other similar companies').

26. Food producers we spoke to in Cornwall talked of the cost of distributing their products to markets, perhaps to London or other parts of

the UK, echoing a key issue identified in a recent report from the Centre for Rural Policy Research at Exeter University<sup>10</sup>. The research examines the prospects for a variety of sectors in the Cornish economy and discusses the challenges of distribution to growing a business, commenting that 'businesses can and do find solutions although smaller businesses would benefit from assistance'. One producer of high-quality cheese that we spoke to had teamed-up with another business to share use of a chill-van to transport products to market. The Managing Director of Cornwall Food and Drink, which offers advice and the ability to promote local companies, told us that they were encouraging companies to trade locally, or to share transport costs.

---

## **Networks**

27. The OECD's 2011 Rural Policy Review suggested that business networks were less robust in rural areas of the UK compared to urban. Nonetheless, we found examples of businesspeople who had developed strong links and alliances with other rural micro- businesses.

28. A small social enterprise in Northumberland existed to help people into employment, or to set up their own business, and operated within a network of self-employed 'associates' who contracted and sub-contracted with each other when there was a need to draw on a larger or more specialised group of people. Similarly, a self-employed town planner in Oxfordshire spoke of sub-contracting to other home-based planners when he was working on larger contracts. In both cases the individuals were pleased to be able to enjoy the quality of life available in the countryside, and did not wish to expand their businesses, but had found ways of taking on larger commissions by aligning with other businesses when convenient.

29. Some Universities have set up Innovation Centres, in which small businesses can rent accommodation. One benefit of this is that there is scope for them to meet and identify ways to collaborate. For example University College Falmouth, in cooperation with Plymouth University and Cornwall Council, has opened an Innovation Centre at Tremough, and also offers businesses the opportunity to discuss innovative ideas with academics at 'sandpit' events.

---

<sup>10</sup> Lobley M, Barr D, Bowles L, Huxley R, Kehyaian E, de Rozarieux N and Shepherd A. Centre for Rural Policy Research Exeter University : A review of Cornwall's Agri-Food Industry: Final Report (2011)

30. Regional food networks such as Deliciously Yorkshire are forums for food manufacturers and sellers to interact with each other, and to establish alliances. In Northamptonshire a number of small businesses have come together to offer package holidays, with some offering accommodation, others food, and others day-time pursuits. Such businesses remain small and rural in character, but are able to offer a wider range of services and continue to be successful, as a consequence of maximising the benefits of their wider networks.

31. Research<sup>11</sup> from Newcastle University's Centre for the Rural Economy shows that 'business associations can ... provide a key tool in the evolution of the business community, and allow innovation through mixing new with old'. They have shown that business associations, sometimes very locally-based, can provide an interface between small rural businesses and public sector bodies and decision-makers. It clearly takes effort to make such partnerships work, however: the Chief Executive of the Cornwall and Isles and Scilly Chamber of Commerce told us that "it is very important for small businesses to collaborate – but it needs leaders to do the legwork".

---

### **The appeal of a rural location**

32. Some of the micro-businesses we spoke to were located in rural areas because the nature of the business dictated that they should – tourism businesses for example, or those selling locally-produced foods. For others, fantastic scenery and an uplifting working environment had led them to locate a business that might otherwise have been located in a town, in a rural area. Those who offer professional services from home all said that the attractions of a rural location had led them to working in this way. Indeed, one businesswoman commented that 'working from home works very well so long as you have sufficient broadband connectivity'.

#### **Case study: Stephen Bowley Planning Consultancy, Oxfordshire**

Stephen is a qualified town planner, and spent many years working for Local Authorities before becoming self-employed, based in an office in Oxford. Ten years ago he moved the business to his own home, in the

---

<sup>11</sup> Rural economies: incubators and catalysts for sustainable growth (a submission to the Government's growth review, 2011), Centre for the rural economy, Newcastle University

Oxfordshire village of Tiddington, five miles from Thame. He offers services to clients in the public and private sectors. Against his expectation, he found that he gained more business after the re-location. Most of his work is with clients in the south-east, but being fairly close to motorways he can travel to other areas easily. He values the quality of life that is enabled by being self-employed and working from home, and is pleased to be able to support other small local businesses rather than shops, garages and so on in urban areas. He also sponsors a local junior cricket team. He finds that the broadband capability available to him is adequate, perhaps because he does not need to transmit large files.

33. The farmers that we spoke to, who had converted farm buildings into rented spaces for businesses, said that the rural location was a major attraction for their tenants and something which they were able to promote in marketing. Similarly, in a tranquil, idyllic rural location in Cornwall, Hay Studios offers a large converted barn for use by photographers, and also for businesses to network or hold management awaydays. The owners are making a business opportunity out of the converted farm building on their land. The deeply rural location is the business's unique selling proposition and shows how rurality can provide a competitive advantage.

---

## **Finances**

34. Another factor which some businesses spoke of was the financial benefits of a rural location. Several of our interviewees told us that rents are cheaper in rural areas than for a comparable property or area of land in a town or city – and of course, there is no additional rent to pay for those who work from home. Some mentioned that travel costs are higher in rural areas, but others commented that parking tends to be free, and that for them there was a net financial benefit of working in a rural area compared to an urban one.

35. A further benefit for some rural business was access to RDPE funding. Two of the businesses we spoke to, one a tourist business and the other a recycler of waste plastic, had been able to purchase essential equipment with an RDPE allocation, and both had expanded more quickly and more profitably as a consequence. Local Enterprise Partnerships have a potentially important role in enabling small businesses to know about, and to access, RDPE and many feel that local discretion over the allocation of

RDPE funding would enable them to ensure that funding allocations are of maximum benefit to the local economy.

---

### **Combining the success factors**

36. As mentioned earlier, many businesspeople have said that a combination of hard work and good management had enabled them to build their businesses through recessionary times. It should be noted that some of the most impressive stories we encountered were of people who had adopted a number of the above principles. One company had gone from start-up to an established nationwide customer base by identifying a niche, marketing it effectively on the back of an attractive rural location, and had also formed alliances with neighbouring businesses and taken advantage of RDPE funding. Another had diversified into several areas from an agricultural base, and had emphasised the benefits of a rural location to its clients.

#### ***Case study: Ian Blackwell, Canoe2***

Ian is a canoeing enthusiast who, with his business partner, Richard Nelson, runs a company offering canoe hire and canoe-based holidays by the River Nene in Northamptonshire. The company has been operating for two years and has four core staff, taking on more people in the summer season. Ian has developed firm business partnerships with a number of local hotels and guest houses, and these have enabled the company to offer package holidays to families wishing to spend leisure time on the water. The company benefitted from RDPE funding, which contributed 75% towards the cost of some canoes and other equipment; however the equipment had to be purchased in advance, and the cost re-claimed afterwards. Ian was unable to access a bank loan to pay the up-front costs despite being able to give firm guarantees that the money would be re-paid. The company has an attractive website but has been unable to set up an on-line bookings and payments service as there is no broadband connection to the business premises; in fact all computing activity operates from the director's homes as there is no broadband or landline telephone connection with their site, so they have to operate a dual paper / ICT administrative system.

Some of the issues raised by this case study are picked up in the Conclusions and Recommendations section of this paper.

---

37. One issue that was often raised in our conversations was the benefits or otherwise of marketing locally. For some companies, local markets were the foundation of their success. Others, however, were operating on a national or even international scale, perhaps because their products were particularly specialist. This is increasingly common with the emergence of internet sales: the issue is further explored in the next section of this paper.

# 4

## The growing importance of broadband communications

38. The 2009 Rural Business Survey, carried out by Newcastle University, makes clear that there has been a 'significantly increased reliance of businesses on the internet and broadband since the 1999 survey'. The survey report comments that 'concerns have been raised by respondents over the adequacy of present provision to meet business needs in the future and ongoing investment will be required to ensure that all businesses continue to have access to fast and reliable broadband infrastructure'. The businesses we spoke to raised these issues many times.

39. Almost all the companies we spoke to were very active in their use of the internet. Their websites ranged from being on-line sales brochures and contact-points, to sites with sophisticated on-line sales operations. Those who were selling on-line had very quickly found that their catchment area had expanded dramatically, often to include distant parts of the UK and some were selling products abroad. One company told us that sales had doubled during the year that they began on-line sales; more than one said that sales had expanded very significantly when they had started to pay for adverts through the internet. Companies with on-line sales operations featured in a wide range of sectors, from engineering to food, and from making garden sheds to selling coconut oil products. We learnt about two companies specialising in making films. One had reduced its costs dramatically, and much improved its service to customers and suppliers, by being able to transmit large files over its website. The other was a TV production company that was paying motorcycle couriers to transport files to London on discs. A similar issue was raised by an architect who needed to transfer large files from a rural location to London.

### **Case study: Adrian Campbell, Planestv.com Ltd**

Adrian has operated his company, which makes and sells films of aviation, for more than ten years. There are three core staff, and more at times of high demand. The company visits airshows and other exhibitions of aviation and makes films that are sold afterwards. He is based on a former airfield in a remote part of Lincolnshire and appreciates the quality of life, the lower

rent and the credibility this gives him with aviation enthusiasts. It also enables the company to make a noise at times that might be regarded as anti-social in urban areas! The company has access to high-speed broadband, which enables it to continue to be located in the area. Without it, large electronic files would need to be transported overnight by courier, taking longer and at far greater cost.

40. Some of the companies that did not have access to high-speed broadband on-site were finding ways of offering web-based services, although none was offering on-line sales. Two rural companies were operating their websites from homes in nearby towns, some distance from the business premises. This meant that website traffic could not be monitored during business hours, and one proprietor found it inconvenient for a member of staff to be working from home for some of the time. However, a home-based website had enabled both companies to present their wares to the wider world, and both said this had a significant impact on sales. One person we spoke to suggested that areas where there was no broadband connectivity had the option of purchasing a satellite device which would enable them to operate on-line, but commented that businesses tended to find this expensive, even where costs could be shared.

41. Many of the companies which did not have access to reliable broadband felt disadvantaged by this. Companies as diverse as a farm shop, a company growing and selling specialist turf, a recycling company and a seller of cut flowers commented that they would sell products on-line if the connection speeds were faster. Small shops, unable to set up websites, were facing increased competition from supermarkets which had started to deliver to rural areas using their sophisticated city-based transactional on-line presence. In Cornwall, we were told by a provider of rented holiday accommodation that customers expected her to provide access to wi-fi, and she had therefore spent several thousand pounds on a satellite system. A farmer who had converted buildings into a business centre was finding that businesses were less attracted to locating there because the location did not have high-speed broadband. He had been quoted £100,000 to install high-speed cabling, and had decided not to proceed because he was 'not sure the exchange could cope with the higher demand'. Although he did have access to slower-speed broadband, he found this frustrating for even routine tasks: 'it takes me an hour to

upload an advert to e-bay, and the connection often goes down when I'm trying to do my paperwork on-line'. This also raises the spectre of disadvantage for rural businesses as Government proposes to deliver services and transaction by 'digital default'<sup>12</sup>.

42. A comment from a business representative organisation in a rural county resonated:

*'The greatest problem we face is the lack of reliable broadband. BT are rushing for high capacity broadband branching out from well served urban areas whilst we are still waiting for a basic 2MB 24/7 service. This slow roll-out is also affecting our mobile phone coverage, which is patchy. Funds have been allocated for broadband roll-out here but after two years of negotiation it is still not happening.'*

Some interviewees suggested that the currently policy of rolling out broadband on a commercial basis, with private companies needing to make a profit on the programme, acted against the interests of rural areas. Some suggested that Local Authorities might be prepared to set up public sector bodies to roll out broadband to rural communities on a not-for-profit basis.

43. Much research demonstrates that rural areas are often not well-served for broadband, and this is putting some rural micro-businesses at a competitive disadvantage compared to their urban counterparts: they do not have access to such wide markets, or to the opportunities for cost saving which digital communications can offer. Some businesses can only operate in rural areas, whether or not they have broadband; and yet, it appears that there would be more of them, operating more successfully, if broadband were available to them. That implies that there is considerable scope for economic development, if broadband becomes more prevalent and of better quality. Nonetheless, some companies were finding ways of mitigating the disadvantage by operating a web-presence from urban locations. Whilst being a long way from ideal, and not an option for some businesses, this does show that a flexible, creative approach can help considerably.

---

<sup>12</sup> Civil Service Reform Plan, June 2012

# 5

---

## Access to credit

44. Many businesses are able to expand with the help of a bank loan or other form of credit. Our sample was no different, with several interviewees having obtained funding to expand their companies – although it was notable that around a quarter of interviewees told us that they had never found the need to apply for credit.

45. Some had found loans to be available to them, although those who did commented that repayments were higher than they might previously have been, and that the banks tended to take longer to process loan applications, perhaps because they are seeking additional reassurances about the credit status of applicants. Those owning land-based businesses tended to find it easier to obtain bank loans because they had greater collateral in the value of their land than some others.

46. Some businesses we spoke to told us that they had been able to access public funding to help develop their business, but had encountered problems in accessing bank loans to facilitate this. One had needed to match the public allocation and after failing to secure a bank loan for this purpose, they were forced to decline the public offer, thereby leaving them unable to expand in what they felt would have been a successful and productive way. Another business said that RDPE monies had been available to them, but that they had needed to purchase equipment first and then re-claim the amount from RDPE sources. They had tried to obtain a short-term bank loan to enable this, and despite being able to demonstrate clearly that the loan would be repaid from RDPE, it had been refused. Fortunately, the applicant had found other finances to cover this short-term need, and so the RDPE was allocated to him and they were able to expand their business.

47. Beyond the point about it being advantageous to have access to land-based collateral, it was hard to identify distinctions between the success of applications for credit from rural compared to urban businesses. It was interesting to hear that Barclays Bank employs Rural Development Officers, however. The Northumberland businesswoman who mentioned this noted that such officers would work with businesses to help them avoid

difficulties, and that they were pro-active in seeking to assist companies that were just starting up. We also heard of a company in Dorset whose Bank Manager had spent a day working with them, in the business, to help him understand their needs, and those of similar companies. We understand that the manager concerned does this often, and it is well received by the local business community. When banks are in a position to understand the specific needs of rural businesses, and are pro-active in meeting their needs, they will surely be well-placed to help businesses to grow.

48. Businesses are increasingly sourcing funding from other sources such as venture capital or crowd-sourced funding. None of the businesses we spoke to had engaged with such sources, although there may be scope for greater use of alternative sources of finance by rural micro-businesses.

# 6

---

## Issues facing rural businesses

49. This is primarily a paper which aims to identify the factors behind the success of rural micro-businesses. Nonetheless, in the course of the research a number of obstacles to success were mentioned, and they are recorded here – including some which might apply to all businesses, regardless of location. It should be noted that different sectors sometimes face different issues, and they require different responses. Despite these issues, very many of our interviewees noted that they thoroughly enjoyed operating in a rural area, and the one who said 'I wouldn't do this anywhere else' spoke for many.

50. Newcastle University's 2011 Rural Business Survey identified the economy, regulation, and difficulties in accessing finance as concerns for North East rural businesses. In our research, we noted issues which are germane to running a business in a rural area such as the cost of transport, often poor roads and poor signposting, variable broadband speeds, and there are clear impacts from running a business which is largely seasonal in nature such as a garden centre or a bed and breakfast hotel. General comments were made about the withdrawal of public services such as transport, or levels of taxation and bureaucracy. These were accompanied by more specific concerns about Government funding being made available at a level that wasn't convenient for a micro-business: minimum applications of £50,000 were mentioned, where £10,000 would be a more usable amount. There was also a view that Local Authority economic development programmes are more likely to focus on a popular urban area than a rural area where there are comparatively few people or businesses to benefit.

51. The availability of staff was mentioned a few times. One company had been unable to locate a skilled butcher, whilst a recycling firm had also experienced difficulties in locating someone with the skills they needed. More generally, there were comments about employability of some young people, with some commenting that they are less keen to work outdoors than they may have been in previous years. Linked to this was a comment that there is insufficient housing for young people in rural areas. These comments resonate with findings from Newcastle University's 2011 Survey

of Rural Businesses that 'rural business owners... displayed a relatively old age profile'. Further staffing issues were raised relating to employment law, with concerns being expressed about the costs to small businesses of maternity pay, holiday pay, and the costs of setting up pension arrangements as required by recent legislation.

52. A different cost issue raised was the level of the VAT threshold. Currently, companies with a turnover higher than £77,000 have to register for VAT, meaning that they have to charge VAT on sales and can claim back VAT on taxable purchases. For some, this provides a disincentive to expansion, and can mean that they deliberately keep their turnover below the VAT threshold. Some suggested to us that if the threshold were higher, they would be more likely to invest and grow their business.

53. After broadband, planning issues were the most common concern raised by interviewees. One business, a farm shop, told us that his local Planning Department had refused him permission to extend his business beyond a butcher's shop. Another businessman had considered transferring some administrative functions to the countryside from London but had been advised by planners that he could not adapt rural premises for this purpose because 'we do not want to attract that kind of business to the area'. A farmer who had diversified into growing specialist turf products, had wanted to build a house for an employee, and had been told to demolish an existing building first. These discussions, around agricultural justification, had been taking place for a decade. The same farmer had considered carrying out some building work on existing light industrial units but told us that he 'can't face dealing with the planning system'. It seemed that his frustrations had put him in a position where he might have expanded his business but had decided not to, and he did not believe that the flexibilities unveiled in the 2012 National Planning Policy Framework would benefit him. The case for greater publicity for the freedoms and flexibilities announced in the NPPF is made later in this paper.

54. The existence of business support organisations was often raised in our discussions. Generally, the successful businesses that we spoke to had not relied heavily on business support organisations. Often the view was expressed that the most useful business support comes from people who have run businesses before: many of the businesses and business support organisations that we spoke to supported the concept of mentoring from

business owners, acting as critical friend to those looking to expand and develop an existing business. In this regard, Dormen (Dorset Business Mentoring) was identified more than once as an example of good practice. Their mentors are experienced business and professional people who are willing to give their time, normally voluntarily, to help small and developing businesses in Dorset, working to a multi-agency Steering Group.

# 7

---

## Government Initiatives

55. It is beyond the scope of this paper properly to assess the relative benefits of Government initiatives aimed at rural micro-businesses. We know that Defra has launched a series of rural-proofing measures over the past year and we believe that these will go some way to ensuring that Government support for businesses is able to meet rural needs going forward. During the research we heard many comments to the effect that the design and promotion of some Government initiatives does not adequately ensure that rural micro-firms can access and benefit adequately or proportionately, compared to their counterparts in urban areas.

56. Defra's Rural Statement, released by Ministers in September 2012, highlights a number of initiatives aimed at rural businesses, many deriving from the 2010 Plan for Growth and the 2011 Rural Economies Growth Review. They include:

- Creating five **Rural Growth Networks** – in Swindon and Wiltshire; Durham and Northumberland; Devon and Somerset; Cumbria; and Coventry and Warwickshire – to help businesses in rural areas to reach their potential by breaking down barriers to economic growth such as a shortage of work premises, slow internet connection and fragmented business networks.
- Launching the £20 million **Farm and Forestry Improvement Scheme**, which uses Rural Development Programme for England (RDPE) funding to provide small grants of between £2,500 up to £25,000 to farm, forestry and horticulture businesses.
- Launching the first phase of a £12m fund that will be used to promote tourism to the benefit of rural areas – through the **Holidays at home are great** campaign and the Regional Growth Fund Project '**Growing Tourism Locally**'. Both initiatives are aimed at attracting more people to rural areas and encouraging them to stay longer when they visit.
- Inviting training providers to deliver the £20m **Skills and Knowledge Transfer Programme**, a flexible and locally targetable skills training

programme to enable rural business growth, due to be launched in autumn 2012.

- The Government is investing in a £530m **rural broadband programme** to enable at least 90 per cent of households and businesses in each county to have access to a superfast broadband service by 2015. The remainder will have access to a minimum of at least two megabits per second by this date, with the ability to be upgraded in the future. Local Authority Local Broadband Plans set out how this target is to be achieved in individual areas. Government funding is being matched locally by private and other public sector funding.
- A joint Defra/BDUK £20m **Rural Community Broadband Fund** enables superfast broadband projects in the 10% most hard to reach areas. An additional £300m has been earmarked for broadband activity from 2015-2017.
- Local Authority guidance for Government funding specifically asks local bodies to consider the re-use of existing public sector networks as part of the solution, including identifying existing assets and contracts that are suitable for re-use, where they provide an efficient means of improving connectivity.
- The **Mobile Infrastructure Project** – up to £150m in capital expenditure to improve mobile coverage, announced on 3 October 2011. Project objectives were announced in the March 2012 Budget – to target 60,000 premises in UK 'not spots', and improve coverage along an initial ten road routes. Procurement began in spring 2012, and delivery is expected to be completed by 2015

57. The Government operates several further initiatives which are designed to help businesses. These include the Regional Growth Fund; Apprenticeships; Employer Investment Funds; Growth and Innovation Fund; small business rate reliefs; Portas's review of High Streets and Town Centre partnership funds; reduced small firm accounting exemptions; Innovation Vouchers for new businesses; and recent changes to the operation of Business Link. The final section of this paper discusses the benefits of some of these Government initiatives to rural micro-businesses.

# 8

---

## Conclusions and recommendations

58. As we noted at the start of this paper, this has been a very difficult period for the world economy and the challenges for English rural micro-businesses should never be under-estimated. The rural economy comprises one-fifth of the English economy, and as such has a valuable role to play in boosting the national growth. The Government's measures to increase growth should therefore aim to enhance the prospects for rural businesses as much as they do for urban. The CRC has welcomed the establishment of a Rural Communities Policy Unit (RCPU) within Defra, with a remit to work with other Government Departments to rural-proof initiatives. The Rural Economies Growth Review and National Planning Policy Framework are recent examples where that approach can be seen to have made a difference, and we look to the RCPU to take forward and develop the good work of the CRC in this important area of policy. We make several recommendations, below, to that effect.

---

### Success factors

59. The businesses we have spoken to have all identified issues that they have needed to address to help them grow. We are pleased to have been able to identify successful businesses across a wide range of sectors, in many parts of the country. Many of the factors behind the continuing success of these businesses have little to do with their rural locations. We noted earlier in the paper that having sound business acumen and drive are the most important factors behind the success of any business. Rural success factors include a preparedness to diversify, making the most of rural assets, and an ability to identify niche markets which a rural supplier could best satisfy because of the nature of the product or the locality of the market. Having a thorough understanding of their local community is critical to the success of many of the businesses we spoke to, and many rural businesses have teamed up to offer a broader range of products and services, whilst remaining small. There is a counterpoint to suggestions that it costs more to run a business in a rural location because of transport costs, as for some at least, rent and rates are cheaper than in urban areas, and parking costs can be lower too.

---

## **Rural location**

60. Some of the people we have spoken to have re-located from a city because they expected a better lifestyle to result from living and working in a rural area. In particular, those operating businesses offering professional services such as accountancy or town planning were very pleased to have made the change and felt that there were few or no disadvantages to having done so. In order to maintain and maximise the appeal of rural areas, it is important that they remain attractive and sustainable for future generations.

### **Recommendation 1**

Defra should continue to promote policies that will enhance the attractiveness of rural locations for businesses, both through its protection of designated areas and through the rolling out of an ecosystems approach to tackling issues of sustainable development within the planning system and in natural resource management.

---

## **Broadband**

61. Broadband connectivity emerges from this exercise as the most important issue. Most businesses told us that it was vital, regardless of the sector in which they operate. We were told that customers expected holiday accommodation to have wi-fi access, for example, and many people told us that they would be able to sell more products to a wider market if they were able to offer on-line transactions through their website, and yet for many a slow broadband connection made that prohibitive. Businesses which need to transfer large files electronically, such as architect practices or film makers, face growing competitive disadvantage compared to their urban competitors where there is poor or no broadband connectivity in their rural location. Even those rural businesses that deal with a lack of connectivity by operating a website from a nearby urban location do so in the knowledge that working from two sites has costs in time and transport that would not exist if they had faster broadband connectivity on-site. We know that the Government is well-aware of the need for better broadband coverage in rural areas, and is putting significant funding towards extending coverage, as evidenced in Defra's Rural Statement and in more recent announcements from DCMS about planning related measures to facilitate mobile infrastructure rollout.

Encouragement is being given to Local Authorities to consider including existing networks in the roll-out of broadband. However, we question whether the intention to enable a minimum speed of 2Mbps will be sufficient in the longer term, when high-speed broadband already operates at 24Mbps in some urban areas. The difficulty of extending broadband to the last few percent of properties appears to be a barrier that leads to rural businesses facing a competitive disadvantage, and prevents some businesses from operating in rural areas altogether. There may be a case for Government to encourage Local Authorities to roll out broadband in rural areas, rather than following a profit-driven commercial model, for the final few percent.

### **Recommendation 2**

In order to enable rural businesses to operate with comparable broadband infrastructure to urban businesses, Defra, BIS and CLG should make a clear, costed commitment, beyond existing commitments, to introduce high speed broadband (at least 24mbps) to all rural areas within five years.

---

### **Networks**

62. Newcastle University's Centre for the Rural Economy argues that business associations, where they exist in rural areas, have the potential to act as an interface between service providers, Government initiatives and decision-makers, and rural micro-businesses<sup>13</sup>. This report mentions a number of times the benefits to be obtained from networking between businesses. Examples include the shared use of distributors to reduce the cost of transporting products to markets, and the potential for businesses to collaborate on marketing their services. The availability of Innovation Centres, Enterprise Centres, flexible shared workspaces and the like, in which new small businesses are able to network informally is clearly beneficial, and for rural areas the Government's Rural Growth Networks (RGNs) will also enable opportunities for greater collaboration. The CRC believes that it is important for informal and formal networks of businesses to develop and be encouraged to liaise with public sector initiatives at local and national levels.

---

<sup>13</sup> Rural economies: incubators and catalysts for sustainable growth (a submission to the Government's growth review, 2011), Centre for the rural economy, Newcastle University

### **Recommendation 3**

Defra should work with LEPs and BIS to encourage the development of flexible mechanisms for public bodies to engage with formal or informal business associations in rural areas.

---

### **Government support for rural micro-businesses**

63. Defra is clearly committed to the continued success of rural businesses and has introduced an impressive range of initiatives to support this, as evidenced in the recent Rural Statement. However, the relatively low levels of funding for some of these initiatives seem inadequate to deal with complex issues, and some programmes do not cover the whole country – being subject to competitive bidding processes. This will inevitably lead to some needy areas missing out on allocations in favour of areas which were capable of developing a more coherent bid.

64. In our discussions, some business support organisations, academics and others have commented that the initiatives of other Government Departments appear to be geared towards businesses in urban areas, with insufficient regard being paid towards rural businesses. Initiatives raised in that context include the Regional Growth Fund (BIS), Modern Apprenticeships (BIS, DfE), Portas's review of High Streets (BIS), and Town Centre partnership funds (CLG). It is important that the rural-proofing measures being introduced by Defra will go some way to ensuring that the interests of rural businesses are integrated into the thinking of those Departments in the future, as a means to enhance the rural contribution to national economic growth.

65. We also heard calls for the development of an evidence base which explores the motivations of rural micro-businesses, the interdependencies between rural and urban economies, and the impact of public, private and voluntary sector support programmes on rural micro-business. Such an evidence base would underpin measures to rural-proof Government support for businesses going forward.

### **Recommendation 4**

As the economy moves into a recovery phase, Defra should commission research to explore the motivations of rural micro-businesses, the interdependencies between rural and urban economies, and the impact of

public, private and voluntary sector support programmes on rural micro-business. Such an evidence base would underpin measures to rural-proof Government support for businesses going forward.

---

## **Planning**

66. On planning issues, the National Planning Policy Framework (NPPF) opens up a more flexible planning regime with many fewer regulations, and where the default position for planned developments is intended to be that they should proceed, subject to concerns raised locally. This should enable developments in rural areas to progress more quickly than they have done in the past, although our research suggests that many rural micro-businesses remain uninformed about the potential beneficial effects of the NPPF. The CRC notes the work undertaken by Action for Communities in Rural England (ACRE) to promote good practice where rural communities have developed local plans. We also welcome the Planning Guidance review, being led by Lord Matthew Taylor and which aims to make recommendations on the development of an appropriate, accessible suite of government guidance to support the NPPF.

### **Recommendation 5**

Local Authorities, working with ACRE, should publicise to rural businesses? the simplifications inherent within the National Planning Policy Framework and work with rural communities to make use of the flexibilities enshrined in the Localism Act.

---

## **Access to Finance**

67. At a time when obtaining a loan from a bank is proving more difficult, there are businesses which are seeking to expand but who are finding themselves unable to. As noted earlier, none of the businesses we spoke to had engaged with funders such as venture capitalists or crowd-sourced funding, but there is scope for Defra to consider helping to develop interest in alternative sources of finance amongst rural micro-businesses. We are aware of the Government's intention, featured in the 2012 Autumn Statement, to create a Business Bank with the intention of easing the availability of loans to businesses, and await more details of the extent to which it will be equipped to facilitate loans to micro-businesses in rural areas. The development of the Community Development Finance

Association, an association of community finance initiatives, is welcome and we hope it will help increase awareness of alternative models of finance to rural micro-businesses.

### **Recommendation 6**

Defra should commission research into the extent to which alternative sources of funding such as venture capital or crowd-sourced funding are currently being used by rural micro-businesses, with a view to Government helping to target the benefits to more such businesses.

68. Many Local Enterprise Partnerships, have backed rural businesses and included rural priorities within their strategies, although there is scope for this to be more widespread. The Regional Growth Fund (RGF) has mainly offered larger amounts of funding to businesses than would be appropriate for the micro-businesses discussed here, although some LEPs have successfully bid for RGF funds which they were then able to allocate to smaller businesses. The CRC supports that approach and hopes that rural micro-businesses are able to benefit from such allocations. Government also makes funding available to help small rural businesses expand with RDPE. The current RDPE programme is due to close at the end of 2013, and a new programme is being planned. We have identified a number of businesses in this report that have benefited from RDPE allocations, and all have welcomed it. However, there have been comments about the time taken to process applications, and sometimes a sense that decisions were taken remotely and without sufficient understanding of the business, especially following the transfer of responsibility for managing RDPE allocations from RDAs to Defra. The LEADER approach has been welcomed because it has enabled businesses to apply for small amounts of money, and to engage easily with those taking the decisions, and the CRC hopes that this kind of local discretion can apply to business-oriented funding streams more generally. The availability of £5m of the Rural Economy Grant, specifically targeted at Micro Enterprises, to RGNs is a welcome development, although clearly it will only apply to a small number of rural areas. We also hope that the next RDPE programme, as well as incorporating environmental sustainability measures, will provide support for rural businesses, including the range of non-land-based businesses which comprise most of the 20% of the national economy that exists in rural areas.

### **Recommendation 7**

Defra's rural-proofing activities should help ensure that future Government decisions relating to allocations of Government funding to business, such as from RDPE or the Regional Growth Fund, are subject to considerable local discretion over the levels of funding allocated and which businesses receive it.

---

### **Mentoring**

69. The need to reduce public spending has led to the withdrawal of some aspects of advice and support for small businesses, not least the closure of the Business Link operation. The limited sample of small businesses included within our research were mostly understanding towards these tough decisions, but some commented that an important area of support for small businesses is the availability of experienced business people to act as face-to-face mentors. In this regard, we note the Government's 'Growth Accelerator' initiative, under which companies with turnover up to £40million can receive bespoke business development coaching and support from specialist growth experts, although we question the extent to which it is being accessed by rural micro-businesses and believe there is scope for a more targeted, localised approach. The Dormen model in Dorset, mentioned earlier in this paper, may provide a practical model for small rural businesses in other parts of the country.

### **Recommendation 8**

Local Enterprise Partnerships should draw on the energy and potential of voluntary organisations and business support organisations to encourage an increase in the number and diversity of mentoring programmes available to rural small businesses.

---

### **Local Enterprise Partnerships**

70. The CRC's 2012 paper 'How are rural interests being recognised by Local Enterprise Partnerships?' highlights the importance of LEPs giving sufficient priority to engaging rural businesses as they make decisions about policy and spending allocations. LEPs have an important role to play in representing the needs of rural businesses in discussions with Government and it is important that rural interests feature in LEPs' thinking about the future of their local economies.

---

71. Despite the recession, many rural micro-businesses have continued to thrive, as this paper has demonstrated. Amongst the specific issues facing rural businesses, the need for high-speed broadband to be available on a comparable basis to that in urban areas stands out as an issue which puts some rural micro-businesses at a competitive disadvantage and which needs to be addressed. Nonetheless, well-run rural micro-businesses which are conscious of the opportunities open to them, prepared to be flexible with the products and services they offer, and open to collaboration with other businesses, can be very well placed to succeed in the current challenging economic climate.

---

## Acknowledgements

The CRC would like to thank the following people and organisations who contributed to the production of this report:

Action for Communities in Rural England (ACRE)  
Suzanne Caldwell, Cumbria Chamber of Commerce  
Cath Clelland, Chair of Board, Deliciously Yorkshire  
Kim Conchie, Cornwall Chamber of Commerce  
Dr Lorna Collins, University College Falmouth  
Dr Paul Cowie, Newcastle University  
Nicola Culliford, Innovation Lincolnshire  
Ulrika Diallo, Federation of Small Businesses  
Linda Emmett, East Cornwall LEADER Action Group  
Ruth Huxley, Cornwall Food and Drink  
David Hynde, Peninsula Enterprise  
Malcolm Jones, Jones Partnership  
Thomas Meyer, Northamptonshire ACRE  
Professor Phillip Moore, University College Falmouth  
Ken Parsons, Rural Shops Alliance  
Dr Jeremy Phillipson, Centre for the Rural Economy, Newcastle University  
Hugo Pickering, Cotswold Broadband  
Chris Pomfret, Chairman, Cornwall and Isles of Scilly Local Enterprise Partnership  
David Rodda, Cornwall Development Company  
Janice Rose, Northumberland County Council  
Dr Sandra Rothwell, CEO, Cornwall and Isles of Scilly Local Enterprise Partnership  
Rural Services Network  
Steve Stewart, Northumberland County Council  
Adele Storr, Defra  
Kim Spencer, East Cornwall LEADER Action Group  
Dr Roger Turner, Advocates for Rural Enterprise  
Carolyn Tuscher, Greater Lincolnshire Local Enterprise Partnership  
Professor Andrew Upton, University College Falmouth

In addition, we would also like to thank the owners and operators of over forty rural businesses around the country, whom we have either met or held telephone conversations with.

---

## References

- Atterton J and Affleck A: Rural Businesses in the north east of England: final survey results, 2009
- Bosworth and Farrell, Tourism Entrepreneurs in Northumberland, in *Annals of Tourism Research*, 2011
- Cambridge Econometrics and SQW Ltd, 2006: Economic Performance of rural areas inside and outside of city regions
- CLA / Smiths Gore Rural Economy Index, Quarter 2 2012
- Commission for Rural Communities, *Agenda for Change*, 2010
- Courtney P, L'Epicier D and Schmitt B: Spatial patterns of production linkages in the context of Europe's small towns: How are rural firms linked to the local economy? In *Regional Studies* 42, 2008
- Farm Business Surveys, Defra 2006-2010
- Federation of Small Businesses quarterly surveys
- Federation of Small Businesses: *The Missing Links – Revitalising our Rural Economy*, 2012
- Gilman M, Raby S and Turpin J, Kent Business School: *The Big Ten*, 2012
- Inter-Departmental Business Register
- Kumi-Ampofo F and Jones R, Contribution of the rural economy to the Leeds City Region, 2012
- Labour Force Survey
- Lloyd-Griiffiths R et al for Welsh Assembly Government: *Micro Business Task and Finish Group report*
- Lobley M, Barr D, Bowles L, Huxley R, Kehyaian E, de Rozarieux N and Shepherd A, Centre for Rural Policy Research Exeter University: *A review of Cornwall's Agri-Food Industry: Final Report (2011)*
- Mason C, Carter S and Tagg S: *Invisible Businesses: The Characteristics of Home based businesses in the UK*, published in *Regional Studies*, June 2010
- Mole KF, Hart M, Roper S and Saal MS: *Broader or deeper? Exploring the most effective intervention profile for public small business support*, published in *Environment and Planning*, vol 43, 2011
- Office for National Statistics, *Annual Business Survey*, 2004
- Office for National Statistics, *Labour Force Survey* (various dates)
- Office for National Statistics, *Regional Trends* 43, 2011
- Organisation for Economic Cooperation and Development, *Rural Policy Reviews*, 2011
- Phillipson J, Lowe P, Raley M and Moxey A: *The nature and needs of rural micro-busiesses in the north east of England*, 2002
- Phillipson J, Shucksmith M, Turner R, Garrod G, Lowe P, Harvey D, Talbot H, Scott K, Carroll T, Gkartzios M, Hubbard C, Ruto E and

Woods A, Rural economies: incubators and catalysts for sustainable growth – submission to the Government's growth review, 2011

- Phillipson J: Why do rural economies matter? Presentation to Promoting Rural Economic Growth Conference, 12 June 2012
- Raley M and Moxey A : Rural microbusinesses in the north east of England: final survey results, 2000
- Shucksmith M for Carnegie Trust, Future Directions in Rural Development, September 2012
- Thompson N, Centre for the Rural Economy Newcastle University : 2009 Rural Business Survey
- Tribal Consultancy 2010: The impact and potential of homeworking in County Durham
- Wilding N for Carnegie Trust: Exploring Community Resilience in times of rapid change, 2011

**Commission for  
Rural Communities**

Unit 1 Saw Mills End  
Corinium Avenue  
Gloucester. GL4 3DE

**Telephone** 01452 627508

**Email** [info@ruralcommunities.gov.uk](mailto:info@ruralcommunities.gov.uk)

**www** [defra.gov.uk/crc](http://defra.gov.uk/crc)