



Revitalising Rural

RURAL SERVICES NETWORK

Realising the Vision

RURAL ECONOMIES





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The Rural Services Network

We are a membership organisation and we work on your behalf for rural communities.

The RSN is the national champion for rural services, ensuring that people in rural areas have a strong voice. We are fighting for a fair deal for rural communities to maintain their social and economic viability for the benefit of the nation.

Our membership comprises 116 rural local authorities plus over 210 other rural service providers and interest groups including Rural Housing Associations, Healthcare Trusts and Charities. We also have over 200 larger Parish or Town Councils in the Rural Market Town Group.

You can find out more about the RSN at our website www.rsnonline.org.uk.

We always welcome new members and if you are interested in joining the RSN, click here for more information. [Join the RSN!](#)

Revitalising Rural, Realising the Vision

Revitalising Rural, Realising the Vision is a campaign run by the RSN, which sets out a number of policy asks in 14 key subject areas to help support rural areas to achieve their full potential, and to 'level-up' areas of historical underinvestment.

Revised June 2021



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Why it matters

Vibrant rural economies are vital to the basic survival of our rural areas and our nation as a whole. The character of rural economies, heavily reliant on small and medium sized businesses, needs to be reflected in any business support, skills and training programmes or targeted policy directives which should include micro-businesses, sole traders, and social enterprises.

This chapter focuses on three key elements which we see as critical to the development of the rural economy:

- Local Enterprise Partnerships (LEPS) and Local Industrial Strategies
- Levelling Up and the UK Shared Prosperity Fund
- Rural Business Advice and Guidance

Local Enterprise Partnerships (LEPS) and Local Industrial Strategies

Local Enterprise Partnerships (LEPs) have significant policy responsibilities for supporting and investing in economic growth. Therefore, they are important bodies for the wellbeing of rural economies and

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communities. However, it should be noted the future role of LEPs is now subject to a Government review.

It is a widely held view that the track record of LEPs addressing the economic needs of their rural areas is mixed. Their preference for large strategic developments and projects has often led to a focus in or around urban centres.

Productivity levels in rural businesses are below the national average. By narrowing this productivity gap the national economy would receive a considerable boost (as would local rural economies).

Creating better quality and more productive jobs in rural areas would bring widespread benefits and, properly targeted, could significantly help those left behind rural places.

Levelling Up and the UK Shared Prosperity Fund

The UK Shared Prosperity Fund will become the main means through which Government channels economic and social development grant funding to areas in the early 2020s, when it replaces existing EU funding streams.

As such, it will replace two funding streams which have been targeted specifically at supporting rural economic growth, namely the LEADER programme and a sizeable part of the European Agricultural Fund for Rural Development (EAFRD).

It will also replace funding streams which were not rural-specific, but which some rural areas tapped into, namely the European Regional Development Fund, the European Social Fund, and the European Maritime & Fisheries Fund.

Forthcoming decisions about the UK Shared Prosperity Fund will determine how funds are allocated (including to rural areas of England), what types of project or business can benefit, how adaptable the fund is to local needs and what local arrangements are created to manage delivery. Such considerations will determine the scale, scope, and effectiveness of future rural funding.

In effect, it now sits alongside the Levelling Up Fund announced at the end of 2019 and is part of the Government's wider levelling up agenda. It is important that this agenda is about more than capital projects and it must reach rural areas.

Business Advice

Setting up in business or self-employment can be a daunting task. Initial guidance about the basics of establishing and running a business can prove invaluable, not least to ensure that a credible business proposition is developed, with sufficient understanding of budgeting, marketing, taxation, legal structures, and the like.

Businesses will also, generally, benefit from access to expert advice and guidance, where they are seeking to expand or innovate. This can bring additional risk for businesses, for example if they take on a loan or recruit new employees.

Formal or professional advice may be more difficult to access for businesses in rural locations, at least where it is provided face-to-face. This may be especially so where it is delivered through group workshops or sessions, which are likely to be held in larger settlements. However, some rural businesses may also face limitations accessing guidance due to poor digital connectivity.

The national policy context

Key elements of national policy include:

- Exiting the EU – in January 2021 the UK completed its exit from the European Union. Funding streams which operated from 2014 to 2020 at an EU level are being wound up, though with project commitments honoured. The Government has committed to create a domestic replacement from 2022/23, to be known as the UK Shared Prosperity Fund. Ahead of its introduction (in 2021/22), the Community Renewal Fund will pilot some approaches.
- Shared Prosperity Fund – the Government has indicated that it expects this Fund to have a level of funding which matches that received before from EU funds. Ministers have said that the Fund will be used to help reduce inequalities between communities. This would appear to align it with the Government's over-arching 'levelling up agenda', to assist those places which have not shared in the country's economic growth and which have been left behind.
- Plan for Growth – the Government is placing great emphasis on 'levelling up' or tackling geographic disparities, so that places share in opportunities. To that end, its Plan for Growth, known as Build Back Better, focusses on three issues, being infrastructure, skills and innovation. It includes £600 million of infrastructure investment (over five years), further education reform and creation of an Advanced Research and Invention Agency. The levelling up agenda is also being aligned with trade policy (often called Global Britain) and with ambitions for green growth.
- Funds to level up – as well as the Community Renewal Fund pilots (referred to above), the Government has announced a Towns Fund (covered in the section on rural town centres and high streets) plus a Levelling Up Fund. The Levelling Up Fund offers capital funding for local infrastructure projects in areas facing challenges or where there has been limited recent investment. First round of bids to the Fund must fall under three themes, which are transport improvements, town centre regeneration and investment in cultural assets or spaces.
- Economic growth and productivity – there are 38 LEPs which, between them, operate across the whole of England. For central Government they have been the main vehicle to deliver local economic development. By 2021 Government will have used LEPs as the channel to invest £12

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billion in local businesses and economies (including for infrastructure). That funding was assigned as Government signed Growth Deals with individual LEPs to agree their local priorities.

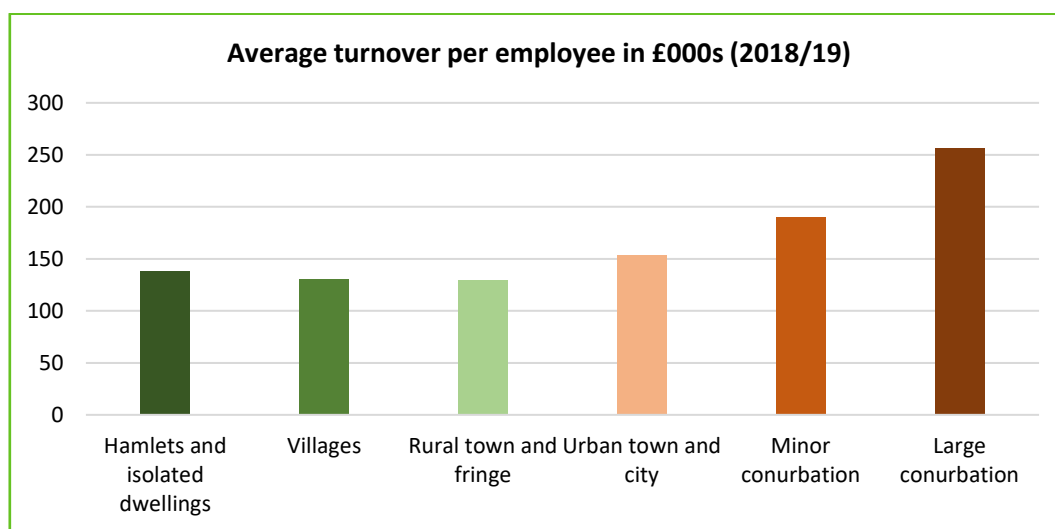
- LEP governance – the Government intends that LEPs are local partnership which are business led, though their funding streams are often local authority managed. A review conducted in 2018 streamlined the governance arrangements and introduced an expectation that two-thirds of their Board members should come from the private sector. Following the review all LEPs must publish an annual delivery plan and end of year report, setting out their activities and progress made during the previous period.
- Local Industrial Strategies – by 2020 all LEPs (or Mayoral Combined Authorities, where they exist) were required to publish a Local Industrial Strategy (LIS), setting out an economic vision for their area. They should coordinate and align local economic policy and national funding streams with that vision. The overarching objective of a LIS has been to grow investment in skills, industries, and infrastructure in order to boost productivity and create quality jobs. Unless rural evidence is reflected properly in LIS documents there is a risk, they understate rural needs (a point not helped by the paucity of small area data).
- Skills Advisory Panels – these partnerships have been established to help LEPs meet the upcoming skills needs of their areas, taking account of the LIS. The Panels comprise representatives from local employers, local authorities, colleges and universities (see the section on access to business advice and training).
- Business Growth Hubs – advice and guidance services (and in some cases grant support) are available across England from the 38 Local Growth Hubs, which are public-private partnerships that are led by each area's Local Enterprise Partnership. They will typically focus on enabling successful business start-ups and helping established small businesses that have ambitions and growth potential.
- Business support helplines and online advice – the Government Business Support Helpline provides free advice and signposting to further guidance for new or existing businesses across England. It includes a webchat facility with business advisers. Various other bodies and networks (some sector specific) offer general business advice and guidance using online resources. This includes advice for businesses wishing to make better use of digital tools, such as that on the Digital Boost platform (supported by DCMS), primarily designed to assist operating through Covid-19 restrictions.
- Social enterprise support – there are a number of organisations that deliver tailored advice and guidance to the social and community enterprise sector, which plays an increasingly important role in rural areas. They include Locality, the Plunkett Foundation and Un Ltd.

- Wider sources – it should be acknowledged that most small businesses, which are the mainstay of rural economies, say they get the bulk of their advice informally from local professionals (such as high street accountants), from their business peers and often from relevant family members. Another source, which can play an important role, are Local Chambers of Commerce or similar business groups.

The rural dimension

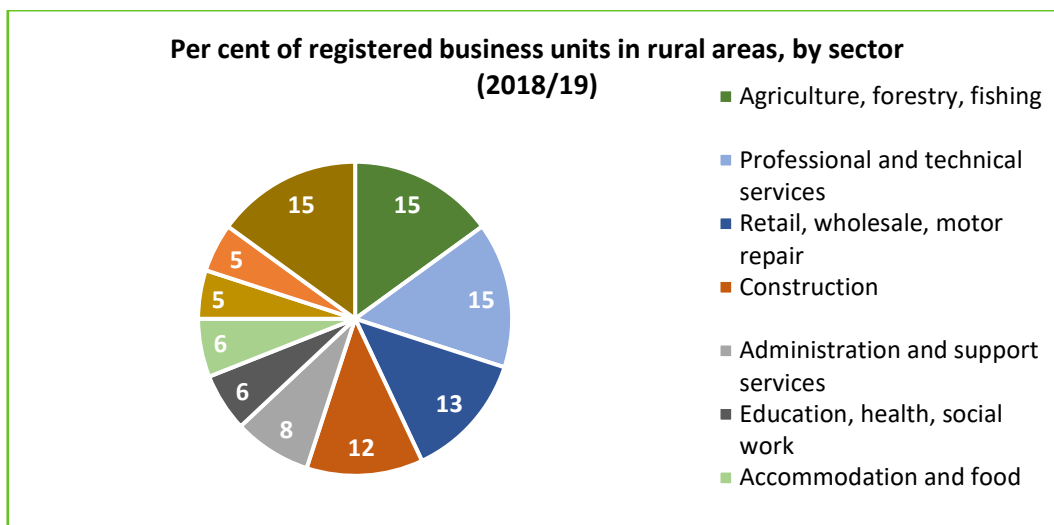
There are 550,000 businesses registered in predominantly rural areas. This is 23% of all businesses registered in England.¹ The number of unregistered micro-businesses (for PAYE or VAT) is probably at least as great again.

Those registered rural business have a combined annual turnover of £482 billion. This is a sizeable contribution to the national economy. However, business turnover per employee is lower in rural areas than it is in urban areas.

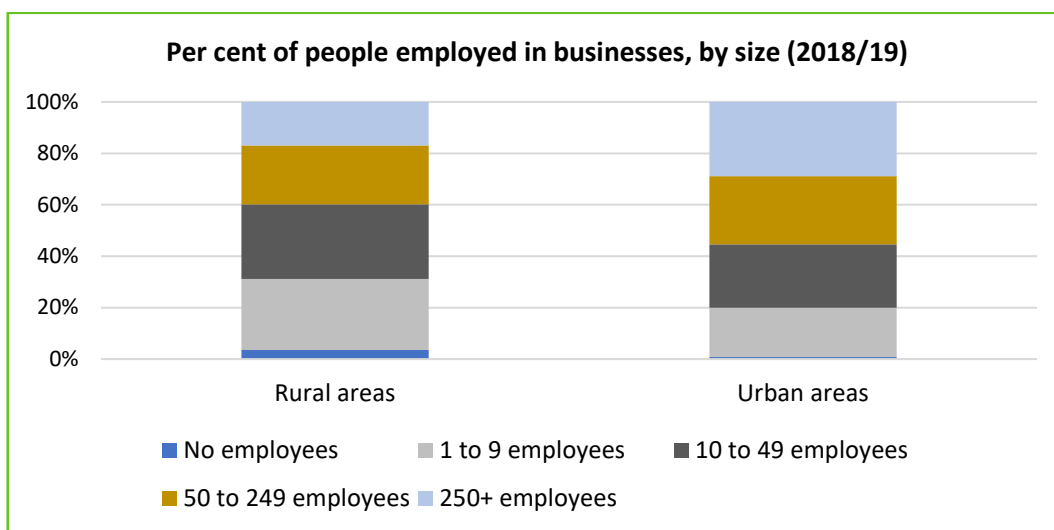


Rural economies are diverse, hosting a wide range of businesses. Land-based businesses (including farming) are important, but 85% of rural businesses are from other sectors. Other key sectors are professional services, retail, and construction. The picture will vary in different types of local rural areas, with some for example, being heavily dependent on tourism.

¹ *Statistical Digest of Rural England*, Defra, based on 2018/19 data from Inter-Departmental Business Register.



Small businesses are especially important in rural economies. Measuring those people who are employed in registered business units, 83% of them in rural areas work for a SME. Indeed, 31% of them work for a micro-business.

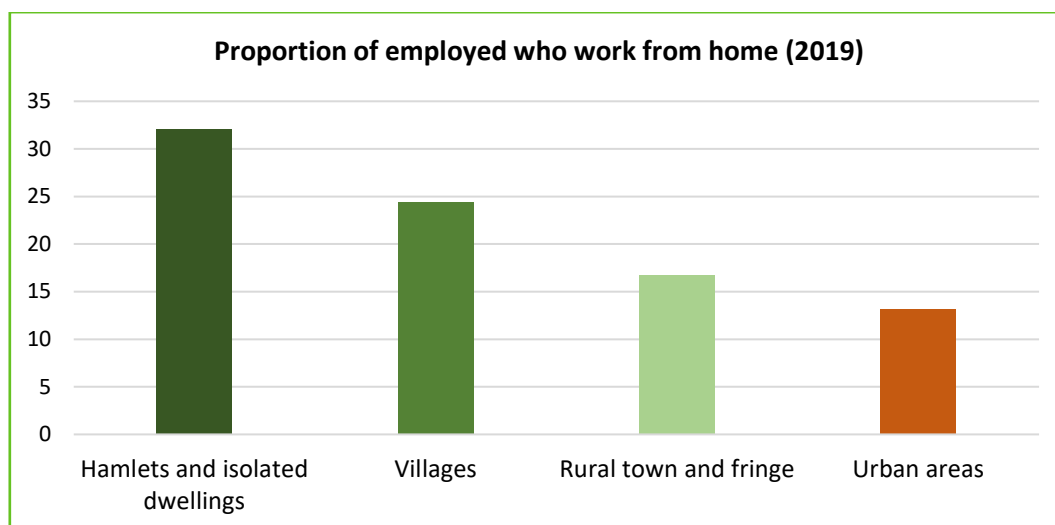


Just over 4 million people are employed in registered business units in rural areas.² They comprise 16% of all people employed in registered business units across England.

Home working (including by the self-employed) is significant in rural areas and particularly so in the smallest settlements.³ 22% of those who are employed in rural areas work at least half their working week at home, compared with 13% for those employed in urban areas.

² *Statistical Digest of Rural England*, Defra, based on 2018/19 data from Inter-Departmental Business Register.

³ *Statistical Digest of Rural England*, Defra, based on data analysis from the Labour Force Survey.



Earnings (mainly from wages) for jobs which are based in rural areas are lower than for jobs based in urban areas.⁴ Even if London is excluded, average earnings in predominantly rural areas are £1,800 or more than 7% below the predominantly urban equivalent.

<i>Workplace based median gross annual earnings (2019)</i>	
Predominantly rural areas	£22,500
Predominantly urban areas (excluding London)	£24,300
Greater London	£36,800

The LEADER programme for the period 2014 to 2020 had a value of £138 million in England. It was delivered by 79 Local Action Groups. Priorities for the programme funding have been: supporting micro and small businesses and farm diversification; boosting rural tourism; increasing farm productivity; increasing forestry productivity; providing rural services; and providing cultural and heritage activities.

The EAFRD programme for the period 2014 to 2020 had an overall value of £3 billion in England, of which roughly £400 million was apportioned to its economic objectives for SME competitiveness, innovation, and employment.

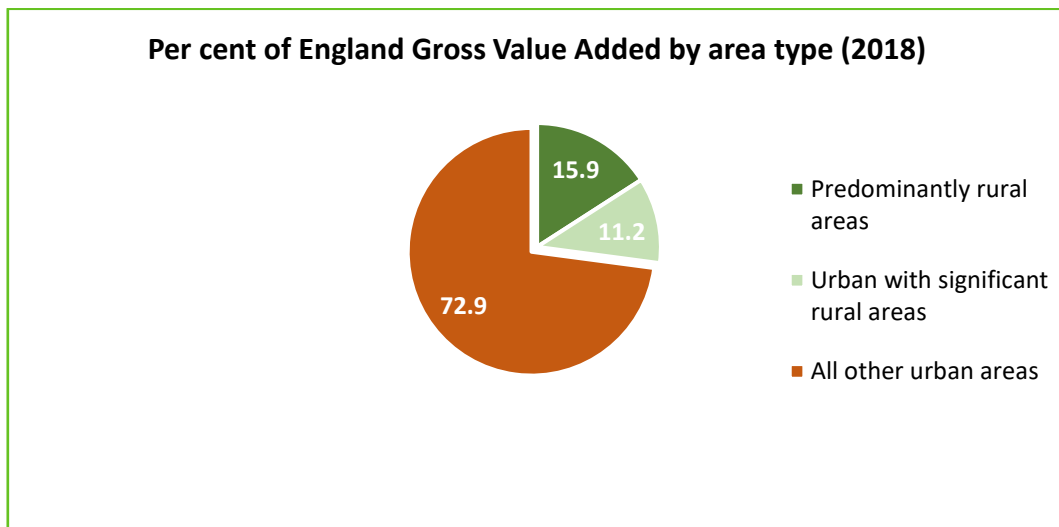
Analysis of committed project spend from other EU funding streams shows that from 2014 up until early 2019:

- o 14% of the European Regional Development Fund spend in England (worth about £520 million) was taking place in predominantly rural areas; and

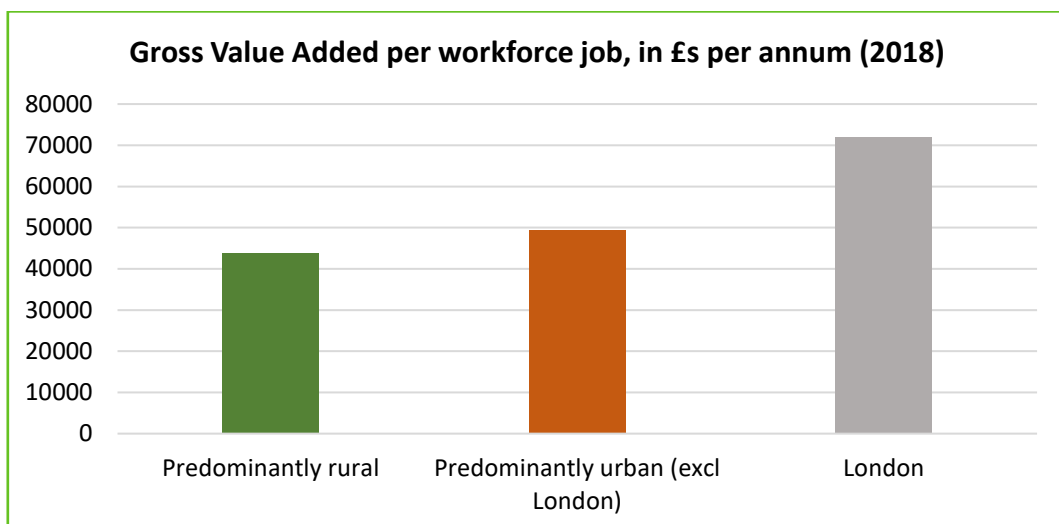
⁴ *Statistical Digest of Rural England*, Defra, based on data analysis from Annual Survey of Hours & Earnings.

- 3% of the European Social Fund spend in England (worth about £83 million) was taking place in predominantly rural areas.⁵

Predominantly rural areas in England contributed £261 billion of Gross Value Added productivity to the national economy during 2018. This accounts for almost a 16% share of England's productivity.⁶ That rural share has reduced somewhat over time, from 16.4% in 2010 to 15.9% in 2018, as London has expanded further its share of the country's productivity.



Gross Value Added per workforce job is £43,900 per annum in predominantly rural areas. This is 17% less than the figure for England as a whole. There is therefore a sizeable productivity gap between rural and urban areas.



⁵ *Assessing the Scale and Effectiveness of ERDF and ESF Funding*, Frontier Economics (2019).

⁶ *Statistical Digest of Rural England*, Defra (2020), based on Office for National Statistics data on GVA for 2018.

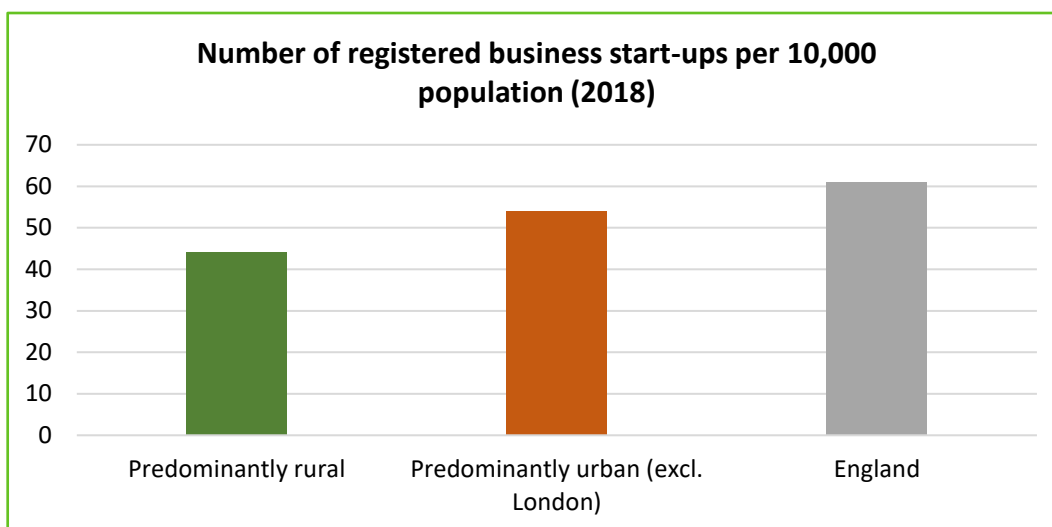
Capital investment by businesses in predominantly rural areas was £5,100 per employee during 2016. This was lower than the England average of £5,500.

<i>Capital investment per employee, by type of area (2016)</i>		
	In £s during 2016	As % of England average
Predominantly rural	£5,100	93%
Predominantly urban (excluding London)	£5,300	96%
London	£6,500	120%

The start-up rate for registered businesses is 44 new such business per 10,000 population in predominantly rural areas.⁷ This 2018 figure is lower than the comparable figure for predominantly urban areas outside London and lower still than the England figure (which includes London). Up until 2012 the position was different, with the rural rate slightly higher than the urban rate (outside London).

It should be noted, though, that these figures only refer to businesses which are registered either for PAYE or VAT. They therefore exclude many micro start-ups. On the other hand, they include existing micro businesses which grow to a point where they become registered.

⁷ *Statistical Digest of Rural England*, Defra (2020), analysis of ONS Business Demography dataset.



One way to view business expansion is from data about high growth businesses. These are defined, statistically, as those which have grown their employee numbers by at least 20% over each of the previous three years.⁸ It should be noted that micro-businesses are excluded from this particular data set on the grounds they could distort the calculation.⁹

In an average year there are 2,218 registered businesses (excluding micro businesses) in predominantly rural areas which meet the above definition of high growth businesses. They comprise 4.3% of all such businesses in predominantly rural areas. High growth businesses are therefore slightly more common in predominantly urban areas.

High growth registered businesses as a proportion of all businesses (annual average 2015 to 2017)

	Number of high growth businesses (annual average)	Rate of high growth businesses (annual average)
Predominantly rural	2,218	4.3%
Urban with significant rural	1,480	4.7%
Predominantly urban	7,667	4.9%
England totals	11,365	4.7%

Another proxy measure, this time for businesses seeking to grow, is business innovation. Figures are available showing whether a business was involved in innovation, over a three-year period, which could include changes made to its products, services, processes, structures, strategies, marketing and machinery, as well as R&D activity.¹⁰

⁸ *Business Demography 2017*, Office for National Statistics, secondary analysis of high growth businesses data.

⁹ For example, a business starting off with 2 employees only needs to take on 1 more employee each year to meet the 20% growth criteria. This methodology follows ONS advice.

¹⁰ *UK Innovation Survey 2015*, Department for Business, Energy & Industrial Strategy (2016)

Those figures show there is little difference between the levels of innovation undertaken by businesses in rural areas and in urban areas. Well over half of the rural based businesses were involved in some form of innovative activity during the three-year period.

Proportion of businesses involved in broad innovation activities (2012 to 2014)

	Innovating businesses	Non-innovating businesses
Rural areas	58%	42%
Urban areas	57%	43%

Analysis of 2015 survey data provides some information about access to and use of business advice by rural based businesses.¹¹ It finds that:

- Around a third of all rural businesses seek access to some form of business advice or information during any single year;
- Accountants are the leading source of the advice that is being sought by these businesses;
- Financial management is the main topic of the business advice being sought by these businesses (though few turn to banks or professional financial advisers for it);
- Rural firms with no employees are more likely to seek advice from business networks or trade associations than their urban counterparts. That pattern is reversed for businesses with employees;
- Rural firms are comparatively more likely (than urban firms) to seek advice about improving business efficiency or productivity, but less likely to seek advice about marketing.

A survey conducted with rural based businesses from across the UK, which focussed specifically on digital adoption, finds that:¹²

- 30% of the businesses had experienced difficulty finding external or outsourced support with their digital needs; and
- 14% of the businesses had experienced difficulty in accessing appropriate external digital or IT training.

These types of challenges were felt most acutely by micro-businesses, who were unlikely to be able to call upon in-house expertise.

¹¹ Phillipson J et al, *What's holding rural businesses back?* CRE at Newcastle University (2017)

¹² *Unlocking the Digital Potential of Rural Areas Across the UK*, Rural England CIC (2018).



Policy solutions

It is imperative that Government recognises the contribution of rural areas to the national economy and acknowledges their growth potential. This message then needs to be reflected fully within the strategies and programmes of Local Enterprise Partnerships and their Local Industrial Strategies. To-date the rural record of LEPs has been mixed and it needs to be improved.

There is, of course, an immediate need to support many rural businesses through the severe financial hit they have taken from the pandemic and restrictions. However, there is also a longer-term need for those businesses to have good access to quality advice and guidance, so they can establish, adapt, grow and innovate. This will boost the growth potential of rural economies.

It is vital that Government funds to support its levelling up agenda and its proposals for the UK Shared Prosperity Fund are rural proofed, so they can be effective in rural settings and can address rural needs. Typical features of rural economies are below average levels of productivity and below average wage rates. Rural areas would considerably benefit from levelling up, with support put in place to encourage business growth, innovation and diversification.



Rural Economies

Specific policy asks:

UK Shared Prosperity Fund and Levelling Up

Fund timing: it is disappointing that the UK Shared Prosperity Fund will not commence properly until 2022, leaving a gap after EU funds cease. However, it is now essential that lessons are learnt quickly from those pilots run in rural areas under the Community Renewal Fund. Lessons from earlier funds, such as LEADER, should not be overlooked. That fund usefully supported locally-led 'bottom-up' economic development. New funding should support both start-up businesses and existing businesses with growth potential, as well as social and community enterprise.

Dedicated rural funding: Government should create a dedicated rural funding stream of a proportionate size within the overall UK Shared Prosperity and Levelling Up Funds, with resources which are ring-fenced for use on rural support. This approach will ensure that rural businesses and economies can benefit from the Funds in a way that is fair. It will also enable specific tailoring of that funding to be effective in meeting rural circumstances and needs. The lesson from the past is that without a dedicated rural funding stream larger urban projects often scoop the pot.

Funding level and targeting: Government should commit to matching or exceeding the level of resources that rural areas of England formally received under EU programmes (through ERDF and ESF funds, as well as from rural-specific LEADER and EAFRD funds). Any attempt to allocate funding in rural areas must take account of the scattered nature of their needs and should avoid applying urban spatial targeting approaches (such as the Index of Multiple Deprivation). A low productivity measure may be more appropriate.

Levelling Up Fund: it is vital that levelling up opportunities are available in rural as well as urban areas and resources should be designed to enable this. Many rural areas face real challenges and have missed out on previous investment initiatives. The initial bidding round of the Levelling Up Fund appears to have taken this targeting message on board. It is equally important, though, that the Fund: can be used for small (as well as large) investment projects; takes a broad definition of infrastructure, which includes investing to improve local government services; and makes allowance for the fact there may be higher costs per outcome in rural areas.

It is welcomed that the Levelling Up Fund has not been targeted solely on the basis of the urban-oriented Indices of Deprivation and includes use of a transport connectivity measure. This shift in approach is something which the RSN has campaigned for. Similarly, that some funding is being made

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available upfront to support bid development. That, too, is something the RSN has asked for, since many rural areas have limited capacity for this task.

Local Enterprise Partnerships and Local Industrial Strategies

Local Enterprise Partnerships: every LEP whose area includes rural places (even if these are not many) should have a rural representative or champion sitting on its Board. To harness input from a wider range of rural interests, all such LEPs should also have an advisory rural sub-group or equivalent that helps shape their strategies and programmes. The End of Year reports from LEPs should include information monitoring and publicly presenting their activities and outputs in rural areas.

Local Industrial Strategies: LIS documents now need some repurposing so that a key element becomes supporting the economic recovery from the Covid-19 pandemic and restrictions. Every LEP whose area includes rural places should demonstrate that it has rural proofed its LIS document to take proper account of rural needs and to allocate a fair share of resources. Those LIS strategies must look to support smaller-scale projects, suited to rural areas, and must not simply focus on large infrastructure projects in or around big urban centres.

Growth and Diversification: LEPs should consider creating small-scale Local Growth Hubs at a market town level where their economic needs are more acute. More generally, LEPs should support the diversification of rural economies, especially into growth sectors such as creative, digital and green energy. This would tap into their growth potential and create good quality jobs.

Rural Business Advice and Guidance

Covid-19 support: The Government Plan for Jobs 2020 included welcome measures to help businesses survive and retain staff, though some of its measures could have been more nuanced to better support rural business needs. Many small businesses have faced a long period of financial hardship and many consumer-facing businesses were greatly impacted by social distancing limitations. Government should ensure that some support remains in place whilst these businesses recover.

Targeting rural growth potential: Growth Hubs must ensure that they reach rural based businesses with their advice and guidance, including the self-employed, micro-businesses and social or community enterprises. Their performance metric should not simply be the number of rural businesses supported, but what different that support makes. They should consider having dedicated rural business support officers, who operate locally and have access to a wider network of specialist providers or advisers.

Specialist support organisations: Government should make grant funding pots available to the Plunkett Foundation and Locality, to help them provide specialist advice and guidance to social and community enterprises, many of them in rural locations and delivering valuable local services (such as community-run shops) to rural communities.

Exploiting digital connectivity: Advice and guidance should be widely available so that rural businesses can make better use of digital connectivity. This could help them take advantage of new opportunities and reach new markets. Advice could boost their digital skills, build their online presence, develop online selling, and ensure their online security. This must be backed up by actions to improve rural connectivity.

Peer to peer support: Local networks where rural based business owners and managers can meet should be encouraged and supported. Advice from peers is often of real practical value. On average rural businesses are less well networked than their urban counterparts. Peer support can be especially beneficial for recent start-up businesses if they can tap into the experience of those more established.

Related asks can be found in the Revitalising Rural documents about Rural High Streets and Town Centres and about Further Education, Training and Skills.