



Unlocking the potential of the rural economy

The countryside has vast economic, environmental and social potential. Landowners and land managers are already helping to feed the nation, and fight climate change and nature decline. Now, many are diversifying their businesses, seeking to grow the economy, create skilled new jobs and strengthen their local communities.

They cannot do all of this alone. The rural economy is 19% less productive than the national average. Closing this gap would add £43 billion to the economy. If the rural economy is to succeed then the many barriers to economic growth in the countryside must be removed.

This document is part of a series of 'missions' published by the Country Land and Business Association (CLA), which represents 26,000 landowners and rural businesses in England and Wales. These missions are designed to help policy-makers unlock the potential of the rural economy – for the good of our rural communities and the country as a whole.

Delivering Economic Growth in Rural Areas

Mission Four

Ministers and officials across the Westminster government have a tendency to assume Defra has responsibility for the rural economy. Defra does not, however, have the economic levers at its disposal to unlock the potential of the countryside by itself. That power lies in other Ministries and, increasingly, local authorities.

Much better cross-departmental working is necessary, to ensure economic policies are designed to generate growth in the rural economy. This should include a cross-departmental committee of Ministers, with a delivery unit of civil servants and a close relationship with rural mayors and local authorities, to identify new policies necessary to generate growth and job creation in rural communities.

The potential of the rural economy will never be unlocked without a robust and ambitious plan to remove the barriers faced by businesses in the countryside.

To deliver economic growth in rural areas, government must:

1. introduce "permission in principle" for rural economic development;
2. expand permitted development rights (PDR) to allow businesses to diversify more easily;
3. enable repurposing of redundant agricultural buildings and sites;
4. fund an extra planning officer for every local authority in the country;
5. extend the Rural England Prosperity Fund (REPF) beyond 2025;
6. tailor skills support for rural areas; and
7. permanently reduce VAT for tourism businesses.



To deliver economic growth in rural areas, government must take the following action.

1

Introduce “permission in principle” for rural economic development

The huge levels of up-front costs associated with supporting a planning application and the significant risk of an unsuccessful outcome have a detrimental impact on the delivery of economic development in rural areas. For applications that are rejected, those costs are lost. The current planning application process represents far too high a financial risk for landowners and land managers and, as a result, they are not bringing forward innovative and beneficial rural economic development.

“Permission in principle” is a route to obtaining planning permission via a two-stage process. The first stage of the permission in principle process establishes the suitability of the proposals ‘in principle’. The second stage involves a detailed assessment of the proposals (similar to the full planning application route). The benefit of this approach is that the expenditure on surveys and reports – which often reaches several thousands of pounds, even for small projects – is incurred after the application has been accepted in principle, which removes some of the financial risk for an applicant.

Action

- Allow businesses to create jobs and grow the economy by expanding “permission in principle” for rural economic development.

2

Expand permitted development rights (PDR) to allow businesses to diversify more easily

Enabling the change of use of buildings in a rural use, rather than just those in an agricultural use, allows businesses to respond to emerging opportunities in the rural economy, and provides a greater diversity of commercial premises to rural entrepreneurs.

Actions

- Amend Class R permitted development rights (PDR) to enable the change of use of all buildings in a rural use, rather than just in an agricultural use. This will enable the change of use of more buildings that are no longer fit for purpose to contribute to the rural economy, by providing new services and facilities, and enable diversification.

3

- Expand temporary permitted development rights (PDR) for land to 60 days per calendar year to respond to the demand in the events and hospitality industries and align with existing rules for campsites.

Enable repurposing of redundant agricultural buildings and sites

Diversification is important for rural landowners and farmers, especially in the context of the reduction and end of the Basic Payment Scheme. With the ongoing modernisation of agriculture, many agricultural buildings are left redundant but they cannot be converted to other uses via permitted development routes. 93% of CLA members say that planning rules are hampering economic growth in rural communities (CLA Planning Survey, March 2023).

Utilising previously developed sites for new development reduces the pressure for the development of greenfield sites on the edges of villages.

Action

- Enable the re-use of more redundant agricultural sites for development. This will provide much-needed housing and address the shortfall of new homes in rural areas, but would also enable the development of these sites for commercial purposes which will open opportunities for diversification where they are not currently supported by planning policy.

4

Fund an extra planning officer for every local authority in the country

Planning departments have lost 60% of their staff since the financial crisis and the current system is beset with delays and applications taking years to process.

Actions

- Provide £25 million to fund an extra planning officer in each local authority to ensure that planning departments are adequately equipped to deliver overdue reform to the planning system.
- Make provision for specific training for planning officers to better understand the rural economy and its requirements.

5

Extend the Rural England Prosperity Fund (REPF) beyond 2025

The Rural England Prosperity Fund (REPF) was introduced in April 2023 to provide capital grant support for rural businesses to diversify and enable rural communities to grow. It follows the UK's exit from the EU and replaces the previous EU's structural funds. At present it is only a two-year scheme.

Actions

- Extend the Rural England Prosperity Fund (REPF) beyond 2025, with more stringent and effective guidance to local delivery bodies, to ensure the money is spent appropriately.
- Retain the current Rural England Prosperity Fund (REPF) budget of £55 million per year.
- Promote a far more effective dialogue between central government and local delivery bodies and rural external stakeholders to learn from the experiences of previous rural development schemes and maximise the impact of the Rural England Prosperity Fund (REPF).



Tailor skills support for rural areas

Rural businesses have the same needs for skills and training as their urban counterparts. Yet those living in rural areas face longer travel time, higher costs, and weaker digital connectivity, meaning many face severe barriers to accessing education and training.

Alongside the skills necessary to grow traditional businesses, new training provision is necessary to meet the needs of emerging industries and, indeed, the fight against climate change. To reach net zero and reverse biodiversity decline, a wide variety of skills is necessary, including ecology and forestry, throughout the supply chain. Some industry bodies are already working on curricula, qualifications and continuing professional development; government schemes need to help these endeavours.

Actions

- Stimulate demand for business, technical and environmental training by providing vouchers for rural businesses during the agricultural transition period (ATP).
- Establish a natural capital skills strategy to identify skills gaps and how to remedy them, including working with land-based colleges.
- Tailor business support for rural businesses – such as through shared apprenticeships, and support for farmers who work collaboratively in cluster groups.

Permanently reduce VAT for tourism businesses

The UK is a major holiday destination, for both domestic and international tourists. It is, however, in competition with the main tourism economies in Europe, each of which charges VAT at significantly lower rates. This is harming the competitiveness of UK breaks, and the sector's capacity to grow and provide jobs and incomes in rural areas. This is felt most acutely by small rural tourism businesses.

Action

- Stimulate tourism in rural areas by permanently reducing VAT for tourism businesses to 12.5% for those with a turnover of less than £1 million.

The CLA

The CLA is here to help. We represent our members in a collaborative way, working with policy-makers from across government and across all political traditions. To discuss this document further, or to explore how you can help us in our mission to unlock the potential of the rural economy, please contact the CLA External Affairs team via email: externalaffairs@cla.org.uk.

The CLA exists to champion, protect and enhance the rural economy, environment and way of life.

We aspire to unlock the potential of the rural economy by promoting innovative ideas to a national audience and providing practical support to members. We do this so our members can feed the nation, create jobs and prosperity, invest in communities and protect the environment for future generations.