Commission for Rural Communities
Tackling rural disadvantage

July 2010

Growth sectors in rural England: perspectives on planning for growth by rural businesses, authorities and organisations

Foreword

Achieving sustainable economic growth is, rightly, one of the most pressing and important priorities for Government. It is to our future economic and social health and is a fundamental part of ensuring that deficit reduction is achieved as quickly and a painlessly as possible.

There is no reason why rural England should not play a substantial role in achieving this. As the Commission for Rural Communities has highlighted many times, rural England has seen impressive levels of economic growth, especially through entrepreneurship, business starts, knowledge-led employment and export growth – often at higher levels than urban England. We have also set out rural England's substantial unfulfilled economic potential.[1]

In this report we highlight the potential growth sectors which hold part of the key to securing this private sector led recovery.

In early June we submitted to the Minister for Rural Affairs the latest of our regular reports on the effects of the recession in rural England. We have been submitting such reports since October 2008 and these can be viewed on our web site at: http://ruralcommunities.gov.uk/category/our-work/impact3/creditcrunch/

In our June report, 'Recovery and growth in rural England: What are the signs of recovery and directions for growth in rural economies?' we examined rural economies for signs of recovery. We also summarised and drew some headline conclusions about how those operating in rural economies were preparing for growth This report provides a fuller description and evidence on economic growth in rural areas.

It should be read with, and as a companion report to, the submission we made to Defra. It is drawn from a substantial body of responses received to a short questionnaire about plans and challenges to economic growth. This had been circulated to rural organisations who have regularly provided evidence and real local examples for our recession reports. This report also draws from substantial national to local surveys, reports and forecasts, though some of these forecasts pre-date the recession. Although we have drawn on evidence in which rural dimensions are not always evident, we have cited these to give some assessment for economic growth as seen by central government and national organisations. As such they provide a useful context for the rural perspective.

We have not tried, however, to provide an insight into every sector nor every driver of growth that operates in rural economies. This remains, essentially a report in the vein of those we provided throughout the recession, which describes the issues as experienced by businesses, people and local and regional authorities in rural England.

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[1] See Commission for Rural Communities, England's Rural Areas: Steps to Achieve Their Economic Potential, May 2008, www.ruralcommunities.gov.uk/files/crc67_englands_rural_areas1.pdf

Structure of this report

In this report we set out firstly some of the national context and perspective on growth, before summarising the evidence we received for this report.

The aspirations and plans for several of the key sectors are then described individually. In some sector profiles, we have also included sector specific barriers to growth, and in some we have also described examples of solutions or good practices in those sectors, to which our attention was drawn.

After this commentary on key sectors, this paper then reports some of the generic barriers described in the submission we received, together with some generic solutions. Finally, we summarise some of the requests or recommendations for government action made in the submissions we received.

Context for growth

Central government has for some time identified sectors in which growth in employment, skills, output and business activity is evident or desirable to return the UK economy to sustainable growth. Our call for evidence was issued under the previous Government, and as framework for responses we sought views about those sectors and others that hold more prospects in rural areas.

This Government has given clear signals and taken early action to restore growth to our national to local economies, and restore our competitiveness in the global economy. This is clearly set out in the coalition agreement, sic:

The Government believes that business is the driver of economic growth and innovation, and that we need to take urgent action to boost enterprise, support green growth and build a new and more responsible economic model. We want to create a fairer and more balanced economy, where we are not so dependent on a narrow range of economic sectors, and where new businesses and economic opportunities are more evenly shared between regions and industries.
(The Coalition: Our programme for government. May 2010)

Other announcements made and speeches given over the last month demonstrate both a continuation on attention for some of the key sectors covered in this report, such as farming and food, manufacturing and the low carbon economy, but also an increased expectation that businesses, local authorities and local enterprise partnerships will play the more significant role in identifying and leading economic growth.

Those providing submissions reported an extensive list of growth or priority sectors. Those most frequently described were: Low carbon economy including environmental and renewable technologies; Food and drink; Health and social care sectors; Tourism; Business and professional services; Digital and creative industries; ICT; Construction; Retail and Advanced manufacturing. Some of these echo the focus of central government with real evidence of existing growth; others such as retail clearly reflect more local choices.

Furthermore, growth sectors identified for some districts and counties were reported as sectors in decline or difficulty in other areas. In this category the most frequently mentioned were manufacturing; retail including pubs; construction and those in the construction supply chain; and business and professional services. These latter ranged from those closely associated with sectors in difficulties such as architects, estate agents and conveyancing solicitors, to those more widely used business services such as marketing, bespoke training and business consultancy.

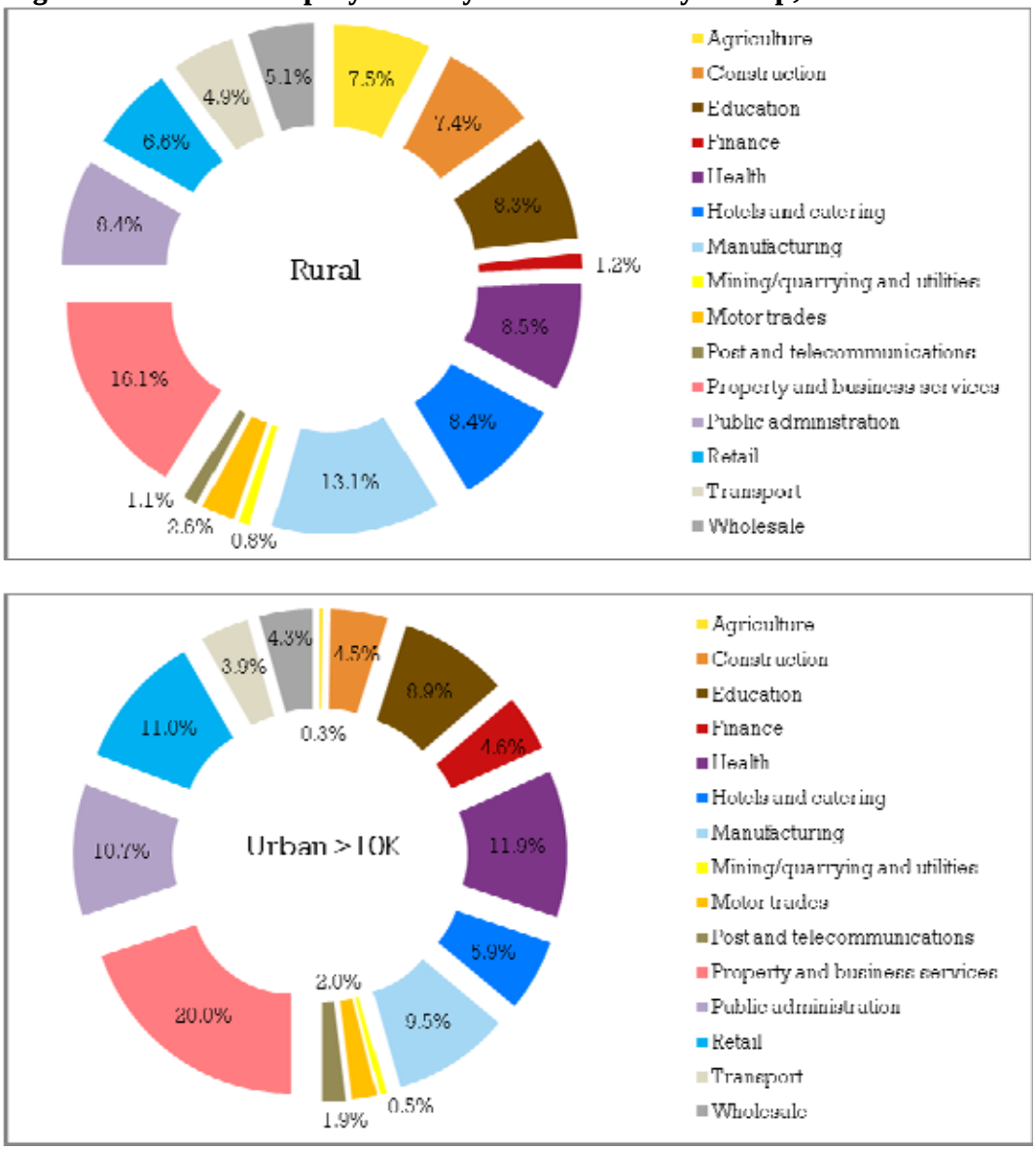
One of the drivers of several rural economies – the scale and breadth of the public sector – is likely to diminish over the next few years, as the Government seek to reign in public sector debt. Local authorities and other public sector bodies have initiated planning for tighter budgets and more limited public sector intervention and support. Some rural areas have a high level of employment, directly by or dependent upon the public sector. Other activities, firms and organisations, depend on procurement of services and goods and this also is expected to diminish In December, we reviewed early evidence and commentary on the potential impacts

on rural economies and communities and convened a roundtable of leading public and private sector representatives to explore the issue. From this literature review and valuable discussions with organisations who will lead or be affected by public sector cuts, we prepared a discussion paper to help those in rural areas approach future austerity. This can be downloaded from our web site at: http://ruralcommunities.gov.uk/2010/01/15/potential-impacts-on-rural-communities-of-future-public-sector-austerity/

Several responses suggest that planning for growth is being led by business surveys, quantitative analyses and industry partnerships. Responses received from other rural areas suggest that planning is less formal, is based around existing well represented sectors, even if they are declining, and may need to overturn universal, often deep-seated barriers to improved performance and economic health. Others appear more reflective of aspiration and expectations. A full list of respondents is included at the end of this report, where we also set out the questions we circulated in March when seeking evidence for this report.

Sectors for growth

Figure 1: Share of Employment by Broad Industry Group, 2009



Source: ONS, 2010. IDBR Bespoke Analysis Service.
Notes:
(i) VAT trader and PAYE employer information forms the basis of the IDBR supplemented by information from Companies House on incorporated businesses.
(ii) Data supplied via a bespoke analysis request. All data as at March 2009

(iii) The IDBR covers businesses in all parts of the economy, missing some very small businesses operating without VAT or PAYE schemes (self employed and those with low turnover and without employees) and some non-profit organisations.

Manufacturing

Manufacturing has traditionally accounted for a large share of employment in rural England. In 2009, 494,887 people representing 13.1% of all employment in rural firms registered for VAT or PaYE were employed in rural factories, workshops offices and other workplaces in this Industry (Figure 1).[2] Only property and business services employed a greater share although when added together the public sectors – Education, Health and Public administration were the largest employer. Even though employment in manufacturing firms has declined in the last couple of years, the decline in rural areas has been considerably lower than in urban areas. Between 2005 and 2009, bespoke analysis of the IDBR manufacturing firms –local units- recorded a 6.7% decline in employment in VAT and PAYE registered firms in rural areas, compared with a 15.7% decline in corresponding urban registered enterprises.

The future growth of manufacturing is difficult to judge. Some of our respondents to our call for evidence suggested that further contraction of manufacturing can be expected, whereas others said that that this decline is/is expected to be at a slower rate than regionally or nationally. For example:

"(The sectors that are experiencing problems are) those sectors that are carbon intensive – manufacturing, process industries. There are some indications that European patents may be an issue in future." (Northumberland County Council)

''...*Declining but not at the same rate as the region or nationally. Overall the sub region has experienced a slight fall (2 percentage points) in its manufacturing base since 1998 to just under 11% of employment. During this period it has only seen a slight decline in the total employed within the sector, unlike England where manufacturing jobs have fallen by 29% over the same period. In York and North Yorkshire, however, this picture in manufacturing masks a significant fall in employment within the large firms particularly in the food and drink sector within the York sub area*.'' (York and North Yorkshire Economic Assessment 2010- Interim Summary)

''*Employment in Manufacturing in Cumbria will decline less rapidly than the NW average in part due to the large proportion of the sector that is closely linked with public sector expenditure – e.g. nuclear and defence. Productivity is unlikely to increase substantially, although the current recession will help eke out maximum output from available resources*.''
(Cumbria Economic Forecasting 2008-2028)''

However there are other reasons to be cautious about assuming the future decline will continue – particularly given the new emphasis on business growth in the Budget and the increased competitiveness of UK manufacturing in export markets due to the decline in value of the pound. We examine some individual manufacturing sectors that have growth potential in rural areas below.

Food and drink

The food and drink industry is the UK's largest manufacturing sector. It contributed £80.5 billion to the economy and employed more than 3.6 million people in food and farming in 2007.[3] Food and drink manufacturers maintained the most stable levels of production of all the manufacturing sectors in the last two years and showed the highest production index for manufacturing in the first quarter of 2010.[4] UK food and non-alcoholic drink exports grew 4.4% in 2009 to £9.65 billion

[2] *ONS, 2010. IDBR Bespoke Analysis Service.*
[3] Defra, Food 2030, January 2010, www.defra.gov.uk/foodfarm/food/pdf/food2030strategy.pdf
[4] Food and Drink Federation, Food manufacturing: a stabilising force in uncertain economic times, last reviewed in 18 May, 2010, www.fdf.org.uk/industry/statistics/manufacturing.aspx

(5.0% to £14.31 billion including alcoholic drinks), recording the fifth annual consecutive growth.[5]

According to Working Futures projections[6], the output growth in the sector is expected to pick up slightly averaging 0.9% per year between 2007 and 2017. On the other hand, the employment is projected to continue its decline as companies merge and productivity increases as a result of technological improvements. In this context, employment in food, drink and tobacco is forecast to contract by 27,000 in England between 2007 and 2017. However, this decline is expected to be more than offset by replacement as around 150,000 people will be needed to replace those that are due to leave the sector.[7]

Table 1: Trends in Output, Productivity and Employment in the UK in Food, Drink and Tobacco, average change in the period

Indicator	1997-2002	2002-2007	2007-2012	2012-2017
Output (% pa)	0.2	0.6	0.9	0.9
Employment (% pa)	-1.4	-2.1	-0.5	-0.8
00s	-34	-48	-11	-17
Productivity (% pa)	1.6	2.7	1.4	1.7

Source: Working Futures 2007-2017, 6725output.xls (Figure 6.x.1)

Food and drink which has traditionally been a key employer in rural areas, is expected to be a driver of economic growth in the rural areas over the coming years.

The East Midlands which is one of the biggest food manufacturing centres in the UK and where rural areas account for a high proportion of employment in particular in Lincolnshire, Peak District and the Welland valley, expects food and drink (along with transport equipment, healthcare and bioscience and sustainable construction) to be a key sector providing potential for growth and high quality jobs.[8] The majority of growth opportunities are expected to come from innovative products (healthy eating, functional foods etc.), ready meals and specialist food products (soy milk, etc.). Leicestershire County Council reports that for Leicestershire -which is home to signature specialities including Stilton and Red Leicester cheese and the Melton Mowbray pork pie- food and drink manufacturing has become increasingly important to the rural economies, now accounting for 16% of manufacturing jobs in the County. In Melton which has recently been designated as the Rural Capital for Food by the National Skills Academy the sector makes up 61% of all manufacturing jobs.

Norfolk, Yorkshire, Northumberland and Cumbria – all with a strong food and drink sector presence – also see opportunities for growth in the sector in the coming years:

- Norfolk County Council reports that the food and drink industry which has a strong presence in Norfolk, with particularly agricultural, poultry and frozen food businesses employing large numbers of people, is expected to grow.

- York and North Yorkshire Partnership Unit reports that although larger scale food processing and manufacturing firms in North Yorkshire has seen a decline in the last ten years, smaller scale manufacturing with its links to local agriculture have experienced steady growth and have the potential to grow further in the future.

[5] Food and Drink Federation, Top Line Performance, 20 April 2010, www.fdf.org.uk/exports/ukexports/topline_performance.aspx

[6] Working Futures 2007-2017 is the latest in a long series of projections produced by Warwick Institute for Employment Research in collaboration with Cambridge Econometrics. These projections were produced before the degree of the economic slowdown became fully apparent. For more information on how these projections were made as well as data sources and methods used to generate these results see Annex A of UKCES, Working Futures 2007-2017, Evidence Report 2, December 2008, www.ukces.org.uk/upload/pdf/Working%20Futures%203%20FINAL%20090220.pdf;

[7] UKCES, Skills for Jobs: today and tomorrow, the National Strategic Skills Audit for England, Volume 1: Key Findings, 2010, www.ukces.org.uk/upload/pdf/NSSA_Volume%201_FINAL_BOOKMARKED_110310.pdf

[8] EMDA, East Midlands Food and Drink Sector Strategy, February 2008, www.emda.org.uk/innovation/FoodDrinkSectorRESImplementationPlan.pdf

- East Riding of Yorkshire Council lists local food and drink among growth sectors in the rural Humber. The Council reports that although there is limited evidence available to quantify its current market share, local food and drink has cross cutting economic contribution supporting local economy and rural tourism.

- Northumberland similarly sees modest growth opportunities for local food businesses adding to the distinctiveness of the County and strengthening its tourism offer (and in return the visitor economy contributing to the growth of the local food businesses as food and drink are high visitor spend areas), even though the food and drink sector has seen a significant decline in the County in the last decade.

- In Cumbria, the food and drink sector is forecast to show the strongest employment growth (among the county's priority sectors) after environmental technology and services[9], growing on average by 0.5 % per year (1.0% in the aspirational scenario) creating 4,600 new jobs (10,100 jobs in the aspirational scenario) between 2008 and 2028.[10] The fastest employment growth in the sector is projected to occur in Eden and in South Lakeland creating 1,600 and 1,400 additional jobs respectively between 2008 and 2018.[11] Based on a high growth scenario, the sector is predicted to grow by £130 million pounds by 2028.[12]

Sector challenges

Skills are viewed as one of the biggest challenges for the food and drink manufacturing sector. EMDA is reporting that the sector's image of ''low pay and low skill'' and poor awareness of the high skills needs of the industry are thought to exacerbate the challenge by making it difficult for the sector to attract and retain new recruits. (It also makes the sector an unattractive career choice for new graduates.) Major skills shortages are reported in management/supervisory roles, technical operators (technologists, engineers, and electricians), craft skills (bakers, butchers, fishmongers, cheese makers, machine operators) and food scientists. In this context, it is thought that there is a need to improve the overall perception of the sector, provide greater access to further education training and up-skill existing staff. [13]

Low investment in research and development, slow uptake of science and new technologies, 'red tape', rising food safety standards, climate change and alternative use of food crops (bio-fuels) are among other challenges facing the food and drinks industry.[14]

Examples of initiatives

- Leicestershire Rural Partnership is working with stakeholders, existing sector support mechanisms and businesses to develop a sub-regional food and drink strategy and action plan; to support the development of food and drink networks as well as skills and training activities; to develop food and drink related tourism; to advance business support and infrastructure development and to promote healthy eating.

- Hambleton District Council, North Yorkshire, has recently developed (with funding from Yorkshire Forward and the European Regional Development Fund) Leeming Bar Food

[9] In terms of overall job creation, food and drink sector is forecast to generate more jobs than energy and environmental technologies and services. The latter, starting from a smaller base, is forecast to create 2,700 additional jobs (5,500 jobs in the aspirational scenario). On the other hand it is forecast to show stronger employment growth, employment growing annually on average by 0.9% (1.6% in the aspirational scenario).

[10] Experian, Cumbria Economic and Skills Audit: Phase 3 Identification of future skills needs and delivery plan, Final report for Cumbria Vision, January 2010

[11] ibid.

[12] Cumbria Vision, Cumbria Economic Strategy (2008-2028): Food & Drink Strategy Action Plan No.4, www.cumbriavision.co.uk/files/documents/4%20Strategy%20Action%20Plan%204%20-%20%20Food%20and%20Drink%20-%20Final.pdf

[13] EMDA(2008)

[14] ibid.

Enterprise Centre to support the local start-up and existing food businesses by providing purpose built food premises as well as business advice and technical support.

- The Cumbria Rural Enterprise Agency (CREA) Food Technology Centre near Penrith, which was opened in 2008, provides local food and drink producers with commercial kitchen units equipped with specialist equipment.

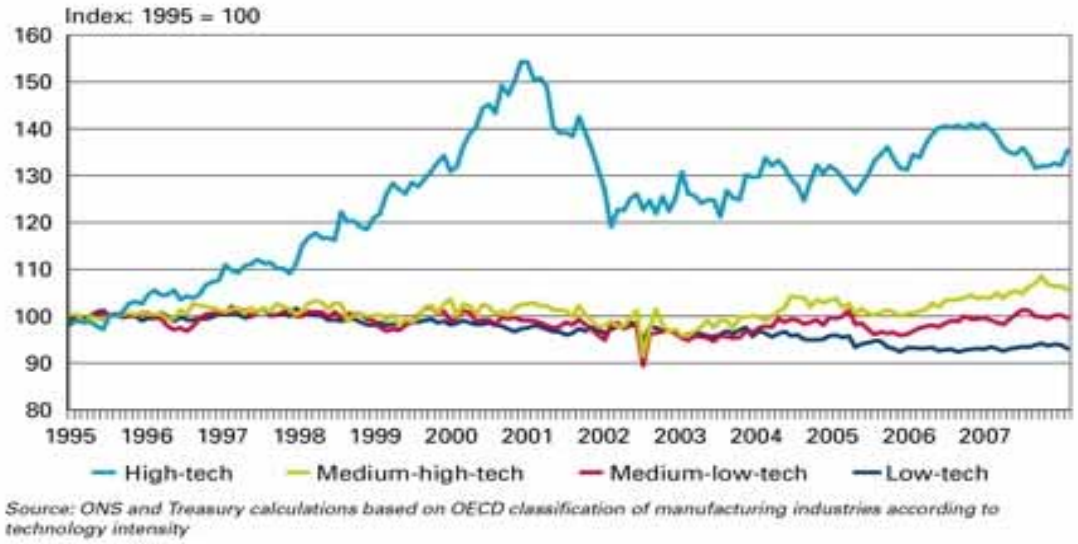
Box 1
Centre for Contemporary Agriculture (CCA)
The recently established CCA which is a collaboration between the University of East Anglia and Easton College provides a wide range of educational and skills-training opportunities (diplomas, continuing professional development, apprenticeship schemes as well as BSc, MSc and PhD degrees) in the in agriculture and food production. The education, training and research are undertaken in partnership with the agri-food industry. Many of the courses are part-time, therefore accessible to those that are already employed in the sector. Norfolk County Council notes that the Centre will add to the world class food research that is carried out in the Norwich Research Park and upskill workers in the sector to create higher value jobs and businesses. The Council expects ''*Norfolk to be a key cog in the wheel to provide the 60,000 jobs needed in this industry in the UK over the next 10 years*.''

Advanced manufacturing[15]

The UK is a leading exporter of high-tech goods, with 25% of UK goods exports defined as high-tech, compared to 22% in the USA, 15% in France, and 11% in Germany.[16] British manufacturing is increasingly focused on high tech areas such as aerospace, industrial biotechnology and electronics, with advanced manufacturing sub-sectors showing a faster growth than any other manufacturing (see figure 1). The sector now accounts for over 40% of UK manufacturing and three-quarters of business R&D investment.[17] Jobs created in the sector are high-skilled and better paid with high-tech manufacturing jobs generating 27% higher wages than average manufacturing.[18]

Figure 2: Manufacturing output in the UK

[15] Advanced manufacturing is described by BIS as ''businesses which use a high level of design or scientific skills to produce technologically complex products and processes.'' BIS, Advanced Manufacturing, July 2009, www.berr.gov.uk/files/file52374.pdf. The advanced manufacturing sector is made up of six manufacturing sub-sectors: aerospace, silicon electronics, plastics/printed electronics, industrial biotechnology, composites and nanotechnology. These sub-sectors also contribute to the supply chain of various other sectors including the digital economy and life sciences as well as the low carbon economy. For more information see UKCES (2010b)
[16] BIS (2009)
[17] Cabinet Office, Jobs of the Future, Building Britain's Future, September 2009, www.hmg.gov.uk/media/41730/jobs_of_the_future.pdf
[18] BIS (2009)



Source: BIS, Opportunities for advanced manufacturing in Britain[19]

Because the manufacturing industry includes some nascent sub-sectors, it is not easy to determine the significance of the sector in rural areas. However, a few of the submissions to the CRC's call for evidence suggest that it is an important sector in some rural areas with the potential for further growth in the future:

- Norfolk County Council reports that engineering and advanced manufacturing is a particularly strong sector across Norfolk. Hethel Engineering Centre in South Norfolk is an important hub that supports the growth of high performance engineering and manufacturing businesses in the area through incubator units, networks, training and events. The demand for the Centre's incubator units has been so high that the Centre recently decided to build an extension to accommodate 11 new start-up businesses that have been on the waiting list to become tenants. The Council points out that the Centre is well placed to contribute significantly to Norfolk's recovery and future growth.

- High Peak Borough Council reports that high technology businesses have traditionally been among the growth sectors in High Peak where 22% of the workforce is employed in manufacturing and engineering sectors. The Council has received a number of enquires about business expansion, site consolidation, and recruitment which potentially can help lead recovery and growth.

- In Cumbria it is expected that a shift towards high value manufacturing will increase dramatically the demand for employees possessing level 4 and Level 5 qualifications: by 2028, it is forecast that an additional 1,400 people possessing Level 5 qualifications will be employed in their specialist manufacturing sector.[20]

Furthermore, rural England boasts some of the most vibrant advanced manufacturing hubs and technology centres in the country, for example:

- The motorsports industry cluster in Silverstone, Northamptonshire, is comprised of around 4,500 small businesses involved in high tech engineering as well as supporting services (such as public relations, sponsorship, finance, legal, commercial rights etc.). It employs 38,500 full and part-time jobs including 25,000 engineers. The industry's annual turnover is £6 billion.[21]

- In Sedgefield, County Durham, the Printable Electronics Technology Centre (PETEC) – a design, development and prototyping facility- leads in groundbreaking research and product

[19] http://interactive.bis.gov.uk/advancedmanufacturing/opportunities-in-advanced-manufacturing-for-britain/
[20] Experian (2010)
[21] House of Commons Business, Innovation and Skills Committee, Full Speed Ahead: Maintaining UK excellence in motorsports and aerospace, 9 March 2010
www.publications.parliament.uk/pa/cm200910/cmselect/cmbis/173/173.pdf

development on plastic electronics whose global market value is forecast to grow to £15 billion by 2015 and £125 billion by 2025.[22]

- The 260 hectare Harwell Science and Innovation Campus in Oxfordshire provides facilities for researchers to undertake world leading scientific research in fields including space science and technology, fusion energy, climate change and medical science and to develop a wide range of innovative products. More than 4,500 people are employed in about 100 organisations in the campus.[23] After the agreement reached at the end of 2008 to locate European Space Agency's UK Centre in Harwell, work is also underway to establish the International Space Innovation Centre (ISIC) in the campus. Once completed, the ISIC is expected to attract inward investment driving innovation in space systems and applications and providing an important economic return

The Care sector

The UK's ageing population is expected to create a significant increase in demand for health and social care services over the coming years. This demand is forecast to grow at a faster rate in rural areas than urban areas. The population is projected to age at a faster rate: The population aged 65 and over is forecast to increase by 62% between 2009 and 2029 in rural areas (compared to 46% in urban areas)[24]. The number of those aged 85 and over is projected to increase even more in the same period; 114% in rural areas (compared to 86% in urban areas).[25] In parallel to this, the number of people aged 65 and over with social care needs is predicted to increase by 70% across rural England (compared with 50% growth in urban areas) from 550,000 in 2009 to 930,000 in 2029.[26]

The increase in demand for services will generate new employment and business opportunities. Skills for Care is forecasting that by 2025, between 2 million and 2.5 million workers will be employed in adult social care –an increase of between 50% and 80% on estimated 2006 figures (1.39 million).[27] According to NESTA, healthcare services for the elderly will grow annually by 4% between 2008 and 2013 and create an additional 111,000 jobs.[28] Rural areas in particular have the potential to benefit from these new economic opportunities, due to their fast ageing societies.

This economic potential is recognised by many of the respondents to CRC's call for evidence. For example, in Herefordshire, where the provision of care for the elderly already accounts for a large number of jobs, an even greater number of skilled jobs are expected to be created in order to meet increasingly complex social care needs and growing demand for more tailored and personalised services as well as to replace staff set for retirement. In York and North Yorkshire, the health and care sector is expected to become a growing sector in terms of future business and employment opportunities. The sector which employs around 40,000 people is expected to increase in size significantly.[29] In Cornwall, where the number of over 85-year-olds is forecast to increase from 13,200 in 2003 to 28,600 in 2028, at least 5,000 units of extra care housing projected are expected to be needed by 2028.[30]

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[22] BIS (2009)

[23] www.harwell.org.uk/; www.stfc.ac.uk/ResFac/HSIC/HSICHome.aspx

[24] Oxford Consultants for Social Inclusion, Mapping the level of need: Assessing the social exclusion of older people in rural areas, Report for Cabinet Office Social Exclusion Task Force, March 2009, www.cabinetoffice.gov.uk/media/221440/ocsi_report_%20older_people_rural_areas_march09%20.pdf

[25] ibid.

[26] Cabinet Office Social Exclusion Task Force, Working together for older people in rural areas, July 2009, www.cabinetoffice.gov.uk/media/226170/working-together-older-people-rural-areas-july09.pdf

[27] Skills for Care, The State of the Adult Social Care Workforce in England, February 2008, www.skillsforcare.org.uk/research/research_reports/annual_reports_SCW.aspx

[28] NESTA, Demanding Growth: Why the UK needs a recovery plan based on growth and innovation, 2009, www.nesta.org.uk/library/documents/PP%2001%20-%20Demanding%20Growth%20print.pdf

[29] The area outside of York is seeing an increase in its old population at a rate of more than twice the national and regional rate. York and North Yorkshire Partnership Unit, York and North Yorkshire Economic Assessment 2010, Interim Summary, 10 March 2010

[30] Cornwall Council, a report prepared by the then Social Services on the demands of an aging population for the Planning Forum.

Sector challenges

However, how much of this potential will transform into real benefits will depend to a great extent on whether solutions can be found to the challenges that the care sector faces in general as well as to the specific challenges that the sector encounters in rural areas.

Due to the nature of the social care sector jobs (which are generally low paid, suffer from being poorly perceived and as having unsociable working hours and being emotionally and physically draining) the sector suffers from recruitment and retention difficulties. According to the 2009 National Employers Skills Survey[31], 6% of employers covered by Skills for Care and Development Sector report hard-to fill vacancies.[32] This is twice the national average. Employers falling within Skills for Care and Development also report one of the highest incidence of vacancies (25%) and skill-shortage vacancies[33] (4%). Winter 2009/2010 Leicester and Leicestershire Business Survey has identified that the occupations which were mentioned most often as ''hard to recruit'' were care assistants and sales representatives.[34] In York and North Yorkshire the health social care sector is already facing recruitment problems.[35]

Herefordshire Council reported that, due to the nature of the job mentioned above, the care industry relies heavily on migrant workers in delivering services especially to the elderly. This reliance is confirmed by the Spring 2010 Migration Advisory Committee Report which lists skilled senior care workers among the occupations where there is a shortage.[36]

Various local initiatives are trying to address these skills challenges. Herefordshire Council, for example, is working with local health training providers in extending training opportunities to social and health practitioners. Craven College is carrying out a training programme to meet the needs of the care sector (Box 2).

[31] UKCES, National Employers Skills Survey for England 2009: Key findings report, Evidence Report 13, March 2010 www.ukces.org.uk/upload/pdf/NESS%20Key%20findings%202009_2.pdf

[32] Defined by UKCES as ''*those vacancies that are classified by respondents as hard to fill*.''

[33] Defined by UKCES as ''*A subset of hard-to-fill vacancies where the reason given for the difficulty filling the position is a low number of applicants with the required skills, work experience or qualifications*.''

[34] Leicester and Leicestershire Business Survey Winter 2009/2010 www.lsr-online.org/reports/leicester_and_leicestershire_business_survey_20092010

[35] York and North Yorkshire Partnership Unit, York and North Yorkshire Economic Assessment 2010, Interim Summary, 10 March 2010

[36] Migration Advisory Committee, Skilled, Shortage, Sensible: third review of the recommended shortage occupation list for the UK and Scotland: Spring 2010, March 2010 www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/third-review-lists/0310/mac-3rd-review-10?view=Binary

Box 2

Passport to Care (Craven College)

Passport to Care (funded by the, former, LSC 'Skills for Jobs' programme), which commenced in September 2009 (first enrolments in October) is a training programme which aims to provide the potential workforce with the qualifications and training to meet the needs of the care sector. Participants are unemployed adults (19+ and without a L2 qualification) living in North Yorkshire, including disadvantaged groups such as lone parents, older job seekers, LLDD, BMEs, those facing barriers of rurality and those who have been made redundant. Regular Consultation with care employers ensures that the courses on offer to participants provide them with the skills required to work in this sector and that the businesses are made aware of the opportunity to work with the project to recruit participants.

As part of the training package, the participants also get the opportunity to meet with a local employer (some with vacancies) at the start of the project, and sometimes part-way through as well. The employer will talk about what working in the sector involves/job roles/skill sets required and answer questions from the group.

Achievements as of May 2010: 47 starts on accredited courses, 20 starts on non accredited courses, 10 into jobs (with 10 additional job offers where applicants are waiting to start subject to CRB), 2 remaining in jobs after 13 weeks, 1 into volunteering and 4 into further learning. The majority of other participants are still on programme which means that they get support with finding jobs to apply for, volunteering and further learning opportunities. Those participants who have found difficulty gaining employment (unsuccessful at application or interview) have been offered further training.

The project is due to be completed in October 2010.

Lack of affordable housing, reduced provision of public transport, distance from markets, greater travelling times and higher costs of delivering care all add to the challenges in rural areas. Craven College reports that ''*transport has been an issue with employment...there are many vacancies for domiciliary care which are unsuitable for non-drivers*'' East Riding of Yorkshire Council reports anecdotal evidence which suggests that ''*adult Services often have problems sourcing or recommending care packages for clients in deep rural areas due lack of capacity/distance etc*.'' On the other hand the Council also highlights that although there are clear gaps in provision and a growing market for transformational approaches to adult social care provision, ''*getting cross departmental and cross sector working on project development into place has been a slow process, and funds for initial development work are difficult to source*.''

Some of these gaps might be reduced by greater use of social enterprises. The East Riding of Yorkshire Council for example calls for the promotion of the implementation of the Department of Health/NAAPS Local Support Agency model and seed-corn funding for micro and social enterprise start-up in the health and social care sector.

These challenges present questions for the business model used by care providers and the funding and other support for the sector from government (for example around investment in training and staff and consideration of the level of pay and travel expenses offered). (Box 3).

Box 3

To help inform our response to the 'Big Care Debate' CRC issued a call for evidence via our website during September 2009. As part of the call we asked a number of open questions including whether there were any additional costs in delivering care and support in rural areas. A supplier of care operating in rural communities responded with the following:
"As a company we charge £14.13 per hour. If a client lives 15 miles from the nearest carer no mileage is paid by the client or the service purchaser. The care delivery is usually 30 minutes but the time involved in travelling is 45 minutes to 1 hour. As a company we receive £7.20 from the local authority. We pay our carer £3.12 for the half hour. Additionally we pay the carer £4.50 for the mileage bringing the total cost of the care delivery for the half hour to £7.62 after adding 50p for National Insurance we lose £1.00 every half hour when an individual call is taken. As you can see no company could sustain that loss and it is only with a number of clients that the system becomes efficient. However it is sometimes many weeks before there is a sufficient number of clients available... unless the mileage issue and travelling time are paid for the service delivery will be severely restricted."

Land based industries

According to Lantra[37], there are about 166,200 businesses (of which 88% employ less than 5 people compared to the national average of 69%) and 858,330 people employed (of which 39% are self-employed compared to the national average of 13%) in the environmental and land based sector[38] in England.[39]

The Working Futures projections show that both output and productivity in the 'agriculture, etc'[40] sector will increase over the next couple of years. In contrast, the employment is expected to continue its declining trend falling by around 2.5% per year as the productivity growth (expected to be between 3.0 and 3.4%) outpaces output growth (expected to be between 0.4 and 0.9% pa); many small farms close and large farms substitute labour with machines; diversification to other activities (such as tourism) continues; and possible new outbreaks of animal diseases put pressure on the sector.[41]

Table 2: Trends in Output, Productivity and Employment in the UK in the agriculture, etc average change in the period

Indicator	1997-2002	2002-2007	2007-2012	2012-2017
Output (% pa)	1.3	1.2	0.4	0.9
Employment (% pa)	-5.3	0.4	-2.5	-2.4
00s	-140	9	-55	-45
Productivity (% pa)	7.0	0.8	3.0	3.4

Source: Working Futures 2007-2017, 6725Output.xls (industry profile). CE/IER estimates based on ONS data.

On the other hand, a significant number of new workers will be needed to replace those that are due to leave these sectors (mainly because of retirement). In this context, while the overall employment in the sector is forecast to contract by 71,000 in England between 2007 and 2017, these sectors is expected to require 86,000 new recruits as those that are leaving the sector will be far greater than the overall decline.[42]

Despite this continued decline in agricultural employment, the sector remains a significant part of the rural economies. In 2009, agriculture was the second largest sector (after property and business services) in terms of count of businesses operating in rural areas with 91,875 VAT and/or PAYE based businesses.[43] In contrast the sector provides lower share of rural employment as shown in Figure 1 (above).

[37] The Sector Skills Council for environmental and land-based industries.

[38] Lantra defines the environmental and land based sector in terms of 17 sub-sectors: agricultural crops, agricultural livestock, production horticulture, aquaculture, trees and timber, fencing, floristry, land-based engineering, animal care, animal technology, equine, farriery, veterinary nursing and ancillary activities, environmental conservation, fisheries management, game and wildlife management, horticulture, landscaping and sports turf.

[39] Lantra, Environmental and Land-based Industries Labour Market Information, Research Factsheet for England, October 2009, www.lantra.co.uk/stakeholders/research-documents/skills-assessment/report/

[40] Working Futures 2007-2017 defines agriculture etc, as arable faming, livestock production, horticulture and related services, forestry and provision of recreational facilities and roads by forestry units, and commercial sea and inland fishing. UKCES (2008).

[41] ibid.

[42] Lantra, A Skills Assessment for the Environmental and Land-based Sector, UK Report, October 2009, www.lantra.co.uk/stakeholders/research-documents/skills-assessment/report/

[43] ONS, 2010. IDBR Bespoke Analysis Service

Many of the submissions to our call for evidence also confirm the importance of the sector for the rural economies. For example in Herefordshire, agriculture, hunting and forestry accounts for 9% of employment (compared to 1% in the region and England). Similarly in York and North Yorkshire, land based industries and agriculture is still important for the sub-regional economy, in particular in the remoter rural parts of the Vales and Tees area. Northumberland County Council reports that the proportion of GVA derived from land-based industries and FTE workers in the sector is forecast to be static (on a ''do nothing'' scenario). On the other hand, the sector is said to remain ''*a critical factor in the economic success of Northumberland*''.[44] Leicestershire, Norfolk and Herefordshire County Councils all see opportunities for growth in the sector.

Farm diversification is also providing an important source of income. Figures show that 51% of farms in England have some form of diversified activity.[45] Last year, diversification accounted for 10% of total farm income generating £300 million.[46] In Leicestershire, it is reported that many land based businesses are now depending on diversification into tourism as a primary source of income.[47] East Riding of Yorkshire Council and Craven College identify farm diversification as a potential growth sector. In this context, East Riding of Yorkshire Council gives an example of a successful and expanding local brewery: Wold Top Brewery established on farm in the Yorkshire Wolds has a considerable local area market presence and is an active member of the East Riding Local Food/ Produce Network.

Sector challenges

Although growing global demand for food is a reason for optimism in the sector, issues such as shortage of skilled workers, underinvestment in farm infrastructure including research and development as well as training and skills, strength of the pound, access to finance and support, community Infrastructure Levy, and deductions in agricultural buildings allowance are a cause for concern.

According to Lantra, environmental and land-based sector is facing ''*a critical shortage of skilled workers*''.[48] This is mainly due to perceptions about the sector (low wages, poor conditions, and unsociable hours) which make it difficult for employers to attract new recruits; and an ageing working force, with the workers over the age of 65 constituting 7% of the workforce in the sector in England compared to 2% across the economy as a whole.[49] Migrant workers have been an important source in meeting labour needs, with non-UK born nationals constituting currently 12% of total employment within agriculture.[50] However, migrant workers numbers have declined in the past two years and there are concerns about the sustainability of reliance on migrant workers in the long term.

The skills shortages are most concentrated in skilled trade roles -in terms of volume and density- (in particular farmers, farm workers, florists).[51]

Qualification attainment is lower than many other sectors: 65% have qualifications of level 2 and above compared to the national average of 74%; the remaining have level 1 or no qualification compared to the national average of 24%.[52] On the other hand, Lantra highlights that, employers prefer individuals learning on-the-job or taking up short courses rather than full qualifications and that jobs in the sector are often highly skilled when on-the-job training (which does not result in a formal qualification) is taken into account. It also reports that many in the sector are actually overqualified as there is a greater demand for workers without any formal qualifications

[44] Northumberland Economic Strategy (2010-2015) Draft Consultation, February 2010 www.nsp.org.uk/downloaddoc.asp?id=1779
[45] NFU, 23 April 2010, www.nfuonline.com/Our-work/Economics-and-International/Farm-economy/This-time-next-year---/
[46] ibid.
[47] ECOTEC, Supporting Leicestershire's Rural Economy- A Sector Scoping Study, A Final Report to Leicestershire County Council, 16 January 2009 www.oakleaves.org.uk/uploads/supporting-leicestershires-rural.pdf
[48] Lantra, Skills Priorities for the Environmental and Land-based Sector, A Summary of the Skills Assessment Report, December 2009, www.lantra.co.uk/stakeholders/research-documents/skills-assessment/report/
[49] Lantra (2009a)
[50] ibid.
[51] ibid.
[52] Lantra (2009b)

and with Level 3 qualifications while, in contrast, there are more workers with Level 1, Level 2 and Level 4 than there are jobs at these levels.[53]

Although the environmental and land-based businesses invest more on training per employee than any other sector, it is also one of the sectors with the lowest proportions of employers providing training and lowest proportions of employees benefiting from training. The high expenditure is thought to be related to the lack of economies of scale.

While the overall employment in the sector is forecast to contract by 71,000 in England between 2007 and 2017, the sector is expected to require 86,000 new recruits as those that are leaving the sector will be far greater than the overall decline.[54] The shift from low skilled to high skilled occupations is expected to continue with the job losses (71,000) forecast to come from intermediate and low skilled occupations (and not any high skilled jobs) while new recruitment (86,000) will be in intermediate-especially skilled trades which require level 3 qualification (38,000), high (29,000) and low (19,00) skilled occupations.[55]

To tackle these issues Lantra reports that ''*attracting new entrants to the sector is a key priority*''. Furthermore, Lantra highlights devising and implementing schemes that recognise more informal skills development as another priority.[56]

Other issues that are mentioned by the submissions include the following:

- The National Farmers Union (NFU) reports that low profits for a number of years have led to underinvestment in farm infrastructure and that ''***confidence in the future profitability of farming is essential if the investment gap is to be closed and the UK's productive capacity safeguarded and developed***''. Farmway Limited, a farmer controlled business based in the north east of England (box 4), similarly indicates that in the last 10 years agriculture has not made enough profit to allow for R&D as well as investment in training and skills.
NFU points out that the Community Infrastructure Levy (CIL)57 could ''act as a brake on investments'' and hence undermine UK agriculture's ability to respond to growing global demand or to diversify into new activities. NFU highlights that CIL -which it describes as in essence a levy on the uplift in land value when planning permission is granted for a development- would have to be paid from the agricultural enterprise's revenues as there is ''no such uplift in land value when planning permission is given for the development of an agricultural building''. There are also concerns that the ''recent deductions in agricultural buildings allowance do not send a clear policy to encourage farmers to invest'' (Farmway Limited).

- To assist growth in farming, food and allied activities, the NFU urges the government to create an Ombudsman ''with teeth'' to monitor, communicate and enforce compliance with the Grocery Suppliers Code with a view to ensure equitable treatment of suppliers. The treatment of farmers and growers is intimately linked to the growth, structure and operation of the food and drink sectors.

- NFU states that lending to farmers remained strong throughout the recession although arrangement fees and terms are reported to have increased significantly: According to NFU, Bank of England statistics show that outstanding lending to agriculture increased by 5.7%

[53] Lantra (2009a)
[54] ibid.
[55] ibid.
[56] ibid.
[57] CIL is new charge that allows local authorities in England and Wales, to levy (on a voluntary basis) a standard charge on most types of new development, to fund the infrastructure needed to support development in their area. For more information see www.communities.gov.uk/planningandbuilding/planning/planningpolicyimplementation/reformplanningsystem/planningbill/communityinfrastructurelevy/

between Q3 2008 and Q3 2009.[58] Twelve-month growth rate of lending to UK businesses in Q3 2009 on the other hand averaged at -4.6%.[59] NFU reports that they are hearing of cases where finance for farm diversification projects is more difficult to access ''*with lenders favouring core farming activities*''. This is confirmed by Farmway Limited which states that finance is not available. In addition to this, Farmway Limited mentions that schemes which are partly funded by the EU are highly complex and involve a lot of administration.

- Northumberland County Council reports that as well as retaining skilled farmers and access to subsidy and support, the effects of climate change and the future of CAP policy may be a key issue.

Digital and creative industries

The creative industries sector in the UK contributed to 6.2% of GVA in 2007[60] and grew by an average of 5% per annum between 1997 and 2007 compared to an average of 3% for the whole of the economy.[61] It employed an estimated 1.9 million in the third quarter of 2008. The employment grew by an average of 2% per annum between 1997 and 2008 compared to an average of 1% for the whole of the economy.[62] Software, computer games and electronic publishing showed the highest average growth in GVA (9% p.a.) and employment (5% p.a.) and increasingly accounted for the biggest share of GVA (2.9% in 2007).[63] According to NESTA, the creative industry is estimated to continue to grow by 4% each year between 2008 and 2013 creating 150,000 jobs between 2007 and 2013.[64]

A research study on the role of the creative industries in rural economies in the UK[65] showed that generally the share of employment of creative and cultural industries tends to be smaller in rural areas than in urban areas and larger in the fastest growing rural areas than slowest growing rural areas. The creative industries sector accounted for 5.5% of employment in the 50 fastest growing rural districts and 4.6% of employment in the 50 slowest growing rural districts in 2004 (compared to 6.2% in the UK). The research also established a correlation between growth and the creative services (including software consultancy, architecture, advertising, market research and design). In this context, the proportion of workers employed in creative services is higher in the fastest growing rural areas. Furthermore, most of the districts with large creative and cultural sectors tend to be located in Southern England, whereas rural districts with very small creative and cultural sectors tend to be located in the North. For example, in 2004 the sector accounted for over 10% of all employment in the South Oxfordshire (13.1%), South Buckinghamshire (12.5%) and South Cambridgeshire (10.8%). It accounted for less than 2% in South Holland (1.9%), Sedgefield (1.8%) and Wansbeck (1.5%). Other research[66] found a link between the share of employment and proximity to successful urban economies: the rural districts where creative industries account for the highest share of employment tend to be located close to urban centres whereas the rural districts with the smallest share of creative industries employment lie further away from urban areas.

GVA per employee in the creative industries is also likely to be higher in urban areas than in rural areas suggesting that urban areas are home to a greater proportion of high-value

[58] This is seen by NFU as an indication of the bank support for farming as well as the need for credit by farmers as the sector have come under pressure.

[59] Bank of England, Trends in Lending, June 2010, www.bankofengland.co.uk/publications/other/monetary/TrendsJune10.pdf. See CRC's January 2010 Rural Recession Intelligence Report on Business Performance for more information on issues related to availability and cost of finance.

[60] This excludes crafts and design for whom figures are not available.

[61] DCMS Creative Industries Economic Estimates-February 2010, http://webarchive.nationalarchives.gov.uk/+/http://www.culture.gov.uk/reference_library/publications/6622.aspx

[62] ibid. This figure also includes 800,000 creative jobs within businesses outside the creative industries.

[63] ibid.

[64] NESTA (2009)

[65] Burns Owens Partnership and Experian, Creative Countryside-Creative Industries Driving New Rural Economies Phase 1 Report, September 2006, www.nerip.com/download.aspx?id=710

[66] Burns Owens Partnership, Written by Jo Burns and Colin Kirkpatrick, Creative Industries in the Rural East Midlands, Data Report January 2008 http://ruralculture-em.org/resources/publications/EM_Rural_Creative_Industries_Data_Report.pdf

companies than rural areas. A study on the creative and cultural industries in the East Midlands showed that in 2004, the average GVA per employee in the creative industries was £39,700 in the urban districts compared to £26,300 in the rural districts.[67]

On the other hand, the creative industries sector has seen significant growth in some rural areas over the last decade. In the East Midlands, employment in the creative industries grew by 20% between 2001 and 2005 compared to 8% employment growth in the economy as a whole. In the same period, the number of creative industries businesses increased by 23% in the rural districts compared to 11% growth for businesses in the economy as a whole.[68]Furthermore, the relative growth of creative industries GVA per employee was higher in rural districts than in urban districts between 2000 and 2004 (increased by about 14% across all rural districts of the East Midlands).[69]

The decline of employment in urban areas has also been observed in other studies covering Westminster and Bristol & West of England suggesting "*signs of a partial shift in the creative industries from city centres to more suburban, out-of-town and rural locations*".[70] This is thought to be generally influenced by increasing cost of premises in urban areas and improvements in communication technologies, providing businesses with the freedom to locate where they wish as long as they have access to a good broadband connection.[71]

Norfolk County Council, Leicestershire County Council, East Riding of Yorkshire Council, Herefordshire County Council and Northumberland County Council all see potential for growth in the sector. The sector is also among the priority sectors in Cumbria. Although around only 5% of the cultural and creative businesses in the North West are based in Cumbria, the cultural sector is seen as improving quality of life and being part of the visitor offer while the rapidly growing digital media is a generator of wealth on its own right. Copeland accounts for one third of Cumbria's computing business and South Lakeland for more than one third of the fashion, interior and graphic design houses.[72]

Sector challenges

The creative industries sector is heavily reliant on high speed broadband in order to develop content and to deliver the goods and services they produce to the market. Lack of high speed broadband in rural areas is a major challenge covered in the Generic challenges section below. Herefordshire County Council notes that "*whilst Herefordshire wants to invest in digital economy sector, it is hindered by the lack of ICT infrastructure in the county*." A research on the creative industries in the rural East Midlands found that larger technology based companies in the sector would not relocate to rural areas where there is no reliable access to broadband.[73] Animators and designers based in Cornwall frequently have to travel to Bristol or London to deliver the products to the customers on hard drives.[74]

A study on the creative industries in rural England[75] showed that businesses also face difficulties with planning applications to change the use of agricultural buildings to businesses or cultural premises and applications are often rejected on aesthetic grounds. There is a perception among

[67] Burns Owens Partnership, East Midlands Urban and Regional Creative Industries Data Study, Final Report, March 2008 www.artsderbyshire.org.uk/documents/EastMidlandsUrbanCreativeIndustriesFinalReport.pdf

[68] Burns Owens Partnership (2008a).Between 2001 and 2005 employment in the creative industries grew by around 25% in Rural 50 and Significant Rural districts and 7% in Rural 80 districts compared to -7% in Large Urban and 8% in Other Urban districts. In the same period, the number of creative businesses increased by around 25% Rural 50 and Significant Rural districts and 20% in Rural 80 districts compared to 19% in Other Urban districts and 10% in Large Urban districts. For more detailed analysis see Burns Owens Partnership (2008b)

[69] Burns Owens Partnership (2008a); Burns Owens Partnership 2008(b)

[70] Burns Owens Partnership (2008b)

[71] ibid.

[72] Experian (2010)

[73] Burns Owens Partnership (2008a)

[74] Times Online, Surf's up for plan to link Cornwall to superfast broadband, 3 April 2010, http://business.timesonline.co.uk/tol/business/industry_sectors/technology/article7086218.ece

[75] Burns Owens Partnership and Experian, Creative Industries Driving New Rural Economies, Phase 2 2007, www.nerip.com/download.aspx?id=711

many businesses that the councils apply less stringent criteria with planning applications from agricultural businesses and they favour diversification from one land-based business to another land-based business. Some businesses also mentioned difficulties in getting permission for live/work space.

Low carbon economies

The UK Low Carbon and Environmental Goods and Services (LCEGS)[76] sector had an estimated market value of £112 billion, employing 910,000 and involving 52,260 specialist supply chain companies in 2008/2009. The sector is estimated to have grown by 3.6% in 2008/2009. Renewables sub sectors are estimated to have grown by 5.2% in the same period.[77] The growth in the sector is expected to reach 3.9% by 2015/2016 (5.9% in the renewables sub sectors).[78]

Low carbon economies will remain a national priority sector in the years to come. The coalition's programme for government which includes a wide range of measures to realise a low carbon economy –including establishing a green investment bank, promoting anaerobic digestion, establishing a smart grid and rolling out smart meters, encouraging marine energy- is further proof of this commitment. Rural England, with its high rate of entrepreneurship, natural resources and heavy reliance on heating oil, LPG or solid fuel for heating, has huge and unique potential to contribute to and benefit from the transition to a low carbon economy particularly in the generation and use of renewable energy from local resources.

Information on the scale of the low carbon sector in rural areas is limited and fragmented. However, submissions received by the CRC following the call for evidence as well as a review of the economic strategies of some of the largely rural counties suggest that it is increasingly recognised as a driver of growth.

Cumbria is one of the most ambitious counties in this area, stating in its economic strategy[79] that it aims to be the "*UK's leading county for the development and deployment of low-carbon technology and become a net exporter of nuclear & renewable energy*". Major opportunities are seen in exploiting resources from the coastline for tidal projects, woodland for biomass, off shore wind, rain for on-shore hydro and energy from waste material from the hospitality and food and drink sectors to create biogas.[80] Britain's Energy Coast™, a £2 billion package of regeneration projects, is seen as a catalyst to transform Copeland, Allerdale and Furness to a centre of excellence for energy technologies. Employment in the energy and environmental technology and services in Cumbria is expected to show the biggest growth forecast than for any of the other key sectors, increasing by 19% between 2008 and 2028; Copeland plans to be the main hub with more than 15,000 jobs located in the district. [81]

Another projection shows that between 4,262 and 7,550 jobs could be created by 2020 in Cumbria in renewables.[82]The majority of those jobs are expected to be created in solar and

[76] The LCEGS sector as defined by Innovas consists of Environmental (Air Pollution Control, Environmental Consultancy, Environmental Monitoring, Marine Pollution Control, Noise and Vibration, Contaminated Land Remediation, Waste Management, Water Supply and Waste water Treatment, Recovery and Recycling), Renewable Energy (Hydro Wave and Tidal, Biomass, Wind, Geothermal, Solar PV, Renewable Consulting) and Emerging Low Carbon (Alternative Fuels, Fuels for Vehicles, Additional Energy Sources, Carbon Capture and Storage, Carbon Finance, Energy Management, Building Technologies)

[77] Innovas Solutions Ltd., Low Carbon and Environmental Goods and Services: an industry analysis, Update for 2008/2009, March 2010, www.bis.gov.uk/assets/biscore/business-sectors/docs/10-795-low-carbon-environmental-goods-analysis-update-08-09

[78] ibid.

[79] Cumbria Vision, Cumbria Economic Strategy (2008-2028): Energy and Environmental Technologies Strategy Action Plan No.1, www.cumbriavision.co.uk/files/documents/1%20Strategy%20Action%20Plan%201%20-%20Energy%20%20Environmental%20Technologies.pdf

[80] Cumbria Vision, Cumbrian Economic Strategy 2009-2019, February 2009, www.cumbriavision.co.uk/template.asp?l1=800

[81] Experian (2010)

[82] Cumbria Vision, The Scope for Renewable Energy in Cumbria, August 2009 www.cumbriavision.co.uk/files/documents/The%20Scope%20for%20Renewable%20Energy%20in%20Cumbria%20FINAL.pdf

geothermal, as the components of large wind farms are currently often imported. On the other hand Cumbria is said to have major potential for small-scale wind energy installations, solar systems and heat pumps as well as anaerobic digestion of farm and food wastes and for wood burning boilers. Small scale ground and air-sourced heat pumps are increasingly popular, particularly in rural areas which are off the gas network and rely on oil for heating.

Northumberland aspires to ''*develop an exemplary low carbon economy*'' and sees great potential for micro and macro renewable energy generation; particularly *"on and off-shore wind turbines, solar voltaic and solar thermal systems, and heat pumps"*. [83]Northumberland County Council highlighted that this will not only create new jobs but also protect energy intensive industries by reducing carbon intensity, and by producing heat or energy as a by product or capturing carbon emissions. It is believed that the New and Renewable Energy Centre (NaREC) in Blyth – an independent and cross-disciplined research and development platform – which facilitates the development and commercialisation of new and renewable energy technologies- will be key in realising Northumberland's aspiration in this area. Northumberland County Council reported that, although larger scale rural businesses have benefited from the Centre, the reported benefit to smaller rural businesses was less positive. On the other hand, the Innovation Connector project is expected to make the Centre more accessible.

Similar to Cumbria, Northumberland sees great potential for micro renewables to replace oil as a source of heat in rural areas. On a wider scale, ''*clean coal technology and the potential for Biomass Combined Heat and Power plants are being explored as a means of generating low-carbon or 'carbon neutral' energy and of improving energy security through reducing reliance on fossil fuels.*'' Kielder Forest and other woodland areas are viewed as potential sources for energy generation from biomass. Northumberland Council reported that subject to supply and demand for biomass generated energy at a regional level, the county could be a significant contributor to the Forestry Commission's 2007 Woodfuel Strategy for England. Northumberland National Park's ''Strategic Action Plan for a Low Carbon National Park in the North East of England'' seeks to generate and protect around 500 jobs in the rural economies and provide support to 200 businesses. The Council also notes that there is further potential for anaerobic digestion of organic wastes including farm slurry and food waste.

Others that recognise low carbon economies as a priority or as having potential for growth include the following:

- Herefordshire Council acknowledges that the shift to low carbon demands will result in a global market for low carbon and environmental goods and services. Recently, it launched its wood fuel strategy aimed at helping business build competitive investments and create green-collar jobs.

- East Riding of Yorkshire lists renewables among key sectors with the potential to create new employment opportunities and generate wealth in Rural Humber. There are already some important examples of both large and small-scale projects in the area. One of the three biomass-fired renewable energy plants that Drax and Siemens Project Ventures are planning to develop will be located in Immingham. During the three-year construction period, the project is expected to create up to 850 jobs in the area and contract opportunities for the local business. Once it is operational, the plant is expected to provide up to 150 jobs. A large scale anaerobic digestion plant is due to be opened by a farmer in the East Riding of Yorkshire in July 2010. When it is opened, the plant is expected to divert 50,000 tonnes of food waste from landfill saving 28,000 tonnes of CO2 per year. East Riding of Yorkshire is reporting that wind-farms are already well established in Rural Humber, although they have polarised public opinion. Energy crops/biomass is also viewed as an area offering significant potential.

- York and North Yorkshire Partnership Unit reports that although research on the potential of this sector is still ongoing, early evidence suggests that North Yorkshire and its rural areas are well placed to take advantage of this growing sector.

[83] Northumberland Economic Strategy (2010-2015) Draft Consultation, February 2010 www.nsp.org.uk/downloaddoc.asp?id=1779

- Cornwall Council notes that this is one of the thematic priorities of the Council's Economic Development Service. The Council emphasises "*that the issue that Cornwall has is being able not only to harness the energy generation potential of its environment but (perhaps more crucially) to develop the skills to support that potential i.e. the people who fit the solar panels, the people who make the widgets for the wind turbines etc*."

- NFU reports that farmers acknowledge that they can increasingly contribute to the low carbon economy in particular in biomass and anaerobic digestion. NFU aims for agriculture sector to become a net energy exporter in the future.

Sector challenges

Not having workforce with the right set of *skills* carries the risk of reducing drastically the economic benefits of the transition to a low carbon economy. Cornwall Council for example reports that they will soon begin looking at low carbon skills and "*The issue is one of diversifying the existing skills set in the construction industry that is over-reliant in Cornwall on the public sector and/or developing fresh capacity. There is a danger that those parts of the world who are skilled in this area of manufacture will import while workers in Cornwall fit, or worse still we have to import the fitters as well so the economic impact is reduced*."

The low carbon economies already suffer from a demand/supply imbalance in the labour force. This is expected to become more of an issue in the coming years as the sector continues to grow and the workforce ages. According to the Low Carbon Cluster Sector Skills Assessment Report[84] the conventional, renewable and nuclear power generation sectors are all forecasting a big part of their workforce to retire in the next 10-15 years. At the same time, the sector has difficulty in recruiting young people as they find many of the jobs in these industries unattractive and are also hesitant to get STEM (science, technology, engineering and mathematics) qualifications. It is noted that the inadequate supply of a skilled labour force in the wind and marine technologies is leading to the poaching of staff.

There are also big skills shortages for qualified and experienced installers of microgeneration technologies. Evidence from Community Energy Solutions (deliverers of air source heat pumps in rural communities in the North East) at a CRC hosted round table for off gas stakeholders highlighted that only 10 out of every 50 installers have experience of fitting air source heat pumps despite being registered to the Microgeneration Certification Scheme. Limited supply of experienced installers is driving up costs.

Furthermore, access to and cost of training can be a problem particularly for small businesses. Many of the people interviewed in a recent study by IPPR said that courses and certifications (including the Microgeneration Certification Scheme for solar heating, solar PV, micro wind, heat pump and biomass installers) were too expensive for small businesses and individuals. It is also difficult for many employees of small businesses to take time out to attend classes.[85]

Local community objection and planning restrictions is another concern. For example, in Cumbria, which is in large part designated for its landscape qualities, there is a perception that current planning procedures "needlessly impede or delay" renewable energy projects.[86] Site approval is particularly difficult to get for on-shore wind farms: it is thought that it can take up to five times as long as in best-practice European countries to get planning consent.[87] In some cases there may be strong local community objection to on-shore wind farms due to worries that they reduce the attractiveness of the landscape and harm tourism and the noise and visual

[84] Sector Skills Councils, Low Carbon Cluster Sector Skills Assessment Report, December 2009, www.sscalliance.org/nmsruntime/saveasdialog.aspx?lID=974
[85] IPPR, Future's Green: Jobs and the UK Low Carbon Transition, October 2009, www.ippr.org.uk/publicationsandreports/publication.asp?id=712
[86] Cumbria Vision (2009b)
[87] Bain & Co. for BWEA, A Closer Look At the Development of Wind, Wave & Tidal Energy, www.bwea.com/pdf/publications/Bain%20Brief_Wind%20Energy%202008_FINAL.pdf

intrusion reduce property values.[88] On the other hand, recent polling by MORI found that 80% of rural people supported wind power generation and 75% of rural people supporting wind power 'in their local area' – a higher percentage than in urban areas.[89] Northumberland County Council similarly reports planning policy restrictions, limitations of landscape/biodiversity/heritage protection and cultural resistance to renewable energy installation.

There are also issues around feed-in tariffs. The introduction of the Feed-in Tariff in April 2010 and the Renewable Heat Incentive which the coalition government is looking into are expected to increase consumer demand for microgeneration technologies and therefore to provide new opportunities especially in the rural areas. However, concern about eligibility for Feed-in Tariffs and the unknown framework for a Renewable Heat Incentive, as yet to be defined by government, has led to hesitation within community-led micro generation projects for photovoltaic and turbine generation schemes. Similarly, NFU reports that contradictory policy signals and lack of clarification "*act as a brake on the nascent on-farm renewables sector and discourages uptake*". In this context it draws attention to the concern that beneficiaries of Rural Development Programme for England's grant support for capital investment in renewable energy technology cannot benefit from feed in tariffs. The Association for Rural Community Councils (ACRE) are also receiving complaints from rural Village Halls who expected to claim feed-in tariffs for renewable energy investments but are experiencing difficulties due to confusion over their eligibility associated with previous grant support.

Grid connectivity and capacity is another concern. According to industry experts "*Grid capacity is limited in the areas where there is good wind supply and site approval is achievable. Getting significant transmission capacity built out to remote locations can take up to 10 years*". [90] The lack of large grid connections is seen as the biggest obstacle to large-scale energy production in Cumbria.[91] This is also an issue for microgeneration in rural areas. Evidence from Community Energy Solutions to the CRC's round table on off gas communities found that in some cases clusters of heat pumps have placed additional electrical demand on the network, particularly during start up and shut down times, leading to electrical upgrade work adding significant cost and delays to some rural projects.

Access to support and knowledge as well as development costs involved are also cited as issues. East Riding of Yorkshire Council reports that although energy crops/biomass is seen as an area offering significant potential, capital costs and understanding of the technology are thought to be holding back rapid progress. CRC's Rural Experience visits to community led renewable energy projects in the Fens and the Peak district also found that access to development capital and advice to support projects through the business development and planning stages was a real barrier preventing further growth in activity

Tourism

In 2009, the tourism sector was estimated to have contributed £52 billion (4% of UK GDP) to the British economy and employed 1.36 million (4.4% of the total UK workforce). Once the indirect impacts (interaction with other businesses in the supply chain) are taken into account, it is estimated that the sector's total contribution accounted for £115.4 billion of GDP (8.9% of GDP) and 2.64 million jobs (8.5% of the total workforce). By 2020, the sector's total contribution to GDP is expected to be 187.8 billion (8.8% of UK GDP), generating 250,000 jobs (with jobs in the visitor economy accounting for 8.9% of total employment.).[92] The tourism sector also has wider economic, social and environmental benefits for the local economy such as contributing to environmental protection and regeneration and supporting the viability of many services. The

[88] Cumbria Vision (2009b)

[89] Commission for Rural Communities, Rural Insights Resident Survey 2009 Research Report undertaken by Ipsos Mori, 8 March 2010, http://ruralcommunities.gov.uk/files/CRC%20Rural%20Insights%20FINAL%20Report%2008.03.10.pdf

[90] Bain & Co.

[91] Cumbria Vision (2008a)

[92] Visit Britain, United Kingdom Dashboard (which updates figures of the Deloitte study: The economic case for the visitor economy, Final Report, September 2008) www.visitbritain.org/Images/2-page%20dashboard%20-%20UK%2011%2003%2010%20-%20final_tcm139-186145.pdf

coalition recognised in its government programme the contribution of the sector to the national economy and announced that it will take steps to improve its competitiveness.

Evidence shows that in general, rural areas rely more on tourism related activities than urban areas (even though there are some exceptions). Therefore, the projected growth in the sector can be expected to benefit the rural areas the most.

Table 3: Top ten visitor economy employment share hotspots

Rank	Region	District	Tourism %
1	South West	Isles of Scilly	31%
2	South West	West Somerset	25%
3	East	Forest Heath	22%
4	London	Kensington and Chelsea	21%
5	South West	Penwith	21%
6	North West	South Lakeland	20%
7	North West	Eden	20%
8	South West	Restormel	20%
9	North East	Berwick-upon-Tweed	19%
10	Yorkshire and Humber	Scarborough	19%

Source: Annual Business Inquiry; Deloitte Analysis

Submissions to our call for evidence also show that tourism is seen as a strength which has the potential to grow in the future. Some examples are:

- *''Developing the visitor economy is considered to be one of Northumberland's best possible opportunities for future economic growth and job creation.''*[93] Tourism is already very important for the county with an estimated £450 million tourist expenditure in 2007 supporting directly an estimated 12,700 full time employees. The value of indirect revenue from the sector is estimated to be £260 million, supporting 2,900 jobs. It is believed that advice, support and training to raise the quality of service and increase competitiveness of businesses will help increase high quality part-time employment opportunities in the rural economies and lead to economic growth.

- Leicestershire County Council also reports that tourism which is particularly important to the sub-region is likely to grow in the coming years. The sector accounts for 7% of all employment and is estimated to have contributed almost £1.3 billion to the economy in the sub-region (in 2008). Leicestershire has seen the greatest growth in tourism related jobs (38%).

- Tourism is Cumbria's largest industry, visitor expenditure supporting over 36,000 people (21,322 FTE's) and contributing £1.1 billion to the Cumbrian economy equivalent to 18% of the County's GDP in 2007. The value of tourism has increased by 32% since1992, and is projected to grow to £1.5 by 2018. Cumbria Tourism forecasts tourism related jobs to increase from 21,300 to 26,500 by 2018.[94] On the other hand, a more recent study on the Cumbrian economy shows that although the tourism industry generated an extra £346,000 in 2009, employment is forecast to fall until 2013 and to return to its 2008 level by 2018.[95]

- Norfolk County Council notes that tourism is a growth industry as long as the trend in staycations continues to be popular.

Business and professional services

[93] Northumberland Economic Strategy (2010-2015) Draft Consultation
[94] Cumbria Vision, Cumbria Economic Strategy (2008-2028): Tourism Strategy Action Plan No.3, www.cumbriavision.co.uk/files/documents/3%20Strategy%20Action%20Plan%203%20-%20Tourism%20-%20Final.pdf
[95] Experian (2010)

The UK is a global leader in business and professional services.[96] Even though the sector, which employs about 5 million people in the UK, has been affected by the credit crunch, it is expected to grow and remain a key industry as the global market for this sector continues to flourish. The other business services[97] (a sub-sector of this sector) are forecast to grow around 3% per year between 2007 and 2017 and to create 883,000 new jobs in the UK. A further 1,464,000 more people are expected to be needed to replace those that are due to leave the sector because of retirement and other factors. Although professional services[98] in the UK as a whole are expected to show similar rates of output growth, it is forecast to create around only 16,000 new jobs. On the other hand, about 300,000 people are expected to be needed to replace those that will be leaving this sector.[99]

In rural England, the property and business services are the largest sector in terms of count of businesses (151,910 businesses registered for VAT and/or PAYE operating in rural areas) and share of employment (16.1%).[100] The sector is also very important source of new job creation in rural areas. Between 2008 and 2009 property and business services sector showed the highest growth in number employed (18,387).[101]

Some of the submissions to our call for evidence confirm the importance of the sector for the rural economies and give evidence of expectations of further growth. For example banking, finance and business services take up over 17% of employment in isolated/rural neighbourhoods in Leicestershire (compared to 19% of employment in urban neighbourhoods). Herefordshire County Council reports that business and professional services saw the largest increase in terms of proportion of employees.

According to an analysis of the Chief Economists Unit in Yorkshire Forward, business services are expected to register the strongest growth in the next 15 years in East Riding of Yorkshire and the North Yorkshire (although less significant in remote rural areas). In Craven, Hambleton, and Ryedale the business services' output is forecast to increase by over 100% between 2010 and 2025. (employment is forecast to grow by less than 35 % in the same period).Other financial and business services is predicted to show slower output growth in the same period (Craven-28.5%; Hambleton-12.9% and Rydale-35.7%).

On the other hand, Business Link Northwest reported that the non-statutory professional services which businesses can choose to use at their discretion (i.e. marketing, business consultancy, bespoke training etc.) are possibly under threat in the current economic climate.

Generic challenges and barriers to growth

Rural areas have great potential. However, how much of this potential will transform into real growth will depend to a great extent on whether solutions can be found to the challenges that the businesses face in rural areas. The barriers identified by organisations responding to our call for evidence for this report, included:

- Skills shortages and gaps;
- Training demand and provision;
- Infrastructural weaknesses especially related to broadband provision;
- The application of spatial planning;

[96] HM Government, New Industry New Jobs-one year on, March 2010, www.bis.gov.uk/assets/biscore/corporate/docs/n/10-857-new-industry-new-jobs-one-year-on.pdf
[97] Working Futures 2007-2017 defines other business services sector as including recruitment agencies; security services; industrial cleaning; photographic, packaging and secretarial services; and other business services nes. Other professional services including legal, accountancy, tax, market research, other consultancy, architects, engineering services, weather forecasting, surveying; technical testing; advertising.
[98] Working Futures 2007-2017 defines professional services as real estate activity, including development, buying and selling, letting and management of real estate. Renting of machinery, equipment, personal and household goods, incl. motor vehicles and other transport equipment. R&D on natural sciences, engineering, social sciences etc.
[99] UCKES (2008)
[100] ONS, 2010. IDBR Bespoke Analysis Service
[101] ibid.

- Availability and access to business support; and
- Access to finance.

Most of these were also described and explored in the Rural Economies summits that the CRC hosted, jointly with the Regional Development Agencies, between February 2009 and February 2010. These Summits focused on the four themes of our report, ***England's rural areas: steps to release their economic potential. Advice from the Rural Advocate to the Prime Minister (***CRC 67/ 2008). The discussions in these summits were drawn together in an ***Agenda for change: Releasing the economic potential of England's rural areas,*** which includes some specific recommendations for action on some of the barriers identified also by those contributing to this report, particularly improvements to modern communications including Broadband and to spatial planning. This ***Agenda for change*** is being sent to new Ministers and their officials for attention, and will in future be renewed to respond to new policies and calls for action from such evidence-led reports such as this one on Growth in rural economies.

Skills and recruitment

To contribute to and benefit from economic growth, rural firms and employees need to create a workforce with the right set of skills. However, as well as attention to recruitment and training skills alone, issues such as affordable housing, transport, availability and accessibility of training provision, cost of training and broadband speeds are making it difficult for rural businesses to find the local workforce that meet their demands as well as up-skill existing employees. Norfolk County Council, for example, reported that rural employers are having difficulty getting the right workforce as many young people are moving out of rural areas unable to afford to live there and to get better access to broadband, jobs and social life. Similarly, in Leicestershire, rural businesses are finding it ''***harder than ever to employ a diverse local workforce who are able to afford to live in rural areas***.'' Some businesses believe that the situation is exacerbated by ''***a week rural transport system that is not connected to key service centres (market towns)***''.[102]

Furthermore, rurality and lack of life experiences can lead to low aspirations and these can hold back young people in rural areas from taking up further education and/or high skilled jobs. Craven College reported that ''***Many College students come from dispersed locations in the picturesque but sparsely populated Yorkshire Dales, where poor access to some services and the 'lack of life experiences' of more populous areas combine to ensure a significant element of 'rural disadvantage'. We make use of European programmes like Leonardo da Vinci to raise horizons and aspirations, so that students will gain the experience of their more fortunate contemporaries, and be able to compete in emerging European and global workplace. But these alone cannot make the necessary difference."***

Another issue that Herefordshire County Council has draw attention to is the capacity of businesses to identify their skills needs. The Council reported, as underlined in the Herefordshire Economic Strategy, that many businesses fail to address their workforce needs as they struggle to identify them in the first place.

Surveys show a mixed picture of skills shortages and gaps across England, urban/rural areas and sectors. According to the UK Commission for Employment and Skills' (UKCES) 2009 National Employer Skills Survey for England.[103]

12% of employers reported having vacancies (compared to 18% in 2007), 3% had hard to fill vacancies (compared to 7% in 2007) and 3% had skill-shortage vacancies (compared to 5% in 2007). 74% of hard to fill vacancies were due to skill shortages (compared to 71% in 2007). Establishments in Education (26%), Public Administration and Defence (23%), Electricity, Gas and Water Supply[104] (23%) and Health and Social Work (22%) SIC sectors were most likely to report vacancies. Businesses in Education and Health and Social Work also reported the highest

[102] ECOTEC (2009)
[103] UKCES (2010a)
[104] UKCES cautions that because the un-weighted base size for this SIC sector is relatively small, the results should be treated as indicative only. This sector also has the highest levels of hard-to-fill vacancies (9%) and skill-shortage vacancies (7%).

levels of hard to fill vacancies and skill-shortage vacancies as did those in Hotels and Catering (6% and 4% respectively in all these SIC sectors).[105]Employers were most likely to encounter skills shortages in skilled trades (31%) and professionals (23%).

19% of employers reported that they experienced skills gaps (compared to 15% in 2007). This was particularly a more important issue for Electricity, Gas and Water (30% of employers reporting any skills gaps), Hotels and Catering (26%), Education (25%), Health and Social Work (23%) and Public Administration and Defence (23%) SIC sectors. Skills gaps were most likely to be reported in technical, practical or job-specific skills (64% of staff described by their employers as lacking full proficiency are thought to lack these skills).

Recruiting staff with relevant skills appears marginally less of an issue for rural Kent SMEs (24%) than those located in urban areas (28%).[106] On the other hand, more rural businesses (30%) than urban businesses (19%) responding to the Winter 2009/2010 Leicestershire Business Survey agree that skill shortages are a problem. Similarly in Cumbria, businesses in rural areas are experiencing more recruitment difficulties (33%) than businesses in urban areas (22%).[107] The most likely reason for recruitment difficulty in Cumbria is that applicants do not have the required skills (33%). Recruitment difficulty is most common in financial intermediation (49%)[108], manufacturing (38%), accommodation and food services (36%), business/ technical services (31%), education (30%) and transportation and communications (29%).

In Kent marginally fewer rural (29%) than urban (32%) SMEs report that their staff has gaps in their skills or knowledge. Both rural (39%) and urban (40%) Kent SMEs are most likely to report lack of professional or technical IT skills. Compared to Kent, a lower proportion of both rural (16%) and urban (15%) Cumbrian businesses report skills gaps. In Cumbria, skills gaps are most likely to be reported in manufacturing (23%) and business/ technical services (20%) sectors and technical and practical skills (58%).

The National Strategic Skills Audit for England undertaken by UKCES identifies that there has been a continued growth of high skilled jobs and a substantial decline in lower skilled jobs in the recent years: between 2001 and 2009, more than half of the jobs that have grown the fastest are in occupations that have at least a level 4 qualification as the predominant qualification. Conversely, more than half of the jobs that have declined the fastest are in occupations where the majority of people have level 2 qualification and below. The demand for highly skilled workers is projected to continue to increase in the future. At the same time significant employment is expected to remain in sectors traditionally demanding low skills, such as retail, hospitality and care. Demand for intermediate skills (for example skilled trades) is also expected to remain important due to a largely ageing workforce, current skills shortages and the potential opportunities within the growth sectors.

These national trends are similarly observed at the local level. For example, In Bournemouth, Dorset, and Pool sub-region, although graduate level or level 4 skills are important to the sub-region's knowledge based economy, intermediate or level 3 skills are increasingly demanded by employers in all sectors.[109] Likewise, Cumbria Economic and Skills audit reports that while the proportion of people with level 4/5 is forecast to see an important growth, many employers also demand provision for intermediate skills and view apprenticeships as an important contribution to this. Cumbria Business Survey 2009 supports this observation, with both rural (42%) and urban (47%) businesses most likely to experience difficulties in recruiting into

[105] According to the UKCES National Strategic Skills Audit for England 2010, in terms of absolute numbers, more than a third of skills shortages are in just health/social work. In terms of density, they are most significant in agriculture, electricity, gas and water and hotels/catering.
[106] Business Link, SMEs in Rural England, Survey of Business Owners and Decision Makers, March 2010. This survey was conducted between July 2009 and February 2010 by Business Link South East (with support from Kent CC and CRC) among over 1000 SMEs in urban and rural areas of Kent about business concerns, growth intentions and expectations, experiences and insights on their use of business support and advice.
[107] bmg research, Cumbria Business Survey 2009 Research Report, Prepared for Cumbria Intelligence Observatory, 2009
[108] The unweighted base size for this sector is relatively small.
[109] Geoeconomics, Professor Mark Hepworth, Envisioning the Green Knowledge Economy, A Report Prepared for the Bournemouth, Dorset and Pool MAA, 11 March 2009

intermediate level occupations. Also, rural businesses in Cumbria are most likely to report skills gaps in high level and intermediate level occupations (both 38%) compared to urban businesses for which skills gaps in intermediate level is by far the most cited (56%).

Training

According to the UKCES 2009 National Employer Skills Survey for England, 68% of employers provided training in 2009 (17% train on-the-job only, 38% train both on – and off-the-job, 13% train off-the-job only). Training activity measured by proportion of establishments and employment was the highest amongst Education, Health and Social Work, Public Administration and Defence, and the Financial Intermediation SIC sectors; and was the lowest in the Agriculture, Manufacturing, Retail and Wholesale and Transport, Storage and Communication SIC sectors. Average annual expenditure on training per member of staff in the workforce was £1,700 (down from £1,725). Hotels and catering (£2,425) and construction (£2,400) SIC sectors reported particularly high training expenditure per member of staff. Conversely, Financial Intermediation (£825) and Manufacturing (£1,200) employers reported particularly low training expenditure per member of staff. Expense of training (external courses too expensive; lack of budget/funding for training-60%) and time issues (managers lack time to organise training; staff too busy to give training; staff too busy to go on training courses-54%) were the most cited barriers by employers who would have liked to have provided more training than they actually undertook.

Cumbria Business Survey 2009 shows that generally training activity is higher among urban businesses compared to rural businesses: 45% of rural businesses did not provide any training (compared to 40% of urban businesses) in the 12 months to the survey. Also the average number of staff to have received training is lower in rural areas (6.8) than urban areas (10.0) as well as the average proportion of staff trained (65% in rural compared to 69% in urban). Different from the national survey, in Cumbria, lack of locally available training provision (34%) was the most cited constraint, followed by financial cost of training (28%) and lack of time/resource to arrange learning (14%).

Rural Kent SMEs survey also suggests that compared to urban SMEs, rural SMEs are less likely to take action on skills gaps: to address some employees' skills gaps 41% of rural Kent SMEs increased on-the-job training (compared to 64% of urban Kent SMEs) and 30% increased off-the-job training (compared to 35% of urban Kent SMEs).

Infrastructure: access to high speed broadband

Businesses increasingly rely on ICT for marketing, trading, networking, accessing knowledge and training. This is perhaps a more important tool for rural businesses that are remote from markets and knowledge centres. However, lack of access to high speed broadband remains an important challenge for many of the businesses in rural areas, affecting a range of factors such as, competitiveness, skills development, retention of young people and more generally attractiveness of rural areas to do business. General ADSL speed in sparse village, hamlet & isolated dwellings is 2.76 megabits per second compared to 6.89 megabits per second in sparse urban areas. Furthermore, as shown in figure 2, 33.9 % of sparse village, hamlet & isolated dwellings have ADSL speed of less than 1 megabit per second.[110] Many rural areas risk being left further behind as next generation broadband is introduced. According to CLG's report on Next Generation Access (NGA) risk in the UK, 87% of rural spatial units will be at high risk of not getting NGA in 2012 compared to only 22% of urban spatial units. In 2015 65% will remain high risk.[111]

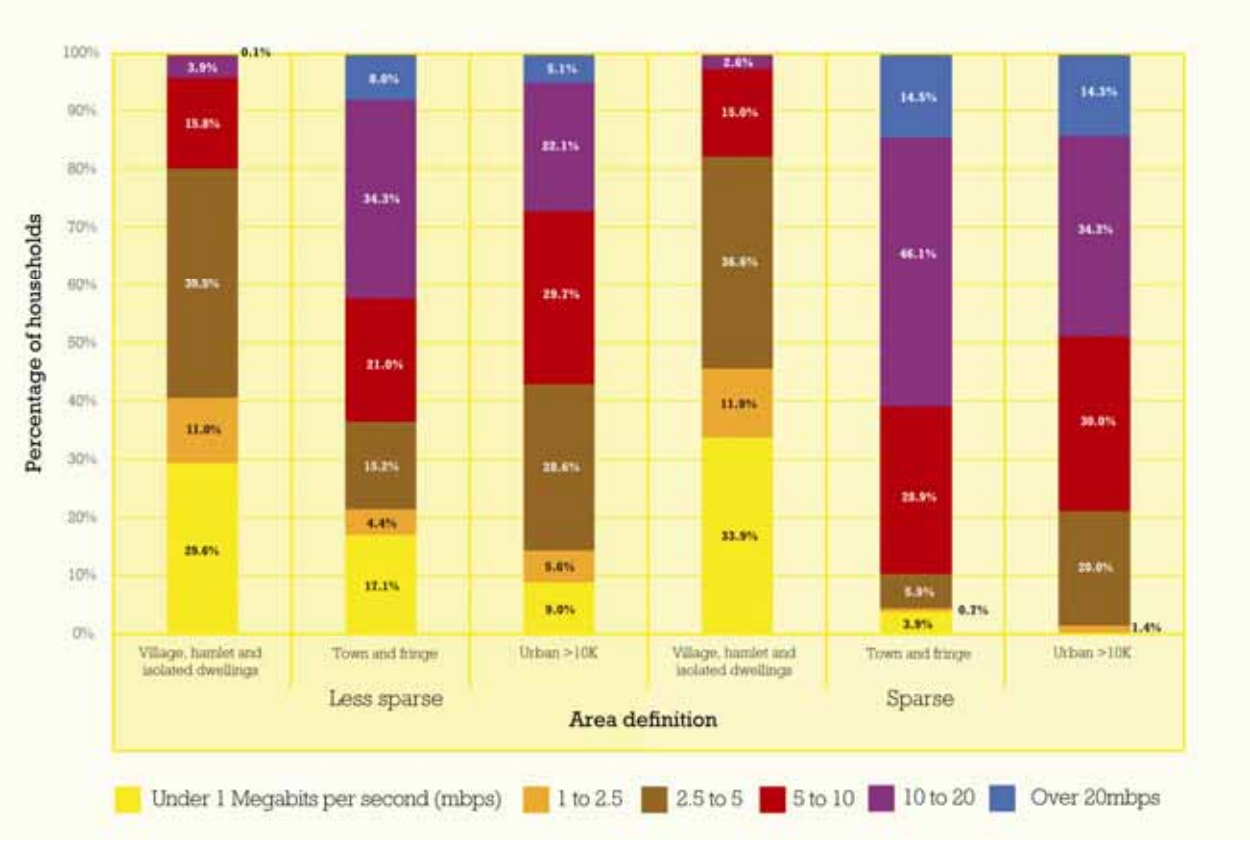
Various local initiatives around the country are trying to address this challenge. A European Regional Development Fund, funded project which is due to start next year will develop a superfast broadband network in Cornwall. When the project is completed, Cornwall will have one of the fastest broadband connections in Europe with speeds between 100 megabits and one

[110] Data is derived from an estimate based on distance to telephone exchanges; Source: Point Topic LT. 2009
[111] CLG, An assessment and practical guidance on Next Generation Access (NGA) risk in the UK: Final Report, March 2010 www.communities.gov.uk/publications/communities/assessmentngafinalreport

gigabit per second. The project is expected to create 4,000 jobs, boost the performance of the 10,000 businesses in the county, attract new companies to the region and generate more than £250 million for the Cornish economy.[112] North Yorkshire County Council established NYnet (www.nynet.co.uk), an open access broadband infrastructure initiative to provide high quality and high speed broadband across North Yorkshire and to overcome rural/coastal disadvantage. NYnet is currently in talks with many of the large ISP companies across Britain to encourage them to provide services in the area.

[112] Times Online, Surf's up for plan to link Cornwall to superfast broadband, 3 April 2010, http://business.timesonline.co.uk/tol/business/industry_sectors/technology/article7086218.ece

Figure 3 ADSL internet access speeds, 2009



Source: Point Topic Lt. 2009
Data is derived from an estimate based on distance to telephone exchanges.

Infrastructure: other dimensions reported

- **Lack of utilities provision:** Norfolk County Council reported that lack of utilities provision is an issue. For example because of lack of electricity infrastructure and gas supply a key development in Snetterton that could bring jobs and economic growth, is ''severely constrained''.

- **Poor road and rail connections** are hampering inward investment into geographically remote and isolated rural areas. The inadequate levels of or lack of public transport is making it difficult to recruit staff.

- **Lack of appropriate premises/employment land:** In Leicestershire, lack of appropriate premises for expanding businesses to move into as well as lack of employment land for managed workspaces and enterprise centres (particularly in Melton) is a challenge for many businesses.[113] Similarly, manufacturers in Cumbria suffer from a lack of suitable and accessible land and premises: in rural areas, it is pointed out that, there is not ''*any land at all for development due to land costs and planning restrictions*.''[114] Cornwall Council also reported that ''*the nature and location of grow-on space is a key issue for Cornwall; initial work from our employment land review would suggest that very small workspace is where the largest demand is in the market so there is some potential for transferability*.''

Spatial planning system

The planning system is viewed as a major constraint to business growth in rural areas (see creative industries and low carbon economies sections for sector specific examples):

[113] ECOTEC (2009)
[114] Cumbria Vision, Cumbria Economic Strategy (2008-2028): Specialist Manufacturing Action Plan No. 2, www.cumbriavision.co.uk/files/documents/2%20Strategy%20Action%20Plan%202%20-%20Specialist%20manufacturing%20final.pdf

- 80% of the respondents to CLA's Rural Economy Index (Q4 2009)[115] survey see ''*the current planning system to have a substantial or significant negative impact on business development*''.

- Respondents to the Cumbria Business Survey 2009, were asked to identify the significant barriers to their businesses' performance and efficiency. The most frequently selected barrier by the rural businesses (27% compared to 22% of urban) was ''*the way the local planning and development control system operates*''.[116]

- In Leicestershire, planning policies are often mentioned by businesses in rural areas as a key barrier to achieving growth in all of the priority sectors. A survey of rural businesses in Leicestershire have found that:

''*These businesses strongly felt that their growth, diversification and being able to implement cost effective, greener and efficient practises were being hindered by planning departments*. '' [117]

"It has taken us four years to finally get the planning permission for the barns and buildings that we needed in order for us to run the business."

"The Local Authority will not allow solar panels to be erected on the farm shop."

- In the summer of 2009, the Financial Times highlighted a planning application for a science park in the village of Great Abingdon, in Cambridgeshire, was rejected because it was found ''inappropriate for a rural area.''[118]

Access to business support

The evidence suggests that some rural businesses are struggling to access support and advice available from government. Herefordshire County Council for example reports that there is strong evidence that rural businesses find it difficult to access such support and advice or work effectively in partnership to address the obstacles they face in areas like planning and infrastructure, access to services and training their employees. Some participants to the WIRE (Women in Rural Enterprise) National Conference which was held on the 22nd of April 2010, also complained about the lack of support and advice in setting up and running their businesses. They said they felt very alone when they were trying to set up a business and struggled for sources of information and support. Some felt that Business Link did not have much time for personal assistance for smaller businesses and said that they would have to sometimes wait for a long time (6 weeks) for an appointment.

On the other hand, Business Link Northwest reported that access to business support is not an issue for rural businesses and that the uptake from two most rural areas of Cumbria (Eden and South Lakeland) represents the highest proportions of the business base in the region. In the whole of wider rural Cumbria the breakdown of issues amongst the 6,827 customers during 2009/10 was as follows; skills 40% finance 23%, business growth 16% and thinking of starting 16%; the remaining proportions are HR, Sales/Marketing and Other. In the other sub- regions in the Northwest, usage patterns are closely aligned with these percentages rural Cheshire has the lowest requirement for finance (13%) and rural Merseyside the highest requirement for skills (47%).

Bureaucracy and regulation

Some also mentioned bureaucracy and government legislation as an important challenge particularly for small rural businesses which have limited capacity and resources to respond to

[115] The survey is conducted quarterly to measure the confidence in the rural economy by surveying 100 CLA member businesses.
[116] bmg research (2009)
[117] ECOTEC (2009)
[118] FT.com, Mandelson backs £20 m science park, 26 October 2009, http://cachef.ft.com/cms/s/0/827831e0-23ad-11df-8b20-00144feab49a.html

demands. Northumberland County Council highlighted that although there is support out there, it is increasingly challenging to access the plethora of Government schemes which are overly bureaucratic. It also reported that ''*Some feedback we have received from businesses indicates that one issue is that of raised expectations, companies hear about a fund or a government scheme which looks like it relates to their business, investigate, apply, go through the bureaucracy and then eventually find that it's a dead end*'' and indicated the need of simpler, effective and more tailored support for sectors and/or business type and ''*trusted intermediaries and to build relationships with experts who can provide timely, flexible and responsive support.*''. Herefordshire County Council reported that the county has a large number of SME's and micro businesses that lack the capacity to deal with regulation and respond to bureaucratic demands.

The demands of meeting the latest legislation and protocols are also a common challenge in Leicestershire as evidenced by a sector scoping study.[119] Respondents to the Cumbria Business Survey Autumn 2009, were more likely to select government legislation and red tape (51%) when they were asked about wider factors which pose significant barriers to their businesses performance and efficiency (legislation, economic conditions, competition and distribution factors, such as distance from markets). This is particularly likely to be cited as a barrier by businesses in primary (67%) and accommodation and food services (63%) sectors. Similarly, ''*crippling red tape and rising food safety standards*'' are among the challenges facing the food and drinks industry in the East Midlands.[120]

Recommendations

Those responding to our call for evidence also made various recommendations for government action. We have drawn these together and believe they represent the variety of demands for action. Several of these echo the proposals for action that those attending the Rural Economies Summits between February 2009 and February 2010 requested, and have now been drawn together in the CRC's *Agenda for change: releasing the economic potential or England's rural areas* that has been refreshed to align the Coalition government's proposals for government and will be published on CRC web site in mid July.

- **There is a need for a clearer, simplified and easier access to information and support.** This need is voiced various times at all levels, from the private sector to the local authorities. For example, Farmway Limited draws attention to the difficult to understand rules, highly complex systems (involving significant administration) for claiming help and demand the government discard unnecessary administrative burdens and complex legislation and to allow easy access to funds. Similarly, Northumberland County Council points out that the government schemes are overly bureaucratic and calls for business and/or sector support to be simpler and more effective. High Peak Borough Council suggests that ''*if enterprise funds were delivered in partnership between the government departments so that additional funding for micro businesses could be administered via the Derbyshire Economic Partnership- this would enable government funding to go quickly and directly to very small businesses looking to expand without the need to reinvent administrative systems or make systems difficult to apply into.*''.

- **On the other hand, simplification of support measures should not lead to a "one size fits all" approach where local, sector and/or business specificities and needs can be overlooked. Any central support/funding should be tailored to local needs and allow central government and local partners to work together to find and deliver localised solutions.** The importance of this is highlighted by many of the submissions. Northumberland County Council advocates that approaches to supporting sectors should be defined by place alongside scale. In this context it recommends that ''*Government policy and funding programmes need to take this into account by developing strong frameworks at national and regional level but which enable local partners to enable and deliver change sensitive to the needs of a particular locality. With this in mind projects can have a big impact even if they are relatively small in scale-smaller interventions can have a major impact in the longer term*.'' Norfolk County Council believes this flexibility could be supported, for example, if the government allowed local authorities to intervene in the creation of rural employment areas: ''*A way to do this*

[119] ECOTEC (2009)
[120] EMDA (2008)

could be to allow local government to take out a loan to buy a rural employment area, and then use the business rates gained on that area to pay off the loan, not let it go back into the central pot.'' Herefordshire County Council points out that ''*rural local authorities and sub-regional partnerships are in a better position to tackle the levels of worklessness and improving enterprise in their areas. We need to be able to draw down resources from funding schemes like the Working Neighbourhood Fund or similar working areas fund and apply a local solution, not deliver often inappropriate schemes with a national bias.*'' Herefordshire County Council also highlights the need for government support in establishing and strengthening private, public and academic sector partnerships in rural areas to address rural disadvantage (weakness in service provision etc.) as well as to explore opportunities (new technology etc.) High Peak Borough Council says ''*It is important that of upper tier local authorities work effectively with district, town, parish and town centre partnerships to ensure that localised solutions can be addressed, even where more strategic larger scale interventions are proposed*.''

- **Rural areas should have equitable access to support measures.** Because deprivation is not as visible in rural as it is in urban areas, the former is sometimes left out of funding streams. South east Rural Towns Partnership-Berkshire Rural Towns Co-ordinator highlights that although there are pockets of deprivation in the South East region, this tends to be overlooked as the region does not feature highly on the indices of multiple deprivation; for example the South East was not included in the list of towns benefiting from High Street Generation Funding. In this context, it urges the government to provide more equitable and inclusive funding streams to rural towns. High Peak Borough Council similarly underlines that small areas of disadvantage are often too small from an administrative level to attract area based funding. In this context it draws attention to ''*a real need for small levels of direct funding from local Authorities so that successful programmes delivered in other areas (such as those delivered to support worklessness or disabled/IB people into work and enterprise currently funded via area based funding) can also be delivered to more deprived pockets of rural districts."*

- The public spending cuts carry the risk of concentrating resources on large capital projects and neglecting smaller scale projects. On the other hand, as described in our Agenda for change, small projects with ongoing funding can often have a big impact in rural areas, the outcomes of which are often apparent some time after cessation of the original project. For this reason, small projects should not be disadvantaged…. Furthermore, public realm schemes may not be considered as a main concern as targets are reprioritised taking into account diminished resources. High Peak Borough Council points out that ''...*continued investment in the public realm and the town centre environment is vital to continue to support both the High Street and tourism...Although public realm schemes may not be seen as vital in these financially challenging times, there are implications for rural areas whose retail/tourism businesses are reliant on having an attractive destination*.''

- **There is a need for consistency and continuity of policy to ensure necessary investments in businesses and skills.** This is particularly the case for the Low carbon economies where prohibitive cost of development and training could act as a barrier for business investment if the businesses are not reassured that the government is committed to the transition to a low carbon economy. For example, the NFU calls for cohesive policy signals and greater clarity on grants and feed in tariffs to increase contribution of farmers' to the low carbon economy.

- Although there has been a continued growth in jobs demanding level 4 qualifications and above, and the demand for highly skilled workers is projected to continue to increase in the future, it should be acknowledged that some employers in rural areas prefer on-the-job training to formal qualifications. This is highlighted both by Cornwall Council and Lantra. Cornwall Council calls for central government to **recognise that not all businesses want formal qualifications in their employees.** Lantra emphasises that devising and implementing schemes that recognise more informal skills development is a priority.

- As well as skills and qualifications, **attention should also be given to raising the aspirations of young people in rural areas**. In this context, Craven College for example

urges the consideration of programmes that may counter the combination of factors leading to low aspirations.

- **The planning system to be responsive to the needs and opportunities of specific rural location** including as called for by East Riding of Yorkshire Council calls for enabling the development small-scale advanced manufacturing, sustainable tourism and agricultural diversification.

- **There is a need for investment in infrastructure in rural areas.** Craven College underlines that ''*In the medium/longer term what will make the most difference to Craven will be improved core infrastructure and communications which will attract or facilitate people and businesses to see opportunity here*.'' Similarly Leicester County Council highlights that ''*Access to high-speed broadband is considered essential to enable small businesses to develop in rural areas and to provide more knowledge-based employment opportunities outside the urban areas*''. East Riding of Yorkshire Council urges the government to consider new approaches and funding mechanisms for improving rural public transport connectivity such as challenge funds aimed at sub-regions that respond to and reward innovation.

- **Rural Proofing must be extended and made more visible.** One way of ensuring rural proofing is illustrated by Leicestershire County Council. Leicester and Leicestershire have developed a Multi Area Agreement 2009-2020 and put in place new arrangements for economic development. These new arrangements have led to early development of an economic assessment along with an economic strategy and commissioning plans. Rural is among the six theme groups that have been established as experts and champions (others are, Business and Enterprise, Employment and Skills, 14-19, Transport, Housing, Planning and Infrastructure).Having Rural as a theme group has ensured having rural Champions at the centre of the decision making process for economic strategy and funding. Leicestershire County Council proposes this as an exemplar model and suggests government champions this approach with other authorities.

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Annex 1

Organisations submitting evidence to help with the preparation of this document

Business Centre, Appleby, Cumbria - Owner

Business Link Northwest - Strategic Partnership Manager

CEDOS/ ADEEPT (Chief Economic Development Officers Society /Association of Directors of Environment, Economy Planning and Transport) - Consultant

Cornwall Council - Economic Strategy Manager**,** Economic Intelligence Manager

Craven College - Funding Development Manager

Cumbria Vision - Policy and Research Officer

Dorset County Council - Economic Development Manager

East Riding of Yorkshire County Council - Rural Policy & Partnership Manager**,** Humber Rural Pathfinder Programme Manager

Farmway Limited, North East of England - Chief Executive

Herefordshire Council - Senior Policy Funding Officer

High Peak Borough Council - Economic Development Officer

Leicestershire County Council - Policy and Partnership Manager

NFU - Senior Economic Advisor

Norfolk County Council - Jo Middleton, Economic Development & Strategy

Northumberland County Council - Regeneration Policy Manager**,** Regeneration Policy Officer

Plunkett Foundation - Head of Information and Communication

South East Rural Towns Partnership - County Coordinator, Berkshire Rural Towns

Yorkshire Forward - Principal Integrated Strategy Manager

York & North Yorkshire Partnership Unit - Head of Programme Coordination

Annex 2
Questionnaire

- What are the growth sectors in your areas?
- Which sectors are contributing to recovery and growth? (Alternatively, can you identify companies demonstrating growth?)
- Where does the future lie?
- What are the comparative advantages/disadvantages (skills, access to finance, access to government schemes, research and development, knowledge, infrastructure etc.)?
- What can the public sector do to support these sectors?
- Are there any local support initiatives?
- Can you share with us success stories? What has been the secret of their success?
- What support have they received (if any)? What obstacles have they faced (if any)?
- What are the sectors that are experiencing problems?
- What are your experiences related to the future growth sectors that were announced in recent government papers (such as low carbon economy, care sector, advanced manufacturing, life sciences, digital economy and creative industries, business and professional services etc.)?
- Does your area have comparative advantages/ disadvantages?
- How can the government help?