

## **The economic downturn and its impact on rural communities**

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### **Key points only**

Rural communities have faced a linked series of serious external shocks over the last year.

- The shock of higher oil prices – for both transport and for heating
- The shock of the credit crunch – affecting large numbers of rural businesses and households
- And then the economic shockwaves that are rippling out from the recession – businesses closures, pressures on employment, pressure on individuals, families and communities.

My Chairman published his report to the Prime Minister last summer. Around about the same time as Matthew Taylor also submitted his report to the Prime Minister on the rural economy and affordable housing. We worked closely with Matthew Taylor on his widely praised report.

And the findings of both these reports still seem to us to be very relevant. This view is only reinforced by the findings, published at the end of last year, of the excellent EFRA select committee inquiry into rural economies.

Hilary Benn has asked the CRC to prepare monthly briefing reports for him to use for the National Economic Council meetings, established by the Prime Minister last autumn. These briefing reports cover the impacts of the economic downturn on rural businesses, employment, communities and households.

To prepare these reports we are monitoring all rural press, we are getting large amounts of submissions from rural organisations – be they local authorities, rural house builders or rural based businesses. We are also sharing information and reports with the Regional Development Agencies.

Since November we have submitted four reports to Hilary Benn for his attendance at NEC meetings. We will continue to report to the Secretary of State throughout 2009.

These reports can only be accurate and effective with your help.

On any aspect of recession, as it affects rural firms, communities and people, we would be very interested in hearing from you. Whether you are a rural service provider, a rural local authority or agency, an elected representative, a community council or organisation, rural business, advisors or representative of businesses, we very much value your input. We particularly welcome evidence that demonstrates the rural impacts of the recession; your experience of support measures that have been introduced, and suggestions for the government for new programmes or amended programmes to help rural people and places weather the recession.

Our reports are submitted to Hilary Benn by the middle of each month. Therefore we would be grateful to hear from you by the beginning of each month. The easiest way may be via the response form on our website:

[www.ruralcommunities.gov.uk/projects/creditcrunch/overview#tellus](http://www.ruralcommunities.gov.uk/projects/creditcrunch/overview#tellus)

And what are our findings, so far?

**Firstly**, we have to be more concerned with the impact on small and micro businesses. It is *because* they are small and dispersed that:

- They're less likely to know about the business support that is available to them
- They have - historically - been less able to access and draw upon government forms of support.
- And they are more likely to be informal in some of the ways they conduct their business. They are less likely to have formal business plans for example. And they are more likely to rely upon informal or household credit lines, rather than formal business loans. This makes the impact of government attempts to ease up lending on credit cards,

and the behaviour of credit card companies on short term violation of terms, very important for small and micro businesses.

Our **second** finding. Is obvious and important. We have to be aware that different parts of rural England are going to be affected differently – well connected market towns will be affected differently to remote villages and hamlets.

**Thirdly**, the shock of higher fuel prices has hit rural areas hard. In terms of increased transport costs. And increased heating costs – a particular issue for rural people given the level of fuel poverty in rural areas.

Our **fourth** finding is about housing impacts. We know that rural households, if they have bought houses in the past few years, faced much worse affordability and may very well have overstretched themselves. We are seeing some indicative figures showing that rural housing distress is increasing.

Also with high levels of rural home working and home run businesses, the combined difficulties in borrowing for both mortgages and businesses could become greater than the sum of their parts.

The Government is due to respond to Matthew Taylor's report soon, and we need to maintain the pressure for changes and also the resources for rural house building to happen.

**Fifthly**, impacts on rural employment. We are getting reports of substantial job losses at the local level and this has shown a noticeable increase in the past two months. This is starting to show through in large rises in official unemployment levels.

There is also a history of rural labour market distress happening through higher levels of economic inactivity and part time work, more than official unemployment.

There is an issue of employment support in rural areas. For example despite rural England making up 20% of the population, rural England contains only 4% of job centres.

**Sixthly and lastly**, Businesses and Market Towns. We are worried about the cumulative impact of shop closures on rural market town high streets.

The patterns of closure of national chains such as Woolworths and M&S food stores has affected market towns. These stores are an important part of the 'attraction' of these towns to local visitors, and the loss of these stores can be difficult to replace. And can undermine the economic and environmental sustainability of towns.

Again, how Government responds – including local authorities and their partners – and the Regional Development Agencies – is critical.

Let me now turn to how rural England fits into the Government's longer term efforts to help Britain overcome the recession.

There seems to be widespread agreement for some economic rebalancing away from dependence on the financial sector and the city of London. The Government is currently planning to put in place the measures over the medium and long term to encourage more diverse sources of future UK economic growth. *We say*, Government should make sure that our rural economies are a *central* part of this planning.

Entrepreneurial and innovative small businesses will be a vital part of spurring our economic growth.

And this is where rural businesses will play a vital role. Rural England contains a million businesses. (Over a quarter of Britain's business base). There are a series of recommendations set out in the Burgess report on how government can release the potential of rural areas

They involve placing rural England *centrally* in economic decision making. And encouraging more support to make sure more investment and innovation happens in rural England. For too long 'city regions' and urban areas have been seen as the only way to achieve economic growth, whilst rural areas are seen as something to be preserved. It's time we challenged that presumption.

We were pleased that – on behalf of the Government - Hilary Benn responded positively at the Rural Innovation summit last month to the Burgess report. He demonstrated:

- The important contribution that rural England can bring to our national economic recovery.
- Cross government support for joint action. In itself, quite an achievement.
- His personal determination that rural businesses benefit fully from government help during the economic downturn.
- His views on broadband and the work Defra would be doing with other government departments to make sure 'that access to broadband is a central part of government plans'.
- And, finally, a recommitment from the Government to its policy of Rural Mainstreaming and Rural Proofing. And we will be hearing more about that from the Government – and from the CRC – over the next few months.

We were encouraged by the Government's response. Although we would have liked the Government to have gone further in some areas. For example on skills and training.

The big question now, is where to do we go from here? We particularly welcomed Hilary Benn's commitment at the summit to 'call together' the Commission for Rural Communities with the Regional Development Agencies "to look at how the recession is affecting rural areas and whether additional help might be needed". We are now looking to action this commitment. In ways that will be as helpful as possible to our shared objective: resilient, productive and sustainable local rural economies.

This will include working with the RDAs and others to deliver two more high profile rural economy 'summits' over the coming months.

We will also continue to monitor the Government's response to the recession and – from a rural perspective – give praise where it is due – and to call foul if there are failures.

We will also work with others – including the EFRA select committee – to keep the spotlight on our rural economies.

A lot of this analysis and influencing has been at the national level. We are a national body. But, of course, *activity and action* is what happens and needs to happen at local and regional levels. And this is the territory of the local authorities and their partners and of the Regional Development Agencies. And this is also your territory as a regional forum. For example influencing your regional economic council and the regional minister.