



# RURAL BUSINESS 2030

UNLOCKING INVESTMENT /  
UNLOCKING POTENTIAL

# THE RURAL BUSINESS 2030 PROJECT

## RURAL BUSINESS 2030

This report marks the culmination of a yearlong CLA programme gathering research and insights from members, and other experts. The programme has encompassed developing a new economic model for measuring investment in the rural economy, a new large scale member survey and a series of expert discussions and seminars on the subjects covered in this report.

Further papers on the research findings and expanding on the policy ideas contained in pages 12-17 are available to download at [www.cla.org.uk/ruralbusiness2030](http://www.cla.org.uk/ruralbusiness2030)

The report was published at the inaugural CLA Rural Business Conference that took place on the 6 December 2016 at Church House Conference Centre in Westminster, London.

The 2030 horizon was chosen so as to match Government's long term economic strategy.

### CONFERENCE SUPPORTED BY:



# UNLOCKING INVESTMENT UNLOCKING POTENTIAL

Landowning rural businesses make a substantial contribution to our national economy. Their impact reaches out beyond the bounds of the rural areas that they sustain. As technology changes our economy, and our society, rural businesses are presented with a world of opportunities. The potential for innovation and change is substantial but of course that change must build on our heritage and the unique character of our communities and landscapes.

The research undertaken for this report provides unprecedented insight into landowning rural businesses from across our English and Welsh countryside. It shows they have substantial potential to invest and grow. To harness this industry, government and others must work together to ensure they understand rural businesses better. The importance of the land, culture and communities are a major motivation and the overriding desire is to pass the land, business and buildings onto the next generation in a stronger and better condition than when they took possession.

The business structures are different to the wider economy, family and unincorporated business structures are dominant. Opportunity is measured over generations and the best strategy for encouraging investment is by providing long term certainty. Sudden and dramatic changes in policy are

the biggest risk of all. The overriding message of this report is that the needs of rural business must be integrated in to strategic planning whether it is taking place in Whitehall, the Senedd or in local town halls.

In spite of the uncertainties of Brexit, farming volatility and the impacts of climate change, the fundamentals of the sector are strong. The UK has one of Europe's most advanced and efficient agricultural sectors. However no business can be complacent. Variation between performance and levels of professionalism among rural businesses is dramatic. Informality and lack of business planning, especially for investments, contributes to a general cautiousness that is holding back many businesses from fulfilling their potential. We must also look for ways to collaborate, whether by assembling land projects to provide environmental services or putting in 1GB broadband connections or district heating systems that reduce energy costs and improve resilience.

The potential is there and we must work together to capitalise on it.

**ROSS MURRAY**  
CLA PRESIDENT



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## LANDOWNING RURAL BUSINESS

This report provides insight into the workings of the rural economy as seen from the perspective of landowning rural business. These businesses range from smallholders running a farm or leisure business, to large farming operations and complex traditional estates. Most of these enterprises are engaged in more than one income generating business activity. For example most

either farm or let land to be farmed, a significant percentage let commercial and residential property and beyond these two core functions businesses operate a wide range of activities in sectors such as leisure, retail and energy generation.

Rural landowning businesses are only one component part of the private enterprise that sustains our rural economy, but they are at its foundation. As this report demonstrates, the investments they make in land, property and a variety of business ventures are the key to prosperity throughout rural England and Wales.

## THE RURAL ECONOMY



# QUANTIFYING THE INVESTMENT OPPORTUNITY

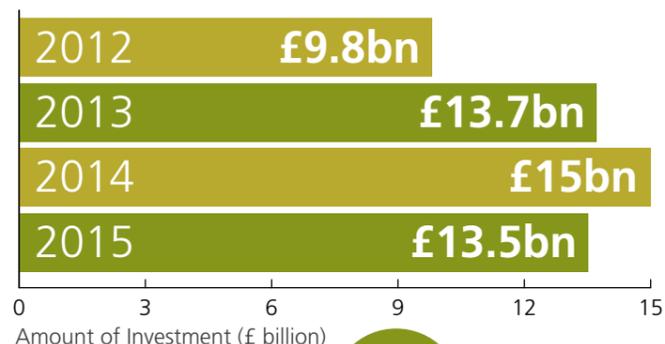
## OVERVIEW



In partnership with Barclays the CLA has undertaken research to quantify the level of private investment made by landowning rural businesses into the rural economy. The data which has been put together using information from the British Bankers Association, Council of Mortgage Lenders, the Bank of England and Defra shows that there is significant investment in the rural economy by landowners. However, there is also the potential for an even greater level of investment should rural businesses have the confidence in the economy and government policy to make them.

## PAST INVESTMENT

### A TOTAL INVESTMENT BY RURAL BUSINESSES



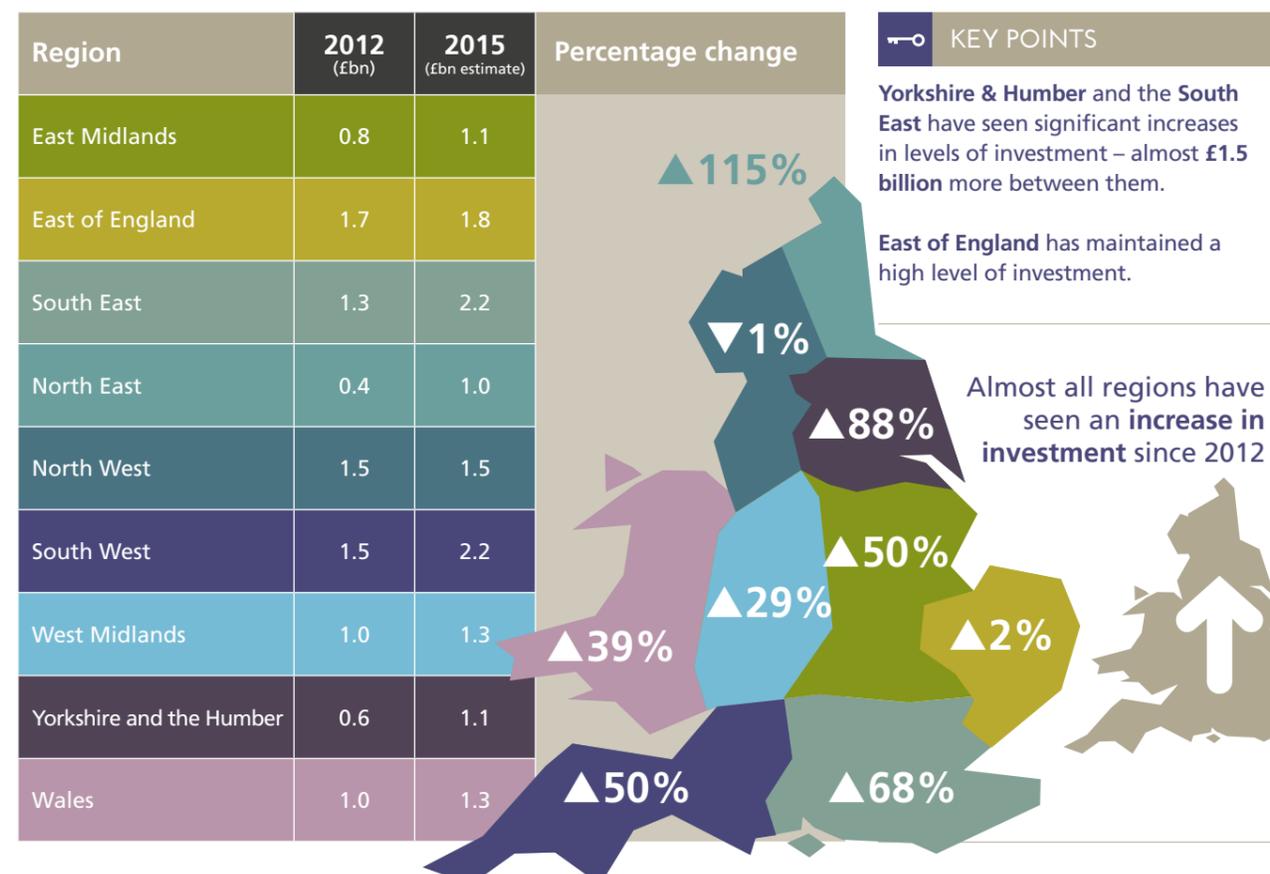
**INVESTMENT HAS INCREASED BY 38% SINCE 2012**

**AND ON AVERAGE £13bn IS INVESTED BY RURAL BUSINESSES EACH YEAR**

THIS COMPARES TO → **£87bn** for the urban economy, including London (2014)

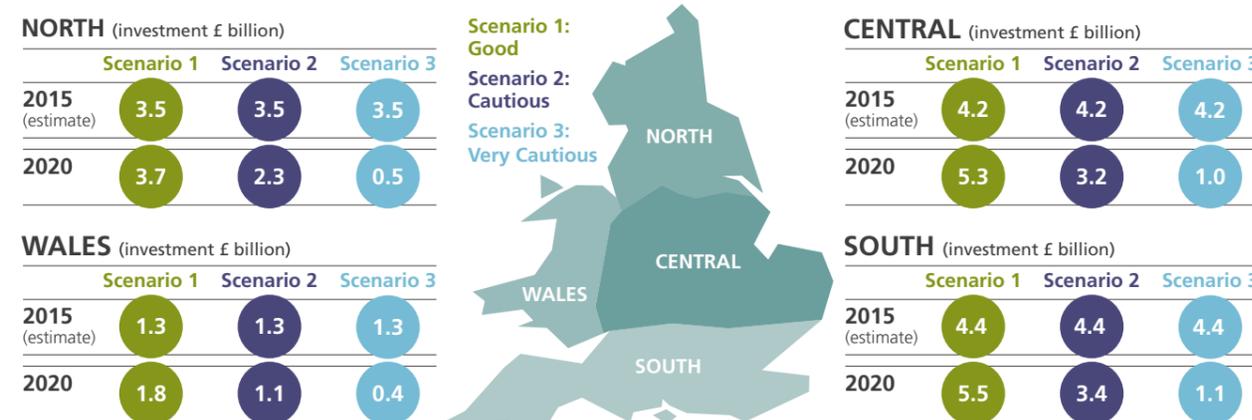
### B INCREASING INVESTMENT ACROSS ENGLAND AND WALES

#### Regional investment 2012–2015



## FUTURE INVESTMENT

### A WHERE INVESTMENT WILL TAKE PLACE



#### KEY POINTS

With unfavourable conditions investment drops by over 80%

According to Defra data the average debt to equity ratio of farms is 11% and half of farms have a ratio of less than 5%

#### CLA EXPLAINS

**Scenario 1: Good**  
 High levels of confidence in the rural economy with interest rates rising year on year from 0.25% in 2016 to 1.25% by 2020.

**Scenario 2: Cautious**  
 Lower confidence in the rural economy than in scenario one while interest rates remain at 0.25% until 2018 when they rise to 0.50% where they remain until 2020.

**Scenario 3: Very Cautious**  
 Much lower levels of confidence in the rural economy than in both Scenarios 1 and 2 while interest rates initially fall to 0.05% in 2017 and remain at this level in 2018 they then rise in both 2019 and 2020 to a peak of 1%.

The projections do not take into account any changes to support payments paid to farmers and other rural businesses given the Government's commitment to maintain them. They also do not take into account major events such as Brexit as the impact of these is still uncertain. However, given the UK's membership of the European Union is likely to continue until at least the first quarter of 2019, forecasts up to 2020 can be considered sound.

#### CLA ANALYSES

The level of investment in the rural economy is significant with on average £13bn invested into the rural economy by landowners each year and the vast majority of England, as well as Wales, has seen positive investment growth.

an immediate return. Looking into the future there is also the potential for much higher levels of investment with projections indicating that investment levels could rise to more than £16bn per year by 2020 if rural businesses have the confidence to make them.

This investment, as shown on the following pages, has taken place in a wide range of areas, including the diversification of rural businesses into new areas such as commercial property and renewable energy. It is also often made with a view to the long term benefits of the investment rather than about securing

However, as highlighted by Defra, the low level debt to equity ratios of farms suggest there is the potential for rural businesses to borrow significantly more than they do currently, which could take the investment well beyond £16bn per year.

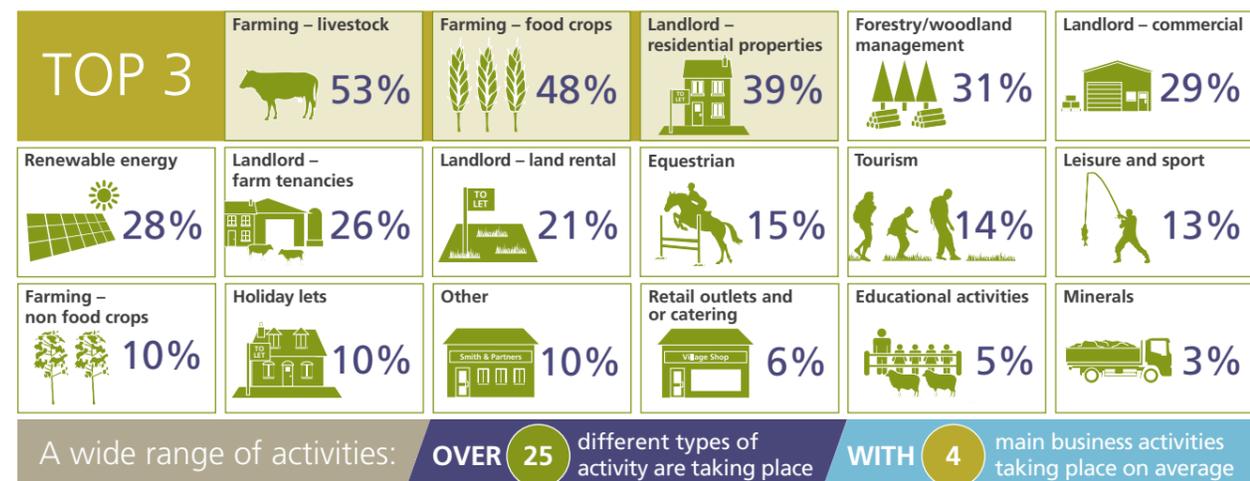
# THE PEOPLE WHO INVEST

## OVERVIEW

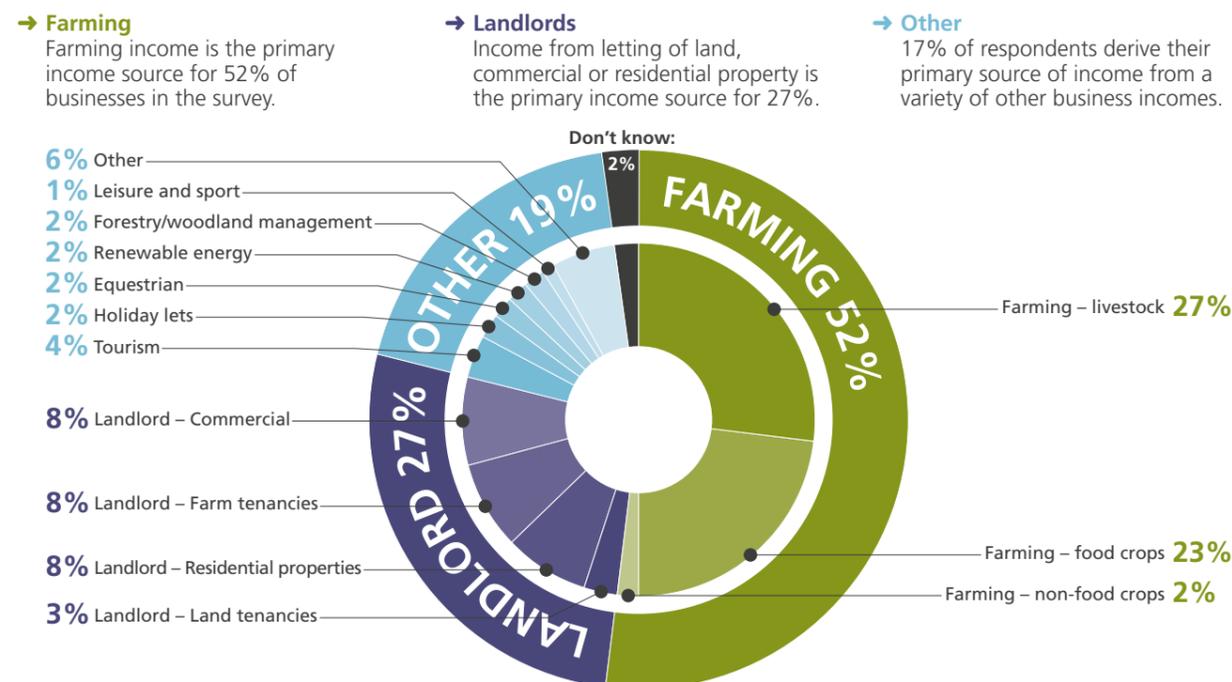
Rural landowners make significant investments in the rural economy, with on average £13 billion of investments made per year. However, without understanding their attitudes and motivations towards investment putting in place the right policy framework to encourage and grow the level of investment is almost impossible. Therefore, the CLA commissioned DJS Research to undertake detailed research to highlight with new data the attitudes and motivations of rural businesses towards investment. The CLA has also taken the opportunity to gather data which helps to explain the nature of rural businesses as long term family owned enterprises.

## AN OVERVIEW OF RURAL BUSINESS

### A BUSINESS ACTIVITIES



### B MAIN SOURCES OF INCOME



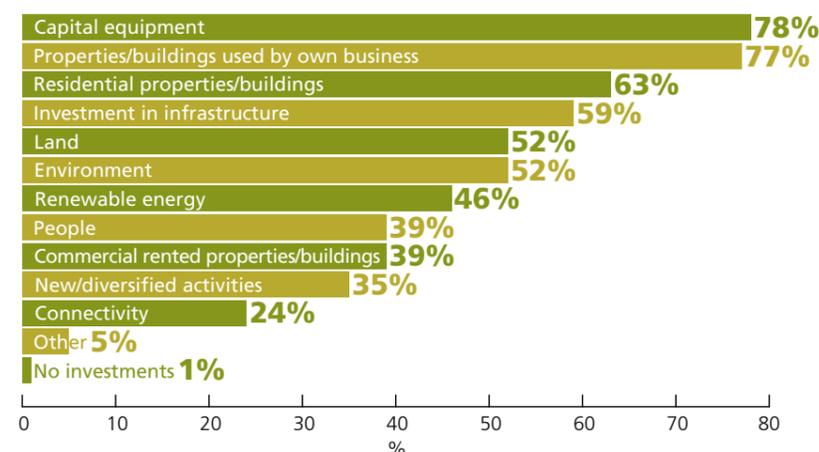
### C FAMILY OWNED

**96%** of rural businesses are family owned **6/10** have been in the family for over 50 years **78%** are unincorporated businesses

## PAST INVESTMENT

### A WHAT HAS BEEN INVESTED IN

Under their current management **98%** of rural businesses have made investments



**Almost 2/3** of investments made by rural businesses were **successful** **Less than 1/5** were **unsuccessful**

BUSINESSES OWNING UNDER 500 ACRES ARE MOST LIKELY TO HAVE INVESTED IN:

- CAPITAL EQUIPMENT
- PROPERTIES FOR OWN USE
- RESIDENTIAL PROPERTY
- INFRASTRUCTURE

BUSINESSES OWNING OVER 500 ACRES ARE MOST LIKELY TO HAVE INVESTED IN:

- PROPERTIES FOR OWN USE
- CAPITAL EQUIPMENT
- RESIDENTIAL PROPERTY
- INFRASTRUCTURE

### B WHY RURAL BUSINESSES HAVE INVESTED

- Increase revenue
- Necessary ongoing maintenance
- Growth and development plan
- Part of succession planning

### C BARRIERS TO INVESTMENT

Comparing the desire to invest...

**OVER 1 IN 3** rural landowners wanted to invest in some sort of property or buildings such as housing but have been unable to

...with the barriers to investment

**50%** highlighted the planning system as the reason for why they did not make the investments they wanted to

#### CLA EXPLAINS

Many investments in rural areas are frustrated by the planning system which is often unnecessarily costly, time consuming and bureaucratic. The planning system disproportionately affects rural landowners who want to invest in a range of new business opportunities as they often do not have the resources required to take an application through the planning system when compared to larger developers.

# THE PEOPLE WHO INVEST - FUTURE PERSPECTIVES

## OVERVIEW



In spite of the recent turbulent period, especially within the agricultural sector, rural landowners still want to make significant investments. The research set out on this page provides an insight into the motivations of businesses planning future investments. It shows that a number of factors are taken into account that extend beyond the immediate and obvious desire to achieve returns on investment. It also shows that national economic policy, especially taxation, and local planning policy in particular, are a major risk to businesses progressing with investment plans. It also suggests significant unfulfilled potential with many citing no plans to invest in key areas, as well as a worrying lack of formal investment planning among bigger and smaller businesses.

## FUTURE INVESTMENT

### A INVESTMENT PLANS



Over 4 in 5 rural businesses are planning to make investments

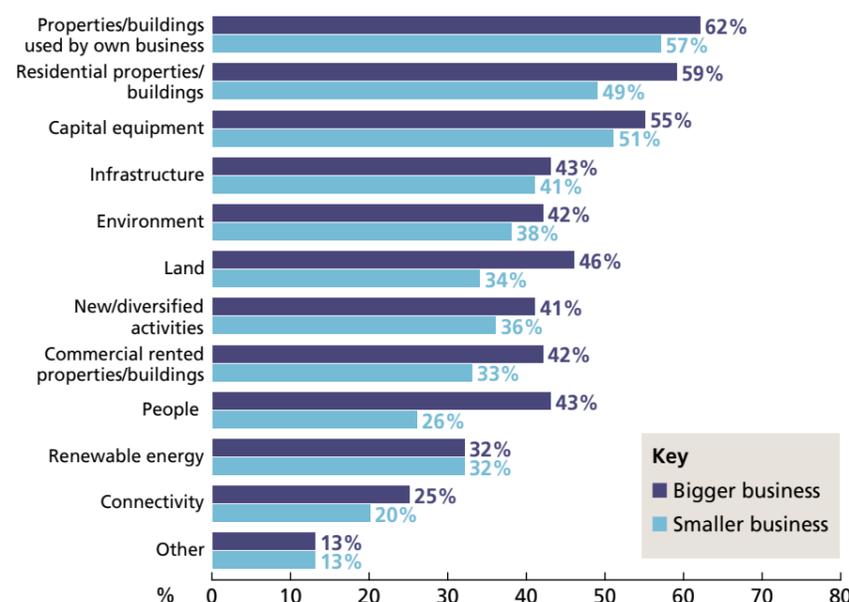
**13%** of rural businesses have a formal investment plan



#### CLA ANALYSES

While it is positive news that the vast majority of rural businesses are planning to make investments the fact that few have formal plans on how this will be done presents a barrier to increasing investment levels.

### B WHAT DO RURAL BUSINESSES PLAN TO INVEST IN?



#### KEY POINTS

Over half of rural businesses want to invest in housing with half of smaller rural businesses planning to do so.

Despite the introduction of a Universal Service Obligation for broadband around 1 in 5 rural businesses still plan to invest in connectivity.



Over 1/3 of businesses plan to expand or improve their workforce.



Investing in properties for the businesses' own use is the most popular investment for both smaller and larger rural businesses.

### C REASONS FOR NOT PLANNING INVESTMENTS

**OVER 1/4** plan not to invest as there is no one to take over the business

**23%** don't anticipate getting a sufficient return

#### CLA EXPLAINS

Owners of rural businesses often see themselves as custodians of the family enterprise. As well as ensuring the investment is sound, knowing that the business will continue after it is passed onto another family member is a key factor when rural businesses are deciding whether to invest.

## INFLUENCES ON INVESTMENT

### A PLANNING FOR THE FUTURE

Percentage who say these influences have a significant, or some impact (total), on their future plans:



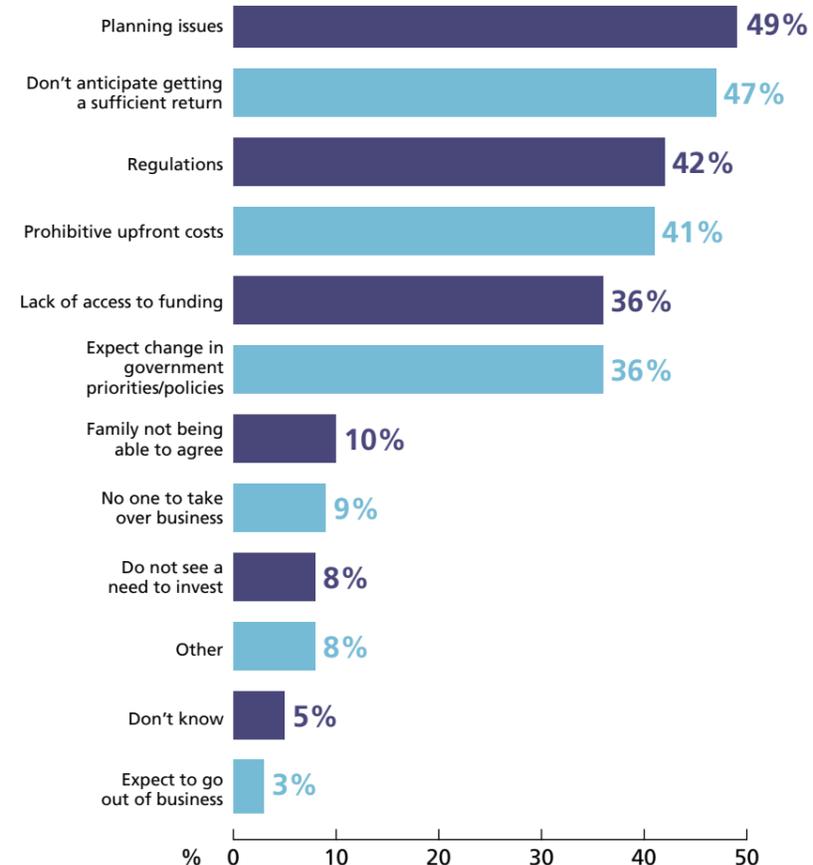
#### KEY POINTS

**7/10**

rural businesses take inheritance tax planning into account with a similar number also influenced by succession planning.

Ensuring the sustainability of the business through having a suitable return on the investment is also an essential influence.

### B BARRIERS TO INVESTMENT



#### KEY POINTS

The planning system is a barrier to investment regardless of size:

**49%** cite a problem or problems with the planning system as a barrier to future investments.

Over 1 in 3 businesses see changes in government policy as a barrier.

Over 1 in 3 businesses see changes in government policy as a barrier.

Regulations and not getting a sufficient return are bigger barriers for larger businesses.

#### CLA EXPLAINS

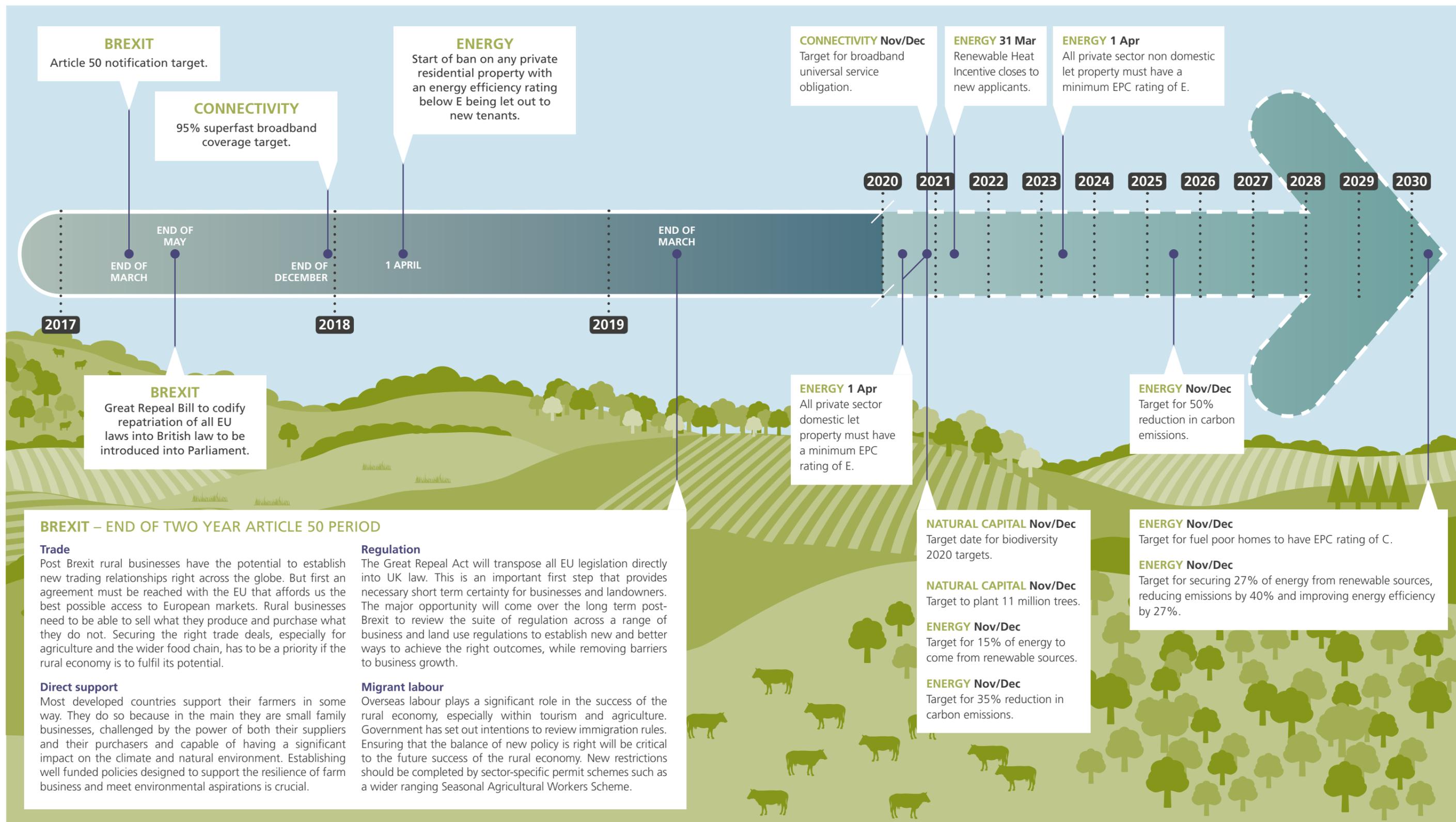
Many investments made by rural businesses are for the long term and therefore certainty that policies which promote or encourage private investment in the rural economy will be maintained is vitally important. All too often government policy changes from year to year which significantly impacts on the ability and willingness of rural businesses to invest.

# BREXIT AND BEYOND

## INTRODUCTION



If the Government's intentions come to fruition as planned, we will leave the EU in 2019. This presents rural business with a whole range of new opportunities: new markets to trade with, new and better ways of supporting farming and the environment and new ways to regulate that provide the security we need but which work with the grain of business. But Brexit is not the only challenge facing rural business, we also have the opportunities afforded by new technologies and new ways of thinking explained in this report. It is unlikely there will be sufficient clarity to realise the full potential of the rural economy by the time we leave the EU, and much will be done in the years that follow.



# INVESTING FOR CHANGE - CONNECTIVITY

## INTRODUCTION



Digital connectivity has transformed the opportunities available to rural business. It is now possible to locate a business that trades goods and services across the globe from the heart of the English and Welsh countryside. However, this potential is only partially fulfilled. Despite a major programme of public investment one in five rural business owners cite having to make their own investments in order to get connected. A digital divide remains, and while the political will to end it is clear, a continued focus is required. On this page the technologies and approaches that can help businesses secure the investment required for the next wave of investment through to 2030 are set out.

### MOBILE DATA

Mobile coverage in rural areas suffers from years of underinvestment. The last 18 months has seen a renewed political and industry focus. For example EE has committed to 95% (4G) coverage by the end of 2020 and a legal target is in place to secure 90% (minimum 2G) coverage of the geographic landmass of the UK by 2017. Stringent consequences must be in place if this legal target is not met.

Innovation is the key to tackling the problem. In 2018 the Government will be auctioning off the 700mhz spectrum and it will be used from 2020. This has major potential for increasing the reach of voice and data coverage but conditions in the licence agreements will be key to ensuring it delivers. This is a precursor to the advent of 5G where the infrastructure needs in terms of new masts and signal relay points will be significant.

By 2030 mobile data connections could end the digital divide but this would require a complete rethink of the current urban-first roll out strategy pursued by the major providers and endorsed by Government.

### SATELLITE

Satellite broadband has been a lifeline technology for many rural businesses. Innovation in the technology is ironing out the reliability and operational limitations and it will remain the best option for many of the most remote homes and businesses.

### UNIVERSAL SERVICE

The Digital Economy Bill currently before Parliament contains a legal right to superfast broadband (of at least 10 Megabits per second). This is a major breakthrough, long campaigned for by the CLA. It will establish a principle of minimum service standards that is as important to economic growth in the twenty-first century as the universal postal service was in the eighteenth. It is vital that once established it is regularly reviewed to ensure minimum speeds keep pace with business needs.

Ministers must consider how a similar breakthrough can be achieved for mobile data. Providing connections to factories, homes and offices is a job half done and ensuring digital connections across our landscapes is the next challenge.

### WI-FI NETWORKS

The use of wireless relay of signal between premises has seen significant organic growth among rural business owners and estates. It is significantly more affordable than wire-based technologies and can continue to be a way for rural businesses to become internet suppliers.

### FIBRE TO CABINET

Building on the existing telecoms infrastructure, this technology is the way that most homes and businesses receive superfast broadband and it continues to receive investment to increase its reach and reliability in many rural areas. However its limits are also clear, the copper based wire that connects homes and businesses to cabinets was not intended for data connections and the quality of coverage is reliant on a premises proximity to a cabinet.

### FIBRE TO PREMISES

Widely accepted to be the best 'future proofed' and robust way to secure high speed internet access for the most demanding of business needs. It is however also by far the most expensive. Opportunities for rural business and property owners to co-finance FTP projects present a significant opportunity for connecting the countryside.

## i INVESTING FOR 2030

The advent of universal service, once achieved, will be a challenge to the mentality of rural businesses. The opportunities for investing in better infrastructure and faster connections are growing all the time. They present the opportunity to provide facilities that are not catching up but surging ahead of other areas. Securing the investment required for the next wave of connections is the challenge and the CLA is putting forward the following ideas:

**Deliver universal mobile coverage** – place stringent conditions on mobile operators as part of tenders for the 700mhz spectrum auction taking place in 2018 to ensure maximum mobile data coverage in rural areas.

**Promote new approaches to funding connections for the most remote communities** – build on existing best practice in encouraging home and business owners in a location outside of the reach of broadband roll out schemes to pool

vouchers in a way that will fund a better, more robust solution for the whole community. In order to help businesses to decide whether to consider co-financing projects, BT Openreach and other providers must be more transparent and long term in setting out their roll out plans.

**Ensure local businesses can become internet suppliers** – encourage rural business owners who invest in putting in place their own broadband connection such as fibre-to-premises to

become local suppliers using technologies such as local wi-fi networks and ensure their position in the market is secure.

**Establish new investment models for better connections** – explore new models for rural businesses to invest in fibre connections for their own premises, the mobile network providers should be encouraged to rent these connections to help them build their data networks (especially under 5G).

# INVESTING FOR CHANGE - ENERGY

## INTRODUCTION



The UK has to meet ambitious targets for reducing the climate impact of the energy used to power the economy. This need to reduce consumption and generate energy in new ways has presented businesses opportunities that landowners have embraced. Almost half of landowning businesses have invested in renewables of one form or another. While a third of landowning rural businesses plan to make a future investment in this area, dramatic changes in government policy are causing business owners to rethink this potential investment. If the economic potential of this investment is to be realised and the targets to which the UK is committed are to be met then businesses will have to think differently and new opportunities must be created.

### DISTRICT HEATING

Access to the gas grid in rural locations is limited, leaving homes and businesses reliant on less convenient, higher cost and carbon fuel sources like oil or liquefied gas (LPG). While supplying these homes and businesses from their own renewable heating system is desirable this is often not possible due to practical and financial limitations. District heating systems, where heat is generated centrally and distributed via a network, can provide an efficient solution to decarbonising heating in both existing and new developments which may otherwise be difficult to heat sustainably.

The installation of district heating systems often provides a more cost effective, efficient solution than multiple, smaller systems within individual properties. There is an opportunity for rural businesses to invest in district heating services for their local community. This would help tackle these hard to reach properties, making better use of existing heat sources, while encouraging further deployment of renewable heating. New business opportunities for rural estates could increase rural productivity.

### ENERGY FROM LAND

Agriculture and forestry already contribute to renewable energy as sources of bio-energy alongside other forms of generation. Not only is this fuelling the transition to a low carbon energy supply, but delivers further benefits in energy self sufficiency, provides stable markets and can encourage good land management practise, delivering benefits for environment and productivity. Establishing a bio-energy policy which contributes further to energy targets, while supporting agricultural productivity and addressing long term environmental objectives is vital. In particular there is significant opportunity for anaerobic digestion within UK agriculture.

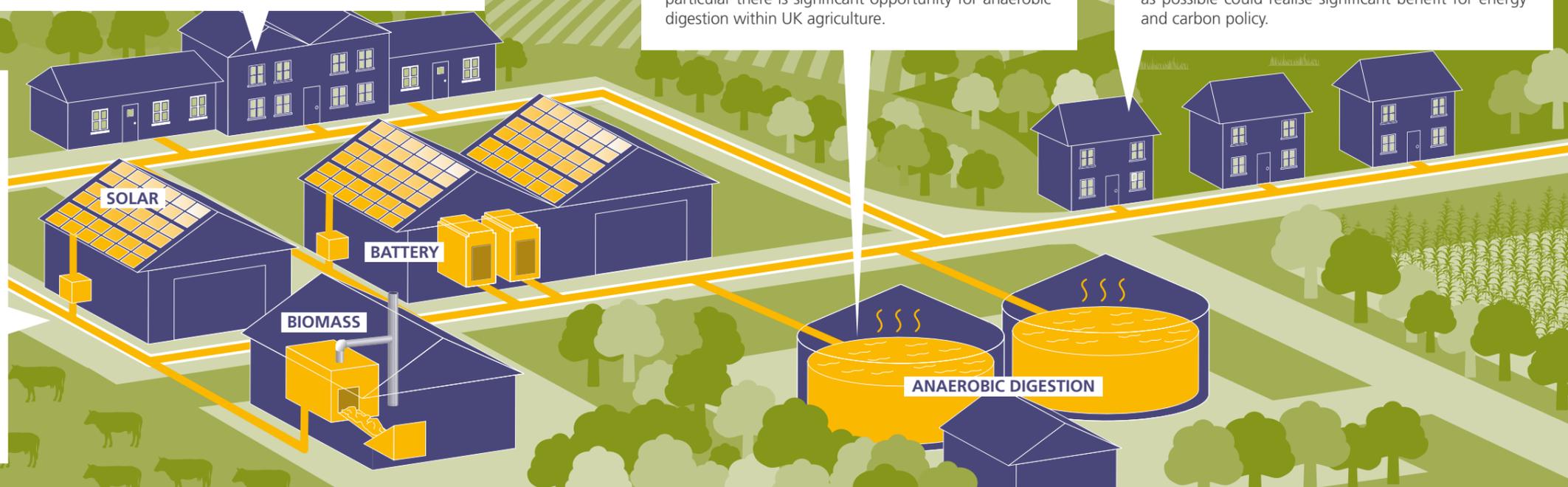
### ENERGY EFFICIENCY

Investing in making buildings and equipment more energy efficient will be necessary and sound investment for most businesses. It delivers benefits through reduced energy cost, occupier wellbeing, energy security and emission savings. As landlords of a significant proportion of the rural rented building stock – both domestic and commercial – rural businesses have an important role in improving energy efficiency in rural areas. Providing clear, practical policy which enables investment in cost effective measures as early as possible could realise significant benefit for energy and carbon policy.

### A NEW ELECTRICITY GRID

The Smart Grid represents a new way of organising our electricity supply, integrating generation, storage and management of power. Establishing a smart grid is key to enabling future investment in energy by rural businesses. It involves making greater use of data to provide innovative supply models, as well as adopting new technology like battery storage.

Rural landowning businesses are ideally placed to embrace the smart grid and harness the business opportunities it creates with many having already invested in renewables. Rural businesses can be early adopters of battery storage, paving the way for a smarter grid, while changes to empower consumers to buy locally generated, clean energy could provide new markets for new and existing generators.



## i INVESTING FOR 2030

Renewable energy has seen significant investment by rural business. However, recent substantial changes in policy, specifically the dramatic curtailment of direct public funding leave big questions about how to sustain a successful sector in the future.

### Set out a long term strategy for roll out of small scale energy generation in achieving carbon reduction targets

It is vital that a long term strategy is set that makes clear the contribution that existing and future energy generation projects will make to the Government's emissions reduction plan. There is significant opportunity to ensure land use objectives as set out in the 25 year plans to be developed by DEFRA for food, farming and the environment aligned with renewable energy and carbon reduction objectives.

### Remove barriers and create new incentives to promote investment in energy efficiency

For the vast majority of rural businesses the priority investment will be in energy efficiency. The investment in new equipment and innovation in processes especially within agriculture will see big reductions in energy consumption. When it comes to property and buildings the regulatory framework has to work with property owners to encourage the right investments.

### Remove barriers to rural businesses to become direct to consumer suppliers of electricity and district heating

It is in creating new markets that there is most potential for change. For example the use of district heating schemes to reduce costs, make better use of resources and improve environmental performance has been a fruitful investment for many estates. As businesses look to the future the opportunity to extend such schemes to become suppliers to local homes and other businesses creates scope for sustained investment. Dramatic changes are set to take place in how electricity is generated, supplied, consumed and managed with the advent of 'smart energy'. The development of affordable and effective battery technology is a vital component in helping rural businesses to become more self reliant for their electricity needs. There is a realistic prospect of individual rural businesses becoming a local electricity supplier if the regulatory barriers to doing so are addressed.

# INVESTING FOR CHANGE - NATURAL CAPITAL

## INTRODUCTION



Delivering better environmental outcomes has the potential to be a commercial opportunity for landowning rural businesses, but currently this potential is rarely achieved. More than half of landowners (52%) have invested in natural capital but their primary motivation is their sense of stewardship. In the future publicly funded schemes are likely to remain the foundation for investment in natural capital but to date these schemes have been inflexible, bureaucratic and unattractive for many rural businesses. Looking ahead, government and land-based rural businesses can work together to establish natural capital as a marketable service so that by 2030 private and public investment in natural capital is a profitable part of being a rural business.

### WOODLAND CREATION

Woodlands store carbon as well as slowing and cleaning water. There is a significant opportunity to develop markets for the important benefits that targeted planting can deliver for local areas and for businesses located downstream.

### ARABLE MARGINS

Infield margins can support ecosystems and agricultural production by creating habitats for beneficial pollinators and pest-eating insects and birds. Establishing an investment case for putting these in place will be significant part of food, farming and environmental policy post Brexit.

### WHO ARE THE CUSTOMERS?

#### The Government

Natural capital delivers a whole range of benefits to society. These benefits are often widely dispersed, hard to quantify and rarely delivered by markets. Government, on behalf of society at large will remain the primary customer for natural capital services. The challenge is to establish workable systems that enable payment for tailored natural capital measures that are designed to deliver specific, quantifiable environmental and social public benefits.

#### Others

As the natural capital offer continues to develop, a number of potential new customer groups are emerging. These include water companies needing ways to clean and store water, manufacturers having to meet carbon targets, food producers wanting to satisfy consumer expectations and organisations committed to improving health by connecting people and nature.

### UPLAND MANAGEMENT

Rewetting peat and changing management improves carbon storage in the uplands. Government should look to support landowners in delivering these benefits as the UK works to meet climate change targets.

### CREATING RIVER MEANDERS

Where appropriate returning rivers to a more natural state can create habitats for biodiversity while also cleaning and slowing the water, improving water quality and reducing flood risk.

### WILDFLOWER MEADOWS

Changing management can restore wildflower meadows which support pollinators and are proven to improve the mental wellbeing of visitors.

### PONDS AND WETLANDS

Storing water can reduce flood risk while also creating a valuable water source in times of scarcity. Designed well, they can also reduce the loss of soil from fields.

### WOODLAND MANAGEMENT

Markets for sustainable biomass are increasing. This has improved the business case for woodland management which in turn supports biodiversity.

### IN FIELD TREES

Using trees to provide shelter for livestock or to stabilise soil through agro-forestry can support agricultural production while protecting natural assets and creating homes for wildlife.

## i INVESTING FOR 2030

Delivering greater investment in natural capital requires three things: a foundation of public support to deliver public benefits, government enabling investments by improving current and planned policies / regulation, and opportunities for motivated markets to supplement public support. This 'mixed model' of natural capital investment will require some major changes to existing institutions, funding sources and mindsets.

### Deliver a fully-funded world leading farming and land use policy post Brexit

Government should commit to create a UK Food, Farming and Environmental Policy (FFEP) that, as well as supporting resilient farming, sets objectives to enhance natural capital. The FFEP should, alongside promoting resilient farming, establish new more extensive and prevalent contracts whereby land managers are paid for eco-system services, such as those set out on this page. These contracts should focus on agreed measurable environmental outcomes, but not set prescriptive and inflexible regulations for the exact way by which these outcomes are delivered.

### Create new markets for private investment in natural capital services

The UK and Welsh Governments should create vehicles for natural capital delivery where private funding can supplement, not replace, public support. This could be achieved through Area Statements in Wales and new forums in England. These vehicles bring together rural land based businesses with the potential customers for natural capital benefits and in doing so deliver better outcomes for all.

### Harness natural capital investment potential of new development

Government can enable greater private investment, through for example making far more extensive use of biodiversity offsetting conditions in planning decisions for large scale infrastructure and housing projects. The planning system should also support improvement in natural capital through permitted development where there are demonstrable benefits such as in ponds, lakes and reservoirs.

# UNLOCKING POTENTIAL OF RURAL BUSINESS

## UNLOCKING POTENTIAL

There are two ways to conceive the future of rural business. Firstly technology is breaking down the barriers that have previously prevented businesses from across the economy choosing to set up in the countryside. As different types of business are choosing to locate in rural areas, pre-conceptions about what a rural business is are changing, but distinct needs remain.

For landowning businesses this is a major opportunity. At the least it creates demand for workspace, homes and other facilities that attract new businesses and their workers out of the towns and cities. As this report shows others are taking the opportunity to invest in new ventures, such as those set out in these pages, creating new incomes and improving the resilience of the business.

Secondly, land based businesses must adapt to a changing world. The way in which farming adjusts to a new regulatory framework

and trade policy outside the EU is only the immediate issue, set against a background of a long term shift in the UK's climate as well as shifting public and consumer expectations. It is the businesses that embrace this change that will prosper.

As this new research shows rural businesses are investors. As they put in place strategies to meet the major challenges of the coming years, such as getting connected to ever more demanding digital services, it is through harnessing this investment potential that most can be achieved in rural areas. However potential will only be realised through collective effort. For the Government this means ensuring that the needs of rural areas are factored into long term planning, whether it be the Brexit Plan, the Prime Minister's Industrial Strategy or the 25 year Plan for Food and Farming. For businesses it is about being proactive, making formal plans, taking calculated risks and embracing the change that is ahead.

## PUTTING RURAL AT THE HEART OF INDUSTRIAL STRATEGY

**The Prime Minister has set out her ambition to build a new industrial strategy for the UK. It is vital that the needs of rural economy are fully incorporated within it. Here are four ways this can be achieved.**

### 1. Think long term

- **Put investing in improving business skills at the heart of industrial strategy** – to encourage business owners to invest in developing skills they need to run efficient profitable businesses.
- **Ensure that rural strategies take a long term view** – the 25 year food and farming and environment strategies must focus on harnessing potential of private sector investment to achieve outcomes like improving the environment.
- **Establish an investment tax roadmap focused on providing long term certainty for private investors** – this must ensure investment decisions are made with certainty about tax implications, especially when passing on the business.
- **Create a statutory duty to consider the long term implications of policy decisions** – building on the approach contained in the Well-being of Future Generations (Wales) Act.

### 2. Clear the way

- **Complete the process of planning reform** – ensure every local authority has an up to date Local Plan and continue the program of targeted deregulation of the planning system so as to encourage increased investment and higher levels of rural-based productivity.
- **Ensure connectivity infrastructure constantly adapts to meet local needs** – once delivered, the Universal Service Obligation for broadband must be reviewed every five years.

- **Encourage rural landowners to become local suppliers of services** – such as renewable heat, through district heating systems, electricity through direct to customer sales platforms or broadband internet suppliers by removing the barriers to businesses providing a direct to customer offer.

### 3. Facilitate new investment opportunities

- **Set carbon reduction targets that encourage investment** – establish a new long term policy framework for achieving renewable energy targets so as to ensure that low carbon transition is an accessible and profitable investment opportunity for rural businesses.
- **Promote community solutions in areas of poor connectivity** – encourage home and business owners to pool resources to invest in getting connected
- **Reward landowners for providing biodiversity** – establish a policy that rewards landowners for providing opportunities to undertake biodiversity offsetting when pursuing new development.

### 4. Harness the opportunities of Brexit

- **Grow markets for our products** – establish trade relationships that provide the best possible access to both the single market and markets around the world. Enable all rural businesses to achieve their full potential by securing the necessary terms in all trade agreements.
- **Develop a new Food Farming and Environmental Policy to succeed the CAP** – which both ensures business resilience and increases environmental ambitions. Rural businesses will be more resilient and better able to meet higher environmental standards with investment in research and development, businesses skills, enhanced resourced.

# ABOUT THE CLA

We represent diverse and successful businesses located at the heart of rural communities.

We help landowners work in the best interest of the land, wildlife and the environment.

Our purpose is to ensure that our members have the security, certainty and support they need to make investments in their land and business.

The CLA (Country Land and Business Association) is the membership organisation for landowners, farmers and other rural businesses. We have more than 32,000 members and together our members own around half of the rural land in England and Wales.

## REFERENCES:

- **Page 3 – statistics are taken from:**
  - The Department for Environment for Food & Rural Affairs publication *Statistical Digest of Rural England – September 2016 edition*.
  - The Stats Wales portal.

*Data for businesses in rural Wales is not available to the same extent or in the same form as for England. To identify the rural statistics CLA used the Welsh Government official Local Authority groupings which classify the following as rural Local Authorities – Isle of Anglesey, Gwynedd, Conwy, Denbighshire, Powys.*
- **Page 4 & 5**
  - Investment research data calculated by Barclays.
  - The Department for Environment, Food and Rural Affairs publication *Balance sheet analysis and farming performance, England 2010/11 – 2012/2013*.
- **Pages 6 & 9**
  - CLA Community Panel 2016 research.
- **Page 12 & 13**
  - The statistic relating to landowner investment in connectivity is sourced from CLA Community Panel 2016 research.
  - The information on EE's commitment to mobile coverage was sourced from EE's website.
  - The information relating to 90% geographic landmass coverage was sourced from gov.uk
- **Page 14 & 15**
  - The statistics relating to landowner investment in renewable energy are sourced from CLA Community Panel 2016 research.
- **Pages 16 & 17**
  - The statistics relating to landowner investment in natural capital are sourced from CLA Community Panel 2016 research.

## RESEARCH:

- **Barclays:** The research kindly undertaken by Barclays focuses on primary investment made by the land owning business. It used data from the British Bankers Association, Bank of England, Savills, the Department for Environment, Food & Rural Affairs and the Office for National Statistics. Further details are available in the supporting paper.
- **CLA Community Panel Research 2016:** This CLA commissioned DJS Research to undertake a survey of its landowning membership on their attitudes and motivations to investment. The survey was undertaken online during July and August 2016 and supplemented with telephone interviews in the same period. In total 826 responses were received.

## SUPPORTING PAPERS:

- **A series of supporting papers have been produced complementary to this report and these are:**
    - Barclays Investment Research
    - Renewable Energy Supporting Paper
    - Connectivity Supporting Paper
    - Natural Capital Supporting Paper
- These papers can be found at [www.cla.org.uk/ruralbusiness2030](http://www.cla.org.uk/ruralbusiness2030)

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