

HOUSE OF LORDS

Select Committee on the Rural Economy

---

Report of Session 2017–19

# **Time for a strategy for the rural economy**

---

Ordered to be printed 26 March 2019 and published 27 April 2019

---

Published by the Authority of the House of Lords

HL Paper 330

495. The Centre for Rural Economy told us that RGNs were “a successful pilot ... that demonstrated practical ways in which the growth potential of rural businesses could be enabled via networks of Rural Enterprise Hubs”.<sup>430</sup> An evaluation of the RGN pilots stated that they achieved most success in terms of improving business support, networking and training opportunities, and that they also increased the stock of business accommodation focused on start-ups and micro-enterprises.<sup>431</sup>
496. The RGN in the North East is an exception in that it is the only RGN that was awarded continuation funding after the RGN pilots ended. Richard Baker from the North East LEP explained to us that £6 million had been invested into a rural growth network programme via their local Growth Deal allocation. Growth Deals are a partnership between the Government and LEPs where the Government will respond to offers made by LEPs for initiatives to boost growth. Community Action Northumberland referred to the North East RGN as “a great success”, noting particularly its Rural Business Support Programme.<sup>432</sup>
497. **Rural Growth Networks offer a promising way of ensuring that attention is given to rural economic growth and support. It is disappointing that this programme has not been rolled out more widely.**
498. *More local authorities should be encouraged to include the establishment of, and funding for, Rural Growth Networks in their Growth Deals.*

*Business rates and rate relief*

499. Witnesses raised two main concerns with regard to business rates: the high cost of rates and eligibility for rate relief.
500. Broadly speaking, business rates are calculated by multiplying the rateable value of a business property by a multiplier (expressed as pence per pound). There are two multipliers: the standard multiplier and a small business multiplier, the former being higher. Local authorities are responsible for collecting business rates and are able to retain a portion of the rates collected (retention of business rates is discussed in Chapter 3).
501. A revaluation of rateable values for calculating business rates was introduced from April 2017. Although there is a transitional scheme in place to support businesses affected by the revaluation, witnesses expressed concern about the burden rates place on rural businesses. The Countryside Alliance told us that “many small businesses” had faced rate rises by “as much as 300 per cent”, with businesses requiring a lot of space such as riding stables and garden centres being particularly affected.<sup>433</sup>
502. The Association of Convenience Stores expressed concern about the calculation of rateable value for convenience stores attached to rural petrol forecourts. Convenience stores operating on a forecourt face a rateable value calculation are based on turnover. This compares to other convenience stores whose rateable value is calculated on the size of the premises, in the

---

430 Written evidence from Centre for Rural Economy ([REC0100](#))

431 Written evidence from East Riding of Yorkshire Council ([REC0034](#))

432 Written evidence from Community Action Northumberland ([REC0049](#))

433 Written evidence from the Countryside Alliance ([REC0112](#))

same way as other business premises. The Association told us that this made rateable values significantly higher for convenience stores attached to petrol forecourts compared to other stores.

503. Some witnesses also felt that the current system fails to take account of the wider role that some rural businesses play in providing essential services and amenities to their local community. For example, we heard from Pub is the Hub that, although some rural pubs host the last remaining village store and post office or run community events, these are not factored into decisions on calculating rates or determining eligibility for relief.<sup>434</sup>
504. Rate relief for rural businesses is offered via business rate relief or rural rate relief.<sup>435</sup> On the whole, small business rate relief and rural rate relief schemes were welcomed as policies that aid the viability of rural businesses. For example, South Lakeland District Council praised small business rate relief as “a genuine positive initiative that is well received”.<sup>436</sup> However, some evidence indicated that the current rate relief system still does not take proper account of the challenges of rurality.
505. Small business rate relief is available to businesses whose property’s rateable value is less than £15,000 and where the business only uses one property.<sup>437</sup> Businesses receive 100 per cent rate relief for properties with a rateable value of £12,000 or less. Properties with a rateable value between £12,000 and £15,000 face a rate of relief that is graduated from 100 per cent to 0 per cent.
506. Businesses are eligible for rural rate relief if they are located in a rural area with a population below 3,000 and it is either the only village shop or post office, with a rateable value of up to £8,500, or the only public house or petrol station, with a rateable value of up to £12,500.<sup>438</sup> Under current law rural rate relief is 50 per cent. However, in practice it is 100 per cent. This is because the Government agreed from 2017–18 to offer 100 per cent relief and to compensate authorities for revenue foregone via a section 31 grant.<sup>439</sup> The Local Government Finance Bill 2017 included a provision to set rural rate relief at 100 per cent but the bill failed to get approved before the 2017 General Election was called and has not been re-introduced.
507. **Many rural businesses operate in a different context, and with different challenges, to businesses in larger towns and urban centres. While rural rate relief and small business rate relief reflect these challenges to an extent, more could be done to reflect the challenges of rurality in business rate design.**
508. *The Government should review the impact that the revaluation and current multiplier levels for business rates are having on rural businesses, particularly stables and garden centres. There is also an urgent need to review the impact of small business and rural rate*

---

434 Written evidence from Pub is the Hub (REC0085)

435 There are other forms of reliefs both mandatory and discretionary but here we are only focussing on small business and rural rate relief schemes.

436 Written evidence from South Lakeland District Council (REC0148)

437 When a business acquires a second property, they can keep getting any existing relief on the main property for 12 months and even after this if none of the other properties have a rateable value above £2,899 and the total rateable value of all properties is less than £20,000 (£28,000 in London). See: HM Government, ‘Business rates relief’: <https://www.gov.uk/apply-for-business-rate-relief/small-business-rate-relief> [accessed 15 April 2019].

438 Written evidence from Defra (REC0146)

439 Local Government Finance Act 2003, [section 31](#)

*relief provisions on rural pubs, local shops and other businesses that may be providing essential services and amenities to the local community beyond their primary commercial activity.*

### *Diversification*

509. According to the Farm Business Survey results for 2017/18, the latest figures available, 66 per cent of farm businesses in England had some diversification activity in that year, an increase of 2 per cent from 2016/17. The main diversified activity is letting out buildings for non-agricultural use. Total income from diversified activities in 2017/18 was £680 million, an 8 per cent increase from 2016/17 (£620 million). Diversified enterprises accounted for 22 per cent of total farm business income in 2017/18 (£3,090 million), although there is wide variation between farms.<sup>440</sup>
510. We heard that diversification, particularly of farm businesses, has become much more common in recent years and has changed the nature of farm management. NFU Mutual, which insures around three quarters of farms in the UK, stated that many of its customers were looking at diversification as a way of increasing their revenues and protecting their businesses from market volatility.
511. However, we also heard of barriers to turning an idea for diversification into a reality. NFU Mutual told us that “not all farmers are well-equipped to plan, introduce and manage diversification”.<sup>441</sup> Christopher Price of the CLA and Rebecca Burton of the National Trust told us that farmers often need support to get a business diversification idea off the ground.<sup>442</sup>
512. George Dunn of the Tenant Farmers Association noted that there are often restrictions within tenancy agreements that prevent tenant farmers from diversifying their business. He told us that tenant farmers should have the right “to service a notice on their landlord to say they want to do something outside the scope of their tenancy agreement for public goods purposes or for diversification purposes, so long as the landlord has the opportunity to make a reasonable objection”. He acknowledged that this may require a change in the law.<sup>443</sup> When debating the Agriculture Bill in November 2018, the Government agreed that tenancy reform is needed including in relation to tenancy agreements and announced that it was working on a draft consultation on tenancy law in follow up to recommendations made by the Tenancy Reform Industry Group in 2017.<sup>444</sup>

---

440 Department for Environment, Food and Rural Affairs, ‘Farm Accounts in England: Results from the Farm Business Survey 2017/18’, 13 December 2018, pp 18–19: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/763943/fbs-farmaccountsengland-13dec18.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/763943/fbs-farmaccountsengland-13dec18.pdf) [accessed 15 April 2019]

441 Written evidence from NFU Mutual ([REC0118](#))

442 [Q 37](#) (Christopher Price) and [Q 116](#) (Rebecca Burton)

443 [Q 159](#)

444 HC Public Bill Committee, 20 November 2018, [col 532](#)