

COVID-19: Re-starting the economy in rural areas

The rural economy offers in-built opportunities

According to the latest official figures, the rural economy in England alone contributes nearly £261 billion to the national economy. Based on VisitBritain figures, we estimate that domestic tourism spending in UK rural areas accounted for £73bn in 2019.

Like the rest of the country, rural areas have been hard-hit by coronavirus, with the tourism sector particularly blighted. Rural tourism accounts for around 80% of domestic tourism, and recent VisitBritain estimates¹ suggest it will see its revenues fall by £17.6bn this year as a result of COVID-19 control measures. This is almost a third more than the estimated impact on tourism of Foot and Mouth Disease (FMD) in 2001, after inflation.

And yet, rural areas have an in-built advantage: space. If rural business can be re-opened – subject to the appropriate social distancing and hygiene measures, and with the right support framework, they could provide an early boost to the national economy.

The food supply chain - agriculture, horticulture, food processing and retail – has continued to function in the period of lockdown. We've seen some local food networks flourish, but we've also seen real hardship among those businesses that served the food service market, especially in the dairy sector. Business agility, based on a mixture of technology and skills supported by access to finance, has made a big difference.

This is an opportunity worth grasping in a context where the latest forecast from the Office for Budgetary Responsibility (OBR)² points to a reduction of 35% in GDP for the 2nd quarter of 2020, a reduction in GDP of 13% by the end of the year as the lockdown eases, and an extra 2 million unemployed as a result of the outbreak.

1. A risk-based approach to the early re-opening of the rural economy

- 1.1 Rural areas have an in-built advantage in terms of ability to implement social distancing, thanks to lower population density and less reliance on public transport, more space around shops and a different mix of businesses and accommodation properties. This should enable an earlier end to lockdown.
- 1.2 Businesses that are (i) outdoors and (ii) have sufficient space to enable social distancing should be in the early wave of re-opening (as has happened elsewhere in Europe). This includes, for example, garden centres, fishing lakes and rivers, gardens, golf courses and any other recreation/sports facilities where social distancing is possible. Areas where there is public access such as beaches and parks (including in National Parks and AONBs) should also be re-opened.

Clear government guidance will be needed on whether associated catering venues within such businesses can re-open, and if so under what conditions.

¹ Visit Britain impact assessment: <https://www.visitbritain.org/2020-tourism-forecast>

² Office for Budgetary Responsibility, 14 April economic scenario: <https://obr.uk/coronavirus-reference-scenario/>

This will help both the economy, and people's mental and physical wellbeing. England and Wales have a substantial network of Public Rights of Way for people to enjoy, and the health benefits of being close to nature are one of the most important 'public goods' that farmers and landowners can provide. The CLA is keen to work with government and others to promote these benefits, and promote the need for visitors to respect the [Countryside Code](#), and also respect those for whom the countryside is their home or workplace and who might themselves be self-isolating. The CLA has published guidance for its members on creating recommended temporary diversions away from farm yards and dwellings to deal with these issues and increase health & safety given farms are busy at this time of year.

- Re-opening should of course be subject to existing government COVID-19 guidance³. This means that risk, and whether re-opening is possible, will need to be assessed by each individual venue or location, depending on their layout and facilities.
- Businesses that are able to operate timed entrance slots that can be booked remotely should be allowed to run pilots now and re-open if those pilots show they can successfully operate social distancing.
- A self-certification system must be put in place, based on detailed guidance and a checklist covering social distancing on entry, exit and on site, disinfection standards, staff health & safety etc.

Our members would like to see robust evidence on COVID-19 persistence times on various surface types and outdoors, leading to workable, risk-based disinfection standards. Any pilot work could help sampling of surfaces and submission to testing labs to build the evidence base for environmentally-based disinfection procedures.

This system could be pulled together by Public Health England or HSE and equivalent bodies in Wales, and have a date stamp. This would help not only individual businesses ensure they have the right processes in place; it will enable straightforward policing, and give the public confidence and enable them to make their own judgement on risk, based on their personal circumstances. It could also become part of a solution to unlock insurance cover. This system could be used to enable closed doors sports events eg motor racing, golf competitions.

- Government needs to set out clear re-opening milestones, so that all venues of the same type are clear they can re-open, and avoid any venue/organisation opening first and being overwhelmed by visitor numbers. Any difference in approach across nations in the UK risks confusing the public, which could in turn increase infection risk, as well as create market distortions.

It's essential businesses and other organisations are given sufficient notice: they will need to organise their staffing, systems, physical infrastructure and communications.

Government help across the UK will be needed to manage the public's expectations – what people can and can't do, encouragement to pre-book and not to travel on spec, and what they can expect to be open etc when they get to venues.

- Any children's play area within these businesses may have to remain closed until government deemed it safe for schools to re-open.

³ <https://www.gov.uk/guidance/social-distancing-in-the-workplace-during-coronavirus-covid-19-sector-guidance>

- 1.3 Some rural businesses have taken a very cautious interpretation of the Government's guidance on which businesses can still trade. Some building supplies, quarries and machinery parts suppliers are closed, regardless of their ability to implement social distancing. Some of this is motivated by fear of aggressive reactions on social media. This is having an impact further down the chain, preventing or slowing down building works or maintenance which could be carried out, e.g. on empty properties, outdoors, or by sole traders (subject to social distancing and hygiene measures being adhered to). In the countryside, property viewings/surveys/house moves with social distancing are easier to do. A huge number of rural projects (pot-hole filling, road re-surfacing, road side ash removal) could be done before lock down ends in order to cause much less disruption than during normal times. Government could help by clarifying its guidance and encouraging businesses that can re-open safely to do so, while also discouraging unjustified social media attacks on safe economic activity.
- 1.4 The Government should work with the rural tourism sector to set out a roadmap of re-opening based on the level of risk of various types of accommodation.

Rural tourist accommodation businesses should present low contamination risks, and should therefore be allowed to re-open early, **so long as:**

- Customers can access them using their own vehicles; and
- They are let exclusively to people who live in the same household (until testing is available), and are not in the shielding group and
- They do not involve any contact with anyone else (eg no shared cooking or washing facilities, no shared swimming pools or other sports equipment, self-catering, keys handed over at safe distance etc), and
- They are disinfected between guests in line with government guidance

Again, we need a self-certification system against a set of detailed guidelines covering social distancing on entry, exit and on site, disinfection and laundering standards (or duration of vacancy) between guests etc. It's essential to help individual businesses ensure they have the right processes in place, and enable would-be customers to make their own judgement on risk, based on their personal circumstances. (*see section 1.2 for details*)

Businesses which meet the criteria above but also have separate shared facilities on site (eg food service, sports equipment) should be able to re-open the part of their business that is lower risk earlier if they wish, while keeping the shared facilities closed, rather than have to keep the whole business closed. Some businesses may not be able to do because they would be making a loss or because of customer expectations that could not be fulfilled, leading to potential disputes. In such cases, they should continue to have access to government financial support.

Again, any difference in approach across nations in the UK risks confusing the public, which could in turn increase infection risk, as well as create market distortions.

2. Economic support needs to match the gradual return to normal

- 2.1 We expect the re-opening of the economy as a whole to be phased. The rest of this paper considers what policy mechanisms will enable this to work.

- 2.2 An abrupt end to government support schemes, before businesses can trade again at a level close to normal, would likely result in immediate lay-offs at scale, putting further pressure on the benefits system and resulting in a (further) drop in consumer demand.⁴

Those hardest hit, whose businesses had to shut down overnight and who have had no income, need clarity over what support will be around whilst they are still trying to rebuild. Clearly outlined plans now would give more of them the confidence to rebuild and persevere, otherwise high levels of personal debt could put many off, with a knock-on aggregate effect on the economy. This would encourage commercial tenants to keep premises, and commercial landlords to go ahead with investment and maintenance, which may in turn help take staff off the furlough.

Even businesses that are allowed to re-open earlier may not secure new bookings at short notice. They should therefore not be penalised in terms of access to business interruption support.

And of course, even in rural areas some businesses operate from small premises or re-purposed buildings, making social distancing or staff safety difficult to achieve. Some would not be able to break even at the occupancy levels required by social distancing.

To avoid a cliff-edge, the CLA is proposing:

- a gradual scale back of the furlough scheme, which would help businesses while they get back to normal as the lockdown relaxes. Notwithstanding obvious implementation difficulties, many rural businesses are asking for some form of part-time furlough cover, so they can keep businesses ready for re-opening or ticking over while income slowly rebuilds, and help with employee mental health.
- The Coronavirus Business Interruption Loan Scheme (CBILS) and the 'Bounce Back' loan scheme need to be available until social distancing ends completely, as the impact of continued social distancing particularly on tourism, hospitality and leisure businesses is not yet known and could be felt for many months.
- Consider extending the Business Rates holiday further for the retail, leisure and hospitality sectors, or offer a discount based on turnover, if the economy has not fully recovered by the start of the next financial year.

- 2.3 To avoid cash flow pressures on businesses in around a year's time, when banks start to charge interest and/or expect capital repayments (which could lead to insolvencies and unemployment, thus negating current efforts to protect viable businesses), *the CLA is calling for:*

- an extension of the CBILS scheme from 1+5 years to 1+9 years, making repayment serviceability more sustainable;
- a requirement on CBILS lenders to pass on the benefit of the Government guarantee to industry by reducing EBITDA cover requirements on serviceability to a maximum of 1.25x;
- banks to show flexibility by extending mortgage payment/loan repayment holidays for up to 12 months;

⁴ As of April 14, household spending was some 39% lower than this time last year with an ongoing downward trend. https://members.tortoisemedia.com/2020/04/28/corona-shock-week-2/content.html?utm_source=Tortoise+Members&utm_campaign=7376209e5e-EMAIL_CAMPAIGN_2020_04_28_10_00&utm_medium=email&utm_term=0_efeb5ec230-7376209e5e-138406479&mc_cid=7376209e5e&mc_eid=%5bUNIQUID%5d

- the tax system to support business recovery. This means:
 - No increase in the tax burden on small businesses before the economy returns to pre-coronavirus levels. Thereafter, any tax rate changes must be incremental;
 - Avoiding preferential treatment of loopholes for online businesses, which have been relatively insulated (and in some cases have seen a record increase in turnover) during the outbreak;
 - Taking account of the liquidity available to businesses, to avoid putting long-term, low-return businesses in jeopardy. This will be the case for most farms and other land-based businesses, on which the country depends for food, landscape maintenance, and in the future for climate mitigation. A [simpler tax treatment for diversified rural businesses](#) could help them marshal resources effectively and speed up recovery.
- Local Authorities to use their discretionary powers to grant empty property relief as part of the recovery phase - and for as long as the economy is still in recovery mode – particularly for commercial properties but also potential for residential properties. (They are also badly affected at the moment. This could improve, assuming the residential letting market can re-start within the social distancing guidelines; see section 1.3.)

2.4 Future pressure points in the food supply chain need to be mitigated quickly:

- The CLA welcomes the Government’s support for the fruit and vegetable sector, which faces significant recruitment challenges in order to ensure produce is picked and packed. These efforts will need to be maintained and adapted once other sectors of the economy restart, as the staffing gap in horticulture will remain.
- As food service businesses reopen, there may be supply disruption again as the supply chain re-directs their produce. Notice of re-opening of the food service markets and a phased approach may help to understand the potential pressure points and manage them. Real-time data monitoring and market intelligence by AHDB would help – and they need to consider the small but higher value market sectors and specialist producers too. We would recommend that Defra carries out scenario planning, which would enable policy measures to be ready to deploy as needed.
- Supplies of essential inputs (eg machinery parts, PPE kit and bedding material for the poultry sector) need to be monitored closely, so risks can be managed.

3. **Short- and medium-term: building resilience into rural economies**

3.1. Immediate actions which can still help control the economic impact

- Many sectors of agriculture, as well as diversified businesses, are going through a period of acute uncertainty and financial strain. *The CLA continues to call for the start of the move away from direct payments in agriculture to be delayed by 12 months.*

- After FMD, tourism businesses got little support. It took them 5-6 years to recover ⁵. A speedier recovery this time is in everyone's interest. To help this happen:
 - *VisitBritain needs to re-focus activities on promoting domestic tourism.* Holidays in rural areas offer an optimum combination of limited travelling time, smaller carbon footprint than a holiday abroad, health benefits of fresh air and outdoor activities, beautiful landscape and biodiversity, and easier social distancing than in cities. The CLA calls on VisitWales and VisitEngland to have campaigns ready to deploy as the lockdown gets relaxed.
 - *The CLA proposes that for tourism attractions and accommodation with a turnover of up to £0.5m, VAT should be reduced to 5%.* This will (i) help small UK businesses be more competitive with other countries (eg Greece charges 13% VAT on tourist accommodation, Spain and France 10%); (ii) encourage businesses who keep their operation below the registration limit to register, which will enable them to increase turnover without making their prices uncompetitive with unregistered firms locally, thus generating increased VAT revenue and income tax take. We intend to model this as soon as we can.
- *Permitted Development Rights should be introduced rapidly to enable temporary change of use for any dwelling that can currently only be used as a holiday let.* Such dwellings could then be turned to residential lettings in the short term, which could help rural tourism businesses limit their losses, and provide accommodation for people unable to buy a house because of COVID-19 control measures. It could be time-limited (eg to Dec 2021), with an option to extend if necessary.
- Coronavirus has brought the need for digital skills to the fore, particularly for food businesses which have hitherto relied on stable B2B markets. It has also shown the importance of collaboration in enabling produce normally sold through restaurants and caterers to find alternative markets.
 - Some help is currently available through local Growth Hubs, who can for example assist businesses find alternative markets, or establish an online presence to market their products, enable online ordering, enable timed entrance or delivery slots. *The CLA will promote Growth Hubs to its members through its advisers, magazine, website and online events. We will engage with LEPs to look to funding solutions for struggling businesses or those trying to diversify their markets.*
 - In the absence of any injection of additional government funding, *the CLA calls on Defra to re-allocate any unspent Rural Development Programme funding towards small grants through the LEADER scheme to help businesses reach new markets.* A more streamlined process for full RDP applications would also help get investment projects off the ground more quickly.

3.2. Medium-term actions which can help the speed and sustainability of recovery

Availability of insurance may act as a constraint on economic recovery, as the confidence of both consumers and businesses is undermined. It's therefore critical that the UK Government put pressure on the insurance industry to come up with a package of measures

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/86109/Tourism_Feature_Report_Sep11.pdf

to underpin recovery and also consider a re-insurance framework to deal with any such crisis in the future.

- *A structural funds package will be needed to support rural areas post-2020.* The data we are assessing makes it quite clear that certain regions, eg Cornwall and Cumbria, are going to be severely affected due to the types of business involved.
 - Before the outbreak, rural productivity was on average 16% behind the national average, and the CLA had put out a series of proposals to unleash the economic potential of the Rural Powerhouse. These proposals – on rural planning and housing, climate-proofing and sustainable farming, taxation and infrastructure - still stand. The rural economy offers multiple opportunities for stimulus projects of benefits to climate action – an excellent investment for UK taxpayers.
 - We want to see far better rural proofing across a range of Government economic policy, and we believe a strategy for rural business clusters needs to be developed. We also call on LEPs to be more receptive to the need of their rural economies and stop prioritising urban over rural.
- The outbreak has brought to the fore the need for *digital skills for businesses*.
 - Now is the time for DCMS to get a digital skills programme for the whole economy off the ground, so both rural and urban areas can make the most of online markets, real-time data and productivity tools. Support would enable not only recovery from the impacts of COVID-19 but wider growth. The CLA also calls on Defra to include digital skills in their transition business adaptation package for farmers and land managers.
 - Of course, businesses in rural areas can only use digital technology if they have access to the internet. The COVID-19 outbreak has shown the importance of online services; this reinforces the need to end the rural/urban connectivity divide. That's why the CLA supports the UK Government's announcement of an accelerated rollout of fibre broadband and mobile connectivity. A lot of that work is done outdoors, and companies should be encouraged to accelerate deployment as soon as possible, subject to social distancing being enforced.
- COVID-19 has laid bare the fragility of parts of the UK's food supply chain. However, it has also shone a light on alternative ways of buying food. *The CLA calls on Government, through the Food Strategy and directly, to learn from this experience in order to strengthen the resilience of the UK's food chain.* In particular:
 - We need a comprehensive package of business adaptation measures to help the farming industry in England and Wales to be more resilient to shocks, adapt to the new agricultural regime and thrive in future trade relationships. Advice, training and investment can transform the sector, provide high quality jobs and drive sustainable productivity, all of which the coronavirus crisis has shown to be valuable to society as a whole.
 - The UK needs to have a reliable supply of seasonal workers while it accelerates the development of automation in the fruit and vegetable sector. This requires:
 - (i) a more flexible immigration system than is currently being proposed, and sustained work across government and industry to attract UK-based workers
 - (ii) more focused R&D investment;

- (iii) strengthened rules around trading practices and fairness in the supply chain, to ensure that additional costs, from training inexperienced pickers and housing them in COVID-compliant accommodation, are covered in farmgate prices. In the short term, grants to cover the costs might provide a solution and help with recruitment of local workers too.
- The Food Strategy should shape policy to cope with current and future supply challenges, especially in the light of climate-related risks to food supplies across the globe. As a country, we need to decide what level of risk we are prepared to take if domestic production does not cover our consumption needs.
 - The Food Strategy needs to consider how to nurture local food networks/supply chain networks in ‘peacetime’.
 - Underpinning all this, there needs to be a concerted effort by government, levy bodies and industry to encourage consumers to support UK food producers through their buying decisions, as part of re-starting the economy.
- *A simplified planning system will assist recovery.* The planning process is currently complex, lengthy and costly. It needed reforming even before the COVID-19 crisis hit. This could be an important – and relatively cheap – ingredient of boosting economic development in rural areas and help the recovery. Rural office locations may become more attractive in the light of the coronavirus experience; if that is the case, the planning system needs to be able to respond quickly to emerging demand. In the short-term, local planning authorities may want to free up vacant office and commercial space for temporary new uses (such as residential, affordable and sheltered). Again, this requires a flexible and fast planning process. That’s why the CLA is calling for simplification across the planning system as part of its Rural Powerhouse campaign.