RURAL POWERHOUSE: A PLANNING SYSTEM DESIGNED FOR THE RURAL ECONOMY

Contacts

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1. The CLA and the Rural Powerhouse

1.1 What are we hoping to achieve?

Founded in 1907, the CLA is the membership organisation for owners of land, property and businesses in rural England and Wales. We exist to champion, protect and enhance our rural economy, environment and way of life.

The Rural Powerhouse is a CLA campaign, its ultimate aim is to **unleash the potential of the rural economy, by closing the rural productivity gap, and transforming the lives of millions of people who live and work in the countryside.**

There are five distinct themes:

1. a fully connected countryside;
2. a planning system designed for rural communities;
3. profitable and sustainable farming;
4. investment in skills and innovation;
5. a simpler tax regime.

Our aim is to unlock the potential of the rural economy by promoting innovative ideas to a national audience and providing practical support to members. We do this so our members can feed the country, create jobs and prosperity, invest in communities and protect the environment for future generations.

Together, CLA members own and manage a quarter to a third of all heritage and around half the rural land in England and Wales. This land supports a wide variety of businesses including agriculture, forestry, tourism, hospitality, retail and residential lettings. Our members generate jobs; they provide land and buildings for investment, and housing for local people; they produce food, fibre and a whole range of land-based environmental services.

The quality of the countryside, and its natural resources, is of vital importance to CLA members. Most objectives for the countryside – economic, social and environmental – rely on landowners and land managers for their success, and frequently bring them into contact with the planning system.

The CLA's formal, incorporated name is the Country Land and Business Association Limited, and its registered office is at 16 Belgrave Square, London SW1X 8PQ.

1.2 How a revised planning system can help deliver the Rural Powerhouse

The CLA launched its Rural Powerhouse campaign during the 2019 general election. We believe that, with the right policy platform, the economy in rural areas has tremendous potential for economic growth, job creation and wider prosperity.

This policy report deals with the second theme of the campaign – "a planning system designed for rural communities" – and explains how a simpler and properly resourced planning system can support, enable and enhance development in rural areas.

Many reports on the planning system have been commissioned over the decades. Practically all of them have found the planning system to be too complex, under-resourced, a barrier to good change, and an insufficient barrier to bad change. Several reports have come up with recommendations for change, much of which has been implemented but in a manner that has added additional complexity.

Radical long-term change is not what CLA's publication focuses on because, especially following the Covid-19 emergency, action is needed now. Although there may well be a need to consider more fundamental change, we are concerned mainly with changes which could be made quite quickly, with limited cost and disruption, to get the economy in rural areas moving in the light of the three major challenges it now faces.

Challenges facing the rural economy

- Responding to community needs – The hopes and needs of rural communities for better jobs, housing, transport, services and leisure are similar to those of people in urban areas. Yet many in the countryside feel that they are not receiving the benefits of economic growth, and that the Government does not fully understand the relationship between rural businesses, rural life and the environment.
- Levelling up the economy – The economy in rural areas has lagged behind urban areas. The traditional image of rural economies as dominated by primary industries (such as agriculture and forestry) and small-scale tourism is increasingly anachronistic, when in fact their sectoral composition is similar to that in urban areas. The business base in rural areas is not just growing, but also becoming more sophisticated, creative and innovative despite the issue of adequate broadband delivery. In spite of this, rural areas have an 8% lower productivity compared to urban areas (excluding London) and face a continuing skills shortage.
- Recovering from the economic impact of Covid-19 – Covid-19 has had a hugely damaging effect on the economy in rural areas across all sectors, but in particular leisure, tourism, events, and hospitality where income has been wiped out since lockdown started. Some of that damage may be temporary, but some of the lost economic activity is unlikely to come back.

An efficient, effective and proportionate planning system is a key component to economic recovery. The planning process is currently complex, lengthy and costly. It needed reforming even before the Covid-19 crisis hit. It 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 new uses (such as for residential, affordable and sheltered housing). Again, this requires a flexible and fast planning process.

2. Why is the Rural Powerhouse so critical now?

The economy in rural areas is entering a period of significant change, perhaps the biggest since the UK entered the Common Agricultural Policy almost 50 years ago. The UK's departure from the European Union, and the new trading relations this will generate, create both opportunities and risks. These changes come alongside new expectations and perceptions about what the countryside is for and the nature and make-up of the economy in rural areas.

It is all too often forgotten that the countryside is a mosaic of activities each with a contribution to make to the whole. The economy in rural areas is dynamic and in a constant state of change. Commercial activity, management of the countryside, the health and well-being of rural communities and the provision of services are part of one and the same picture. All depend on one another.

In England, rural businesses generated £261bn[1] Gross Value Added (GVA) per annum, around 16% of total UK GVA[2]. But there is still an 8% productivity gap between the performance of rural and urban businesses (excluding London) which, if closed, would begin to show the dynamic economic contribution rural businesses can make. Latest data from the Farm Business Survey shows income from farm diversification in 2018-19 to be £680m. Data from the Farm Business Survey farm accounts 2012 to 2019 suggests an average 7%[3] per annum increase in that income stream. On this basis it can be estimated that diversification activities could generate nearly £1.02bn in income in 2025. However, depending on future policy instruments being deployed, the level of income generation from diversification could be considerably higher.

If rural businesses were more easily able to obtain planning permissions for beneficial economic development, including critically needed affordable housing, diversification opportunities could be realised more easily. This is particularly relevant in the context of the profound policy change heralded by the Agriculture Bill. It may lead to restructuring in the agriculture sector, with some land assets becoming available for other – potentially more profitable – uses.

The CLA's view is that while the planning system does not require a total overhaul to enable and support this change, there are both short-term and long-term changes that would make it more effective, efficient and transparent. Some welcome changes have been implemented over the years, but there remains an over-arching concern that the planning system is acting as a barrier to the delivery of beneficial development for rural businesses, communities, and the environment. A simpler and better resourced planning system would restore confidence and encourage more applications to come forward, unlocking the potential of the economy in rural areas.

This policy report outlines some mechanisms for restoring confidence in the planning system to encourage landowners and land managers to innovate and invest, and deliver a prosperous, sustainable and broad-based economy in rural areas.

1. Statistical Digest of Rural England January 2020
2. Statistical Digest of Rural England January 2020
3. Farm Business Survey – Farm accounts: 2012/2019

3. What makes up the economy in rural areas?

The hopes and needs of rural communities for better jobs, housing, transport, services and leisure are similar to those of people in urban areas. Yet many in the countryside feel that they are not receiving the benefits of economic growth, and that the Government does not fully understand the relationship between rural businesses, rural life and the environment.

The traditional image of rural economies as dominated by primary industries (such as agriculture and forestry) and small-scale tourism is increasingly anachronistic. All too often the "economy in rural areas" is equated with "farming" and a "tea shop" economy.

While land-based industries dominate the use of rural land, only a small proportion of employment and GVA is directly generated by these industries. That does not mean the land-based sector is unimportant: it provides the context in which a whole range of other rural economic activities take place, and it maintains the rural landscape and delivers biodiversity and natural capital goods and services.

Rural economies have in fact become increasingly diverse and differentiated as agriculture has ceased to be the main source of employment for those living in rural areas. Farming businesses have diversified into other business types, many of which have become important enterprises in their own right through substantial earnings and job creation. Activities such as manufacturing, industrial, commercial, minerals extraction, technology, creative and service sectors have grown in importance in rural areas. This has meant that the economy in rural areas is actually now broadly comparable to the urban economy in terms of sectoral composition.

Rural businesses may conduct many interdependent commercial activities as part of their over-arching business strategy on their land. This may include, for example, rental accommodation, tourism ventures, renewable energy, manufacturing, industrial, storage and warehousing and other commercial activities. This variety of commercial activities is aimed at ensuring an overall objective of sustaining a viable long-term business that seeks to balance environmental objectives with the economic well-being of the countryside and the provision of job opportunities, as well as housing, for local communities. But these businesses and communities have the potential to be even more successful with additional job creation, sustainable villages and enhanced rural vitality.

A broader economy in rural areas that delivers a range of full-time jobs, with associated salaries, will be infinitely more robust and sustainable, than the seasonal "tea shop" economy that is favoured by many planning authorities and some stakeholders.

In this context, a planning system that seeks to achieve its objectives for rural communities and the environment by restricting economic development fails the businesses, communities and the environment it is intended to support.

A transformed planning system (both policy and regulation) that recognises the importance of a broader economy in rural areas and which provides a more level playing field for appropriate and sustainable business and housing development in the countryside, can transform our rural areas into a rural powerhouse. This, in turn, will help to deliver the Government's commitment to levelling-up as it applies to our rural areas.

Just as importantly, an economy in rural areas that seeks to deliver environmental and natural capital improvements and enhancements will be part of the solution towards achieving a net zero target: the planning system has a key role to play in delivering these outcomes.

There is a very real opportunity, given the pressure the economy as a whole will be under in the next few years, that the ideas set out in this paper could assist the Government in growing the economy in rural areas with little upfront funding. This opportunity must not be missed.

4. How does the planning system restrict the potential of the rural economy?

A restrictive, expensive and inefficient planning system is harming the potential of the economy in rural areas. Putting this right is one of the key objectives of the CLA's Rural Powerhouse campaign.

The planning system is seen as one of the most significant barriers to economic growth in rural areas. The wide-ranging interests of CLA members brings most of them into contact with the planning system, and they find it inefficient, ineffective and opaque. Respondents to a 2018 CLA member survey, described the planning application and decision-making process for business and diversification-related projects as plagued by delays, additional costs and unrealistic demands; harmed by out-dated perceptions of the economy in rural areas; with decision-making that seemed to fly in the face of rural interests. It is hardly surprising, therefore, that rural communities believe that their needs for jobs, homes and services are ignored by government at all levels.

The CLA's 2018 policy report *Strong Foundations – meeting rural housing needs*[4] found many thousands of villages were classed as "unsustainable" because they no longer had a post office or access to public transport. These villages have been left in a permanent cycle of decline for years because planning authority sustainability assessments measure villages against a range of services and amenities more akin to how previous generations lived and used services, rather than focussing on modern day needs. For example, only 18% of local authorities, analysed by the CLA, include the availability of broadband in their sustainability assessments for rural villages.

In early 2020, the CLA collected evidence from members on how long it took an applicant to navigate the various stages of the planning process in respect of housing development. This revealed that, while there were significant differences between projects, it took, on average, 10.9 years between a landowner first undertaking to secure planning permission and the project commencing. Within this, it took members on average 8.1 years to secure planning permission. There is a slight trend for larger developments to take longer to navigate the planning permission, but this is far from a clear universal pattern, with many smaller developments requiring over a decade.

Successive governments have undertaken numerous reviews and studies aimed at reducing complexity within the planning system. Whilst continuing review is welcome, there comes a point at which uncertainty and perpetual re-examination of process detracts from delivery. To move beyond this, we set out below those issues that require immediate attention, together with policy matters that are required in the longer term, and a business case for these options.

4. https://www.cla.org.uk/strongfoundations

5. CLA recommendations for short-term action

5.1 Avoid wasted expenditure

The plan-led system[5] puts the burden of supporting a planning application with evidence on to the applicant. In the course of providing advice to members over the past 20 years, and in the CLA's 2018 Planning Application survey, a very noticeable trend for increasing demands for more and more reports and surveys has emerged before a planning application will be validated by the planning authority.

The validation of planning applications is largely determined by the requirement to comply with the planning authority's standard validation checklist. It is becoming increasingly rare where more than a handful of the types of information set out planning authority standard validation checklists is actually required. The fact that an item appears on the planning authority validation checklist often leads to endless discussion between applicant and planning authority about whether a specific item of information is really necessary in a particular case. It is particularly exasperating to be faced with a refusal to validate some two weeks or more after the planning application was first submitted to the planning authority. It has become so contentious the Government introduced a disputes mechanism aimed at resolving arguments about information demands.

This, combined with the cost of engaging more and different professional advisers to guide them through the mass of detail, even after obtaining pre-application advice from the planning authority, is actively deterring applicants from bringing forward proposals that would deliver jobs and homes in the countryside.

The huge levels of up-front costs associated with supporting a planning application and the significant risk of an unsuccessful outcome have a detrimental impact on the delivery of potentially beneficial economic development in rural areas. For applications that are rejected, those costs are nugatory. Not only is it economically inefficient, the fear of nugatory costs deters people from applying. Furthermore, the finance to support a proposed development is sourced from fluctuating farm incomes. The current planning application process is far too high a financial risk for many landowners and land managers to countenance especially given the level of costs required, and the time involved. As a result, they are not bringing forward innovative and beneficial rural economic development.

If the Government really means to simplify the planning system, it must address this specific development management issue if it is to have an effect on speeding up the planning decisions and economic activity.

Even attempting to deliver critically needed rural affordable housing, for rent for local people, on rural exception sites is seen as almost impossible because so many villages are labelled as "unsustainable" in local plans.

There are many cases of excessive up-front costs for planning applications that were subsequently refused. For example, a planning application for the redevelopment of a site in a market town required £1million of up-front costs for the supporting evidence, but was ultimately refused. Similarly, a planning application for an anaerobic digester plant incurred £300,000 of up-front costs but was refused.

5. Plan-led planning system – Section 70(2) of the Town and Country Planning Act 1990 requires that applications for planning permission must be determined in accordance with the planning authority's local/development plan unless material considerations indicate otherwise.

CASE STUDY

CLA evidence to the Penfold Review of non-planning consents 2010.

A CLA member sought approval from his local planning authority to sub-divide a large village house into two four-bedroom units – the intention was to house two local families each with five children. The planning authority required a Local Housing Needs formula/condition to be secured by way of a Section 106 Agreement. The process took so long (over 15 months) that one family moved away from the area – the application/scheme was abandoned having incurred abortive costs of around £6,000.

Planning and rural development grant funding

Currently, rural businesses have to obtain planning permission before they can apply for rural development grant aid funding. Very often obtaining planning permission can take much longer to achieve than anticipated (often related to the issues outlined above) and this leads to the applicant missing the window of opportunity to apply for the relevant grant. For example, one CLA member spent over 20 years navigating through various aspects of the planning system in order to convert various listed farm buildings to commercial office space including incubator units to encourage new business start-ups. The effect of the time taken to resolve planning permissions meant repeatedly losing the opportunity to apply for grant aid. Finally, after years of persistence the development missed the demand for rural-based office space and some units still remain empty.

The system needs to be simpler. There should be a mechanism in place that can differentiate between different scales and types of economic development. Smaller developments need a light-touch approach.

More sustainable development

While the system needs to manage competing demands for limited resources in the countryside, it must also be flexible, innovative and proportionate in permitting and encouraging new forms of development that deliver a broader and more sustainable economy in rural areas. Planning applications for a seasonal low-wage economy seem to draw more favour from decision-makers than those that seek to innovate and produce better quality and increasing numbers of jobs in rural areas.

In order to provide the economy in rural areas with the ability to expand, at the right time, right place and at the correct scale, the CLA calls on the Government to free up the planning system in the following ways.

CLA recommendations

a) National Planning policy recognition for the broader rural economy
The CLA calls on Government to change the National Planning Policy Framework (NPPF) planning policy for the rural economy, so that it properly reflects the broader economy in rural areas, and brings the economy section to the front of the NPPF.

b) Permission in principle (PiP) for rural economic development
A two-stage process would encourage investment and deliver an innovative and broader economy in rural areas by granting permission in principle for a development proposal (first stage) and thus incentivize the applicant to pull together all the necessary reports and surveys required to get the final planning permission for the development proposal at the technical details consent stage (second stage). Pushing these up-front costs back to the second stage of the PIP process would help to de-risk the process and could unlock a flood of new investment in rural areas.

c) Permission in principle (PiP) for rural economic development and rural development grant applications
A second strand to the PiP for rural economic development relates to grant applications for rural development funding under the growth programme of the current European Structural and Investment Fund (ESIF) and the proposed Shared Prosperity Fund. The planning and grant aid systems must be more flexible and simpler. With this in mind, the CLA suggests that the first stage of the PiP being granted should be enough to allow an applicant to submit a grant application for rural development funding. The technical details consent (second stage of PiP) and the grant application can then move seamlessly along their separate decision-making trajectories. This approach would shorten the overall timeframe for the commencement of development of rural development that is the subject of grant funding.

d) Permitted development rights for new-build affordable housing for rent on rural exception sites
These permitted development rights are aimed at rural landowners who are willing to erect new build affordable housing for rent on an area of their land to provide critically needed housing aimed at the local community. The CLA's proposal would allow the construction of between 1 and say, up to, 9 affordable dwellings for rent, on a rural exception site. Prior approval would clearly be required and would need to be the subject of carefully thought-through criteria that may include: location, transport/highways, siting, design, external appearance, flood risk, noise, contamination, housing need in the settlement and/or parish, housing size, public consultation, short construction period condition and a clause concerning discounted rent. There would also need to be a condition that the housing must be built, retained and managed by the landowner for the benefit of the local community.

e) Permitted developments rights Part 3 Class Q and Part 6 Classes A and B – reduce the ten-year restriction to five years
When making use of the Part 3 Class Q rights (change of use and conversion of a farm building) the farmer relinquishes, for a period of ten years, the use of some of their

permitted development rights under Town and Country Planning (General Permitted Development (England) Order 2015 (as amended)) (GPDO) Part 6 to erect new agricultural buildings or extend or alter existing buildings within the established agricultural unit. In these circumstances, full planning permission is required. There is a similar restriction under Part 6 Classes A and B restricting the use of Part 3 Class Q for a period of ten years if a new agricultural building has been erected, or extended/altered. The Government put these clauses into the GPDO to prevent abuse of the relevant rights. However, the rapidly changing nature of agriculture, caused by both Brexit and Covid-19 may well lead to farm consolidations and new diversification opportunities. In order to provide additional flexibility, encourage investment and increase productivity in agricultural businesses, it would be reasonable for the restriction period to be shortened from ten years to five years under both Part 3 Class Q and Part 6 Classes A and B. This would boost rural economic development by allowing both new or extended agricultural buildings and/or the delivery of more rural-based dwellings in closer succession.

f) **Permitted development rights for rural-based pubs, that have closed owing to a lack viability, to change use to a range of flexible commercial uses to enable the premises to be used as rural business hubs**
Many rural pubs are closed or will be closing owing to a lack of viability. This new right proposes that the premises could be the subject of a change of use (under GPDO 2015 Part 3 new Class) to enable its re-use as a rural business hub.

5.2 Remove Community Infrastructure Levy (CIL) for all new farm buildings

A new building erected for the purposes of agriculture (as defined by section 336(1) of the Town and Country Planning Act 1990) on the agricultural unit – in other words, to use as part of the farming business – does not normally result in an increase in capital value because the new building is not being erected for immediate sale. That is a fundamentally different approach from most commercial buildings or housing developments which are built by investors for immediate selling or letting. This means that any CIL charge imposed on the building will have to be funded by farmers from loans, repaid from the increased revenue expected from the development over future years. The cost of servicing the loan will be an additional direct cost to the farming business and will be paid out of fluctuating farm incomes.

The introduction of CIL by a planning authority is voluntary, which means that not all areas are covered by a CIL charging schedule applicable to new farm buildings. In those areas where a CIL charge is levied on new farm buildings, the requirement to pay a substantial CIL charge has actually stopped farm development from taking place. This has the effect of harming competitiveness of the industry and preventing improved productivity on farms. The introduction of a CIL charge, for new farm buildings, in some areas has introduced uncertainty for farmers and a unlevel playing field across the country for an industry that supplies national and global firms and, therefore, cannot recoup differentiated costs.

Most new agricultural buildings are developed within an existing farming business, either to allow the business to grow or to replace obsolete structures with more efficient modern buildings for reasons of animal welfare or food safety for example. Agricultural buildings are often relatively large in area, but they are of low value and low impact, so any CIL charge has a disproportionate effect which can deter investment.

Examples of deferred development

- **Greater Norwich Partnership – expansion of strawberry enterprise**
  Estimated CIL charge £150,000 – expansion did not take place but would have done if no CIL charge (CIL £5/sqm)
- **South Gloucestershire – hay and straw store**
  CIL charge £2,400 – development deferred (CIL £10/sqm – 223sqm building)
- **London Borough of Hillingdon – two agricultural buildings for dairy cattle and calves**
  CIL charge £24,640 – development deferred (CIL £35/sqm)
- **South Gloucestershire – robotic milking unit**
  CIL charge £30,329.91 (£1,213 pa interest charges for loan) estimated margin 6p/litre means the farmer would have to sell 20,200 litres of milk simply to pay the interest on the loan (CIL £10/sqm)
- **South Gloucestershire – calf rearing building**
  CIL charge £2,245 (CIL £10/sqm)
- **Leeds – straw store**
  CIL charge £4,000 (Leeds £10/sqm)
- **Greater Norwich Partnership – covered spray store**
  CIL charge £600 (CIL £5/sqm – 120sqm building)
- **Greater Norwich Partnership – grain store**
  CIL charge £8,820 (CIL £5/sqm – 1,764sqm building)

There is anecdotal evidence that applications (whether prior approval or full planning applications) for new farm buildings are simply not being brought forward because the cost of erecting the building plus the imposition of a CIL charge is making the development unviable for the farming business. Newark and Sherwood District Council's viability assessment for agricultural development (2012) demonstrates the extent of the problem. This viability assessment found, for a 1,000sqm building, that the potential margin for CIL/section 106 payments was minus £293,453 and the potential CIL payment was calculated to be minus £293.45 per sqm.

Post-Brexit, farming businesses will need to make much more innovative investment in order to improve their competitiveness and we are concerned that any CIL charge on new farm buildings will have an inhibiting effect that is likely to outweigh the economic gains achieved.

Most buildings erected for agricultural purposes are buildings into which members of the public will not normally go[6]; they are used to house livestock or to store crops, slurry and farm machinery. The reason why people will not normally enter a farm building include animal welfare, and health and safety, including increased biosecurity.

6. Regulation 6 of the Community Infrastructure Regulations 2010 provides that CIL is not chargeable on buildings into which people will not normally go (regulation 6(2)(a) or (b))

Agricultural buildings are clearly defined in planning legislation and the case for excluding them is clear. We do not see any danger of creep which would extend the exclusion more widely. On the contrary, including them causes red-tape and bureaucracy into the planning system, but most importantly is likely to discourage investment in rural businesses as it has done in those local authorities where a CIL charge is levied on farm buildings. This is because each local authority will have to take a decision on whether to exempt agricultural buildings through representations, stopping investment in rural businesses until there is clarity on its exemption.

CLA recommendation

a) To encourage farm productivity and innovation, and to deliver consistency across the country, the government must introduce an immediate national exemption from Community Infrastructure Levy (CIL) for all new farm buildings.

5.3 Progress heritage reforms

Heritage is very expensive to maintain, and without sympathetic change to keep it valued and viable, it cannot survive in the long term. CLA's 28,000 members make thousands of planning and heritage applications each year, and in the current under-resourced planning and heritage system many are frustrated by uncertainty, delay, inconsistencies, and extra costs. Indeed, Historic England's own surveys (about listed buildings) suggest that 36% of residential property owners[7] thought the planning system was poor or very poor, and over 50% of business owners found it "important but burdensome"[8].

This, of course, is not seen as a problem only by applicants – local authorities and other stakeholders often express similar concerns. Reform is longstanding government policy, restated in the Government's Heritage Statement in 2017 (pages 14-15: "We will continue to explore opportunities to streamline heritage consent processes, maintaining the current level of protection for the historic environment but reducing burdens... and allowing local planning authorities... to deliver a more effective service").

CLA recommendation

a) A package of reforms has already been drawn up by the heritage sector under the Historic Environment Forum (HEF), with backing from the Department for Digital, Culture, Media & Sport (DCMS) and the Ministry of Housing, Communities & Local Government (MHCLG). These reforms address the problems, have been consulted on, and require little input or resource from the Government. The CLA recommends that the Government should ensure that this reform package is taken forward as soon as possible.

7. Historic England (2017): Survey of Listed Building Owners
8. Historic England (2018): Survey of Listed Building Owners and Occupiers Report

5.4 Open up the local plan to a more segmented approach

Planning applications are decided in accordance with the planning authority's local/development plan unless there are material circumstances which indicate otherwise. It is generally agreed that a plan-led system should provide an effective balance between certainty and flexibility for the applicant. This means that under the plan-led system, rural businesses should know that if they put forward proposals in line with the development plan, they are more likely to succeed than if the proposal is out of line with it.

Clearly if planning decisions are based primarily on a local authority's development plan, it becomes critical to ensure those plans correctly reflect appropriate economic growth, a broader economy in rural areas, and up to date national planning policy.

Unfortunately, around 40% of planning authorities do not have up-to-date development plan policies in place – often a local plan falls at the examination stage. As a result, rural-based developers (whether for a new farming building, a diversification opportunity, or affordable housing) are faced with operating in a policy vacuum, having to keep a constant eye on the local plan process, and building a planning appeal into their planning application financial appraisals in order to bring the NPPF into play. This leads to uncertainty for applicants about how decisions will be taken on their development proposals as well as additional expense. This uncertainty damages the sustainability of rural businesses and communities by undermining investment in the countryside.

CLA recommendation

a) **The CLA calls on the Government to consider opening up local plans to a more segmented approach where the development plan is delivered by a portfolio of policies.** In this way the policies related to housing (numbers, calculations, site allocations, annual monitoring, duty to cooperate and so on) can be handled separately and are not allowed to hold back and undermine other development plan policies already agreed.

5.5 Make rural communities fit for the future

The third policy briefing of CLA's 2018 policy report *Strong Foundations – meeting rural housing needs*[9] was specifically aimed at the challenges faced by rural communities to deliver organic incremental growth. It found that more than 2,000 villages across England are overlooked by the local planning process as they are judged to be "unsustainable" due to a lack of public services such as post offices or access to banks. These so called "unsustainable villages" are not allocated housing and have very limited development options to improve their sustainability, leaving them in a cycle of decline.

Sustainability assessments measure villages against a range of services and amenities more akin to how previous generations lived and used services. Access to post offices is assessed by 98% of local authorities, access to banks by 48%, but access to broadband by a mere 18% of local authorities. This flies in the face of Covid-19 experience which has shown how much economic and social activity can still take place even as physical retail is limited.

9. CLA Strong Foundations – Sustainable Villages

CLA recommendation

a) **The CLA recommends that the following policy changes must be made available to rural businesses across an entire county no matter where they are located i.e. including in designated areas.**

   I. Local authorities must be required to factor current and emerging technological development into their assessments.

   II. Central government must address the housing needs of all communities by requiring and funding planning authorities to conduct Housing Needs Assessments in any community not allocated housing in the local development plan.

5.6 Introduce a national policy for roadside barns

The NPPF contains a presumption against major developments in National Parks and Areas of Outstanding Natural Beauty, but there is also a welcome recognition that the local economy may need an element of development. Indeed, the socio-economic well-being of communities in designated landscapes is crucial if our designated landscapes are to survive in the longer term. The needs of these communities for jobs, homes and services is the same as anywhere else. However, it can be difficult to obtain planning permission for new-build dwellings in these areas.

CLA recommendation

a) Many roadside barns in designated landscapes would benefit from a new use not only to maintain them, but also to sustain the economy in rural areas, local communities and assist with delivering environmental improvements. **The CLA recommends that the NPPF contains a policy that accepts the need for new housing in designated landscapes and promotes the conversion of roadside barns to residential use.**

5.7 Resource the planning system so that it is fit for purpose

The complexity of the planning system is placing considerable demands on planning authorities in terms of both plan formation and development management. Yet planning authorities' resources decreased by some 55% between 2010-2016[10]. The capacity issue is exacerbated by constant changes to the system, consultations and new initiatives, and subsequent training and updating of planning authority staff.

Some national targets have seen a speeding up of decision-making to within the statutory time limits, but this is not consistent across all planning authorities. We are often told by CLA members of their real difficulties in obtaining pre-application advice, or that even after obtaining pre-application advice (which they have had to pay for) there are more and more demands for reports and surveys to support a planning application. There is no consistency of approach to pre-application advice.

10. https://www.bbc.co.uk/news/uk-england-46443700

This inconsistency extends to the requirement of planning staff to work constructively and pro-actively with applicants, especially in their approach to negotiation. The CLA's 2018 Planning Application survey suggests that applications are refused as the line of least resistance, or planning authorities delay decisions in order to get the applicant to withdraw – because of complexities in the proposal being at odds with timetables for determination or because planning policies are out of date or indeterminate.

The consequences include delays, higher costs and inconsistent decision-making. The conclusion of CLA's survey is that the planning system is capricious and unfair and prevents desirable and innovative change.

CLA recommendation

a) **Resources need to align to the desired planning system to ensure that it is fit for purpose.** If the resources are inadequate to run the system, then either resources must be increased or the system must be changed so that it can be operated effectively and efficiently using the resources available. Whichever approach is adopted, it must be communicated to planning authorities and planning applicants, because uncertainty of funding will inevitably lead to a contraction of resources and further service delivery failure.

6. CLA recommendations for long-term action

6.1 Conduct a comprehensive review of Green Belt planning policy

The overarching purpose of the Government's Green Belt planning policy, as defined by the 1947 Town and Country Planning Act, is to prevent urban sprawl and coalescence of settlements. The Government's desire to protect the Green Belt, which is a planning policy and not an environmental designation, is at odds with the economic development needs of the countryside surrounding urban areas.

We have repeatedly seen the outer boundaries of Green Belt moving inexorably further out over currently undesignated countryside and farm businesses in order for urban areas to expand into what was Green Belt. Taking land from the inner edge for development and replacing it with additional land on the outer edge does not fulfil the original purpose of Green Belt planning policy.

Land swapping has been going on for many years and although it has slowed urban sprawl, it has not prevented it. At the same time, there is no doubt that some form of urban containment and coalescence policy is required.

The perpetual tinkering with Green Belt planning policy does not deliver certainty for farmers, planning authorities or developers. The review and consultation must consider whether the perceived benefits of Green Belt planning policy justify the real economic costs to society.

CLA recommendation

a) A comprehensive review of Green Belt planning policy is required.

6.2 Ensure land value capture delivers a competitive return to a willing seller

"Land value capture" – the increase in land values resulting from state activity, whether through the grant of planning permission or the development of infrastructure – has risen up the political agenda over the past year. Government, politicians, and think tanks from across the political spectrum have questioned whether landowners should retain these uplifts or whether they should instead be used for public benefit, particularly for affordable housing, open space or infrastructure.

Previous governments have sought to capture land value increases, which result from the grant of planning permission. The current policy instruments are Community Infrastructure Levy (CIL) and the use of Section 106 agreements for planning obligations. There is, however, uncertainty amongst Government, at both national and local levels, about how much of the uplift is being captured through CIL, section 106 and capital taxes. Estimates have varied from as low as 25% to as high as 61%.

In order to bring some clarity to the matter, the CLA surveyed its members in the autumn of 2019. The calculations of CLA's Land Value Capture survey included the cost of section 106 agreements, including affordable housing, CIL and any taxes paid by the landowner (capital gains tax, corporation tax). Capital taxes are included within the calculation because they form part of the Government's take, regardless of the fact that it is not the intention of these taxes to capture the uplift generated by planning permission specifically.

The survey did not include monies paid to planning authorities in the form of fees, nor did it include additional costs accrued by the development (for example, drainage, link roads) that were not accounted for in section 106 agreements. These are, however, benefits provided to society (that is, a public good) in the form of infrastructure provided by the private sector.

The CLA's Land Value Capture survey found that the Government captures 57% of the uplift generated by planning permission. The survey also found that in the majority of cases the Government receives more from the grant of planning permission than the landowner. It adds support to those who have stated that Government already captures a significant percentage of the uplift generated by the grant of planning permission.

The CLA would therefore advise against increasing the amount taken by the Government from land value uplift for the following reasons:

- Rural landowners do not receive anywhere near a x100 multiple of land value; that is only available to large scale developments where services have already been installed; these are very costly and will usually be undertaken by the developer.
- Existing mechanisms (CIL, section 106 planning obligations and capital taxes) already capture increases in land value. The level of land value capture (by the Government) is closer to 60% on the basis of our findings.
- Obtaining planning permission is a long, costly and uncertain process. It's right that the risks taken by farmers and landowners putting land up for sale are recognised in the price, alongside the income foregone in perpetuity from use of the land for other purposes, for example farming.

CLA recommendation

a) Land value capture must actively deliver a competitive return to a willing seller.

6.3 Improve the minerals planning policy

The NPPF sets out policy statements for the extraction of minerals. Unfortunately, there are different interpretations across the country. This is particularly evident when minerals occur within designated areas which often contain important mineral reserves (for example, dimensional/cut stone, limestone, silica sand, potash, fluorspar).

There is a big difference in scale between the larger aggregate quarries (for example, limestone, sand and gravel) and smaller dimensional/cut stone quarries (typically gritstone). For the latter, the short-term environmental impact is much smaller and restoration more straightforward and quicker to implement. Dimensional stone is more valuable so a relatively small output dimensional stone quarry will sustain large-scale, highly skilled and long-term employment, and often all of this in designated areas.

Unfortunately, the current response to minerals extraction is often negative which means that such development can continue only in "exceptional circumstances". Often minerals planning officers take the view that the demand for the smaller quantity but higher value minerals (often a high-quality, natural and desirable product with long waiting lists) and the excellent employment opportunities it provides, do not constitute "exceptional circumstances" and refuse the planning application.

In designated areas, in particular, current policies in local plans can prevent all new mineral developments, or unreasonably restrict them to local use, often because of the perceived impact on the landscape or traffic generation. This approach can be mis-guided as some of these landscapes have, historically, been shaped by mineral extraction which have given them their character in the first place. A more nuanced approach to minerals planning policy is required, especially in designated areas, as regards mineral extraction. There is a very strong argument in favour of mineral extraction to be allowed to continue in these areas, assessed, positively, on a case by case basis, and the NPPF should reflect this approach.

In addition, and all too often forgotten, quarries and all the industries that support them offer skilled permanent year-round jobs for local people when there may be few other employment options. Often these quarries invest significantly in environmental mitigation and screening decades in advance to further reduce their impact and after extraction is complete. They are also skilled in re-instating the land to a number of beneficial uses; such measures should not be taken for granted but should be considered as an important part of the application process. Mineral workings provide plentiful rural jobs across the many sectors that support the industry.

CLA recommendations

a) **Minerals national planning policy must be applied equitably across the country; the existence of a landscape designations, on its own, should not be a reason to prevent development.** The NPPF should be amended so that it:

   I. provides for specialist quarries producing smaller quantities of some of the important minerals available across the country, whether located in a designated area or not; and

   II. states that there may need to be a greater role for mitigation in the decision-making process such that impacts on landscaping and traffic etc are mitigated for.

b) **National planning policy should state unequivocally that overly restrictive minerals planning policies are to be avoided if they will lead to a reduction of employment where there are few alternatives, and stagnation of the economy in rural areas on which those very communities rely.**

7. What is the business case?

Major economic and technological trends have provided new stimuli to innovation and economic development in rural areas, at the same time as more people are seeking 'quality of life innovations', many of which are delivered by businesses located in rural areas, or are seen as characteristic of rural areas[11].

More recently, we have seen reports of accelerating counter-urbanisation, fuelled by desire for better quality of life coupled with the recent jump in home-working due to coronavirus. This could not only increase the population of rural areas, but also bring with it a wealth of experience and expertise, human and social capital. According to Nesta, many of the people who migrate back to the countryside are highly entrepreneurial.

Businesses in rural areas are seeking to capitalise on this growing trend, but they must have a transformed planning system to be able to do so.

The solutions set out in this policy report are aimed at encouraging investment in rural businesses through simplification of the planning system, as well as changes to national planning policy.

7.1 Social and environmental impacts

- The increased supply of well-designed housing of all types, tenures and suitably scaled, with suitable telecommunication provision, would lead to less commuting, as rural businesses benefit from an increased supply of local and better skilled people. This would bring air quality benefits and reduced carbon emission.
- The impact of an increased rural population[12], and further possible increase following the Covid-19 outbreak, will also leave its mark on public services. New residents create new demand for public services, including education, health and business support services, and will expect better telecoms, transport and housing infrastructure. So, ultimately, they create both pressure and incentives for increased innovation in public services.

7.2 Impact on local planning departments' costs and revenues

The proposed CLA solutions set out in this report are relatively economical: they require administrative changes, but no significant or long-term investment from the public purse.

- We expect that they would lead to administrative savings which would benefit tax payers and service users. For example, greater application of permission in principle or permitted development rights would reduce local planning departments workload.
- Increased flows of planning applications will bring increased revenue to planning authorities through section 106 agreements and Community Infrastructure Levy (CIL) payments.

7.3 Economic impact on the private sector

Other organisations have argued that planning rules, in their current incarnation, increase the costs of housing and the cost of doing business in the UK[13].

We expect the solutions proposed in this policy report to:

- encourage rural businesses to consider new investment;
- encourage increased diversification of farming businesses to find alternative sources of income;

11. Nesta (2007): *Rural Innovation*
12. Rural population has increased by 3.5% between 2011-2017 according to DEFRA Statistical Digest of Rural England 2019 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/775109/01_Statistical_Digest_of_Rural_England_2019_January_edition.pdf
13. see most recently Policy Exchange (2020) https://policyexchange.org.uk/wp-content/uploads/Rethinking-the-Planning-System-for-the-21st-Century.pdf

- increase creation of better quality jobs and associated salaries which will lead to increased tax receipts through income tax and National Insurance; and
- improve the interconnectedness of rural and urban supply chains, and increase capitals flows through the supply chain.

Overall, this would deliver more diverse and therefore more robust economies and communities in rural areas. It would increase flows of income into and through the local economy.

In England, rural businesses generated £261bn[1] GVA per annum, around 16% of total UK GVA[2]. However, there is an 8% productivity gap between the performance of rural and urban businesses (excluding London) which, if closed, could add around £20bn to the national GVA per year. The economy in rural areas is much more than just farming that contributes less than 2% GVA. Although the farmed landscape forms the backbone of rural areas, the economy in rural areas encompasses a range of activities. We argue that it could be more diverse and more economically powerful still if the planning system was flexible, efficient and effective, and if it supported and encouraged change.

Farming and land use have changed over the years. According to the Defra Evidence Compendium, 66% of farm businesses in England in 2017-18 included some form of diversification activity, and in 2018-19, this generated around £680m additional income. For those farms with a diversified activity, income from that activity accounted for 28% of their profit in 2017-18, and 22% of farmers' total income was derived from some form of diversified enterprise. For the period 2012-19, the rate of increase averages 7%. Using this average, it can be estimated that diversification activities could generate some £1.02bn in 2025 and £1.43bn in 2030. This not only highlights the scale of contribution which diversified rural businesses can make to the economy in rural areas; it also provides a suitable platform for further growth.

The intended changes to agricultural policy and payments over the next decade with the removal of direct payments (from 2021) and the introduction of a new Environmental Land Management System (ELMS) in 2024 will result in significant changes for the industry and individual businesses. The planning system must be flexible to allow such adaptation and innovation to take place through increased diversification. This means acceptance that the economy in rural areas will necessarily change by broadening its sectoral composition.

It is this potential for future growth that needs to exploited. The Covid-19 pandemic has graphically illustrated the fragility of global and integrated supply chains, and the need for agile and diverse supply chains. With the UK's departure from the European Union, and the consequential changes in agricultural policy, farming businesses will have to adapt through one or a combination of: increased productivity, finding new markets, changing land uses and diversifying further.

If rural businesses were more easily able to obtain planning permissions for beneficial economic development, including critically needed affordable housing, diversification opportunities could be realised more easily. Taking into account the potential impact of restructuring in the agriculture sector as a result of changes in government policy from 2021, then the rate of income generation could be significantly higher than the present annual 7%.

But if the planning system continues to restrict development in rural areas and thus act as a barrier to rural economic growth, the level of income generation from diversified activities is likely to be less with the real possibility that the upward trend being reversed.

[1] Statistical Digest of Rural England January 2020
[2] Statistical Digest of Rural England January 2020

It is also important to stress that there will be other factors at play that will have either a direct or indirect effect on future levels of income from diversified activities. Undoubtedly, Covid-19 will present a major challenge to future rural economic development. But this can be turned into a positive with a reformed planning system that enables dynamic changes in how the economy in rural areas works. Below we consider the impact of wider factors in the round, their interaction with planning, and the likely outcome.

Short term (0 – 2 years)

Positive scenario – depending on the number of farmers that leave the sector, there is likely to be significant restructuring and greater economies of scale. Provided the planning system reacts in an agile fashion, this may provide opportunities for new entrants, new and different types of businesses, or larger holdings seeking to increase their existing diversification activities or extending into other forms of diversification

Negative scenario – a significant reduction in farming numbers over a 12 to 18-month period could severely reduce land prices and the asset value of a holding. This may have an impact on the ability of a business to borrow but a lot depends on the attitudes of the banking sector at that time. Efforts to diversify towards a broader rural sectoral composition therefore may become restricted. A sclerotic planning system could compound this.

Medium term (2 – 5 years)

Positive scenario – there should be an element of stability as farming businesses begin to stabilise although this is very dependent on the actual impact of different trading relationships. The intended switch to an environmentally-based land management system should ease potential cash flow issues for those still in the sector. Decisions will be made by farmers during this period about how to diversify further. There is also a possible positive impact of delinking where unprofitable businesses exit the sector. The upside of all of these can be maximised with a simplified planning system.

Negative scenario – There is little scope for manoeuvre as the least efficient will have already left the sector. A failure to put in place a clear and definitive government planning policy to assist businesses to diversify will exacerbate the problem.

Long term (5 years+)

Positive scenario – effects in the short and medium term have led to a more robust and resilient sector based on the premise of greater economies of scale and success of coherent diversification. Government policy is co-ordinated and targeted towards a broad sectoral composition in the economy in rural areas. Businesses are able to target new markets and have the experience and knowledge to exploit those markets. Freeing up the planning system to allow for positive market change leads to increases in efficiency and productivity.

Negative scenario – the economic capacity of the agriculture sector begins to shrink through an inability in increase production (restrictive labour supply), the efficiencies of economies of scale begin to reduce substantially. Any reform of the planning system at this stage is too late to have any marked impact and the positive nature of diversification begins to reverse, this seriously jeopardises the ability of a farming business to survive. The agricultural sector therefore reaches a point where decisions regarding direct market intervention will be required. (this does not take into account the potential benefits of ELMs).

8. Conclusion and summary of recommendations

Conclusion

Unless the planning system acts as an incentive towards diversification of a broader economy in rural areas and a wider sectoral composition, the current positive trend could soon be nullified. A planning system that acts to restrict economic growth in rural areas, effects a drag on national economic growth, leading to a failure to meet the Government's objectives. But a clear and definitive policy towards greater diversification, and acceptance by all of the need for a broader economy in rural areas, could lead to real long-term benefits for the economy in rural areas and the country as a whole.

CLA recommendations for short-term action

In order to develop a tailored planning system designed for the rural economy, the CLA believes the following actions are necessary.

5.1 Avoid wasted expenditure

The CLA calls on the Government to:

a) change the National Planning Policy Framework (NPPF) planning policy for the rural economy, so that it properly reflects the broader economy in rural areas, and brings the economy section to the front of the NPPF;

b) encourage greater use of the Permission in Principle application process in particular for rural economic development proposals, including those that require rural development grant aid applications;

c) allow an applicant to submit a grant application for rural development funding once the first stage of the Permission in Principle application has been granted;

d) allow permitted development rights for new-build affordable housing for rent on rural exception sites;

e) reduce the ten-year restriction to five years for permitted developments rights for both Part 3 Class Q and Part 6 Classes A and B;

f) agree to permitted development rights for rural-based pubs, that have closed owing to a lack viability, to change use to a range of flexible commercial uses to enable the premises to be used as rural business hubs;

5.2 Remove Community Infrastructure Levy (CIL) for all new farm buildings

The CLA calls on the Government to:

a) introduce an immediate national exemption from Community Infrastructure Levy (CIL) for all new farm buildings to encourage farm productivity and innovation, and to deliver consistency across the country.

5.3 Progress heritage reforms

The CLA calls on the Government to:

a) progress the package of reforms that has already been drawn up by the heritage sector under the Historic Environment Forum (HEF), with backing from the Department for Digital, Culture, Media & Sport (DCMS) and the Ministry of Housing, Communities & Local Government (MHCLG).

5.4 Open up the local plan to a more segmented approach

The CLA calls on the Government to:

a) consider opening up local plans to a more segmented approach so that the whole plan does not fail because of housing policy-related issues.

5.5 Make rural communities fit for the future

The CLA calls on the Government to:

a) make rural communities fit for the future by making the following policy changes avail able to rural businesses across an entire county no matter where they are located:

   I. local authorities must be required to factor current and emerging technological development into their assessments.

   II. central government must address the housing needs of all communities by requiring and funding planning authorities to conduct Housing Needs Assessments in any community not allocated housing in the local development plan.

5.6 Introduce a national policy for roadside barns

The CLA calls on the Government to:

a) amend the National Planning Policy Framework (NPPF) so that is contains a policy that accepts the need for new housing in designated landscapes and promotes the conversion of roadside barns to residential use.

5.7 Resource the planning system so that it is fit for purpose

The CLA calls on the Government to:

a) resource the planning system so that it is fit for purpose by either simplifying the system so it can be delivered within existing constraints, or increasing resources so the system works as intended.

CLA recommendations for long-term action

6.1 Conduct a comprehensive review of Green Belt planning policy

The CLA calls on the Government to:

a) undertake a comprehensive review of Green Belt planning policy so that it delivers certainty for farmers, planning authorities and developers.

6.2 Ensure land value capture delivers a competitive return to a willing seller

The CLA calls on the Government to:

a) ensure that land value capture actively delivers a competitive return to a willing seller.

6.3 Improve the minerals planning policy

The CLA calls on the Government to:

a) apply the minerals national planning policy equitably across the country and amend the National Planning Policy Framework (NPPF) so that it:

   I. provides for specialist quarries producing smaller quantities of some of the important minerals available across the country, whether located in a designated area or not; and

   II. states that there may need to be a greater role for mitigation in the decision-making process, for example, landscaping and traffic impact.

b) Change national planning policy so that is states unequivocally that overly restrictive minerals planning policies are to be avoided if they will lead to a reduction of employment.

RURAL POWERHOUSE: A PLANNING SYSTEM DESIGNED FOR THE RURAL ECONOMY

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