



*Says...*

# KEEP TRADE **LOCAL**

FEDERATION OF SMALL BUSINESSES

A New Approach to  
the Rural Economy





Says...

# KEEP TRADE LOCAL

## The Keep Trade Local Campaign

*This campaign was inspired by FSB members, adopted by members at annual conference in March 2008, and is now being delivered by members in communities across the UK. In addition to grassroots campaigning the FSB has lobbied MPs and Ministers in Whitehall. This has led to the campaign messages being heard across both local, regional and national government.*

*The loss of independent retailers has far reaching social-economic and environmental implications for all communities.*

### *How can you help Keep Trade Local?*

*The campaign to save small shops and businesses and ultimately communities will only succeed if people like YOU get involved.*

*The campaign seeks to unite businesses and residents associations across the country. Many feel under threat from problems currently driving small independent retailers out of our high streets.*

### *Things you can do to make a difference:*

- Write to your MP to ensure that they understand the problems small businesses are facing
- Write to your local paper to ask them to support the campaign
- Join your FSB's Keep Trade Local network.

### *And last but not least,*

- Shop local and use your local businesses – if we don't use our local shops and tradespeople we will lose them.

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*For more information about the campaign please contact Aviva Bresky: [aviva.bresky@fsb.org.uk](mailto:aviva.bresky@fsb.org.uk)*

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# A New Approach To the Rural Economy

## A foreword by Linda Walton, Chair of the Federation of Small Businesses Rural Affairs & Tourism Committee

*Life in our rural areas is often characterised by a perceived conflict between economic development, sustainability and environmental concerns. As a consequence, rural businesses find themselves constrained by a framework of legislation that has resulted in a national failure to realise the true potential of our rural economy.*

*In our opinion no such conflict needs to exist.*

- *Rural business people value living and working in the countryside – they can be trusted to look after it.*
- *A successful local rural economy provides community cohesion and creates opportunities for people to live and work in the same area helping to create sustainable communities.*
- *A successful rural economy can counteract many of the traditional long term problems faced by our rural communities whether it is limited access to services, poor transport infrastructure or lack of affordable housing.*

It is the wealth created by rural entrepreneurs and their use of local resources, that will encourage the sustainability of local communities and provide critical help to make environmental protection a reality.

Small businesses are the driving force behind the English economy and an essential part of ensuring vibrant rural communities. We must support, as much as we possibly can, the growth and prosperity of these critical wealth creators.

What follows are some practical first steps to relieving some of the problems faced by the rural small business owner, followed by how we can plan for a successful rural economy in the future.

*Linda Walton*



## Rural Business is Small Business

Small businesses dominate our rural economies. There are more businesses in rural areas (pro rata per head of population) than in the urban counterparts. Businesses in rural areas are smaller, the majority employ fewer than 10 people and 31 per cent of rural businesses have no employees compared to 17 per cent in urban areas. Self-employment and home-based working is a key feature of business in the countryside with self employment in rural areas at 12 per cent compared to just 9 per cent in urban areas<sup>1</sup>.

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## The Rural Post Office Network

Sole Post Offices<sup>2</sup> in villages provide a vital service for small businesses yet urgent action is needed to support the wider rural post office network.

### *There are 4,750 Post Offices in rural England<sup>3</sup>*

Post Offices provide an essential service to the local community by contributing to the local economy and sustaining other businesses. Rural Post Offices and other businesses such as local shops rely on each other to attract footfall. Thus, there is interdependence between these vital services that needs to be maintained if we are to sustain our rural communities.

More than half of the rural Post Offices have fewer than 500 customers each week and more than 80 per cent of the rural network is unprofitable<sup>4</sup>. Loss making rural Post Offices have generally been sustained through profit making additional businesses such as village shops, yet the number of village shops is also in decline. The Commission for Rural Communities estimating that the village shop network is losing between 300-500 shops per year.

*We need to find a sustainable solution to keep the vital rural Post Office network and rural communities alive:*

### **Post Bank**

- The FSB is calling for the Post Office to develop retail banking facilities linked to the big four banks as well as providing access to business banking services. Bank branches have long disappeared from our villages and rural towns and the Post Bank initiative would provide a vital community service as well as supporting local businesses and maintaining our rural Post Office network.
  - The FSB is calling for a quicker method of paying in cash/cheques at the Post Office than the current way of queuing up at the counter. Most banks have quick drop facilities, but this does not yet exist at the Post Office. To make the post office more business friendly the FSB is calling for services to businesses to be improved. This can take the form of specially trained staff or even dedicated counters at busy times.
  - The Post Bank should be no less than a fully fledged retail bank offering a full range of financial services including cost-free cash machine withdrawals. A Post Bank offers us the chance to secure the future of our rural Post Office network and the businesses and communities that so depend on them.
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<sup>1</sup> Matthew Taylor Review on Rural Economy and Affordable Housing

<sup>2</sup> By sole post office we mean a single post office in a rural area with a population of below 3000 and on the local authority's rural settlement list

<sup>3</sup> Commission for Rural Communities

<sup>4</sup> The Post Office Network

## Tourism

England is blessed with magnificent countryside, museums and theatres that are second to none, yet our tourism sector is let down by the lack of a long term vision to help it achieve its true potential. For too long our tourism businesses have been stifled by the myriad of bodies responsible for marketing tourism in England, by the lack of incentive for local authorities to encourage tourism in their areas and by the lack of an adequate transport infrastructure.

### *A new streamlined marketing strategy for English tourism*

- The FSB would like to see a resolve to the overlap of responsibility for the marketing of tourism between local authorities, Regional Development Agencies (RDAs) and Visit England. This will give small tourism businesses the streamlined joined up marketing strategy that is so desperately lacking.

### *Incentivising local authorities to encourage tourism*

- The FSB would like to see increased financial help from central government for local authorities that have the potential to attract significant levels of tourism.

Attracting tourists to an area should mean increased prosperity but for too many local authorities an increase in tourism means that more resources will have to be spent on street cleaning, maintaining beaches and disposing of rubbish. There is currently therefore a lack of incentive for local authorities to develop their tourism business.

To counter the disincentive of higher maintenance costs, local authorities should receive financial help which could take the form of tourism development loans or a cut in business rates for tourism businesses. This support and reimbursement for a reduction in business rates should be paid for by the Government.

### *Transport infrastructure*

A well planned and well funded transport infrastructure is the key to ensuring the success of our tourism sector.

- The FSB would like to see a rail and road infrastructure that is fit for 21st century Britain and that gives us the regional and national network that will encourage rather than hinder tourism across England.
  - Attention should also be given to the role buses and coaches play in public transport journeys and we urge local authorities to reconsider their attitudes to coach and car parking services. Rather than a means of raising short term revenue, parking provision has a crucial role to play in making our rural towns more accessible and thus encouraging local tourism.
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# Fiscal Help For Our Rural Small Businesses

## *Rural Recession Rate Relief Scheme (England)*

The failure of a vital business in a small village can devastate a local community and the FSB believes urgent action is needed to give relief to those businesses that are so often at the heart of village life.

Currently there is 50 per cent mandatory rural rate relief for some village businesses, however local authorities have the discretion to grant up to 100 per cent relief. Still, due to local government financial constraints many councils fail to offer significant relief above the mandatory 50 per cent.

- The FSB would like to see the Non Domestic Rates pool fund, to which local authorities contribute, topped by up by the Treasury. This will enable local authorities to grant 100 per cent rural rate relief to the vital services and businesses which are at the heart of rural community life. We propose these changes to last for 12 months with a mandatory review to if see a further time extension, based on economic circumstances, is necessary at the end of this period.
- The FSB proposes that, following the topping up of pool funds by the Treasury, there should be a mandatory duty for local authorities to extend 100 per cent rate relief for the businesses for a period of 12 months.

To qualify for rural rate relief small businesses need to be based in rural areas with a population below 3,000 people and need to be within a rural settlement area.

*At the moment the following types of businesses qualify for 50 per cent mandatory rate relief:*

### **Sole Post Offices / General Stores / Food shops<sup>5</sup>**

At the moment sole post offices and general stores, with a rateable value of up to £7,000 qualify for 50 per cent mandatory rate relief.

### **Sole Pubs / Petrol Stations**

At the moment sole pubs and petrol stations with a rateable value of up to £10,500 qualify for 50 per cent mandatory rate relief.

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<sup>5</sup> By sole post office/pub/shop/petrol station we mean a single outlet in a rural area with population of below 3000 and on the local authority's rural settlement list

## **General Small Business Rates Relief**

The burden of business rates falls disproportionately on small businesses. They are five times more expensive for small businesses as a proportion of turnover than they are for large companies. This is particularly exacerbated for small rural firms which are predominately of micro-size (less than ten employees) in nature.

*The FSB wants the burden of businesses rates to be lifted from the rural small business owner*

- The Small Business Rate Relief Scheme should be automatic for small businesses without need to engage in any application procedure.
- Under Section 49 of the Local Government Finance Act 1988, councils have the power to reduce or remit all or part of a business rates bill on the grounds that the ratepayer is in extreme financial hardship. Local authorities should make more use of this provision.
- The Local Government Business Growth Incentive (LABGI) scheme has been a great success and should be extended in its present form but the money it raises must not get lost in council finances. It should be ring-fenced to support the future success of local small businesses.

## **Empty Properties**

Business rate relief on empty properties was removed on 1 April 2008. Before then, empty retail and office space received full relief for three months and 50 per cent thereafter, while industrial space (warehouses and factories) received full relief permanently.

- The automatic relief scheme should be extended to include empty properties.

The Rating (Empty Properties) Act 2007 was introduced in the 2007 Budget and included a clause enabling the Secretary of State to reintroduce relief up to 50 per cent if warranted by economic conditions. Ministers predicted the relief cut to raise an additional £1bn per year.

- The FSB's Keep Trade Local campaign is asking for this relief to be re-applied at 50 per cent as allowed for in the legislation, a position also supported by the British Property Federation, the CBI, the British Retail Consortium (BRC), the British Chamber of Commerce and over 35 MPs from all parties.
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## Planning For The future

Our rural businesses operate within the constraints of a planning system that has been largely unchanged since the Town and Country Planning Act of 1947, with its focus on protecting the countryside.

Sustainable development and environmental stewardship are essential to a successful modern countryside yet the role of a vibrant rural economy in creating successful rural communities has been grossly undervalued by the current planning system.

A vibrant, diversified rural business community must be encouraged. A clearer investment in these businesses will also ensure the well being of the countryside. Still, local planning authorities use a range of closely defined uses for land and existing buildings that continue to focus on traditional rural economic activity such as farming. This leads to an out of date perception of modern rural economies.

One example of the above is that there is a real need for a more flexible approach to the re-use and conversion of existing buildings. This development is hampered by the fact that many farm and agricultural buildings are located in countryside that has Greenfield status and are governed by overly restricted rules in relation to the re-use of existing buildings and farm diversification in particular.

*To plan for a sustainable rural future the FSB recommends that:*

- Government planning guidance should clearly state that rural economies have a crucial role to play in sustaining rural communities.

Much of central government planning guidance presumes there is a conflict between economic development, sustainable development and environmental stewardship.

Yet with a sensible joined up approach to planning, the assumption that planning applications are 'bad' per se and will damage the sustainability of rural areas will be obsolete. It will enable a real, living, working countryside.

- Planning guidance must state that all types of business can be appropriate for the countryside, subject to a sufficient impact assessment being carried out.

We need to move away from the preconception that rural areas are only suitable for traditional rural business activity, such as farming, to a system where all types of business are deemed suitable for rural areas unless they are evidently unsuitable for local circumstances. We need to make it clear that our countryside is open for business by updating the planning system that has placed a stranglehold on the economic development of our rural towns and villages for so long.

- Planning guidance should be more flexible toward the re-use and conversion of existing buildings.

The current planning guidance not only limits the number of available business premises but also hampers businesses that are looking to expand. In particular, the re-use of farm buildings offers a real opportunity to provide new business space in rural areas and offers farmers the chance to diversify their business interests.

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## The New Rural Economy

Our rural businesses have the potential to play a huge role in the UK economy in the 21st century. A role that can help preserve our precious rural environment, sustain our rural communities and address the long term challenges that have plagued our countryside for so long.

Our first priority must be to businesses such as rural post offices, village shops and pubs to ensure that they not only survive but also continue to act as the heart of rural village life for generations to come.

Then we need to turn to the future and ensure that we can deliver a framework that will allow our rural economies to flourish for the benefit of business, the environment and communities alike.

To do this we need to address the fiscal framework our rural businesses operate within. We also need to unlock the huge potential that our tourism industry has to offer but more than anything we need a planning system that reflects the potential the rural economy has to offer.

Only then will we have a rural economy fit for the 21st century.

*Linda Walton*

*Chair of the FSB Rural Affairs & Tourism Committee*

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*Copies of this publication may be obtained by writing to:*

**Federation of Small Businesses**  
2 Catherine Place, London SW1E 6HF

Telephone: 020 7592 8100

Facsimile: 020 7233 7899

email: london.policy@fsb.org.uk

website: www.fsb.org.uk

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Designed on behalf of the Federation of Small Businesses by Cactus Design, 5-7 Museum Place, Cardiff, CF10 3BD.

Telephone: 029 2078 0220

email: studio@cactusdesignltd.co.uk

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