

**Date:** Wednesday 28 February 2001  
**Time:** 2.00pm to 5.05pm  
**Venue:** Committee Room, National Assembly Building

### **Draft Interim Report on Rural Economic Diversification**

At its last meeting the Committee considered a set of draft recommendations for its interim report on rural economic diversification.

The views expressed at that meeting have been incorporated into a revised draft that also takes account of comments received from outside bodies. In addition, introductory sections and a brief profile of the rural economy have been added.

The committee is asked to comment on the amendments made so that a final text might be agreed.

**Secretariat**

**February 2001**

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### **Review of Economic Diversification of the Rural Economy**

#### **The role and scope of the committee's review**

This is an interim report written on the basis of the evidence taken to date by the Agriculture and Rural Development Committee. We are soon to take further evidence on marketing and adding value within the rural economy and on the role of local communities in rural development. A final report, including recommendations in these areas will be published later in the year.

The word 'diversification' is often associated with *agricultural* diversification. The terms of reference for the committee's review, though, clearly extend beyond the farm sector. The committee's remit covers rural development more generally and, although farm diversification plays an important part in this, our review has looked more broadly at how the rural economic base can be made stronger, more diverse and less reliant on traditional sectors.

In drawing its remit so widely, the committee is conscious of the need to add value to the various strategies and programmes already having an impact on economic development in rural Wales. At the all-Wales level, for example, the use of European structural funds, the Economic Development Committee's review of business support, the Sustainable Development Scheme and the National Economic Development Strategy and others all cut across issues of direct concern to the committee. Other programmes, such as the Rural Development Plan, the Agri-food strategy, Farming Futures and the LEADER programme, have a more

specific rural focus that we wish to support.

The committee is also aware that the economic fortunes of rural Wales are inextricably linked with those of more urban areas and it would be wrong to separate them in policy development terms. But the larger economy and population of urban Wales means that the rural voice can sometimes be drowned out and that the specific economic problems of rural Wales are side-stepped or seen only as they may relate to agriculture. Although delivery of some of the Assembly's objectives, such as those related to a sustainable future for agriculture, clearly depends on performance in rural areas, others, such as those for job creation or GDP growth, could be met without addressing the specific but numerically less significant needs of rural areas. The committee is determined that this will not be the case and that the contribution of rural Wales to these national strategies is recognised and maximised.

The committee's report, then, is intended neither to replicate the good work already taking place in support of the rural economy, nor to muddy the waters of broader economic development programmes. Rather, we wish to build on the good practice that already exists and strengthen the rural focus of the policies pursued by the Assembly and other public bodies.

The committee wishes to stress the importance of working in partnership in order to implement the recommendations in this report. Almost all divisions within the Assembly itself have an impact on the rural economy and it is important that our own activities are well co-ordinated. Similarly, we must work with other public agencies, with local government and with private and voluntary sectors to ensure that our actions are coherent, complementary and tailored to the needs of local communities.

In the course of our evidence gathering we have not been able to examine in detail every area of relevance to the rural economy. Nonetheless, we hope that the vision of rural development that follows, and our specific recommendations in priority areas, will help in the design of coherent rural economic development policies.

## **The Committee's Approach**

In September 1999, the Committee agreed the following terms of reference for its review.

*To review the policies and programmes which would support greater economic diversity in rural areas of Wales. To consider proposals to create:*

- *a broader representation of economic activities;*
- *a greater choice of economic opportunities, particularly for young people;*
- *more sustainable family farms*

*The study will have particular regard to sustainable policies and programmes that have a clear economic rationale and, where appropriate:*

- *assist the creation of centres of excellence in further and higher education*
- *provide support for indigenous businesses*
- *encourage new industry development*
- *extend the use of ICT links*
- *foster entrepreneurship*
- *explore the potential for adding value to primary products*
- *develop the Green Technology sector*
- *enhance the tourism sector*
- *create more opportunities in offices of public and private sector bodies*
- *support the social economy*
- *develop skills to match rural business needs*
- *develop a quality integrated transport network*

The outcome of the review would be a series of specific policy proposals for the Assembly, its agencies and other agents.

From the outset we recognised that the potential scope of the inquiry was vast. In order to identify the areas on which we should focus, three informal public sessions were arranged in March 1999 in Carmarthen, Llandudno and Llandrindod Wells. At these meetings, the committee heard the views of interested organisations and individuals on the barriers that currently hinder economic diversification in rural Wales and how these might be overcome. We are grateful to all those who attended and contributed in this way.

Following an analysis of the issues raised at the public meetings, six areas were identified around which the Committee has focussed its inquiry:

- land use planning;
- education and training;
- business support and advice services;
- access to capital;
- marketing and increasing added value
- community development.

We have since taken more detailed evidence on each of these key drivers. This report summarises our conclusions associated with the first four. We hope to report on issues related to marketing and adding value and community development later in the year.

In view of the breadth and complexity of the review, the Committee appointed an expert adviser to assist its work. Terry Marsden is Professor of Environmental Policy and Planning and Head of the Department of City and Regional Planning at Cardiff University. We are grateful to Terry for his sound advice and the considerable effort he has put into this inquiry.

## **Economic profile of rural Wales**

The large majority of land in Wales is rural in character and much is sparsely populated. Rural activities are undertaken and rural characteristics exhibited in all of its administrative areas. The committee has not attempted to define 'rural Wales' in this report although we comment on the need for such an agreed definition in our recommendations on evaluation. We are conscious that, while the concepts are recognisable, there is no distinct boundary separating the urban and rural areas of Wales and the economic fortunes of both are increasingly interdependent as boundaries are blurred by commuting, shopping, leisure and recreation patterns. Nevertheless, there are significant social and economic differences between rural and urban areas, and consequently differing needs and priorities.

The practical result of the absence of an agreed definition of rural Wales is that official statistical and economic information is not available on a predefined or commonly agreed basis. Consequently, this section of the report, which attempts to give some basic statistical information for predominantly rural areas, should be seen only as an indication of the nature of the key economic issues facing rural areas rather than as a precise comparison of rural and urban Wales. For these purposes we compare data for the unitary authorities which are predominantly rural (namely Anglesey, Gwynedd, Conwy, Denbighshire, Powys, Ceredigion, Pembrokeshire, Carmarthenshire and Monmouthshire) with the rest of Wales. It should be remembered that there are significant urban settlements in each of these local authority areas.

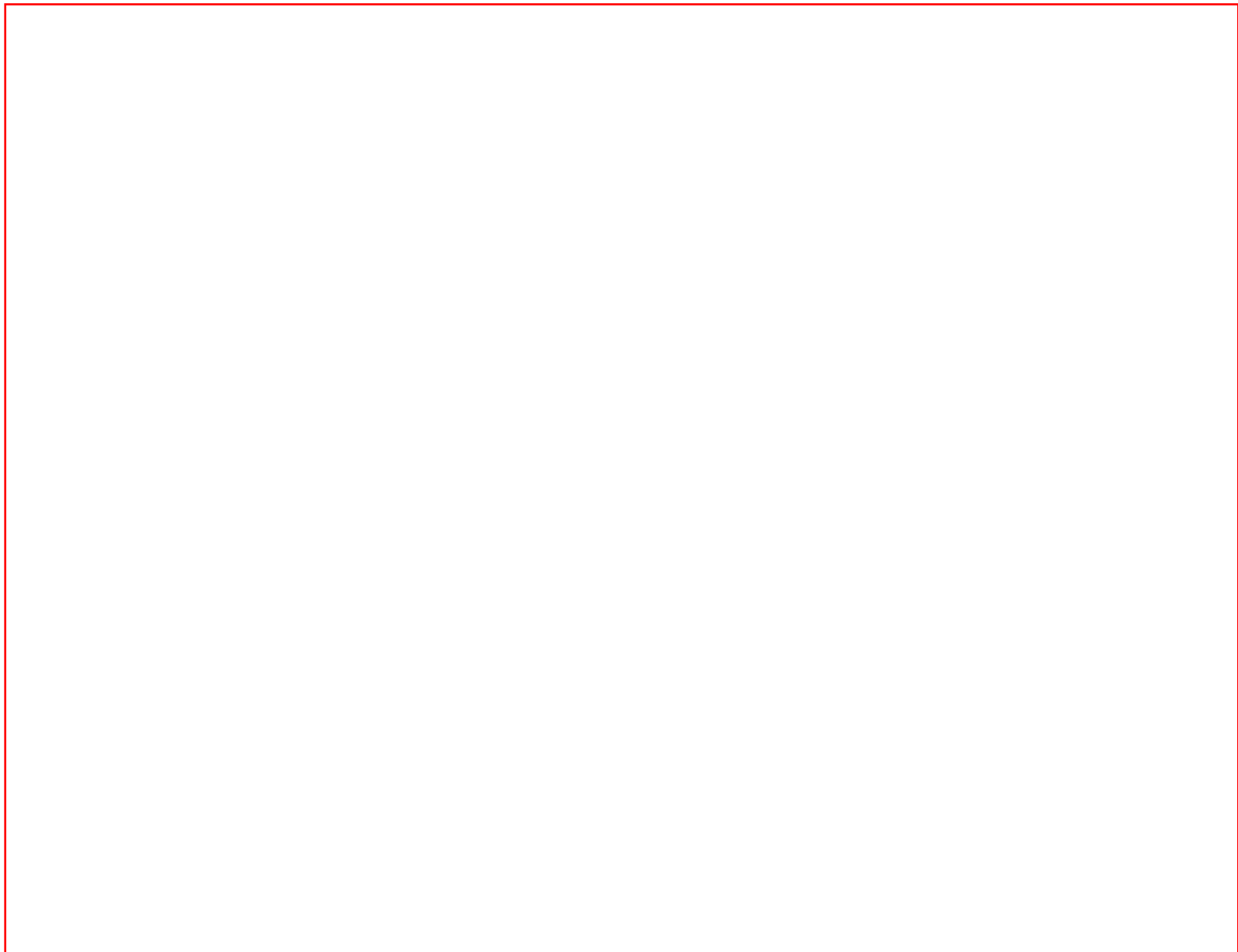


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## Population

The population of the 9 local authority areas taken as rural for the purpose of this report was just over 950,000 in mid 1999, around a third of the total population of Wales. Some 300,000 of this population are resident in towns of 10,000 residents or more. The rural population is generally older than the rest of Wales with 23% of its population in 1999 being over retirement age compared with 19% in the rest of Wales.

Rural Wales has seen overall population growth in recent years. Between 1991 and 1999, its population increased by 2% - some 16,000 - in line with the rest of Wales. Within this figure, rural Wales saw a net *inward* migration of 32,000 people that was partially offset by an excess of deaths over births and other changes. Against this background of overall population growth there was a decline in the younger rural population with the number aged 15-29 decreasing by 9%. This fall is less than in the rest of Wales, though,

which saw an equivalent reduction of 12%.

These figures may well mask subtler changes within the rural population occurring, for example, through migration from more remote rural areas to the urban centres within the area identified here as 'rural'. Work by the Welsh Institute of Rural Affairs has suggested that the out-migration of younger people was more marked in the remoter parts of rural Wales between the censuses in 1981 and 1991.

### **Economic activity**

The economic activity rate across rural Wales as a whole is higher than in the rest of the country (although unemployment and inactivity are certainly problems in some parts of rural Wales, particularly some of the coastal towns). Those people in full-time employment, though, receive earnings below their counterparts elsewhere – average earnings in 1999 were around 8% lower.

The most recent figures available indicate that Gross Domestic Product (GDP) per head in rural authorities was 85% of the equivalent figure for the rest of the country and just 75% of the UK average. GDP is a measure of the income generated within an area rather than accruing to residents and so the low GDP per head figure in rural Wales can be partly explained by the higher than average number of pensioner households and net out-commuting. But taken together, these factors do not account for all of the gap in GDP per head between rural and the rest of Wales. The remainder, given the levels of economic activity and unemployment in rural areas, must be explained by differences in productivity which lies around 8% lower than the average for Wales as a whole in terms of output per worker in employment. Analysis at the level of Wales as a whole indicates that the major reason for the lower overall level of productivity in Wales compared with the UK as a whole is the mix of jobs, rather than lower productivity in the same kind of job. There must be a very strong presumption that that analysis holds for rural Wales.

### **Agriculture**

Agriculture contributed some 1.4% to total Welsh GDP (including subsidies) in 2000 and around 0.6% if direct subsidies are removed. Removal of indirect support provided by the CAP would reduce the contribution to near zero. In 2000/01, direct subsidy to agriculture is forecast to represent 420% of net farm income for the average full-time farm in Wales and net farm income for dairy and livestock farms to be some 80% lower in real terms than the average for the three years to 1991/92. In the ten years to 1998, the total agricultural labour force in Wales declined by around 6%. In the two years since then, 1998 to 2000, the labour force has fallen by a further 10%. Even in the context of long-term trends in agriculture, figures such as these illustrate the severity of the recent difficulties faced by the industry.

It should be noted, of course, that agriculture, like any industry, has a multiplier effect, supporting jobs and income in other parts of the rural economy. It is difficult to estimate the scale of this impact, particularly as the time period over which any estimate is made is crucial. In the short term, though, it has been estimated that every 10 jobs in agriculture support another 4 in related industries. But over the longer term, in most parts of rural Wales, more jobs have been created in other sectors than have been lost in agriculture as the figure below illustrates. Today, the sector accounts for around 8% of employment (including self-employment) across rural Wales.

In some parts of rural Wales, though, the economic and employment significance of agriculture remains high. And, given its impact on the environment (positive and negative) and the importance of agriculture to rural Wales beyond its economic contribution, narrowly measured, the industry's fortunes remain key to understanding the pressures on the rural economy.



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**Notes:**

"Services: private sector" is used as a shorthand approximation for distribution, hotels and catering, banking, finance and insurance, transport and communications, and other service industries.

"Services: public sector" is used as shorthand approximation for public administration, education and health.

**Source:** Annual Employment Survey and National Assembly calculations.

**Employment**

The structure of employment across rural Wales as a whole is similar to the rest of the country in many sectors with the public sector being a significant employer across Wales. In rural areas there is greater reliance on agriculture and tourism related industries and a less significant manufacturing sector. Again, though, it should be remembered that the structure of local employment markets, especially in sparsely populated rural areas, can vary considerably between local areas and reliance on one or two significant employers can be considerable.

**Industrial structure**

Of the businesses registered for VAT in rural Wales, nearly 40% are categorised as agricultural, hunting,

forestry or fishing compared with only 6% elsewhere. Such is the dominance of this sector, it distorts the apparent distribution of firms registered in other sectors. If agricultural businesses are removed from the calculation, the structure of the remainder of rural industry is shown to be remarkably similar to that of the rest of Wales although with fewer manufacturing and business service firms and a higher proportion of companies classified as construction, retail and hotels and restaurants.

Not surprisingly, given the size of the farm sector, rural Wales has a high proportion of small enterprises, with almost 40% of businesses having turnover of less than £50,000 compared with only 20% of firms in non-rural Wales. In a typical year, around 2,500 businesses register for VAT in rural Wales and a similar number deregister. These figures represent a *rate* of business registration (and deregistration) which is lower in rural areas than in the rest of Wales (6% in 1999 compared with 10% in non-rural Wales).

## **Education and skills**

Most rural areas compare favourably with other parts of Wales in terms of academic achievement at school – a higher proportion gain five or more A-C grades at GCSE than in non-rural areas, half as many leave school without any formal qualification and A-level results are better. Nonetheless, there are areas, particularly in the more peripheral parts of West Wales, where adults and young people do not reach their full potential. Gwynedd, Anglesey and Pembrokeshire, for example, all have a higher than average proportion of adults without any formal qualifications.

The Future Skills Wales project identified a number of areas in which the traditional skills base of the rural economy will have to change if it is to meet future demands. For example, the project forecast a reduction in the need for agricultural labour and low-skill occupation and increased employment in management and the service sector. Basic IT skills were also identified as becoming increasingly important.

## **Deprivation**

The Welsh Index of Multiple Deprivation assesses six elements of deprivation – income, employment, health, education, housing and access to services. Compared with the rest of Wales, rural areas show less income and employment deprivation and considerably less health and education deprivation (as defined by the index). But rural areas are considerably more deprived than the rest of Wales in terms of housing and access to services.

## **Summary**

Rural Wales performs relatively well against many economic indicators – employment and economic activity rates are high, in many ways it is less deprived than urban Wales and a high proportion of its young people gain formal educational qualifications. On the other hand, it has an elderly and ageing population, lower output than the rest of Wales, lower productivity, lower earnings, lower rates of business creation and survival and a skill base that needs to adapt to meet the demands of a modern economy. Agriculture, the traditional base of the rural economy, remains significant but the long-term decline in employment and income has become even more pronounced in recent years.



It is against this background that the committee set its inquiry to consider how best a more vibrant, diverse rural economy might be encouraged.

## Recommendations

### *Concerted and coherent policies for rural economic development*

1. Current conditions - a reliance on traditional sectors, low output, productivity and earnings - are likely to contribute to the continued economic vulnerability of rural Wales. Solutions need to be found to enable rural Wales to build more opportunities for diversified economic growth without simply developing fine sounding and well meaning strategies that have little overall direction and fail to fully consider problems of implementation. Some of those submitting evidence to the committee have pointed to confusion and duplication amongst agencies involved in rural development. It is vital that this lack of clarity and wasted effort is removed so that the Assembly, its agencies and all rural players are pulling in the same direction.

2. We therefore recommend that **the Assembly gives a clear strategic lead to co-ordinate and focus rural development policy . The committee wishes to see this based around the recommendations in this report, followed up and supplemented where necessary by further work in areas not covered in detail in this review .** But the process must be cumulative rather than fragmented, with a clear adherence to the vision, priorities and principles detailed below. Within an agreed timescale, we wish to see this taken forward by the Assembly in consultation with other public bodies, local government, those working with rural communities and, importantly, those living in rural areas. The committee recognises the importance of co-ordinating national policy with local needs and priorities and so wishes to see local communities and elected authorities closely involved in the delivery of shared objectives.

3. The committee recommends that **the Assembly's lead should be based on the following vision, principles and priorities .**

4. The committee endorses the **vision** for rural Wales proposed by the Rural Partnership, that is:

- *a sustainable society* – a population with a balanced age structure which recognises and nurtures indigenous cultures, living in thriving communities with access to public services which meet local needs and where people participate in the process of making decisions about their own future;
- *a sustainable economy* – that provides prosperity for all rural communities through increased economic activity and higher incomes and which offers a variety of employment opportunities in a range of industries and services;
- *a sustainable environment* – where the natural and built heritage are conserved, enhanced and managed as a positive asset;

- *a sustainable policy framework* – that ensures the integrated development and coherent implementation of the policies and programmes that affect rural Wales.

5. The committee wishes to see the following **principles** underpinning the development of rural policy by the Assembly and its partners:

- clear, practical, concerted action for rural regeneration amongst public agencies;
- sound evidence and performance measures emphasising long-term measurable goals;
- recognition of the additional costs associated with the provision of facilities and services in rural areas whilst highlighting the contribution of rural areas to the delivery of broader economic, social and environmental objectives;
- the engagement and commitment of key players in local government, public bodies and the private and community sectors;
- lifelong learning and skills development at the centre of economic development;
- consistency with the principles underlying the cross-cutting themes and schemes to which the Assembly is committed such as sustainable development, equal opportunities, tackling social disadvantage and partnership working.

6. In implementing our vision for rural Wales, the committee would also endorse the strategic objectives identified by the Rural Partnership within the following **priority areas** :

- promoting business development
- spreading economic prosperity
- developing skills to match business needs
- strengthening communities
- improving access to rural services
- investing in rural infrastructure
- enhancing the rural environment

7. The consequent policy framework must lead to a specific programme for action with agreed objectives and targets against which progress can be assessed. It must also highlight the existing and potential contribution of rural Wales to the overall economic development objectives of Wales and show clear cross-references to wider policies and funding streams. In particular, we must see the traditional farm base of the rural economy not only as the source of farm-based diversification in itself, but also as a base for new non-farm economic activities associated with converting and transforming its land, woodlands, buildings and environmental and human resources. Rural Wales needs to re-integrate its agriculture back into a more diversified rural economy so that it complements and stimulates non-farm businesses as well as placing itself on a firmer footing for the future.

### ***Clarification of agencies' rural responsibilities***

8. In the course of our evidence gathering to date, the Committee has heard from many of the key players in

rural economic development. Whilst not doubting the commitment of each to the needs of rural Wales, we are concerned that some lack an explicit rural focus. The WDA, for example, argues that it does not have a specific rural strategy because the needs of rural areas are woven into its more general economic development policies. The committee accepts the logic of this argument and the interrelation of rural and urban development. Nonetheless, we are strongly of the opinion that all public agencies concerned with rural development should be able to demonstrate the rural effectiveness of their policies and how they are targeted and tailored to meet the specific needs of rural areas.

9. As Wales' lead economic development body, we recommend **that the WDA should provide leadership in the delivery of rural economic development and should demonstrate a more distinct rural focus within each of its corporate programme goals.** It should also be able to demonstrate and communicate the effect of its actions in rural areas more clearly. As well as building on the existing agri-food strategy, the committee wishes to see the WDA taking concerted actions to assist non-agricultural rural businesses in market towns and the deeper countryside.

10. Similarly, the committee recommends that **other publicly funded initiatives and bodies, including Business Connect, Finance Wales and the Council for Education and Training in Wales (CETW), should explicitly promote and monitor rural economic development.** CETW's overall responsibility for human resource development will be particularly relevant. The committee also recognises the key role of local government in delivering essential rural services and promoting the development of the rural economy.

### *Improving the provision of advice and finance for rural businesses*

11. The evidence presented to the committee suggests that the *volume* of support and advice available to businesses in rural areas is adequate. Indeed, we heard several examples of businesses accessing and benefiting from the services available in a model fashion. But we are concerned that such examples are not the norm and there is a sense of confusion, frustration and delay amongst those at grass roots level attempting to access advice and financial support. This stands for farm as well as other types of rural business. Priorities for business support should therefore be to eliminate wasteful duplication and to ensure that, from the customer's viewpoint, services are clear, easy to access and tailored to their needs.

#### **Burger Manufacturing Company Ltd**

The new company has established a purpose built burger manufacturing unit in the WDA owned factory on the Wyeside Enterprise Park, sourcing up to 30 tonnes of "residual" cuts of meat a week ie forequarter, brisket, neck and flank. The project is therefore creating a market for material that has carried little commercial value, and adding value to it in Wales. This has been done with the aid of substantial Processing and Marketing grant and assistance from Powys County Council. The company currently employs 32 people and manufactures 30 tonnes of burgers a week. It hopes to increase this to 65 employees and 100 tonnes of burgers a week within in 12 months.

12. The committee's review has overlapped with a more detailed study of business support by the Economic Development Committee (EDC). Whilst we have concentrated on the particular rural requirements of business support services, we have not examined the structure and delivery of assistance as deeply as our colleagues. From the evidence we have heard, though, we **support the conclusions of the EDC that there should be a single gateway for business support with the WDA responsible for building on the good practice that already exists and driving up and standardising the quality of services across Wales**. We have taken evidence on the many small, high quality advice services currently provided in rural areas through, for example, the Wales Tourist Board, Menter a Busnes and LEADER groups. Whatever the future structure and delivery of business support services, it must encourage and build upon such good practice, tailored to local needs.

13. To counteract the disadvantages of geographical remoteness, deliverers of support services need to be **more proactive in targeting businesses in rural areas**, identifying their strengths and weaknesses, and helping to stimulate growth and innovation.

14. The specific needs of rural businesses should be taken into account in the design of business support and training packages so **that services are equally accessible wherever a business is situated**. Particular consideration should be given to the physical location of support services, opening hours and the exploitation of information technology.

15. Finance Wales should address the needs of developing rural businesses through the easy and rapid delivery of **small loans to assist with cash flow**. We also recommend that Finance Wales gives particular attention to **the needs of new entrants to farming and the land-based sector in general** in the design and delivery of financial support in rural areas.

16. The Business Connect brand name has suffered from a poor image amongst the agricultural business community in particular. We welcome, therefore, the steps being taken towards a tailored advisory service to farmers. Whatever brand name is used in the future, it must be **actively marketed to the agricultural community** to eliminate any negative perception or confusion over the available service and its access.

17. The Farming Connect model of an integrated, tailored, sectoral support scheme, accessed through a single business support gateway, is one in which we see considerable merit. We recommend **that the potential to develop similar packages for other sectors of importance to the rural economy should be examined**, for example in forestry, tourism and emerging rural sectors.

18. Our evidence has illustrated that, from a user's perspective, the range of financial assistance available and how to access it can be confusing. We therefore recommend that the Assembly should produce **an easy to use guide to financial support**. This should at least cover funding available through EU structural schemes and, ideally, other sources such as WDA, Finance Wales, CETW and local authorities. This should make full use of appropriate technology to enhance access.

19. We endorse the support given by the EDC<sup>2</sup> for the introduction of a **Tier 3 Enterprise Grant** to provide better access to funding for small businesses in rural areas. This would also ensure such enterprises are not disadvantaged relative to their counterparts along the border in England where Tier 3 funding is available.

### *Improving the evaluation and performance of agencies and policies*

20. One of the principles we set out for rural policy development is that it should be based on ‘sound evidence and performance measures emphasising long-term measurable goals’. This reflects a concern arising in the course of our review that we simply do not know enough about the performance of various agencies in the rural economy and which elements of rural development policy work and which do not. Without strengthening our evidence base so that basic performance information and more sophisticated evaluation of policy becomes available, the committee and the Assembly cannot properly scrutinise current programmes or make informed decisions about future policy.

We recommend that:

21. **an agreed and consistent definition of rural Wales is developed** against which rural policies and outputs can be monitored;

22. **the Assembly’s rural development unit should audit the performance of agencies and programmes of particular significance for the rural economy and monitor the performance of the rural economy against targets agreed within the framework recommended earlier in this report** . Implicit in this is a requirement for public bodies to collect data to enable such analysis. A consequence should be a coherent picture of the rural economy, the changes taking place within it and the effect of public policy upon it;

23. **the Assembly and other public bodies should adopt a rigorous approach to rural policy evaluation** so that informed decisions can be taken on the design of future programmes. The Assembly’s strategy for rural development should set out how better and more consistent activity data, output measurement, policy evaluation and broader academic research will be encouraged and funded.

### *Improving skills development and business-education links*

24. In expenditure terms, the single most significant rural economic development lever available to the Assembly is the education and training budget and, when it begins full operation, CETW will be the largest Assembly sponsored body. Education and training must, therefore, be at the very centre of a rural development strategy for Wales.

25. The relatively high density of further and higher education institutions in rural Wales makes it well placed to follow such a path. These are significant employers in their own right and with the potential to act as economic drivers for the local economy. For example, even a relatively modest increase in the proportion of young people leaving further and higher education and remaining employed in rural Wales could have significant economic benefits. Similarly, stimulating a higher proportion of young graduates to develop their own business ideas in the local economy could have considerable impact.

26. Given this, the committee recommends that **an early task for CETW and the Higher Education Funding Council for Wales (HEFCW) should be to assess the demand for post 16 learning in rural Wales and to formulate proposals on how this could be best met.** As a result, we should be able to gauge the potential impact on the rural economy of a more rural focus to learning provision and how best could this be achieved.

27. The committee also feels it is essential **to equip the rural population with skills to fully exploit the potential of ICT both as a learning and business tool** . To this end we support moves to improve ICT infrastructure in rural areas, to incorporate ICT skills training into farming advisory packages and the innovative use of e-learning to make learning more accessible for rural dwellers. We recognise, though, that the motivation and support required for successful e-learning means it is not a panacea for rural areas and that other actions are required to overcome the access barriers faced by the rural population and businesses.

28. To raise **individual** demand for learning and skills acquisition in rural areas the committee recommends that:

28.1. Consideration should be given to the viability of a **learning maintenance allowance** to assist with the high cost of accessing training for those living in rural or isolated areas;

28.2. The Assembly, CETW and HEFCW should aim to make **formal agricultural and business training the norm for all young farmers** , possibly through the use of selective bursaries;

28.3. CETW and HEFCW should promote the increased use of industrial and commercial **placements** as a part of further and higher education courses;

28.4. CETW and HEFCW should promote more widespread use of **foundation degree and HND level courses** linked to providing employment in growth industries in rural Wales;

29. With regard to education and training **providers**, the creation of CETW and Community Consortia for Education and Training (CCETs) must lead to better integration of learning provision at a local level, across Wales and between economic development agencies. CCETs must be encouraged to provide flexible learning packages that respond and interface effectively with the needs of rural businesses. To this end the committee recommends that:

29.1. CETW, HEFCW and CCETs should encourage providers **to recognise the particular needs of those living in more remote rural areas and tailor provision accordingly** through, for example, the imaginative use of ICT and co-operation with partner institutions;

29.2. CETW, HEFCW and CCETs should consider how best to balance the need for locally provided learning in rural areas with the benefits of provider specialisation. In particular, to **review the provision and delivery of agricultural training** ;

29.3. CETW, HEFCW and CCETs should **encourage a more concerted and co-ordinated approach to the development of skills training tailored to the specific needs of rural businesses**. In particular we would like to see the promotion of skills training in specific priority sectors for the rural economy - in traditional industries such as agriculture, forestry and tourism as well as emerging industries related to, for example, information or alternative technology;

29.4. CCETs will work closely with CETW on planning local learning provision. The committee would like to see **CETW identifying rural skill shortages and gaps in provision with CCETs taking subsequent action taken to address these** .

30. To raise **employer** appreciation of the value of training and to encourage businesses to put learning at the centre of their business planning the committee recommends that:

30.1. CETW, HEFCW and CCETs should consider how best to provide **incentives for learning providers to collaborate with local industry** . The aim should be to pass on to industry benefits such as research facilities and access to a ready supply of highly trained labour force. Learning providers should benefit from the provision of practical experience for their students and an increasing proportion of students taking employment with local industry;

30.2. CETW and CCETs should take action to **stimulate small and medium employers in rural areas to increase the volume and quality of their training** ;

30.3. CETW, HEFCW and the learning providers they fund should be encouraged to develop **an ‘innovation network’ approach** , for example, through collaborative university/business groups focusing on technology transfer. This should build on the work already undertaken through the agri-food strategy to develop demonstration farms and centres of excellence for the agricultural sector.

### *Fostering local initiatives and spreading good practice*

31. Our evidence has highlighted many examples of excellent locally-led rural development practice in Wales through, for instance, the Wales Tourist Board, local authorities, enterprise agencies, the Young Farmers Club, the CWYSI scheme and business clubs.

#### **Powys Food Futures Initiative – Powys County Council**

After discussion with the Powys Agricultural Industry Forum, Powys County Council has established the Food Futures Initiative with voluntary, private and public sector partners to develop local food marketing and research the scope for added local processing. The Council has also established an Agri-Food Fund to support such projects in collaboration with the Welsh Development Agency Agri-Food Directorate.

## **Young Farmers' Clubs of Wales Rural Enterprise Scheme**

The Rural Enterprise Scheme was established in 1997 and is open to all young farmer members in Wales between 18 and 31 years of age. It is supported by funding from the European Union, the Farming and Rural Conservation Agency, WDA and National Westminster Bank. Grants are allocated to young farmers to assist with business planning and to support promising business proposals such as the development of markets for local food produce, farm tourism and group buying of farm inputs.

## **CWYSI (Menter a Busnes)**

CWYSI helps farming families to develop income-generating possibilities. The project's activities are delivered through a network of part-time local facilitators who are themselves members of farming families. The facilitators are responsible for stimulating interest and entrepreneurial behaviour through a programme of activities and by providing a 'hand holding' service and links to organisations which can offer further help.

32. To spread such good practice more widely and to encourage genuine collaborative working, the committee would make a number of recommendations:

32.1. developing policy within the coherent strategic framework set out in this report will help clarify roles, so avoiding duplication and wasteful competition;

32.2. building evaluation and research more consistently into policy development will encourage a culture where appraisal and benchmarking against practice elsewhere in Wales, the UK and abroad is the accepted norm;

32.3. the Assembly should explore the scope for rewarding and recognising collaborative working and building this into performance evaluation;

32.4. the WDA, working with CETW, should take the lead in assessing and disseminating best practice advice;

32.5. the wider use of specific sector action plans, following the model of the agri-food partnership, for other significant rural sectors;

32.6. concerted efforts by regional economic fora and WDA and CETW regional offices to promote liaison and coordination between public sector providers of support and advice and the private sector.



## *Improving the provision of workspace and business incubation developments*

33. The relatively high costs of rural service provision and the running costs faced by small rural business are obstacles to growth and sustainability. Some of these can be offset through the provision of ‘clustered’ workspace and business support services.
34. The Committee has taken evidence suggesting that there is potential for selected clustering of business development in rural areas and pooling the provision of support services. We feel there is potential for such cluster developments in rural areas to bring together the public sector provision of infrastructure and advice alongside private sector venture capital to support and incubate new and growing rural businesses.

### **The Prya Enterprise Village**

The privately funded Prya Enterprise Village is being established on the site of a former rural hospital in the Brecon Beacons National Park. It aims to bring together private investment, education, training and technological support together with serviced offices, workshops and residential accommodation.

Providing specialised business incubators on site will provide the opportunity for like minded colleagues to work in clusters, to offer mutual support and to overcome the isolation normally associated with small business start ups in rural areas.

### **Faenol Conservation Skills Centre - Gwynedd Council**

Faenol Cyf was formed as a community co-operative by Gwynedd Council, WDA, Celtec, Cymad, Wales Co-operative and Glan Gwna Estates Ltd, to address the shortage of skills within the heritage construction sector. The project aims to increase the skills, knowledge and adaptability of those working in the construction industry by establishing the necessary support infrastructure and encouraging the development of clusters of businesses within the construction industry to meet common training needs.

35. The committee recommends that part of a more focussed approach to rural policy development should examine the potential for **establishing rural ‘incubators’** learning from the experience of local authorities and others with relevant experience. Our aim should be to encourage new clusters of rural based industries and associated support services and to better match the provision of workspace with the needs of rural businesses and local communities. To this end the planning system should allow the flexibility to encourage sympathetic conversion of buildings for commercial and workspace in rural areas.

## *Pro-active land-use planning as part of rural regeneration*

36. The issue of planning acting as a barrier to economic diversification in rural areas was raised consistently in the committee's public consultation meetings. Accordingly, we took more detailed evidence from a variety of bodies in June and July 2000. The committee agreed the following set of recommendations in July 2000 and passed them to the Minister for Environment. A copy of the Minister's response is included at Annex 1. Since then we are pleased to acknowledge that progress has been made on several fronts, notably in the reviewed 'Planning Policy Wales' and the results of research on farm diversification. Details are included in Annexes 2 and 3.

37. The committee heard from many organisations and individuals, particularly from the farming community, who pointed to planning as a barrier to diversification. For example, a survey by NFU Cymru indicated that some 17% of farmers who had not diversified cited planning as the major factor influencing their decision. But the committee also received evidence from others who disagreed. Those on both sides of the argument can point to figures to support their case. Whether or not there is a gap between reality and perception, the committee feels there is clearly a gap in the evidence base that should be addressed. In their written evidence, for example, the FRCA told us that we do not know how many planning applications are received for farm diversification, nor how many are refused.

38. To enhance the statistical and evidence base upon which sound planning policy decisions can be made **we recommend additional research in a number of areas:**

- the reasons for farmers' negative perceptions of the system and appropriate solutions. The research should examine if farmers are inhibited from bringing forward applications by real or perceived barriers imposed by the planning system;
- the number and nature of diversification projects submitted, reasons for refusal and conditions imposed on those approved;
- the spatial perspective of the relationship between planning and diversification at the national, regional and local level. The research should examine the need for local guidance to address local circumstances and should identify possible conflicts with national guidance at the local/regional level;
- the relative merits and practicability of incorporating a rural business class into the use classes order;
- whether the definition of permitted agricultural development within the General Permitted Development Order is adequate.

39. The committee agrees with the view given in the WLGA's written evidence that the role of the planning system must be to balance often conflicting demands. For its outcomes to be consistent and well judged, it must also complement wider development strategies.

**40. We recommend that the Assembly's Sustainable Development Scheme should provide the guiding principles for the planning system and that planning guidance makes clear that economic, social and environmental factors should all be given equal consideration.**

**41. We recommend the development of clear, all-Wales strategies on energy and waste to provide a coherent background against which to judge planning applications.**

42. The process of preparing and submitting proposals is critical to ensuring any scheme is environmentally acceptable and economically viable. This process can be aided by advice from planning authorities and others and the committee would support any action to promote better understanding between planning authorities and the rural business community. Authorities for their part need to be sensitive to economic development needs of rural areas, to be flexible and to avoid overly strict interpretation of planning guidelines. To these ends:

43. **We recommend a more pro-active planning advice service for rural business integrated into a broader training, business advice and demonstration package.** As part of this package we recommend :

- the development of a good practice guide to encourage small scale farm diversification;
- increased dialogue between the farming community, rural businesses, planning authorities and other public bodies drawing on best practice in local planning authorities;
- the establishment of nominated liaison officers in local authorities to assist farmers and others in navigating their way through the planning process. These officers should be linked into the newly established telephone helpline providing advice to farmers .

44. **We recommend that the Technical Advice Note on design should be revised to give enhanced guidance.**

45. **We recommend that impact on future business viability should be taken into account when assessing planning applications.**

46. **We recommend a criteria-based system where each application is assessed on its merits rather than against a list of suitable activities .**

47. **We recommend that planning guidance should allow for small-scale diversification developments within existing farm complexes**

48. Planning legislation needs to keep pace with the changing nature of rural activity, particularly agriculture and farming, to take account of downstream activities such as processing and sales. Whilst recognising the Assembly does not have the power to amend primary legislation **we recommend that the Town and Country Planning Act 1990 definition of both agriculture and forestry should be clarified and extended.**

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## Annex 1

**Response from the Minister for Environment to the committee's recommendations on planning**

**Factors in Planning Guidance**

The statutory framework for the town and country planning is contained in the Town and Country Planning Act 1990. Specific powers under that Act are vested in the National Assembly for Wales.

Section 121 of the Government of Wales Act 1998 requires the Assembly to make a scheme "setting out how it proposes, in the exercise of its functions, to promote sustainable development". The provisions of such a scheme cannot supersede the legal framework established by the 1990 Act and the powers conferred by it.

In terms of planning guidance, the remit of the Assembly's Land Use Planning Forum included: "to inform the development of strategic planning policy, taking account of the values and priorities of the National Assembly for Wales". The Planning Forum established a working group to consider sustainable development and its report to me sets out its recommendations for planning guidance on sustainable development. Both the Committee's recommendations and the Planning Forum recommendations will need to be considered by relevant Assembly Secretaries and Committees before any planning guidance can be finalised.

### **All-Wales Strategies on energy and waste**

The Assembly is preparing a strategic Energy Framework this year, which will be prepared in close consultation with energy producers across Wales. The Waste Strategy 2000 was published in May 2000 for England and Wales. A Wales-only strategy is being developed by the Wales Waste Policy Support Unit (WWPSU) for completion at the end of 2001, following consultation in late Spring / early Summer 2001.

### **Additional research**

The Committee's support for additional research is welcomed. A research project "Rural Diversification and the Planning system" has now been commissioned to address amongst other issues areas of work recommended by the Committee.

### **Planning Advice Service for rural business**

I know that Welsh farmers and their families need help to innovate and adapt if they are to secure a viable long term future for themselves and agree that this help should cover diversification.

As you and the Committee will be aware, the Farm Development Strategy Group, part of the Agri-Food Partnership, is currently working on the development of the Farm Innovation Service which will deliver best possible advice, new technologies and production techniques to the Welsh farming industry enabling them to improve business viability, access new markets for their products and services and diversify, either towards or away from farming.

I understand that the Service will provide information and advisory services, training, access to capital grants and a technology transfer mechanism in Wales geared to providing practical information to farmers at a local level linked to demonstration farms and groups. This initiative will involve creating strong links between farmers, the expanding network of demonstration farms, colleges, research establishments, food

centres, advisory bodies, Leader groups and others, with Business Connect playing a key role.

The Farm Innovation Service will also offer farmers free, one-to-one business advice including a free Farm Business Review. Whilst it would not be appropriate for this initiative to assist farmers through the whole planning process, consideration is being given to the proposal that, as part of the Farm Business Review, a farmer could be given basic planning advice about what might need planning consent, what information they would need to support their proposals and who to contact at the local authority. This would provide some welcome assistance in the initial stages and help put farmers in contact with the appropriate people within the local authorities.

The organisational arrangements made by individual local planning authorities for the discharge of their functions are an internal matter for them.

The commissioned Research project "Rural Diversification and the Planning System" has as an objective the promotion of best practice as a means of combating negative impacts of the planning system in rural diversification projects.

### **Future business viability as planning consideration**

By law each planning application has to be considered by the local planning authority on its merits having regard to the provisions of the development plan and to any other material considerations. By law, decisions on planning applications should be made in accordance with the adopted development plan unless material considerations indicate otherwise. The Courts are the ultimate arbitrators of what constitutes a "material consideration" in a particular case.

The advice in Technical Advice Note (Wales) 6 "Agricultural and Rural Development" may be of relevance. Paragraphs 8 and 9 state that "the effect of severance and fragmentation upon the farm and its structure may be relevant" and "the effect on the capital investment of a farm should, therefore, be taken into account as part of the consideration of the agricultural case".

### **Criteria-based policy**

Unitary development plans prepared by individual local planning authorities provide the means through which they can set out their policies for their own areas for the control of development. In July consultation commenced on revised guidance for the preparation of Unitary Development Plans, including advice which encourages criteria based policies. This includes the following

"However too many site specific policies can lead to an inflexible plan which may become outdated and need early replacement or alteration as circumstances change. Properly framed criteria-based policies can help simplify plans, and provide flexibility in areas where this is desired. Criteria can be used to judge planning applications in a broad range of circumstances. However authorities should not include too many criteria-based policies, as this can make development control decisions more complicated and lead to conflicting policies within the plan. A limited number of carefully framed generic policies could cover a variety of types of development". The consultation period on the revised draft guidance closed on 9 October.

I shall ensure the Committee's view on this point is considered alongside other responses.

## **Definition of agriculture and forestry**

A definition of "agriculture" appears in section 336 of the Town and Country Planning Act 1990 having been carried forward from earlier legislation going back to 1947. The practical effect of the definition when taken with section 55 (2) (e) of the same Act which includes a reference to "Forestry (including afforestation)" is to establish which agricultural/forestry activities are exempt from planning control and those for which planning permission may need to be sought. Parts 6 ("Agricultural Buildings and Operations") and 7 ("Forestry Buildings and Operations") of Schedule 2 to the Town and Country Planning (General Permitted Development) Order 1995 (GPDO) confer a general planning permission for the carrying out of some agricultural/forestry operations and the erection of some buildings for these purposes.

The Cabinet Office (Performance and Innovation Unit) Report "Rural Economies" (December 1999) contributed towards a wider debate about the continued relevance of policy and regulatory frameworks having their basis in legislation reflecting priorities and circumstances in the 1940s. The Land Use Planning Forum's report of July 2000 also discusses options for permitted development rights for agriculture. There are opposing views on the different options. As a first step our recently commissioned research project on rural diversification may provide further information on this issue. We will then carry out further research into the operation of current permitted development rights. The Assembly can make such amendments to the GPDO as they think fit.

## **TAN on Design**

I announced the Assembly Design Initiative in April and a Steering Group of interested organisations has been set up to assist in taking the Initiative forward. The Initiative will consider recommended changes to design policy already made by the Planning Forum and will advise on a revised Technical Advice Note on design which will itself be subject to consultation.

Small scale diversification developments within existing farm complexes

Paragraph 10.5.1 of "Planning Guidance (Wales) Planning Policy First Revision" contains guidance to local planning authorities on the re-use and adaptation of rural buildings. It encourages local planning authorities to adopt a positive approach to the conversion of rural buildings for business re-use. Planning applications for the change of use of existing buildings within farm complexes should be considered by local planning authorities having regard to this guidance.

One particular objective of the commissioned research project on "Rural Diversification and the Planning System" is to investigate if current guidance is constraining rural development projects. The Assembly's Land Use Planning Forum has also reported to me on current planning guidance: this reflects the work of the Forum's specialist sub groups, including one dealing with Rural/Countryside issues. Both these reports will be used to inform work on drafting Planning Policy Wales.

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## **Annex 2**

### **REVIEW OF PLANNING POLICY: DRAFT 'PLANNING POLICY WALES'**

#### **Background to the Review of Planning Policy**

1. Planning policy for rural Wales has been reviewed as part of the overall review of "Planning Guidance (Wales): Planning Policy"(1999) which currently provides the National Assembly's planning policy guidance.
2. Planning policy needs to be kept up to date to reflect the principles, statutory duties and priorities of the National Assembly. In order to develop effective planning policies that take account of Welsh circumstances and needs, the review of planning policy has involved partnership with local government, business and the voluntary sector.
3. The Land Use Planning Forum, which included representatives of a wide range of organisations, was set up in January 2000 to provide advice on the review. The Forum was asked to provide advice on the changes required to planning policy for the new policy document "Planning Policy Wales" and also to identify key planning areas which require further research. The Forum set up a number of working groups, one of which was the Rural and Countryside Group. The membership of this Group included local government, Assembly agencies, voluntary organisations, the farming unions, professional organisations and academia. The Planning Forum reported its findings to Sue Essex A.M. in July 2000.
4. The Forum's report forms the basis of the revised planning policy in draft 'Planning Policy Wales'. In addition the review also took into account:
  - documents such as 'Rural Wales – a Statement by the Rural Partnership' and papers by the Transport Advisory Group and the Coastal Forum;
  - Assembly's policies, strategies and initiatives as set out in documents such as the Sustainable Development Scheme and [betterwales.com](http://betterwales.com);
  - EPT committee members' views;
  - the Agriculture and Rural Development Committee's review of the effects of the planning system on rural diversification;
  - recent research findings;
  - issues drawn to our attention since early 1999 (including comments made at, and following, Rural Partnership meetings); and
  - the emerging Spatial Framework for Wales.

#### **Emerging Rural Planning Policy**

5. The draft "Planning Policy Wales" was issued for public consultation in February. It is guided by the principles of sustainable development as set out in the Assembly's Sustainable Development Scheme.

6. The public consultation draft of "Planning Policy Wales" offers much stronger encouragement than the existing guidance to both rural and farm diversification but with controls to prevent unacceptable development. It also **proposes that new development on farm complexes should be permitted, subject to controls to prevent adverse environmental and transport impact and effects.**

7. The other main policy changes and new guidance relevant to rural areas proposed in the public consultation draft of "Planning Policy Wales" include:

- enhanced guidance on sustainable development in line with the Planning Forum's recommendations;
- setting out objectives for the countryside are set out stressing the need for fully integrated policies;
- guidance that local authorities' Unitary Development Plans should set out an integrated rural development strategy for new development;
- distinct policy and guidance on farm diversification;
- encouragement to local planning authorities to adopt criteria based policies for farm and rural diversification in their development plans.

8. Following public consultation, the draft "Planning Policy Wales" will be finalised and issued later this year.

**Planning Division**  
**National Assembly for Wales**

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## **Annex 3**

### *FARM DIVERSIFICATION AND THE PLANNING SYSTEM*

#### **EXECUTIVE SUMMARY**

##### **Purpose**

This research study has been undertaken by Land Use Consultants in association with the University of the West of England, Bristol and the Welsh Institute of Rural Studies, Aberystwyth over the three months October to December 2000. It will assist in the review of planning policy for Wales. Its key purpose has been to establish if the planning system affects the attempts of farmers to diversify and to suggest how to enhance the positive effects and ameliorate the negative effects of planning on farm diversification.

##### **Definition**

The study has specifically looked at those aspects of farm diversification subject to planning control (ie activities involving a change of use of land or buildings or new development not falling within the definition of agriculture). It has been concerned with diversification developments (including tourism accommodation)



occurring on active farms (ie farms involved with the husbandry of land and/or animals) or in buildings or on land previously associated with farming but which are now separated from an active farm unit.

## **Research method**

The study has involved:

1. a literature review and interviews with national consultees;
2. review of the statutory development plans for all the Local Planning Authorities (LPAs) in Wales, concentrating on those that are most up to-date;
3. a review of all appeal decisions relating to farm diversification across Wales between May 1997 – May 2000;
4. detailed investigations within six sample LPAs (Ceredigion, Pembrokeshire, Flintshire, and Monmouthshire County Councils, and Snowdonia and Pembrokeshire Coast National Park Authorities) involving interviews with officers, a review of the planning register to identify all relevant planning applications for the period May 1997 – May 2000, and more detailed analysis of 20 of these applications in each LPA;
5. detailed review of seven case studies involving interviews with both the applicant and the relevant LPA;
6. organisation of four farmers' focus groups over December 2000/January 2001.

## **Context**

Farm diversification is not a new phenomenon but it is only in the last two decades that it has been promoted in national policy as a means of maintaining the viability of farm businesses.

This support for rural and farm diversification is reflected in national planning policy guidance set out in *Planning Guidance (Wales): Planning Policy First Revision, April 1999*.

## **Key findings**

**Extent of farm diversification:** There is little information on the extent and breadth of farm diversification in Wales. Overall it appears that farm diversification is still limited and where it has occurred has focused on farm tourism, especially in the western more isolated parts of Wales. This is confirmed by the findings of this study. Across the six sample LPAs the number of planning applications for farm diversification has not been great, ranging from an average of 19 per year in Pembrokeshire County to only six per year in Flintshire. 50% of these applications related to tourism, followed by recreation (10%), B1 uses (9%) and storage and equestrian activities at 6% each. Geographically there is a particular concentration of tourism activity in National Parks (over 60% of applications) with storage and manufacture more prevalent in the accessible eastern parts of Wales. Over 57% of these planning applications relate to building re-use, followed by change of use of land (24%). New buildings make up 12% of applications.

From the farmers focus groups it is clear that many farmers, especially those who have not diversified to-date, would prefer to diversify into other aspects of farming, including new crops, potentially supplemented

by income off the farm, rather than trying to develop a diversification enterprise with which they are not familiar. There is considerable fear of the unknown.

From the farmers' focus groups, aspects which are considered essential for successful farm diversification are a high quality environment (for tourism); access to markets; the availability of funds; a supportive planning framework; a 'good idea'; and interest, commitment and the relevant skills on the part of the farmer. Women are seen as particularly influential in encouraging farm diversification as they are more flexible in their willingness to consider non-agricultural livelihoods. Most farmers see finance and the ability to access grant aid as greater constraints on farm diversification than planning.

**Development plan policies:** From the review of statutory development plans it appears that the take up of national guidance on rural diversification is variable. The broad support for rural and farm diversification is adequately represented but much of the detail of national guidance is missing. On the whole plan policies for farm diversification, where they exist, strike a more restrictive stance than that set out in national guidance (although this is not carried through in practice).

At their heart development plans are ambivalent as to whether farm diversification is different from other forms of rural development and therefore should be treated as an exception to broader rural policy/settlement strategy. Furthermore plans are unclear on whether this potential exception of farm diversification to rural policy should relate to all small-scale developments in the open countryside or whether it should only apply to (a) diversification enterprises clearly linked to an active farm unit, where *it is assisting in maintaining farm incomes* and/or (b) developments within or adjacent to an existing farmstead where impacts on the surrounding environment are likely to be less.

**Planning in practice:** Amongst national consultees there is a common view that it is the impact of development rather than the type of use, which is the key concern.

From review of the planning registers in the six sample LPAs it appears that over the last three years 89% of all farm diversification applications have been approved. This approval rate increases to over 90% in remote rural areas and averages at 80% in more affluent areas under an urban influence. Overall there is no difference in approval rates between National Park Authorities and Unitary Authorities. In the limited cases where diversification applications have been refused, the most common reasons for this refusal relate to design/appearance, landscape, traffic movements and representations from neighbours –with representations being more common in the more accessible parts of the country. Developments with the highest refusal rates (up to 50%) are static caravan sites.

These approval rates indicate that, with the exception of static caravan sites, planning applications for farm diversification are generally viewed favourably by LPAs – often being treated implicitly as an exception to rural planning policies even when this is not explicitly stated in the development plan. Discussions with Development Control Officers have confirmed that they will adopt a flexible approach to individual applications for farm diversification and welcome giving advice at the pre-application stage as a means of ensuring that applications meet the requirements of the LPA. There is a concern though, that the benefits of pre-application advice will be overlooked in the implementation of Best Value. There is also recognition that pre-application advice may not always be recorded, potentially leading to applicants receiving different

advice at different stages in the planning process.

**Views and perception of the farming community** : From the focus groups and the case studies, it is clear that the farming community sees the benefits of the planning system, even if they may have personal frustrations with it. They recognise its value in maintaining environmental quality and in preventing the market being flooded with inappropriate diversification proposals that would create unnecessary competition between farmers, ultimately suiting no-one. Amongst those who have submitted successful planning applications for farm diversification, there was support for the planning process, with planning officers viewed as helpful. There was also a realisation that there has been a change for the better over the last few years, with LPAs adopting a more positive approach to farm diversification. However, it is clear that some applicants perceive that they have had a poor experience, suggesting that the response of LPAs is variable.

The key problems that had been encountered with the planning process and which came in for criticism from farmers were:

1. apparent lack of transparency in the process, with the perception being that planning policies are being applied inconsistently (thus flexibility in the treatment of planning policies can have both advantages and disadvantages);
2. a perceived lack of co-ordination between different departments of the LPA and between different elements of planning, with sometimes a lack of co-ordination between the promotional activities of Agenda 21 and Economic Development Officers and the regulatory role of Planning Officers, and the giving of conflicting advice by planning and highways authorities;
3. a perception that representations by incomers are blocking developments by local people;
4. a view that planners may fail to recognise business needs (although there is a counter view held by planners that many applicants fail to take business advice before submitting a planning application); and
5. occasionally, a view that over-restrictive conditions are attached to an approval.

These concerns highlight important frustrations with the planning system which need to be addressed, especially in the clarification of policy and in improvements to the delivery of planning advice to farmers and rural entrepreneurs. But the overall results of this study do not suggest that planning is a major barrier to farm diversification or that there needs to be a fundamental overhaul of the planning system – its policies or procedures – to achieve farm diversification. Furthermore, even were all the hurdles associated with the planning system removed, there is little indication that a significantly greater number of farm diversification schemes would be forthcoming, such are the range of other real and perceived hurdles.

## **Recommendations**

It is recommended that:

### ***Changes to primary and secondary legislation***

There should be no change to primary or secondary legislation, as suggested by some national consultees:

*1: Farm developments should NOT be added to the B1 use class (thus removing the requirement for planning permission for a change of use to other business purposes).*

*2: A Rural Business or Enterprise Use class should NOT be introduced.*

*3: The use classes order should NOT be changed to include general leisure and recreation uses within the definition of farming.*

### ***Changes to national policy guidance***

There should be some specific changes to national guidance to clarify the approach to farm diversification (recommendations 5-8 are linked).

*4 : A national vision/strategy is required for integrated rural development to provide an over-arching framework for all policies and actions in this area.*

*5: National guidance should identify farm diversification as separate from rural diversification.*

*6: National guidance should clarify the nature of farm diversification in terms of its contribution to farm viability and its location relative to an existing farmstead .*

*7: National guidance should encourage development plan policies for rural and farm diversification to be based on a clear understanding of local circumstances.*

*8: National guidance should encourage LPAs to develop criteria-based policies in their development plan in support of farm diversification.*

*9: There should be no change to the current national guidance which gives preference to economic over residential re-use of rural buildings .*

### **Best practice in statutory development plans and supplementary planning guidance**

The above guidance should be translated into LPA policy:

*10 : Statutory development plans should contain clear policies on farm diversification .*

*11 : LPAs should give close consideration to the circumstances in which a farm plan/farm appraisal should be requested as part of a planning application for farm diversification.*

### **Improved communications**

There needs to be improved communication of planning policy and practice to the farming community so that they are not disadvantaged by lack of familiarity with planning:

### ***At the national level***

**12:** *The National Assembly for Wales should produce an updated version of the 'Farmers' Guide to the Planning System'.*

**13 .** *The RTPI/WLGA should hold a series of regional workshops on farm diversification and integrated rural development for the planning community.*

**14:** *The FUW, NFU and CLA should work with the RTPI/WLGA to promote the pro-active role of planning in farm diversification to the farming community .*

**15:** *The RTPI/WLGA should set up training courses for LPA officers in farm diversification.*

**16:** *CCW/ RTPI/WLGA should promote the recommendations in the report 'Development Control in National Parks: A Guide to Good Practice' to LPAs.*

**17:** *The National Assembly and WLGA should undertake a review of Best Value and its implications for farm diversification .*

**18:** *The National Assembly in association with the WLGA should undertake a review of farm plans and integrated farm appraisals and their applicability to the planning process.*

### ***At the Local Planning Authority level***

**19:** *LPAs should set up Farming Fora where these are not already in place.*

**20:** *Where helpful, Supplementary Planning Guidance or other guidance on farm diversification may be prepared by the LPA.*

**21:** *LPAs should ensure that there is regular liaison between all those within the authority involved directly or indirectly with farm diversification .*

**22:** *LPAs should ensure that there is a standard method for recording pre-application enquiries for farm diversification .*

### ***An early response***

All the above will take time to implement but action is needed NOW to assist the crisis in farming:

**23:** *LPAs should undertake a local audit of their farm diversification policies and local farm economy.*

**24:** *Based on the above , LPAs should prepare early guidance on farm diversification for farmers within*

*their area.*

*25 : A one-stop-shop giving advice to farmers on planning, business development, grant applications, health and hygiene regulations, farm assurance and marketing, should be set up with close links to LPAs, by or in association with Farming Connect.*

*26: A pre-application form should be produced for the one-stop-shop to ensure that the advice is tailored to individual requirements.*

## **Further research**

There are certain areas that are not fully covered by this study that would benefit from further research:

1. the wider performance of rural diversification of which farm diversification forms a part;
2. the performance of farm diversification in the urban fringe;
3. the benefits and disbenefits of Low Impact Development and the policy implications arising;
4. the role of women in farm diversification and identification of their support needs;
5. review of farm diversification on tenant farms.

There could also be benefit in monitoring the determination record of LPAs with regard to farm diversification.