LRRG
Labour Rural
Research
Group

The Future of the Rural Economy

A report by the Labour Rural Research Group

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CLA

ACKNOWLEDGMENTS

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This report was published in July 2026, authored by James Naish MP and Leila Poel.

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ABOUT LRRG

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The Labour Rural Research Group (LRRG) brings together more than 40 rural and semi-rural Labour MPs — over 10% of the Parliamentary Labour Party. We represent communities across rural, coastal, market town and semi-rural Britain: places that placed their trust in Labour in 2024 and expect that trust to be repaid with practical action, serious policy and meaningful change.

For too long, rural communities have been poorly understood by national politicians. They have often been treated as uniformly prosperous, primarily agricultural, politically peripheral or resistant to change. The evidence tells a different story. Rural Britain is economically significant, socially diverse and central to many of the country's most important national priorities — from food security and clean energy to nature recovery, manufacturing, tourism, public service resilience and regional growth.

As such, the LRRG exists to ensure that rural voices are heard at the heart of government. We are committed to developing the research, evidence and policy solutions needed to improve rural living standards, strengthen rural economies and ensure that Labour delivers for communities across fields, coastlines, villages, market towns and rural industries. This report is intended as a contribution to that task, via a headline call for a more ambitious, place-based and whole-of-government approach to rural economic development.

INTRODUCTION BY LRRG VICE-CHAIR, JAMES NAISH MP

Economic growth is the central mission of Labour's 2024 manifesto. It is the change that Labour was elected to deliver and it must be felt in every part of the country – not only in our cities and large towns, but across our villages, market towns, coastlines and countryside.

As Labour reflects on its leadership, its priorities and its future direction, it has an opportunity to show that its growth mission reaches beyond major urban centres. Rural communities shouldn't be seen as peripheral to national renewal; rather, they are places where growth can be generated, productivity unlocked and national priorities delivered. The next phase of Labour in government should, therefore, recognise rural economies not simply as areas requiring support, but as strategic assets capable of driving growth, strengthening resilience and helping to deliver the change the country was promised.

Indeed, it can be argued that rural Britain offers the only route to long-term success for the United Kingdom (UK) governments and, by extension, both urban and rural dwellers. Food security, nature restoration and better animal welfare can only be delivered in partnership with rural Britain and, specifically, our farmers. But we must go further in recognising the valuable role that our hinterlands must play in rebuilding Britain. New homes and towns will likely be built in or near spacious communities. Energy generation and distribution will require space and national grid connections. Defence and security missions will require national parks and ports. New major transport routes will travel through many rural MPs' constituencies.

This report, therefore, starts from a simple premise – that rural Britain has enormous and important economic potential. Rural areas support millions of jobs, hundreds of thousands of businesses and a significant share of national economic output. They are home to dynamic small firms, major food and farming supply chains, manufacturing, tourism, energy infrastructure, environmental innovation and increasingly diverse forms of enterprise.

Yet this potential is not being fully realised. The average worker in rural England generates around 8% less economic output than their urban counterparts. This gap is not one of talent, ambition or work ethic – rather, it reflects the constrained economic environment in which many rural businesses and workers operate. Too often, rural firms face weaker infrastructure, smaller local markets, higher transport and energy costs, limited access to finance, labour shortages and planning systems that do not properly reflect rural realities. Too often, rural residents face unaffordable housing, poor transport, weaker digital connectivity and reduced access to the services that allow people to work, train, care and participate fully in the economy.

Through analysis of official statistics; evidence submitted by businesses, community organisations, charities, local authorities, academics and sector bodies; and insights from focus groups with rural residents, this report sets out the cumulative impact of these barriers. It shows that rural underperformance is not caused by any inherent weakness in rural places, but by the poor interaction of housing, infrastructure, workforce and other policy constraints. These constraints affect investment, innovation, labour supply and business growth. They also limit the contribution that rural areas make to national prosperity – and its contribution, sadly, is getting comparatively smaller.

This matters for the whole country. If the UK Government can close even part of the rural productivity gap, it could generate billions of pounds in additional economic activity, strengthen public finances and support a more balanced model of national growth. Unlocking rural potential is not, therefore, a niche concern or a matter of special pleading – it is central to Labour's growth mission.

It is also central to the Government's commitment to devolution and addressing inequality. The purpose of devolution shouldn't simply be to shift power from Whitehall to major urban centres – it should go much further and ensure that communities with different geographies, economies and needs are properly understood within national policy. Rural Britain cannot be treated as an afterthought, nor can urban policy simply be retrofitted to rural communities. A serious growth agenda must recognise that different places require different tools.

That is why this report argues for a more integrated and place-based approach to rural economic development. This is because effective rural policy cannot be delivered by one department alone. Housing affects labour supply. Transport affects access to work and training. Digital infrastructure affects business growth. Grid capacity affects clean energy and diversification. Public services affect whether people remain economically active or not. Land use affects food production, nature recovery, energy security and housing. The list goes on because these issues are interconnected – and national policy must treat them as such.

The recommendations in this report, therefore, call for a whole-of-government rural economic strategy, stronger rural proofing across economic policy, targeted investment in infrastructure and housing, better support for rural business growth, stronger workforce and skills pathways in rural areas, and a clearer approach to land use and environmental markets. Put together, these reforms would help to create the conditions in which rural communities can contribute more fully to national growth while remaining vibrant, sustainable and resilient places to live, work or visit.

For too long, rural communities have been viewed through outdated assumptions: as uniformly prosperous, primarily agricultural and peripheral to the main story of the British economy. This report tells a very different story – one which suggests that rural Britain can and should be the answer to creating a larger, vibrant and more balanced economy. The task now is to ensure that national policy catches up with this reality.

James Naish,
MP for Rushcliffe

FOREWORD BY GAVIN LANE, PRESIDENT, COUNTRY LAND AND BUSINESS ASSOCIATION

This report arrives at a moment when the countryside needs to be heard, and when the government needs to decide what kind of relationship it wants with rural Britain.

Let me start with who we are talking about. Rural business owners are not a footnote to the national economy. They are farmers up before dawn to help feed the nation, land managers restoring rivers and woodland, entrepreneurs running everything from engineering firms to hospitality businesses out of converted barns. They employ their community, sponsor the cricket club, keep the village pub viable. They are hard-working people trying to do right by the land, by the environment, and by their communities. That instinct – to produce, to protect, to provide – is the same instinct that should be the focus of a modern rural economic strategy.

And the potential is enormous. The rural economy remains significantly less productive than the national average, a gap that, if closed, could unlock tens of billions of pounds in growth – by some measures as much as £40bn. Behind that figure are well-paid jobs that don't require a move to the city, thriving communities instead of hollowed-out villages, and businesses able to scale rather than stall. It means greater security; in food, in energy, in water and provides for greater economic resilience. This is not a modest ambition. It deserves a government that matches it.

For too long, rural Britain has felt seen not as a partner in a united national mission, but as a target – most starkly through inheritance tax changes that have already collapsed investment on businesses up and down the country. The reforms have done real damage, leaving the country weaker and poorer. Reversing that change is not a niche request; it is a precondition for the confidence that real investment requires.

This is, in no small part, why we need a rural reset: a relationship with the government built on genuine shared respect and ambition. The Labour Rural Research Group has done diligent, serious work over many months, including the development of this report, and I thank its members for it. But diligence must now be matched by government delivery. That means real planning reform that allows entrepreneurs to give their idea a go, and that lets rural communities build the affordable housing they need without sacrificing the landscapes that define them. It means connectivity that allows rural businesses to trade and grow on equal terms with the rest of the country. And it means training and opportunity so that talented young people can build a future at home, rather than feeling they must leave for the city.

This document represents a ready-made plan for the rural economy, showing that Labour values and rural values are aligned. My message to the Prime Minister is simple – level out, not just up, and let the rural communities of the country play their part in its economic growth.

Gavin Lane, President, Country Land and Business Association (CLA)

FOREWORD BY BARONESS DEBORAH MATTINSON

As James Naish MP, Vice-Chair of the excellent LRRG, asserts in his introduction, growth was the 'central mission' for the incoming Labour government: the mission that would drive the change that had been promised; the mission that would enable all the good Labour choices that its new MPs are determined to make.

We've seen some progress, but, as most would acknowledge, there remains much to do and voters are becoming impatient. As this report suggests, the rural community has a vital role to play in Britain's economy. Yet, despite its contribution of £259 billion in GVA (Gross Value Added) in 2023, it is a role that is woefully underpowered. The APPG for rural affairs estimates a productivity gap that results in £43 billion in lost output, accompanied by significant loss in tax receipts.

Our focus groups reflect this. Although some communities experienced a Covid flurry of urban workers making new lives for themselves in rural places, there remains a strong sense that rural communities – and the opportunity they represent - has too often been forgotten. And even when the places themselves have not been forgotten, the people living in those places sometimes seem to have been factored out of the planning.

We heard scepticism about what investment in local areas was actually delivering to local people, with stories about projects importing workers short term rather than creating local jobs, being developed insensitively with disregard for existing economic drivers like tourism, as well as threatening nature without taking account of what makes those communities distinctive and special. We also heard strong concerns about wider barriers to success including shortage of affordable housing, and poor access to public services.

As the report sets out in its conclusions, rural communities have the potential to play a crucial role in Britain's growth, but are currently punching below their weight. Too often they are forgotten, or ignored. The report therefore calls for a new focus on enabling rural economies, with a holistic approach that treats economic growth, service provision and environmental stewardship, including respect for nature, as interconnected.

The voters we heard from had voted Labour – often for the first time – in 2024, but were now drifting away, disappointed, as the recent local elections a few weeks ago, demonstrated. The political imperative is urgent. Getting this right will correct long term failings and enable rural communities to benefit as they make a much-needed contribution to Britain's economic growth.

Baroness Deborah Mattinson,
Labour Peer

EVIDENCE BASE AND METHODOLOGY

EVIDENCE BASE

This report draws on three principal sources of evidence.

First, it is informed by desk-based research including official statistics and analysis from Government departments, arm's-length bodies, regulators and public watchdogs. Key sources include the Department for Environment, Food and Rural Affairs (DEFRA), the Office for National Statistics (ONS), Natural England, OFCOM, parliamentary research services and other relevant public bodies. Wherever possible, the report uses the most recent official data available.

Second, the report draws on written evidence submitted to the Labour Rural Research Group (LRRG)'s call for evidence on the future of the rural economy. The call invited submissions from individuals, businesses, community organisations, charities, local authorities, academics, sector bodies and service providers. Contributors were asked to provide evidence relating to, among other things, rural productivity, business growth, taxation, workforce issues, infrastructure, housing, land use and public services. A full list of organisations referenced throughout the report is provided in the Appendix.

Third, the report incorporates qualitative evidence from two focus groups held on 12th May 2026. The groups were commissioned to explore participants' experiences of their local rural economy, with particular reference to transport, housing, employment, local services and community infrastructure.

Together, these three sources of evidence provide insights into how economic opportunities and constraints are experienced by residents living in rural communities across the UK.

INTERPRETING THE EVIDENCE

While this report considers the rural economy across the UK, a lot of the official economic evidence available relates only to England. Rural definitions also vary between the UK nations, meaning that direct comparisons between England, Scotland, Wales and Northern Ireland are not always straightforward. Wherever possible, the report identifies and comments on UK-wide trends.

It is also important to note that this report does not treat the rural economy as a single, uniform entity. As Professor Neil Ward, Professor of Rural and Regional Development at the University of East Anglia, argued in his submission, it is often more accurate to speak of *"economic activity in rural areas"* than of a single *"rural economy"*. Rural places differ significantly in their sectoral mix, labour markets, housing pressures, connectivity and relationship to nearby towns and cities. A rural community in Northumberland may face very different constraints to one in Buckinghamshire, Cornwall or Lincolnshire. Throughout this report, the term "rural economy" is, therefore, used as a shorthand.

The LRRG recognises that rural economic performance is highly varied and shaped by local geography, regional connections and uneven access to infrastructure, services and markets.

KEY FINDINGS

1. STATE OF THE RURAL ECONOMY TODAY: *RURAL BRITAIN'S ECONOMIC CONTRIBUTION IS SHRINKING*

- Rural Britain remains economically significant. Around 10 million people live in rural areas across the UK, representing approximately 17% of the population, while rural England generated £259 billion in Gross Value Added (GVA) in 2023[1]. However, its contribution to national output has declined over time, falling from around 19% of GVA in 2001 to 16% in 2013 and approximately 12% today[2].

- This decline reflects more than changes in the structure of the economy. As growth has become increasingly concentrated in larger towns and cities, businesses have benefited from deeper labour markets, stronger transport links, greater access to finance and the productivity gains associated with *agglomeration*. Rural economies, despite their many strengths, have found it harder to access these advantages while also facing persistent constraints relating to infrastructure, housing, labour supply and connectivity.

- The result is a widening productivity gap. Official Government data shows that productivity in majority rural local authorities is around 92% of the England average, indicating an 8% gap[3]. Closing this gap could generate an estimated £22.5 billion in additional economic output, with other estimates suggesting the unrealised potential may be even greater.

- ***The evidence suggests that rural Britain is not economically weak, but economically constrained. Unlocking its full potential represents one of the UK's largest opportunities to increase productivity and support long-term national growth.***

2. SECTORAL PERFORMANCE AND FUTURE GROWTH: *THE RURAL ECONOMY IS MORE DIVERSE THAN TRADITIONAL PERCEPTIONS SUGGEST*

- Rural economies are changing rapidly. While agriculture, real estate and tourism remain central to rural and British identity, land use and employment, they are no longer sufficient on their own to drive long-term economic growth. Agriculture, forestry and fishing account for just 3% of rural GVA[4].

- Across submission it became clear that many rural sectors continue to face barriers that limit productivity and investment. Labour shortages, weaker connectivity, smaller business size and limited access to capital can all prevent firms from adopting new technologies, moving up value chains or expanding into higher-value activity.

- However, opportunities exist. Manufacturing is a key and often underappreciated part of many rural economies given food processing, agri-tech and advanced manufacturing are land intensive and require larger industrial sites, making rural areas a

[1] Department for Environment, Food & Rural Affairs, 'Statistical Digest of Rural England - Rural Economic Bulletin', (official statistics, March 2026).
[2] Department for Environment, Food & Rural Affairs, 'Statistical Digest of Rural England - Rural Economic Bulletin', (official statistics, November 2015).
[3] Department for Environment, Food & Rural Affairs, 'Statistical Digest of Rural England - Rural Economic Bulletin', (official statistics, March 2026).
[4] Ibid.

- practical and commercially attractive location[5]. Technologies such as precision farming, automated machinery and drone technology have the potential to improve productivity and sustainability while helping producers manage labour shortages, climate pressures and rising input costs. The wider rural economy increasingly includes property, clean energy, environmental markets and other emerging industries.

- ***Rural prosperity will depend on more than preserving traditional industries. Future growth requires policies that help rural economies diversify, innovate and compete more effectively, supported by stronger infrastructure, connectivity, skills, investment and business support.***

3. ENTERPRISE, INVESTMENT AND BUSINESS GROWTH: *RURAL BRITAIN HAS AN ENTERPRISE BASE, BUT TOO FEW FIRMS SCALE*

- Rural areas are highly entrepreneurial. Around 24% of UK businesses are located in rural constituencies, and rural areas have higher business density than urban areas at 47 businesses per 1,000 people compared with 39 businesses per 1,000 people in urban constituencies[6]. At the same time, rural businesses are more resilient. The five-year survival rate in predominantly rural areas is 45%, compared with 37% in predominantly urban areas excluding London[7]. This is good news.

- However, the report identifies a clear 'rural enterprise paradox'. While rural firms are often agile and locally embedded, and there is a dense and active business base characterised by high levels of business ownership, they operate in an environment and within systems that make it much harder to scale.

- Contributors highlighted weaker access to finance, planning delays, business taxation, labour shortages, poor transport, housing pressures and digital connectivity as barriers to investment and growth. Professor Neil Ward summarised this as a *"low volume, high cost"* problem, and in a difficult operating environment, businesses tend to prioritise resilience over rapid growth.

- ***Rural Britain does not have an enterprise deficit but a growth deficit. While rural areas are home to a strong and resilient business base, too many firms remain small and face structural persistent barriers to scaling, investment and productivity. For rural firms to grow, diversify and achieve higher levels of productivity, we need to move beyond a generic SME framework and recognise the distinct circumstances in which many rural businesses operate.***

4. WORKFORCE, SKILLS AND LABOUR SUPPLY: *HIGH EMPLOYMENT MASKS A CONSTRAINED LABOUR MARKET*

- Rural labour markets often appear strong on headline indicators. Employment rates in predominantly rural inland constituencies reached 78.2% in 2023, while DEFRA estimated that 79% of 16 to 64-year-olds in rural areas were employed in 2024 compared with 74% in urban areas[8].

[5] National Innovation Centre for Rural Enterprise, Submission to the Green Paper "Invest 2035: The UK's Modern Industrial Strategy", (government briefing, November 2024).
[6] House of Commons Library, Support for rural businesses, (research briefing, 16 June 2025).
[7] Department for Environment, Food & Rural Affairs, 'Statistical Digest of Rural England - Rural Economic Bulletin', (official statistics, March 2026).
[8] House of Commons Library, Support for rural businesses, (research briefing, June 2025).

- However, high employment should not be mistaken for spare capacity. In 2025, 39.2% of the rural population aged 16 and over was economically inactive, compared with 34.4% in urban areas. This is largely driven by retirement, with 28.6% of rural residents retired compared with 18.7% of urban residents[9]. As rural populations age, employers face tighter labour markets, public services struggle to recruit and younger people find it harder to build viable futures locally.

- The result is a labour market that is increasingly constrained by forces beyond employment policy alone. One in two rural businesses report difficulty recruiting or retaining suitably skilled staff[10], limiting their ability to serve customers, take on new work, adopt technology and develop new products or services – but because of their small size, many of the businesses most in need of skills development are the least able to invest in it.

- Among young people, 72% identify affordable housing as their greatest concern, while those considering leaving rural communities cite unreliable transport, loneliness and poor digital connectivity[11]. Youth outmigration is not linked to employment opportunities alone. A combination of housing affordability, transport accessibility, social infrastructure and the availability of local services together shape whether younger people can build long-term lives within rural communities.

- ***The evidence suggests that rural labour markets are not weak because of unemployment, but constrained because too few people can live, train and work locally while maintaining a good standard of living. Labour shortages now sit at the heart of the rural productivity gap.***

5. INFRASTRUCTURE AND CONNECTIVITY: *POOR CONNECTIVITY IS HOLDING BACK RURAL GROWTH*

- Infrastructure is one of the clearest determinants of rural economic performance. Digital connectivity remains uneven, with gigabit-capable broadband available to 83% of UK premises overall but only 54% of rural premises compared with 88% of urban premises[12]. For rural firms, this is not a convenience issue: the NFU's Digital Access Survey has found that 91% of respondents considered broadband essential to their business[13].

- Transport constraints compound this problem. The report notes that 30% of rural businesses experiencing recruitment difficulties cite remote location and poor transport links as barriers to attracting staff, compared with only 4% of urban firms[14]. NICRE research found that 39% of rural businesses identify inadequate transport services and infrastructure as a significant challenge, compared with 26% of urban firms[15]. In Lincolnshire, only 1% of employed rural residents use public transport to travel to work, demonstrating the extent to which access to employment remains dependent on car ownership.

- Declining bus provision has amplified isolation, reinforcing the need for funding and appraisal approaches that value socio-economic outcomes alongside demand. And while the devolution agenda promises greater

[9] Department for Environment, Food & Rural Affairs, 'Statistical Digest of Rural England - Rural Economic Bulletin', (official statistics, March 2026).
[10] National Innovation Centre for Rural Enterprise, Labour and skills availability: impacts on rural enterprise, (research report, February 2024).
[11] Campaign to Protect Rural England, Young People in Rural Areas, (survey report, October 2021).
[12] Ofcom, Connected Nations 2024: Coverage and Speeds, (statistics report, November 2025).
[13] National Farmers Union, 2024 Digital Access Survey, (survey report, July 2025).
[14] APPG for Rural Business and the Rural Powerhouse, The Rural Premium, (research report, April 2023).
[15] National Innovation Centre for Rural Enterprise, The Rural Economy Post-Pandemic: Opportunities and Barriers for Business Growth, (research report, January 2024).

- **power and influence at the local level, and is generally welcomed by rural communities in principle, in reality, the patchwork approach is inadvertently entrenching these issues.**

- **Energy infrastructure is also becoming a major constraint on growth. Rural areas host most of the UK's onshore renewable energy infrastructure, yet grid capacity and connection delays are restricting renewable energy development, business expansion and diversification. While rural communities are hosting a greater share of the nation's energy infrastructure, they do not always experience the economic and infrastructure benefits associated with this investment.**

- ***Digital, transport and energy infrastructure are not supporting issues, but core enabling foundations for economic growth. Without better connectivity, rural areas cannot fully contribute to national growth, energy security or decarbonisation.***

6. HOUSING AND COMMUNITY SUSTAINABILITY: *RURAL HOUSING SHORTAGES ARE NOW A PRODUCTIVITY ISSUE*

- **Rural housing shortages are no longer only a social challenge – they are a direct constraint on economic growth. The median house price in England was 7.6 times median earnings in 2025, but detached properties in predominantly rural areas were typically valued at around 14 times local earnings[16]. NICRE found that 49% of rural firms judge the availability of affordable housing in their local area to be poor or very poor, compared with 30% of urban firms.**

- **The shortage of affordable homes is particularly acute in rural communities where agriculture, food processing, tourism, hospitality, health and social care all depend heavily on workers whose incomes rarely match local local housing costs. The English Rural Housing Association estimates that affordable housing need in rural areas is around 50% higher than in urban areas, relative to population size[17]. CPRE research suggests that, at current delivery rates, it could take more than 80 years to clear existing rural social housing waiting lists[18].**

- **Housing quality further compounds the challenge. Rural homes are more likely to be older, detached and off-grid. Around 28% of rural residential properties were built before 1919, compared with 18% in urban areas; while 20% of rural homes failed to meet the Decent Homes Standard in 2022, compared with 16% of urban homes[19]. OFTEC and UKIFDA evidence suggests that 96% of oil-heated homes are located in rural areas, around half were built before 1919, and 65% fall within EPC bands E to G.**

- ***Housing must be treated as economic infrastructure. Without genuinely affordable and appropriate homes within a reasonable distance of employment, rural communities will continually struggle to retain younger people, to attract workers, to sustain public services and to support business growth.***

[16] Fabian Society, Rural Futures (research report, October 2025).
[17] English Rural Housing Association, Affordable Housing Need 50% Greater in Rural Areas, Report Reveals (press release, June 2025).
[18] Campaign to Protect Rural England, How the housing strategy can help fix the rural housing crisis, (press release, January 2026).
[19] Fabian Society, Rural Futures, (research report, October 2025).

7. LAND, THE ENVIRONMENTAL ECONOMY AND DIVERSIFICATION: *RURAL GROWTH IS INCREASINGLY A LAND-USE QUESTION*

- Land is becoming one of the most strategically important assets in the rural economy, and to the country as a whole. Agricultural land accounts for approximately 67% of England's land area but rural land is now expected to deliver food production, housing, renewable energy, biodiversity, carbon storage, flood management and climate resilience at the same time[20].

- This creates both opportunity and tension. Food security depends not only on farms but on the wider systems that enable food to be produced, processed and brought to market. Lincolnshire County Council's submission stated that for every job in agriculture, there are a further five jobs in the pre-consumer food supply chain, underlining the wider economic importance of productive agricultural land, local processing capacity, animal health, supply chains and co-operative models.

- At the same time, environmental markets are emerging as a major rural growth opportunity. New markets around biodiversity, carbon sequestration, woodland creation, peatland restoration, nutrient neutrality and natural flood management are beginning to create new revenue streams for farmers, landowners and rural businesses. While this is good news for rural economies, it risks pushing food production to the edges.

- These markets are also immature: less than 3% of UK woodland and 1% of UK peatland currently participate in carbon credit schemes, while nature recovery faces an estimated £44 billion funding gap over the next decade, according to The Lifescape Project. Farm diversification, meanwhile, is already mainstream, with more than 70% of farm businesses in England now operating at least one diversified enterprise, as noted by Professor Ward, up 10 percentage points over the past decade.

- ***The evidence suggests that the future rural economy will increasingly depend on how finite land is used to deliver multiple forms of value at once: food production, clean energy, housing, nature recovery, climate resilience and enterprise. The Government's Land Use Framework must sit at the heart of this conversation.***

8. PUBLIC SERVICES, COMMUNITY RESILIENCE AND OPPORTUNITIES: *PUBLIC SERVICES ARE ECONOMIC ENABLERS*

- Public services are an essential part of the enabling environment for rural economic growth. Access to healthcare, education, childcare, transport and community services shapes whether people can work, train, care for family members, start businesses and remain economically active.

- The report highlights the scale of rural access challenges. In some rural areas, such as Lincolnshire County Council, 48% of residents face journeys of more than an hour to reach their nearest

[20] Department for Environment, Food & Rural Affairs, 'Statistical Digest of Rural England - Rural Economic Bulletin', (official statistics, March 2026).

- **hospital, compared with 16% nationally. Focus group participants also described difficulties accessing GP appointments, childcare and other local services, showing how service pressures affect both quality of life and economic participation.**

- **Community ownership has huge potential and should be viewed not simply as a form of social intervention but as an important contributor to local economic resilience. According to Plunkett UK, for every £1 spent in a community business, around 56p remains in the local economy, compared with around 40p for private sector equivalents.**

- **However, rural funding models remain a major issue given the additional costs associated with delivering services and infrastructure across dispersed populations. Rural Services Network's evidence notes that, in 2026–27, urban councils are projected to receive 32% more per head in Government Funded Spending Power than rural councils, despite the higher costs linked to distance, sparsity, ageing populations and accessibility. National funding and delivery models do not adequately reflect lived realities.**

- **Digital services are unlikely to be a complete solution. Significant gaps in broadband and mobile connectivity remain in some rural areas, and not all residents have the skills, confidence or circumstances required to engage effectively online. Digital innovation is likely to be most effective when it complements, rather than replaces, physical service provision.**

- ***Public services and community assets are not separate from the rural economy. They are part of the infrastructure that enables people to work, businesses to operate and communities to remain viable. While rural and coastal communities face distinctive challenges linked to distance, sparsity and demographic change, these challenges are not insurmountable. They do, however, require service models and funding approaches that reflect rural realities rather than assuming urban conditions.***

CONCLUSION: FINDINGS AND PRIORITIES FOR GOVERNMENT

As the report's chapters demonstrate, it is difficult to identify a single intervention that will unlock the full potential of rural economies. This is because the challenges facing rural areas are complex and interconnected: housing affects labour supply; infrastructure affects business growth; public services affect workforce participation; land use influences food security, nature recovery and economic opportunity. It is the combination of these factors which fundamentally shape the productivity, resilience and long-term sustainability of rural communities.

Importantly, the evidence gathered through this inquiry demonstrates that rural Britain is not economically weak, nor is it defined solely by traditional industries such as farming and tourism. Rather, rural areas are surprisingly entrepreneurial and support millions of jobs, hundreds of thousands of businesses and a significant share of national economic output. They are, and should be recognised as, increasingly central to delivering national priorities including food security, energy security, decarbonisation, nature recovery and regional growth.

Yet rural economies are underperforming relative to their potential. This underperformance reflects the interaction of housing, infrastructure, workforce and other policy constraints, rather than any inherent weakness of rural places. Many rural communities operate within a system that was primarily designed to maximise the short-term returns of more densely populated urban areas. As a result, rural businesses often struggle to scale, borrow and invest at pace; employers struggle to recruit; younger people struggle to stay local; and communities face higher costs in accessing the services and infrastructure needed to support economic participation.

As the House of Lords' 2019 Rural Economy report concluded, *"the urgent challenge is to encourage the new opportunities, release unfulfilled potential and enhance the contribution which rural England can make to the nation while retaining its distinct character"*.[21]

[21] House of Lords, Time for a strategy for the rural economy, (research report, April 2019).

The evidence presented to this inquiry suggests that this challenge remains largely unresolved, with each issue being tackled separately – if they are being tackled at all.

A recurring theme across submissions is that rural development cannot be reduced to any single sector, policy or intervention. As Professor Ward and Professor Shucksmith both argued in their submissions, effective rural policy requires a place-based approach that recognises the diversity of rural communities and treats economic growth, service provision and environmental stewardship as interconnected challenges, rather than separate policy domains. Just as the LRRG's *Rural Poverty in Britain* report argued, what is needed is a whole-of-government rural strategy, supported by stronger rural proofing and a clearer framework for delivering growth, opportunity and resilience across rural Britain[22].

The question facing policymakers is not, as many might think, whether rural areas can contribute more to national economic growth, climate objectives and regional rebalancing. The evidence suggests that they can. The challenge is creating the conditions that allow them to do so *fully*.

This won't be easy but if the Government is willing to address the structural barriers identified throughout this report, the prize is significant. It would mean rural communities that are more vibrant, sustainable and resilient places in which to live, work or visit. It would mean stronger food production, nature recovery, energy security and housing supply at a national level. And fundamentally, it would mean – at long last – that all parts of the United Kingdom are orientated towards the central mission of this Government, and all future governments: life-affirming, life-enhancing economic growth.

[22] Labour Rural Research Group, Rural Poverty in Rural Britain, (research report, March 2026).

SUMMARY OF REPORT RECOMMENDATIONS

STATE OF THE RURAL ECONOMY TODAY

1. **Develop a whole-of-government rural economic strategy**. The Government should publish a cross-departmental rural economic strategy focused on productivity, growth, resilience and opportunity. This should sit above individual departmental programmes and seek to align policy on business support, infrastructure, housing, skills, land use and public services.

2. **Strengthen 'rural proofing' across all policy development**. To address the diminishing contribution of rural Britain, rural proofing should be applied within all government departments. Each major economic policy should be assessed for its effect on rural productivity, access to opportunity, service delivery costs and the ability of rural communities and businesses to contribute to national growth. Rural proofing should become a proactive process for identifying opportunities to unlock rural economic potential, rather than simply mitigating unintended negative impacts.

3. **Recognise rural areas as contributors to national missions.** National growth, food security, energy security, house building, nature restoration, decarbonisation and regional rebalancing strategies can only be achieved through the full engagement of rural Britain. The Government should more explicitly recognise and praise the contribution of rural places, rather than treating rural economies as peripheral to urban-led growth.

4. **Establish a Rural Economy Delivery Board linked to devolved growth plans.** The Government should establish a Rural Economy Delivery Board with responsibility for monitoring progress against national rural economic objectives and supporting delivery through strategic authorities and local growth partnerships. Membership should include local government, business, academia, community organisations and central government, ensuring that rural priorities are embedded within regional growth plans and accompanied by clear ministerial accountability.

SECTORAL PERFORMANCE AND GROWTH

5. **Create a bespoke rural innovation and productivity programme.** The Government should establish a dedicated rural innovation programme to support high-growth sectors including agri-tech, food processing, robotics, bioscience, precision agriculture, regenerative agriculture, sustainable forestry, advanced manufacturing, modern methods of construction and housing retrofit. Together, these sectors have the potential to improve productivity, strengthen domestic supply chains, reduce import dependency and support the transition to a more innovative and resilient rural economy.

RECOMMENDATIONS CONTINUED

6. **Separately consider rural Britain in the Government's tourism strategy**. The Government should seek to support rural and coastal tourism by developing policies to extend visitor seasons, increase year-round employment and improve tourism-based productivity. The Government should also ensure rural voices are part of the Visitor Economy Advisory Council.

7. **Ensure any tourism levies benefit local economies.** Where visitor levies or tourism charges are introduced, revenues should be transparently reinvested in the local communities and visitor economies that generate them. Affected rural communities should be consulted throughout the development and implementation of these levies to avoid any backlash.

ENTERPRISE, INVESTMENT AND BUSINESS GROWTH

8. **Create a rural business scaling programme.** The Government should establish a dedicated programme focused on helping existing rural firms scale, invest, digitalise, export and adopt new technologies. This will help to turn micro businesses into SMEs, and SMEs into larger companies.

9. **Tailor aspects of British Business Bank delivery towards rural firms. T**he British Business Bank's *Nations and Regions Investment Funds* should include specific rural outreach, brokerage and investment-readiness support so that finance reaches microbusinesses, co-operatives, family firms and land-based enterprises. Banks should also be encouraged to review their lending approaches to rural businesses.

10. **Accelerate the business rates review for rural enterprises.** The Government needs to urgently review how business rates apply to diversified rural and farm-based businesses, including whether a tapered transition could avoid the "fiscal cliff" identified in evidence.

11. **Expand permitted development rights for farm diversification and water storage.** The Government should significantly expand permitted development rights (PDRs) to support farm diversification and enable the construction of larger on-farm reservoirs, including in national parks.

12. **Strengthen planning capacity and ensure it understands rural Britain.** In addition, planning authorities should be supported to process rural business, horticulture, renewable energy, visitor accommodation and other diversification applications more quickly and predictably, while maintaining environmental safeguards. The current commitment to training 300 more planners isn't ambitious or tailored enough.

WORKFORCE, SKILLS AND LABOUR SUPPLY

13. **Develop a rural workforce strategy.** The Government should develop and publish a rural workforce strategy focused on seven key enabling factors: recruitment, retention, skills, housing, transport for work, childcare and older-worker participation. These are common enabling issues across rural Britain which, separately and together, limit rural economic growth. As part of this work:

RECOMMENDATIONS CONTINUED

- **Improve access to rural further education and vocational training.** The Government should push Skills England, local authorities and colleges to work together more effectively to expand rural access to technical, digital, construction, engineering, care, food production, land management and low-carbon skills, among others.

- **Target underused labour pools.** The Government should develop retraining and transition programmes for groups with relevant skills including ex-service personnel, older workers, returners to work and people seeking flexible or part-time employment.

- **Recognise childcare as labour market infrastructure.** Rural childcare provision should be treated as a workforce participation issue, particularly for parents and carers in areas with limited flexible employment and poor transport access. Childcare remains a critical enabler for growing rural economies.

INFRASTRUCTURE AND CONNECTIVITY

14. **Prioritise the hardest-to-reach areas within Project Gigabit and mobile coverage programmes.** The Government should ensure that Project Gigabit and Shared Rural Network delivery partners don't leave the most remote rural communities to the end. There should be clear milestones for rural premises and rural SMEs within the wider delivery approach, so that a wide range of technical solutions is considered and rolled out sooner rather than later.

15. **Accelerate rural grid reinforcement and connection reform.** Electricity grid capacity upgrades should be prioritised in rural areas where delays are constraining renewable energy, business expansion, electrification of heat and farm diversification – which, in turn, underpin multiple national priorities.

16. **Ensure rural communities benefit from new energy infrastructure.** Renewable energy projects should include local benefit mechanisms including, for example, community ownership, revenue sharing, a minimum contribution to project supply chains, community funds and reduced energy costs. These benefits should not, however, be seen as an appropriate pay-off for the biggest prize: the creation of high-quality, long-term jobs.

17. **Improve rural transport links to work, training and services.** Transport planning should prioritise routes and services that connect rural residents to employment, further education colleges, healthcare, childcare, town centres and public services. This will require creative thinking and flexible business models.

RECOMMENDATIONS CONTINUED

HOUSING AND COMMUNITY SUSTAINABILITY

18. **Set a rural affordable housing delivery target.** The Government should introduce a dedicated rural affordable housing target with separate monitoring of social rent, affordable rent, shared ownership and genuinely locally affordable homes. CPRE's ongoing campaign to redefine affordability has many merits.

19. **Strengthen 'Rural Exception Site' policies.** The Government should expand and simplify the implementation of Rural Exception Sites, working with planning authorities across rural Britain to radically accelerate the delivery of affordable homes on these sites.

20. **Create a rural housing retrofit and decarbonisation programme.** Older, detached and off-grid rural homes should receive tailored support for energy efficiency, low-carbon heating and retrofit, recognising that a one-size-fits-all approach to decarbonisation will not work. Listed buildings in particular need more flexible policy options.

LAND, THE ENVIRONMENTAL ECONOMY AND DIVERSIFICATION

21. **Consider how to turn the Land Use Framework into an economic asset.** The Land Use Framework is not just a spatial tool – it should be used to help view food security, housing, energy, biodiversity and climate resilience through an economic lens as well, to steer rural Britain towards making the right long-term decisions for local, regional and national economic and security purposes.

22. **Provide long-term certainty for Environmental Land Management schemes.** Farmers and land managers need stable, long-term incentives to deliver food production, nature recovery, carbon storage, water management and other public goods in equal measure. Environmental Land Management (ELM) schemes should provide sufficient long-term certainty and recognise the opportunity costs of participating, particularly where alternative land uses such as renewable energy development may offer significantly higher commercial returns. This will help ensure that environmental objectives are achieved without unintentionally distorting wider land-use decisions.

23. **Strengthen demand and accountability in natural capital and environmental markets.** The Government should move beyond establishing basic frameworks for biodiversity, carbon, nutrient neutrality and nature markets, and focus on building credible long-term demand. This could include clearer public and private sector demand signals, mandatory reporting on nature-related impacts and investment, and consideration of targets for nature-positive procurement or investment. Strong safeguards on additionality, permanence, monitoring and community benefit will still be needed, but the next priority should be ensuring that these markets generate reliable income streams for rural communities and land managers.

RECOMMENDATIONS CONTINUED

PUBLIC SERVICES, COMMUNITY RESILIENCE AND OPPORTUNITIES

24. **Revisit funding formulas to fairly reflect higher sparsity and rural delivery costs.** Government funding models should give greater weight to sparsity, travel times, ageing populations, accessibility and the lack of alternative provision. Equal funding per head doesn't result in equitable access to services or equitable service levels in more rural areas.

25. **Expand and merge place-based and mobile service models.** The Government should build on successful pilots of mobile Jobcentres, Family Hubs, outreach healthcare, community hubs and co-located services to bring support closer to rural residents. These may prove most effective when combined.

26. **Don't ignore rural peculiarities in the upcoming High Street Strategy.** The Government should specifically address the challenges facing rural town centres in its upcoming High Street Strategy. Rural service hubs have been more negatively affected by bank closures, Post Office losses, declining footfall and the withdrawal of essential services, meaning the build-back route for these types of settlements should look and feel different

27. **Expand support for co-operatives, community ownership and local stewardship.** The Government should expand support for agricultural co-operatives, community businesses, social enterprises, blended finance models and community-owned assets such as shops, pubs, hubs and workspaces. These models can help rural communities pool risk, share investment, retain wealth locally and sustain services that might otherwise be lost. They also strengthen local economic resilience by keeping jobs, assets and decision-making within rural communities. Building on existing positive examples, the Government should consider how these models can be scaled more widely across rural Britain.

APPENDIX: EXTERNAL CONTRIBUTIONS

- Arla Foods
- Association of Convenience Stores (ACS)
- British Farming Union (BFU)
- Campaign to Protect Rural England (CPRE)
- Cornwall Council
- Countryside Alliance
- Country Land and Business Association (CLA)
- County Durham Economic Partnership
- Fabian Society
- Holiday Park and Resort Innovation Practice and Association (HARPA)
- Lincolnshire County Council
- Müller
- National Farmers Union (NFU)
- National Innovation Centre for Rural Enterprise (NICRE)
- National Office of Animal Health (NOAH)
- Nature Friendly Farming Network (NFFN)
- Plunkett UK
- Professor Mark Shucksmith OBE (Newcastle University)
- Professor Neil Ward (University of East Anglia)
- Royal Agricultural Benevolent Institution (RABI)
- Rural Services Network
- The Lifescape Project
- The Oil Firing Technical Association (OFTEC) and The UK & Ireland Fuel Distributors Association (UKIFDA)
- Wealden Food Partnership

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