

# **NORFOLK RURAL FORUM MEETING REPORT**

**on**

## **The Economic and Social Effects of the Credit Crunch on Rural Norfolk**

**29 January 2009**

### **1. Background**

- 1.1 The Norfolk economy is suffering from the same shortages of availability of cash as the rest of the country. The banks are being required by government to increase their assets and are risk averse on lending money. This is causing cash flow problems for many otherwise sound businesses.
- 1.2 Government and statutory agencies at all levels are also likely to be making redundancies, including local government as they cope with shrinking incomes and budget shortfalls.
- 1.3 UK government debt is variously estimated to hugely increase to reach £2.5 trillion. This will inevitably affect government finances and taxation levels in the future when the recession is over.
- 1.4 Fixed incomes reliant on dividends and interest payments on investments are being strongly hit. This particularly affects pensioners of which Norfolk has a higher than average proportion – therefore they are going to be hit by substantial drops in income.
- 1.5 Rural Norfolk has a high proportion of micro-businesses (1-9 employees) and Small to Medium Enterprises (10-250 employees). They are particularly vulnerable to cash flow problems usually without the management resources to easily plan through the difficulties.

### **2. Agriculture and land-based economy**

- 2.1 In Norfolk, agriculture is predominantly arable. For a variety of reasons, arable farming has not been hit by the credit crunch much as yet:
  - Rapid onset of credit crunch is offset because farming is seasonal on an annual cycle;
  - Many farmers negotiated their grain and crop prices last year for the current season;
  - In winter, arable farming costs are lower;
  - The EU rural payments tend to be so delayed that they are paid in November and December, bringing in cash just as the credit crunch is biting elsewhere;
  - Farmers have annual costs, rather than work in process regular costs;
  - Most farming businesses have fairly secure long term loans;
  - Everyone must eat! The carbon reduction agenda has also encouraged retailers to buy more locally (especially in the west of the county). This is evidenced by Business Link business health check data – only 5% of requests for help come from the agricultural/food sector in Norfolk and tourism is also very low.
- 2.2 Those farms which followed best advice to diversify are less protected by the circumstances listed above in 2.1. In Norfolk, 68% of all farms had more income last year from non-agricultural activity than farming. Those activities

are likely to be subject to the same problems as any other non-agricultural business in rural areas although this is only beginning to be fed through in some niche markets (eg: liveries).

- 2.3 Despite the economic problems, land prices seem to be holding and indeed, have been rising for several years despite severe fluctuations in farming incomes.
- 2.4 Farmers have been cushioned so far from much of the downturn, but it will come to them and they are not really prepared. Those that have strategic business plans are most likely to be able to mitigate the worst outcomes. Already some diversified businesses are finding obtaining credit for business development very difficult, despite substantial land assets.

### **3. Other rural businesses**

- 3.1 Many businesses in rural Norfolk are being hit by shortage of credit for working capital. These are often perfectly sound businesses that have always relied on the bank to ensure their cash flow and can be under threat as a result.
- 3.2 The downturn in mortgage credit has severely hit the building trade with house sales almost grinding to a halt. Affordable house building has also been hit. Employment in the building trade is badly hit, especially micro-businesses and sole traders.
- 3.3 Reliance on private transport in rural areas has become much more expensive with the inexorable rise in oil prices (despite the recent drop back). Alternatives are not normally available so this is a cost that must be carried.
- 3.4 Rural areas suffer from poor infrastructure support with many services difficult to access, of poorer quality or not available at all. In particular, broadband and mobile phone coverage in many remoter rural parts of the county is very poor, but so is the high power electricity supply in North Norfolk.
- 3.5 Support to businesses, including advice and training, tends to be urban focussed and this trend is likely to be heightened because of the strain on limited resources. Rural areas are more expensive to support because of the dispersed nature of businesses. For example, Business Link East finds it difficult to maintain as high a quality service in the remoter rural areas as it does in the urban centres.

### **4. Social issues**

- 4.1 Unemployment is affecting rural areas. For example, the number of people registering with Job Centre Plus in Dereham has doubled since last year, many from surrounding villages and having considerable difficulty in accessing the JC+ offices for support.
- 4.2 Access issues are being made worse by loss of private cars due to unemployment. This is not only causing isolation for individuals but also putting a major strain on existing community and public transport schemes in remoter areas.
- 4.3 Affordable housing schemes on rural "exception" sites have almost stopped because of the inability of the Housing Associations to find matched private funding for the building work.

- 4.4 Lack of employment opportunities, access to training, affordable housing and local schools, and other services is exacerbating the demographic imbalance in remoter rural villages with young people forced out to the urban areas.
- 4.5 The huge increase in demand for debt advice at CAB has shown that personal debts are increasing, or have become very difficult to manage, due to unemployment and loss of income.

## 5. Positive factors

- 5.1 Post 16 participation in education or training is now ahead of the national average in rural Norfolk. This is the success story from Easton College – the result of concerted local effort to get more young people more highly qualified.
- 5.2 Major infrastructure projects are set to kick in very soon – including the Great Yarmouth outer harbour and the dualling of the A11.
- 5.3 Norfolk Association of Local Councils has a programme – Green Code – which seeks to support small scale eco businesses through the local council network.
- 5.4 Community activity in developing social and community enterprises can be a real stimulus for economic and socially beneficial activity – eg: Great Ryburgh Community Shop which sources locally, is substantially locally financed and uses local volunteers.
- 5.5 The Rural Development Programme for England EU funding package has granted funding to four areas in Norfolk, three of them cross border (out of six for the whole region), for land-based businesses to develop. With the match funding, the total well exceeds £10m new investment by 2013.

## 6. What is needed

The following is a list of the key proposals for actions to help alleviate the effects of the recession and place Norfolk in prime position to develop when it is over:

- 6.1 Strong support for **training** and upskilling taking advantage of some slack time in the workforce as well as for those not in work or with no qualifications ready for the upturn;
- 6.2 **Affordable housing** must continue to be a priority in order to retain a young and vibrant workforce in rural areas;
- 6.3 **Infrastructure** needs to be developed including the obvious broadband/mobile phone services, but also transport links, premises and electricity supply;
- 6.4 **Employment hubs** need to be developed in rural locations;
- 6.5 There needs to be **tax flexibility** to help offset working capital and cash flow problems (this should be a lobby activity with central government) with negotiable delays on payments and easing of business rates;
- 6.6 **Local procurement procedures** by statutory bodies, including local government, should be simplified from the current very complex systems;
- 6.7 A **“Source Local” website** should be developed and maintained by local government (Shaping Norfolk’s Future or Norfolk County Council?);
- 6.8 The weak pound gives great opportunities for **exports** and support is needed to enable this, especially for businesses new to it;
- 6.9 Develop a **“payments system guide”** for statutory and private sectors to ensure small businesses are paid on time;

- 6.10 **Bring forward local projects** that were to be spread over a number of years to help stimulate the local economy now;
- 6.11 The current exchange rate gives real opportunities for the **local tourist industry**, both UK customers who can no longer afford foreign holidays and visitors to Britain taking advantage of the cheap pound;
- 6.12 **Demystify the confusing plethora of government initiatives** – at the very least a simple guide would be useful;
- 6.13 The **local public and private sectors must work together** more effectively to make a real difference;
- 6.14 The **shortage of social care staff** needs to be addressed including upgrading qualifications and improving remuneration for this skilled sector;
- 6.15 **Farming assets** need to be used more effectively with good local marketing;
- 6.16 The **EEDA capital budget** (eg: for IIC) needs to be revived after 2010 – the need for it is greater now that there is a shortfall of private capital;
- 6.17 **Local communities working together** can make a very real difference in the community (eg: Great Ryburgh community shop) but need on demand support throughout the process;
- 6.18 Opportunities in the **environmental sector** should not be postponed or put aside but encouraged, especially if they are making fuel efficiencies and cutting long term costs;
- 6.19 The Norfolk environment is attractive to inward investors but there needs to be **improvements in the infrastructure** and the **right attitude locally**;
- 6.20 Small interventions by government can make a big difference in rural areas – multi-million pound projects are usually not needed.

## 7. **Message for Norfolk**

We need to be **positive and vocal in Norfolk** and ready for the inevitable economic upturn.

**John Dixon**  
**CEO, Norfolk RCC**

**NB** This report is the outcome of a joint meeting of the Norfolk Rural Forum and Norfolk RCC Council held at Yaxham Village Hall on 29 January. The main issues of the meeting were reported to the East of England Rural Forum Conference held at Lavenham Village Hall on 4 March 2009 informing issues to be taken from the region to the Minister for Rural Affairs at the next quarterly meeting.

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