

HOUSE OF LORDS SELECT COMMITTEE ON THE RURAL ECONOMY

EVIDENCE FROM THE CHIEF ECONOMIC DEVELOPMENT OFFICERS SOCIETY (CEDOS)

Introduction

This evidence is submitted by the Chief Economic Development Officers Society (“CEDOS”).

CEDOS is the voice of Heads of Economic Development and senior economic development professionals from across England. Membership includes city, county and unitary councils and combined authorities. We carry out research, develop and disseminate best practice, and publish reports on key issues for economic development policy and practice. Through our collective expertise, we seek to play our full part in helping to inform and shape national and regional policies and initiatives.

General issues

1. What do you understand by the ‘rural economy’? How has it changed over recent years, and what has been the impact of these changes?

Traditional definitions of the rural economy tend to defer to specific sectors for example, agriculture, mining, farming or forestry. However a more sophisticated approach is now required. Recent investment in digital and smart technology and connectivity has enabled economic growth irrespective of geography or location. Businesses that may work from a rural area are more easily able to operate across urban, peri-urban and rural geographies. Further, some sectoral definitions have nuances that relate to both urban and rural contexts, including the visitor economy and tourism.

The rural economy now can only really be defined through looking at population distribution, spatial patterns and development parameters. These are necessarily graduated rather than delineated and so the ‘rural economy’ can no longer be defined wholly through vertical sectors.

We believe that viewing the economy as the “economy of a rural area” rather than a “rural economy” will shift the context for discussion to the geography of an area rather than the more traditional sector-based approach, with a holistic focus on the issues that need to be addressed to promote business growth together with social and environmental sustainability. CEDOS would welcome a refreshed redefinition of the rural economy, and the inter-linkages between it and the spatial and the sectoral, supporting a shift away from a centrally-directed approach to a locally developed strategy. We would be willing to support this discussion further.

2. Could you give examples of notable success stories and good practice in the rural economy? How might rural success be replicated and better promoted?

We offer the following examples of notable success stories and good practice in the rural economy:

- Investment in skills development such as the establishment of a £1.2m Agritech Centre at Kingston Maurward College in Dorset which is a purpose-built facility comprising an agricultural classroom, an IT suite, a high spec workshop and machinery facilities.
- The use of Food Enterprise Zones and related planning frameworks, for example the Norton Barton Artisan Food Village in Cornwall which has a planning framework for the development of the site over the next 15 years. Investment Grants have been secured from the EAFRD Growth Programme by three businesses on the scheme which has led to the scale up of Popti Bakery and Cornish Charcuterie and the creation of a new business The Cornish Distilling Company.
- The Broadband Delivery UK programme where there are co-ordinated contracts which have been let following rigorous Open Market Reviews and supplier engagement processes. The projects are clearly focused and target those areas where there is no commercially planned broadband provision.

In Warwickshire, for example, 98% coverage is expected by the end of Contract 3 in 2019/ 2020. The projects also require that infrastructure should be made available on a wholesale basis, meaning that any internet service provider can provide broadband services. A competitive market therefore drives down prices and increases the range of packages on offer. The wholesale network can also be used in the rollout of 5G.

- The use of innovative funding schemes to support the roll-out of Superfast Broadband Programme across many rural areas, for example, Staffordshire County Council's Community Fibre Partnership Support Fund which matched monies raised by households and businesses in an eligible community for the provision of full-fibre broadband.
- The Rural Growth Network pilots which tested different ways of promoting economic growth in rural areas. The five pilot areas were Cumbria, Devon & Somerset, Northumberland, Swindon & Wiltshire and Warwickshire (all of whom are CEDOS members).

3. How do you see the future of the rural economy? Where is the greatest potential for growth, and what might be the impact of technological and other changes?

Rural areas have the potential to make significant contributions to the prosperity and wellbeing of the UK. For example, the employment rate in 2016 was higher in rural areas compared with urban areas.

CEDOS members believe there is potential for growth in the digital and innovation (including automation and artificial intelligence) sectors. This potential will be realised if the following are prioritised:

1. The provision and application of digital and smart technology, including the encouragement of innovation and
2. The development of a resilient and skilled workforce.

Whilst these do not differ significantly from the urban agenda, the models and delivery mechanisms for investment and business support for them do. They must be resourced to ensure specific barriers to rural areas are overcome and opportunities realised.

Moreover, rural areas could – with the right investment and support – benefit more from advances in technology than their urban counterparts. They are less at risk of automation (due to the nature of the businesses generally found in rural areas). In particular, the roll-out of superfast broadband and 5G etc should address issues of rural isolation and increase agglomeration effects.

1. Digital and innovation

Digital infrastructure is identified across all the CEDOS members as an important issue for the development of the economy in rural areas. For example it was the single most important issue raised by contributors to the Swindon and Wiltshire Rural Economic Study (2017) and the South West Rural Productivity Commission (2017) due to its game-changing potential for rural productivity across all sectors. Rural businesses are currently at a disadvantage to urban businesses in this area because of inadequate broadband and mobile connectivity.

Far greater levels of innovation are not only an opportunity for rural businesses, but also a necessity for their future sustainability and survival. Retraining and refitting businesses particularly traditional ones for, for example, automation, will result in a productivity lag. Central government could consider extending research and development tax credits to include investment in technology to motivate businesses to adapt more quickly to the coming changes.

2. Workforce

To achieve maximum benefits, we must ensure that the application of technology is understood, appreciated and applied effectively across rural areas. We are challenged in some areas and sectors to overcome the perception that technological developments will drive up unemployment and thus should be resisted. We understand that the reality is much more likely that people 'replaced' by machines will be trained for work higher up the value chain as we see the economy generate more and more higher skilled

jobs; this training and investment in the workforce in rural areas is crucial to enable rural businesses to take advantage of this change.

Successful mechanisms such as LEADER community led local development should be continued, geographies for support should be adaptable to reflect local or sub-national approaches as appropriate, and new initiatives should be trialled, such as a dedicated Innovate UK stream for rural innovation and technology.

Brexit is another dominant issue for the future of the rural economy. It is likely to have a disproportionate impact on rural areas, because of the need to leave the Common Agricultural Policy and develop a new UK agricultural policy and associated support mechanisms. It also has major implications for the availability of labour and skills, opportunities for trade and funding for rural development.

Infrastructure and services

4. How can access to transport be improved in rural areas?

Public transport in rural areas is rarely commercially viable (in Warwickshire, for example one additional bus operating between 0700 and 1900 on Mondays to Saturdays costs around £130,000), so in the absence of sufficient public funding, new and innovative approaches are needed.

For example, the Lincolnshire Coastal Highway proposal to deliver improved transport corridors to the Lincolnshire coast has recently become a higher priority for the County Council. The Council is a national leader in Demand Responsive Transit; an 'advanced, user-oriented form of public transport characterised by flexible routing and scheduling of small/medium sized vehicles operating in shared-ride mode between pick-up and drop-off locations according to passengers needs'. The rural on-demand bus service (CallConnect) will be part of the solution to increased access to transport in the area.

However, it should be recognised that such schemes can only work in certain areas where the geography suits and significant funding is injected into the project. Some schemes are poorly patronized as they only suit passengers that can be flexible around pick up times.

In addition close working with Partners to identify needs and seek funding for solutions, including maximising S106 and Community Infrastructure Levy can deliver improvements.

5. What barriers to growth are created by poor digital connectivity? How can connectivity be improved across the board?

Good broadband connectivity should be considered to be the "4th utility" available to all regardless of location. This is not yet the case.

Poor digital connectivity is a key barrier to economic growth. It leads to loss of business competitiveness and opportunity in an increasingly global world. It also leads to social isolation; lack of access to services (particularly in the rural areas); lack of educational opportunities and resources; lack of job and career opportunities; poorer health outcomes and increasing costs to public services.

Both crop and livestock farming are also increasingly reliant on digitally enabled smart systems and Defra has been pushing farmers to increase use on-line systems to provide statutory data such as livestock movements.

Digital connectivity can be improved by focusing on how the benefits of a smart place are explored, understood and fully exploited in the rural context. The convergence of 5G, IoT and public Wi-Fi coverage will all rely on densification of fibre networks and is a well understood concept in the urban environment. Rural areas risk being left behind without coordinated leadership and intervention to provide ubiquity of opportunity for the UK. In addition, the government should focus on delivering simultaneous and coordinated investment in digital infrastructure and skills.

The government should improve rural broadband provision by: Ensuring the Universal Service Obligation is achieved by 2020 in rural areas, without a cap on costs; committing to raising the Universal Service Obligation to >30Mbps by 2025; and by commissioning an independent review of broadband delivery costs to ensure value for money is being achieved.

Finally, the Government has stated that the full fibre revolution is coming and that there will be a rural focus in future public sector investment. We would encourage gaining State Aid approval (or whatever the post Brexit equivalent will be) so that BDUK-style projects can be run to take full fibre networks into our most rural areas.

6. What can be done to improve and maintain provision for essential services, such as healthcare, education and banking in rural areas?

It is important to recognise the need for different delivery models for the provision of services in rural areas. For example, the withdrawal of banks from some rural areas has necessitated the creation of a regional mutual models to enable a presence that can be supportive of local business and have an interest in ensuring the growth of this business.

Digital connectivity, including new methods for monitoring and supplying services and increased inter-agency collaboration, supported by full and comprehensive broadband is crucial to improving and maintaining essential service provision in rural areas.

We recognise the funding challenges in this area, however, we believe that funding formulas for the provision of key services in rural areas reflect a historic regime of underfunding alongside a lack of understanding round the additional pressures of delivering services in rural/peripheral communities. We believe there is a clear need to provide a fair level of funding for local organisations to deliver local services.

7. What can be done to support local shops, community pubs and other rural amenities at risk of closure?

We welcome the variety of delivery approaches that have been adopted to support local shops, community pubs and other rural amenities at risk of closure; these include: grants to up-grade infrastructure and enhance provision from village shops, tailored business support and advice, business rate allowances, and alternative models of provision such as community owner pubs and shops. Whilst we acknowledge that the particular circumstances surrounding these ventures means that a commercial market-based approach is not realistic, we do recognise the importance of a robust and sustainable business plan and a clear aspiration to deliver on a commercial basis in the longer term.

Where insufficient demand for services make provision unviable, we believe some areas may need to consider promoting the development of additional housing and businesses to create critical mass to support service and amenity viability and would encourage the use of neighbourhood planning and local plan process to support this.

Rural development funding such as LEADER has been important enabler of this type of service provision and in light of the UK's pending EU exit, we believe the government must make replacement capital and revenue funding available. As part of this review of funding support, we would urge the government to consider a review of business rates and tax levels as these are prohibitive for small businesses such as village shops.

Business, employment, skills and demography

8. How can rural businesses be helped to thrive, and how can new industries and investment be supported? How might labour and skills shortages be overcome?

Whilst the needs of rural businesses broadly reflect those of their urban counterparts – good connectivity, appropriate premises, a skilled workforce, access to markets etc – there are specific

instances where rural business require more specialised support; for example, in the farming industry, the use of innovative farming methods via technology represents significant growth potential.

These areas will require focussed business support activity recognising the challenges facing micro and small enterprises in rural areas (isolation, access to services, connectivity, reliable power supply, etc). Any new funding schemes such as the proposed UK Shared Prosperity Fund, ought to build-in ability to identify and make awards of direct finance or support services to rurally located businesses by dedicating / ring-fencing funds for rural areas.

It is also important that Government and funders recognise the additional costs of delivery in rural areas. We recognise that the availability of labour and skills is a significant challenge facing rural businesses. Underlying factors influencing this shortage included housing affordability, transport and an ageing population. This issue should be addressed by building more homes where people want to live in locations more accessible to job opportunities and by enabling people to work flexibly and supporting changes in working practices underpinned by a full-fibre rollout across the country.

There is a need for greater engagement between employers, schools, Further and Higher Education Institutions. Young people and older workers returning to the workforce or retraining, need to be aware of employment prospects and careers and the progression paths to achieving aspirations and potential.

9. How can deprivation and inequality in rural areas be tackled?

A localised, evidenced-based, approach to addressing issues of deprivation and inclusion is critically important as well as giving local administrations, businesses and residents the resources and delegated authority to address the issues.

We believe that it is imperative that future economic growth addresses the need for inclusivity amongst (and including) rural communities where issues of distance deprivation or isolation impacts on economic opportunity. Part of this is about enabling labour mobility to ensure people in need can access opportunities and not be hampered by lack of housing choice, transport accessibility or appropriate workspace availability.

10. How can young people be encouraged to stay in or return to rural areas and contribute to their communities?

Providing better access to transport, education, training and employment will all improve the retention of young people in rural areas.

It is also critically important that we create places where young people can and want to live; this is touched upon further in Section 12 below. We need to provide good quality employment opportunities and a pipeline of young people with appropriate skills. Developing skills is key to this and the role of our FE and HE sectors are crucial in improving access to higher education for students from rural areas.

We need to ensure that young people understand the career choices available “locally” to them; and are able to study and obtain appropriate skills and qualifications from local providers fit for the future needs of local sector growth.

11. What can be done to address the challenges associated with an ageing rural population, such as social isolation and social care provision? What opportunities are there for the older retired population to help support the rural economy?

Addressing challenges associated with an ageing rural population will require innovative service delivery including the use of digital and smart technologies, in associate with personal care services to mitigate the additional cost of accessing remote, rural communities and individuals. We would urge the funding formula for England to be adjusted to take account of these additional rural costs as it is in Scotland, Wales and Northern Ireland.

As well as addressing travel time issues, investment in technology can address travel time issues and the difficulty in the recruitment and retention of professional carers; with the potential to upskill roles that can then be appreciated for their higher value and status.

This transformation in the social care sector will require rural homes and places to be digitally enabled. This will require additional support for super and ultra-fast (next generation access) to full-fibre connectivity is paramount in underpinning the productivity gains.

Rural housing and planning

12. How can the affordability of rural housing be improved? What are the other challenges associated with rural housing and how can these be addressed?

Improving the affordability of rural housing will require the following issues to be addressed: environmental constraints, the relative importance of small-scale developments, site ownership issues, scheme viability challenges, limited inward private rented sector investment and national policy and funding for affordable housing which emphasises affordable homes for sale rather than rent.

The lack of affordable housing is a significant barrier to the recruitment and retention of staff by rural businesses and a particular barrier to the retention of young people.

The delivery of rural housing works well where registered social landlords combine delivery with community development and are involved in pre planning delivery. The provision of affordable housing (particularly on a smaller scale in rural communities) is dependent on market intervention in many cases which increases the overall volume of housing without addressing the need for a volume in 'affordability'.

More encouragement and a wider competence for housing provision, particularly building and improving social housing should be afforded to local government. Government should work to ensure that rural (and urban) tenants are provided with stronger tenure and rights to increase housing security over the long-term, allowing families to establish and thrive.

Planning for housing should severely restrict numbers of homes built that are not affordable to local people. This will encourage developers to consider more mixed housing and a different range of housing types on developments.

Community Land Trusts should become a mainstream and fully funded resource for local areas giving them the capacity to compete with developers for sites in and around small settlements.

13. How have recent planning policy reforms affected rural housing and the wider rural economy? What changes, if any, are needed to planning rules?

Planning policies should support a prosperous rural economy. Planning policies and decision should recognise that sites to meet local business and community needs in rural areas may have to be found outside existing settlements, and in locations that are not well served by public transport.

The relaxation of planning laws that enable farmers to convert farm buildings into homes is to be broadly welcomed, but not if that is at the expense of providing places for the economy to grow or delivering unaffordable properties in unsustainable locations. Nationally, planners have rightly argued such laws to be coupled with a greater focus on infrastructure and skills in localities.

Space for development needs to be balanced against the fact that there is a more pressing need to enable the growing and storage of food; so there needs to be local decision making to ensure that there is the right balance of provision both for rural homes and feeding that new population.

Government policy, devolution and local government

14. Do the Government and other public bodies pay sufficient attention to the rural economy and if not, why not? What might be done to ensure that Government and other public bodies hear and act on rural voices?

The government should pay greater attention to the rural economy. The lack of consideration of rural issues in the Industrial Strategy Green Paper is one example of how government has demonstrated a lack of awareness of the importance and needs of rural economies.

An exacerbating factor is the silo nature of governmental departments which means that 'rural issues' are largely thought of as Defra responsibility and often poorly considered by other departments. Meanwhile Defra is a very weak champion for the rural agenda among government departments.

The independent bodies created by the NERC Act, such as the Commission for Rural Communities and the Rural Advocate, have been abolished and their loss has significantly weakened the Government's understanding of rural society. This has led to policy changes that fail to account for the negative impacts on people in rural communities, especially those areas which are outside the influence of City Regions, and who therefore do not benefit from the agglomeration impact derived from urban or City Region policies.

15. What is being done in local government to support rural economies? How effectively do other public bodies such as Local Enterprise Partnerships operate in rural areas, and how might co-ordination between bodies be improved?

In future delivery of integrated economic development funding for rural and coastal areas should be allocated to 'place/LEP level' and form part of the 'single pot' approach. To avoid a bias towards urban areas either a specific ring fence of funding should be included in the design of the UK SPF, or specific outcomes and outputs should be included in the performance framework to ensure that funds are targeted to rural areas. As stated above a different policy and delivery design may be required in rural areas that are outside the influence of a city region as it is clear from all the evidence that a one size fits all approach has not delivered the desired results.

Funding is being increasingly focused on taxes that local authorities can raise through business rates and council tax. Both are regressive in a rural region where floorspace operations have many other costs and challenges and digital operations potentially less business rate implication. Taxing the size of workspace is a tax on business growth but any solution needs to be both fairer and fiscally neutral.

Ends