

# **Spending Review 2020**

A submission to The Chief Secretary of  
The Treasury

From the All Party Parliamentary Group on Rural Services

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**Rural  
Services  
APPG**

# 1. Introduction

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In this submission to H M Treasury we set out some key strategic asks necessary to support investment into the rural areas of England to strengthen the UK's economic recovery from COVID-19 and level-up economic opportunity across England. Each of the asks in our submissions need urgent attention in the rural context - front-end loaded where possible - in the period covered by the 2020 Spending Review.

Good quality, accessible and affordable public services are a cornerstone of economic (and social) opportunity, recovery, growth and sustainability. Without them the potential benefits from major infrastructure investments will simply not be realised – rural areas will fall further and further behind and levelling-up will have failed.

More people live in rural areas than live in the whole of Greater London. The age demographic of over 65s is broadly twice as high in rural than non-rural areas. Central to our submissions is a call for rural areas to receive a fair share of the resources made available nationally to support investment and services. and more nuanced policy to reflect the rural context – not huge amounts of more money per se.

We call for sustained levels of investment to achieve the necessary sustainable outcomes. The APPG urges The Treasury to ensure that the SR and the proposals from other Government Departments which it supports takes full account of the needs of rural areas, their economies and their communities and that the impacts of any measures flowing from it are both proportionate to rural areas and properly rural proofed.

As well as the urgent need to recover from the current economic downturn and support communities, rural areas must benefit from the important commitments the Government has made to level-up so that nowhere is left behind and for the UK to become net zero for greenhouse gas emissions by 2050. Added to which is the existing Government commitment, from 2019, to develop its vision for rural England. That vision is urgently required and needs to set out the desired outcomes, policy rationale, costs benefits and deliverability (including timescales).

Impacts of the pandemic and restrictions have brought into focus and exacerbated a number of rural vulnerabilities, whilst at the same time highlighting some notable strengths and opportunities. The national response needs to support rural areas to ensure, not only that the recovery is equitable, but that it revitalises rural and unlocks its potential to contribute fully to national growth and to grow back better.

We believe that there needs to be flexibility to tailor delivery mechanisms and processes to meet the circumstances of local areas. It is essential to facilitate and enable the desired policy outcomes in the local context of each area – and this will ensure delivery. Such a place-based approach is the only way in which local circumstances and priorities can met.

**In making this submission we sought information from a wide range of rural interest groups and discussed their views with them directly. Although there are very many**

issues that could be addressed, we have decided at this time to limit ourselves to three key strategically important subject areas, namely:

1. Rural Connectivity;
2. A fair share of national resources to level-up rural communities for the provision of essential services, infrastructure and economic growth initiatives;
3. Environmental and decarbonisation policies to achieve Net Zero Britain.

Rt Hon Philip Dunne, MP

Chair – Rural Services APPG

*“This government is committed to levelling up all parts of the United Kingdom, not just investing in our great towns and cities, but also our rural and coastal areas.”*

**Farming for the Future: progress Report DEFRA February 2020**

## **ASK 1: RURAL CONNECTIVITY**

**These Asks address the Priority for the SR of –**

**Levelling up economic opportunity across all nations and regions of the country by investing in infrastructure, innovation and people – closing the gap with our competitors by spreading opportunity, maximising productivity and improving the value add of each hour worked**

**Broadband USO:** To reflect the new normal with increased home working essential to maintain jobs the USO should be upgraded to superfast broadband download speeds of 25 to 30 Mbps minimum. Costs passed on to consumers seeking a USO connection must be reasonable, with a meaningful voucher scheme which will allow access from the home for remote rural users.

**Full fibre connectivity:** the timescale for this goal should formally be brought forward to 2025, with public investment plans to match. This likely requires a Government commitment of around £5 billion (front-end loaded) in the upcoming Spending Review period (2021-25). No match funding from local government should be required to address this market failure. The Government should work with industry to identify and implement a number of changes to the regulatory framework (as well as access to the Lifetime Skills Guarantee to enable sufficient qualified engineers to achieve delivery) is also needed to enable the Government to meet its target. Areas with the worst connectivity should be first in line for the investment.

**Digital Switchover of Telephone Lines:** In 2025 it is planned to switch off the analogue based telephone system and migrate over to a full digital system. The Government must ensure this does not happen until all rural areas have (affordable) full fibre connectivity. Ofcom must be required to develop a robust and consistent communications strategy about the change and what it will mean for users.

**Mobile networks:** Options should be explored to address any remaining mobile 'not spots' by 2025. The new mobile telephony Emergency Services Network should be activated to allow connectivity for other users through this mobile network improving connectivity along the road network in rural areas. Government should announce some further rural trials to pilot 5G connectivity, including its use within health and social care provision. Again, regulatory issues need to be addressed. Place 100% mobile coverage in rural areas ahead of income maximisation to the Treasury in future auctions of mobile spectrum.

**Digital skills and inclusion:** Government should announce a fully funded Digital Inclusion Programme, so no citizens (rural or otherwise) are left behind due to their lack of online skills or their inability to pay for basic equipment and connection charges. Key strands are likely to include training and the recycling of IT.

## **ASK 2: A fair share for rural communities of national resources for the provision of essential services, infrastructure and economic growth initiatives**

### **These Asks address the Priorities for the SR of**

- (1) **Strengthening the UK's economic recovery from COVID-19 by prioritising jobs and skills, utilising the Lifetime Skills Guarantee**
- (2) **Improving outcomes in public services: including supporting the NHS; cutting rural crime; and ensuring every young person receives a superb education**
- (3) **Levelling up economic opportunity across all nations and regions of the country by investing in infrastructure, innovation and people – closing the gap with our competitors by spreading opportunity, maximising productivity and improving the value add of each hour worked**

#### **Local Enterprise Partnerships and Local Industrial Strategies**

**Local Enterprise Partnerships:** LEPs should be given the flexibility to invest in rural projects, not just 'shovel-ready' big infrastructure projects

**Local Industrial Strategies:** LIS documents now need some repurposing so that a key element becomes supporting the economic recovery from the Covid-19 pandemic and restrictions. Every LEP whose area includes rural places should demonstrate that it has rural proofed its LIS document to take proper account of rural needs and to allocate a fair share of resources to meet those needs. Those LIS strategies should include a specific business support programme for their rural areas.

**Growth and Diversification:** LEPs should assist in creating small-scale Local Growth Hubs at a market town level where their economic needs are more acute. More generally, LEPs should support the diversification of rural economies, especially into growth sectors such as creative, digital and green energy.

## **UK Shared Prosperity Fund**

**Dedicated rural funding:** Government should create a dedicated rural funding stream of a proportionate size within the overall UK Shared Prosperity Fund, with resources which are ring-fenced for use on rural support.

**Funding level and targeting:** Government should commit to matching or exceeding the level of resources that rural areas of England formally received under EU programmes (through ERDF and ESF funds, as well as from rural-specific LEADER and EAFRD funds). Funding allocation and appraisal processes (including Green Book requirements) must take account of the scattered nature of rural needs and should avoid applying urban spatial targeting approaches (such as the Index of Multiple Deprivation).

**Programme design:** a dedicated rural funding stream- flexible in its design - should retain the better features of the LEADER approach. It should be capable of supporting start-up business and existing businesses with growth potential, and it should be open to social and community enterprise.

## **Further Education, Training and Apprenticeships Policy Asks**

**Further Education:** Students aged 17 or 18 should be entitled to free travel to FE colleges or schools, matching the existing scheme for those aged up to 16. This scheme should be fully funded by central Government.

**Access to training:** the innovative Lifetime Skills Guarantee must extend to training providers covering rural areas to make courses more accessible to rural based trainees, businesses and their staff. Access to training opportunities is also an important issue.

**Apprenticeships:** it is crucial that apprenticeship opportunities are available and accessible to those who live in rural areas. Given the profile of the great majority of rural businesses, the Apprenticeship Levy needs to be adapted to include support for apprenticeships within small (including micro) businesses, who are otherwise unlikely to be able to afford to offer them.

**A Plan for Jobs:** a more nuanced set of employment support measures is needed to make them more effective in rural areas, taking account of the profile of rural businesses and labour markets. The measures could be better targeted at small businesses, the self-employed and social or community enterprises

## **Sustainable Farming and Land Management Policy Asks**

**Future farm support:** Government should ensure that ELMS payments are set at a level which rewards good practice and retains farming stewardship of land in upland areas. That scheme should be based on proportionate rules and administration.

**Diversification:** the UK Shared Prosperity Fund and Nature Recovery Networks should make grant funding available to farmers where they have well thought through diversification or environmental projects that would enhance the wider rural economy.

**Local foods**: greater effort should go into promoting UK products and encouraging local foods

**Seasonal labour**: Government should be more sympathetic to seasonal labour needs of the agricultural sector – especially in the context of the end of the EU transition period.

### **Affordable Rural Housing**

**Grant funding**: Homes England should increase the provision in its recently announced Affordable Homes Programme from 10% to at least 13% to match last year's delivery. Over the life of the SR this 13% needs to increase given that 17% of England's population presently live in rural areas.

**Community-led housing**: The Community Housing Fund, which offers grants and supports community-led schemes, has been useful, although the fund is stretched and could be increased – it should be extended. A share of that fund should be allocated to projects in rural areas, such as Community Land Trusts, Co-housing schemes and Self-build projects.

**Capital Gains Tax**: Government should explore exempting the sale of land for rural exception sites (or similar) for affordable or Social homes from Capital Gains Tax.

**Sales of affordable homes**: Government should allow local authorities to retain 100% of the proceeds from Right to Buy sales (rather than the current 50%), so they can re-invest this specifically to replenish the dwindling stock of affordable housing for rent.

### **Funding Local Government and Other Public Services**

The Government should take measures to:

- ensure sufficient funding for local government to meet its spending pressures, and also any long-term impairment to income and local taxation revenues.
- continue with its plans to implement the Fair Funding/Needs and Resources Review with a commitment within the SR that it will be implemented in 2022/23. In doing so the proposals must reduce (or even eliminate) the funding gap between rural and urban authorities within the SR period through funding formulae which fully reflect rural service delivery costs (and not just travel related costs)
- urgently address the social care (both Adult and Children's) crisis which has been exacerbated by Covid-19.
- introduce fair funding allocations for rural Police, Fire & Rescue and Public Health Services to reflect properly rural service needs and not utilise urban orientated data to drive the formulae.
- Funding for rural post offices should be at least maintained to ensure their survival.

## **ASK 3: Environmental and decarbonisation policies to achieve Net Zero Britain**

### **These Asks address the Priority for the SR of**

**Making the UK a scientific superpower, including leading in the development of technologies that will support the government's ambition to reach net zero carbon emissions by 2050**

#### **Energy Infrastructure and Renewables**

**Economic growth programmes:** all such programmes should include explicit objectives to support low carbon and net zero growth. Specialist advice and related grant funding should be made available for existing rural businesses to help them reduce their carbon footprint.

**Housing and renewables:** housebuilders, homeowners and landlords should be incentivised to install or adopt renewable or low carbon energy technologies. Government should use its Covid-19 recovery package, *A Plan for Jobs 2020*, to improve energy efficiency in rural homes, especially off the mains gas grid.

**Electric vehicle charging:** a funded strategy is needed to expand considerably the network of electric vehicle public charging points along rural roads. Also needed is support for investment relevant to rural buses, HGVs and agricultural vehicles (which, for heavy and fleet vehicles such as buses, includes hydrogen technology).

**Local energy networks:** Government should provide gap funding to kick start the development of decentralised (community owned) energy networks in rural areas, given typically higher costs from serving low population and housing densities.

**Financial support for transition to green gas for homes and businesses off the gas grid:** Taxation should align with Net Zero and be lower/zero for low carbon fuels. As set out in the Clean Growth Strategy. The government is pushing ahead with decarbonising heat in rural areas before urban imposing new costs on rural communities to pay for energy efficiency improvements and the installation of low carbon heating systems before urban areas. It is understood new installations of gas boilers will be banned in the 2020s in rural areas, but will continue to be permitted in urban areas. This is a more expensive route to decarbonisation, and risks exacerbating the existing sense of urban/rural divide.

**Local services:** it should not be overlooked that one of the most effective ways to reduce carbon emissions in rural areas is to retain and, where possible, grow locally based services, such as food shops, post offices, schools, GP surgeries and transport networks. Equally, that providing good digital connectivity will reduce the need for rural residents to travel and enable home working. Policies for the expansion of public transport provision, digital, land use planning, community action, education and health all have a part to play.