



*Rural Services Network
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September, 2018

Dear Sir/Madam

House of Lords Select Committee on the Rural Economy – Call for Evidence

The Rural Services Network (RSN) is the national champion for rural services, ensuring that people in rural areas have a strong voice. It is fighting for a fair deal for rural communities to maintain their social and economic viability for the benefit of the nation as a whole.

The RSN membership is 154 local authorities (counties, unitaries, districts and boroughs) from across England and over 75 other public, private and civil society sector organisations, such as fire and rescue authorities, housing associations, bus operators and land-based colleges.

Our entire membership is deeply concerned about the rural economy. We strive to ensure that the rural economy is properly considered and supported in relation to government and other policy and actions.

Our response to the questions raised by this call for evidence is set out below.

General Questions

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

Rural economies are incredibly diverse and make a significant contribution to national economic performance. Farming and tourism are of critical importance but to pigeon-hole rural economies as being solely about these sectors would be a mistake. The environment is of pivotal significance to rural economies. Farming, forestry and land management sectors help to create the environment on which the tourism sector depends and to which a vast array of economic activities are attracted – from manufacturing and service industries to knowledge intensive and creative sectors. Enterprise and opportunity are abundant with rural areas often providing a breeding ground for high growth businesses which can migrate to more populated areas as expansion plans require.

Rural areas are home to 9.4 million people according to 2016 population estimates. In other words, 17% of the population of England live in small rural towns, villages, hamlets and isolated dwellings – that’s more people than live in Greater London.

The contribution of the rural economy is all too often over-looked or miss-represented in national and regional policy making.

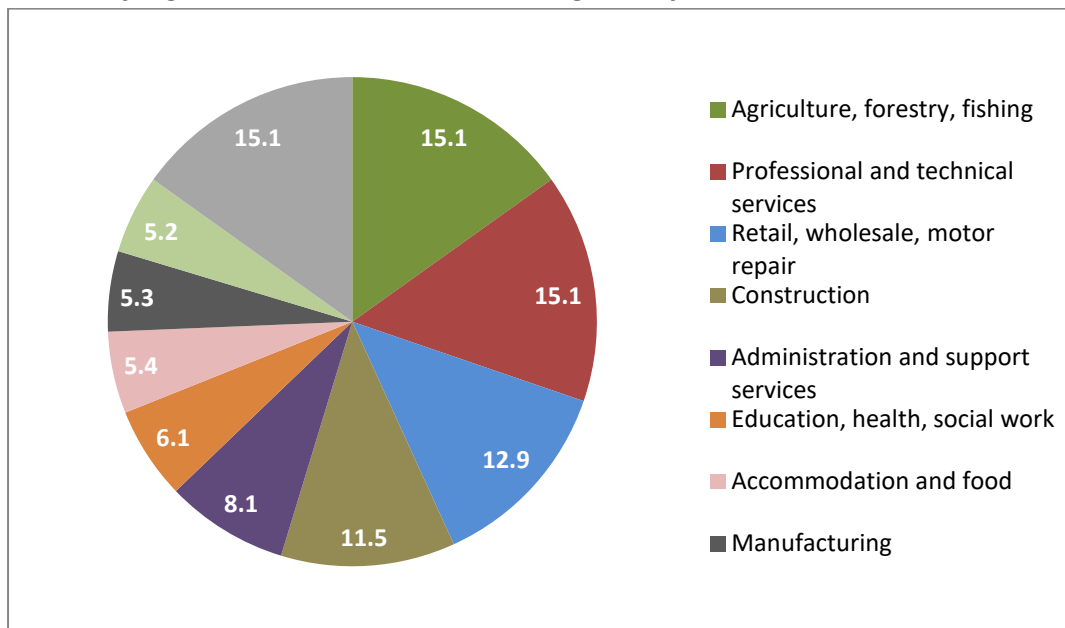
There are 547,000 registered businesses based in rural areas (and probably as many micro-businesses again which are unregistered). They are 24% of all the registered businesses in England, so form a vital part of the national economy.

Those registered businesses have an annual turnover of £434 billion and represent an incredible range of business activity – land-based industries (including farming) are important but 85% of rural businesses are from other sectors.

Much business activity in rural areas goes unseen by policymakers and support providers due to scale. Indeed, almost 18% of rural businesses have no employees, being sole traders or partnerships (more than double the equivalent urban figure). Some 84% of employees in rural areas work in SMEs and 22% of all rural jobs are home-based (compared with 13% in urban areas).

Registered rural businesses, however, employ 3,500,000 people. They should not be ignored.

Per cent of registered business units in rural England, by sector



An excellent analysis of the current state of play of small businesses in particular, and the opportunities which exist in rural areas, is provided by work undertaken by Newcastle University: ‘Small Rural Firms in English Regions: Analysis and Key findings from UK Longitudinal Small Business Survey, 2015’ ([Centre for Rural Economy & Newcastle University Business School, September 2017](#)). For example, this state: “more rural firms have goods or services suitable for exporting than which currently export, and rural firms are less likely to expect to grow their workforce. Obstacles to rural business success are cited as regulations or red tape, staff recruitment and skills, and taxes, rates and National Insurance (NI) that

concern significantly more rural than urban firms.” Other evidence shows that low wages and low productivity are clearly limiting factors as are skill levels.

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

There are countless reports regarding what works – and what doesn’t – in terms of supporting the rural economy. For example, SQW were commissioned by Defra to evaluate the Rural Growth Network (RGN) 3 year pilot initiative which ran between 2012 and 2015 with £12.5 million from Defra and £1.6 million from the Government Equalities Office. The initiative was set up in response to barriers to rural economic growth identified in the Rural Economy Growth Review. The aims were to encourage rural economic growth and to generate and disseminate lessons on what works in this context.

The findings of the evaluation report produced by SQW point to a number of successful interventions which can help inform future policy and programmes including supporting both new and existing businesses to grow. *‘Final Evaluation of the Rural Growth Network Pilot Initiative’* ([SQW, May 2016](#))

An additional example is provided through a report commissioned by Defra (working in conjunction with BIS) in 2013 and produced by the Institute for Employment Studies (supported by the Countryside & Community Research Institute). This investigated the degree to which rural businesses access national employer skills and government business support programmes. A key finding of the report was that: “Access to national mainstream employer skills programmes and government business support programmes among rural businesses may be improved if information and advice on how to apply for support is proactively provided (ideally face-to-face or by telephone) by a stable set of intermediaries.” LEPs and others should take account of the need for such intermediaries in delivering skills development and business support programmes to ensure that the full potential of rural businesses is realised. (*An assessment of the degree to which rural businesses access national mainstream employer skills and government business support programmes’* ([Institute for Employment Studies, September 2013](#))

In terms of replication and promotion of successful rural economic development, RSN already seeks to promote good practice across its network through activities such as the quarterly ‘Rural Economy Spotlight,’ our regional seminar series and national conference. We are in an excellent position, and would be very willing, to assist government in spreading the word about what works across our entire membership, reaching right across rural England.

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?

The rural economy will continue to diversify. However, serious concern exists with respect to the impact of Brexit on farming and related activity. Whilst accounting for a relatively small proportion of rural employment and GVA, farming underpins the environment of rural areas, which is key to further diversification, and impacts on many other economic

activities. Much of the financial support which is currently directed at farmers will be spent and re-spent within the wider rural economy. It is critical, therefore, that ongoing support for the industry is provided at the correct level.

Brexit could present an opportunity to increase food production and processing, both to serve export markets but also to serve the UK, regardless of any trade deals which are or are not put in place. Rural areas contain large numbers of businesses of all scales producing food and drink proving a robust platform for future development.

For example, since the designation of the South Downs National Park in 2010, visitor numbers to Lewes district have increased by over 12%, with visitor spending up by almost 15%. Existing farms and food/drink producers in the area have already diversified with significant prospects for further growth. In East Sussex, for example, the burgeoning brewing, distilling and viticulture scene has seen 1500% growth in the microbrewery sector in the last year alone with 33 breweries in the county.

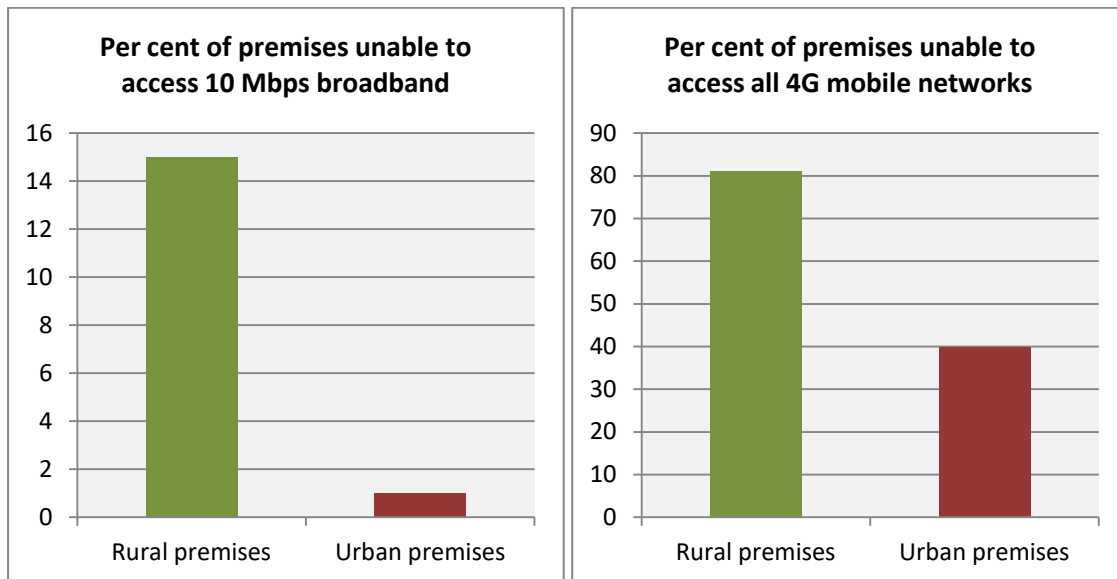
However, as noted above, rural economies are incredibly diverse and make a significant contribution to national economic performance. There is no such thing as a single, homogeneous “rural economy” – indeed in most rural areas multiple economies operate with different needs and opportunities. This will continue in the future and will be further supported by technological change. The precise geography of this diverse, growing economy will depend on the geography of broadband, fibre and mobile connectivity development. It is critical that all rural areas keep pace with technological developments and any market failure in service provision is filled by government intervention.

The delivery of effective broadband, and its utilisation, is a clear area of opportunity for rural businesses. Useful research has recently been provided via a rural business survey carried out by Rural England and SRUC which found only 19% of rural businesses had a superfast connection and most (59%) relied on standard broadband. It also found high rates of dissatisfaction with connection speed and reliability. The survey estimates that if constraints to digital adoption, such as skills issues, could be overcome it would unlock at least £12 billion of extra productivity per annum (Gross Value Added). (*Unlocking the digital potential of rural areas across the UK* ([Rural England and SRUC, March 2018](#)))

Despite significant public investment, a sizable gap persists in relation to levels of connectivity in rural and urban areas. In England’s rural areas, for example, 15% of premises – households and businesses – are unable to access a broadband connection with a 10 Megabits per second download speed (industry regulator, Ofcom, considers this a necessary speed for everyday online tasks). Mobile connectivity has improved, but the indoor signal is poor in England’s rural areas, with phone calls on all four networks only possible at 59% of premises. Meanwhile, using 4G on all networks – giving fast internet access – is only possible inside 19% of rural premises.

The funding for 5G test bed projects announced earlier this year is welcomed but the funding commitment for these projects are for a year. A longer term commitment is required and the opportunity needs to be taken to ensure rural businesses are well represented in this testing.

The recent pledge by government to prioritise the connection of hard-to-reach rural areas in its future support for the roll out of full fibre broadband networks is hugely welcome and it is important that this pledge is seen through to fruition.



The planned introduction of a broadband Universal Service Obligation (USO) is welcome. However, the proposed level of that USO, at 10 Mbps, could be out-of-date by the time it comes into effect (2020). Ofcom should review this before its introduction, not least because there will be pressure to leave the USO unchanged for a while to bed down. When the USO is applied (from 2020) decisions about upgrading networks should be taken on a value for money basis and not just a cheapest solution basis. Whilst the cheap option may get premises or areas just over the 10 Mbps threshold, a value for money solution could deliver much higher speeds that result in greater and more sustained benefits. Long term solutions, such as full fibre broadband, should be encouraged wherever possible.

There is a clear opportunity, if connectivity issues are addressed, to see significant increase in the number of digital businesses located or being established in rural areas. Where connectivity issues have been addressed this is already beginning to happen and could be accelerated.

Infrastructure and Services

How can access to transport be improved in rural areas?

Local authorities in rural areas have far less funding to support bus services. In 2017/18 predominantly, rural areas spent £6.72 per resident to subsidise services, compared with £31.93 in predominantly urban areas. Figures for funding to cover concessionary bus fares were £13.48 per head (rural) and £25.54 per head (urban) respectively.

There have been widespread cuts to rural bus services which depended on some public subsidy. During 2016/17 alone some 202 bus services were withdrawn altogether in shire areas and a further 191 services were reduced or altered.

There must be a fair funding deal for local government: this will significantly improve access to transport in rural areas. Given the geography of rural areas, it is inevitable that many bus routes require some subsidy in order to survive. The widespread cuts to rural bus services are primarily a result of the long-term squeeze on local government funding coupled with the ever increasing costs of providing statutory services, especially Adult and Children's Social Care, driving funding away from other services such as public transport subsidy. That must now be brought to an end. Funding rural bus services would also be much easier if the distribution of funding between local authorities was fair.

There should also be a realistic concessionary fares scheme. The statutory concessionary fares scheme, which gives pensioners and the disabled free travel on buses, is overly restrictive in a rural context. It only covers travel after 9.30 am. Some villages are served by just a few daily buses and there may be no service for some hours after that time. Others are served, not by traditional buses, but by community transport schemes to which the current concessionary fares scheme does not apply. The statutory scheme therefore needs reform, to make it equitable in comparison to urban areas and of real value to rural users.

A more sustainable approach to community transport should be established in recognition that for many rural communities such services provide the only accessibility solution.

Young people from rural areas often experience difficulties getting to Further Education colleges or sixth forms. For some this means undertaking long or complex journeys to get there and back, whilst for others it means compromising on the course topics they take. This dampens young people's aspirations and curtails their opportunities. One rural barrier would be removed if those travelling to post-16 education or training were entitled to subsidised bus fares, fully funded by central government. Indeed, it is hard to understand the rationale for the current situation, where those up to age 16 can travel free while those aged 17 or 18 cannot.

The state of local road infrastructure is also a cause for concern with local authorities often struggling to provide adequate maintenance. In addition to the national government focus on large scale infrastructure projects, such as HS2, local routes providing essential access for

communities and businesses to wider geographies must be identified as a priority for government with adequate local resources provided.

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

See response above.

In addition, government and programmes could usefully encourage higher take-up of superfast broadband and support the development of the digital/IT skills of rural businesses (as identified in the report published by Rural England and SRUC: *'Unlocking the digital potential of rural areas across the UK'* ([Rural England and SRUC, March 2018](#))). The research showed that digital skills among their workforce and problems recruiting people with digital skills were key rural constraints. The report suggested better local collaboration between education providers and employers, as well as providing retraining opportunities for the older workforce. Also, making online short training courses more readily available to SME owners. But the research recognised that businesses have to play their part and set aside some resources to upskill on digital.

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

Older age groups form a significant and growing share of the rural population. In 2011 29% of the rural population were aged 60 or over, up from 24% in 2001. Comparative urban figures were 21% in 2011 and 20% in 2001. Projections expect the population aged 85 and over to double in rural areas over the next twenty years.

Rural areas receive slightly less funding (per resident) than urban areas under the NHS allocations to Clinical Commissioning Groups (CCGs). This is despite them having an older population, which places more demand on NHS services due to chronic illness, disability and mortality.

In total 2016/17 urban local authorities received 40% more (£116 per resident more) in funding than rural authorities. This historic funding imbalance needs putting right, taking full account of the added (sparsity) cost of delivering services, such as supported bus routes, in rural areas.

With growing demand and reducing budgets, expenditure on social care provision risks overwhelming rural county and unitary council budgets (at the expense of their other services). Moreover rural residents are required, due to historic underfunding, to pay more in Council Tax for their local services than urban residents

A fair allocation of funding is needed to rural areas. Funding for the NHS, for social care and for public health should each be overhauled to reflect actual patterns of demand for those services and to take better account of the extra costs of provision in sparsely populated

areas. As a matter of principle, residents in rural and urban areas should receive equitable service provision. Local taxation has become unable to meet rising social care needs and there is now a case for financing the social care services managed by local authorities in a different way, with their statutory provision being fully funded by central Government. This would address the current unfairness in the system and would make it easier to cope with future demand.

A properly joined up approach to health and social care is also needed. In rural areas, perhaps even more than elsewhere, there is a need to achieve greater integration between health and social care services.

The upcoming Social Care Green Paper offers an opportunity to move to a more sustainable and effective approach. It is important that the issues especially pertinent in rural areas – including the costs of service provision – are fully addressed in the Green Paper and subsequent policy actions. It should also extend to addressing linked housing issues, such as access to specialist housing for older people and adapting the homes of those who live independently. This is important in rural areas where there are typically limited housing choices.

Business, employment, skills and demography

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?

Businesses in rural areas are often remote from government and other institutions. Business support is often seen as confusing and urban centric. Constant changes to organisations and programmes has the potential to further confuse businesses and, therefore, improvements to existing structures is preferred to any wholesale restructuring in order to begin to provide continuity and certainty.

LEPs are key delivery organisations and some have an effective approach to rural areas. However, too frequently LEP programmes have little consideration for the opportunities and needs presented by existing and new business located in rural areas with many programmes selecting the 'lowest hanging fruit' in relation to beneficiaries with little or no support available for the smaller business which predominate rural areas. Mechanisms should be put in place to ensure that LEPs and other vehicles address the needs and take advantage of the opportunities presented by rural economies. Specifically in relation to the recent government policy paper on LEPs, RSN suggest that:

- The planned Government statements on 'the role & responsibilities of LEPs' and 'Local Industrial Strategies' should include a specific reference to the need to

consider rural areas within LEPs. This would help to ensure all LEPs take proper account of their rural economies.

- Rural Proofing should be included in the proposed induction and training programme for LEP members and officers. This would go a long way to helping to embed rural areas in LEP thinking. Defra could usefully deliver this training and take advantage of a potentially golden opportunity to put rural proofing into practice.
- RSN is very keen to help share good practice across LEPs in relation to rural economic development as set out in the document. RSN already works to share good practice and is in a fantastic position to help government achieve this end.

In addition, a dedicated rural business support programme should be put in place. In 2020 EU programmes, such as the LEADER and EAFRD initiatives, will come to an end. These have provided funding streams for rural business growth, diversification and innovation. They have, however, been fairly narrow in scope and modest in size. Government should replace them by designing a dedicated business support programme, as part of its proposed Shared Prosperity Fund. This should be flexible in scope – potentially open to all business types and sectors – enabling local delivery to be tailored to match locally decided priorities. There is an opportunity for Government to scale-up its ambitions for the rural economy by announcing a significant investment programme. Such a programme should include locally available skills training for small businesses, often struggling to cope with the pace and complexity of change, in order to maximise the economic contribution such businesses can make.

In addition, opportunities exist in relation to incentivising investment in technology and innovation to reduce the dependency on low paid labour evident in many rural areas and investing in technology and new delivery models within the skills sector to support remote delivery. This will enable the retention of young talent and development of a higher skilled workforce.

The Industrial Strategy, along with Local Industrial Strategies, should be rural proofed. The Government's Industrial Strategy is an important document. Many of its objectives are or could be highly relevant to the needs of the rural economy. However, in order for its benefits to reach into rural areas there will have to be careful 'rural proofing'. New policy initiatives that emanate from the Industrial Strategy should be tested at an early stage to ensure they take account of rural economic needs, opportunities and circumstances. Rural examples should be included wherever initiatives are piloted and rural specialists should sit on groups that are tasked with taking forward parts of the strategy document.

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?

As set out above, a properly joined up approach to health and social care is also needed. In rural areas, perhaps even more than elsewhere, there is a need to achieve greater integration between health and social care services. To that end, the Better Care Fund has been a helpful (pooled) funding pot, despite giving less to rural than to urban areas. In 2019/20, the average predominantly urban resident will attract £37.74 per head in Improved Better Care Funding, £8.20 per head more than rural residents per head (of £29.54). In 2017/18 Adult Social Care Core Funding is met by Council Tax to the tune of 76% in rural areas compared to just 53% in urban.

The upcoming Social Care Green Paper offers an opportunity to move to a more sustainable and effective approach. It is important that the issues especially pertinent in rural areas – including the costs of service provision – are fully addressed in the Green Paper and subsequent policy actions. It should also extend to addressing linked housing issues, such as access to specialist housing for older people and adapting the homes of those who live independently. This is important in rural areas where there are typically limited housing choices.

In addition, there are many tried and tested approaches to addressing the issues of social isolation in a rural context both through local authorities and the third sector. Other organisations, such as ACRE, will be better placed to outline initiatives such as Village Agent and Good Neighbour schemes to the Select Committee. Such approaches should be supported, helping them become more widely available.

For example, the Daventry & District Forum (DDF) is an independent group run by the over fifties to enhance the quality of life to those living in Daventry District, which includes the town of Daventry and 78 villages. The group has set up a Good Neighbour Scheme throughout the district to reduce social isolation and loneliness (www.daventrydc.gov.uk/living/good-neighbours-scheme) in partnership with Daventry District Council and Northamptonshire ACRE.

In rural areas the social care sector can and should be seen as an economic driver. If the associated costs of adult social care – including the trend for older people to migrate to rural areas – were properly funded by central government rather than local council tax payers, excellent quality of care and care facilities (including housing related issues) in rural areas could have a significant positive impact on rural economies.

Rural housing and planning

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

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

The affordability of housing is a key issue for the rural workforce and hence for rural businesses and the rural economy

Average house prices are £44,000 higher in rural areas than urban areas (2017). Further, housing is less affordable in predominantly rural areas, where lower quartile (the cheapest 25%) house prices are 8.3 times greater than lower quartile annual earnings (2016).

Options for those on low incomes seeking social rented housing are typically very limited in small rural settlements. Only 8% of households in villages live in social housing. By contrast, 19% of households in urban settlements live in social housing (2011 Census).

The rural stock of social rented housing has shrunk under the Right to Buy policy, with sales quadrupling between 2012 and 2015 to reach 1% of the stock each year. Although the sale income is intended for reinvestment, only 1 replacement home was built for every 8 sold in rural areas during this period, and those replacements are rarely in the same settlement.

Second homes and holiday lets often add to rural housing market pressures, especially in popular tourist areas. They form a particularly large share of the housing stock in some local authority areas – Isles of Scilly (15%), North Norfolk (10%) and South Hams (9%).

It has previously been estimated there is a need to build 7,500 new affordable homes each year at England's small rural settlements, a figure now considered an under-estimate. Around 3,700 such homes were completed in 2015/16 and just over 4,000 during 2016/17.

A significant issue affecting the delivery of affordable homes in rural areas in recent years has been the planning policy change which removed the requirement to deliver affordable homes on small sites. Most development sites in rural areas are small. Recent changes to planning policy exclude small sites (of less than 10 dwellings) from the requirement that private developers include a proportion of affordable homes within developments has had a significant and negative impact for the delivery of rural affordable housing. Indeed, this was the main way such housing was built and it required no public subsidy. A simple solution would be to exempt all small rural settlements from this policy change, allowing affordable housing quotas again where they are most needed.

A dedicated rural affordable housing programme would also ensure that sufficient focus is given to the affordable homes needed in smaller rural settlements. Given the scale of the housing issue facing all parts of the country, and the significant resources made available by government to address this need, there is a significant concern that government effort will be targeted at larger developments in larger communities where greater efficiencies can be generated rather than smaller sites in rural communities where proportionately more effort is often required to bring forward critical affordable homes for local communities. There is a

need for a specific grant programme designed to boost delivery at small rural settlements by housing associations. This could be managed by Homes England and run at a scale which meets the shortfall in delivery identified by the 2014 Rural Housing Policy Review. The grant rates on offer should take account of the fact that undertaking small-scale development in rural areas is comparatively costly. Similarly, a fair share of the Community Housing Fund, which supports community land trusts, co-housing and self-build projects, should be allocated to rural projects, thus meeting the original objective for this fund.

Government Policy, Devolution & Local Government

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?

There is an urgent need for government to set out how it will approach and support rural economies and rural communities in the future. Whilst the government's 'Health and Harmony' consultation document begins to address such issues in relation to food and the environment, this represents a small subset of the entirety of the rural economy and the issues facing rural communities. Any suggestion that such wider issues will be addressed via 'mainstreaming' through other strategic documents, such as the Industrial Strategy, fail to recognise the bespoke attention required to meet the needs and build on the opportunities available in rural areas.

There must be proper consideration of all the critical issues facing rural communities and rural businesses. Government should produce a comprehensive, cross government and cross organisation strategy for rural areas. This is the only way to ensure rural businesses and rural communities are given due consideration and to make sure that wider strategic policy, such as that set out in the Industrial Strategy and ensuing Local Industrial Strategies, properly reflect the issues and identify specific measures to build on the wide rural opportunities which exist. Such a Rural Strategy is urgently required and warrants a separate consultation exercise.

It is time for a Rural Strategy which raises rural challenges and opportunities up the political agenda: which is forward looking and ambitious, recognising the contribution that rural areas make and those they could make to the wellbeing and prosperity of the nation as a whole. In the view of the RSN there is now a compelling case for such an approach.

In calling for a comprehensive fully funded strategy for at least the next 10 years the RSN also calls for rural proofing of government policies and legislation to be far more effective. Experience has shown that currently its application has been patchy and all too often applied only at a late stage. We commend the recent DCMS r proofing of the Future Telecoms Infrastructure Review as a good practice example. Roofing proofing needs to be applied to and by LEPS.

We trust that you find these comments useful and constructive and look forward to further development of policy and programmes which seek to build the role of rural areas in contributing to future economic growth.

Rural Services Network