

**COUNTRYSIDE ALLIANCE BRIEFING NOTE**

**Rural Economy Committee Report**

**‘Time for a strategy for the rural economy’**

**House of Lords Main Chamber**

**Tuesday 8 October 2019, 2.30pm**

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## Background

The House of Lords Rural Economy Committee published its final report on 27 April 2019, which called on the Government to “rethink and reform” how it engages with rural communities.

The report found there was “significant room for improvement” in rural proofing to ensure Government policies are suitable for people who live and work in the countryside. It recommends the Government develop a “comprehensive rural strategy”, setting out objectives for rural areas, to be assessed by an annual report to Parliament, something which the Countryside Alliance called for ahead of the report.

The report followed a yearlong inquiry, in which the Countryside Alliance played a key role by providing evidence based on the results of an online survey in which over 1,000 people took part. The Alliance stressed that delivering a strong economy, increased productivity and thriving communities, cannot be achieved without recognising the vital role the countryside has to play.

The Report reflects many of the concerns highlighted by the Countryside Alliance. It calls for the Government to review the rural impact of business rates and relief schemes and calls on Ofcom to review the broadband Universal Service Obligation to assess whether targets for download and upload speeds are able to sustain rural life and business.

Once again, we have a report from the House of Lords that calls for a radical rethink on how the Government views and supports rural communities. It is now time for the Government to move away from one size policy fits all and sit up and listen to the voice of rural Britain. The Government needs to ensure that there is a deep understanding of the unique challenges the countryside faces and starts delivering on its commitment to deliver rural proofing.

## Introduction – Rural Economy

A successful rural economy is vital for maintaining a living and working countryside. Without it there would not be the rural communities and landscapes as we know them today. It is therefore essential that the people who live and work in the countryside are able to engage fully in the economic life of the country.

The Chairman of the Committee, Lord Foster of Bath, wanted to hear from “the voices of those living in rural communities are vital to this inquiry” so we asked our members and supporters to submit their views to this important Inquiry via an online survey. We had over 1,000 responses which shows the strength of feeling amongst rural communities about how important the rural economy is to them.

The Committee highlighted a number of issues that they wanted to cover and we asked people to rank them in order of priority. The results showed that 70 per cent of respondents felt digital infrastructure was the most important issue in relation to the rural economy followed by the provision of services.

### Highest importance



- 70% Digital infrastructure
- 60% Provision of services
- 50% Support for local amenities
- 49% Rural businesses and investment
- 48% Rural housing and planning policy
- 48% Transport Connections
- 44% Employment and skills
- 40% National and local government policy and devolution
- 38% Rural deprivation and isolation
- 33% Demographic challenges

### Lowest importance

Delivering a strong economy, increased productivity and thriving communities cannot be achieved without recognising the vital role the countryside has to play. Post Brexit, the countryside has a key role to play in boosting our productivity and must get its fair share of funding for digital connectivity, regulations that support rural businesses, and services which meet the needs of rural communities.

It is clear that Brexit will be front and centre of the work of this Parliament, and the decision to leave the EU will have a profound impact on the countryside. However, issues such as the lack of affordable housing or the roll-out of broadband in the countryside continue to be substantial challenges facing this Government.

## Digital Connectivity

The Countryside Alliance believes that high speed broadband and mobile connectivity is an essential service alongside water, electricity and gas; but is nowhere near as available in rural areas as it is in urban areas. 12% of rural premises are not able to receive decent broadband compared to 1% in rural areas and only 41% of rural premises have good indoor mobile coverage compared to 83% of urban premises.

Continued poor connectivity in rural areas represents a huge missed opportunity for economic development and these gaps and weaknesses need to be addressed as a priority. The current lack of broadband infrastructure serving small firms threatens the expansion of the rural economy currently worth £400bn annually. The business opportunity includes 28 per cent of all UK firms and over one million small businesses.

### Countryside Alliance calls for:

- When we leave the EU the Government must seek to be at least as ambitious as the EU in digital connectivity and where possible to exceed EU targets.
- Ofcom to impose rural coverage obligations to improve mobile coverage in rural areas when they award the 700MHz band.
- Increased investment in full fibre connectivity by broadband operators is to be welcomed but this financial commitment must be also committed to rural areas to ensure they can also benefit from the opportunities fibre connection brings.
- Government to promote and support alternative technologies, such as satellite and mobile broadband, which can deliver connectivity to remoter rural areas.

**Countryside Alliance research:** Digital connectivity was ranked the most important issue that could improve the rural economy. Our research showed that 70 per cent of respondents were concerned that slow speeds are a barrier to growth, the lack of connectivity was leading to increased isolation and social exclusion, and that fibre connectivity should be available to all, no matter where they live.

### Comments from the survey:

- “Poor internet access from (home), leads to loss of business opportunities. It also adds to toxic emissions, by causing travel which might otherwise be avoided. The loneliness factor must be considered as regards the elderly which can add to potential illnesses linked to loneliness and a concomitant addition to National Health costs. Rapid introduction of fibre-optic broadband is necessary to combat and reduce the above-highlighted issues.”
- “Employers simply do not set up where digital coverage is thin or lacking. BT Openreach needs to be strictly regulated. Where we live there is no landline broadband and it is common for our phone line to be out of order. We used satellite for a while but have now migrated to 4G. However, that is both expensive and temperamental.”
- “Problems of safety if an accident takes place. Lack of opportunity to make use of the world wide web for educational purposes. All villages should be connected by now, so start to connect isolated homes as well.”
- “The inability to react to the changing working environment which in turn leads to the breakdown of community. Good digital connectivity facilitates not just working from home but enables people to work together and form rural hubs or serviced offices which can then support better local amenities.”

## Rural Services

Rural services are the 'glue' which hold local rural communities together. In this respect they play a far more significant social role than in towns and cities. Yet for decades rural public services have been in much faster comparative decline than that of equivalent services in urban areas. This has been exacerbated by comparative inequity in funding – rural areas receive a significantly lower level of per capita public investment than urban areas.

With the decline in the number post offices, pubs, banks and other rural amenities being blamed on the lack of usage, eye watering business rates and declining footfall we need to look at alternative ways of delivering those services. The internet can go part way but with poor connectivity it is not holy grail that will deliver those much needed services in the countryside.

Access to money and finance remains difficult in rural communities. 20 per cent of the population live and work in rural areas and yet only 12 per cent of bank branches and 11 per cent of cash machines are located there.

Sweeping bank closures are being blamed by banks on the lack of usage, with fewer and fewer users going into their local branch and preferring to bank online. However, closures in rural areas, especially in the absence of reliable mobile or broadband connectivity can present particularly serious challenges to individuals and businesses who need to access day to day services and those services necessary to run a local business.

The Post Office network offers an important means of accessing cash, either using its own financial products or because it provides access to the current accounts of 20 other banks and the business accounts of 8 other banks. Half of those who regularly access their accounts at a post office do so because there is no nearby bank branch. Nationally, there are more post offices than there are bank branches (of all the banks combined). Moreover, the Post Office network has rural reach, since more than half of its outlets are located in rural areas, including a presence in many villages.

### **Countryside Alliance calls for:**

- Financial services, particularly business banking, to be offered by all major banks via the Post Office network.
- Government to raise awareness of the banking services available at the Post Office, both for personal customers and business banking.
- Fair funding for public services to ensure the sparsity factor is recognised in the cost of delivering services in rural areas.
- Encouraging diversification and co-location of pubs and local shops which would help these important social hubs survive through increasing the footfall and therefore profitability.

**Countryside Alliance research:** Provision of services and support for local amenities were ranked 2<sup>nd</sup> and 3<sup>rd</sup> in our research of economic importance. This demonstrates the important role they play in rural communities. Respondents were citing issues such as poor public transport, centralisation of services, and lack of flexibility in services as part of the reason for the decline.

### **Comments from the survey:**

- “Stop expecting the practitioners to do more and more with less and less. At current levels of funding these services have often already been cut past the point of being sustainable. Political masters need to understand the impact of their cuts, show leadership, think long term, and maintain consistency in their funding and management.”
- “Government to give incentives to Banks who keep or open the first branch in small towns. Provide weekend access to Dr surgeries so that rural workers can attend for appointments without loss of earnings. Ensure good bus services available to transport kids to school.”
- “Online shopping and delivery is the future. Preserving the charm and character of villages and hence cohesion of communities is essential and even critical. Many high street shops cannot

carry on relying on walk in trade and should be given tax incentives to convert into storage units for online shopping.”

- “Lighten the load of regulation and costs on small businesses. Tax internet companies properly, especially their inefficient delivery methods. Reduction in business rates, ground rents & other business-related overheads.”

## Rural Crime

Crime is a key issue for rural communities and has risen up the agenda of rural concerns over the last few years. In many surveys, crime and anti-social behaviour, and policing are key concerns - second only to the National Health Service.

We agree with the Committee on how it understands rural crime i.e. as any crime committed in a rural area. Crime is also underreported in rural areas, with more than one in four not reporting the last crime they were a victim of because they either felt it was a waste of time or that the police would not be able to do anything. This is further supported by low satisfaction rates of police performance in rural areas, with only 24% (National Rural Crime Survey 2018) of the rural public perceiving the police have the ability to solve crime. The crimes which are perceived to go untackled in rural areas included speed and dangerous driving and fly-tipping.

For many people, whether they have fallen victim to crime or not, the simple fear of crime can have a detrimental effect on their quality of life. 39% of rural people are worried about becoming a victim of crime compared with 19% nationally (National Rural Crime Survey 2018).

### Countryside Alliance calls for:

- Fair funding for rural policing because providing services across large, sparsely populated areas can be expensive on a per capita basis, and the Government’s funding formula should take that into account. Better targeting of police resources because tackling crimes from poaching and farm theft to drug dealing and domestic abuse present greater challenges for policing when perpetuated in a rural context.
- Better use of intelligence from ‘on-the-ground’ groups such as Neighbourhood Watch and Farm Watch, as well as improved collaboration between neighbouring forces to combat cross-border crime.
- Improved use of modern surveillance and technology to ensure crime is tackled effectively. Modern policing needs to be in step with the latest technology and techniques, enabling police officers to tackle crime, share intelligence and work more efficiently.
- Increase in the numbers of Special Constables or “Parish Police Officers”. It is important that people feel that rural crime is being taken seriously, and increased visibility of police in rural areas would give reassurance and support to local concerns.
- Greater support for landowners: anti-fly-tipping measures; utilisation of compensation orders; and closer working relationships with local authorities in recognition to particular problems caused by waste fly-tipped on private land.
- Tougher penalties on perpetrators: imposing and enforcing penalties which better reflect the seriousness of the crime, such as seizing vehicles used to fly-tip, is vital.
- Rural communities must report all crime: There is a clear reluctance to report crime in rural areas, which could be due to fear of repercussions in small communities, a lack of confidence in the vigour of a police response or a mix of other reasons. However, for the Police to meet the needs of rural communities and set appropriate policing priorities, then rural communities must report all crime, no matter how trivial they perceive it.

## Business, Employment, Skills and Demography

Encouraging young people to take an interest in the countryside starts at a young age and promoting outdoor education is an important way in which young people can explore career paths in the rural economy.

Outdoor learning helps children and young people gain a practical understanding of the world around them, build self-confidence, test their abilities, take sensible risks, and develop a sense of responsibility and tolerance to places and people. The work of school and community farms does excellent work in this task and should be encouraged.

One way to secure the future of school farms and make land-based education possible is to introduce an Agriculture GCSE. Without a relevant GCSE contributing to performance tables and funding, school governors struggle to justify the expense of a farm. Introducing a Agriculture GCSE would provide learners with transferable skills and improve both their academic performance and their employability.

Employment in land-based industries such as farming, shooting, and forestry remains important in many rural communities and these industries often help support the broader rural economy. Shooting supports the equivalent of 74,000 jobs, many of which are in some of our most rural areas where other sources of employment can be limited. Working with the industry we have developed a gamekeeping apprenticeship which will be available next year and we would welcome support for more land-based apprenticeships.

Business rates remain a source of grievance for many rural businesses, particularly with the growth of online retailing which has increased the need for reform of the current system. We were disappointed when the Chancellor, Rt Hon Philip Hammond MP, stated in a letter to the Treasury Select Committee earlier this year that there will be no reform of business rates until he has considered reforming other corporate taxes. The Chancellor has suggested that online retailers may soon be subject to a tax system of their own as he is finding "a better way of taxing the digital economy". However, this does not help tea shops, post offices, riding stables and other businesses which cannot be replicated online and which are an important part of the rural economy.

We have seen many small businesses across the country hit with business rate rises, up to as much as 300 per cent, particularly businesses requiring a large footprint such as riding stables and garden centres. The Countryside Alliance welcomed the proposals announced in the Budget last year to provide additional support to small businesses to the tune of £435m. However, we have heard criticism that these funds have been slow to be distributed. This is also only a temporary solution and does not address the long-term problem of business rates and businesses need certainty if they are to be able to invest and plan for the future.

Even with a fairer approach to businesses rates, more and more businesses will move online and people in rural areas must have the skills to be able to take part and compete in the digital economy. A parliamentary inquiry in 2016 reported that "there is a digital divide where up to 12.6 million of the adult UK population lack basic digital skills. An estimated 5.8 million people have never used the internet at all. This digital skills gap is costing the UK economy an estimated £63 billion a year in lost additional GDP."

The Government has committed public money through the Digital Economy Act 2017 to provide basic digital skills training to adults in England who need it. However, the question still remains about how this training is going to be delivered, particularly in rural areas.

Tourism in rural areas has huge potential not only to underpin local economies but also the national economy, while supporting local farmers, producers and making the most of our country's natural assets. The UK is the 8th most visited country in the world and people come to experience our culture and heritage and visit locations which inspired democracy, industry and the arts. Yet only around 17 per cent of visitors left London and the major cities to visit the countryside. Many visitors are therefore missing out on the British countryside, its county towns and villages and the rural tourism industry is losing out on potential.

Rural tourism in England contributes at least £10 billion per year to the economy, making up a substantial part of the overall £73 billion value of tourism in England. It makes a significant contribution to the rural economy, supporting village shops and services, jobs and businesses, and it is crucial to ensuring the long-term sustainability of our countryside. The jobs which are supported by rural tourism – 380,000 in England alone – encourage people to live, work and bring up their families in these communities.

This is a positive story across the country, and in areas such as West Somerset, which are particularly reliant on rural tourism, where a quarter of all jobs there are in the tourist sector. This is due in part to a good relationship between the private and public sectors, with the National Parks working well with local hostellers and activity enterprises. A further reason behind its success is the draw of country sports enthusiasts from within the UK and abroad to participate in hunting, shooting and fishing in the counties of Devon and Somerset. Country sports are not only part of Exmoor's heritage but, as our own research shows they also account for 90 per cent of winter tourism in the area. This maintains employment in otherwise challenging circumstances and provides hotels, bed and breakfast establishments and pubs with vital income in the winter months. Indeed, many businesses would not survive without this trade.

The importance of buying local and supporting small producers has grown significantly over the last few years and the growth in food and drink tourism is also a success story on which we need to capitalise. This represents a major component of tourism expenditure in rural areas. Promoting local food and drink as part of a tourism strategy can deliver additional economic and environmental benefits; including supporting diversification of farms and producer businesses, creating additional demands for skills and training, and reducing food miles and carbon emissions. Additionally the promotion of local food and drink increases cultural identity and community pride, which in turn makes an area a more attractive tourist offer, while also ensuring the resilience of the local supply of food and supporting our farmers and small producers. Rural tourism is a huge economic opportunity.

#### **Countryside Alliance calls for:**

- A full-scale review of Business Rates to ensure we have a system which enables rural businesses to compete fairly with web-based businesses.
- Greater support for outdoor learning in the classroom from introducing an Agriculture GCSE to backing more land based apprenticeships.
- A coherent strategy for tackling the deficiency of digital skills as it is vital that those who live and work in the countryside are able to take full advantage of the digital age.
- A well-integrated tourism strategy, which promotes and protects rural tourism.

**Countryside Alliance research:** Our research showed that 81 per cent of respondents thought 'business, employment, skills and demography' was of importance, with 48 per cent of respondents stating it was of high importance. Responses to the survey included suggestions to fund more apprenticeships, a reduction in business rates, and tax relief for rural tourism.

#### **Comments from the survey:**

- "Support shooting sports that bring people into the area."
- "A UK successor to LEADER is needed. Bringing in apprentices to SMEs needs to be simplified and the funding needs to be better explained."
- "Business rates are not only killing the High Street but also rural businesses. There has to be reform or else Amazon will be the only game in town."
- "We must maintain seasonal workers to support our food producing industries, i.e. horticulture and agriculture, and tourism."
- "Rural tourism would benefit from a reduction in VAT."
- "Government muddles up education with skills - they may or may not overlap. I run an agricultural engineering business and when we all retire I can't see any young people likely to be able to take it over."

## **Rural Housing and Planning**

The shortage of affordable housing is one of the greatest challenges for communities across the country, including in rural areas. It is vital that the planning system is efficient and planning policies achieve a balance between delivering sustainable housing development, supporting local businesses, and protecting the amenity of the countryside.

Successive governments have attempted to tackle the challenge of delivering sustainable and affordable housing in rural areas with varying degrees of success. We welcomed the Government's Housing White Paper in February last year which contained many sensible proposals to tackle the

housing crisis. We were particularly pleased with the proposal to make more land available for homes in the right places by maximising the contribution from brownfield and surplus public land which is something we have long campaigned for. The White Paper also proposed to give communities a stronger voice in the design of new housing to drive up the quality and character of new developments which is an aspect of planning policy that often gets overlooked.

Some of the proposals in the White Paper have been taken forward by way of changes to the National Planning Policy Framework which should encourage the delivery of new homes in rural areas where the financial viability of development can be marginal. We welcomed the confirmation that local planning authorities should not require affordable housing to be delivered on development sites of 5 homes or less in designated rural areas which had the effect of making some developments financially unviable and therefore worsening the housing crisis. The changes only came into force in July this year and the policies must be kept under review to ensure they are helping to address the challenge in rural areas. Other proposals in the White Paper are yet to be taken forward.

The last Labour government consulted on a number of proposals to give landowners more options for developing affordable housing, including tax incentives and the option of retaining the freehold interest in the land and receiving a one off or annual rent from the local housing association. These proposals were never taken forward, but we believe that incentives could play an important part in addressing the challenge in rural areas and we continue to urge the Government to consider them properly.

We believe that permitted development rights can have an important role to play in delivering sustainable housing development and we called for an extension to Class Q permitted developed as part of the Government's Rural Planning Review in 2016. A small increase in the amount of floor space that can be converted was announced in April this year following the review, but further change is possible. In the short term, local planning authorities should receive clear direction from MHCLG that development under Class Q is a right and there should be a presumption in favour of prior approval. There is considerable variation in how the conditions of Class Q are assessed by planning officers in different authorities creating a large amount of uncertainty which needs to be addressed through improved guidance.

#### **Countryside Alliance calls for:**

- Development needs to be responsive to local need and sensitive to the local environment.
- Planning policy to be more creative through utilising permitted development rights and looking at ways of incentivising landowners to bring forward land for affordable housing.
- The planning process to be more efficient and responsive to the needs of rural communities.

**Countryside Alliance research:** Our research showed that 77 per cent of respondents thought 'rural housing and planning' was of importance, with 48 per cent of respondents stating it was of high importance. Responses to the survey included suggestions to tax or restrict second homes, policies to promote more self-build homes, and better access to finance.

- "Better strategic planning. Just shoving up to 100 houses on a greenfield site on the edge of a village is not addressing housing needs. Better designed and locally tailored housing association schemes."
- "Allowing small scale development in rural communities rather than the current blanket restrictions. We end up with rural villages that stagnate until they are finally overtaken by massive housing schemes on the outskirts of nearby large towns that swallow them and effectively destroy the reason why people live there in the first place."
- "It is nearly impossible for first time buyers to purchase a property in a rural area - having lived in a small village / hamlet for 28 years, the only property I could afford to buy was in a town on a shared ownership scheme - it's unfortunate that these opportunities are not available in rural areas."
- "Banks could lend to farmers for housing development. At present the banks are useless."
- "Listen to the views of the Parish Councils who have intimate experience of what works in small communities but who are so often overruled by County Councils who are only interested in numbers."



## Government Policy, Devolution and Local Government

Those who live and work in the countryside can be forgiven for feeling that the countryside is often treated as a theme park, not receiving the political support and action it needs and deserves. Rural life holds specific challenges, which means it needs different solutions and policies to our urban neighbours.

Rural areas are home to one-fifth of England's population and a quarter of all registered businesses; contributing over 16 per cent of England's economy each year. However, rural areas face particular challenges around distance, sparsity, and demography. That is why government policies must take these into account at all stages of policy development and delivery.

The recent report by the House of Lords Natural Environment Rural Communities Committee shone a light on our countryside and how it is treated under the current system of government. When the Alliance gave oral evidence to the Committee we highlighted a number of issues that the final Report picked up on, including the proposal for rural proofing to be led by the Cabinet Office, the loss of granular research on rural issues and the need for rural affairs to be fully integrated into all government departments.

The Report's recommendation that responsibility for rural policy should be transferred from Defra to the Ministry for Housing, Communities and Local Government could be a first step towards the countryside to be taken seriously. Unless there is a sea change in government and the civil service, coupled with a greater understanding of the countryside, nothing will change.

The Countryside Alliance believes we need to make rural proofing work effectively and fairly. How else do we ensure we are avoiding unintended consequences before they happen so that decisions are taken that provide the flexibility to be successfully implemented in differing geographic, social and economic settings? One size fits all policy does not work, which is why rural proofing is important and rural policy itself is often much more complicated than in urban areas.

Lord Cameron had been previously asked by Defra to undertake a review of the process to ensure that rural issues were mainstreamed into policy making and decision taking. The Report, published in 2015, was universally welcomed and provided a framework to move rural proofing into the mainstream policy agenda. Most importantly, however, the changes proposed were light touch and entirely achievable with little or minimal disruption to parliamentary business. The Government was urged to implement all the recommendations.

The febrile political environment risks prohibiting the introduction of effective policies for the countryside. Increasingly political parties and even the Government have prioritised policies, like microchipping cats, that in practice will not improve people's lives in the countryside. Instead we urge the Government to stay focused on addressing the issues that will make a difference to rural life and rural businesses, which will ultimately benefit the UK as a whole.

### **Countryside Alliance calls for:**

- Government to adopt the recommendations from Lord Cameron's report into rural proofing.
- Granular rural research to be undertaken to ensure the Government has a full understanding of what is happening in rural areas.
- Full integration of rural policy across government departments and between central and local government must be implemented to ensure we have policy that really delivers in rural areas.

**Countryside Alliance research:** National and local government policy and devolution was ranked eighth on the list of rural issues that are important to the rural economy. Many respondents feel let down by the public bodies who are there to represent their interests. Budget cuts, poor focus on rural issues and the inability to make your voice heard were key themes in the responses to our research.

### **Comments from the survey:**

- "Most of what government and local enterprise partnerships offers little benefit to rural economies. There is an awful lot of unnecessary red-tape in the UK which is highly detrimental.

We need infrastructure and more effort to help get better prices for our produce and more efforts to boost exports of UK foods.”

- “Local government simply does not have the funding for outreach work. they struggle to maintain minimum essential services, and in rural areas the cost of travel eg to school, and in road maintenance is very high. Without more devolution, very little can be done.”
- “Not enough. LEPs are OK, but they are only really focussed on high growth companies.”
- “I was on LEP for as long as I could afford to be away from my small rural businesses- no one with small/ micro business experience can sacrifice the time and effort required to get our voice heard, therefore it is not heard and helping.”
- “As a parish council, we have no faith in either our unitary authority or LEP whose agenda seems unrelated to rural life and seeks to impose urban standards/aspirations where they are inappropriate.”

## **Contact**

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