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Lord Foster
Chairman
Select Committee on the Rural Economy
House of Lords
London
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2nd
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Dear Don,

Government response to House of Lords report on the Rural Economy

Thank you for your report on the Rural Economy: '*Time for a strategy for the rural economy*'.

I enclose the government's response that addresses all of your report's recommendations. I would like to thank the Committee for all its hard work and the large amount of evidence it has collected since the inquiry was launched.

Yours sincerely
John

Government Response to the report of the House of Lords Select Committee on the Rural Economy: “Time for a strategy for the rural economy”

Introduction

The government is grateful to the House of Lords Select Committee on the Rural Economy for its report *Time for a strategy for the rural economy*.

The government is pleased that the Committee has recognised the many strengths of rural areas and highlighted the opportunities available to them. Employment rates in rural areas are higher than those in urban areas and unemployment rates lower. A quarter of all businesses are registered in rural areas and proportionately more people are employed by small firms in rural areas than in urban areas. We should be proud of the contribution that rural businesses make to our national economy.

The Committee is also right to point out some of the challenges facing those living and working in rural areas. Poor digital connectivity, whether fixed broadband or mobile, is a constraint on businesses and also affects the wider community. Transport links, particularly public transport, may not be as good as in urban areas. There is a shortage of affordable housing, particularly for local workers.

The government recognises these challenges and is taking action to address them, including:

- the Future Telecoms Infrastructure Review outlined our strategy to ensure residents and businesses can benefit from future-proof, gigabit capable, reliable connectivity, in line with the government’s target of nationwide full fibre coverage by 2033. Through the outside-in approach, the roll-out of full fibre in hard to reach areas will start at the same time as commercial deployment to ensure rural areas are not left behind.
- 140,000 affordable homes have been provided in rural local authorities but the government recognises the need for more. So the National Planning Policy Framework allows new entry-level exception sites to come forward in rural areas generally as a further means of improving the supply of affordable homes.
- through the Rural Development Programme, Defra is supporting the creation of 6,750 jobs in rural areas. Between 2014 and 2020 the Rural Development Programme for England is delivering £3.5 billion in funding to rural areas including £250 million through the Growth Programme (including broadband and tourism); £152 million through LEADER; and £141 million through Countryside Productivity.

The conclusions and recommendations of the Committee and the government’s response to these are below.

Chapter 2: The rural economy and public policy

1. Rural economies are facing significant opportunities and challenges. The UK's impending departure from the EU, cuts to local authorities' budgets, new policies being rolled out to improve digital connectivity and boost housing supplies, an ageing population in rural areas, the growth of long-distance commuting, and suburbanisation all make this an ideal moment for the Government to set out its vision for rural areas and to give the nation a clear steer for confronting the challenges and seizing the opportunities facing rural communities and economies. This can be achieved by a comprehensive rural strategy. (Paragraph 56)

2. We reject the view that a rural strategy would create a dichotomy between rural and urban, or sideline rural need from mainstream policy development. The success of a rural strategy in boosting rural areas will depend on the ambition and objectives it sets and its implementation. We would support the need for both a high-level framework document being developed at central government level as well as local rural strategies being developed by local authorities and LEPs. Local rural strategies would act along similar lines as City Deals in providing local authorities and LEPs with funding and decision-making powers to ensure that the goals set in the strategy can be achieved. (Paragraph 57)

3. We are in no doubt that there is a critical need for Government to develop a comprehensive rural strategy which sets out the Government's ambition for rural areas, as outlined above. Development of the document must involve all relevant Government departments and bodies who must then be responsible and accountable for its implementation. To enable scrutiny of performance, there should be an annual report to Parliament, coordinated by Defra and drawn from all Government departments, which would set out the Government's performance against the strategy and include an update on how departments have fulfilled their rural proofing obligation (Paragraph 58)

Rural areas have enormous potential to contribute to our national life, economically, socially and culturally, and the government is committed to ensuring that all our policies recognise and develop that potential. Growing numbers of people choose to live in rural areas and many more dream of doing so. It is not hard to see why. The beauty of their natural surroundings, the warmth of their communities and the entrepreneurial flair of their many small businesses are all testament to the resilience and creativity to be found there. Our vision is to work with these strengths and give rural areas the policy tools to continue to improve their quality of life, without treating them as a land apart. It is a vision based on empowerment, recognising that rural areas can be very different from each other and that local people are best placed to judge what is right for their communities. It is a vision which places rural areas within the government's strategic thinking across the board whether in education, planning, housing or any other aspect of national life.

The rural economy is not a single entity, but rather a range of different economies – including agriculture which provides 60 per cent of the food we consume - each linked integrally and inextricably to the national economy through supply chains, commuting patterns and all the many factors which affect economic growth. Rural

economies are characterised by an entrepreneurial spirit with many small businesses which have proved adept at diversifying and innovating.

Over the coming months, the government will expand on its strategic vision and set out how, working across departments and working with stakeholders, it is putting in place a range of measures to ensure that rural areas continue to thrive. This vision is framed in terms of desired outcomes for rural areas which respect their diversity and recognise that success - in terms of quality of life and economic prosperity - and will need different approaches in different parts of the country.

The government agrees with the Committee that those living and working in rural areas can face particular challenges stemming, for example, from relatively poor infrastructure and the additional cost of delivering services in sparsely populated areas. Without doubt, these distinct characteristics must be recognised in policy making and the government believes that rural proofing is the best means to achieve that through embedding an appreciation of rural issues at all levels of delivery, rather than risk rural areas being placed in a silo through having a single rural strategy.

4. Local Government—together with Local Enterprise Partnerships—and public bodies should develop their own local rural strategies consistent with the Government framework, and be responsible and accountable for their implementation. (Paragraph 59)

The government believes that local authorities are best placed to decide whether they should prepare strategies to support rural businesses and communities within their geographies. There are good examples where some have done so but local authorities are accountable to their own electorates and should decide their own priorities.

The government believes it is better to make sure the needs, challenges and opportunities of rural businesses and communities are properly considered in Local Industrial Strategies rather than to compel Local Enterprise Partnerships (LEPs) to produce separate rural economic strategies. As part of their evidence gathering, LEPs should be looking across their whole geographies and consulting rural businesses. Through the annual review process, LEPs will be accountable for delivery of their local industrial strategy.

5. There is room for improvement in terms of how much attention is being paid to rural affairs by Defra and other Government departments. Although they are closely interlinked, Defra needs to be wary of presuming that what is good for the environment or for agriculture is also beneficial for the wider rural economy. Although the role of the rural champion is a good idea, we are concerned that any junior minister in that position would lack clout to raise the profile of rural affairs enough to ensure that rural issues are being mainstreamed into policy development across government. The role of the post-holder is not helped by the lack of a rural strategy. (Paragraph 66)

6. We do not propose the creation of a body like the Commission for Rural Communities. However, we are concerned that the Government's understanding of rural affairs has declined since the abolition of the CRC and

we support calls for all Government departments to be more proactive in seeking a diversity of rural voices when developing policy. (Paragraph 75)

7. There is significant room for improvement when it comes to rural proofing. There are considerable weaknesses in terms of timing, consultation, transparency, accountability, urban bias and lack of coverage, but none of these are insurmountable. The examples of good rural proofing show that it can aid policy coordination across Government departments and is more likely to lead to better outcomes for rural areas. A rural strategy would add further weight to the push for Government departments to get rural proofing right. (Paragraph 103)

8. *The Government needs comprehensively to rethink and reform the rural proofing process across Government, and at the local level, to ensure that relevant policies and legislation are attuned to the needs of rural communities and rural economies. A reformed approach to rural proofing should take into account the following:*

- *A rural assessment should take place at the start of the policy process, including engagement with rural stakeholders, and be treated as integral, rather than as an adjunct to urban-focused policy. No legislation should be brought forward without an accompanying rural assessment statement;*
- *The impact of new policies on rural areas should be systematically and consistently monitored as they are implemented. This would include an update on the performance of rural proofing across government in the Government's annual report on the implementation of the rural strategy (see paragraph 58);*
- *All relevant public bodies should be required to rural proof, monitor and report annually on the rural impacts of relevant policies. This should include non-departmental public bodies, local authorities and other spending bodies such as Local Enterprise Partnerships; and*
- *The Government should put in place the appropriate structures to facilitate this more robust rural proofing regime. (Paragraph 104)*

The Minister for Rural Affairs, supported by the resources of a government department, is specifically charged with ensuring that the needs of rural areas are taken into account across all government business. As a result, rural communities have a champion where it most matters - inside government. This leadership role is underpinned by a clear commitment that all policies be "rural proofed" – that is ensuring policy outcomes work in rural areas. The government believes that this approach provides a dynamic and flexible strategic framework which allows policy making to adapt quickly to the changing needs of rural areas in a fast moving technological and economic environment.

As the Committee's report notes, and the government set out in its evidence, there are good examples of rural proofing where departments have considered at an early stage the needs of rural areas and brought forward policies that took these

into account. The government accepts, however, that more can be done. It wants departments to see rural proofing as an essential and indeed positive tool for making sure the intended policy outcomes can be understood and delivered successfully in a rural context. Rural proofing should not be seen simply as a question of identifying potential negative impacts but rather as an opportunity to tailor policy so that it is delivered as effectively as possible in rural areas.

The government will therefore work to develop and promote a greater understanding across departments of the opportunities and challenges in rural areas through a recently established network of departmental rural proofing leads; revise rural proofing guidance and develop other supporting resources to help develop policy outcomes that work in rural areas; and encourage greater engagement with stakeholders in the rural proofing process. To support these activities and improve transparency Defra will establish a Rural Affairs Board to support and steer work on rural proofing.

The government notes the Committee's comments on transparency and accountability. Defra will therefore publish each year an evidence-based report on rural proofing.

Chapter 3: Rural delivery and place-based approaches

9. For a national rural strategy and its underlying rural policies to be effective, it is crucial that they are delivered locally using a place-based approach. This must include effective partnership working from all relevant public, private and voluntary bodies, driven by the nature of each local area and with active community participation, breaking down the silos that too often characterise rural policy. (Paragraph 119)

The government is committed to Local Industrial Strategies so that all places:

- Are able to increase productivity and realise their potential: building on well-evidenced and distinctive strengths aligned with the National Industrial Strategy.
- Set out the spatial impacts of national and local policy across our cities, towns and rural areas, informing priorities and choices and demonstrating how they will allow all communities to contribute to, and benefit from, economic prosperity.

Local Industrial Strategies are based on partnership working between public and private bodies. They are products of collaboration, as described in the government's Policy Prospectus on Local Industrial Strategies.

There are already many positive examples of collaboration on Local Industrial Strategies, with LEAs and mayoral combined authorities across the country holding roundtable discussions with rural partners, issuing calls for evidence and consultations, and hosting workshops with government departments to explore emerging ambitions.

Local Industrial Strategies are also being developed locally and agreed with government. The process of building a Local Industrial Strategy therefore brings many Whitehall Departments together to consider the challenges and opportunities in a place, including in rural areas.

Departments including Defra, the Ministry for Housing, Communities and Local Government (MHCLG), the Department for Digital, Culture, Media and Sport (DCMS), and the Department for Business, Energy and Industrial Strategy (BEIS) are actively exploring opportunities for the rural economy with LEPs through a range of events, workshops, and bilateral discussions – both at an individual LEP level and across boundaries.

10. To ensure that place-based approaches are adopted, they should be set out as a key objective of the rural strategy, with clear guidelines and examples of good practice from existing rural initiatives. Accountability mechanisms for the rural strategy should also ensure that they incorporate checks on whether policies are being delivered in a truly “place-based” manner—for example, checks on community participation. (Paragraph 120)

Local Industrial Strategies are building on good practice. For example, as identified in the Committee’s report, the South West Rural Productivity Commission is informing emerging ambitions on the rural elements of Local Industrial Strategies between four LEPs across the South West, Defra and other government departments.

Although the government advises LEPs and mayoral combined authorities to make sure Local Industrial Strategies are a product of local collaboration, it is the government’s view that it is down to local partners to decide the form this takes.

The government welcomes the approach many areas are taking, including consulting community groups on their ambitions, and encouraging their contribution to the supporting evidence base for their work.

For example, the government welcomes the work done by Cornwall and the Isles of Scilly LEP to consult with businesses, councils, colleges, schools, universities, charities, sector representative groups and public services such as NHS, police and the fire service. Once the Local Industrial Strategy has been drafted the LEP will be formally consulting local partners.

Cumbria LEP has engaged local stakeholders through three rounds of public events across the county between July 2018 and March 2019 and a period of online consultation. The ongoing development of the Cumbria Local Industrial Strategy has therefore benefited from the input of hundreds of local partners from a wide range of businesses, public sector, and voluntary and community sector partners.

11. In designing place-based approaches, the Government and other relevant bodies should look to previous schemes such as the Market Towns Initiative, a successful example of partnership working, to help deliver local economic development. Such initiatives could be revived or reconceived in a new form, reflecting the new and emerging challenges of today’s rural economies. (Paragraph 121)

Local Industrial Strategies provide a framework for place-based approaches to economic development. The government said in its policy prospectus published in October 2018 that Local Industrial Strategies need to make clear how LEPs and combined mayoral authorities will work in partnership with private and public stakeholders to achieve their ambitions.

LEPs and mayoral combined authorities have been asked by government to prepare these by early 2020. The government is encouraging LEPs and mayoral combined authorities to evaluate the role of different settlement types such as market towns as part of the compilation of their evidence base. There are some good examples where LEPs are already doing this. Leicester and Leicestershire Enterprise Partnership, Leicestershire County Council and the seven District Councils jointly commissioned a study of the role that market towns played within its economy¹. The Cambridgeshire and Peterborough Independent Economic Review included a chapter on market towns and the Cambridgeshire and Peterborough Combined Authority is producing market town “masterplans”.

12. To ensure that post-Brexit rural funding is effectively prioritised and delivered, we believe there may be merit in appointing a joint Defra-Treasury minister charged with this specific responsibility. Such an appointment could be combined with or complement an enhanced “rural champion” position as discussed in Chapter 2. (Paragraph 129)

Any proposed changes to ministerial portfolios are subject to the standard machinery of government process and ultimately would be the decision of the Prime Minister.

As Minister for Rural Affairs, Lord Gardiner currently acts as the government’s rural ambassador and he champions the interests of rural communities and businesses across government. He meets ministers from other departments regularly. Over the course of the next year he aims to meet all relevant departments to discuss how policies, in particular those at early stages of development, can take account of rural communities and businesses.

13. We take it as self-evident that rural economies should not be materially disadvantaged by Brexit. The Shared Prosperity Fund presents an opportunity to deliver investment into rural economies to boost productivity and promote growth and to support social infrastructure, and to replace RDPE and LEADER funding in a way which genuinely reflects and delivers upon rural priorities (Paragraph 144).

14. The Government has yet to provide sufficient detail on the Shared Prosperity Fund, hampering the ability of businesses and communities to plan for the long term and secure and promote investment. (Paragraph 145)

15. The Government must bring forward the consultation on the Shared Prosperity Fund as soon as possible and give much more information on its

¹ Leicestershire Market Town Research. ERS Research and Consultancy 2016

proposed scope to enable rural businesses and communities to begin planning for the future. (Paragraph 146)

The government accepts the recommendation in principle and will publish a public consultation on the UK Shared Prosperity Fund. It recognises the significant interest that has been expressed in the design of the UK Shared Prosperity Fund and will make sure all institutions are equipped with the information they need in enough time to prepare. MHCLG has already held 25 events that have provided an opportunity to hear a range of views, including from rural stakeholders, and these have helped inform policy development.

16. The Shared Prosperity Fund must incorporate a dedicated, ring-fenced rural funding stream for supporting rural economies and communities. This should be devised with a clear awareness of the opportunities and challenges of rurality and should reflect ambitions to increase the rural contribution to national and local economic growth. It must also address wider social priorities in rural areas, in recognition that not all rural challenges are reflected in economic statistics. Performance in this area should be a key part of the annual report to Parliament on the rural strategy. (Paragraph 147)

The UK Shared Prosperity Fund will be a domestic programme of investment to tackle inequality between communities by raising productivity. It will invest in the foundations of productivity as set out in the government's Industrial Strategy to support people to benefit from economic prosperity, especially in those parts of the UK whose economies are furthest behind. The government recognises that places across the country possess their own strengths, opportunities and challenges, and this should be reflected in the approach to investment. The UK Shared Prosperity Fund will allocate funding to those places with the greatest need.

Final decisions are due to be made following Spending Review.

17. Rural development programmes should be decided and delivered locally to meet local needs. The mechanisms set up to replace LEADER funding should follow the bottom-up and place-based principles of the most successful LEADER initiatives. The Shared Prosperity Fund must be properly rural proofed as it is developed, and Government must be transparent from the outset as to how it is doing this. (Paragraph 148)

In designing the UK Shared Prosperity Fund, the government is keen to learn lessons from existing EU funding programmes, including the LEADER programme, and will work with local partners to ensure the fund works for all places. As part of this, Defra has commissioned research on community-led development which will be completed by early summer. Defra and MHCLG have also been speaking to rural stakeholders from an early stage about the principles that should underpin the UK Shared Prosperity Fund. This includes discussions with the Rural LEP forum convened by Defra, the Leader Exchange Group and the RDPE External Working Group.

Final decisions are due to be made following Spending Review.

18. Funding made available through the Shared Prosperity Fund must also be designed to meet the needs of rural SMEs including micro and family businesses which predominate in rural areas. This means providing clear, concise and timely information as well as delivering a simplified and accessible process, which allows for long term planning and investment. (Paragraph 149)

The government recognises that EU structural funds have been difficult to access. Simplified administration for the UK Shared Prosperity Fund will ensure that investments are targeted effectively to align with the challenges faced by places across the country.

The UK Shared Prosperity Fund will aim to strengthen the foundations of productivity, including the Business Environment, as set out in the Industrial Strategy.

Final decisions are due to be made following Spending Review.

19. LEPs are being invested with greater significance by the Government through their responsibility for the delivery of Local Industrial Strategies. In conjunction with local authorities, they would clearly therefore have a major role in place-based initiatives to support rural economic development. At present, however, they are not working for many rural areas. (Paragraph 166)

20. While we heard some evidence of good practice among LEPs, the poor rural performance of many LEPs to date does not give us confidence that they will use their expanded responsibilities to take rural interests seriously and incorporate them fully into their Strategies and delivery programmes. (Paragraph 167)

21. All LEPs containing notable rural areas must adopt a rural economic strategy, within the Local Industrial Strategy or Strategic Economic Plan, or as a standalone document. These strategies should have reference to the rural strategic framework discussed in the previous chapter and take a place-based approach, ensuring that communities and rural businesses are fully involved in their development and implementation and with full reference to local circumstances and priorities. Annual reports from LEPs should set out how they have worked to deliver their rural strategy in the relevant year. (Paragraph 168)

The government believes it is better to make sure the needs, challenges and opportunities of rural businesses and communities are properly considered in Local Industrial Strategies than to compel LEPs to produce separate rural economic strategies. As part of their evidence gathering, LEPs should be looking across their whole geographies and consulting rural businesses.

The government, however, notes that some LEPs such as SELEP have already published strategies for their rural economy and it welcomes these locally taken initiatives.

The implementation of Local Industrial Strategies, and therefore any local ambitions relating to the rural economy, will be considered in LEPs' future Annual Performance Reviews.

22. LEPs should be required to transparently rural proof their Local Industrial Strategies and Strategic Economic Plans, according to the same principles and guidelines set out for national level rural proofing. (Paragraph 169)

The government is committed to ensuring that policy across the Industrial Strategy is rural-proofed. For LEPs with notable rural areas, this will mean that rural considerations are taken into account through all foundations of productivity and any "Grand Challenges" of the Local Industrial Strategy.

To make sure that Local Industrial Strategies are sufficiently rural proofed, Defra and other government departments are working together to encourage LEPs to consider the rural economy and engage with rural businesses in developing their evidence and ambitions. Defra is also providing tailored statistical information to help LEPs develop their evidence base.

23. We welcome the Government's support for SME representation on LEP boards in its LEP review, but further action is needed to reduce the dominance of big urban businesses on LEP boards. All LEPs containing notable rural areas should have a specified board member or 'champion' to focus on the needs of the wider rural economy. LEPs must also seek to engage more actively with communities and other bodies that are engaged in rural economic development and incorporate this work into their strategies. (Paragraph 170)

The composition of LEP boards is an important ingredient in their success. These boards must be able to take into consideration a breadth of interests of different local leaders and stakeholder groups to ensure that their growth strategies are relevant, representative and widely supported across their area. In addition to their regular board membership, LEPs already have the power to co-opt an additional 5 members with specialist knowledge to the board on a one-year basis.

It is clear government policy, set out in *Strengthened Local Enterprise Partnerships*, that LEPs should seek to represent the interests of their communities by engaging small and medium sized business leaders as well as larger firms, and they should draw from a more diverse representation of sectors and all parts of their geography. The government expects LEPs to create more inclusive economies by improving productivity across their areas to benefit all people and communities.

24. The proposal for a minimum of two-thirds private sector membership on LEP boards—in addition to raising wider issues about accountability—means some rural local authorities are likely to lose representation. LEPs should establish rural subgroups or partnerships with wider rural representation from local authorities, public bodies and rural businesses, and should seek to involve SME representatives in these. (Paragraph 171)

The government wants LEPs to be truly business led. It therefore set out in *Strengthened Local Enterprise Partnerships* its aspiration that Local Enterprise

Partnerships should work towards strengthening representation from the private sector so that it forms at least two-thirds of the board. There is also a requirement for LEPs to be chaired by a business leader. As a consequence, the proportion of local authority leaders on LEP boards will necessarily reduce.

The government partly funds the LEP Network which acts as the convening organisation for LEPs. The LEP Network already brings LEPs together on areas of common interest - from skills and housing, to maritime and logistics - to share learning and best practice. Under the auspices of the LEP Network, LEPs with rural geographies meet twice yearly to discuss the opportunities and challenges facing them.

25. We welcome Government commitments to reflect the additional costs of rural service delivery in future funding allocations. In the meantime, the consolidation of the Rural Services Delivery Grant is a positive step in this direction. (Paragraph 186)

26. The Fair Funding Review must ensure that rural local authorities are adequately compensated for the additional costs of service provision, and that rural areas are fairly treated in future funding settlements. (Paragraph 187)

The government takes funding for rural communities very seriously. The 2019/20 settlement recognises the additional cost pressures associated with service delivery in rural areas and this is why we provided an additional £16 million for Rural Services Delivery grant in 2019/20. This matches the figure of £81 million in 2018/19 - the highest amount ever paid in rural grant.

The government is also undertaking a review of local authorities' relative needs and resources to address concerns about the fairness of current funding distributions. In its recent consultation, MHCLG proposed to capture consistently variations in the cost of delivering services, including those caused by rurality, by introducing a new Area Cost Adjustment methodology. The proposed Area Cost Adjustment recognises that local authorities with longer journey times (as a result of traffic congestion, longer distances or poor transport links) may have employees who experience relatively longer periods of 'down time' and may have to pay their staff for more hours in order to deliver an equivalent level of service. Local authorities which are more remote may also have variation in the cost of some inputs due to the size of local markets or isolation from major markets.

MHCLG has identified two robust and evidence-led measures to account for the additional costs associated with accessibility and remoteness, based on the methodology used by the Department for Transport (DfT) to produce statistics on journey times to key services. This approach is being developed in collaboration with representatives of the sector.

27. The planned switch to a local authority funding system based on business rates retention is likely to be cost neutral initially and could prove beneficial thereafter if business growth is strong. However, we are concerned that the emerging system does not account for the interests of rural local authorities, who may be put at a disadvantage where their area has less

potential to experience such growth or where their area has many businesses that can claim full business rate relief. (Paragraph 188)

The review of local authorities' relative needs and resources will be a thorough, evidence-based review of the costs faced by all authorities, including those operating in a rural environment. The government acknowledges that there are factors which can present specific challenges for local authorities of different types, such as remote or sparse authorities. MHCLG is examining the available evidence on how these factors affect the cost of delivering services in these areas. The objective of the business rates retention system is to incentivise growth in all areas, but it also ensures that the relative needs of all local authorities are met through the redistribution of business rates across the sector.

The business rates retention system will continue to allow all types of authority to benefit from growth in their local economies. Local authorities estimate that in 2019/20 they will keep around £2.5 billion in business rates growth which includes rural areas. The government is committed to ensuring all local authorities are incentivised to grow their business rates which will continue to be an objective under potential reforms to the business rates retention system.

No decisions have yet been made on the way business rate reliefs will be reflected in the design of the reformed business rates retention system. The government is continuing to engage with the sector as a whole to ensure that the reformed system responds to the needs of all local authorities.

28. The Government must ensure that the planned implementation of a funding system based on 75 per cent business rates retention within the local authority sector is properly rural proofed and is designed to ensure that rural authorities are not disadvantaged. We expect the pilots of 75 per cent retention to take account of this as a priority. (Paragraph 189)

The government will be taking into account all authority types when moving to 75 per cent business rates retention. The opportunity to pilot has been offered to all areas of England and successful pilot applications have covered a wide range of different types of authorities, including many rural authorities, to test out how the policy will be delivered. MHCLG plans to continue to work closely with all local authorities included in the pilot programme to inform its policy development.

29. Local authorities can play a key role in driving place-based economic growth and sustainability through entering into local partnerships and bringing local stakeholders together to promote rural economic development. As with all areas of discretionary local authority activity, the potential is likely to be constrained by budget cuts which oblige councils to focus on the delivery of statutory services. (Paragraph 196)

The government welcomes local authorities' contributions to the development of Local Industrial Strategies through their involvement in LEPs and mayoral combined authorities.

Core spending power is forecast to increase from £45.1 billion in 2018/19 to £46.4 billion in 2019/20, a cash increase of 2.8 per cent and a real-terms increase in

resources available to local authorities. This is the final year of a multi-year settlement deal – worth over £200 billion in the five years to 2020 – that was accepted by 97 per cent of councils in return for publishing efficiency plans. The settlement includes extra funding for local services, with a strong focus on supporting some of the most vulnerable groups, whilst supporting and rewarding local economic growth.

30. Rural-facing local authorities should adopt rural strategies as good practice where these are not already in place. These strategies should leverage their wider roles and powers to support rural economic development, including through planning policy, support for digital infrastructure and transport provision. They should also consider the interventions that may be necessary to support the prosperity of smaller towns and outlying settlements. (Paragraph 197)

The government welcomes local authorities' contributions to the development of Local Industrial Strategies through LEPs and mayoral combined authorities. In addition, the National Planning Policy Framework states that policies and decisions should support a prosperous rural economy by enabling growth and expansion of all types of business in rural areas.

The Local Industrial Strategy Policy Prospectus advises local partners to set out the spatial impacts of national and local policy across their cities, towns and rural areas to inform priorities and choices so that all communities can benefit from and contribute to growth. In the process of developing local industrial strategies with LEPs and mayoral combined authorities, departments across government are engaging with places on ways to support growth in rural economies through strengthening the foundations of productivity. This necessarily includes considering improvements to digital infrastructure and transport provision, but also other issues including skills, supply chains and access to business support. The success of rural economies often relies on their connectivity to urban areas.

31. The Government must give more support to local authorities in devising and delivering place-based approaches to rural development, and funding allocations should reflect this. Government should also promote and share good practice in the development of place-based rural strategies and initiatives and enable access to appropriate advice and support. Government should also consider whether some funding programmes being delivered by LEPs could be more effectively implemented by local authorities. (Paragraph 198)

The government has set out above its approach to local authority funding.

The government welcomes local authorities' contributions to the development of Local Industrial Strategies through Local Enterprise Partnerships and mayoral combined authorities.

32. While still relatively small, community business is growing fast and has huge potential in rural areas. For a place-based approach to be successful, national and local Government and local public bodies must do all they can to support the growth of this sector. (Paragraph 215)

33. National and local Government should review their procurement policies to ensure that small and local organisations have the genuine ability to bid for the delivery of services. Such a review should include an exploration of the potential for smaller-scale, locally-driven commissioning with a specific objective to support the growth and economic participation of community organisations and businesses. (Paragraph 216)

The government agrees it is important to ensure small and local organisations are able to bid for the delivery of services. National and local government procurement policies are kept under constant review. The government has already taken action to ensure that bidding processes are simplified across the public sector with:

- complex Pre-Qualification Questionnaires abolished for low value contracts.
- increased transparency of opportunities via the Contracts Finder website, which covers current and future public sector contracts and award notices above £10,000 in central government and £25,000 in the wider public sector.
- a requirement for public buyers to divide contracts into more accessible lots so tender requirements can be matched to smaller businesses' specialisms.
- a requirement for all public sector buyers to have 30 day payment terms in their contracts and through their supply chains.

In April last year the government announced a package of tough new measures designed to level the playing field for smaller businesses bidding to win government contracts, including:

- improving transparency to encourage large businesses to employ more small and medium sized enterprises in the supply chain;
- using Contracts Finder to advertise subcontracting opportunities;
- excluding suppliers from government procurements if they cannot demonstrate prompt payment.

34. The Community Right to Bid should be replaced with a 'Community Right to First Refusal', strengthening the power of community organisations to acquire Assets of Community Value by ensuring they have priority in any bidding process. (Paragraph 217)

The government agrees that community businesses have an important role to play in local economies. Local Enterprise Partnerships and mayoral combined authorities can consider the role of community businesses through the "Business Environment" foundation of their Local Industrial Strategies, in connection with the other foundations of productivity.

The Community Right to Bid seeks to balance the interests of community groups who want to preserve buildings or land which are important to their communities' well-being with those of land and business owners who wish to dispose of their property at a time of their choosing.

The checks and balances built into the Community Right to Bid (a valid nomination process, local authority validation, right of appeal for assets owners including compensation provisions and the opportunity for eligible community groups to buy without the moratorium delay) ensures that this scheme continues to meet the government's policy objective.

35. Government should make use of the existing Dormant Assets Scheme—where money from dormant bank accounts is directed to good causes—to establish a Community Ownership Fund, providing support for community owned assets and amenities. (Paragraph 218)

In England, the legislation which enables the Dormant Assets Scheme (the Dormant Accounts Act 2008) restricts the use of dormant accounts funding to three issues: social investment, financial inclusion and youth. Using dormant accounts funding for anything outside these three issues, including a Community Ownership Fund, would not be possible under the current legislation. To date, the government has allocated dormant account funding in England to high impact, ambitious initiatives including:

- funding Big Society Capital, who have used £395 million of dormant accounts funding to support charities and social enterprises across the country to grow, become sustainable and increase their impact; and
- funding Fair4All Finance and the Youth Futures Foundation, both launched this year, who will use a combined £145 million to tackle problem debt and youth unemployment respectively.

In Scotland, Wales and Northern Ireland, decision making around funds made available from dormant accounts is fully devolved.

36. Government must also review how else community rights may be strengthened to support rural economic development and should explore other forms of grant funding to support community ownership and community business more widely. (Paragraph 219)

The government has supported the growth of rural community pub ownership since 2013, first through direct funding for the Plunkett Foundation to facilitate its work on rural community pub ownership, and then as co-funder of the successful £4 million More Than a Pub business support programme, which closed on 8 March 2019 after helping 40 predominantly rural communities to own their local pub and for which the Plunkett Foundation was the lead delivery partner.

Building upon the success of its partnership working to date, MHCLG will continue to work closely with the Plunkett Foundation, as the experts in developing rural community-owned businesses, to explore feasible and practical ways in which the government can help the Plunkett Foundation to continue its work.

37. Volunteering and community activity have always played a key role in rural areas and their economies, but this role has become increasingly important as local public services have reduced. In this context, it is important that communities with lower levels of civic engagement do not fall

further behind and that community participation avoids perpetuating the wider structural inequalities that can lead to entrenched deprivation. There may be a need for intervention and funding from national and local Government to address this challenge. (Paragraph 227)

38. *In light of the evidence that service delivery is increasingly dependent on volunteers, Government must pursue more initiatives for developing and maintaining rural voluntary capacity and participation. These should focus in particular on rural areas where civic engagement may be lower and incorporate a Community Capacity Fund, targeted to build capabilities and share best practice in such areas. (Paragraph 228)*

39. *The Community Capacity Fund should also be used to help identify and provide training and financial support for community leaders, or to fund external support where local leadership is limited. The Fund would help support these leaders in enabling local engagement in economic and community initiatives. (Paragraph 229)*

The *Civil Society Strategy* set out a vision of how the government could help strengthen and support civil society in England, recognising the key role which volunteers play in many aspects of community life. This included its intention to work with partners to develop new models of community funding which would bring together different forms of funding, such as social impact investment, charitable funding, and corporate investment. These models could potentially address the issues for which the Committee has proposed a Community Capacity Fund.

The government notes the Committee's view, on page 10 of its report, that "The Shared Prosperity Fund should incorporate a Community Capacity Fund, which should be used to build capabilities and support community leaders in promoting engagement". The government has confirmed it will consult widely on the design and priorities of the UK Shared Prosperity Fund. This will provide an opportunity for all interested parties, including rural communities, to provide their views on the Fund directly to government. Final decisions are due to be made following Spending Review.

40. *Town and parish councils should be encouraged to use their discretionary powers to promote local growth through strategic investment, asset management and service delivery. With this objective in mind, Government should provide funding for relevant organisations such as NALC and the Rural Services Network to produce a best practice guide on the use of town and parish council discretionary powers to support rural economies. (Paragraph 236)*

Although the government would not discourage NALC or the Rural Services Network from gathering together examples of good practice on use of discretionary powers for wider dissemination, it does not think this would be a good use of government funds. Parish councils have the ability to raise their own funds via the precept. The government is keen to encourage councils to think innovatively when using their discretionary powers but it is not the role of central government to tell parishes how to use them.

41. Local authorities should also work with rural towns to introduce town centre managers where appropriate, as these can help drive new investment and footfall, promoting rural towns as community hubs. (Paragraph 237)

The government recognises that our high streets and town centres are a crucial part of our communities and local economies in rural as well as urban areas, creating jobs, nurturing small businesses and injecting billions of pounds into our economy. It is not just about retail – people care about high streets because they are the centres of their community and consumers are looking for a range of experiences when they visit a high street, from leisure to health services. This is particularly the case in rural areas where towns can serve as a hub for a widely dispersed population.

High streets and town centres are changing, and the government is committed to helping communities adapt. It wants to see vibrant hubs where people live, shop, use services and spend their leisure time.

This is why the government announced in autumn 2018 a significant package for high streets. This includes a £675 million Future High Streets Fund to support local areas in England to invest in town centre infrastructure, including to increase access to high streets and support redevelopment and densification around high streets. The objective of the Fund is to renew and reshape town centres and high streets in a way that improves experience, drives growth and ensures future sustainability. The Fund will also support the regeneration of heritage high streets (up to £55 million of the overall Fund). Expressions of interest for the Fund closed on 22 March. MHCLG is assessing these and will make an announcement on places moving forward to phase two in summer 2019.

Futureproofing our high streets and town centres will require strong local leadership. This is why the government is also establishing a High Streets Task Force to provide high streets and town centres with expert advice to adapt and thrive. It will provide a single place for local leaders in high streets and town centres to access support and guidance. This will help support them in developing and implementing high quality, evidence based, locally-led plans for their high street and town centres. The Task Force will do this by increasing coordination between different groups and organisations, building skills at the local level, boosting local authority capacity through provision of expertise, improving the use of data, and sharing best practice and guidance. The government has invited interested organisations to bid to host the Task Force and will announce the successful bidder in due course.

42. Government should not pursue any suggestion of imposing referendum thresholds for town and parish council precepts, and instead encourage them to be set locally and responsibly to fulfil local objectives for rural economic development and for other needs. (Paragraph 238)

Each local authority is responsible for setting its council tax level and managing resources in order to fulfil local needs and objectives. The government sets referendum principles for different types of authority with the approval of the House of Commons. If local authorities wish to exceed these thresholds, they must hold a referendum which allows residents to agree or veto the increase.

No referendum principles have been set to date for town and parish council precepts, but the government has been clear that it expects the sector to take all available steps to mitigate the need for council tax increases. The Secretary of State for Housing, Communities and Local Government sets thresholds annually as part of the Local Government Finance Settlement process and reserves the right to consider principles for town and parish council precepts in future years in light of all relevant circumstances, including increases set in previous years.

Chapter 4: Digital connectivity

43. Both policy and delivery have been poor in the past but recent policy and funding announcements, particularly in relation to the rollout of full fibre and 5G technology, are encouraging. The Government appears to have identified the challenges and we are optimistic about the overall direction of travel outlined in the FTIR which is giving greater focus to rural areas. (Paragraph 252)

44. The 5G Testbeds and Trials Programme and efforts to promote fibre to the premises on all new builds, and other initiatives, will be crucial. Efforts to mandate FTTP to all new builds are welcome as are incentives to provide FTTP on housing developments of 30 or fewer units. However, we are concerned that those smaller developments will still suffer from digital disadvantage. (Paragraph 253)

45. We welcome the Government's ambition to achieve nationwide full fibre connectivity by 2033 as set out in the Future Telecoms Infrastructure Review (FTIR) but stress the need for effective coordination, monitoring and accountability in its implementation. In particular, this should be achieved through the Statement of Strategic Priorities and through the various rural broadband funding streams and initiatives such as the Rural Gigabit Connectivity Programme and the Gigabit Broadband Voucher Scheme. (Paragraph 254)

The government welcomes the Committee's support for its ambitious plans to improve coverage in rural areas through the rollout of gigabit-capable full fibre broadband and 5G mobile connectivity but does not accept that policy and delivery have been poor in the past.

The government has always recognised and continues to recognise, that there is a crucial role for digital infrastructure to underpin the transformation of the UK economy and to ensure that rural areas across the country benefit as much as anywhere else. The government, in recent years, has established a series of programmes and initiatives that have helped, and will continue to help to improve rural connectivity. The Superfast Broadband Programme has ensured that 96 per cent of UK premises now have access to download speeds of 24 Megabits per second and it continues to connect more premises every week. As a result, the UK compares well for superfast broadband availability. In addition, the £190 million Local Full Fibre Networks programme is stimulating private investment in even faster full fibre broadband in urban and rural locations across the UK. The £67 million Gigabit Broadband Voucher Scheme is supporting this by enabling small

and medium sized enterprises to claim up to £2,500 towards the cost of a full fibre connection and residents up to £500 as part of a group project.

The Future Telecoms Infrastructure Review committed to an "outside-in" approach to the rollout of gigabit-capable broadband, meaning that government will support deployment to the 10 per cent of premises that are the most difficult-to-reach commercially. The first step in this process is the £200 million Rural Gigabit Connectivity programme, launched on 19 May. The programme is aimed at testing a demand-led model to gigabit-capable connectivity deployment.

The government has also introduced the broadband Universal Service Obligation (USO), which will provide all UK premises with the legal right to request a high speed and affordable broadband connection, if they do not have one already. This will provide these premises with decent broadband, while the government looks to upgrade them to a gigabit-capable connection as part of the strategy to implement the Future Telecoms Infrastructure Review.

The government notes the Committee's conclusions on mandating Fibre to the Premises to all new builds. New build connectivity is a priority for this government. The government wants to ensure all new homes, rural and urban, are built with the future in mind and believes it is vitally important that they are ready to accept the next generation of digital infrastructure. A consultation on proposals to mandate gigabit-capable connections to new build developments of all sizes closed on 21 December 2018. The government is currently reviewing the responses received and is working with key stakeholders and industry to finalise this policy. It will publish a formal response to the consultation in due course.

The government agrees with the Committee's recommendation on effective co-ordination, monitoring and accountability of the Future Telecoms Infrastructure Review. It is committed to monitoring progress on an annual basis and to undertake a full review of its impact after three years.

The government consulted on a draft Statement of Strategic Priorities in February and March this year. It is currently considering the responses received. The next step is to lay the statement in Parliament for it to be designated, after which Ofcom is legally required to have regard to it in its regulatory decision making.

The government agrees strongly that effective coordination of rural broadband funding and policies is important, and is committed to working with stakeholders to make sure that this happens. Within Building Digital UK², all delivery programmes are overseen by the same Programme Director to ensure effective coordination. The Infrastructure and Projects Authority also periodically reviews programmes managed by Building Digital UK.

46. It is important that rural areas, and businesses within them, are not left behind during the rollout of 5G for mobile services. We were pleased to learn that in 2018 the Government was keen to ensure that those mobile operators who plan to bid in the auction for the 700MHz spectrum would be required to ensure rural areas were prioritised, but are disappointed to see that these

² This is the new name for Broadband Delivery UK

obligations have been watered down in the most recent Ofcom consultation document. (Paragraph 258)

47. Ofcom should revisit its latest proposals for the auction of the 700MHz spectrum with a view to strengthening again those obligations which are to be attached to some licence awards, in terms of network coverage and delivery timescales. It will also be important for Ofcom strictly to monitor mobile network operators' progress in achieving their coverage obligations. DCMS and Ofcom should also identify what further actions are necessary to address poor mobile connectivity in areas unlikely to benefit from the spectrum auction. (Paragraph 259)

Improving mobile coverage in rural areas is a key priority for this government. Geographic 4G mobile coverage from at least one operator has increased significantly in recent years from 79 per cent in 2017 to 92 per cent today. The government however wants to go further and is committed to extending geographic coverage to 95 per cent of the UK by 2022, as well as ensuring that the majority of the population have 5G coverage by 2027.

The spectrum auction design and its obligations are a matter for Ofcom as the independent regulator. The government supports the inclusion of coverage obligations in the proposals for the 700 MHz and 3.6-3.8 GHz spectrum auctions, and is committed to working with Ofcom and the mobile industry to meet the manifesto commitment of ensuring 95 per cent geographic coverage across the UK.

Ofcom has set out clearly its reasons for the approach it is proposing. In its consultation document *Award of the 700 MHz and 3.6-3.8 GHz spectrum bands* published on 18 December, it confirmed that “We took account of all the responses received in developing our revised proposals for including two, rather than three, coverage obligations in the auction, and for setting the requirement to provide good quality mobile broadband coverage to a minimum level of 90% of the UK landmass (with additional requirements around premises coverage and new masts), rather than 92%.” In addition “We have revised our high-level modelling to estimate the costs involved in meeting our proposals, and undertaken a further assessment of the benefits. Our revised analysis suggests that a geographic coverage obligation set at 90% of the UK landmass is likely to deliver social benefits which would be at least as large as the underlying costs”.

The current proposals represent Ofcom’s judgment as to the most ambitious coverage obligations that are consistent with a successful auction. Ofcom has successfully monitored previous coverage obligations for voice coverage and verified that mobile network operators have complied with the requirements of their licences.

The government’s ambition remains for there to be good coverage wherever people live, work and travel and DCMS is working with other departments and with industry to explore further opportunities to deliver 95 per cent geographic coverage. The UK's mobile network operators are currently engaged in discussions on a shared rural network. The terms of the proposal are still being developed and the government looks forward to hearing the industry’s potential solution to the issue of rural mobile coverage. The government will continue to consider the full range of

possible options to deliver against its mobile coverage target. In the Future Telecoms Infrastructure Review the government committed to keep planning regulation under review to support the deployment of digital infrastructure. As announced on 12 June 2019, the government will shortly consult on proposals to simplify planning processes in England to support the rollout of 5G and further improve mobile coverage in rural areas. In addition, roaming in rural areas has the potential to improve consumer choice and could be a solution for the problem of “partial not-spots” (where one or more operators are present, but all four are not). Ofcom published a preliminary analysis of roaming in September 2018³ and this advice is helping to develop policy thinking.

The government’s ambition for 5G is for the UK to become a global leader in the technology and to make sure that the majority of the population have access to a 5G signal by 2027. The government agrees it is important that rural areas are not left behind during the rollout of 5G services. The 5G Testbeds and Trials Programme is a key part of the government’s 5G strategy and will help to create the right conditions for commercial investment in 5G infrastructure and services. Two of the six projects that were selected in the 5G Programme’s first phase of funding are addressing challenges in rural areas. Both projects received between £2 million and £4 million in government grants and match funding by industry. The projects are now demonstrating new applications and have both been extended for six months to maximise benefits and learnings. The Programme is currently developing proposals for a Rural Connected Communities project. This aims to build the business case for 5G and rural mobile coverage by testing a range of innovative technical solutions and commercial models.

48. Ofcom must improve access to information about digital connectivity. This should include regularly updated information about when residents and businesses can expect to be connected to digital infrastructure, connectivity options for communities and details of providers operating in their local area, and regular reporting on the progress of 5G rollout in local areas. (Paragraph 269)

The government supports improved access to information about digital connectivity for residents and businesses and strengthened Ofcom's information gathering powers in the Digital Economy Act 2017. The government will continue to work with Ofcom and industry to ensure the most up to date information on access to digital infrastructure is available in local areas.

49. We welcome the principle of the USO which will give people in the UK the right to request a decent broadband connection. However, we believe the upload and download speeds are too modest in the USO commitment and should be reviewed along with the £3,400 payment threshold. (Paragraph 278)

50. Ofcom has a duty to review the USO if directed to do so by the Government and report on any provision that is being or may be made for

³ [Advice to government - further options for improving mobile coverage](#)

broadband connections or services. We recommend that the Government direct Ofcom to conduct such a review as soon as possible, focusing on what minimum commitment would be needed to sustain and support rural businesses and communities, especially in remoter areas, and including both download and upload speeds. (Paragraph 279)

51. Ofcom should also re-assess the £3,400 payment threshold so that rural homes and businesses are not excluded. This must include consideration of home workers and businesses operating from home in remote areas. (Paragraph 280)

As set out above the USO is just one part of an extensive programme of work to improve broadband connectivity in rural areas. The USO is intended as a safety net to ensure no-one is left behind on unreliable and slow speeds. The government will look to upgrade them to a gigabit-capable connection as part of its strategy to implement the Future Telecoms Infrastructure Review.

The government is committed to keeping the USO specification under review to ensure that it keeps pace with consumers' needs as they evolve over time. The Digital Economy Act 2017 provides discretion for government to direct Ofcom to undertake a review at any time but there is a formal requirement for the government to direct Ofcom to undertake a review when superfast broadband has been taken up by 75 per cent of premises. Any review would look not only at the minimum download speed but at all aspects of the USO specification.

The government does not agree that an immediate review (before the USO is implemented in early 2020) is necessary. It is possible that consumers connected under the current USO will receive higher than the minimum specification. A decision on when to review the USO will be taken in the light of market developments. We will consider the best timing for this after the USO is implemented. The government would emphasise that it carefully considered the quality criteria and the reasonable cost threshold of £3,400 through a public consultation, which was published in July 2017. The government took into account Ofcom's modelling, which indicated that the £3,400 cost threshold would still enable coverage of up to 99.8 per cent of UK premises, alongside the costs of connecting the final 1 per cent of premises across the UK which can be very significant.

The cost threshold, and the quality criteria for the USO, deliver the objective to maximise decent broadband coverage in a way that means the costs to industry and consumers are proportionate.

The USO Order also requires the designated provider to aggregate demand so that the reasonable cost threshold could be combined across a number of premises, so that as many people as possible can be connected.

52. While we recognise that Ofcom has updated their aggregate statistics on rural mobile coverage better to align with consumer experience, we believe it should be required to develop an accurate evidence base for consumers about phone coverage in specific locations. Without this, it is not possible to identify the full scale of the problem or to assess how best to go about fixing it. (Paragraph 289)

The government recognises the need for consumers to have access to the best available information when choosing a provider.

The government welcomes Ofcom's published postcode-level coverage data as the best available independent assessment of comparable coverage between operators at a local level.

53. We welcome the proposal that Ofcom should review the option of introducing roaming in rural areas to address partial not-spots and would urge Ofcom to begin this review as a matter of urgency. Government and Ofcom should also encourage mobile network operators to share transmission masts more often at locations where they offer a practical means to improve rural connectivity. Mast sites should nonetheless be chosen sensitively, especially in areas of high landscape value. (Paragraph 295)

Improving mobile coverage in rural areas is a priority for government. The government has introduced a range of permitted development rights to support the delivery of mobile infrastructure, including legislating for higher masts in 2016, making it easier for industry to roll out or share masts whilst also protecting local amenity.

Sharing of sites and network infrastructure, such as masts and antennas, can make the deployment of mobile networks more cost effective. Infrastructure sharing is largely a commercial agreement between operators.

Roaming in rural areas has the potential to improve consumer choice and could be a solution for the problem of "partial not-spots" (where one or more operators are present, but all four are not). Ofcom published a preliminary analysis of roaming in September 2018. The government is carefully considering this advice alongside other options.

54. Training opportunities are limited and often too distant or too expensive for rural SMEs to participate in; the case for developing and improving digital skills is not being delivered to rural businesses. (Paragraph 303)

55. Local and national governments must do more to realise the potential of improving digital skills in rural areas, including supporting the establishment of digital enterprise hubs; promoting networking opportunities; facilitating knowledge sharing and the dissemination of good practice among rural businesses; and enabling more effective IT support for small rural businesses and start-ups. (Paragraph 304)

Digital skills are as important to employability and participation in society as English and maths, yet an estimated one in five adults lack basic digital skills. This means many adults are not able to undertake an online transaction or access services online. To address this, from 2020, alongside the existing legal entitlements to English and maths, the Department for Education (DfE) will introduce an entitlement to fund fully adults with no or low digital skills to undertake new improved digital qualifications free of charge. These will be based on new national standards which set out the digital skills people need to get on in life and work.

In April 2019 DfE published the new national standards for essential digital skills, based upon the Essential Digital Skills Framework. The national standards were subject to extensive consultation and input from a wide range of education, industry and digital inclusion stakeholders. Examples of new topics include using different devices, navigating the internet and protecting privacy online. DfE has also set out plans to introduce new “essential digital skills” qualifications which will be available from 2020. The new “essential digital skills” qualifications will be based on the new national standards and are designed to equip adults with the digital skills they need for life and work. New “digital functional skills” qualifications, also based on the new national standards, will be available from 2021.

DfE also funds the “Future Digital Inclusion” programme. This programme, managed by the Good Things Foundation, has helped over 1 million adults to improve their basic digital skills over the past five years by attending courses at Online Centres across the country and undertaking learning on the ‘learn my way’ e-learning platform.

The government recognises the importance of improving digital skills in rural areas. Measures such as the digital skills entitlement and apprenticeships in the digital sector need to be part of a wider solution to meet the skills and productivity challenges faced by rural businesses. A key reason for the formation of the Digital Skills Partnership was to help public, private and charity sectors to collaborate and support each other to work together to close the digital skills gap at a local level.

Last year saw the launch of the first three local digital skills partnerships covering the LEP and combined authority areas of Lancashire, Heart of the South West and the West Midlands. Three Local Digital Skills Partnerships have recently been launched in Cornwall and the Isles of Scilly, Cheshire & Warrington and the South East, taking these trailblazer partnerships to a total of six regions covering a population of more than ten million people.

The government is supporting each of the trailblazer regions, several with large rural populations, to take an evidence-based, tailored approach to addressing digital skills shortages and meet the needs of their specific local economies and communities.

For example, in the Heart of the South West region, Cosmic’s Positive People programme provides digital skills training for life and work to communities across Devon and Somerset, and a Business Basics pilot is being run in Devon to support rural businesses with digital transformation.

The trailblazer Digital Skills Partnerships are committed to sharing data, tools and best practice with other regions, all of which will be fed into the local Digital Skills Partnerships “Roadmap”; a central guide and resource being developed over the Summer of 2019 for all LEPs and combined authorities to use.

The government is encouraging LEPs and mayoral combined authorities to embed plans for Local Digital Skills Partnerships in their Local Industrial Strategies. Increased digital capability is a route to skilled workforces, social inclusion and mobility, improved business productivity and much more. The Local Digital Skills

Partnerships can ensure that these benefits are delivered to their rural communities as well as their towns and cities.

Chapter 5: Housing, planning and rural working spaces

56. For the rural economy to thrive, there needs to be an adequate supply of new housing in the right places and of the right types, brought forward in a sensitive way which respects and engages with local communities. We heard evidence that this is not enough of a priority for the Government, and the rural economy risks falling behind as a consequence. (Paragraph 327)

57. The absence of data on new housing in settlements of fewer than 3,000 people is a significant weakness in the ability to assess the success and sustainability of rural communities. The Government must explore means of gathering this data, make greater efforts to identify housing shortages in smaller rural villages and, where possible, work with local authorities and housebuilders to identify opportunities to develop new homes in village locations. This will help ease the burden on larger settlements where large schemes are being proposed, improve the sustainability of smaller villages, and ensure that development is more sensitive to local scale and context, minimising local community opposition. (Paragraph 328)

The government collects data through its local authority housing statistics. These include data on additional affordable housing provided in settlements of fewer than 3,000 people and on rural exception sites, although this excludes numbers of social housing sales which are collected at local authority level only. Local authorities are required to submit to central government only those datasets which are specified in the Single Data List. Authorities are not required to submit any other data outside those set out in the Single Data List because of the additional administrative and cost burden that would be incurred, particularly in producing figures for smaller areas, such as settlements under 3,000 inhabitants.

58. Government must also review the rural impact of the Housing Delivery Test and particularly whether it is incentivising developers to seek to build on greenfield sites over and above brownfield sites that should have priority in the planning system. The review should focus on whether the test acts as a disincentive to brownfield development. (Paragraph 329)

The Housing Delivery Test will trigger a presumption in favour of sustainable development where there is substantial under-delivery of homes required. The presumption does not apply in important protected areas, such as the Green Belt, Ancient Woodland, and Areas of Outstanding Natural Beauty. The National Planning Policy Framework also places substantial weight to the value of using suitable brownfield land within settlements for homes. MHCLG is committed to monitoring the impact of the Housing Delivery Test by engaging with those local authorities who are facing challenges as it is vital that homes are built with the support of communities as part of a plan-led system.

59. Government should also introduce stronger policies to support the sustainability and adaptability of rural housing for older populations, including making provision for new homes to be constructed to Lifetime

Homes standards, and supporting energy efficiency measures to reduce the cost of heating and ease fuel poverty. Local authorities should also ensure that sufficient housing for older people is allocated through local plans. (Paragraph 330)

The government agrees that providing homes for older people living in rural areas is an important objective. The revised National Planning Policy Framework, published in July 2018, makes clear that the housing needs of all groups in the community should be planned for. It also expects local planning authorities to use the government's optional technical standards for accessible and adaptable housing, where this would address an identified need for such properties. This is broadly equivalent to the Lifetime Homes standard. MHCLG will be publishing new planning guidance to help councils put these policies in place.

The government is committed to tackling fuel poverty. The best long-term solution is to reduce fuel bills by improving the energy efficiency of people's homes. The government plans to consult in 2019 on a further uplift to the energy efficiency requirements for new and existing buildings where the evidence suggests it is cost effective, affordable, practical and safe to do so.

To improve the energy efficiency of existing homes, the Department for Business, Energy and Industrial Strategy has reformed the Energy Company Obligation (ECO) scheme to focus on low income, vulnerable households. The scheme regulates energy suppliers to install energy efficiency measures and since the scheme started in 2013 over 2.4 million measures have been delivered.

The new ECO scheme is worth £640 million each year from December 2018 through to 2022. The scheme is to be focused entirely on low income and vulnerable households to improve the energy efficiency of their homes.

In addition, the Warm Home Discount Scheme provides over 2 million low income and vulnerable households with a £140 rebate off their energy bill each winter.

60. It is clear from most of the evidence we have received that the affordable housing unit threshold policy does not work for rural areas. As well as severely limiting the supply of much-needed rural affordable housing it is also likely to increase the hostility of communities to new development, in the knowledge that small housing schemes may no longer meet genuine community need. There is little evidence that requirements for affordable housing contributions made small housing sites unviable for development in the past. (Paragraph 340)

61. Government should provide a full and comprehensive exemption for all rural areas from the policy to limit affordable housing contributions on small sites. Local authorities should be free to work with developers to seek the necessary level of affordable housing contributions on all new housing sites to help meet the fullest range of rural housing needs. (Paragraph 341)

As the Committee heard, it is important to strike a balance between meeting affordable housing needs in rural areas and not undermining the viability of building homes. The revised National Planning Policy Framework allows authorities in

designated rural areas to set a reduced threshold for affordable housing contributions so that contributions may be secured from schemes of five units or fewer, where it can be shown that it is viable to do so.

The Framework also allows new entry-level exception sites to come forward in rural areas generally as a further means of providing affordable homes (and as an addition to the pre-existing policy supporting the creation of rural exception sites in appropriate circumstances). The government has committed to monitoring the impact of this policy in rural areas.

62. Homes England should restore its rural housing target, and this target should reflect the rural population of England. The Government and Homes England should also work more closely with rural affordable housing providers to ensure that grant rates reflect the higher cost of development on small rural sites. Government should also ensure that a fair share of the Housing Infrastructure Fund goes to rural areas to help aid the viability of new development of all types. (Paragraph 346)

Homes England has been set a mission and series of objectives by government to intervene in the housing market to get more homes built in the areas of greatest need and where the cost of housing is most unaffordable. In doing so Homes England work with local authorities at every level – including in rural areas – to provide expertise on meeting housing need and to ensure the necessary funding is provided to unlock this housing where it is appropriate to do so.

The agency also works alongside key strategic partners in the affordable housing sector to best enable them to deliver effectively across the country, in cities, towns, and rural areas. Through the Shared Ownership and Affordable Homes Programme, Homes England works with a variety of partners to provide grant funding for the development of affordable housing in rural areas. Bids are mainly assessed on a scheme by scheme basis, details of which are provided in the Shared Ownership and Affordable Homes Programme Prospectus. Homes England has recently entered into strategic partnerships with some of the largest Housing Associations in order to manage its development programmes on a portfolio approach.

All bids are assessed on value for money and on grant per home. Homes England recognises that scheme costs or the resources available to bidders will vary. There may be occasional instances where higher grant levels are required to facilitate the development and make homes affordable to prospective purchasers. Homes England will work with providers to ensure that, where more grant is required, a robust case can be presented to support approval.

The Housing Infrastructure Fund is currently not accepting new bids. Decisions on remaining Forward Funding bids already submitted will be taken over the coming months. Bids are assessed on their strategic approach, ability to effectively deliver strategic infrastructure to unlock housing where it is most needed and value for money for the taxpayer.

63. Rural exception sites are an important contributor to rural affordable housing, but evidence suggested that they are not yet meeting their potential,

with delivery being heavily concentrated among a small number of local authority areas. In addition, wider Government policy may disincentivise landowners from bringing forward rural exception sites for rural affordable housing. (Paragraph 357)

64. *The Government should publish best practice guidance for the incentivisation and delivery of rural exception sites, drawing on the example of authorities such as Cornwall which has particularly high delivery rates. The Government should also undertake further research to understand why rural exception site delivery is so concentrated and so poor across much of the country. (Paragraph 358)*

The government welcomes the active way in which some authorities have supported the delivery of rural exception sites. In view of the inherently local nature of such sites, the government believes that the sector is best placed to identify and share best practice in how they can be supported most effectively.

65. *Government should also amend policies which restrict private landowners from becoming registered providers of affordable housing. The Government should consider taxation reforms to incentivise the availability of rural exception sites, including Capital Gains Tax, Inheritance Tax and Business Rate reliefs where appropriate. (Paragraph 359)*

The government does not consider that the definition of affordable housing in the National Planning Policy Framework should be widened to allow private landlords who are responsible for affordable housing to rent, to be able to operate without being registered providers. The requirement that landlords be registered providers ensures that tenants of affordable rented properties are safeguarded by ensuring regulatory standards are met to protect tenants and ensure stock is well-managed and of appropriate quality. This approach does not prevent private landowners from applying to be registered providers.

The government does not currently have plans to grant tax reliefs such as full Capital Gains Tax relief for land sales to Rural Exception Sites. Tax reliefs have an Exchequer cost, and the government considers that the extent to which such reliefs would incentivise the sale of land to Rural Exception Sites is uncertain.

66. *There is also a wider challenge of land values in relation to affordable housing delivery. Because the grant of planning permission can be so lucrative, rural housing sites often command very high prices which leads to the exclusion of affordable housing as the cost of the land makes it unviable. (Paragraph 360)*

67. *Increasing the supply of affordable housing in rural areas will continue to prove difficult unless fundamental action is taken which either reduces the jump in land values typically arising from development permission or which captures and apports that gain. This is a complex issue which requires serious study. Government should establish an inquiry to examine this question within the next six months and should ask that enquiry to report back with policy recommendations within the following twelve months. (Paragraph 361)*

The Housing, Communities and Local Government Select Committee recently held an inquiry into land value capture and the government responded on 29 November 2018.

The government recognises there is scope for central and local government to claim a greater proportion of land value and is committed to using existing mechanisms of land value capture as effectively as possible.

The government has already introduced major reforms to the National Planning Policy Framework to help local authorities capture land value for affordable housing and infrastructure. The government is also bringing forward further reforms to the Community Infrastructure Levy and Section 106. The government has committed to report back to the Housing, Communities and Local Government Select Committee on progress with the reforms by the end of 2019.

68. *Community Land Trusts play an important role in the provision of affordable housing in rural areas and have the potential to play an even bigger role in the future. We urge the Government to ensure that the funding provided through the Community Housing Fund is consolidated in the long term. Government should also introduce a guarantee scheme to support development finance for CLTs. (Paragraph 366)*

Community Land Trusts are an important part of the community-led housing sector and the government recognises that they offer significant potential for helping to meet housing need across England. In addition to helping increase the rate of delivery of new housing they will help deliver a range of other benefits including diversifying the housebuilding sector, improving design and construction quality, developing modern methods of construction, and sustaining local communities and local economies. The support and close involvement of the local community enables the community-led approach to secure planning permission and deliver housing that could not be brought forward through speculative development.

The government notes the Committee's views in relation to the Community Housing Fund which is currently scheduled to close in March 2020. It will consider carefully all proposals to extend the scheme beyond March 2020 but decisions on funding for 2020/21 onwards are a matter for the next Spending Review.

69. *The Right to Buy for council tenants has enabled home ownership for some, but has caused a significant depletion of affordable housing in rural areas. The problem is particularly acute in rural locations where it may be difficult or impractical for homes sold to be replaced by a new affordable home in the same locality. (Paragraph 371)*

The government believes the housing market should work for everyone – those who rent their homes and those who wish to buy them. The Right to Buy gives people from a broad sector of the community the opportunity to own their home, encouraging stronger links and a wider interest in their local communities. It has helped nearly 2 million tenants into home ownership since its inception.

The government is however aware of concerns about affordable housing in rural areas. In designated rural areas, where homes in these areas are sold under the statutory Right to Buy, landlords can impose a covenant to ensure that they can be resold only to someone who lives or works in the local area. This keeps homes available for the local community.

70. Current replacement rates for rural council homes sold under the Right to Buy policy are woefully inadequate. The Government should therefore consider suspending the local authority Right to Buy or making it voluntary for local authorities in specific locations, to ensure that much-needed affordable housing is not lost where it would be difficult or impractical to replace it. (Paragraph 372)

As noted above, where homes in rural areas are sold under the Right to Buy, in designated rural areas, landlords can impose a covenant to ensure that they can be resold only to someone who lives or works in the local area. Following the reinvigoration of the Right to Buy in 2012, local authorities were able for the first time to use receipts from additional sales for new affordable housing.

The government does not disaggregate the data for Right to Buy sales and replacements by rural area. Over 140,000 affordable homes, however, have been provided in rural local authorities in England since April 2010 while, since 2015, over 10 per cent of additional affordable homes have been delivered in settlements with a population of fewer than 3,000. Furthermore, Homes England has dedicated rural housing champions in each of its operating areas, who work actively across the rural housing sector.

71. Regarding the operation of the ‘Voluntary Right to Buy’ for Housing Associations, we welcome the assurance that there will be exemptions where housing is designated as affordable in perpetuity, such as rural exception sites. Nevertheless, questions remain over how the policy will operate in practice in rural areas. (Paragraph 373)

The voluntary agreement between the National Housing Federation and the government gives housing associations the discretion to exempt properties from sale that they see as difficult to replace, including properties in rural areas. This is for each housing association to decide and is not restricted to rural exception sites only. In such circumstances, the landlord must offer the tenant the chance to transfer (or “port”) their discount to another housing association property that is not excluded. This is being tested through the current Voluntary Right to Buy Midlands Pilot.

72. The Housing Association Right to Buy is inappropriate in many rural areas as it will often be impossible to provide a replacement home in the same locality. The policy must not be implemented in rural areas unless and until clarity is available on how it would ensure adequate local replacement of affordable homes sold, or comprehensive exemptions are in place where replacement is not possible. (Paragraph 374)

The Voluntary Right to Buy is currently being tested through the Midlands Pilot, including the replacement of the properties sold. As noted above, housing

associations have the discretion to choose not to sell properties in rural areas. A full evaluation of the pilot will be published in autumn 2020 after the pilot concludes.

73. It is to be welcomed that the Government has established an advisory body within MHCLG to consider aesthetics in new developments. This body must fully rural proof all of its proposals and ensure that, in developing its ideas, distinctive rural vernacular is considered in full, to help win community support for future development. Government should also consider how such proposals might be reflected in future national planning policy and guidance. (Paragraph 378)

The government recognises the importance of design quality in rural development, and incorporated a dedicated panel session on this theme in our national design quality conference in February. The independent Building Better, Building Beautiful Commission is currently gathering evidence to support its work and is holding a series of interviews, roundtable meetings and site visits with a broad range of experts, professionals and community representatives. The Commission has held a session specifically to hear evidence on issues affecting rural areas, and these views will be taken into account as it considers what recommendations it should make to the government.

74. The National Planning Policy Framework makes some welcome changes to support the rural economy, particularly with regard to viability assessment reforms, and in its new references to the rural economy and rural housing. It is also welcome that the document states that planning policies should identify opportunities for villages to grow and thrive, making clear that housing in smaller villages without local services is not necessarily “unsustainable”. There may still be scope for stronger support for new housing in small settlements as a means of supporting rural economies, however. (Paragraph 389)

75. The Government should revise national planning practice guidance to clarify that sustainable development should be supported in rural villages, to ensure their survival and appropriate growth. Guidance against the designation of villages as “unsustainable communities” should be enforced more strongly where appropriate. (Paragraph 390)

The government welcomes the Committee’s recognition of the support which the revised National Planning Policy Framework offers to the rural economy and housing. The Framework already makes clear that policies should identify opportunities for villages to grow and thrive, especially where this will support local services. As rural areas vary considerably in character, the government believes that local planning authorities and communities are best placed to decide how to reflect this in their local and neighbourhood plans.

76. The Government should also monitor new NPPF policies on viability assessments and entry level exception sites to ensure they are operating as intended and helping the supply and maintenance of new rural affordable housing. It should bring a report to Parliament on the outcome of its monitoring within three years. (Paragraph 391)

The government is undertaking an early evaluation of policies in the National Planning Policy Framework on viability assessment and will report back to the Land Value Capture select committee with its findings by the end of 2019.

The government is committed to supporting those looking to rent or buy their first home, and the entry-level exception sites policy is a key tool to support this ambition. As set out in its response to the consultation on the draft National Planning Policy Framework, the government will monitor the impact of entry-level exception sites in rural areas to ensure its policies are operating as intended and helping the supply and maintenance of new rural affordable housing.

77. The Raynsford Review makes an important contribution to the debate over planning reform in England. Although not specifically rural proofed, many of its recommendations are much-needed in a rural context and would lead to much better and consistent outcomes in rural development, helping strengthen rural economies more widely. (Paragraph 396)

78. We take particular note of the proposals in the Raynsford Review to enhance the ability of local authorities to plan for the needs of their localities, and to ensure a higher level of community participation and engagement in the planning process. We recommend that the Government gives serious and urgent consideration to these proposals in particular, with a view to adopting them as policy, and that it should also give full consideration to how they may be applied and implemented in rural contexts. (Paragraph 397)

The government notes the Committee's conclusions on the Raynsford Review. With respect to the specific recommendations in paragraph 397, the government is keen to see communities more involved in the planning process. That is why the government's £26 million support programme from 2018 to 2022 provides resources and expertise to support and encourage communities to engage in the planning process through the preparation of a neighbourhood plan. While there is a right of appeal only for those applying for planning permission, the planning system is centred on community involvement with statutory rights to become involved at every stage from plan-making to planning application.

79. Government must ensure that the work of the National Infrastructure Commission complements, rather than displaces, the role of local planning. Projects such as the proposed Oxford-Milton Keynes-Cambridge corridor must be developed with this in mind. (Paragraph 398)

Recommendations made by the National Infrastructure Commission represent the views of the Commission, which is independent of the government. The recommendations are not a statement of government policy.

Where, however, the government endorses the recommendations of the Commission, they are capable of being material considerations in the planning process. As with all material considerations, the weight given to specific recommendations will be a matter for the decision maker. On the Oxford-Cambridge Arc, meeting the government's ambitions requires it to take a long-term view and to work collaboratively with local partners to consider what planning approaches and flexibilities may be appropriate in future, within and across the Arc.

This could include considering the role of a spatial vision or strategy for the Arc as a whole. The government has been clear that this must not harm the ongoing plan-making process, and that extant local development plans and joint plans in the Arc must retain their integrity whilst they are in place.

The government is developing a local natural capital planning approach in the Arc and is working closely with local partners including local authorities, LEPs and Local Nature Partnerships to co-design this new approach. This work seeks to embed natural capital thinking in growth plans for the area, delivering on the joint commitment between government and the Arc Local Authority and Local Enterprise Partnerships Leaders Group to explore natural capital thinking throughout the approach to the Arc. The project is supported by cross-government funding of £1.2 million from Highways England, Homes England and Defra.

80. Government should revisit the merits of a spatial plan for England, particularly as it relates to rural areas, to ensure that planning policy operates in a framework where land use priorities are properly considered above the local level. This will help ensure that the right type of development is brought forward in the right places, enabling sustainable and growing rural economies and communities. Government must carefully consider how such a plan may be developed at a local and regional level, focusing on how groups of local authorities may be encouraged or required to work together to develop and implement the plans. (Paragraph 405)

The government agrees that strategic planning can play an important role in identifying a sustainable, long-term approach to development, infrastructure and improving the environment. It however disagrees that a national spatial plan is the best way to achieve this. Regional spatial planning was intentionally abolished through the Localism Act 2011. The National Planning Policy Framework supports a more flexible approach which is tailored to the nature and extent of the strategic issues facing each area. This is underpinned by the new requirement for authorities to work together on statements of common ground, and the encouragement which the Framework gives to joint plan-making.

As the committee heard, the government is taking forward commitments in the 25 Year Environment Plan to improve spatial information and analysis to better inform decision making, including those relating specifically to protecting and improving the environment.

81. Neighbourhood planning is of crucial importance in a place-based approach to rural economies. While it is a valuable tool, however, its take-up has been patchy, often in ways which reflect existing economic inequalities. It also risks being undermined where local authorities do not have adequate housing sites in place and so neighbourhood plans may be overridden in favour of the Presumption in Favour of Sustainable Development. (Paragraph 414)

82. Government should proactively encourage uptake of neighbourhood planning, particularly in areas with lower levels of civic engagement. This should be done through support to local authorities, and engagement and training for community leaders and organisations through bodies such as

Locality. Those local authorities that have promoted neighbourhood planning across their geographic areas could be treated as exemplars and encouraged to share good practice. (Paragraph 415)

The government is committed to supporting neighbourhood planning and supporting local authorities in their role in neighbourhood planning. Over £26 million has been paid out since 2012 to help local planning authorities meet their neighbourhood planning responsibilities. Furthermore, in 2016 MHCLG funded over £700,000 to 22 local planning authorities to redesign their neighbourhood planning support services.

The government also funds a champions' network which the organisation Locality advertises. Currently, there are 68 champions and Locality is continuing to recruit champions. This allows those interested in, or partaking in, the neighbourhood planning process to get in touch with volunteer champions who have been through the process already. Champions can help by providing advice and sharing their own experience of the process.

83. While recognising the need for sustainable development and adequate housing land supply, the overriding of neighbourhood plan policies in planning decisions where there is found to be a shortage of local housing sites can undermine faith in the development system. There should be a five-year protection of 'made' neighbourhood plans which presumes against their being overridden in all but the most exceptional circumstances. (Paragraph 416)

Neighbourhood Plans are important tools for allowing local people to shape the future development of their area. 'Made' neighbourhood plans form part of the statutory development plan and as such become the starting point for making planning decisions. The National Planning Policy Framework is clear that where a planning application conflicts with policies in an up to date local plan or neighbourhood plan, the application should not usually be granted. This policy gives a high degree of protection for neighbourhood plans that are up-to-date, although it does not entirely rule out giving permission where the decision-taker considers that other material considerations outweigh the conflict with the plan. There are benefits from ensuring plan policies are not too rigidly enforced as new opportunities and issues can be taken into account and competing policy objectives can be balanced in making case by case judgements.

84. The Government should take proactive steps to support the delivery and maintenance of affordable rural working spaces. In particular, it must review incentives and planning rules in relation to smaller floorspace developments and promote good practice initiatives such as flexible workspaces at rural enterprise hubs. It should also undertake an urgent review of the impact of Class Q Permitted Development Rights on the availability of rural employment space. In addition, Local Enterprise Partnerships should be tasked with ensuring economic development is not constrained by the lack of available work places and should work closely with planning authorities to facilitate this. (Paragraph 423)

The government agrees that planning policies and decisions need to provide a

positive environment for rural business development. The National Planning Policy Framework now makes clear that sites to meet local business and community needs may need to be located adjacent to or beyond existing settlements, and in locations that are not well-served by public transport.

The government also accepts that the reuse of existing agricultural buildings can make a valuable contribution to supporting diversification and drive rural economic growth, as identified in the Rural Economy Growth Review. Permitted development rights allow change of use of agricultural buildings to various flexible commercial uses including business or warehouse (B1 and B8), shops (A1) and restaurants and cafes (A3). These rights can be used alongside the permitted development allowing change of use to dwelling houses, offering a range of options for farm diversification and rural business opportunities.

The government agrees that all LEPs should continue to follow best practice within the sector and produce an annual delivery plan and end of year report that sets out a detailed and well developed understanding of the local economic evidence across their area.

LEPs will need to work closely with key delivery partners, notably local authorities, to determine and agree the economic development priorities, interventions and funding that will be set out in their delivery plans. The government expects that these delivery plans will include detail on how LEPs will work with local authorities to make the most of existing levers to drive economic growth and ensure that the planning system is responsive to commercial development.

Chapter 6: Access to skills and rural business support

85. We welcome the Industrial Strategy's emphasis on skills, research and innovation and its support for Sector Deals. We see potential for Sector Deals to help boost the rural economy provided they are properly rural proofed and successfully implemented. There is a lot in the Industrial Strategy that is very relevant to rural businesses with the potential to provide a real boost for productivity and growth. (Paragraph 441)

The government welcomes the Committee's views on the benefits that sector deals can have in the rural economy. The framework for sector deals places particular emphasis on ensuring that deals represent the breadth of a sector, are analytically robust and show a clear impact on productivity and earning power.

Skills, research and development will remain an integral element of future sector deals and BEIS will continue to work closely with Defra on the Industrial Strategy, including those sector deals that will have specific impact in a rural setting.

86. We particularly welcome the development of local industrial strategies, which will be crucial for ensuring that rural needs are part of the wider plans for local delivery. We stress the need for all local industrial strategies to be fully rural proofed. (Paragraph 442)

The government is committed to ensuring that Local Industrial Strategies are rural-

proofed, and began working with predominantly rural areas within the first two waves of implementation for this reason.

The Local Industrial Strategy Policy Prospectus says that LEPs and mayoral combined authorities should set out the spatial impacts of national and local policy across our cities, towns and rural areas: informing priorities and choices and demonstrating how all places can contribute to and benefit from economic prosperity.

It also encourages LEPs and mayoral combined authorities to collaborate with local partners so that everyone – including rural businesses and communities – has an opportunity to contribute, to the Local Industrial Strategy. Where relevant, this is also encouraged across LEP and mayoral combined authority borders.

By jointly agreeing Local Industrial Strategies with places, the government is holding places to account on rural proofing.

87. The Business Productivity Review has the potential to genuinely help rural businesses tackle low productivity and find solutions to boost their businesses. Given that so many SMEs are based in rural areas, it is essential that the Review make rural considerations paramount and that it too should be rural proofed. (Paragraph 443)

The Business Productivity Review will benefit small firms wherever they are based and because the proportion of small firms is higher in rural areas, it should have greater impact in these. Through the Business Productivity Review, the government has explored what actions could be most effective in improving the productivity and growth of businesses, including how to spread best practice of our most productive firms to those in the long tail.

When looking at the UK's productivity, there appears to be more variation between individual businesses, rather than between, regions, sectors, and sizes. There are a lot of very low productivity firms, with 6.5 per cent of firms experiencing zero or negative levels of productivity in 2015. The variation between firms is also large, with the top 25 per cent of firms between two and five times more productive than the bottom 25 per cent, depending on industry and region. This and the untapped productivity potential amongst large parts of the UK business population further underpins the rationale for focusing specifically on firm-level factors. £56 million was announced at Budget to deliver some of the actions of the Business Productivity Review. This includes £11 million for the Small Business Leadership programme, £20 million to strengthen sectoral networks, and £25 million for Knowledge Transfer Partnerships. These initiatives will be accessible to all businesses in both urban and rural areas. The full report will be published in due course.

88. Bus routes remain an essential service for people needing to access education and training. We would encourage education institutions, local authorities and bus service providers to cooperate on exploring public transport solutions for getting students to local education institutions. (Paragraph 451)

The government agrees that buses are an essential service for people needing to access education and training. It wants to reduce regional inequalities for students across the country.

DfT encourages education institutions, local authorities and bus service providers to cooperate on exploring public transport solutions for getting students to local education institutions through the Total Transport principles. These principles involve integrating the transport services provided by different operators and require all transport operators to work together so as to maximise the transport opportunities provided to passengers in their areas.

As far as compulsory education is concerned, all local authorities have a statutory duty to provide free home to school travel for eligible pupils together with a discretionary power to provide free home to school travel for children who do not have a statutory eligibility. It is for the local authority to decide how to meet this duty. The local authority might, for example, provide a dedicated school bus, a taxi, or a pass to travel on a public service bus.

Local authorities also have a statutory responsibility for transport to education and training for 16 to 19-year-olds, and those with an Education Health and Care Plan up to age 25. The national guidance for the 16 to 19 Bursary Fund recommends that education providers work with other local institutions and the local authority to agree a common approach where appropriate and this would include discussions around transport solutions. It enables them to make decisions and arrangements which best match local needs and circumstances. These arrangements do not have to be subsidised or free but local authorities are expected to make reasonable decisions based on the needs of their population, the local transport infrastructure, and the resource they have available. Most young people have access to a concession from local authorities, transport providers, or schools and colleges.

DfE and DfT are currently preparing a joint proposal for discounted public transport for apprentices. They are keen to work with stakeholders to address how we can best ensure that young people are not deterred from taking up apprenticeship opportunities due to travel costs.

89. *Although we recognise the concern of bus service providers, we still see merit in initiatives such as “Wheels to Work” and training. Government should work with LEPs and local authorities in seeking to reinvigorate these types of programmes, with a focus on securing longer-term funding and more comprehensive coverage for people needing to access employment and education. (Paragraph 452)*

The government agrees that independent schemes such as Wheels to Work can play an important part in the transport mix for people – especially young people – living in rural areas by helping those who might otherwise be restricted from accessing work or training opportunities by the lack of personal transport. The government welcomes the recent launch of 'Wheels 2 Work UK' (W2W UK), a charitable company set up on 1 April 2019 to award grants to support the development of a national network of sustainable Wheels to Work schemes.

90. *The current criteria of the apprenticeship scheme often favour large firms, making it difficult for rural small businesses to host apprentices. Government should review the funding arrangements of the Apprenticeship Levy to make it easier for small businesses to engage. (Paragraph 468)*

DfE is working closely with Defra to develop a better understanding of how the apprenticeship system works for small businesses in the agri-food sectors and rural communities more generally. It is also engaging with LEPs and sector bodies across England to understand particular barriers to the growth of apprenticeships.

The government meets 95 per cent of the training costs for small businesses to promote the use of apprenticeships by these employers in improving the skills of their workforce. In last year's Budget, the Chancellor announced £240 million in extra funding to halve the contribution that non-levy paying employers pay for new apprenticeship starts from 10 to 5 per cent.

The government already fully funds the training of 16 to 18-year-old apprentices and, for employers with fewer than 50 workers, the training of 19 to 24-year-olds who have been in care or have an Education, Health and Care Plan.

For other employers, additional funding is available for employers taking on apprentices with an Education, Health and Care Plan. DfE also provides a further £1,000 payment to providers and employers when they take on a 16 to 18-year-old apprentice to ensure that any additional costs are not passed on.

DfE is moving non levy-paying employers onto the apprenticeship service. This will give small to medium-sized businesses a greater choice of quality training providers and the opportunity to be more engaged in apprenticeship training decisions for their business.

91. *There are opportunities to support new land-based apprenticeships and a further increase in the amount of Apprenticeship Levy that may be transferred from large to small firms should be considered. (Paragraph 469)*

A range of employer-designed standards are already available for land-based apprenticeships in agriculture, animal care and engineering, from arborist at level 2 to animal trainer at level 4.

The Institute for Apprenticeships and Technical Education continues to support employers to develop new, high-quality standards to ensure that the skills needs of rural communities can be met in a changing economy.

In April the government responded to feedback from employers by increasing the amount of levy funds that an employer can transfer from 10 to 25 per cent. As such, it has no plans to further increase the transfer cap at present. Using data from the apprenticeship service and our engagement with employers and sector groups, DfE will carefully monitor the response to this change to help understand its impact on apprenticeship starts in all sectors.

Levy-paying employers can transfer funds to employers of all sizes - including those they currently work with or others they wish to support - or an Apprenticeship

Training Agency. An Apprenticeship Training Agency acts as the apprentice's employer and co-ordinate a series of placements, allowing employers in seasonal industries to realise the benefits apprenticeships can offer for their businesses.

92. We agree that the current skills system is too centralised and that the dilution of funding streams over multiple Government departments is unhelpful. In this regard, devolution of funding for skills training is welcome and we are encouraged by the possibility for change through the development of local industrial strategies and the establishment of Skills Advisory Panels. (Paragraph 478)

93. *There should be particular focus on rural skills within local industrial strategies. This could include improvements to the accessibility of training, measures to support rural apprenticeships, and schemes to make further education options more accessible. For this purpose, Skills Advisory Panels must have sufficient influence within LEPs. (Paragraph 479)*

Skills Advisory Panels were announced as part of the government's Industrial Strategy. They aim to bring together local employers and skills providers to pool knowledge on skills and labour market needs and to work together to understand and address key local challenges, including helping to tackle local skills shortages. Skills Advisory Panels will both address immediate needs and challenges and look at what is required to help local areas adapt to future labour market changes and to grasp future opportunities. This will help colleges, universities and other providers deliver the skills required by employers, now and in the future.

The influence of Skills Advisory Panels will be strengthened by providing a high quality analysis of local labour markets and skills needs across the country. In December last year, the Education Secretary announced funding of £75,000 to support each Skills Advisory Panel to build its analytical capability. This funding has now been allocated to all LEPs and mayoral combined authorities. Skills Advisory Panels are important players to ensure Local Industrial Strategies reflect the skills needs of their area. Their analysis will support those strategies and they will promote interventions to provide the skilled labour force local employers need.

Individuals can access help to meet the costs of participating in training. The 16 to 19 Bursary Fund is allocated to schools, colleges and other education and training providers to support young people who are disadvantaged with the costs associated with attending education or training. The fund is often used to support travel costs. On 28 February 2019, DfE launched a consultation on the allocations methodology for the 16 to 19 Discretionary Bursary Fund, including seeking views on whether the methodology should incorporate a travel element, and if so, whether distance to travel and rurality should be included. The consultation can be viewed on gov.uk⁴.

Learner support funding is also available to colleges and providers to support adult learners (19+) with a specific financial hardship which is preventing them from

⁴ <https://consult.education.gov.uk/16-19-funding-team/16-to-19-bursary-fund-discretionary-allocations/>.

taking part and/or continuing in learning. Education and training providers have discretion to help learners meet costs such as transport.

94. We see potential in the proposed Skills Advisory Panels. In conducting their analysis on local skills and labour market needs, Skills Advisory Panels should also seek to:

- **Address careers guidance as part of their remit, not least to point to the changes in land-based occupations which now require higher skills and offer good career opportunities;**
- **Provide guidance on pathways for potential students, trainees, apprentices and employers explaining the range of funding streams available. This would help to overcome the complexities of the current system and before rationalisation—which we think should happen—is introduced;**
- **Identify ways in which rural businesses can be linked more closely to schools, colleges and universities and for these groups to collaborate more effectively when designing courses; and**
- **Improve remote access to further education college courses. (Paragraph 480)**

Skills Advisory Panels aim to bring together local employers and skills providers, including schools, colleges and universities, to pool knowledge on skills and labour market needs. Their high quality analysis of labour markets will enable these local players to work together to understand and address key local challenges, including those that focus on rural economies.

In relation to guidance on careers and pathways, Skills Advisory Panels are expected to have an advisory role in relation to careers guidance. As set out in the published document on their role, the government expects Skills Advisory Panels to work closely with careers advisory services to ensure that potential learners are informed about potential career routes within a local area. The aim is that all careers information and guidance is informed by up-to-date local labour market information. This will involve Skills Advisory Panels working with the Careers and Enterprise Company's Enterprise Advisor Network, based in LEPs, and the National Careers Service operating locally.

The careers needs of rural communities are well served by the activities undertaken by the Careers and Enterprise Company and the National Careers Service, who provide advice to young people in schools and adults respectively.

The Careers and Enterprise Company links employers with schools and colleges to improve opportunities for all young people to learn about the choices and opportunities available to them. This is provided through a network of enterprise advisers, who work in partnership with LEPs, and tailor their advice to local needs.

The National Careers Service provides free, impartial information, advice and guidance. The Service's broad range of provision covers careers, skills and the labour market, including apprenticeships, traineeships, university and other

technical routes. Its website provides specialist information on 800 career profiles, including many specifically relevant to rural economies, to help people make the most informed decisions about careers choices and pathways.

Technical Education Institutions and Businesses Collaboration

New collaborations between businesses, Further Education colleges and universities are being taken forward by establishing Institutes of Technology. In April the government announced the creation of 12 Institutes of Technology (supported by £170 million of government funding, to deliver high-quality technical training at higher skills levels across England, tailored to the needs of local economies. Institutes of Technology will be unique collaborations with businesses playing a key role in their governance and leadership and the design and delivery of their curriculum. Most of the 12 Institutes will include rural areas in their catchment areas, and two proposals (led by the University of Lincoln and York College) feature the agri-tech sector as a specialism. Land-based colleges are included among their delivery partners.

Improving Remote Access to Further Education College Courses.

All further education colleges have access to Janet, a world class Research and Education Network which provides the high quality broadband necessary to support online course delivery. Janet ensures all colleges have high quality broadband regardless of location. DfE provides grant funding to support the cost of this service to further education colleges in England.

On 3 April 2019, DfE published a strategy to promote the positive use of technology in education to tackle challenges facing our education system⁵.

The strategy encourages education providers across all age phases (including schools, further education, higher education and other providers) to consider actively how they can use and embed technology to help support effective teaching and learning (as well as in the management of education institutions) and helps to remove the barriers to doing so. The strategy commits to launching “demonstrator schools and colleges” across the country which will build on existing expertise in the use of technology and help to support greater peer-to-peer learning for teachers, lecturers and education leaders in how they can use technology to help meet the needs and challenges of their students and institutions.

The report further commits to launching ten “challenges” for the education sector and industry to support innovation and collaboration in the use of technology. This includes two challenges that will specifically prompt innovation in the development of online learning; “Widen accessibility and improve delivery of online basic skills training for adults” and “Demonstrate how artificial intelligence can support the effective delivery of online learning and training for adults”. DfE expects the output of these challenges also to provide innovation that will inform the future use of technology in distance learning more generally. The demonstrator schools programme and the work to deliver the ten challenges will be supported by a £10

⁵ <https://www.gov.uk/government/publications/realising-the-potential-of-technology-in-education>

million fund announced by the Secretary of State alongside the education technology strategy.

The government recognises that online learning has the potential to provide adults with the flexibility they require to learn the skills they need at a time and place that works for them without being restricted by geographical boundaries or to provision available locally. The government is already piloting new approaches to the delivery of adult learning through the Flexible Learning Fund, which has made available £11 million to support a variety of projects across England.

As the education technology strategy outlines, the government announced £100 million of new funding to continue testing and development of the National Retraining Scheme at the autumn 2010 budget. The scheme will give individuals in England the skills they need to progress in work, redirect their careers and secure the high-paid, high-skilled jobs of the future. It will include state-of-the-art courses combining online learning with traditional classroom teaching to help people develop key transferable skills.

95. *The Government's post-Brexit immigration proposals should be monitored to ensure that the employment needs of rural businesses, particularly for seasonal work, do not suffer. (Paragraph 488)*

After we leave the EU, the UK must have an immigration system which works in the best interests of the UK – controlling immigration whilst continuing to welcome those who make an invaluable contribution. The Home Office has launched a 12-month engagement programme for 2019 with sectors across the UK so that businesses and communities, including those in rural areas, can shape the development of the future skills-based immigration system.

The government will monitor the latest data and evidence and work closely with industry to understand trends in labour supply and demand. In addition, a two year seasonal workers pilot scheme, jointly run by Defra and Home Office, will also test a new approach for bringing in seasonal horticultural workers from outside the EEA, with a view to informing future immigration policy.

The government understands the importance of seasonal labour and its role in supporting a successful and productive rural economy. For seasonal workers in horticulture Defra will further improve its evidence base through a new quarterly survey of growers. Defra will also work with industry to support rural economic growth by attracting more domestic workers into the agri-food sector and also exploring the potential for innovation and automation in meeting future business growth needs.

96. *Rural Growth Networks offer a promising way of ensuring that attention is given to rural economic growth and support. It is disappointing that this programme has not been rolled out more widely. (Paragraph 497)*

97. *More local authorities should be encouraged to include the establishment of, and funding for, Rural Growth Networks in their Growth Deals. (Paragraph 498)*

The government welcomes the Committee's endorsement of the Rural Growth Network pilot programme. An independent evaluation of the five pilots, by SQW Consulting, was published in 2016⁶. A number of important lessons were identified from the pilots and these were disseminated to rural stakeholders, including LEPs to inform their future policy development and delivery. The government encourages LEPs and local authorities to draw on these lessons in developing their plans for growing their local economies in the future. It is for individual LEPs and local authorities to decide whether to adopt the Rural Growth Network model in the future but the government notes that the North East LEP has continued to support the work of its Rural Growth Network through Local Growth Funding.

98. Many rural businesses operate in a different context, and with different challenges, to businesses in larger towns and urban centres. While rural rate relief and small business rate relief reflect these challenges to an extent, more could be done to reflect the challenges of rurality in business rate design. (Paragraph 507)

The government recognises the unique challenges faced by rural businesses and has put in place a range of measures aimed at supporting rural businesses.

The government believes in the importance of agricultural productivity and the business rates system includes measures to support the sector. Central to this is the agricultural exemption from business rates. This is a broad-ranging and generous tax measure that ensures that no business rates are paid on agricultural land and associated properties.

Since Budget 2016, the government has introduced a package of support for all businesses worth over £13 billion over the next five years. This includes:

- doubling rural rate relief from 50 per cent to 100 per cent, providing support for key to small rural businesses, such as a post office, shop or food store; and
- permanently doubling Small Business Rate Relief and raising the threshold from £6,000 to £12,000.

As a result, over 655,000 small businesses – occupiers of a third of all properties – pay no business rates at all. This includes many rural properties.

99. *The Government should review the impact that the revaluation and current multiplier levels for business rates are having on rural businesses, particularly stables and garden centres. There is also an urgent need to review the impact of small business and rural rate relief provisions on rural pubs, local shops and other businesses that may be providing essential services and amenities to the local community beyond their primary commercial activity. (Paragraph 508)*

The government keeps all taxes and reliefs under review. Since Budget 2016, the government has introduced reforms and measures worth more than £13 billion to business over the next five years. In addition to the measures set out in response to

⁶ Final evaluation of the Rural Growth Network Pilot Initiative

Recommendation 98, this includes the switch to CPI indexation, worth almost £6 billion to all ratepayers, and a £435 million package of support announced at the 2017 Spring Budget for ratepayers facing the steepest rises in bills following the 2017 revaluation, on top of the £3.6 billion Transitional Relief scheme.

The £13 billion package also includes the retail discount announced by the Chancellor at the 2018 Budget that provides eligible retail businesses with a rateable value under £51,000 with a third off their business rates bill. This generous measure will provide support to many pubs, shops, and other retail businesses (including garden centres) in rural communities.

100. Existing tax arrangements are complicated for farmers and small businesses (including sole traders) to navigate, and can also impose real financial disincentive to investing in diversification. The situation is even more difficult for tenant farmers, who may also be prevented from diversifying their businesses due to restrictions in their tenancy agreements. The Government should investigate whether the current tax system is putting off farmers and rural small businesses from investing in diversification with regard to both complexity and financial disincentives. As part of its review into tenancy agreements, the Government should also address restrictions on tenant farmers that may prevent diversification. (Paragraph 514)

The government has no plans to review the impact of taxation on rural diversification but the tax system is under constant review to ensure that it is effective and we consider carefully all representations made to us.

Business Property Relief ensures that businesses do not have to be split up and sold purely to pay inheritance tax.

A business that is mainly concerned with a qualifying activity would normally be eligible for Business Property Relief on all of the business assets. This would be determined by the facts of the case. This allows for some diversification by businesses whilst ensuring the relief only applies to qualifying activities

The government is currently consulting on proposals for changes to agricultural tenancy law. This includes looking into the impact of restrictive clauses in Agricultural Holdings Act agreements on a tenant's or landlord's ability to adapt their business to changes such as diversification. We recognise that many tenancy agreements under the Act were written and agreed twenty to thirty years ago in a different commercial environment and many include standard restrictive clauses to prevent the tenant or landlord from undertaking certain activities without first gaining agreement from the other party. The consultation includes a proposal to provide tenants and landlords with a new dispute resolution mechanism to enable them to vary clauses in agreements which restrict their activity. The mechanism would apply on a case by case basis, where either party feels that one or more clauses in an existing agreement presents an unreasonable barrier to business development, productivity or environmental improvements or to accessing future agricultural or land management schemes.

101. Although the closure of bank branches in rural areas has reduced opportunities for face-to-face banking, rural businesses still need access to

bespoke financial support as well as loans to grow and diversify their business. The withdrawal of commercial operators from rural locations has left some businesses increasingly reliant on the Post Office network, which will not always meet the needs of businesses. This makes it all the more important for LEPs and Councils to provide information on sources of finance to help rural businesses meet their business banking and financial needs. (Paragraph 523)

102. Access to cash is an essential service for businesses, including access to out of hours deposit mechanisms such as can be provided by cash machines. Government must review the availability of ATMs in rural areas and in particular the sustainability of the current costs, including costs for security measures, for rural businesses hosting these machines and taking on banking functions in cases where bank closures have also led to the closure of bank operated cash machines. (Paragraph 524)

Although the management and deployment of ATMs is a commercial matter for ATM market participants, the government recognises that widespread access to cash remains extremely important to the day-to-day lives of many consumers and businesses in the UK. That is why the government is engaging, and will continue to engage, with the regulators and industry on this important topic. For example, we conducted a Call for Evidence on Cash and Digital Payments in the New Economy to gather evidence on how changing preferences for cash and digital payments impact on different sectors, regions and demographics.

The government established the Payment Systems Regulator in 2015 with robust powers and a statutory objective to ensure that the UK's payment systems work in the interests of their users.

The Payment Systems Regulator regulates LINK, the scheme which runs the UK's ATM network, and is monitoring ATM market developments closely. The Regulator has used its powers to hold LINK to account over LINK's public commitments to maintain the broad geographic spread of ATMs in the UK.

LINK has put in place specific arrangements to protect remote free-to-use ATMs one kilometre or further from the next nearest free-to-use ATM and has enhanced its Financial Inclusion Programme by significantly boosting the funding available to ATMs in the most deprived areas of the UK.

The Post Office's agreement with 28 high street banks allows individual and small business customers to withdraw money, deposit cash and cheques and check balances at 11,500 post office branches in the UK. 99 per cent of personal and 95 per cent of small business customers can carry out their day to day banking at their local post office.

103. Banks should agree an increase, to a realistic level, in the fees that they pay for cash withdrawal and deposit transactions carried out on their behalf through the Post Office network. Post Office Ltd should then ensure that a sufficient proportion of those fees are passed on to individual post offices, so that those running them are properly remunerated for the effort involved. There should also be ongoing monitoring of the Access to Banking

Standard to ensure it is being effectively implemented by the banking industry. (Paragraph 525)

Since 2010 the government has provided more than £2 billion to maintain and modernise a post office network of over 11,500 branches. As part of this transformation, Post Office Limited has continually sought to expand and improve the services it provides to customers.

In January 2017 the Post Office agreed a three-year, industry-wide Banking Framework with 28 UK high street banks, enabling 95 per cent of business banking customers to do their day-to-day banking at a post office. In the context of accelerated bank branch closures, the Banking Framework represented the largest expansion of face-to-face banking in a generation, providing a vital service for small businesses. Post offices have thus become central to supporting local economies, especially in rural communities.

Access to banking services through post offices is not designed to replace the full range of services provided by traditional banks, but rather to leverage the Post Office's network – the largest retail network in the UK – to ensure that essential banking facilities remain freely available in as many communities as possible. The Post Office launched a public awareness raising campaign with UK Finance in 2018 to ensure that as many customers as possible can benefit from the services provided under the Framework.

The government is very supportive of the Post Office's agreement with the banks, and recognises fully its role in providing continued access to over-the-counter banking services for customers across the country. The operation of the Access to Banking Standard is monitored and enforced by the independent Lending Standards Board, ensuring that banks are held accountable for the way they treat their customers when a branch closes.

Since its introduction, the Banking Framework has substantially increased basic banking volumes in Post Office branches, with an increase of 7 per cent for cash withdrawals and 22 per cent for cash deposits. This growth is set to continue, driven in part by continued bank closures. The Post Office has recently renegotiated Banking Framework 2, with the overall aim of rebalancing fees charged by the Post Office to banks to carry out banking transactions on their behalf. This was desirable not only for the long-term sustainability of banking services across the post office network, but also to ensure that any increase in revenues from banking services is adequately shared with postmasters. Banking Framework 2.0 will take effect from January 2020.

Under the new agreement the Post Office has agreed a significant increase to the fees that it will receive from the banks for processing transactions. The Post Office's overall income through Banking Framework 2 will only increase further as transaction volumes continue to grow. The Post Office will double and, in some cases, treble the rate agents receive for deposits. It will pay the increased rates from October 2019, a quarter before the new Banking Framework is implemented, as a gesture of goodwill to postmasters. This will ensure that local businesses and communities can continue to access vital banking services in post office branches up and down the country for years to come.

104. *The Shared Prosperity Fund should be a source of financial support for rural businesses looking to grow and invest, and it is to be hoped that the Government treats access to finance as a priority when it consults on the shape of the Shared Prosperity Fund. Local authorities and LEPs should also be proactive in advising rural businesses as to where financial assistance and advice can best be sourced in rural areas. (Paragraph 526)*

The UK Shared Prosperity Fund will focus on the foundations of productivity, including the business environment.

The government recognises the importance of providing stakeholders with an opportunity to contribute their views on the UK Shared Prosperity Fund. As such, the government will publish a public consultation on the UK Shared Prosperity Fund.

This will provide an opportunity for all interested parties, including rural communities, to provide their views on the Fund directly to the government.

Final decisions are due to be made following Spending Review.

105. *LEPs and local authorities should work together to provide ‘portals’ where sources of finance for rural enterprise may be listed. (Paragraph 527)*

There are a range of sources of information available for businesses considering finance options.

The British Business Bank has an online Finance Hub that offers independent and impartial information on different finance options for scale-up, high growth and potential high growth businesses.

The site features infographics and checklists to help businesses get “investor ready”, as well as articles and guides from finance providers on how smaller businesses can identify and access finance suited to their growth ambitions. At its heart is the Finance Hub’s new Finance Finder, a simple six-step tool that enables smaller business to explore and identify some of the finance options that might work for them.

The Finance Hub complements the Business Finance Guide, which provides information to a broader audience and is aimed particularly at smaller and early-stage start-up businesses.

More widely, UK Finance provides its members with advice and expertise on accessing commercial finance, and engages with lenders on their behalf. There is also a dedicated access to finance resource on gov.uk, where businesses can search for business finance support by type of support, business stage, industry, number of employees and region.

106. *Business support measures should be embedded in Local Industrial Strategies to enable targeted approaches to rural business support, based around local circumstances and identified needs. This would include measures to promote and improve access to finance, which is a particular*

area of concern for rural businesses in light of widespread rural bank branch closures. (Paragraph 528)

LEPs and mayoral combined authorities can consider the provision of business support as part of the “business environment” foundation of their Local Industrial Strategy. The government has encouraged places to focus in particular on how their Local Industrial Strategy will support firms in rural areas to -

- scale-up and grow through increasing take up of external finance; building capability to access domestic and international markets; building an innovation culture; accessing and retaining talent.
- improve firm level productivity.
- navigate and access business support available across the public and private sector.

Each LEP also runs a Growth Hub, which bring together national and local business support and make it accessible to all businesses in all areas.

On the particular issue of access to finance for rural businesses, local Growth Hubs can signpost SMEs to potential sources of funding. The government is providing £24 million to LEPs for Growth Hubs in 2018/20. This will enable them to carry on building their reach.

107. To be successful, rural tourism needs promotion. Once established, those Tourism Zones which include rural areas will need to address the issue of attracting funding for the promotion of rural tourism in their areas. (Paragraph 538)

108. *The Tourism Sector Deal has potential to provide a more consistent and systematic support to the rural tourism sector. It is important that this deal be rural proofed and its implementation monitored in rural areas in particular. (Paragraph 539)*

On 28 June the government published the Tourism Sector Deal⁷ which sets out how the government and industry will work in partnership to boost productivity, develop the skills of the UK workforce and support destinations in developing their visitor offer. A wide range of organisations and businesses were consulted on the Sector Deal, including the CLA (Country Land and Business Association) which is a member of the Tourism Industry Council. The Sector Deal recognises the importance and potential of tourism in helping prosperous communities thrive across the UK and this is particularly true of coastal and rural areas. The government notes the Committee’s comments in this respect. The Sector Deal proposes the development of Tourism Zones, which will enable government and industry to support the most innovative and ambitious areas to increase their tourism offer. Up to five pilot Tourism Zones will be selected through a bidding

⁷ <https://www.gov.uk/government/publications/tourism-sector-deal>

process later in the year and the government is keen to encourage bids from all parts of the country, including interested rural areas.

109. *Where appropriate, tourism support should be a key part of local industrial strategies, and LEPs covering areas with notable rural tourist sectors should have a particular focus on the sector's economic importance and potential. There should be more focus by LEPs on tourism as a rural career option. (Paragraph 540)*

LEPs and mayoral combined authorities are looking across their local economies to understand ways in which they can support all communities and businesses to grow productivity. Through the development of Local Industrial Strategies, the government is working with places to explore ways to strengthen the foundations of productivity set out in the National Industrial Strategy. These cut across sectors and help all industries including tourism.

For example, Cumbria LEP in its online draft document identifies tourism as one of the key defining features of the area and a core industry in the overall vision for the future of the Cumbrian economy.

Its analysis across the foundations shows the skills gaps in the tourism sector – which is particularly dependent on migrant labour. It therefore looks to build on its work with Skills Advisory Panels to raise and extend skills in each sector, including tourism.

110. *It is clear that the creative and arts industries in rural areas already contribute a significant amount to the rural economy and also have wider positive impacts in supporting rural businesses and communities, as well as supporting high-quality jobs. We also recognise that they have potential to grow further and make an even bigger contribution to rural economies. (Paragraph 547)*

111. *Arts Council England and other public arts and creative sector funders should ensure that rural communities receive an equitable share of their future investments. This should include a strategic investment programme for the creative rural economy to help fulfil its potential. There should also be a wider review of other measures necessary to ensure the potential of rural creative industries is achieved. (Paragraph 548)*

The government recognises the important role that culture and the creative industries play in creating new opportunities across the UK, including in rural areas, and supports local growth in these sectors by funding arm's length bodies such as Arts Council England, and through the £150 million Creative Industries Sector Deal. Engagement with arts and culture amongst people who live in rural areas is higher than amongst those who live in urban areas.

Arts Council England invests strategically and at scale in the furtherance of its aim of great art and culture for everyone and takes into account the specific characteristics of rural areas in considering need and opportunity. Arts Council England has developed an approach to rural proofing which was used when making funding decisions on both the 2015-18 and 2018-22 National Portfolios. The

Council has recently published a Rural Evidence and Data Review to feed into its new ten-year strategy beginning in 2020 and has also updated its Rural Position Paper to cover the period up to 2020. Since 2016 two of the Arts Council's investment programmes - the Cultural Destinations Programme and the Creative Local Growth Fund - have specifically focused upon increasing culture's contribution to economic growth, and at least a third of places receiving investment from both programmes included rural areas.

The arts, museums and libraries are a key part of the creative industries and the tourism sector. Arts Council England works with LEPs and others to ensure that culture's potential to drive economic growth is reflected in strategic plans and partners' investment decisions. DCMS uses forums like the Creative Local Industries Partnership to engage with LEPs from rural areas and explore how the needs of the creative sector can be addressed on a regional level.

The government is working in partnership with industry through the Creative Industries Sector Deal to encourage investment in culture and the creative industries across the UK, in both urban and rural locations. For example, the Design Foundations Fund, part of the £33 million Industrial Strategy Challenge Fund "Audience of the Future" programme, will invest in early-stage, human-centred design projects, a number of which will benefit audiences and individuals living in rural or isolated communities. Further government funding as part of the £55 million Creative Industries Clusters Programme will address challenges and support innovation in areas where rural industries stand to benefit, such as in agriculture and raw materials.

In addition, the National Lottery Heritage Fund is a major investor in rural areas; it is closely engaged with people and communities looking after and celebrating their heritage and has commissioned research into the distinctive contribution heritage can make to communities. It is also exploring opportunities for strategic place-based investment with other funders, social investors and the private sector, as the focus of a future heritage campaign.

Chapter 7: Delivering essential services at the local level

112. Public spending cuts have had a significant impact on rural transport provision and in particular rural bus use. In addition, complex funding streams and poorly integrated services mean that rural economies are often held back by transport connections that are poorer than they need to be. (Paragraph 569)

DfT recognises the importance of public transport in rural areas, particularly the role that public transport has in reducing social isolation.

Around three-quarters of bus services outside London are provided on a commercial basis by private operators. Where there is not enough demand for a bus route to be commercially viable, all local authorities have powers to subsidise bus services which are socially necessary. Around one-fifth of all bus services are subsidised in this way.

Most public funding for local bus services is provided through a block grant to authorities in England from MHCLG. Ultimately it is for local authorities, working in partnership with their communities, to identify the right transport solutions that meet the challenges faced in their areas, and deliver the greatest benefits for their communities with the funding streams that are available to them. They are also encouraged to utilise the tools in the Bus Services Act 2017 to help improve rural bus services. These include the ability for local authorities to work more effectively with bus operators through advanced quality partnerships or enhanced partnership schemes, and the potential to establish a system of franchising.

More broadly, as part of the 2018/19 local government finance settlement, the government responded to a number of councils' concerns over rural services funding by increasing the Rural Services Delivery Grant to £81 million. The 2019/20 settlement maintained the Grant at the same increased level. This recognises the extra costs of providing services in rural communities.

113. *Government should undertake a full review of funding streams to rural public transport as part of a new rural strategy. The aspiration should be to develop a “single transport investment pot” that could be used to better support rural transport using a place-based approach, in collaboration with local authorities and other public bodies. Within this, Government should work with local bodies to support the expansion of demand-led services. (Paragraph 570)*

The Future of Mobility: Urban Strategy sets out how government will take advantage of the rapid changes happening in transport technology and business models, including demand-led services, to make journeys cleaner, easier, safer and more reliable. In the foreword to the strategy, the Minister of State for Transport said, “We will be setting out our thinking on the future of rural mobility in due course, to explore how the benefits of transport innovation can be enjoyed by everyone, wherever they live”. DfT officials are now considering how to build on this work and ensure that these developments take account of the needs of rural communities.

In terms of funding, strategic policy making authorities are required to cooperate with each other and other bodies when preparing policies which address cross boundary strategic matters such as transport and should consider the distribution of funding streams as part of this.

The National Planning Policy Framework also sets out that as part of the plan making process, authorities will need to work alongside infrastructure providers to identify infrastructure requirements, including for public transport and the opportunities for addressing these. This should be informed by evidence on infrastructure needs and costs, which would need to account for any wider transport investment. Local authorities use the Community Infrastructure Levy and Section 106 planning obligations to require developers to contribute towards the provision and maintenance of required infrastructure as a result of new housing developments, which impact service demand.

114. *Such a programme should draw upon the examples of Total Transport Pilots, which successfully sought to maximise benefits from existing*

transport resources including pooling resources from the public sector. (Paragraph 571)

Total Transport involves integrating transport services currently commissioned by different central and local government agencies and provided by different operators. Total Transport has the potential to greatly improve the efficiency and delivery of road transport services to local people. It, however, requires all transport providers to work together to maximise the use of the vehicles so that more transport opportunities can be provided to passengers.

115. The programme should also seek to explore the potential of community transport as a means of supporting and supplementing existing routes. In this context, Government should reconsider proposals to change guidance on eligibility of Section 19 and 22 permits issued to not-for-profit community transport providers. The introduction of a short-distance exemption is welcome, but Government must ensure that new guidance on the non-commercial exemption does not threaten the viability of community transport operators. (Paragraph 572)

The government has always recognised the vital contribution of community transport operators in connecting people to their communities, to employment, to local services and to each other. It therefore pays community transport operators over £4 million a year in Bus Service Operator Grant and has funded the purchase of over 400 new minibuses.

On 15 March 2019 the government provided greater clarity to the community transport sector so that operators can continue to play a valuable role in improving the lives of the passengers that they serve. The government is waiting for the High Court's judgement on the non-commercial exemption. This should eventually result in a definitive judicial interpretation of the term, resolving the long-running debate about what it means and provide a way forward on this issue. Once the outcome of the judicial review is known, the guidance for section 19 and 22 permit users in Great Britain will be amended to bring it into line with the High Court's decision. DfT will also carry out a review of the current domestic permit regime later this year.

116. Government should also support targeted investment in the maintenance of rural road networks in collaboration with local authorities, to identify those networks outside the major routes where investment would be most important in supporting rural economic development. (Paragraph 573)

DfT is providing both the tools, in the form of guidance, and funding to local highway authorities in England to tackle the condition of the highway. The Department is providing over £6.6 billion funding for local highways maintenance between 2015 and 2021. This includes funding of over £296 million through a dedicated Pothole Action Fund and £420 million for highways maintenance as announced in the Budget 2018.

Local highway authorities have a duty under Section 41 of the Highways Act 1980 to maintain the highways network in their area. The Act does not set out specific standards of maintenance, as it is for each individual local highway authority to assess which parts of its network need repair and what standards should be

applied, based upon their local knowledge and circumstances. The government has no powers to override local decisions in these matters.

DfT has provided funding through the National Productivity Investment Fund for a range of projects including several in rural areas, with a mix of projects including public transport improvements. Around £60 million funding out of the £244 million awarded following the 2017 competition is directed at local authorities in mainly rural areas.

DfT also funds a number of larger schemes aiding rural areas including maintenance schemes which maintain vital links from villages to service centres and bypasses of villages to reduce severance and improve safety and environmental conditions on rural roads.

117. *The impact of rural crime on rural economies is a significant concern. More needs to be done by Government to better understand, track and respond to rural criminality. Initiatives such as Farm Watch and WhatsApp groups between farmers, land-owners and police forces to monitor and report on rural crime should be shared widely among rural police forces and rolled out more widely. (Paragraph 590)*

The government recognises that there can be particular challenges in responding to rural crime. That is why it supports the introduction of the National Police Chiefs' Council's Rural Affairs Strategy which was published last July. The strategy sets out operational and organisational policing priorities in respect of tackling crimes that particularly affect rural communities and is supporting safer rural communities and a better rural focus in policing. The government also encourages partnership working between the police, farmers and local communities to share information and best practice initiatives to inform local crime prevention activity.

This year's police funding settlement provides the biggest increase in police funding since 2010, with more money for local police forces, counter terrorism and tackling serious and organised crime. Funding will increase by over £1 billion in 2019/20, including council tax, extra funding for pensions costs, and a £100 million serious violence fund.

Local people are best placed to say what matters in their community. That is why, through the introduction of locally elected Police and Crime Commissioners (PCCs), we have enabled them to help set the policing priorities for their area. It is for Chief Constables and PCCs, as operational leaders and elected local representatives, to decide how best to deploy resources to manage and respond to individual crimes and local crime priorities.

118. *We welcome new measures to tackle fly-tipping and the introduction of tougher new penalties, but we would also like to see new measures introduced to ensure that farmers and land-owners do not have to pay for the cost of clean-up of rubbish that is dumped on their land. (Paragraph 591)*

The government sympathises with victims of fly-tipping and is committed to tackling this issue. Representatives from both the NFU and the CLA are active members of the Defra-led National Fly-tipping Prevention Group. Last spring, Defra hosted a

roundtable to discuss fly-tipping on private land and the feedback from this event informed the Resources and Waste Strategy, published in December 2018.

It is a long-established principle that landowners are ultimately responsible for waste deposited on their land, and that the government does not assume liability for such waste. Even recognising that landowners may be victims of crime, it is important that we do not create a perverse incentive to dump waste through the knowledge that the government will pay to clear it; and that we encourage landowners to take appropriate measures to prevent illegal waste activities, including dumping, occurring on their land. If successfully prosecuted, the criminal can receive an order for the costs of dealing with the waste. We remain committed to this principle. Local authorities have the power to investigate fly-tipping on private land, and we expect all local authorities to do so and, where possible, to prosecute the fly-tippers and recover the clearance costs.

119. *Magistrates, Courts and the Crown Prosecution Service should be trained to better understand the scale and impact of rural crime. Reforms to sentencing guidelines should be considered, where appropriate, to widen the range of possible sentences to better reflect the seriousness of some crimes. (Paragraph 592)*

Sentencing is a key independent function of the judiciary and it would therefore not be appropriate for the government to direct an independent judiciary or the Judicial College in the provision of training or to suggest that certain outcomes should be achieved. The Judicial College continually reviews the training provided to magistrates to ensure it is comprehensive and appropriate. Sentencing exercises used in training allow those who sentence to discuss the issues in syndicates in order to promote consistent approaches to sentencing. However, each case heard must be considered individually against the evidence provided to the Court.

It is for the Sentencing Council, which is independent of government, to develop sentencing guidelines and monitor their use. Sentencing guidelines require courts to consider the harm caused by an offence in determining the sentence. Courts can take into account only matters that are brought to their attention, which may be put forward through a Victim Personal Statement for example.

The Sentencing Council recently consulted on whether to embed additional information in sentencing guidelines, so as to remind sentencers that a financial penalty should meet the objectives of punishment, deterrence and the removal of gain derived through the commission of the offence.

120. *We welcome the Government's promise that its Industrial Strategy research into the "grand challenge" of ageing will incorporate specific issues identified in rural communities. Nonetheless, the Government's statement that it funds clinical commissioning services to the proportion of the population that they cover indicates that it still does not understand the additional challenges and costs associated with rural service provision. (Paragraph 604)*

121. *Government must ensure that the challenges and costs of providing health services in rural areas are properly reflected in funding allocations to*

Clinical Commissioning Groups. This should include proper recognition of sparsity costs as well as a recognition of the ageing population of rural areas. (Paragraph 605)

NHS England is responsible for decisions on the weighted capitation formula used to allocate resources between Clinical Commissioning Groups (CCGs), a process that is independent of Government. NHS England take advice from the independent Advisory Committee on Resource Allocation, a group of academics and other experts. The allocation to each CCG is informed by the estimation of the relative health needs of local areas. Funding is based on a complex assessment of factors such as demography, morbidity, deprivation, and the unavoidable cost of providing services in different areas. Over the past two years, the Advisory Committee on Resource Allocation has been considering the evidence for any additional adjustments relating to the costs of providing healthcare in remote areas. Following this, the Committee has endorsed the introduction of a new community services formula that has the effect of better recognising needs in some rural, coastal and remote areas that on average tend to have much older populations.

Further detail on the Advisory Committee's findings and recommendations can be found in the note on this year's allocations to CCGs published by NHS England⁸.

122. The Department of Health and Social Care together with NHS England should also take further steps to improve the availability and accessibility of rural healthcare provision, including support for the development of multi-use health centres or hubs. The Government's investment in digital health is welcome, but the success of this approach will depend on the urgency with which it addresses the rural-urban digital connectivity divide. (Paragraph 606)

The NHS's Long Term Plan commits to delivering fully integrated community-based health care. This will be supported through the ongoing training and development of multidisciplinary teams in primary and community hubs. In support of Sir Robert Naylor's independent report on NHS property and estates in 2017, the government provided £3.9 billion new capital investment as part of the 2017 Budgets which will deliver over 150 schemes providing new and upgraded facilities across the country.

All 42 Sustainability and Transformation Partnerships including those in rural areas, have produced local estates strategies for the first time setting out how they will transform their estate in support of delivering ambitions in the NHS's Long Term Plan and benefitting patients.

In April 2018 NHS Digital published a digital inclusion guide for health and social care aimed at local health and care organisations to help them to take practical steps to support digital inclusion in their communities, including those in rural areas who are more likely to be digitally excluded. DHSC is working closely with the DCMS to ensure that health and care needs are taken into account in national digital infrastructure policy. Two test beds under DCMS's 5G programme are focused on improving access, and the 5G programme itself will address rural connectivity. A fundamental part of the work of the new joint unit, NHSX, will be

⁸ <https://www.england.nhs.uk/wp-content/uploads/2019/01/note-on-ccg-allocations-2019-20-2023-24.pdf>.

ensuring that all digital services are designed around, and are accessible to people that need them the most, wherever they live in the country.

123. Government should also take steps to improve rural pharmaceutical services. This might include reopening the Essential Small Pharmacies and Local Pharmaceutical Services (ESPLPS) scheme, which helped rural pharmacies in places where they would not otherwise have been financially viable. (Paragraph 607)

Rural pharmacies that are situated at least 1 mile from their next nearest pharmacy and dispensed fewer than 109,012 prescriptions in 2015/16 (when eligibility was determined) are already eligible for the current Pharmacy Access Scheme (PhAS). PhAS which replaces the ESPLPS is better targeted and tops up pharmacy incomes from the national community pharmacy contractual framework to support the provision of pharmaceutical services in more isolated areas and areas with less provision, for example in rural areas.

Further, where the need for specific extra provision of services is identified within an area, local NHS England teams, CCGs and local authorities can commission additional services direct from pharmacies outside of the national contractual framework for pharmaceutical services.

124. Isolation, loneliness and associated physical and mental health challenges are key issues in rural communities. In this context, it is particularly important that policy solutions are rurally oriented, taking account of the greater challenges of combatting isolation in sparsely populated locations. (Paragraph 618)

125. The Government's loneliness strategy is to be welcomed, as is the commitment to support community infrastructure and community action to tackle loneliness in rural areas. Government must ensure that, as it implements its strategy, it continues to pay close attention to the distinctive challenges of combatting isolation and loneliness in a rural context. Government should promote and spread good practice among rural voluntary and community organisations in this regard. (Paragraph 619)

The government is committed to tackling loneliness in rural areas. Last year the Minister for Loneliness co-hosted a roundtable on rural loneliness with the Minister for Rural Affairs.

A rural stakeholder forum, as promised in the government's loneliness strategy, was held earlier this year, co-hosted by Defra and Action with Communities in Rural England (ACRE). This was an opportunity for government to listen to the challenges faced by rural communities trying to tackle loneliness and for attendees to share good practice. These events are part of ongoing conversations between government and stakeholders on this issue.

Defra and DCMS officials recognised the challenges of rural loneliness in the objectives of the recent Building Connections Fund. Mind in Mid Herts, Children's Links, and Youth Focus North East were examples of projects funded that specifically focused on rural loneliness.

126. *It is of great concern that there is no adjustment for the additional cost of providing rural mental health services in England. Government must remedy this and ensure that sufficient staff and support services are available to tackle rural mental health. It must also take wider steps to address rural mental health, such as supporting mental health first aid training schemes which will enable early intervention. (Paragraph 620)*

The mental health of all sections of the population, including those living in rural areas, is one of the government's top priorities.

The government is transforming mental health services with a planned record spend of £12.1 billion in 2018/19 and has announced a further expansion of mental health services in the Long Term Plan for the NHS, with an additional £2.3 billion in real terms by 2023/24.

CCGs are responsible for ensuring adequate access to mental health services locally, including early interventions. Funding allocations to CCGs, including those covering rural areas, vary to meet the needs of local populations, including mental health need and the needs of remote or sparsely populated areas. These allocations are determined by a formula managed for the NHS by the independent Advisory Committee on Resource Allocation.

The Advisory Committee is implementing a refreshed mental health and learning disabilities formula which takes account of available data and there are a range of adjustments made in the core CCG allocations formula to account for the fact that the costs of providing health care may vary between rural and urban areas.

In 2017/18, all CCGs met the Mental Health Investment Standard, by which they must increase mental health investment by at least their overall increase in funding. CCGs are also best placed to decide on how this investment should be used to meet the mental health needs of their populations living in rural areas.