

Local Government Association

House of Lords Debate on the rural economy

Thursday 2 November 2017



LGA key messages

- Non-metropolitan areas account for a significant proportion (56 per cent) of England's economic output. They have diverse economies that include vital industries such as advanced manufacturing, tourism and agriculture.
- Like other parts of the country, they face significant investment challenges if they are to continue to grow and support inclusive communities:
 - Every community deserves access to homes that meet their local needs and not just those of developers. More than 47,000 homes are needed each year based on the most recent assessment of housing need in 91 predominantly rural areas.¹
 - Councils must be given the freedoms and flexibilities to play their part in delivering the homes their communities desperately need.
 - Access to fast and reliable digital connectivity, including mobile phone coverage, is a vital component for supporting economic growth in non-metropolitan areas. While the LGA welcomed the creation of a broadband Universal Service Obligation this still leaves approximately 60,000 premises unserved predominantly in the most rural areas. The Government must push ahead in order to reach 100 per cent coverage.
 - EU funding has been vital to create jobs, support small and medium enterprises, deliver skills, and boost local growth across the country, including non-metropolitan areas. Cornwall alone has been allocated nearly €593 million which has underpinned significant and much needed investment in critical infrastructure. The successor arrangements for EU funding should be place-based to enable local areas to set their own priorities, and enhance their capacities to adapt to unknown challenges that will need to be addressed after Brexit.
- Brexit presents challenges, but also opportunities to do things differently. Powers repatriated from the European Union must not simply reside in Westminster, Holyrood, Cardiff Bay and Stormont, but instead should be passed down to communities across the country including those in more rural areas to better connect them with future prosperity and bring decisions over public services closer to the people affected by them.
- Devolution to local leaders is the most effective means of ensuring that the social and economic interests of non-metropolitan communities are reflected in the delivery of services and the development of policy solutions. So far the Government has shown a clear preference for a form of devolved governance – a mayoral combined authority – which sits at odds with many of the well-established governance structures already in place. This risks excluding large

Briefing

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/644783/Housing_Need_Consultation_Data_Table.xlsx;
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/539132/RUC11_LAD11_ENv2.ods

parts of the country from accessing the important levers of growth provided by devolution.

Background information

It is not always a simple task to separate out specifically rural issues from the wider economic and social agenda. Our experience is that all communities want the opportunity to thrive, with access to the housing, jobs and infrastructure that enables this. As local leaders we are also keenly aware of the critical role public services can play in supporting the vulnerable and in connecting local people to the rewards of national growth.

The economic potential of non-metropolitan areas (NMAs) is significant, as is their existing contribution to the national economy. This was well-demonstrated by the final report of the Non-Metropolitan Commission,² the findings of which found that NMAs account for a significant proportion (56 per cent) of England's economic output.

Their economies are diverse and often include industries that are vital for Britain's global position in the export market, such as manufacturing and agriculture. The wide economic bases of NMAs and their rapid growth potential are evidence of sophisticated and evolving economies. Yet despite their economic potential, NMAs are also experiencing a range of demographic and economic challenges, which include:

- Local authorities in NMAs are experiencing significant financial pressures, with national figures indicating that English councils will face a funding gap of £5.8 billion by 2020.³
- Demographic pressures will add to the demands on councils, and in particular social care services, which nationally face a funding gap of £2.3 billion by 2020.⁴
- Infrastructure is key to the economic prosperity of NMAs but these areas are faced with the particular challenges of dispersed housing settlements, ageing or overloaded infrastructure networks and the need to maintain close links with urban neighbours and global trade routes.
- Coastal towns will have specific needs for investment in infrastructure and regeneration to help tackle deprivation.

Digital connectivity

Access to fast and reliable digital connectivity is no longer a luxury, it is a necessity. It is a vital component for supporting economic growth in urban and non-metropolitan areas, and an enabler of public sector digital transformation. Councils have supported the extension of access to fast and reliable connectivity through the Superfast Broadband Programme. Despite this, there will inevitably be some premises, mainly in remote rural areas, that will not be reached by the current tranches of work.

The LGA welcomed the creation of a broadband Universal Service Obligation. However, a proposal that leaves approximately 60,000 premises unserved cannot be the limit of the Government's ambition. Focus must be maintained on finding the

² [Final Report of the Non-Metropolitan Commission](#), 2015

³ [Growing places: building local public services for the future](#), 2017

⁴ [Growing places: building local public services for the future](#), 2017

funding and resolve to get as close to 100 per cent coverage as possible. The Government must also implement a social tariff for those who would face undue hardship paying for broadband installation or ongoing contractual costs

Mobile connectivity in rural areas is also poor, although Ofcom and Government argue it is improving. Councils have reflected back to the LGA their concerns about the representative nature of Ofcom's mobile coverage data. In some instances, councils believe it does not accurately capture the realities on the ground in rural areas. This is concerning considering it is this data that will be used to hold MNOs to account on coverage obligations imposed by Government. We want Ofcom to supply rural and coastal residents with reliable mobile coverage data that is more reflective of user experience, and can be better used to hold operators to account on their coverage obligations.

Devolution

Beneath these headlines, every area is different, with the scale of opportunities and challenges within NMAs determined by a wide range of local factors. Rather than focusing on the role of central government departments in developing rural policies to respond to shared but locally specific challenges, devolution to local leaders presents the most effective means to ensuring that the social and economic interests of non-metropolitan communities are reflected in the delivery of services and the development of policy solutions. As such, if a gap in the Government's approach has been created by the closure of DEFRA's Rural Communities Unit then this might be best addressed by providing councils with the freedoms and finances to deliver for their communities, rather than seeking to develop additional capacity or functions at a national level.

The Government has shown a clear preference for a form of devolved governance: a mayoral combined authority. This one-size-fits all approach sits at odds with many of the well-established governance structures already in place and risks excluding large parts of the country, particularly NMAs, from accessing the important levers of growth provided by devolution.

Industrial strategy

It is positive that the Government committed to developing an industrial strategy that is rooted in place and delivers for all corners of the country. In line with evidence presented above there are key elements of the industrial strategy that would benefit from a more tailored local approach:

- **Skills** – evidence shows that counties have low value, low productivity industry, and do not currently have the skills base to support high value growth sectors.⁵ NMAs and the wider economy could benefit from greater local government influence over the employment and skills systems, enabling local solutions to be developed to address the specific challenges they face.⁶
- **Trade and investment** – NMAs are yet to achieve their full potential in international markets and are currently having to operate in a crowded institutional and policy landscape. The current approach to trade and investment must be streamlined and local influence strengthened in order for NMAs to realise their potential in this area.
- **Housing** – issues of housing shortage and affordability are particularly prevalent in many NMAs. While many of the proposals in the Government's

⁵ [A New Deal for Counties](#) (County Councils Network), 2017

⁶ For further information on the LGA's proposed reforms to skills and employment see our [Work Local report, 2017](#)

Housing White Paper were encouraging, there is a need for more substantive measures to tackle the significant housing issues in NMAs.⁷

- **Infrastructure** – intrinsically linked to the issue of housing is the need for infrastructure to support it. Transport in particular is key to the future economic prosperity of NMAs and it is essential that local leaders have the necessary levers to address local transport challenges and links to national roads and rail.

Exiting the EU

A similarly place-based approach will be required as the Government negotiates the United Kingdom's exit from the European Union, and in particular with regards to the design and delivery of the proposed UK Shared Prosperity Fund. Following the EU referendum, one of the biggest concerns from councils was addressing the potential €10.5 billion (£8.4 billion) UK-wide funding gap for local government that would immediately open up from the point we officially exited the EU, unless a viable domestic successor to EU structural funding was in place.

The Government pledged to create a UK Shared Prosperity Fund to replace the money local areas currently receive from the European Union. This EU funding has been vital to create jobs, support small and medium enterprises, deliver skills, and boost local growth across the country, in metropolitan and non-metropolitan areas. The successor arrangements for EU funding should be place-based to enable local areas to set their own priorities, and enhance their capacities to adapt to unknown challenges that will need to be addressed after Brexit.

The LGA is consulting on options to inform the design and delivery of the UK Shared Prosperity Fund which will provide an important contribution to the Government's own analysis and deliberations.⁸

⁷ [LGA Housing Commission Report, 2017](#)

⁸ [Beyond Brexit: future of funding currently sourced from the EU, 2017](#)