



Regional imbalances in the UK Economy inquiry

ACRE Network submission to the Treasury Select Committee inquiry, July 2019

The ACRE Network covers all of rural England through its 38-member charities. Our focus is on the wellbeing of all people living in all **rural areas** of England, especially those who are at risk of isolation and disadvantage and for whom rurality brings an additional challenge and cost to their daily lives.

- 1. Overview / focus of evidence**
- 2.** The Committee has launched its inquiry at a moment in time when there is considerable attention being given to regional disparities within England and within the UK. The Kerslake UK2070 Commission has noted that inter-regional disparities in productivity are as great in the UK now as they were between East and West Germany at unification. Disturbing though these inter-regional differences are, our focus is on both **intra-regional** and **England-wide, urban/rural** disparities over a wide range of economic and social measures.
- 3.** Before presenting our evidence to the Committee one factor must be taken into account. Little data is now collected at a local, regional or national level to enable the true nature of disparities between urban and rural areas to be properly quantified. Since 2010 many data sets have gradually become unavailable, either because they are no longer being collected, or because the public agency that had once been responsible for their collection no longer exists. Our evidence is, therefore, either constructed from local knowledge within our network, triangulated from what data continue to exist or relies heavily on data from non-governmental sources that we have been able to identify.
- 4.** We will only address a small number of the questions raised by the Committee since there are many others better qualified to comment on the wider economic development issues. Our focus will be on the rural economy – primarily the non-landbased part of the rural economy – and rural communities. We will try to anticipate what the **future** holds for the 17% of the population that live in these parts of the country if current regional economic trends persist.
- 5.** Our primary focus on the future is deliberate and considered. We can do nothing about the last ten years, a period during which some rural communities have been reported as believing themselves to have been 'left-behind'. We do not want to repeat these easy characterizations. We should, however, draw the Committee's attention to the practical impact on rural communities of: delayed

roll-out of broadband, increasing difficulties of access to post-16 education for rural young people, disappearance of local bus services that might give younger people access to training and employment and widening disparities in educational attainment between rural areas and major conurbations. The Social Mobility Commission could, no doubt, provide detailed evidence on its findings in these areas so there is little sense in our repeating them.

We seek to look to the future and to what can be done to reduce the intra-regional disparities that have become so obvious to many rural people.

- 6. Question 1. How do imbalances present themselves in the UK, in terms of growth, wages, employment and other indicators?**
- 7.** Regional imbalances, whether intra-regional or inter-regional, are the result of long-term trends and are, therefore, susceptible only to long term and strategic solutions. For this reason, and also given the limited availability and analysis of specific rural data, it makes sense to focus on the assessment of social mobility carried out the by the Social Mobility Commission (SMC). Whilst it might be preferable to see the value all kinds of economic and social contribution being recognised irrespective of the 'mobility' it brings, the SMC's approach does at least recognise the extent to which society is creating opportunity and making the most of the talents of the next generation.
- 8.** When set alongside the usual mapping of disadvantage, child poverty, homelessness etc. it is clear from the SMC's regional analysis that there is very wide geographic spread in social mobility and that the least socially mobile places for young people are often rural and coastal locations. If this is not addressed these places will not only continue to lag behind when it comes to economic productivity, but will also be unable to sustain any increase in productivity brought about by short term economic development initiatives.
- 9.** The reason for social mobility appearing to be limited in the most rural and coastal locations is not clear. However, a good working hypothesis is that this results from these parts of England see services becoming increasingly centralised to more distant urban centres and opportunity for young people thereby draining away. Where this centralisation includes secondary and post-16 education, major secondary hospital provision, locations for larger scale businesses and public sector administration it is also easy to see that limited opportunities in higher paid occupational types will also cause talented young people to drift away.
- 10.** A downward spiral in economic activity and opportunity may be the defining characteristic of some rural and coastal locations; however, this downward spiral is not, as sometimes thought, offset by older people moving into these areas in the final days of their active economic life. Connectivity permitting, home working and remote working is a good choice for older people whose professional networks are already made, they are not a good option for younger people whose networks are still developing.
- 11. Question 4. What is the interaction between regional and income inequality? Is there greater inequality within regions or between regions?**
- 12.** The way in which inequality, disadvantage, poor well-being and poor access to services presents itself is different in rural areas to urban ones and is poorly

represented in the data that is now available. The commonly used tool by central, local (and presumably any future regional) government is the Index of Multiple Deprivation. The Index ranks wards based on a number of indices that are combined into a single score. The lower ranked a ward, the 'worse' it is perceived to be.

13. Unfortunately, the IMD has several serious drawbacks when used to identify where inequality exists in mixed urban/rural areas. First, most of the indices used are intrinsically weighted towards urban sources of inequality, only one, the access to services domain, tends to highlight rural inequality. Second, it is based on ward averages and so small numbers of rurally disadvantaged people are 'lost' in the averages.
14. The final, and biggest, drawback is the almost universal reliance that is placed on the IMD by government organisations and the misunderstanding of what it shows. It is often used to target resources and interventions, generally on the 10% lowest ranking wards. As it is a measure of averaged concentration of disadvantage, in practice only a minority of disadvantaged people and families live in the 10% most deprived wards. It is those in rural areas who are consistently missed by the use of this approach.
15. There is no doubt that there is considerable inequality within regions, and also within towns, cities and rural areas. Unfortunately, our tools to genuinely identify the scale and impact of this in rural areas is either lacking, not in widespread use or poorly understood. If Government were to devolve both budgets and responsibility down to regions to address this, then it is essential that the right tools to enable rural inequalities to be understood and acted upon are used by regional bodies. We would recommend an approach that looks at the 'rural share' of disadvantage and identifies absolute numbers as this creates less risk of people in need in rural areas becoming lost in the percentages.
16. The ACRE Network has experience of working with communities from the 'bottom up' and helping communities themselves to identify local needs and local solutions. This is more effective, allows for better targeting and is much more sustainable than short term and approaches to 'parachute' resources and help into communities.
17. **Question 5. What light does new regional economic data being produced shed on regional imbalances?**
18. We are not aware of new regional economic data that assists in the disaggregation of rural and urban economies.
19. **Question 6. What lessons can be learnt from the success or otherwise of programs designed to promote regional economic growth so far?**
20. The existence of rural specific funding that is available to rural areas as a result of the Common Agricultural Policy of the EU has meant that LEPs have tended to see rural as 'covered' by this source of public intervention. This has been of little help to the parts of the rural economy that are not closely associated with agriculture and forestry. In recent years where programmes of community led local development – such as LEADER - have been available, very little scope for local setting of strategy has been permitted, meaning that crude indicators have been applied that have not been appropriate to local or regional circumstances.

Action with Communities in Rural England (ACRE)

21. Other regional, or regionally managed/consulted over, programmes seldom reach rural areas. Other EU programmes such as ESF and ERDF have tended to be applied primarily to urban areas on the same rationale as above. It has been very difficult to find a way through the LEP managed Growth Fund for small rural economic development or housing projects.
22. There are lessons to be learned from the Community Led Local Development (CLLD) initiatives that have taken place through a range of programmes, many of them as part of 'special project funding' rather than mainstream economic or regional development. These have included resources from the Lottery Distributors, Coastal Communities Fund and the recent Community Housing Fund that has supported many Community Land Trust schemes. We understand that DEFRA is leading some research work on the outcomes of CLLD in rural areas and would commend the Committee to have sight of this research when it is published.
23. DEFRA have also recently commissioned PWC to evaluate the investment that they make in the ACRE Network. This supports the 38 ACRE Network members to operate alongside rural communities in all regions to help them develop solutions to local economic, social/community and public service challenges. The challenges usually arise in both commercial and public services due to a lack of the same levels of commercial critical mass that may be found in urban areas. This is a particular problem when much of the public sector relies on market provision where profit margins can be very seriously curtailed by the additional costs of serving rural areas. We would recommend that in these circumstances it would be better to invest in co-production of programmes with local communities. Again, the Committee might find this research helpful.
24. **Question 7. What are the future interventions that the UK should consider?**
25. There are two areas where new programmes could make a significant difference in rural areas: A. Connectivity and B. Clean growth.
26. **A. Connectivity**
27. The four Grand Challenges defined by the UK Government as part of the Industrial strategy: Artificial Intelligence, Ageing Society, Clean Growth and Future Mobility are of critical importance and have an impact on rural community life far beyond just industrial and commercial considerations. It is unimaginable that the resolution of these challenges will not be underpinned by the kind of hyper-connectivity that is summed-up in the phrases and technologies: 'fibre to premises' and '5G mobile infrastructure'.
28. It is clear to us that 5G is not a direct progression from 4G and may include a range of different technologies and network capabilities brought together under this simple title. Some of these technologies may be very problematic in rural areas, but we should not allow the use of this label to divert us from seeking an equity to digital connectivity for rural communities, irrespective of the technology that underpins it.
29. **Not to ensure that rural areas have equal access to these technologies is to condemn the 17% of people who live there either to being forced to move away or to a second-class economic and community life.** The question, therefore, is not whether to intervene through regulation and other government action, but how to do so more effectively and how to learn lessons from previous attempts to intervene.

30. The fundamental barrier is becoming less one of technology and more one of economic theory and political will. Up to now, the Government has been nervous about intervening sufficiently through its regulatory powers and has, instead, sought to use public money to accelerate roll-out to rural areas. This has not been effective. Using a public procurement approach has resulted in seeking to achieve best monetised value and, in doing so, public funds have been used to push coverage out just beyond areas that are attractive to the market. By the time the procurement has taken effect, these areas have become attractive to market provision and the money has been wasted.
31. Somewhat late in the day, Government has understood this and started to implement an 'outside-in' approach. It remains to be seen if this will be effective, since details of the approach to be taken are only now becoming available.
32. Instead of using a 'market deficit' approach Government needs to use the full weight of its regulatory powers to ensure providers use profits generated from 'cheap to serve' urban markets to ensure an equity of provision across both urban and rural ones. In addition, in very rural areas, providers of mobile services must be obliged, through regulation and the spectrum auction process, both dynamically to share spectrum and also collaborate to allow 'domestic roaming'.
33. The regulatory process could require wholesale access to networks to mirror the model used for wired connections, this would facilitate local innovation both in the for-profit and social enterprise sectors.
34. These may seem to be crude and anti-competitive initiatives when presented in this short and stark way. However, the sophistication of the technology, especially if regulated with the big picture of total coverage in mind, could find solutions to dynamic sharing of spectrum that would widen commercial participation, not narrow it.
35. **B. Clean growth**
36. Currently around 17% of the population lives in rural areas and most of these in one of the 11,000 settlements classified as rural. If we choose to bring back a more comprehensive and forward-looking regional strategic planning system, then it must have this existing settlement pattern at its heart. All of it, not just the major towns and cities.
37. It is time to revisit the post-war notion of urban containment that lay at the heart of the planning system. Instead, we should look at what change will occur, and technology will make possible, over the next fifty years. We must positively create a renaissance in rural development that will bring diverse new people, new types of jobs, new zero carbon lifestyles and new communities into rural areas. This could be done in a way that does not place at risk the countryside. Indeed, done well and with thought, it could breathe new life into it.
38. There is little point in planning to add dwellings only to major settlements on the illusory grounds that this is the only approach that is 'sustainable'. The result will be that whilst the new dwellings that result might be theoretically 'sustainable', nothing else will change. Creative forward, strategic planning would look at all of the existing settlement pattern and add new dwellings in a way that will help all of these settlements to become more sustainable, not just the added dwellings. This was a significant part of the Taylor report on rural

housing and economic development commissioned by the Coalition Government.

- 39.** Unfortunately, over the last fifty years it has often been the poor quality of development in the countryside that has set people against seeing more take place; new development has been seen as a threat. The commitment of a small amount of open land in every rural community to a balance of new development could serve to protect everywhere from the catastrophic effects of climate change by helping every community take positive steps towards a zero-carbon future.
- 40.** A new national and regional planning strategy would need, in some parts of the country, to make the strategic decision that it is sensible to increase the proportion of the population that live in rural areas from 17% to, say, 22% in order to help make all settlements achieve a sustainable critical mass. This is an indicative suggested shift that would require much more detailed research and consultation. However, the addition of new dwellings, along with the infrastructure that would go with them, could enable existing local services to be retained and new, zero-carbon, ones created, such as: local power generation, local public transport, local grey water schemes, local employment, etc..
- 41. **Question 8. How effective have regional bodies, for example combined authorities, cities, Local Enterprise Partnerships, been in promoting strong growth across all areas of the UK?****
- 42.** In our experience the non-landbased economy in rural England tends to be little more than an afterthought to these new institutions. Despite the LEPs having a complete coverage, and duplicate coverage in some places, of rural England very few have actively identified the potential of the rural economy for growth. Our members report that most LEPs tend to focus on large scale urban and peri-urban initiatives that are best suited to their, mainly, capital funding.
- 43.** One exception to the above is the Cambridgeshire / Peterborough Combined Authority. This has made consistent efforts to help solve the rural affordable housing crisis in the area through Community Land Trusts. Whilst the motivating force in this initiative may have been the rippling out of housing affordability issues from Cambridge to the surrounding areas, nonetheless this is bringing attention to the needs of the communities in the rural part of the Combined Authority's area.
- 44. **Question 9. To what extent can devolution of funding to regional bodies promote growth and reduce regional disparities?****
- 45.** It is critically important that any future institutional initiatives to promote regional solutions to achieve: growth, economic development, improved regional transport, access to training etc have rural areas defined into them from the start. There is a serious risk of the 'core cities' gaining power and influence over these essential developments, but then wielding that power and influence solely for the benefit of the cities. If we are to find a way forward to achieve carbon neutral economic growth and reduce disparities in productivity and well-being, it can only be achieved through a partnership between urban and rural areas.
- 46.** The Committee's questions imply a concern that London holds all the power and resources and that consideration should be given to passing this down to

Action with Communities in Rural England (ACRE)

'the regions'. If this argument is correct – and it is hard to say it is not – then the same must be true within the regions. It will be no progress for rural areas and rural communities simply to replace urban centric, London-based decision making with urban centric, Leeds, Manchester or Birmingham-based decision making.

- 47.** Rural areas have experienced many years of local government in County areas arguing strongly that Central Government must 'rural proof' their grant schemes and formulae to rural parts of the Country, only to observe those same local government organisations focus all their resources on the major towns once they receive them.
- 48.** Devolution is not devolution if it only goes one step closer to communities and invests solely in urban 'hubs', 'centres' and institutions. Regional politicians, structures and leaders must commit fully to devolution from the start.
- 49.** In addition, there is an emerging danger that the Government will increasingly look at our most cherished and protected landscapes, especially National Parks and Areas of Outstanding Natural Beauty, and seek to treat them differently to the rest of rural England. This could result in even deeper polarisation between wealthy retirees living in these protected landscapes and the rest of the country. These parts of the country must be helped to play a full part in the economic life of the country, not to be separated out from it.

Ends

Jeremy Leggett

ACRE Policy Advisor, August 2019

m: 07787573658

e: j.leggett@acre.org.uk

Action with Communities in Rural England, Corinium Suite, Unit 9, Cirencester Office Park, Tetbury Road, Cirencester, Glos, GL7 6JJ

Company Limited by Guarantee 3336101, Registered Charity No. 1061568

This email and any files transmitted with it are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you have received this email in error please notify the sender and delete the original message from your system.

ACRE Evidence Treasury Select Ctte July 2019v1.1.docx