

COUNTRYSIDE ALLIANCE BRIEFING NOTE: LEVELLING UP RURAL BRITAIN

General Debate, House of Commons

Wednesday 09 November 2022

- **In the context of a cost-of-living crisis that is hitting rural communities as hard as any part of the country, and looking ahead to the Chancellor's Autumn Statement, it is essential that regional funding including the new UK Shared Prosperity Fund is rural-proofed. Rural Britain needs levelling up too.**
- **We welcome the creation in September of the additional £110 million Rural England Prosperity Fund, which is intended to improve rural productivity through investment grants to businesses, awarded by eligible local authorities.**
- **Rural communities' needs should be at the heart of policy making in government. The responsibility for promoting and embedding rural proofing should therefore sit at the heart of government in the Cabinet Office. This will ensure the necessary resources and experience required to exert influence across government.**
- **Countryside Alliance research found 80 per cent of rural businesses agree that ultrafast fibre connectivity would have the single biggest positive impact on their business recovery post-Covid; 32 per cent estimate it would help them recover twice as fast.**
- **The current lack of broadband infrastructure serving small firms threatens the expansion and productivity of the rural economy.**
- **The tourism and hospitality industry should work with the Government to help deliver a tourism sector that operates 365 days of the year and can attract visitors outside the traditional summer season.**
- **Permitted development rights and reduced licensing requirements that were extended to businesses to help them adapt to periods of lockdown should be made permanent.**
- **That the digital skills gap costs the UK economy an estimated £63 billion a year in lost additional GDP strongly suggests the value that could be unlocked by investment in diversifying skills.**

Regional funding

- **The UK Shared Prosperity Fund was launched in April as a domestic replacement for the European Structural and Investment Funds with the objective of levelling up and creating opportunity for people and places across the UK. It is scheduled to provide £2.6 billion of new funding for local investment by March 2025, increasing to £1.5bn a year by 2024-25, allocated through a funding formula.**

- Previous funding from the EU was distributed through the Local Enterprise Partnership network. That system did not serve rural communities well as urban areas received the lion's share of the funding mainly due to the makeup of the boards being urban-dominated.
- The Government has said that the new system *"will help people access opportunity in places in need, such as ex-industrial areas, deprived towns and rural and coastal communities, and for people in disadvantaged groups across the UK"*.
- To access funding, places, led by local or combined regional authorities, will be required to submit an investment plan to the Government setting out their priorities for investment and the outcomes they are seeking to achieve.
- Separately, in September the Government created a £110 million Rural England Prosperity Fund, which is intended to improve rural productivity through investment grants to businesses, awarded by eligible local authorities. Such interventions are necessary to combat the productivity gap for rural areas, which has fallen from 90% of the England average in 2001 to 83% in 2019. Funds are set to be distributed from next April.

Countryside Alliance position

- Funds must be apportioned fairly to rural communities, with the process of distribution rural-proofed so it can serve rural communities better. The 'place-based' approach must recognise the diversity of our countryside and the capabilities and knowledge of those who live and work there. This would ensure that issues in the countryside, often more complicated than in urban areas, are tackled appropriately and, crucially, resolved.
- Rural communities' needs should be at the heart of policy making in government. The responsibility for promoting and embedding rural proofing should therefore sit at the heart of government in the Cabinet Office. This will ensure the necessary resources and experience required to exert influence across government.
- The rural productivity gap illustrates that investment in growing rural productivity offers the opportunity to realise significant longer-term returns to the public purse.

Digital connectivity

- A Countryside Alliance survey conducted with Gigaclear in 2021 found 80 per cent of rural businesses agree that ultrafast fibre connectivity would have the single biggest positive impact on their business recovery post-Covid; 32 per cent estimate it would help them recover twice as fast.
- Covid-19 once again highlighted the disparity in broadband connectivity across the country as the networks have struggled to keep up with unprecedented demand which saw millions of Britons suffering as a result of poor connectivity and outages. Our research also revealed 85 per cent of rural businesses reported their current internet as being either poor but manageable (47 per cent), or unmanageably poor (38 per cent).
- At the Budget in October 2021 the government confirmed the investment of £1.2 billion from 2021-2022 to 2024-25 of the £5 billion Project Gigabit which aims to support the rollout of gigabit capable broadband in hard-to-reach areas across the whole of the UK.

- A further £180 million was also announced in 2021 over the following three years as part of the £500 million investment in the Shared Rural Network, which seeks to deliver high-quality 4G mobile coverage to 95 per cent of the UK. This is estimated to offer extra coverage to 280,000 premises especially in rural areas, particularly for Scotland, Wales and Northern Ireland.

Countryside Alliance position

- We welcome continued investment in digital infrastructure through Project Gigabit and the Shared Rural Network. Delivering full fibre and gigabit capable broadband to the countryside by 2025, as committed to in the 2019 Conservative General Election Manifesto, was already watered down in 2020 so this additional funding is essential to the levelling up ambition.
- The current lack of broadband infrastructure serving small firms threatens the expansion of the rural economy. The business opportunity includes 28 per cent of all UK firms and over one million small businesses.
- Rural digital connectivity will not only allow rural businesses to realise their potential but could play a vital part in addressing climate change by reducing damaging emissions. It will allow people to work from home, thus being less dependent on private transport.

Skills

- Green growth within rural communities relies on the skills available within the workforce. Diversifying those skills would allow the rural economy to diversify into other sectors, making the rural economy less dependent on seasonal activities.
- Digital skills are now essential for full participation in social and economic life. However, a parliamentary inquiry into digital skills reported that *“there is a digital divide where up to 12.6 million of the adult UK population lack basic digital skills. An estimated 5.8 million people have never used the internet at all. This digital skills gap is costing the UK economy an estimated £63 billion a year in lost additional GDP.”*¹
- Our own research has found that there is a lack of digital skills and confidence in using technology, which impacts both businesses and personal life. Businesses are unable to take advantage of the potential of social media, online bookings or travel sites, and individuals, particularly older persons, are unable to take advantage of online services, such as food deliveries and online banking.
- Inability to use online services again places dependency on car use, which in turn contributes to emissions and congestion in rural towns where the larger shops, such as supermarkets, are found.

Countryside Alliance position

- That the digital skills gap costs the UK economy an estimated £63 billion a year in lost additional GDP strongly suggests the value that could be unlocked by investment in diversifying skills. In doing so, the Government must ensure those skills will benefit and contribute to a green future.

¹ Science and Technology Committee, [Digital Skills Crisis](#)

- There should also be more support for developing land-based apprenticeships, which could in turn contribute to the productivity of relevant businesses by improving the skills base of their workforce.

Tourism and hospitality sector

- Rural tourism in England contributes over £13 billion per year to the economy, making up a substantial part of the overall £97 billion value of tourism in England. It makes a significant contribution to the rural economy, supporting village shops and services, jobs and businesses.
- Under EU VAT law Member States have had the option, should they wish, to introduce a reduced rate of VAT on certain specified supplies. The UK is one of only four countries in Europe not to take advantage of a reduced rate of VAT on tourism accommodation, admissions to shows, theatres etc or restaurants and catering services. Some Member States have taken advantage of this dispensation to charge a lower rate of VAT on some or all of these supplies.
- This means British families or international visitors holidaying in the UK pay almost three times as much VAT compared to a German break, and twice as much as one in Italy, France, and Spain.
- At the last Budget in October 2021 it was announced that the retail, hospitality and leisure sectors would receive a 50 per cent business rates discount in 2022-23, up to a maximum of £110,000. The business rates multiplier was also frozen in 2022-23.
- The Budget also cut duty rates on draught beer and cider by 5 per cent to support pubs, taking 3p off a pint.

Countryside Alliance position

- The tourism and hospitality industry should work with the Government to help deliver a tourism sector that operates 365 days of the year and can attract visitors outside the traditional summer season.
- Lack of public transport is one of the biggest issues in the countryside. Better local transport links would not only encourage those who live and work in the area to use public transport but also encourage holidaymakers to leave their cars at home.
- Continuing to reduce tourism VAT would help lower prices and allow businesses to increase investment, especially in fragile coastal communities. Research by the Cut Tourism VAT campaign has found that a cut in tourism VAT would contribute an extra £4.6 billion to HM Treasury over ten years and create 121,000 jobs.
- We welcomed the introduction in the last Budget of a new lower rate on draft beer and cider. We would encourage the government to consider further the impact of VAT on hospitality businesses, and in particular pubs.
- We are also pleased that, following consultation, the Government agreed to liberalise rules on town markets and moveable structures in outlying areas of premises.

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