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1. Background – The Rural Economy

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

Businesses in the countryside face some unique challenges including lack of access to broadband and mobile phone signal, inability to expand or diversify due to planning constraints and lack of services such as high street bank branches which are closing in our towns and villages at an alarming rate.

Despite these challenges the number of businesses per head of population is higher in predominantly rural areas than in predominantly urban areas. Rural areas have a strong entrepreneurial make-up with around 486,000 small businesses registered in rural areas – 26 per cent of total UK small businesses. However, for these to continue to prosper and be able to grow and compete, proper investment in rural areas is needed and laws and regulations need to support development and diversification.

Farming remains an important part of many rural communities and businesses, but farmers in many sectors are facing the worst trading conditions in a generation. It is vital that the planning system supports sustainable development and diversification projects, particularly during these challenging conditions for the farming industry. HMRC expect tax returns and PAYE to be completed online, yet farm businesses are often unable to access and return data online due to the lack of a suitable broadband connection. Improvements in the digital infrastructure need to be a priority.

The Government has stated its commitment to small businesses and to rural life, so it should be helping to boost local economies through policies which address the challenges faced by businesses in rural areas. As such we welcome the measures in the Queen's Speech which seek to address these challenges.

2. Digital Economy Bill

This Bill is intended to “modernise our climate for enterprise, making sure Britain remains at the forefront of the global 21st century economy so that our businesses continue to create jobs and our families remain financially secure.”

It will include:

- Giving every household a legal right to a fast broadband connection.
- New laws to help telecommunications providers build the infrastructure needed for faster broadband and better mobile networks.
- Allowing consumers to be automatically compensated when things go wrong with their broadband service.

Broadband and Mobile Connectivity

The Countryside Alliance welcomes the Digital Economy Bill and believes that high speed broadband and mobile connectivity are essential services alongside water, electricity and gas; but it is nowhere near as available in rural areas as it is in urban areas. Continued poor connectivity in rural areas represents a huge missed opportunity for economic development and needs to be addressed as a priority and we hope that the Digital Economy Bill will ensure that digital connectivity is delivered in rural areas.

One of the main obstacles to high speed broadband and mobile connectivity in rural areas is the lack of infrastructure able to support high speed connections. This is why we are welcoming the proposal to reform the Electronic Communications Code and the simplification of planning rules, which will assist with the construction of mobile and superfast broadband infrastructure.

The Ofcom Report “Connected Nation 2015” showed that around 8 per cent of premises in the UK (2.4 million) are connected to lines that are unable to receive broadband speeds above the proposed Universal Service Obligation of 10Mbit/s. Many of these are in rural areas, where about 48 per cent of premises (1.5 million) are unable to receive speeds above 10Mbit/s. The Report noted that faster 4G mobile network coverage has increased significantly. All four operators now provide outdoor coverage to 46 per cent of UK premises and three of these operators now cover more than 70 per cent of UK premises. However, the report also stated, levels of mobile coverage in rural areas continue to be lower than in urban areas. Outdoor coverage of voice services in rural areas is 72 per cent of premises, compared to 99 per cent of premises in urban areas. Indoor coverage in rural areas is particularly poor, with only 31 per cent of rural premises receiving an indoor voice service, compared to 91 per cent in urban areas.

We welcomed the Government’s announcement in November 2015 to introduce a Universal Service Obligation (USO) of 10Mbit/s for broadband speeds across the country by 2020. The whole point of a USO is that it applies to everyone, and this USO was suggested specifically to ensure that the most rural, hard to reach properties would enjoy workable broadband speeds. We fully welcome the proposal in the Digital Economy Bill to give every household a legal right to a fast broadband connection, which must include ‘hard to reach areas’. We recognise that the USO is technology neutral, which is important to ensure delivery of broadband in rural areas where fixed line solutions are difficult or impossible as a means to

deliver high speed connections. We also support the power to direct Ofcom to review the USO speed periodically to make sure it is still sufficient for modern life.

The proposals to provide coverage data, making it easier for customers to switch, and automatic compensation when things go wrong, will not only enable greater competition, which will help drive the delivery of superfast broadband across the UK, but will ensure that consumers can make informed choices about their provider. We have always said that Ofcom must place consumers at the heart of its decision-making process to ensure that we can all benefit from this digital world. These proposals will go some way to improving connectivity through greater competition but we must ensure those hard to connect areas are not forgotten.

To ensure that rural economies prosper we need to ensure that not only do we have the infrastructure and coverage to meet this demand, but we also educate consumers and businesses about the benefits of high speed connectivity.

Countryside Alliance calls for:

- **Government to deliver the broadband USO and their commitment that all premises in the UK will have high speed broadband by 2020, including hard to reach areas.**
- **Broadband Delivery UK (BDUK) rollout to be transparent with a clear schedule for consumers, and 'not spots' identified to enable alternative providers to fill the service gap.**
- **Government to promote and support alternative technologies, such as satellite and mobile broadband, which can deliver connectivity to remote rural areas.**
- **Government to ensure that reformed planning law relating to mobile infrastructure ensures that it is easier and quicker to build new sites, upgrade existing infrastructure and allow new infrastructure to be built that best suits the local area.**
- **Mobile infrastructure that has the capacity to grow to meet increasing demand as we become ever more reliant on digital technology.**
- **Implementation of the Government's proposals to allow the sharing and upgrading of sites, proposed December 2014, to ensure rollout of a mobile network which meets the needs of households and businesses.**

3. Neighbourhood Planning and Infrastructure Bill

This Bill is intended to “reform planning and give local communities more power and control to shape their own area so that we build more houses and give everyone who works hard the chance to buy their own home”.

It will include:

- Measures to reform and speed up the planning process by minimising delays caused by pre-commencement planning conditions.
- A new statutory basis for the independent National Infrastructure Commission, to help invest in Britain’s long-term future.
- Streamlined processes supporting neighbourhoods to come together to agree plans that will decide where things get built in their local area.

Housing/Planning

The Countryside Alliance welcomes this Bill. It is vital that the planning system is efficient and planning policies achieve a balance between delivering sustainable housing development, supporting local businesses, and protecting the amenity of the countryside.

The need for more housing stock is not just an issue in towns and cities as many rural areas are also suffering from a lack of housing. Population growth combined with migration from urban areas has seen the rural population grow by 800,000 in the last decade, driving up house prices and pricing many families out of the communities in which they work and in which they have often been brought up.

Those young people unable to find homes often move to urban areas placing a further strain on affordable housing in those areas. This can also increase the distance people travel to work with the associated negative environmental impacts. The break-up of family and social networks when young people are forced to move away often leaves older people increasingly isolated and dependent on public services.

Rural house prices are much higher, rural wages are much lower and the gap between them is widening particularly for agricultural workers. There is a premium for rural housing in all parts of the country and property prices in the countryside are, on average, £43,490 (22 per cent) higher than in urban areas. However, workers in rural areas have seen wages rise at a slower rate than the rest of England in the last decade, by 21 per cent compared to 24 per cent in the rest of the country.

We are concerned that these factors have not been fully addressed in the Government’s recent Housing and Planning Act and that the extension of Right to Buy to Housing Association properties in rural areas will further deplete affordable housing stock as there is no obligation to replace houses that are sold off.

The neighbourhood Planning and Infrastructure Bill is an opportunity to enable locally led initiatives to develop small groups of affordable housing for local people to rent or buy, where they meet criteria of local support, good design, and are affordable in perpetuity.

We also believe the Government should implement a number of proposals, consulted on by the last Labour Government, to provide incentives for landowners to bring forward land for affordable housing.

The Countryside Alliance has used the Government's Rural Planning Review to call for changes to permitted development rights which would mean farmers no longer have to choose between their residential or agricultural permitted development. Under our proposals farmers will have greater flexibility on when they are able to use their Class Q rights to convert from agricultural to residential use which will help deliver sustainable housing development whilst also supporting farmers who are facing some of the most difficult trading conditions in a generation.

Countryside Alliance calls for:

- **Planning system that is efficient with planning policies that support sustainable rural life and businesses; including better use of permitted development rights.**
- **Government to implement measures to incentivise landowners to bring forward land for affordable housing.**
- **Locally led provision of affordable local housing to meet local need.**

4. Local Growth and Jobs Bill

This Bill is intended to “deliver the biggest change in local finance for decades, giving local authorities full control of the money they raise through business rates, so they can attract business and investment to their local areas”.

It will include:

- A transfer of up to £13 billion to councils through allowing them to retain 100 per cent of the business rates they collect.
- New measures to allow combined authority mayors to levy business rate supplements in order to fund infrastructure projects where there is the support of local business.

Local Government Funding

The Countryside Alliance welcomes this Bill but believes that local government funding needs addressing more widely and we have concerns that the changes to business rates may have unfortunate consequences in rural areas in terms of spending.

Local government spending accounts for around a quarter of all public spending and includes schools, social services and maintaining roads which are some of the most vital public services for rural communities. Delivering public services in rural areas is often more expensive, leading to higher taxes or poorer services, which impact on the rural economy.

Local government funding includes the Rural Services Delivery Grant which is paid to the most rural local authorities – as defined by the Office for National Statistics classification – to help address the ‘rural penalty’ experienced by local authorities with rural communities as a result of the additional costs of service delivery in more sparsely populated areas. The Countryside Alliance welcomed the increase in this grant in the last settlement from £15.5 million last year to £80.5 million in 2016/17.

It is important that this additional funding is considered in the context of broader changes to local government funding, particularly changes to other central government grants and the devolution of business rates, in order to assess properly the impact on rural areas.

The Government has said that by 2020 local government will receive 100 per cent of its funding from local revenue rather than central government. As local government funding moves from a predominately centrally funded system to an entirely locally funded system, it is vital that rural areas are not disadvantaged by the disparities in their revenue sources compared with urban areas. This policy also raises questions about the long term future of the Rural Services Delivery Grant and how the Government intend to tackle the ‘rural penalty’ under the new funding model.

The Local Growth and Jobs Bill will implement the Government’s earlier announcement that local authorities will retain the full revenue from business rates without any allocation to central government. This is a significant devolution of tax allocation as rates for 2014-2015 were expected to generate gross revenue of £22 billion.

These changes are designed to create greater accountability and competition between local authorities but they may also create greater disparity between rural and urban areas as the local revenue base in rural areas is generally lower and more expensive to administer than it is in urban areas. When this is combined with the additional costs of service provision in

rural areas it is clear that rural areas are at a distinct disadvantage. It is vital that the Government recognises this and ensures adequate funding for rural areas.

Countryside Alliance calls for:

- **Government to continue to make available grants for rural areas; and to increase year on year the funds available to rural local authorities.**
- **Government to commit to a review of the local government Formula Grants to ensure fairness between funding allocated to rural and urban areas, and bring an end to the 'rural penalty'.**
- **Government to commit to a review of the latest changes to local government funding to ensure that rural areas are not disadvantaged over the long term.**

Rural Services

People in many rural towns and villages do not have acceptable access to the most basic services, goods and amenities. They often have to travel longer distances for healthcare, petrol stations, financial services and shops; and pay a premium for basic essentials such as heating fuel and road fuel. A lack of access to services is not only damaging to rural communities but can also make it more difficult for the rural economy to compete with urban areas.

For the rural economy to grow, access to services is essential. These services are the life blood of a community especially in remoter areas. They hold communities together and it is no surprise that research shows 91 per cent of people feel that post offices play an important role in their community.

Access to banking and financial services in rural areas is a particular problem. 20 per cent of the population live and work in rural areas and yet only 12 per cent of bank branches are located there. Out of the 28 bank branches that closed in Wales in 2014, 10 were "last bank in town" closures and this is reflected in England and Scotland as well. This means it is becoming increasingly difficult for people and businesses located in rural communities to access their money and other services necessary to living, and to running a local business.

Postal services remain essential to those living and working in the countryside. Digital communications provide alternative ways for people to exchange information, but many still rely on the post, as it is seen as reliable and secure. Which is why we are concerned about the impact changes and competition in the postal delivery market could have on rural postal services and the knock-on effect for rural communities and businesses.

An expansion of financial services in post office branches could help provide a sustainable future for the network as well as helping to address the lack of banking and financial services in rural areas. This is why we welcomed the announcement by the Post Office to make available a current account in more than 100 branches, rising to 2,000 by the end of the scheme. However, in all likelihood these will mainly be in urban areas and not all high street banks are taking part.

In June last year, Ofcom announced a review of the regulation of Royal Mail. The review aims to ensure regulation remains appropriate and sufficient to secure the efficient and financially sustainable provision of the universal postal service. We called for this review to be brought forward as it is important to consider the effectiveness of the existing regulatory

structure in light of potential changes regarding end to end delivery, the growth of the internet and the future of the Universal Service Obligation (USO).

Countryside Alliance calls for:

- **Government to take forward the recommendations in Ofcom's review of Royal Mail when this is published.**
- **Ofcom to guarantee regulation that ensures fair competition across the whole of the UK.**
- **Government to ensure that rural communities are not left isolated due to lack of access to essential services.**