

Representation to HM Treasury for the Chancellor's Autumn Statement 2016

Submitted by the Rural Services Network

This representation proposes two targeted measures which it would like to see included in the Chancellor's Autumn Statement in November 2016. One seeks to boost economic growth and productivity in rural areas. The other seeks to address a growing issue that results from an ageing rural population.

The Rural Services Network (RSN) is a membership organisation representing 154 local authorities (county, unitary and district councils) and almost 100 other rural service providers (such as fire and rescue authorities, housing associations and public transport operators). Thousands of parish/town councils and community bodies are associate members. The RSN exists: to make representations on issues affecting rural services; to promote active networking among rural providers and sectors; and to establish and share rural best practice.

A/ Removing barriers to rural economic growth

Policy proposal

Invest in rural infrastructure in order to support rural growth and employment. It is proposed that this focuses upon three widespread rural issues, namely broadband connectivity, public transport provision and the supply of affordable housing.

Rationale

The economy of rural England is a major contributor to the national economy. In 2014 the Gross Value Added (GVA) of 'predominantly rural' areas was £228,611 millions, which is 17% of the England total GVA¹. A further category, known as 'urban with significant rural' areas, had a GVA of £167,533 millions, which is 12% of the England total.

Similarly, 2014/15 figures show that rural areas were home to 568,835 registered businesses, which is 23% of the England total. The great majority of these are, unsurprisingly, small businesses.

Hence, it is important that rural economies can be productive and can grow, both for the wellbeing of rural areas themselves and as contributors to the national economy.

However, rural areas have some relative weaknesses;

¹ Defra, *Statistical Digest of Rural England*, September 2016

- Productivity levels are below the national average. 2014 figures show that in predominantly rural areas GVA per workforce job was £44,460, whereas the England average was £49,888;
- Wages from employment are below the national average. 2013 figures show that in predominantly rural areas workplace-based median gross annual earnings were £19,900, whereas the England median was £22,200; and
- Capital investment by business is below the national average. 2013 figures show that in predominantly rural areas capital investment per employee was £3,100, whereas the England average was £3,900.

There is therefore considerable scope to boost the productivity of rural economies and to improve the employment opportunities of rural residents. One means for achieving this would be by improving the infrastructure that supports businesses and their employees.

It is proposed that three widely acknowledged weaknesses in rural infrastructure provision should be addressed. They are:

- *Broadband connectivity*: the current Superfast Broadband Programme aims to connect 95% of all premises by 2017. This leaves 5% of premises, nearly all of them in rural locations (and which constitute roughly a quarter of all rural premises). We recognise that Government is proposing to give the remaining 5% a Right to Ask broadband providers, as a form of Universal Service Obligation. This will, however, need some public funding from central Government behind it, if it is to be successful and is not to penalise premises in deep rural areas. Without this some rural businesses and households will be asked to pay high – and perhaps unaffordable – amounts to gain a broadband connection.
- *Public transport*: public transport helps people to reach education, employment and training opportunities. This is especially true of young people and those from low income households, who are less likely to have access to a car. Public transport networks are much thinner in rural than in urban areas and many rural bus services are being cutback, as subsidy for them is reduced by cash strapped local authorities. In 2012, prior to most of the cuts, only 49% of households in smaller rural settlements had access to a regular bus service². 2015/16 was similar to prior years, in that 124 bus services were withdrawn altogether and 248 services were reduced or otherwise altered. Some additional funding to sustain rural bus services is urgently needed to reverse this trend.

² Department for Transport accessibility indicators

- *Affordable housing*: businesses need a resident workforce nearby and if people are priced out the local economy will suffer. House purchase prices in rural areas are significantly above the national average, rendering them unaffordable for many rural dwellers. As noted above, local wages also tend to be low. 2012 figures show that the ratio of lower quartile house prices to lower quartile earnings was 7.9 in predominantly rural areas, whereas the ratio was 7.4 for England as a whole. In many rural areas the ratio is higher still. Those who are a long way from being able to buy and who would struggle with private sector rents, will look to social housing. However, as 2011 Census figures show, social housing comprises just 8% of the housing stock in smaller rural settlements (compared with 19% in urban areas). The Government is promoting Starter Homes for those who may be able to join the housing market. This needs to be complemented with support for the social housing sector, for those who (realistically) cannot afford a discounted home. The most likely solution would be grant funding to Housing Associations and the like via a Rural Programme by the Homes and Communities Agency.

Costs

Broadband connectivity: the current Superfast Broadband Programme cost central Government £780 million, taking connectivity from around 80% to around 95% of all premises. Connecting the last 5% will be costlier (per premises). Nonetheless, investment of £250 million to support the Right to Ask USO – ensuring businesses and households are not faced with unreasonable connection charges – would make substantive progress possible and help achieve the goal of universal provision.

Public transport: by 2014/15 the amount spent supporting non-commercial bus services had fallen to £250 million across England. If an additional £45 million were now injected, that would restore the funding position as it was in 2010/11, enabling many rural bus services to be restarted, extended or improved.

Affordable housing: in recent years the Homes and Communities Agency has provided grant funding to Housing Associations of around £21,000 per dwelling. This has proved a low figure, especially in rural areas where development costs tend to be higher. However, a Rural Programme of around £50 million should allow around 2,200 to 2,500 new dwellings to be built in rural areas – a sizeable contribution towards meeting the current need for affordable housing.

Benefits

Broadband connectivity: this would simplify and speed up the roll out of superfast broadband networks to the last 5% of premises. It would do so in a way that is fair, overcoming the current position where many businesses and households will face an extra cost burden if they take-up the Right to Ask USO. Evidence from the Superfast Broadband Programme indicates that take-up of a superfast connection will be high in these areas (25% or more). Businesses will be made more efficient, being much

better able to innovate, to market products online, to form e-supply chains, to sell goods online and to complete regulatory or tax returns online. In short, it will put businesses in the last 5% on a level playing field when competing with businesses elsewhere. Further evidence of benefits can be found in the UK Broadband Impact Study which DCMS commissioned from consultants SQW in 2014.

Public transport: rural residents will find it easier to access employment, education and training opportunities. A lack of public transport can reduce the area of job search, not least for those who are unemployed. Its provision will give businesses access to a wider pool of potential employees, helping them to recruit and sustain a workforce. It will be especially useful for those without a car, including young people and those with a lower income.

Affordable housing: this will help to ensure that rural areas can sustain a local workforce, including those who are in lower paying sectors or occupations. If nothing is done many rural areas will continue the trend, whereby they are becoming places where only the better off can afford to live. This trend has both economic and social costs, and it undermines the goal of sustainable communities.

Deliverability

The broadband connectivity proposal would most obviously be delivered by BDUK (within DCMS), as the organisation overseeing delivery of the current Superfast Broadband Programme.

The public transport proposal would most obviously be delivered through a special grant to rural local authorities, who are transport authorities and who are currently responsible for supporting services.

The affordable housing proposal is likely to be best delivered through the Homes and Communities Agency managing a Rural Programme.

B/ Adult social services provision in rural areas

Policy proposal

Revenue grant funding investment to end further reductions in adult social services provision and to take account of the ageing population.

Rationale

Rural areas have a disproportionate number of older people within their populations. At the time of the 2011 Census those aged 65 and over comprised 23% of the rural population, compared with 17% of the national (England) population. ONS population projections show there will be a substantial increase in the number of older people and the fastest growth rates will be found in rural areas. Indeed, in

some rural and coastal areas the share of the population which is aged 85 and over is projected to more than double by 2037. This, of course, will place a significant extra burden on adult social services.

Adult social services are already over-stretched as a result of reducing local authority budgets. Budgets available to adult social services departments have reduced³ by 31% between 2010/11 and 2015/16. Many social services departments have tightened up their criteria for helping residents and now focus only on high priority cases. One outcome is that many older people are not discharged from hospital as quickly as they otherwise could be, which is an additional cost for the NHS.

The growing demand for adult social services risks taking the situation to breaking point. It is acknowledged that upper tier local authorities are being allowed to raise their portion of Council Tax income by an extra 2% to help address this concern. This, however, does not keep pace with rising costs faced by the sector, including those from National Minimum Wage and National Insurance increases.

Costs

Funding for adult social services should in future be protected, as it is for the NHS. There is a clear rationale for this, given the links between the two: a cost for one can be a saving for the other. Central Government could achieve this with a specific extra grant to upper tier local authorities. Despite attempts to protect frontline services, in the 2014/15 financial year the relevant authorities were planning budget reductions of £420 million for adult social services. A slightly larger sum would then be needed to take account of the growing number of older people. Nationwide somewhere in the region of £1 billion would be needed to stop further service reductions or pressures in just one financial year. Of course, Government may prefer to plan budgets over a three year period.

Benefits

Older people would receive more appropriate levels of formal care to meet their needs and the pressure to further ration services to high priority clients would be dissipated. This should enable more older people to continue living in the familiar surroundings of their own home (supported by home care visits). It would also reduce pressure on and save costs in the NHS, allowing older patients to be discharged more swiftly from hospital. There would therefore be some offsetting cost savings for the public purse. These benefits would not only accrue to rural areas, but they would be particularly valuable there given their population profiles.

Deliverability

The additional grant should be distributed to upper tier local authorities in proportion to the size of their (non-self funding) elderly populations and with some adjustment to

³ Source is ADASS, the Association of Directors of Social Services

reflect sparsity costs in rural areas i.e. where unit delivery costs are higher because of the travel cost/time involved in serving a dispersed client base.

The RSN hopes that these two proposals are considered and assessed carefully by HM Treasury. It is the view of RSN that they would make a very significant difference to rural communities, boosting economic potential and enhancing support for a growing cohort of older people.

Rural Services Network
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