

The Rural Commission

Outside the belt, harnessing the future
economic potential of all of Scotland



Delivering a Stronger Economy across Rural Scotland

**Response to the recommendations of the National Council of Rural
Advisers to the Scottish Government**

Introduction

SCDI established The Rural Commission in April 2018 comprising representatives from across the public and private sectors in SCDI's membership to be forward-looking and action-focused in relation to the short, medium, and long-term steps that could be taken to help harness the economic potential of the whole of Scotland.

Given the recommendations of the National Council of Rural Advisers to Scottish Ministers, and following the recent meeting of the Commission, this response aims to touch on how the NCRA's recommendations align with the Commission's emerging thinking. The Commission's focus is on the three themes of people, place, and productivity, and the Commission recognises that to grasp the full potential of the whole economy across rural Scotland requires a multitude of often very small actions. The Commission will report in summer 2019.

Whilst much of the levers lie within the remit of the Scottish Government, there are also clear actions that the UK Government should take, and steps that other agencies and businesses themselves can make.

The Economy in Rural Scotland

An economically successful Scotland needs strong economies in rural areas and the success of businesses in rural communities can be overlooked by decision-makers often based in and with a focus on the cities.

We, therefore, welcome the recommendation that the rural economy should be embedded in the National Performance Framework. It is important that this should not only mean the rural economy but the whole economy in rural areas, recognising the vast majority of businesses in rural Scotland are outwith the primary sectors of agriculture, forestry, and fishing. There is also a need to recognise that the economy across rural areas of Scotland is not one and the same but contains very different economic realities and circumstances in different parts of the country. Scotland-wide interventions will rarely be successful, and so policies need to be a toolkit of actions and interventions that can be chosen to suit the differing needs of distinct areas.

The delivery of a new approach to rural financial support is important in terms of national and local public sector funding and what is currently European funding. The provision of finance must fully recognise the longer timeframe and tighter margins many businesses and investments in rural areas can face.

Whilst representation on the Enterprise and Skills Strategic Board and the creation of a Rural Economy Action Group may help, the success of any measures to support the economy across rural Scotland will depend on embedding them within the thinking and actions across Government departments. There is a perception of the economy of rural Scotland as being essentially agricultural, and that perception needs to be combatted and changed by highlighting that rural Scotland is home to large scale businesses employing thousands of people as well as a diverse array of thriving businesses.

Better understanding of rural economies

Measuring the impact of current activities and forecasting the success of potential interventions is important in making the case for any investment and in identifying trends and challenges that emerge. It is welcome to see recent efforts to pull together data to enable easier assessment both in terms of the work of the Scottish Centre for Regional Inclusive Growth and by Skills Development Scotland. This work has, of course, highlighted the challenges that exist around gathering statistically significant data for small rural locations and the difficulty in analysing pulled data where the statistics for locations might appear superficially comparable, but the causality behind them may be very different.

As a Commission, we will be looking very carefully at how we gather and assess data and economic impacts in rural areas and hope to come forward with further details in the summer. We note the publication earlier this year of the 'Understanding the Scottish Rural Economy' paper but are unconvinced about the new classifications on rurality it proposes based on local authorities given local authorities can span large geographies, and single urban settlements within them can have an undue sway on the data. Although we recognise that any classification based on local authority areas will never be fully accurate.

We welcome the highlighting of access to finance as part of the recommendations by the NCRA put forward both in terms of grants and wider finance. With those making decisions about finance increasingly distant from rural communities, businesses and individuals can find it difficult to access finance on suitable terms which is cognisant of their circumstances and the diverse and varied communities in which they work.

With increasing market failure, the proposed Scottish National Investment Bank has an opportunity to provide finance that supports business growth and recognises the wider value of investment across Scotland. The Commission believes there is also scope to encourage more investment in local businesses from within their communities and it will explore this further.

People and skills

The Commission welcomes the recommendation to promote the excellence that exists in manufacturing, technology, and e-commerce in rural areas, as well as encouraging future entrepreneurship. Much more needs to be done to highlight the full range of businesses that operate in rural areas beyond primary agriculture production. There are huge opportunities to develop far more value-added businesses and drive up the productivity that exists in many parts of Scotland to support the wider economy and increase the living standards of people throughout the country.

We are particularly supportive of efforts to look at recruitment strategies as we recognise the additional time and commitment it can take from people to relocate into rural areas in order to take up positions. The difficulty of rural recruitment has been exacerbated as a result of the recession and tightening public sector budgets which have diminished the ability of public sector employers - an important part of regional employment - to carry out workforce planning. Much more needs to be done across the public and private sectors not only to identify prospective employees but also to support the relocation and recruitment of their partners.

We also recognise that labour and skills needs across Scotland can be very different and rural areas can struggle to attract the people they need to support businesses operating in them, particularly as salaries can often be lower. More help is needed to support micro and small businesses to scale up and take on additional staff. It is vital that an immigration system is introduced that removes the inappropriate barriers faced by rural businesses in the current system and reflects the differing needs of different parts of the UK. We also recognise that there are opportunities to attract more people from other parts of the UK to rural Scotland.

We remain to be convinced of the benefits that a Scotland-wide Rural Skills Action Plan will bring, and believe the focus needs to be far more on place-driven actions and ensuring that training and education can be delivered as close to the areas of need as possible. Experience suggests that a Scotland-wide approach is unlikely to deliver the outcomes that meet the multi-faceted needs of people in our diverse communities.

Helping businesses thrive

We welcome and support the recommendation to explore what rural Scotland has to offer for start-up and growing businesses. We know that in rural areas there is a higher proportion of small and micro businesses and helping them to scale-up and develop would provide a major boost to rural communities, recognising their economic as well as social value.

The business support landscape can be cluttered and the gap in support between Business Gateway and the Enterprise Agencies can hold some back from reaching their potential. We are not convinced that the key growth sector approach has been right for rural areas as it has not sufficiently supported foundational sectors such as construction and social care.

We would also like to see consideration given to the creation of Business Support GP's for rural Scotland who have access to the full toolkit of Business Gateway, Enterprise Agency, and Skills Development Scotland support to simplify the interface for businesses, deliver a more seamless experience and help ensure no wrong door when businesses seek help.

Furthermore, the Commission believes that businesses themselves need to do much more. Rural Scotland is home to some outstanding successes but there is a need to encourage ambition and address stagnation or decline where it exists. Business leaders are also open to how they can better support their communities and those working in them. Facilitating that support would be invaluable in harnessing new opportunities.

The housing and infrastructure rural communities need

The issue of access to housing that is affordable is stark across many areas and we very much welcome the actions outlined. This is an area the Commission is continuing to look at as the barriers are varied and cover not only housing but the whole range of developments and redevelopments. In particular there are opportunities for self-build and challenges around an insufficient number of small-scale builders and access to trades. Our [housing discussion paper](#) outlines some of the key thoughts we are considering, and we would be happy to engage further with the Scottish Government as that develops, as it will form a key part of the Commission's final report.

With regard to the issue of VAT on renovation and restoration, this is a key issue in places where land values simply cannot justify the costs of bringing properties back into use and we would like to see action taken to provide exemption or grants equivalent to that cost in order to help bring more properties into use.

Ensuring that regulation is appropriate to and supportive of development in rural areas is a challenge that must be looked at to reduce the barriers it currently presents, and we recognise this is a complex area that we will be looking at further.

We believe consideration, perhaps utilising the proposed Scottish National Investment Bank, should be given to providing finance to small-scale housing developers to support the delivery of more housing in rural communities, with sufficiently long-term repayments plans for the greater risk and reduced margins associated with small developments. There is also the opportunity to utilise the new South of Scotland agency, as well as Scottish Enterprise, and Highlands and Islands Enterprise, to provide more support.

Creating successful places

The roll out of R100 will present a huge opportunity to deliver a digital infrastructure that helps overcome some of the geographic barriers people and communities face. Ensuring this is delivered to the most remote locations as a priority can help ensure the greatest impact on inclusive growth. We also believe that this must be part of an evolving digital transformation of which this is a major step, but one that is only part of the journey. It is vital, for instance, that we also look at 5G rollout and ensure that coverage reaches every part of the country, or rural areas could be at a permanent disadvantage.

The NCRA's recommendations are also right to highlight the broader economic benefits of rural infrastructure investment, and we would add relative importance of them. Many communities are far removed from the trunk road network and work is needed to look at how we enhance and strengthen the maintenance of our regionally and locally significant roads, the quality of which has deteriorated in many areas. For people and businesses in rural areas the prospect of a road closure can lead to excessive diversions and delays that have a significant personal and financial cost. With little or no access to public transport services, the road is usually their only transport connectivity and represent lifeline infrastructure for communities and businesses.

Conclusion

The work of the NCRA has made a positive contribution to the focus on rural Scotland, its challenges and opportunities, and its recommendations to Scottish Government are, on the whole, welcome. We believe it has highlighted some promising actions that can help improve communities and people throughout rural Scotland. For these to be successful, it will require the needs of rural areas to be imbedded across all levels of government and government agencies and not confined to individual directorates or interventions. As the work of the SCDI Rural Commission progresses we look forward to continuing to engage and coming forward with actions we believe can contribute towards harnessing the economic potential of all of Scotland's businesses and people.

Notes

The Rural Commission is made up of representatives of businesses and organisations with interests in the economy of rural Scotland. The views expressed by the Commission may not reflect the views of individual members or their organisations but are the view of the Commission as a whole.

The Rural Commission's Partners are: Aberdeenshire Council, Brodies LLP, Comhairle nan Eilean Siar, Crown Estate Scotland, The Highland Council, Johnstons of Elgin, Liberty British Aluminium, Moray Estates, MOWI, Openreach, SSE, Stirling Council, and the University of the Highlands and Islands.

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