

The Rural Commission

An Economy for All of Scotland

Harnessing Our Potential for Everyone, Everywhere

Living and working in rural Scotland is a privilege, with well documented benefits in terms of lifestyle and wellbeing. It's a great place to do business and the opportunities still outweigh the many challenges but, as this report shows, there is more that we can do to give us the best chance of delivering on our potential. We hope that our work contributes to the removal of some of the impediments faced by rural business and helps to further embed the specific circumstances of rural Scotland within wider policy.

Foreword

Chris Gaffney, Chair, SCDI Rural Commission

I am a director at Johnstons of Elgin, who manufacture luxury textiles at either end of the country, in the north in Moray and in the borders at Hawick. I therefore have some appreciation of the issues faced by organisations that operate in Scotland's smaller towns and rural areas and also recognise the significant contribution that businesses like ours can make to those communities as they grow. So, in early 2018 when SCDI formed a commission on how we best harness the potential of the economy of those parts of Scotland outside of the central belt and major urban areas, I was delighted to join as chair.

The Commission had a pretty challenging brief. As those of us that work outwith the central belt will testify, there is not a single homogenous "rural" Scotland. There are a huge variety of communities and business sectors each with their unique challenges and assets.

However, although the challenges tend to increase with remoteness and other local factors, there were many common themes that arose time and again in the various meetings and consultations that we undertook throughout the country. Wherever we met with people it was clear that there was ambition for each area to be able to contribute more economically. These were communities with motivated and inspiring leaders, aware of opportunities to grow but too often held back by constraints, such as the availability of talent, poor infrastructure and connectivity, and a lack of affordable housing.

If Scotland is to achieve its overall economic potential rural Scotland has a key part to play. We have an opportunity to leverage the abundance of natural assets that are going to prove critical in delivering a sustainable low carbon future. We have the chance to see more of our businesses play a greater role in our economic performance and support inclusive growth. And, if we recognise the value of rural Scotland, not as separate but an integral part of our economy, we can strengthen our resilience and capitalise on the benefits that technology and improved connectivity could bring.

Living and working in rural Scotland is a privilege, with well documented benefits in terms of lifestyle and wellbeing. It's a great place to do business and the opportunities still outweigh the many challenges but, as this report shows, there is more that we can do to give us the best chance of delivering on our potential. We hope that our work contributes to the removal of some of the impediments faced by rural business and helps to further embed the specific circumstances of rural Scotland within wider policy.

I am very grateful to the members of the Commission and those that contributed through our consultations for the insight that has informed our findings. The passion people showed for seeing us harness the economic potential of all of Scotland was clear, as was their commitment to playing their part.



Chris Gaffney
Chair, SCDI Rural Commission
& Group Finance Director, Johnstons of Elgin

The Rural Commission

SCDI established The Rural Commission in April 2018 as a short life group comprising representatives from across the public and private sectors to be forward-looking and action-focused in relation to the steps that could be taken to help harness the economic potential of the whole of Scotland.

The Commission believes that an economically successful Scotland needs strong economies in rural areas, and across every part of the country. We recognise that every area and community face different challenges and opportunities, and no one solution or set of actions can help to unlock the potential of everyone. We believe that to unlock our potential we need to better recognise the impacts of decision making on different places and the cumulative effect that different decisions can have on a place.

All businesses and communities want to be successful and sustainable but to do so in rural areas often requires longer term certainty and planning. Rural areas will never replicate our largest urban centres but have their own key strengths that we should better recognise and value as a country. We welcomed the establishment of the National Council of Rural Advisers and their recommendations as a positive step in helping to better recognise those strengths and how we value them and put forward our response to those recommendation in January this year¹.

We would like to see the creation of a clearer vision for how we unlock the potential of all of Scotland, looking at where decisions are best taken and what their impacts will be, and assessing our progress along that journey. We recognise the political challenge with creating such a vision and how it aligns with political cycles and responds to the impact of global changes but creating a sustainable economy that supports individual and community wellbeing is something we should all support. We believe that whilst policy makers, politicians, and governments will have different views on the mechanisms, setting a common goal would be a strong step forward.

We also believe a positive step would be to regularly bring together those responsible for our infrastructure and planning on an annual basis to help to align investment, tackle barriers, and deliver better outcomes for people and businesses throughout Scotland.

We would like to see:

1. The convening of planners, utility providers, regulators, and government agencies annually to identify where their work can align, where challenges exist, and look at how their individual progress is helping to unlock and facilitate long term objectives.
2. The creation of a long-term vision for the economy of all of Scotland, with a review of progress every five years.

20% of Scotland's population live in Rural Scotland, but it makes up 27% of Scotland's economy.³

Better Understanding of Rural Economies

Good decisions rely on good data. Understanding what problems and opportunities there are, looking at the impact investment or change would bring, and measuring the success or failure of action and inaction all leads to better outcomes. That is as much the case for individual businesses as it is for government at every level. But how and what we measure to know if a decision or investment is successful need to be carefully considered. Getting data that works is a major challenge for rural Scotland as the geographic spread and diverse nature of different parts of the country can lead to data that may look similar, but which has very different underlying cause, and for which different actions are required. In particular, Gross Domestic Product (GDP) can be a good measure of a country's overall economy but fails to capture the true value to an economy of activity, just as Gross Value Added (GVA) can be a good measure of impact at an end product level, but fails to capture the impact at a region level, or of a products supply chain. Despite that, between 2009-17 GVA for Scotland increased on average by 11%, by 10% in Glasgow and Edinburgh, by 11% in the Borders, and by 14% and 18% respectively in Dumfries and Galloway and Highlands and Islands². 20% of Scotland's population live in rural Scotland but it makes up 27% of Scotland's overall economy³.

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 efforts to pull together data to enable easier assessment both in terms of the work of Scotland's Centre for Regional Inclusive Growth (SCRIG)⁴ 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. This collection of data is made more difficult by the Office for National Statistics' move to rounding to the nearest five.

Whilst this might not seem much, it does have the effect of making smaller data samples less accurate, with the island groupings often failing to be recognised through statistically insignificant numbers.

We would like to see the work of SCRIG expended to help deliver a better metric for the impact of policy decision and investments in different parts of Scotland. We also believe that convening representatives from across the public, private, and the social economy sectors, on an annual basis to review current and future data and analysis could help unitise the shared knowledge that is held.

We would like to see:

3. The bringing together of more data for rural areas and where quantitative data doesn't exist look at alternative sources.
4. Consideration of alternative measures by Scotland's Centre for Regional Inclusive Growth to capture inclusive growth and regional impacts.
5. The convening of researchers and analysts from across government agencies, academia, and business to support the analysis and assessment of data.

450,600 people work in rural Scotland. 49,000 businesses.⁵

People are twice as likely to be self-employed or have a second job in our most remote communities than the rest of Scotland.⁶

Areas of Focus

Early in the Commission's work it was clear that our focus would be on the three areas of People, Place, and Productivity, whilst recognising that there can be a strong crossover and influence between these three areas. Without people we can never have functioning communities, economies, or businesses, and we need to ensure that we retain, attract, and nurture the talent we all require. Our communities and businesses need the infrastructure, housing, and investment necessary to grow the success of the places we want to live and work in. We need to ensure businesses and communities can continue to grow, harness new technologies, deliver the productivity needed to make them more inclusive, and increase their economic contribution so that not only do those living and working in rural Scotland benefit, but the whole country benefits too.

We also recognise that Brexit brings its own challenges, and whilst this report does not focus on it, we recognise that it amplifies and brings focus to many of the points highlighted and, depending on the outcome, can have a constraining impact on the economy throughout rural Scotland. Whatever lies ahead a thriving economy throughout Scotland needs action to deliver the right solutions for businesses and communities to make it as sustainable and robust as possible to overcome and hurdles and position for future success.



People

- Talent retention and attraction
- Skills provision
- Lifestyle
- Demographic change



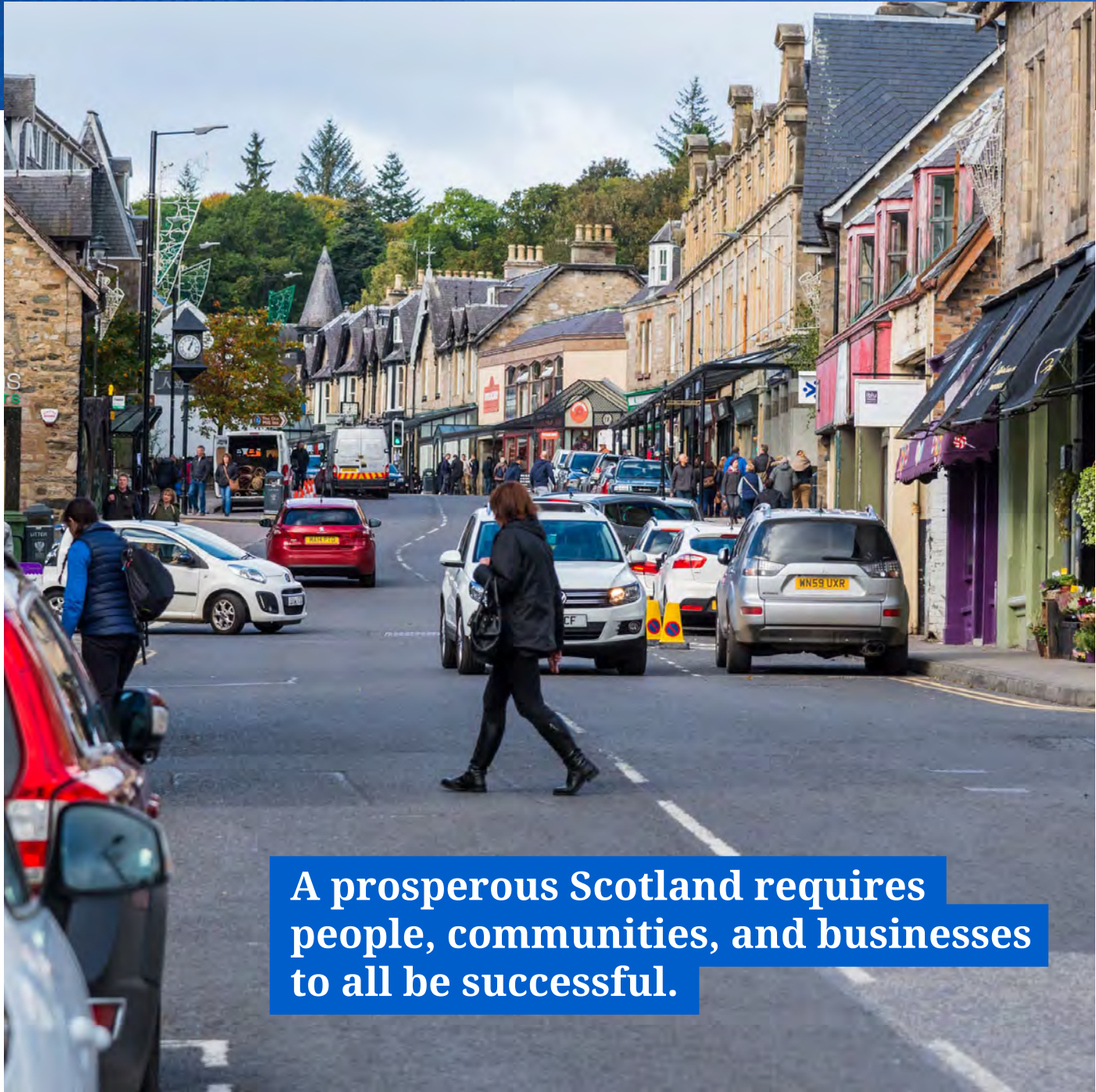
Place

- Investment and Capital
- Housing
- Transport and Connectivity
- Culture and Community



Productivity

- Support business growth
- Harness technology
- Increase value
- Tackle the pay gap



A prosperous Scotland requires people, communities, and businesses to all be successful.

People

Throughout our discussions and engagement people have always been identified as the most important component of thriving economies and communities in every part of the country. How we attract and retain the talent necessary to meet the needs of businesses and deliver necessary services, how we address the demographic forecasts that show a decline of working age people, a reduction of young people, and an increasing elderly population, and how we ensure that people have an opportunity to prosper, wherever in the country they choose to live.

We recognise that labour and skills needs across Scotland can be very different and rural areas can struggle to attract the people they require to support businesses operating in them or deliver necessary services. As we move to new generations, expectations and requirements are shifting at a pace faster than infrastructure and new service delivery is keeping up.

We also know that in rural Scotland people often have longer journeys, fewer local employment opportunities, and can find it more challenging to access the support and childcare provision that is flexibly enough and affordable to them, and that allows them to carry out the roles they would want. We recognise that part of the challenge will always be around achieving a critical mass in delivering childcare provision and other support services that are financially sustainable and we need a greater look at how we overcome that challenge.

Over the past decade the economic landscape has seen some marked changes with the makeup of local economies shifting as businesses adapt and the public sector contracted in the face of the recession. The focus on responding to these changes has seen workforce planning slip and a growing challenge over how we ensure the talent is in place to meet future needs. We need to see clearer planning across the public and private sector over what their future skills requirements will be, and work undertaken to identify how that requirement will be met. That will involve looking at long-term strategies for meeting skills need and efforts to look at where shared recruitment campaigns could work across public bodies, the health service, and private companies to highlight the mix of opportunities that exist in an area. There are diverse opportunities and there are opportunities to better

highlight the lifestyle benefits and new ways of working that can make rural areas such a great place to live and work. There are also more opportunities to increase awareness of career opportunities through schools and strengthen ties between employers and local schools to raise more awareness of the different opportunities that exist within areas. Where there is a desire to pursue a particular career for which there's a local shortage, we need to do more to support that choice and clear a pathway to it. There are opportunities to encourage more apprenticeships and look at new models to support more young people to enter the workplace without having to leave their area.

Local and Regional Skills Investment Plans have been a positive move but to be successful require not only looking at the long term skills needs of different parts of the country but full buy in and backing to ensure that the housing, transport, education, and other infrastructure is sufficient to support the retention and attraction of the people necessary. There is also a greater requirement to ensure that we look to reshape the demographic trends that could lead to unsustainable communities and the delivery of services, and look at how we deliver continued professional development and access to skills provision to help those in rural areas to play the greatest role in them.

Throughout Scotland we need to attract more people to plug the skills gaps that exist⁷ and bolster populations to support a sustainable economy and communities. From seasonal agriculture and hospitality workers to year-round health and social care, construction, and other personnel, the current UK wide immigration policies are a major constraint in supporting business growth and delivering the services needed. We believe there needs to be greater recognition of the differing needs of different parts of the country and the different circumstances that exist. SCDI have long argued⁸ over the challenge that the current immigration system creates for Scotland and the benefits that a migrant workforce brings here in helping to meet the skills gaps we have.

We believe we should:

6. Have longer-term public sector workforce planning, 'grow your own' strategies, and shared recruitment to meet needs.
7. Have a focus on attracting working age people, from other parts of the country and further afield, into rural areas to address the demographic projections and meet the labour shortage that exists.
8. Consider where relocation support and incentives could help plug specific local needs.
9. Have greater recognition of the challenges faced in accessing childcare and support in rural communities and look at support to overcome them.
10. Build on the Skills Investment Plans with more localised long-term action plans focused on workforce need, with more flexibility around funding to meet local requirements.
11. Have more flexibility in the immigration system to meet needs and pressures and the adoption of a regional migration model.



% Change in Population by Age, 2014-39

	Aberdeen & Aberdeenshire	Ayrshire	Borders	Dumfries & Galloway	Edinburgh & Lothians	Fife	Forth Valley
0-15	16	-11	0	-9	17	2	-1
16-29	1	-18	-7	-18	1	-3	-5
30-49	16	-18	-16	-15	15	-8	-7
50-64	11	-22	-20	-27	18	-12	-5
65-74	29	14	21	7	44	22	36
75+	89	82	89	74	90	91	95
Total	18	-5	3	-5	21	5	7

	Glasgow	Highlands & Islands	Lanarkshire	South of Scotland	Tayside	West	West Lothian
0-15	5	-9	-5	-5	4	-3	-2
16-29	-10	-15	-11	-13	-7	-12	-3
30-49	3	-11	-12	-15	3	-12	-7
50-64	0	-18	-11	-24	-9	-19	-4
65-74	34	17	32	13	17	23	45
75+	66	96	92	80	76	78	131
Total	7	0	2	-2	7	-1	9

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These projections show a dramatic shift in the make up of the population in different parts of Scotland. Of course covering whole regions they also mask areas within them that might be doing much better or worse than these figures suggest in having a sustainable population makeup.





We need to do much more to deliver secure and affordable housing in our communities.

Place

Housing and Development

Housing is one of the biggest challenges faced throughout Scotland with many struggling to access a home that is secure, affordable, and accessible for employment opportunities. Without action the projected demographic change in many areas is showing a declining working age population and the need to provide housing that redresses that balance and supports families and individuals who can meet the economic needs of communities is vital. How we meet that challenge is one of the biggest questions we need to answer if businesses and communities are to ensure that they can retain and attract the people necessary to support our economic growth.

Throughout the work of the Commission there have been many discussions on housing⁹ and engagement at every level looking at house usage, redevelopment, general provision, and affordable housing. Each of these areas all play a part in meeting the needs of different areas, and there's been some great work done by others to look at the challenges that exist. Key barriers identified were around the balance of house usage between permanent, second, and holiday homes; the cost of refurbishing properties and the challenge of meeting current standards where the cost will exceed the end value; the challenge of accessing economically developable land and the shortage of small scale house builders; and the difficulty in delivering affordable housing within the Scottish Government's grant subsidy level¹⁰.

There is no one single fix to the issue of housing supply and use, and the challenge faced in different rural areas will usually be the culmination of issues, rather than any single issue itself.

Firstly costs, for small developments individual planning conditions, surveys, utility connections, or other expenses can all add up and make progress unviable. We need to ensure proportionality and allow greater flexibility where a development would be positive in bringing land into use. For redevelopments, it can be hard to absorb expenses within the end value window, particularly where redevelopments are liable for VAT or of an older nature, and that would be unable to meet all standards that the lower property value could justify. Balancing conservation and sustainability can be challenging and the provision of grant support to help housing delivery may be necessary. We also recognise that as we look to rightly make housing more energy efficient this is also driving up costs that the end price in many rural communities can't support.

Secondly housebuilders, the financial downturn saw the challenge of builders of appropriate scale being amplified, with many being subsumed by larger developers, unable to survive or becoming more risk averse to protect against future shocks. This has led to areas of the country without the trades necessary to deliver developments, and we need to look at how to encourage and support businesses in the construction sector in rural towns through procurement and local content in the delivery of housing and infrastructure.

Thirdly usage, we see a continued challenge between house usage as permanent, seasonal employment, holiday, and second properties. We recognise that there are particular pinch points that need to be looked at and how we balance usage, as without accommodation that is available and affordable for people in communities to meet the economic needs of their area, places will always struggle to thrive. We would welcome as a first steps a registration system for short-term lets in order to get a true picture of usage in different areas¹¹. Ultimately however, it is increasing supply that is the best way of meeting long term housing requirements. Perhaps also looking at encouraging more homes with annexes to deliver home working, short term letting or long term assisted living space.

These three broad areas all need to be looked at in trying to

resolve the supply of housing, the regeneration and use of the land necessary to support communities, and enable the balance of people to create or sustain thriving communities. We welcome the work of the Scottish Land Commission and Scottish Futures Trust to look at the enabling infrastructure that could help¹².

Whilst we have predominately focused on housing delivery, we also recognise that many of these challenges also act as a barrier for commercial property, both in bringing existing premises up to modern standard and the delivery of new facilities. This is constraining the growth of many businesses who are unable to economically upgrade current or develop new suitable premises.

We believe we should:

12. Look to deliver more social housing in rural areas through a more flexible grant that recognises the increased costs of smaller development.
13. Encourage houses with an annex to help deliver home working, short- and long-term letting space and longer-term live-in care support.
14. Help to bring back into use older buildings by addressing the cost of VAT and flexibility on building standards, without compromising on safety, where older buildings cannot economically be brought back into use because property values are lower.
15. Ensure the planning and regulatory burden is appropriate for different sized developments, recognising that surveys, conditions, and planning contributions have a disproportionate impact on smaller developments less able to absorb the costs.
16. Have longer term land use planning, and greater weighting given to it, in order to make a clearer path through the planning system, to help open up more economically developable land.
17. Through the Scottish National Investment Bank provide long term investment to landowners and developers to spread the cost of bringing marginal sites into use and for the delivery of vital utilities.

Transport Infrastructure

Transport infrastructure and public transport provision across the country can be patchy with many rural areas far removed from the 3,669km of Scotland's trunk road network and some of those key arterial routes in rural areas failing to meet trunk road specification, in particular the A7, A75, A82, A83, and A87 need to see enhancements to improve traffic flows along these routes, that whilst being popular tourist links, they are not alternative tourist routes but vital economic arteries to the communities they serve. We would also support moves to look at the vehicle speed differential to reduce this to improve traffic flows and reduce driver frustration. Outwith the trunk road network local authorities have struggled to maintain - let alone enhance - the regionally significant routes they look after, particularly where EU funding previously provided assistance¹³. As alternatively powered and autonomous vehicles come along, our road infrastructure needs to be as efficient, safe, and reliable as possible to support that transition.

Whilst our rail network across central Scotland has seen some positive enhancements, the rail network across other areas has continued to lag with journeys on the Far North Line in particular seeing a marked deterioration in journey times as a result of line speed reductions rather than the maintenance required to maintain previous speeds. We recognise some welcome moves to improve the journey experience of rail travel through the introduction of refurbished InterCity and the refurbishment of other rolling stock, but we need to see more work carried out to bring down journey times throughout the rail network to reduce the disparity between urban and rural services. We would like to see the inconsistencies of line speeds tackled and single line bottlenecks addressed to increase frequency and reliability, and ultimately reduce journey times to help deliver a stronger rail network. We also need to recognise the cost barriers faced in accessing and using our rail network.

Our island communities and businesses not only rely on strong connectivity across the mainland of Scotland but on suitable sea access to meet their long-term needs. With an ageing ferry fleet, we need to look closely at how we provide the future connectivity required, not only to sustain our islands, but to help them grow and thrive. We believe we need to create a long-term ferry

plan that looks to deliver a more standardised classes of ferry vessel to increase flexibility throughout the network and that looks to meet capacity increases through the delivery of more frequent services, rather than the creation of larger ferries. We also believe more should be done to explore where fixed link crossings, such as the Skye Bridge, would provide a better long-term investment, more environmentally sustainable connectivity, and greater economic return than a continued ferry service.

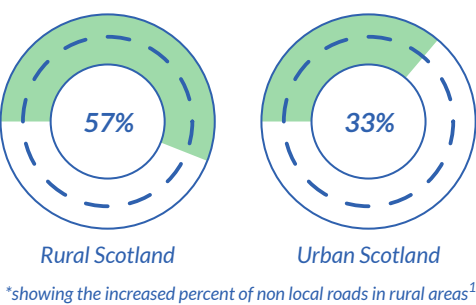
As we look at our ferry services it's important to see these not in isolation but also recognising the important role that air connectivity can play for our island communities in accessing key population centres for healthcare, work and leisure. Helping to better utilise that air capacity, and supporting increased frequency, can help tackle some of the issues of rurality and support economic activity.

Bus services across much of Scotland have seen a decline in passenger numbers leading to an increase in people being poorly - if at all - served by bus routes, and that this has a particular impact on those geographically, or economically, unable to access other transport modes. Addressing this reduced access to public transport is important if we're to tackle inequality and social isolation, combat the reliance on the private car, and improve access to employment and education opportunities.

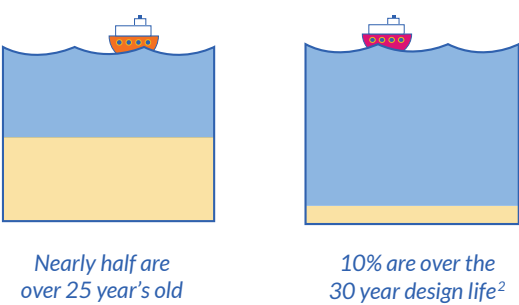
We recognise the positive benefits of the concessionary travel card but also note that five times as many journeys are made by eligible cardholders in Edinburgh than those in our most rural communities. We believe that we should look at reviewing the reimbursement to bus operators and consider increasing it to those in rural areas compared to those in larger urban centres to better recognise the difference in service viability. We know that after people's own car the next most popular form of transport is a lift from someone else, and we should explore a mechanism for providing payments to others who provide transport to concessionary card holders where there are no bus service available.

We also know that for many people it is not possible to utilise public transport in getting to their nearest regional centre for a

Classified Roads (ABC) vs. Unclassified*






Scotland's Ferries



Concessionary Journeys Per Person Over 60*



*Concessionary journeys in Scotland to September 2017



1/3 of bus journeys are made using the National Concessionary Travel Scheme³.

But **8 times** as many journeys are made in the busiest urban centre, where the percentage of the population eligible is 10% lower, than in the most rural area.

1. <https://www.audit-scotland.gov.uk/maintaining-scotlands-roads> 2. <https://www2.gov.scot/re-source/doc/935/0105733.pdf> 3. <https://www.transport.gov.scot/publication/scottish-transport-statistics-no-36-2017-edition/chapter-2-bus-and-coach-travel/>

meaningful day's work or activity, or in getting between some of our towns and cities. We need to see a more holistic view of our transport networks and look to put in place transport solutions to address areas of poor connectivity. We also believe that as digital connectivity enhances there are opportunities to look at demand responsive services that could help plug the gap where a bus route network cannot be sustained.

We welcome the increased focus on improving active travel through increasing cycle routes, and improved pedestrian paths, but know that there are challenges in some areas in delivering improvements where road widths are insufficient to accommodate enhancements or land acquisition is challenging. We believe there should be greater flexibility in the use of funding, and its match funding, to enable local authorities and others to deliver solutions that achieve the greatest benefit for the population within their areas.

We believe we should:

18. Commit to bringing up to specification all trunk roads and provide support to enhance regionally significant roads.
19. Set a minimum speed for rail infrastructure to create a greater parity of service.
20. Create a long-term ferry vessel and port plan to enhance and strengthen the resilience and frequency of island links and look to adopt vessel classes.
21. Review concessionary bus funding and consider different rates between urban and rural areas to provide more equitable access.
22. Greater flexibility in funding and standards to support the roll-out of active travel that is appropriate for rural areas.

Tackling the gap between urban and rural transport infrastructure will unlock more of our economic potential.



Digital Infrastructure

New technology offers an opportunity to allow more people to live, work, and study, in different parts of the country, overcome some of the geographic barriers people, communities, and businesses face, open up new markets, increase productivity, and support more flexible working to increase inclusivity.

To harness the potential that new technology offers requires the infrastructure to be put in place to provide the physical and mobile connectivity that we increasingly rely on. We welcome the progress that has been made to date in extending broadband reach to much of Scotland and know this has brought considerable benefits¹⁴. We recognise the challenge that Scotland's topography and population sparsity plays in delivering commercial services and welcome the Scottish Government's commitment to reaching all of Scotland's premises with the R100 broadband programme. We hope that this rollout will ensure that full fibre is delivered to our most remote locations and that priority is given to those areas least well served by current provision. Delivering full fibre connectivity to those not currently served by broadband is vital if we're to have lasting infrastructure that will enable continued increases in connection speed to close the gap between urban and rural communities. We also know that much more needs to be done to ensure that as new digital infrastructure rolls out, we look at how we encourage and support people and businesses take it up and benefit from the opportunities it offers.


We also need to see a stronger focus on tackling mobile not-spots and increasing the range of mobile coverage¹⁵, and we would like to see access to Network Rail, Emergency Services Network, and public sector infrastructure available to support mobile operators in extending their reach, as well as greater site sharing. As more services have continued to digitise, and more people expect and require mobile coverage for access to complete daily tasks, ensuring that we create the infrastructure network to deliver 4G coverage, and which supports the rollout of 5G and future network technologies, can facilitate greater service adoption and facilitate new innovation to overcome some of the geographic barriers people and businesses face.

As digital connectivity becomes ever more important, we need

to see the steps taken to ease the rollout of existing and new technologies and make it easier for investment to take place in delivering greater capacity and reach as developments occur. We also believe there is a role for other technologies such as Long Range Wide Area Networks, increased public wifi, and other services, in opening up opportunities for smart applications and technologies in supporting the internet of things. Whilst we understand the commercial challenges that low population density can play in the rollout of these technologies, we believe that their benefit and value can be greater in a rural context given the additional challenge of access to physical services.

We believe we should:

23. **Prioritise the rollout of physical digital infrastructure to the hardest to reach communities and provide future proofed fibre infrastructure.**
24. **Ensure that mobile not-spots are tackled, and the delivery of communications infrastructure is made easier.**
25. **Support the roll out of technologies such as Long Range Wide Area Networks, and the expansion of wifi networks to complement fibre and mobile.**



Digitally connecting every part of Scotland will allow businesses and people to work, live, and access the services they need anywhere.

Low Carbon Infrastructure

Rural Scotland means different things to different people, for some it's where they live and work, and for others it's a place of escape for leisure. Balancing the different views people have of what rural Scotland means will always be a challenge with questions over where we draw the line between land uses and how we agree the value of each potential use to each area, and the country as a whole. We recognise the positive work being done to look at land use and how we value it¹⁶, and around its conservation, but there remains a conflict between conservation, restoration, and utilisation, that requires a longer term vision and plan for the role that different areas of the country could or should play in making us more environmentally sustainable, as well as supporting community and economic sustainability.

The need to shift to a low carbon economy is ever more pressing as we drive towards and beyond a net-zero emissions future by 2045, and it's vital that we look to do so with the urgency that is required and judge the best environmental use of our resources. As a country Scotland benefits from rich natural resources and we have an opportunity to better harness the renewable energy potential we have on and around our shores, and combined with our land and water resource, we can be a leader in, and home to, truly sustainable businesses. From farming to fabrication, Scotland can own its environmental impact from inception to realisation, and we need to see a clearer path as to the steps that should be taken to support that transition.

Encouraging and supporting greater renewable generation is key in transitioning us towards a low carbon future, recognising the need to strike a balance between utilisation and conservation of our natural places. But to strike that balance requires us to understand the value of each activity, not just to the location it takes place, but to the wider country and goal of a low carbon transition, in order to spread the cost and impact that it has, so that the benefits and burden are not solely borne by one area over another. As Scotland has harnessed more of its onshore wind resource, we've seen communities able to utilise financial benefits they've received from the developer to help meet some of their needs and make investments not delivered by others. However, we've seen other communities outwith the areas of that investment left lagging behind as other funding sources tighten.

We recognise that there will always be differing views around the location of renewable generation sites and believe there needs to be better long-term planning around how we deliver the energy generation that we should achieve as a country with such rich resource.

In particular, we believe that the wind, wave, and tidal resources, of our island communities offer major opportunities to play an increasing role if we deliver the transmission links required to capture that resource. We recognise that Ofgem have a duty to keep costs for consumers as low as possible in their decisions around our transmission networks but also believe that, given the increased pace necessary to shift towards a net-zero emissions future, there must be a strong focus on how to unlock as much of our renewable generation resource as possible. In particular, there can be major opportunities looking at how we promote the land, water and energy resources we have to investors and those who could locate in these areas. Whilst there is more we can do to generate increased renewable energy as a contribution towards our environmental sustainability, we need to require more energy generation projects to have a greater local and domestic input to their supply chain in. This will not only support the development of sustainable electricity but better support sustainable economies and communities in the process.

As we shift more of our transport and energy requirements towards electric - generated from renewable resources - we need to have a clear strategy for the installation of the Electric Vehicle (EV) infrastructure required to support that move along our transport arteries, and at our workplaces and homes. The delivery of that infrastructure is not only vital in supporting that shift but in giving people the confidence around reliable journeys for the benefit of those living, working, or visiting. That shift also places an additional burden on areas of the country who already pay more for electricity¹⁷ but as we move towards greater usage for both heating and transport, the question around the socialisation of energy distribution costs across the country becomes more pressing to avoid imbedding further the cost disparity.

We recognise that much of the focus and many of the potential solutions around decarbonising our transport system in particular

We have the natural resource to play a greater role in a low carbon future.



have an urban focus given the range constraints of current technology and the larger reward for delivering mass transit solutions, however there is a clear need for action on identifying and supporting transport solutions that work for those in our rural communities. We would welcome an increase in the challenge fund to support the development and trialling of low carbon solutions, focused on rural locations, both around vehicles and the technologies that would increase utilisation.

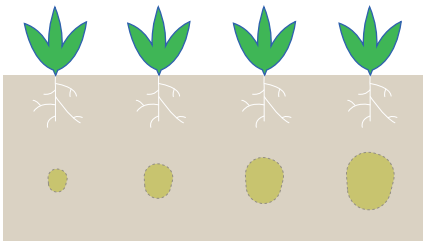
We also recognise that as we look to move towards low carbon generation, we need to continue to focus on how we reduce energy demand where possible. With a higher proportion of older homes in many rural locations there is a need to continue to explore how those properties can be supported to increase their energy efficiency, whilst recognising that some properties might only be able to take steps in the right direction where energy efficiency measures would cost much more than the value they'd add. There may be an opportunity to review what energy efficiency measures could be acceptable for older properties where the character of the properties is maintained. As we drive for more energy efficient properties, we recognise that new housing in many rural locations might not achieve a price that makes those efficiency measures viable at an affordable price and look at measures that can offset those costs. We also recognise

that climate differences in different parts of the country might also call for different solutions in order to achieve the right outcome.

We believe we should:

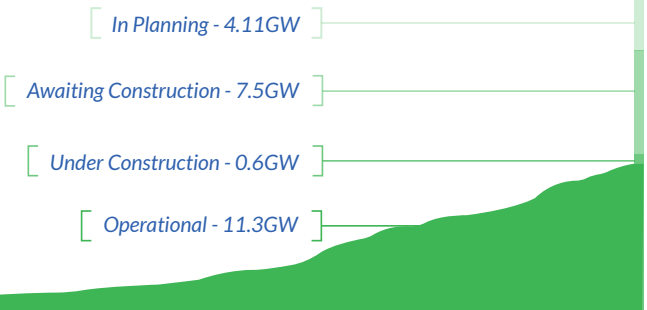
- 26. Establish a long-term strategy for how we harness, value, interact, and support those living and working around our natural resources.
- 27. Promote the low carbon resources we have to investors and the benefits of locating close to them.
- 28. Deliver socialisation of electricity charges to remove the disparity between different parts of the country.
- 29. Develop low carbon transport infrastructure and EV charge point network, looking to provide the core infrastructure that can adapt to future changes.
- 30. Look to support thinking around, and trialling of, potential rural transport solutions.

Scotland stores **four times** the global average of soil carbon per square metre¹



Renewable Electricity Capacity in Scotland²
March 2019

All Projects - 24.3GW



Industry can be driven by the low carbon resources we have.

1. <https://www.hutton.ac.uk/research/climatechangehutton/climate-change-and-scotlands-role> 2. Source: BEIS

Productivity

Businesses

Scotland has a diverse array of businesses operating in every area of the country who all play their part in our economy and make a contribution to our national success and our local communities. Much has been talked about Scotland’s productivity and the challenge of improving the performance of our businesses to strengthen our resilience and increase prosperity. As the Rural Commission discussed the role of businesses in our economy, it was clear that there is more that businesses themselves can do if we recognise their role, not just as businesses, but as an intrinsic part of the communities they operate in. Whilst businesses need to focus on their own viability, there are also opportunities to better engage businesses in knowledge exchange and the potential to open up underutilised resources and space for others, recognising that businesses perform better when others in their area also do. This is an area SCDI will continue to look at to see how we can facilitate.

Businesses everywhere are facing the challenges and opportunities brought about by new technologies and digital innovations¹⁸ that are impacting on everything we do, and how we do it. Businesses and their customers all have greater choice and increased knowledge at their fingertips, and new ways of working, business models, and increasing automation, are touching every area and sector. For the predominantly micro and small businesses that make up the economy in rural areas, this shift requires them to look closely at what they do, how they work, and what the impact will be of new digital competitors. For larger businesses based or operating in rural areas there is a need to look at whether their organisational culture supports or replaces those living and working in our rural communities. As they assess their business model in light of new technology, their structure could benefit from greater utilisation of the talent that exists throughout Scotland that digital connectivity can now give them access to.

We recognise that businesses that have a strong relationship with their staff, are supportive, offer flexibility, and able to provide increased reward, can see clear benefits as a result where a wider pull of talent can be attracted and utilised, where work

performance can increase, and where new ideas and innovations can be found and implemented more easily to improve business performance.

We know that there are greater challenges and risks for our smallest micro and small businesses to grow where people are more likely to have multiple roles, and where access to the knowledge and talent they need can be constrained by a small local population and available services. We know that the shift for a business to take on its early staff is difficult and carries risk with time needed to embed them, new processes required, and confidence in meeting current and growing future work demands. We also know that businesses face the hurdle that VAT registration brings and that this can be a disincentive for many to grow, and as a result we would like to see VAT registration reviewed to consider if a smoother transition is possible. Given the higher percentage of micro businesses in rural areas - people from rural towns are two and a half times more likely to be self-employed than people from urban areas¹⁹ - the VAT threshold can have a particularly stifling effect in rural communities. Only by growing these businesses, and strengthening their profitability and sustainability, will we be able allow them to increase the living standards of the workforce in our communities and provide more reliable and secure employment. We would like to see more focus on growing and scaling up businesses in a steady and sustainable way, and more local alignment between business and skills support providers, including the welcome new South of Scotland Enterprise, in order to have a simpler and clearer single point of contact for help, guidance, and financial assistance.

As digital connectivity improves, and particularly where communities see a marked increase in physical and mobile digital connectivity, there is a challenge to unlock the latent potential that this allows access to for businesses, and those living in these areas, in helping them capitalise on what this opens up in how they operate, interact, and utilise new services. We need to see a clear focus on how we compliment the rollout of new digital infrastructure with efforts to ensure that those who benefit are able to fully realise the value of that investment, and the economic value to Scotland is captured.

We believe we should:

31. See businesses as part of their community.
32. Encourage businesses to consider if their company culture supports working in different parts of the country.
33. Support businesses to innovate, be ambitious about increasing their productivity, profitability, and driving up the living standards of their workforce.
34. Carry out a review of the VAT threshold and look at reducing the hurdle faced by registration.
35. Have a greater focus on scale up businesses and closer working between agencies to create single local points of contact for support and advice, a sort of economic and business support General Practitioner.
36. Provide help focused on micro and small businesses to help them digitise as digital infrastructure rolls out.



From traditional to digital, businesses can thrive in every part of Scotland.

Government

Wherever people live they have the capacity to all contribute to Scotland’s success and strengthen our national productivity if we give them the opportunity and access to do so. Much of what is required to help unlock the full potential of rural Scotland is not about more resource but about having the right resource to meet their needs. Solutions that work in an urban context often don’t work in a rural one where connectivity and service provision can be weaker, and population density lighter. We need to recognise that for the most part the economy of rural Scotland is just the economy, but in a rural setting. That many of the businesses based in and operating in rural Scotland are similar to those in our urban centre, how they work, and how their staff and customers reach and engage with them is different. We need to embed the economy of rural Scotland across Government and recognise that it will often require different answers to the same question as the economy of urban Scotland where critical mass, transport, digital connectivity, and geographic spread need smaller scale solutions.

As we assess where to invest in infrastructure, we need to better understand the impact it has on community and economic sustainability. Valuing investment not just on economic gain but on how it supports an inclusive economy and meets our long-term future needs. We also need to ensure that as government and the private sector invest in infrastructure, we not only realise the end value of that investment, but that we ensure we capture the benefit of its construction to the local economy through local content and skills utilisation during development²⁰.

We also realise that just as businesses need to look at their organisational culture and whether it supports or replaces those living and working in our rural communities, so does Government and its agencies. With new technology there are opportunities to better utilise the talent that exists throughout Scotland that digital connectivity can give access to. That utilisation would not only support work throughout the country but ensure that the experience of the economy of all of Scotland is embedded throughout Government and public agencies, reducing the risk of unintended consequences and lead to better decision making.

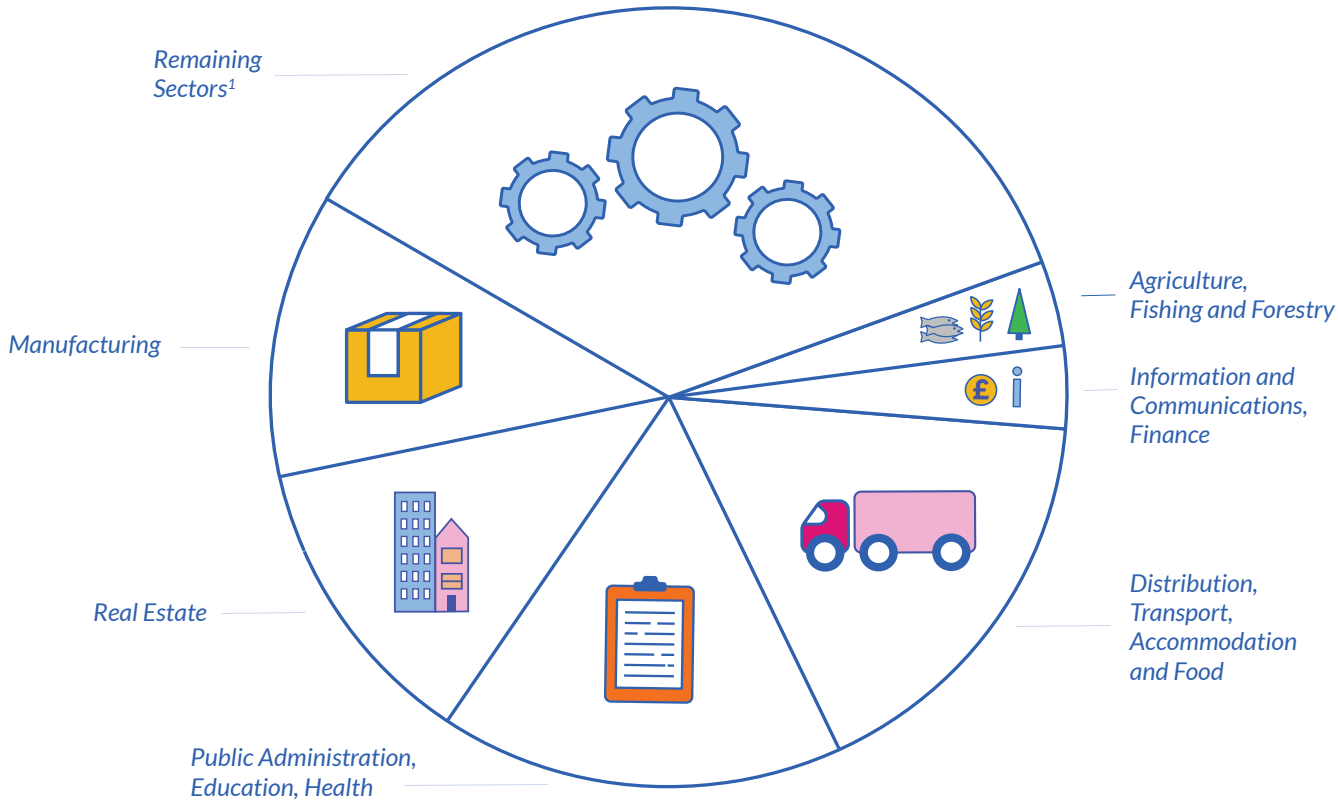
Whilst we understand the government’s focus on key growth sectors, we’re concerned that such an approach can be less

effective in rural areas where the critical mass of any sector can be harder to achieve and that businesses in all sectors have the potential to grow and play an increased role in our economy. However, as we look at areas of growth, we believe it’s also important to look more closely at areas of need, where the lack of growth is not only not delivering for the economy but actively having a negative impact on economic and community sustainability. In particular, the shifting population demographics is putting continued pressure on our ability to provide the health and social care needed to meet current and future needs, and the lack of smaller construction firms and developers is hindering our ability to deliver new and improve existing housing stock.

We believe we should:

37. Embed the economy of rural Scotland across all departments to ‘rural proof’ decision making and consider where rural areas can play a greater role.
38. Have better recognition of the impact of infrastructure investment in rural areas in appraising business cases and lasting benefits.
39. Drive greater economic benefit through local content in procurement.
40. Look at the distribution of government jobs and consider decentralising and greater remote working where possible to encourage more agile and productive working.
41. Have construction and social care seen as key sectors of need by the enterprise agencies to help plug this important gap.
42. Be more flexibility around the delivery of programmes and priorities to meet local needs.

Embedding the economy of rural Scotland across decision making will deliver better outcomes.



1. Includes Mining, Utilities, Construction, Business Services, Other

1.

<https://www.scdi.org.uk/wp-content/uploads/RuralCommission-Delivering-a-Stronger-Economy-across-Rural-Scotland.pdf>

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