

APPENDIX 1 THE RURAL ECONOMY AFTER CORONAVIRUS – POSITION STATEMENT FROM DERBYSHIRE DALES DISTRICT COUNCIL

The visitor economy (although important) is not what defines rural economies. **Small scale manufacturing and engineering is the lifeblood of rural economies** – absolutely so in Derbyshire and even more so in places such as the Derbyshire Dales. (For the record, 13% of employees in the Derbyshire Dales work in manufacturing, 7% in tourism, and 2% in agriculture and quarrying – ONS UK Business Register and Employment Survey.) The Derbyshire Dales has many thriving small manufacturing businesses: Buxoplas in Bradwell, for example, supplied equipment for the NHS Nightingale hospitals.

Manufacturing and engineering, along with quarrying, tends to offer high-wage, high skill, permanent, full-time jobs. By contrast, the visitor economy is typified by **low wage, low skill, temporary, casual, part-time roles**. Hospitality roles are important as starter jobs (e.g. evening/weekend jobs for teenagers) but they do not enable strong, sustainable economic recovery and growth. Visitors are of course important, but tourism is not the defining feature of rural communities, nor is it the way to lift rural incomes.

In the Derbyshire Dales, wages in some of our workplaces are amongst the lowest in England. The 2018 ONS Annual Survey of Hours and Earnings put pay in the Derbyshire Dales at £376 per week the 289th lowest out of 326 districts in England (median gross weekly workplace pay), and well below the £393 average for Derbyshire and £417 average for the East Midlands.

Better local incomes are key to make rural communities thrive; how else can local people afford the high cost of housing, with house prices inflated by migrants from neighbouring cities, whose work and spending is largely outside the rural communities where they sleep?

The driver of the rural economy is manufacturing and engineering. Smaller manufacturing businesses, workshops and other enterprises will be what drives the economic and social renaissance of rural districts. This is the route to help lift employees out of the deprivation that so often features in rural communities.

With this in mind, Derbyshire Dales District Council has five asks.

1. In order to help on smaller manufacturing and engineering firms that will drive rural growth, policy makers (LEPs and Government) need to **adjust their funding criteria to focus on smaller-scale activity**. LEPs are currently constrained by Green Book rules that prioritise big job creation ahead of small schemes that appear on these metrics to offer less value for money to the Government. These criteria need to change.
2. Some funding needs to be ring-fenced and devolved to rural areas themselves – decision makers in national and regional cities are badly placed to manage funding schemes that should and must give small grants to small businesses;

local schemes are needed. Therefore when the Shared Prosperity Fund is rolled out to LEPs, they must **set aside a fund for rural economic growth that is to be determined and managed in rural areas**. The best example of this is the former LEADER schemes, where a rural district is devolved relatively small sum (less than £10m) to be managed by a Local Action Group (rural business leaders and local decision makers) rather than managed by LEP HQ – local management means minimal bureaucracy and good rural knowledge. Grants are relatively small, with flexible intervention criteria. Previous successful rural schemes have seen an average £11,000 cost per job created; in urban LEP terms this is always going to look expensive (D2N2 look for a cost per job of £6,000), but for rural areas that is exactly what is needed.

3. Small businesses need small sites. In the Derbyshire Dales, we have small businesses keen to expand, but a lack of sites for them to occupy. In rural areas, unlocking small employment sites is essential. However, such sites often fall below the scale and value-for-money thresholds that LEPs are told to consider. Sometimes too, such sites have been paralysed by market failure and will never progress without state interventions that represent poor value-for-money. But in rural communities these are often the **ONLY** sites, and so regardless of value-for-money they must achieve state funding - or else these sites and the communities that surround them will remain underdeveloped. So **criteria for LEP funding of rural land/property developments need to be adjusted to give far more account to their local strategic importance and take less account of value-for-money**.
4. Better rural broadband and 4G/5G is also vital. The relative cost of providing fast broadband to the most isolated communities has sadly slowed down its provision – yet arguably these are the communities that need it most. Broadband improvements in the last decade have been greatest in the urban fringe and larger rural communities, but the most isolated rural communities still struggle to get decent speeds. Ironically, knowledge-based jobs are not city-dependent, and COVID-19 has shown these do not need to be clustered in urban hubs. While the suburbs have profited from homeworking, rural areas are less able to do so because of relatively poor broadband. So **ultrafast broadband installation in the most isolated rural areas must be prioritised**. Demand is numerically lower as people/businesses are more scarce, meaning that outer rural areas do not stack up commercially for Openreach when compared to more populated areas. But the strategic need is relatively greater.
5. Finally, back to the visitor economy. The visitor economy is part of the problem for rural areas (mainly offering plentiful poor quality jobs rather than plentiful high skill, high wage jobs); but it *could* be part of the solution. COVID-19 has shown the vulnerability of hospitality jobs, many of which have been swept away. Just rebuilding the same weak visitor economy is not the answer. Instead, any intervention in the visitor economy must focus on quality. Higher skilled, better paid, higher quality jobs can come from the visitor economy, but for that to occur higher visitor spend must be generated. This in turn depends on staying visitors. Day trippers who drive in and out in a few hours, spending a few pounds on a bag of chips and a cup of tea, are never going to generate rural wealth. Instead, overnight stays are vital – staying visitors spend on accommodation, sit-down

meals, and multiple attractions. How do we generate staying visitors? Two things must come together: **more, better quality accommodation (rural hotels); AND more, better quality rural visitor attractions.** We also need the local **tourism industry to come together to create, market and sell bookable packages** that bring these two together – e.g. cycling weekends based around quality local food and drink establishments; walking holidays using existing routes staying in accommodation that offers good food. The green agenda can be captured here.

To conclude:

In order to secure vital Government and LEP funding to grow the rural economy, **local rural strategic need must outweigh straight value for money in Government and LEP decision making;** on purely commercial grounds rural areas will never offer the same scale or gain as urban interventions. **But forcing rural areas to compete for economic funding on the same playing field as urban areas is not inclusive.** It excludes the large rural economy from growth.

In fact, rural business survival rates are typically higher than for urban businesses, and as we have seen the rural economy is as technological (manufacturing and engineering) as are cities. Rural business density is high, and the skills base in rural areas is strong. Writing off rural areas as merely play areas for tourists would be a crass error. We have rural manufacturing and engineering employers that are desperate to expand. What they need is modern workspace to grow into. We have knowledge based industries craving a rural environment, but they lack ultrafast broadband here.

Rural growth is being constrained by the slow pace of employment land delivery, alongside connectivity constraints exacerbated by relatively slow broadband.

By channelling Government and LEP investment to rural economies, we can offer economic growth and resilience. However, a failure to create more high wage, high skill rural jobs risks condemning rural areas to become, in a crude and probably unfair characterisation, homes for retired executives, with no local workers to support rural town centres. **Without more good quality rural jobs, people of working age will fall to below half the Derbyshire Dales population by 2033** (whilst over 60s increase by 43%).

Recovery post-Coronavirus is an opportunity to reset thinking and policy on the rural economy. Government and LEPs need to help rural areas create the **high wage, high skills jobs** that the COVID-19 crisis has shown rural areas need for resilient economic growth.