



House of Commons
Environment, Food and Rural
Affairs Committee

**Rural Communities:
Government Response
to the Committee's
Sixth Report of Session
2013–14**

**Sixth Special Report of Session 2013–
14**

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Environment, Food and Rural Affairs Committee

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The current staff of the Committee are David Weir (Clerk), Anna Dickson (Second Clerk), Sara Priestley (Committee Specialist—Environment), Phil Jones (Committee Specialist—Agriculture), Clare Genis (Senior Committee Assistant), Alexandra Hunter-Wainwright (Committee Assistant), Sayeda Begum (Committee Support Assistant) and Hannah Pearce (Media Officer).

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Sixth Special Report

The Environment, Food and Rural Affairs Committee reported to the House on *Rural Communities* in its Sixth Report of Session 2013–14, published on 24 July 2013 as HC 602. The Government's response to the Report was received on 15 October 2013.

Government response

The Government welcomes the Environment Food and Rural Affairs Committee's report on 'Rural Communities'. Defra's Rural Communities Policy Unit (RCPU) operates as a centre of rural expertise for Government, supporting and co-ordinating activity within and beyond Defra. The RCPU plays an important role in helping all Government Departments to ensure that their policies are effectively "rural proofed" before decisions are made. The report notes a number of areas where Defra has been effective in its role of rural proofing Government policy ensuring that the needs of rural communities are given careful consideration.

We were encouraged by the Committee's endorsement of the RCPU's approach to stakeholder engagement and rural proofing, including the refresh of the rural proofing toolkits and the launch of a series of rural proofing workshops in Departments.

Other areas highlighted in the report include the Government's support for rural growth networks, the RCPU's work influencing the shape of the Energy Company Obligation (ECO) and RCPU's work with the Community Transport Association and Action for Communities in Rural England (ACRE). The Government's commitments and ambitions in relation to the roll out of broadband and mobile infrastructure are also particularly noted.

However, the report has highlighted areas where the Committee felt that the needs of rural communities were not sufficiently taken into account by Government and highlights areas where it felt the RCPU could be more effective. It is important to point out that there is no single solution for solving the problems faced by rural communities across England. These challenges can only be addressed if all levels of governance recognise and address rural challenges.

Rural circumstances need to be understood by Government Departments making relevant national policy; local authorities need to deliver services more effectively on the ground; and communities need to identify and address their own local priorities. This has been and remains the central tenet in the RCPU's approach to rural proofing, which was endorsed in the Government's Rural Statement, published in September 2012.

Local Government

1. Sparsity of population makes it more expensive to provide services in rural areas than urban areas. Yet, despite this, urban areas—as defined by the Government—receive 50% more funding per head than rural areas. Part of this disparity of funding results from the process of 'damping' in the spending settlement. The Government

needs to recognise that the current system of calculating the local government finance settlement is unfair to rural areas and that the disparity must be reduced. The Rural Fair Share Campaign calls for the disparity to be reduced to 40% by 2020. We agree and recommend the Government factors this target into future spending settlements. (Paragraph 8)

The Government disagrees with this recommendation.

The statistic quoted by the committee that predominantly rural local authorities receive 50% less Government formula grant per head is misleading. Producing figures at a national level for per-capita spending is inherently problematic due to the multi-tier nature of English local government and the fact that some districts within a rural county are predominantly urban e.g. Norwich in Norfolk.

The RCPU has worked closely with the Department for Communities and Local Government (DCLG) in developing and examining the evidence for rural premiums across local government services. As a result the Government is making adjustments to its funding formula to ensure that funding per head of population is reducing less in predominantly rural authorities than in their urban counterparts in all classes of authority. In developing its proposals the Government have been conscious of local authorities' need for stability in the transition to the new scheme. The use of floor damping in the transition to Business Rates Retention is a key part of delivering that.

The Government is keen to protect those authorities that are most dependent on central Government funding. As such under the settlement the most dependent areas will see the smallest reductions. The retention of the four floor damping bands offers protection to the most dependent councils. This year the Government has gone further and stretched the banded damping floors so they give even more weight to the councils who are most dependent on central Government Funding. It has also introduced banded floors for fire and rescue authorities for the same reason. In addition we are providing an extra £8.5 million in 2013–14 to support rural authorities in securing efficiencies in services to sparse populations.

2. Defra needs to work closely with the Department for Communities and Local Government to ensure future local government finance settlements reduce the rural penalty. They must use an agreed definition of rurality to achieve this goal. (Paragraph 10)

The RCPU works closely with all Government Departments developing policies which have the potential to impact on rural communities and continues to work closely with DCLG to rural proof future local government finance settlements.

An agreed definition of rurality in relation to local government finance settlements is in place. It is not straightforward to compare rural and urban areas because different classes of authority provide different functions. We have therefore used the urban/rural classifications for each of the separate authorities and split authorities into 5 broad categories:

- shire counties (which provide upper-tier services);

- unitary authorities (which provide both upper- and lower-tier services);
- shire districts (which provide lower-tier services);
- single-service fire authorities; and
- single-service police authorities.

3. While the £8.5 million ‘efficiency support’ payment is welcome, such a payment does not address the underlying problems in the current system for allocating funds through the local government finance settlement. (Paragraph 12)

This is a transitional grant to help authorities with the highest levels of sparsity secure efficiencies in services delivered to sparse populations, helping their preparations for further budget reductions in 2014–15. It was introduced following representations from rural areas on the provisional settlement. The responses to 1 and 2 above address the current system of allocating funds through the local government finance settlement.

4. The Rural Communities Policy Unit must monitor the impact of the business rates retention policy on rural local authorities and raise any adverse consequences with Ministers in both Defra and DCLG. (Paragraph 15)

Defra’s RCPU works closely with all Government Departments developing policies which have the potential to impact on rural communities. The Government monitors the impact of business rates retention through its regular data collections from local authorities, ongoing engagement with the sector and consultations including the current Local Government Finance Settlement 2014–15 and 2015–16 Technical Consultation. The RCPU will continue to work closely with DCLG on local government finance settlements.

Schools

5. Local authorities are better placed than central government to judge the support rural schools require yet the changes for 2014–15 prevent local authorities from having the flexibility to do this. This is a backward step and we recommend the Government reverts to its previous position of allowing local authorities to vary funding according to need rather than using a centrally derived formula. The change we recommend is cost-neutral and in line with the Government’s agenda of localism. We welcome sparsity funding in principle, but introducing ‘as the crow flies’ distances adds unnecessary complexity. The option of sparsity funding should be retained but local authorities must be given more flexibility to decide the criteria used to apply to it. (Paragraph 23)

Schools play a vital role in local communities. In our efforts to improve the school funding system, we have listened carefully to the views and concerns of experts and practitioners from across the country.

It is the Government view that the majority of funding should be based on the needs of pupils, not on the circumstances of schools. Pupils with similar needs should attract comparable levels of funding, regardless of where they go to school or what type of school they attend. Head teachers and school governors should have the freedoms to decide how

to run and organise their schools but we do not think it is fair to subsidise these choices at the expense of pupils in other schools.

The RCPU has been working closely with DfE in understanding the evidence in regard to rural schools. Government recognises that, in some areas, particularly where schools are small in size it would be unreasonable to require pupils to travel long distances to alternative schools. That is why, following a review of the funding arrangements conducted with the RCPU, the Department for Education announced in June 2013 that it would allow local authorities to use a new sparsity factor when allocating funding.

This supports the principle that we should recognise the rural circumstances of schools, but not subsidise schools that do have the capacity to work more efficiently (with other local schools) or have enough pupils to be viable. As such, local authorities have the flexibility to narrow these criteria, but not to widen them.

This measure uses crow flies distances rather than actual travel distance at present. We are continuing to explore this for future years and strengthen the accuracy of travel distance data. Measuring distance as the crow flies is an imperfect measure, however, DfE working with RCPU have tested this with some rural authorities and found that it generates a reasonable proxy for sparsity.

The Government has made clear that, as the sparsity factor is new, it will be kept under review to consider whether adjustments need to be made in 2014–15 and as we move towards a national funding formula in the longer term. The RCPU will be working with DfE to consider the need for future amendments. In the meantime, if the crow-flies measurement is not appropriate for some schools, then we have told local authorities that they can apply to the Education Funding Agency citing exceptional circumstances. This is appropriate and in keeping with the existing 'exceptional premises' factor. Government has also introduced new flexibilities to the lump sum so that a separate value can be allocated to primary and secondary schools (with a weighted average for middle-schools). This will give local authorities greater flexibility to target funding to different types of schools in rural areas.

Taken together, we believe these measures strike the right balance between protecting schools in sparsely populated areas and ensuring that the system overall is fair and transparent.

6. The scope of the pupil premium entitlement should be extended to target more children who live in poverty than are included in the current measures that determine eligibility for free school meals. (Paragraph 25)

In 2012–13, the pupil premium allocated £1.25bn to disadvantaged pupils across the country. This is set to rise to £2.5bn in 2014–15.

While the Government recognises that the use of Free School Meals (FSM) does not identify all disadvantaged pupils, the evidence¹ does show that pupils eligible for FSM perform significantly worse than their peers and therefore need targeted support. In 2012,

¹ In 2011/12, 36.8% of pupils eligible for FSM achieved an A* - C grade in English and mathematics GCSE compared to 63% of all other pupils. <http://www.education.gov.uk/researchandstatistics/statistics/keystatistics/b00214299/attainment-gap-at-ages-11-16-and-19/impact-indicator-8>

the Government extended the eligibility to include pupils eligible for FSM at any point in the past six years. This ensures that we provide support for pupils from low-income families who may not currently be eligible for FSM.

Another group of children who consistently underachieve are looked after children. As a result, the pupil premium is also allocated to looked after children to help schools support them to achieve.

Finally children with parents currently serving in the Armed Forces are also eligible for the Service Child premium. Although service children as a group do not underachieve, they can require additional, mainly pastoral, support. In 2012, the Service Child premium was extended to children whose parents had died in service and children who were previously eligible but whose parents had since left the armed forces. We extended the criteria to recognise that the challenges many of these children face do not automatically stop when their parent leaves the service.

The pupil premium therefore does cover a wider range of pupils than just those who are currently eligible for Free School Meals. The Government does recognise the concerns raised in this report, but our primary concern is to focus funding on pupils who we know are at risk of underachieving, and we are using the most appropriate evidence to do so.

Healthcare

7. Given the difference in experience of health services between urban and rural areas, the unequal funding allocation and the increasing age of rural populations, we believe rural healthcare should be a top priority for Defra Ministers. (Paragraph 30)

It is important to confirm that the work currently underway on resource allocations uses the most up-to-date population information available, whether that be the number of patients registered with a practice or Office for National Statistics (ONS) population estimates. In particular, we use ONS estimates based on the 2011 census.

Age is the primary determinant of an individual's need for healthcare and this is reflected in the models we are considering for Clinical Commissioning Group (CCG) allocations.

The independent Advisory Committee for Resource Allocations (ACRA) looked at the need for an additional weighting in sparsely populated areas last year and noted in their recommendations that there is currently no evidence that could be used as the basis for an adjustment that could be used to quantify an adjustment.

However, they believe that sparsely populated areas will be most susceptible to increased costs in the provision of community services. ACRA therefore believes that the forthcoming Community Services Minimum Dataset has the potential to provide a way forward, and so this area should remain under review.

The RCPU places great importance on rural proofing healthcare policy. It has worked with the Department of Health and the Institute of Rural Health in producing a Rural Proofing for health toolkit which assists the commissioners of healthcare (CCGs) in thinking, in practical terms, about the impact of rurality and to assess the potential gains and pitfalls when commissioning healthcare provision for rural communities. In addition the RCPU

has held a rural proofing workshop at the Department for Health to embed rural proofing principles.

Broadband and Mobile Infrastructure

8. The Universal Service Commitment (USC) of 2 Mega bits per second (Mbps) is a big step forward for households and businesses currently with no or slow broadband. This part of the rural broadband programme is crucial and it should not be undermined by the ambition to roll out superfast broadband to those who already enjoy an adequate service. It must be the priority, particularly if there is a risk of funding not stretching as far as originally hoped. However, given the delays to the Rural Broadband Programme, the Committee is unclear when those currently without any access may benefit. 2Mbps must also be the minimum speed that users receive during periods of peak demand, not a headline 'up to' figure that is rarely achievable. (Paragraph 40)

Broadband is a top priority for Defra and is key to supporting economic growth in rural areas across England and the devolved administrations. As such Defra's RCPU has been working closely with both DCMS and BDUK on rural broadband. As a result of the current public investment of £1.2bn, the Government estimates that around 88% of the country will have access to superfast broadband by December 2015, with an estimated 90% getting superfast coverage by early 2016. Virtually everyone will have at least 2Mbps by the end of 2016—and earlier in the majority of cases. However, we are not complacent about the need for speed. An extra £250 million of investment from the TV licence fee has been committed to reach 95% of premises by 2017 and we are now exploring with industry how to expand coverage further, using more innovative fixed, wireless and mobile broadband solutions, to reach at least 99 per cent of premises in the UK by 2018.

The Government agrees that the universal service commitment is an important component of the current roll out. Making broadband accessible to those currently with no or a slow service as soon as possible remains a Government priority. Government is maintaining pressure on suppliers to deliver to time and indeed earlier where possible.

9. As part of the 2Mbps roll out, if communities wish to put in place an alternative scheme that offers better broadband than the USC would offer then they should receive every encouragement and support from Government to do this—including any funding originally intended to help those communities meet the USC. (Paragraph b)

10. The USC should include a minimum upload speed target set at a level that meets the needs of SMEs and consumers. The Government-funded infrastructure must also have the capacity to allow such a speed to be achievable at times of peak demand. (Paragraph 43)

11. In response to this Report the Government should set out how many households and businesses are not going to be covered by the roll-out of 2Mbps broadband under the Rural Broadband Programme, and the reasons for this. (Paragraph 44)

As a result of the Government's rural broadband programme, standard broadband at speeds greater than 2Mbps will be available to virtually all premises. The wording "virtually everyone" was a clarification of the Government's ambition as it is not possible to guarantee a connection to every single household—for example in the very remotest areas

of the UK where there may be geographical constraints. The Government's Rural Community Broadband Fund is targeted in those areas which are not otherwise due to receive superfast broadband. The Fund gives communities the opportunity to set up their own superfast broadband projects where a need and demand can be demonstrated.

The Fund supports only superfast broadband solutions as there needs to be a clear demarcation between the speeds which will be achieved through projects which it supports compared with the speeds which would have been available otherwise. If the Fund supports superfast broadband coverage in areas that would otherwise have been upgraded to standard broadband by the relevant Local Authority project, the Local Authority will be able to redeploy the funding that is released (through not having to provide the standard broadband upgrade for those areas) to provide additional coverage elsewhere.

The Government recognises the importance of upload speeds to SMEs in particular. The Government does not set a minimum upload speed target because it considers that suppliers are best placed to determine this based on the appropriate level of service to meet consumer demand. Broadband technology supports greater download speeds than upload speeds as most people want faster download speeds. To achieve the same upload and download speeds universally may require two lines or point to point fibre to the premise which would be extremely costly—estimated in excess of £25bn. SMEs which require higher upload speeds will be able to connect to a symmetrical line via a business line which can provide a requisite service level agreement.

12. Broadband Delivery United Kingdom (BDUK) and Ofcom should consider requiring British Telecom (BT), where it is in receipt of state aid, to disclose its costs in a way that permits comparison across contracts. Without such transparency it is difficult to see how value for money can be guaranteed, particularly now that the only competitor to BT has effectively ruled itself out of the bidding process. (Paragraph 52)

BDUK's template contract between Local Authorities and their supplier requires that any claim for publicly funded milestone payments upon achieving relevant milestones is substantiated with evidence of appropriate expenditure for an equivalent or greater value. As a result, all of BT's relevant costs for deploying broadband through its contracts with Local Authorities will be disclosed and capable of audit by Local Authorities and/or Department for Culture Media and Sport (DCMS).

As referenced in the National Audit Office (NAO) report into the rural broadband programme, BDUK will be providing central support to Local Authorities and scrutinising and comparing supplier costs across contracts to help ensure these contracts continue to represent value for money.

13. It remains disappointing that payment under the Rural Community Broadband Fund is available solely on evidence of past expenditure. The grant should be there to help communities to roll out broadband infrastructure, not just a means of recovering some of the costs afterwards. (Paragraph 55)

It is an EU requirement and a requirement of the HM Treasury guidance in 'Managing Public Money' that approved grant funds are claimed back after the expenditure has been incurred. Under the Fund, applicants will need to contribute up to 50% of funds from private sources towards the overall costs and show that they have cash available to meet

any ongoing costs. However, no project is able to commence until the successful applicant has fully completed the application process, and a funding contract agreed which details how much grant they are able to claim. The grant can then be claimed in stages (such as monthly) as costs are incurred.

14. The Rural Community Broadband Fund is an important lever in the roll-out of superfast broadband to the hardest to reach 10%. It is therefore disappointing that so little money, less than 2% of Government's overall funding for broadband, has been made available to encourage and support innovative community-led solutions in these rural areas. Defra should expand the scope of the RCBF when the next round of RDPE funding is available. (Paragraph 59)

£20m was the amount of funding available for the current Fund and the overall level of interest under the Fund suggests that this level will be at about the right level. Future European programmes are being developed and it is expected that support for broadband will be included.

In addition, to support access to superfast fixed rural broadband in hard to reach areas, the Government brought forward comprehensive relaxations, for a period of 5 years, in protected areas (Article 1(5)).

15. The Government should draw on lessons from the Rural Community Broadband Fund and use the funding from the BBC as a lever to encourage private and community sector capital and expertise. As a pre-requisite, the Government must publish details showing precisely what areas will be covered by BT and when, in order to encourage alternative providers to fill in the gaps and prevent bodies in receipt of public money competing with each other. We have already stated our belief that the RCBF should provide up-front support to projects and this should also be the case in the application of the funding from the BBC. (Paragraph 65)

The Government recognises the benefits of openness regarding the expected coverage of local authority broadband projects in order to help other broadband suppliers and community groups to determine whether they want to develop local broadband projects. The Secretary of State for the Department of Culture, Media and Sport has written to Local Authorities encouraging them to make this information available. BT has confirmed that it will support Local Authorities wishing to do this.

In taking forward proposals for further coverage with the additional funding announced in Spending Round 13, the Government will continue to use organisations such as ACRE and the Rural and Farming Networks, as it does now, to make rural communities aware of the options available to them and to help stimulate demand and encourage community involvement.

16. The lack of mobile coverage in large parts of rural Britain is unacceptable and we welcome the Government's commitment to go some way to addressing this problem through the Mobile Infrastructure Project, although it is disappointing that the ambition of the scheme has been scaled back from that originally announced. We are concerned that in focusing on reducing the number of premises in 'not-spots', which may already have landline access, large parts of the countryside and those who work in it may still be left without access to mobile technology. The Government must set out

what improvement in geographical coverage the Government foresees as a result of the £150 million initiative. (Paragraph 70)

Through the Mobile Infrastructure Project the Government is making up to £150m available in capital funding to deliver sites for mobile infrastructure in areas with no mobile coverage. In a unique partnership approach, the four mobile network operators will be providing coverage from the sites and funding their operating costs for the twenty-year life of the project.

The ambition of the project has not been scaled back from the initial announcement. Our refinement work with Ofcom has indicated that the problem of complete not-spots is not as widespread as first thought and that there are around 80,000 premises in complete not-spots. The focus of the project is on maximising the number of people benefitting from the investment. It is unlikely that 100% geographical coverage could ever be achieved due to the technical difficulties involved and the disproportionate costs of trying to do this. The final number of sites will depend on the outcomes of commercial and planning decisions for each potential site.

Mobile infrastructure planning reforms

The Government has also introduced measures to cut red tape and speed up the deployment of mobile infrastructure by removing restrictions on planning, and help lower the cost to communications providers and reduce uncertainty around delivery timetables.

A package of planning changes was consulted on during 2013 to support the faster roll-out of 4G technology and rural connectivity whilst providing additional capacity and connectivity for 2G and 3G. The package introduced changes to permitted development rights, focussing on maximising the use of existing sites and infrastructure, and promoting infrastructure sharing. The new planning regulations came into force on 21 August.

To complement the planning changes a new Code of Best Siting Practice on Mobile Network Development in England was published on 24 July, replacing the previous code published in 2002. The new code reflects the new planning changes affecting mobile infrastructure development, as well as advances in technology and consolidation in the mobile industry. The code was developed by a Working Group which included representatives from the communications industry through the Mobile Operators Association, the Planning Officers Society, English Heritage and National Parks England.

Electronic Communications Code

The Government will also amend the Electronic Communications Code, which governs access to land by communications providers, and compensation to landowners, to allow easier deployment of telecommunications infrastructure. The Law Commission has reviewed the Code and we are considering its report and recommendations.

Planning and Rates

17. The measure to exempt new-built commercial property from empty property rates is currently out to consultation but it has our full support and we hope to see it implemented in October 2013 as envisaged by the Chancellor. (Paragraph 79)

This measure is out to consultation. The Government will review all consultation responses before making a decision in regard to this measure.

18. To promote rural economic growth, we urge local authorities to take action to reassure themselves that businesses in their area are in receipt of all of the business rate reliefs for which they are eligible. We accept that there is a squeeze on local authorities' finances but we urge them to make as much use of the discretionary element of rural rate relief as possible to support those rural businesses critical to the vibrancy of rural life. (Paragraph 81)

We support the Committee's recommendation in regard to the importance of local authorities encouraging rural businesses to take up the rate reliefs for which they are eligible.

19. We welcome the Government's ambition to create a simpler planning system that will support sustainable rural economic development. For it to be effective local councils must work pro-actively with local businesses that wish to expand or diversify. Councils must move away from the tick box system of the past to one where the planning officer is an adviser helping a business build its confidence and prospects. The free planning advice service that has been made available to businesses in Rural Growth Networks is an excellent example of the Government listening to the concerns of business and putting policy in practice. (Paragraph 86)

Government has taken a wide range of steps to reform and simplify the planning system. The RCPU has been working with DCLG to develop new guidance in response to Lord Taylor's review of all planning guidance and has been working with both DCLG and a range of consultees on the planning red tape challenge to make the planning system more efficient and accessible.

The National Planning Policy Framework provides a positive framework for encouraging the delivery of sustainable development. It sets out a clear expectation that local planning authorities should approach decision-taking in a positive way, looking for solutions not problems in their engagement with applicants. Alongside the NPPF, we have introduced a number of measures to streamline the application process and ensure local planning authorities make more proportionate requests for information.

In addition, the RCPU worked with DCLG on a package of measures which came into effect in May 2013. This package introduced changes to permitted development rights, including measures to make the most of the potential for diversification and economic growth in rural areas. It included the reuse of existing and redundant agricultural buildings for commercial purposes. Buildings in agricultural use have permitted development rights to change to shops, financial and professional services, restaurants and cafes, offices, warehouses, hotels or leisure uses. Building on those changes, the Government is currently consulting on further flexibilities between use classes to enable

farmers, working with their local community, make use of existing redundant agricultural buildings to provide additional homes, new schools and nurseries for working parents.

As the Government's Rural Statement explained, the Rural Economy Growth Review was carried out to ensure that rural needs and interests were firmly embedded in the Government's overall growth strategy. It is an integral part of the Plan for Growth and the progress of its component activities is regularly monitored alongside other elements of the Plan. The National Planning Policy Framework (NPPF) and the review of planning guidance are examples of the way in which actions taken by Departments other than Defra can support sustainable rural economic development. Initiatives to encourage and provide advice to the small businesses that play such a vital part in the rural economy are another. Providing advice to business is an important feature in each of the five Rural Growth Network (RGN) pilots, but Defra has given the pilots considerable freedom to decide how to do this to meet local priorities or changing circumstances. The different approaches being taken will provide valuable lessons for the future.

Finance

20. The Government must ensure that provision of banking services to rural communities is included in any programme to increase competition in the banking sector. (Paragraph 94)

21. We welcome the Government's proposal to create a business bank to increase access to finance for small and medium sized businesses. Small businesses are the lifeblood of the countryside. In developing the business bank we urge the Government to ensure that businesses from rural areas will be able to benefit just as much from its creation as their urban counterparts. (Paragraph 96)

The Government wants to see greater competition in our banking sector and agrees it is essential for all communities to have access to suitable and affordable banking services. The Government asked the old financial services regulator, the Financial Services Authority (FSA) to review the process for authorising new banks and the regulatory requirements placed on new and smaller banks. The FSA's report was published in March.

Significant improvements were identified to make it easier for new banks to enter the market. Changes have been put into effect by the new financial services regulators, the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA), and should have a real impact on competition in all areas. The Government is also supporting local banking by making sure that the institutions already providing valuable banking services to their local communities have the support they need. For example, the Government is running a Credit Union Expansion Project, which includes a £38m funding package from the Department for Work and Pensions. Community Development Finance Institutions (CDFIs) are also making a real difference by providing loans and support to those struggling to access finance from the commercial banks, including social enterprises and small businesses.

The Business Bank will facilitate greater diversity and flow of finance to viable, under-served smaller businesses (particularly those with innovative ideas and high growth potential) in all parts of the country, including in rural areas. It will achieve this by

working with and through the market rather than by aiming to replace or compete with the private sector. The Bank itself will not have branches or provide financing directly to businesses, but Business Bank-backed financing should be accessible through most existing and new entrant providers of finance to smaller businesses.

22. The Rural Economy Growth Review should not be seen in Government as purely a Defra initiative. Lessons learnt from the Review must be translated into policy influence across Government. (Paragraph 98)

See response to 19 above.

23. When more money becomes available through the next round of Rural Development Programme the RCPU should extend the current scheme and explore whether there is a need to create an additional scheme aimed at supporting businesses that require grants of less than £25k.

24. The Government should consider creating a Rural Growth Network that has supporting young people who face specific barriers to employment, education and training, as its focus. (Paragraph 105)

The European Regional Development Fund (ERDF), the European Social Fund (ESF) and part of the European Agricultural Fund for Rural Development (EAFRD) will be allocated to Local Enterprise Partnerships (LEPs) through a decentralised EU Growth Programme. LEPs have also been asked to work with local partners, including those with rural and social interests, to agree draft European Structural Investment Funds (ESIF) Strategies and evidence that such partnership working has taken place is one of the criteria to be used when ESIF Strategies are evaluated. We are discussing the development of these Strategies with LEPs to ensure they give appropriate consideration to the needs and potential of rural businesses.

The Farm and Forestry Improvement Scheme (FFIS) under the current Rural Development Programme already provides small grants to farm, forestry and horticulture businesses and support for micro-enterprises is available within most of the pilot Rural Growth Networks (RGNs). The experience gained from these schemes and other emerging lessons from the first months of the RGNs will be reflected in our ongoing discussions with LEPs and will inform the design of that part of the future EAFRD funding which will continue to be managed and implemented by Defra.

25: In response to this report Defra must set out what steps it is taking under the measures set out in the Rural Economy Growth Review to increase the number of people from under-represented groups who access the natural environment. (Paragraph 109)

Natural England works with a range of partners to help deliver projects which aim to ensure that people living in deprived areas, the elderly, those with physical disabilities, learning difficulties, mental health illness, and people from black and minority ethnic communities all have opportunities to access high quality natural environments.²

² http://www.naturalengland.org.uk/Images/case-stories-2011-12_tcm6-34694.pdf

The Rural Development Plan for England (RDPE) fund includes a Paths for Communities (P4C) funding scheme which enables Local Community Partnerships to bid to Natural England for funds to improve Public Rights of Way. Applicants to the fund have to consider how their grant can secure:-

- Improvements to the network to increase the opportunity for access on foot, cycle or horse and to widen the appeal to visitors and residents;
- Promotion of the improved network to encourage more use and better support for local services such as shops, pubs, hotels, bed and breakfasts, attractions and cycle and equestrian businesses;
- Better integration with public transport services and links to popular destinations.

P4C will operate over the two year period from May 2012 to March 2014, with a total fund of £2m.

26. It is important that the Government puts in place safeguards to ensure that LEPs' focus and funding is of benefit to all parts of the country, not just urban areas. Their performance must be measurable and clear to the communities they serve. The RCPU should lead on this work and in response to this Report set out how it will make sure that the work of LEPs is robustly rural proofed. (Paragraph 115)

27. We are concerned that micro- and small businesses characteristic of rural areas might be overlooked by the LEP structure, Defra must work with BIS to ensure this is not the case by advocating a closer working relationship between LEPs and their local rural and farming network. Defra also need to ensure that there is no disconnect between the work of LEPs and other rural bodies that have a role in economic development such as AONBs, local action groups, community councils and Local Nature Partnerships. Finally, the RCPU, through its LEP roundtables, must be a strong advocate not just for the rural economy but for the social and environmental needs of rural communities as well. (Paragraph 116)

In line with the Government's commitment to devolving resource and responsibility to local areas, new arrangements for spending to support local growth will apply from 2015 (and from 2014 in the case of some European funding). So while the Government agrees with the Committee's view of the importance of the rural economy, including the value of micro and small businesses, it will in future be largely for local partners to make decisions about funding priorities.

LEPs have a vital role to play in providing strategic economic leadership and bringing public and private sector partners together. The LEP Strategic Economic Plans will provide the overall framework for growth over the next few years. Local Growth Deals will be a mechanism for LEPs being able to seek freedoms, flexibilities and influence over resources, including a share of a £2Bn (in 2015) Local Growth Fund, to target the local growth priorities they identify. In deciding the distribution of Local Growth Funds, the Government will assess each LEP area's whole strategy for local growth as set out in its Strategic Economic Plan. The Government has issued guidance that makes it clear that

LEPs will be expected to have regard to national policy on growth, including in respect of skills and rural economies³, when drawing up their Plans.

Separate supplementary guidance was issued to help LEPs develop their European Structural Fund (ESIF) Strategies (around £5Bn 2014–2020). This explains that a LEP's ESIF strategy should reflect the key priorities or measures of the European programmes from which funding will be provided. For ERDF and ESF, these priorities include support for innovation, for Small and Medium sized Enterprises (SMEs) and for skills, employment and social inclusion in all areas, including rural communities. Funding under EAFRD is based on a series of measures rather than priorities and can only be spent on rural development activities⁴.

The guidance also makes it clear that LEPs should explain how they will support growth priorities across the whole area including “urban, rural and coastal areas and communities”. It also states that ESIF strategies “must identify opportunities.... to support new and existing rural businesses that will make a sustainable contribution to national growth” and advises LEPs to work with local partners such as Rural and Farming Networks, Leader Local Action Groups and Local Nature Partnerships⁵. The LEP roundtable provides a forum in which a range of different topics can be discussed but its primary purpose is to enable LEPs to obtain information and share their views and experiences.

Housing

28. We urge the Government to consider whether local authorities should be allowed to invest in housing under normal borrowing guidelines. If the Government opposes this suggestion it must set out why. (Paragraph 121)

Ministers put on record during the passage of the Localism Act that they would not reduce the aggregate borrowing cap or borrowing caps for individual councils.

Borrowing arising from self-financing must be affordable within national fiscal policies, which the prudential borrowing rules do not address. Borrowing serviced from rental income on Housing Revenue Account properties was capped and has not been factored in to the Office for Budget Responsibility's forecasts of Local Government borrowing within the prudential code⁶.

29. The problem of lack of affordable housing in some rural areas is so acute that we do not believe that the Affordable Homes Programme up to 2015, which aims to develop 8,000 homes among 16,000 rural communities, will be sufficient in scope to make a

³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224776/13-1056-growth-deals-initial-guidance-for-local-enterprise-partnerships.pdf

⁴ In principle, LEPs will be able to fund the following four types of activities in rural areas using their EAFRD allocations: building knowledge and skills; new and developing micro, small and medium sized businesses; small scale renewable and broadband investments; and support for tourism

⁵ These groups have an important role to play in ensuring that the broad range of industries that contribute to the rural economy is recognised. Defra has written to them to encourage them to contact their LEPs and collaborate with them to understand the potential for supporting growth in rural areas.

⁶ OBR forecasts did not include the possibility of borrowing under self-financing in their analysis of public sector debt. Therefore the total amount of HRA debt was capped and any additional borrowing (even prudential borrowing) will only be permitted once councils have reduced existing debt.

meaningful impact, particularly in those areas with the highest numbers of households in temporary accommodation such as the southwest of England. The Government has allocated a further £3.3 billion to the Affordable Homes Programme from 2015 onwards—we expect a larger proportion of this money to be spent in rural areas than has happened in the current spending round. (Paragraph 127)

30. We expect the Rural Communities Policy Unit to monitor the progress of the Affordable Homes Programme and work with the Homes and Communities Agency to ensure a minimum of 10% of homes built under this Programme are in those rural settlements identified in the Taylor Review as most in need. We expect to hold Defra to account should the proportion fall below the 10% threshold. (Paragraph 128)

£19.5 billion of public and private investment in affordable homes will deliver 170,000 homes in the four years to 2015. At half way through, we have already delivered over 84,000.

RCPU worked with DCLG to ensure that rural communities benefit from the Affordable Homes Programme. In 2011/12, half of the affordable homes built outside London were in rural local authorities⁷. We have delivered over 5,000 affordable homes in the smallest rural communities (under 3,000 people) in the first two years of the current programme. Figures on affordable housing supply for 2012–2013 will be available towards the end of the year.

The Government will set out details on how it proposes to make available funding for the new affordable homes programme in due course. DCLG officials have met with representatives from rural housing associations to discuss the programme. The allocation of funding to different areas will depend on bids received. Defra will continue to work with DCLG to support the delivery of affordable housing.

31. The Affordable Rent policy which increases rents on the least well off in society in order to compensate for a marked reduction in funding from central Government is one which gives us concern, particularly for rural areas where the cost of living is already high. Affordable rents, tagged at up to 80% of market rent, means homes will remain unaffordable to many rural workers. The RCPU has a crucial role in monitoring the outcome of the affordable rent model in rural areas and must seek amendment to the policy if it is found to be failing to assist those in rural housing need. (Paragraph 130)

The RCPU, through the Rural Housing Advisory Group, will monitor the HCA's annual publication of Affordable Rent levels by private registered provider, along with information on the Affordable Rent levels of local authority landlords, which DCLG will begin publishing annually from December 2013.

Affordable Rent allows Government to deliver more homes for every pound of investment, helping more people in housing need, including in rural areas. It allows for rents to be set at up to 80% of local market rents—it does not require rents to be set at 80%. Whilst the

⁷ Rural areas include all local authorities defined as Significant Rural (districts with more than 37,000 people or more than 26 per cent of their population in rural settlements and larger market towns), Rural-50 (districts with at least 50 per cent but less than 80 per cent of their population in rural settlements and larger market towns) or Rural-80 (districts with at least 80 per cent of their population in rural settlements and larger market towns) based on the DEFRA Rural/Urban Local Authority Classification.

Government expects providers to look to make use of the flexibility to set rents at up to 80%, to maximise financial capacity for new housing, it has also said there may be circumstances where it is appropriate to set rents at lower levels.

In general, landlords are expected to consider the local market context when setting Affordable Rents, including the relevant Local Housing Allowance for the Broad Rental Market Area in which the property is located. Affordability should therefore be taken into account.

32. The RCPU must monitor the impact of Right to Buy on rural areas, particularly National Parks, and if necessary put the case for them to be exempt from this scheme. (Paragraph 134)

The Government actively supports and encourages the Right to Buy which has helped thousands of families achieve their aspiration to own their homes. At the same time the Government is mindful of the need to ensure an appropriate level of affordable rural housing. This is why there is a provision that stipulates tenants, who purchase their homes in specific rural areas, including National Parks, can only sell them to local people or back to the local authority. In addition, local authorities can now keep the receipts from additional Right to Buy sales to invest in new affordable rent housing to meet local needs.

The Government has no intention of removing this longstanding right, which would take away the opportunity for rural tenants to become home owners through the Right to Buy in the areas where they have lived for many years.

DCLG collects statistics on the numbers of Right to Buy applications and sales and on the number of replacement homes which have been started/completed. but does not collect information on what happens to these properties post initial sale.

Under the reinvigorated Right to Buy, it is the Government's aim to deliver a new home nationally to replace each additional property sold under the scheme. It is for local authorities to decide both where to build new homes and on the appropriate housing mix, based on local need and land supply in their areas. Any receipts not used locally, outside London, are passed on by DCLG to the HCA for investment in new affordable housing.

33. It is difficult to see how the under-occupancy policy, which might cause key workers to leave areas where they perform a vital role, and force children to move schools, is of benefit to rural communities. Settlements of fewer than 3,000 people, the same threshold as the Right to Acquire scheme, should be excluded from the under occupancy policy. (Paragraph 137)

The Department for Work and Pensions does not support the Committee's recommendation.

The purpose of the removal of the Spare Room Subsidy is not to force people to move. Where people are affected by the measure, they will decide what action to take based on their particular circumstances. If the close proximity of family or friends, work commitments, and/or the availability of childcare are a pressing concern for the householder, they are more likely to decide to remain in their property and find ways of meeting any shortfall. For example, perhaps seeking to increase their hours or earnings. In

areas where there is a limited supply of social housing, or a lack of different property sizes, some households could decide to move into the private rented sector.

The Government acknowledges the issues faced in certain isolated/remote areas. Defra's Rural Communities Policy Unit has engaged with DWP on this policy area and presented a rural proofing workshop to DWP staff to highlight rural issues. In addition DWP consulted a large number of rural areas throughout Great Britain. As a result of the RCPU rural proofing of this policy an extra £5 million has been allocated by DWP in the form of Discretionary Housing Payment funding for the 21 least densely populated areas across England, Scotland and Wales in 2013/14. This is intended to address the challenges faced by the most remote areas, allowing Local Authorities to target those who are affected by the removal of the Spare Room Subsidy.

The Department for Work and Pensions is committed to monitoring the impact of the policy and is engaging with over 70 Local Authorities, including those from rural areas, over a two year period. Defra's Rural Communities Policy Unit will continue to engage with DWP in their monitoring of the impact of this policy.

34. The importance of rural exception sites to rural areas should be reflected in national housing policy. They are not going to solve the problem of lack of housing in rural areas on their own, but we wish to see the RCPU work with Department for Communities and Local Government and local councils to explore whether more homes might be made available under such schemes. (Paragraph 145)

The NPPF is clear that local planning authorities should be responsive to local circumstances and plan housing development to reflect local needs, particularly for affordable housing. This includes rural exception sites, where appropriate. Local Planning Authorities should consider whether allowing some market housing would facilitate the provision of significant additional affordable housing to meet local needs. It is for Local Planning Authorities to determine through Local Plans and Development Management.

35. Ongoing support for communities developing neighbourhood plans, particularly those that lack the capacity, expertise and finance to undertake this work, is crucial if the process is going to deliver the benefits communities have been led to expect. Through its rural networks Defra has a role to ensure that this vital support is available. Defra must also set out how it intends to monitor the neighbourhood planning process to ensure it does not have the unintended consequence of increasing inequality both within and between rural communities. (Paragraph 153)

36. Despite its benefits, neighbourhood planning will not always be the most effective option for communities to choose to achieve the desired result. Where the community and the local planning authority are in agreement, there are better approaches which avoid the cost of neighbourhood planning and are less onerous. Defra must ensure that communities receive unbiased advice and only choose the neighbourhood planning option where it is in their interest to do so. (Paragraph 154)

Defra's Rural Communities Policy Unit commissioned research to help to understand the impact of neighbourhood planning in rural communities⁸. It is important that

⁸<http://randd.defra.gov.uk/Default.aspx?Menu=Menu&Module=More&Location=None&Completed=0&ProjectID=18469#Description>

communities and local planning authorities work together in planning at the neighbourhood level. They should discuss the different choices communities have for achieving their ambitions for their neighbourhood. Neighbourhood planning is a vital part of the Government's reforms to enable communities to play a stronger role in shaping the areas in which they live and work, and in supporting new development. These new powers add to the existing opportunities for community involvement that are already part of the planning system.

The growing momentum behind neighbourhood planning demonstrates that when people are asked to find local solutions to deliver sustainable development and to meet housing needs, the community embraces it. Informal monitoring of neighbourhood planning, using local planning authority websites and open data sources, shows that by end of July 2013, over 600 communities had taken up their right to prepare a neighbourhood plan or neighbourhood development order, and more are joining them each week.

Details of the post implementation review are set out in the Government's published Impact Assessment on Neighbourhood Plans and Community Right to Build⁹. This proposes that a review is undertaken between three and five years after Royal Assent. The review would look at how the policy is being implemented at the local level.

The Government recognises that communities may need support in planning the future of their areas. The Localism Act 2011 places a legal duty on local planning authorities to advise or assist those engaging in neighbourhood planning. Additionally, in May 2013 the Department for Communities and Local Government launched a £9.5 million, two-year programme to support communities to progress their neighbourhood plans and neighbourhood development orders. Support comprises both grants of up to £7,000 per neighbourhood area and direct support and advice tailored to the needs of individual neighbourhoods¹⁰

37. People should not be prevented from buying second homes but we believe there is merit in the RCPU exploring options that may make the process either less attractive for the second home owner or more beneficial for the rural community or both. To reflect local circumstances implementing such options must be at the discretion of the local authority. (Paragraph 159)

Growing the economy is the Government's top priority and it does not believe that introducing new barriers to inhibit people's freedom to choose where they want to live or intervening in the local housing market would benefit local economies.

38. Urban areas already receive 50% more in local Government funding than rural areas. We have made it clear that we wish the Government to reduce this gap but the New Homes Bonus has the potential to widen it further. The RCPU should monitor the impact of the New Homes Bonus on rural areas and seek urgent amendment if it is found to be putting rural areas at a disadvantage. (Paragraph 161)

⁹ (http://www.legislation.gov.uk/ukdsi/2012/9780111525050/pdfs/ukdsifia_9780111525050_en.pdf)

¹⁰ further details can be found at: <http://mycommunityrights.org.uk/neighbourhood-planning/>

The New Homes Bonus is only one element of local authority funding and the Government is already committed to undertaking an evaluation of the New Homes Bonus. There would therefore be little value in a separate monitoring process being managed by the RCPU. In addition please see response to recommendation 1 in regard to local Government funding in rural areas.

39. Assuming uptake from lenders, the Help to Buy scheme will offer some help to those wishing to purchase a home. However, it may also cause house prices to rise further. Unaffordability of housing is an acute problem in rural areas and we question the merit of a scheme that has the potential to make the situation worse. The Government's focus must be on measures to increase supply. (Paragraph 163)

House prices are lower than they were five years ago. Prices have been more stable recently but have continued to edge down in relation to households' earnings. But we need to stimulate the supply of housing too—to support affordability into the long-term. That is why the Government has committed to a range of policies to increase the supply of new housing. The 2013 Budget announced £5.4bn additional support for housing, building on the £11bn this Government has already committed to invest in housing over this SR. The June 2013 Spending Review announced a further £5.1 billion of investment to support housing in England, from 2015–16 to 2017–18.

Government estimates homes purchased under the Help to Buy: equity loan scheme will only account for 2% of overall property transactions over the three years of the Scheme. It is unlikely they would have any material effect on house prices. Builders have welcomed the announcements at the Budget 2013, and they have confirmed that increasing the availability of mortgages will support housing supply.

Fuel Poverty

40. It is disappointing that off-grid households are being prevented from accessing the same incentives and finance to improve their properties as on-grid households. We look to the RCPU to rural proof energy efficiency policies and see that the bias against rural communities is removed. (Paragraph 174)

The Government shares the Committee's concerns that off-grid households have greater difficulty accessing funding to improve the energy efficiency of their homes than their on-grid counterparts. Government does not, however, recognise that there is a bias against rural communities.

In order to offset the higher costs faced in rural areas, the RCPU has worked with the Department for Energy and Climate Change (DECC) to introduce changes to the Energy Company Obligation (ECO) to make it relevant to vulnerable rural communities. The Carbon Saving Communities Obligation (CSCo) will require energy suppliers to deliver at least 15% of support available to low income households living in rural areas.

Defra has worked with DECC on the development of a new fuel poverty definition which will allow better identification of those in, or at risk of, fuel poverty. Defra supported DECC in the production of a new Framework for Fuel Poverty and will continue to work with DECC on related strategies and targets to ensure they reflect rural considerations.

The Government welcomes the Committee's acknowledgement of Defra's role in communicating energy efficiency schemes such as ECO and Green Deal to a rural audience. Defra and DECC work together to publicise schemes of benefit to rural communities as widely as possible, and meet regularly with rural community energy sector interests to hear how we can improve communication to local areas, especially those that are harder to reach. Defra and DECC Ministers meet with interest groups, including rural bodies and MPs, through the Ministerial Round Table on Heating Oil and LPG, which is proving to be a useful vehicle to hear how policy responses can best meet identified need.

41. Collective buying groups have the potential to reduce energy bills for our rural communities. We are encouraged by the steps Defra has taken to support those communities wishing make use of the benefits of collective buying power. In order to be able to judge the effectiveness of this approach, Defra should set out how many communities have set up oil-buying groups since 2011–12 in its response to this Report. (Paragraph 177)

The Government recognises the potential of collective buying groups to reduce energy bills for off-grid households in rural areas and the importance of supporting communities to benefit from collective buying power.

Due to their frequently informal nature and seasonality, it is not possible to accurately map the exact number of oil-buying groups in the UK. However, 71 groups in England and Wales are registered through the Citizens Advice "Find your local Oil Buying Club" service, an increase from 68 in November 2012.

The RCPU continues to work with DECC and the rural community energy sector to promote, support, and monitor the growth of collective buying groups.

Transport

42. The Government must develop a strategic policy aimed at reversing the trend of declining accessibility to key services for people living in rural areas. As the Department responsible for rural affairs, Defra has a key role in developing this policy. The policy should be an expansive vision that includes multimode approaches to regional rural transport. As part of this work, Defra should liaise with bodies such as the Association of Train Operating Companies, Network Rail, Local Enterprise Partnerships and the Department for Transport to explore improving rail connectivity within rural areas. (Paragraph 181)

43. Defra should work with local authorities and LEPs to support actively those rural communities wishing to maintain or improve their rail access. As part of this, Defra should consider whether RDPE funding might be made available to support rural communities that are successful in the existing round of the New Station Fund (and future rounds should the Fund be extended), in order to help create successful local transport hubs. Such work should be incorporated in a nationwide strategy for rural transport. (Paragraph 182)

The 2013 Spending Round announcements underlined the Government's commitment to the devolution of economic powers from central Government to local areas, putting business-led Local Enterprise Partnerships (LEPs), working with their local partners, at the

heart of promoting growth. The Government believes that Local Enterprise Partnerships (LEPs) have a vital role in providing leadership and establishing a strategic vision for growth in their areas via Local Growth Deals and Strategic Economic Plans. Through such arrangements LEPs can best target resources towards identified local growth priorities. In the case of strategies for rural transport, the Government believes that LEPs working with local Government, the commercial and the voluntary sector have access to the knowledge and expertise required to address local needs.

44. When the next update of the Rural Statement is published we expect it to include the steps the Government is taking to follow up on the concerns and opportunities identified during the production of the 2012 CTA State of the Sector Report. This work must include an evaluation of the outcome of cuts in the Bus Service Operators Grant on community transport as well as consideration of how changes to the bus subsidy system will impact on that sector. (Paragraph 191)

There are no plans to publish an update to 2012's Rural Statement as was stated clearly at the time of its publication in September 2012. DfT and Defra sponsored the Community Transport Association's (CTA's) 2012 State of the Sector Report and its focus on rural areas. It provided a welcome insight of the challenges faced, and the significant contributions made, by community transport volunteers, and a framework for considering rural transport issues. Defra and DfT continue to work closely with the CTA on an ongoing basis. The CTA is an important contributor to discussions underway to address gaps in rural transport as highlighted by the Youth Select Committee in its 2012 report, and in Defra's rural transport reference group.

Local authorities, operators and local communities should work in partnership to decide how best to provide access to services for residents in rural areas where commercial services are not viable—this may mean tendered bus services, or it may be other more flexible services provided by the council or the voluntary sector (e.g. dial a ride). This is one of the reasons why the Government is devolving to local authorities the Bus Service Operator Grant (BSOG) paid to support non-commercial services, so that authorities can take a wider look at what are the priorities for public transport in their area.

No further changes to the rate at which BSOG is payable have been announced since the 2010 Spending Review. As a result of the 2013 Spending Review it is protected until the next Parliament.

Work is also being carried out within DfT to set up a monitoring and evaluation framework for assessing the impacts of the BSOG reforms. In connection with this Defra's RCPU is discussing the possible impacts of changes to the bus subsidy regime on rural areas with DfT.

45. We also expect Defra to work with rural and transport practitioners within local authorities to ensure that where a rural bus service is targeted for closure, alternative community-led schemes are actively pursued and supported where demand is demonstrated. Such community-led schemes, as well as other transport services, should not ignore the needs of the labour market in favour of other requirements. (Paragraph 192)

The Government supports the important contribution made by community-led schemes to local patterns of transport in rural areas. Through its Rural Transport Reference Group, Defra draws together intelligence from Action with Communities in Rural England (ACRE) and Rural Community Action Network (RCAN) members around the country who understand these patterns of demand for local services in their local authority areas. The group also provides opportunities to exchange best practice, and to discuss emerging issues affecting rural areas with other Government departments, the Community Transport Association, and the Wheels to Work Association. Work is also underway between these groups and commercial operators in the Defra and DfT co-convened Youth Select Committee follow-up group to look for ways to better integrate community schemes with other transport provision in rural areas.

46. We believe there is a need for the Government to review the current mandatory nationwide concessionary fare system. In line with the Government's decentralising agenda the review should consider whether locally led solutions offer a better means of safeguarding services and generating growth. Protecting the vulnerable should be at the heart of any proposed reform to the system and allowing elderly and disabled people to gain concessions on services provided by the community transport sector must be considered. (Paragraph 194)

The Government recognises the importance of public transport for both the sustainability and independence of rural communities. Inadequate transport provision is a very real concern and can be a barrier to the prosperity of all those living in rural areas.

That is why the Government's 2010 Spending Review protected the statutory entitlement for concessionary bus travel, ensuring that older people can maintain greater freedom and independence. The Government does not intend to widen the scope of the mandatory bus travel concession to include all forms of community transport as this would have significant cost and operational implications. It could undermine local bus services available to the general public and make the position more difficult for small operators. Local authorities are able to offer concessions on any form of community transport on a discretionary basis based on their judgement of local needs and financial priorities, funded from local resources.

Last year the Government set out in 'Green Light for Better Buses' a series of reforms to improve local bus subsidy arrangements and regulations in England outside London. The proposals have been carefully formulated to attract more people onto buses, to ensure better value for the taxpayer and to give local transport authorities more influence over their bus networks.

In addition, the Government has distributed £20 million of funding to rural local transport authorities in England to support and kick-start the development of community transport services in their area. This funding is aimed at rural transport authorities as they financially support a larger proportion of bus services in their areas.

47. Defra should work with the DfT and DWP as well as local authorities and civil society groups to ensure that schemes—such as Wheels to Work—that enable young people to get to work, training and education do not falter through lack of funding. Where necessary, alternative sources of funding should be explored including loan

finance from Big Society Capital and other social investment bodies for the third sector. (Paragraph 195)

Defra is working with DfT to support the Wheels to Work Association (W2WA) to make existing schemes more sustainable and to promote new ones. As well as DfT's sponsorship of a national coordinator for Wheels to Work, the Association is a partner in regular dialogue with the Local Government Association, RCAN members, and commercial operators through Defra's rural transport reference group, and the Defra and DfT co-convened work underway to address gaps in rural transport provision for young people, and an invitation has been extended to DWP to join this work. Both departments have also promoted closer working between the W2WA and the CTA to explore joint approaches for the promotion and support of schemes, including the consideration of different financing models. The RCPU will also discuss the applicability of different financing models with the Office for Civil Society in the Cabinet Office.

The Government's ongoing support for schemes that enable young people to access work and education is also reflected in the fact that funding for some 24 Wheels to Work schemes has been provided through the Local Sustainable Transport Fund.

48. In addition to maintaining the freeze on duty the Government should continue to explore other options to address the high cost of fuel in rural areas. This should include continuing work on the possibility of introducing fuel duty discounts in the more remote parts of the United Kingdom that do not have easy access to the cheaper fuel available at supermarket-tied filling stations. The Government should report back on this issue no later than next year's Budget. (Paragraph 201)

Motorists on the Scottish islands and the Isles of Scilly are benefitting from a 5 pence per litre discount on pump prices since the Government introduced the rural fuel rebate pilot scheme last year. The Government is considering whether to seek EU approval for an extension of the scheme to remote parts of the UK that are likely to display similar cost characteristics to the islands. As part of this work the Government has launched a Call for Information to help identify fuel costs in remote areas.

49. As part of a strategy on rural transport the Government, and its delivery bodies such as Local Enterprise Partnerships, must consider measures that reduce car dependency. More needs to be done to create rural transport hubs. Buses that link up with rail services to enable people to get to work and education should be the norm not the exception. Encouraging increased take-up of cycling must also form part of a rural transport strategy. This should include the provision of safe, dedicated cycle paths along key commuter routes and secure storage facilities at bus and railway stations. (Paragraph 203)

See response to 42 above.

Community Rights

50. The new Community Rights are welcome additional tools to allow communities to shape their future development. However, giving communities these rights does not mean that it will be appropriate in all cases for communities to exercise them to achieve the desired outcome. The Government should promote the new powers it has created

but it must not push communities into using them unnecessarily, particularly if the outcomes can be better achieved using existing tools. Some of the new rights are costly to implement and are not without risks. It is crucial that communities receive impartial advice and the Government must do better to ensure this is the case. (Paragraph 211)

Community rights are demand led and intended to enable communities who want to solve issues that they care about. It is a localist, not top down, approach. The DCLG £60m support package covers neighbourhood planning, community right to build, community right to bid and community right to challenge and provides advice and grants to local groups wishing to use these rights. The support is not limited to the rights but is extended to groups wishing to take on services or buildings by other means for example Community Asset Transfer.

51. The Government is not doing enough to promote the benefits of community ownership and the role community-owned enterprises, social enterprises and cooperatives can have in growing the rural economy—especially in our more isolated communities. A firm endorsement of this type of enterprise in policy and planning guidance will have a positive impact on the attitudes of public bodies, particularly local planning authorities and LEAs. Such an approach is consistent with the Government's stated objectives of promoting action driven by civil society rather than reliant on the public sector. As part of an increased emphasis on the benefits of community ownership, the Government must do more to promote the Community Right to Build scheme as a means to help communities build or retain amenities such as village shops. (Paragraph 214)

The Government has some sympathy with this view, however, we do not believe Government can promote this sector as effectively as the sector can itself. To this end, in 2011, Defra's RCPU commissioned and published research, undertaken by the Plunkett Foundation. The aim of the project was to identify the scale and scope of social enterprise in rural England and to assess their economic, social and environmental impacts.

More recently, the RCPU has commissioned the University of West England to examine the delivery services through models such as Community Ownership, Co-operatives or Mutualisation. These alternative models of service delivery vary in design, size and scope. Most are non-profit, relying upon a mixture of professional and voluntary staff to deliver their services. The Localism Bill offers the opportunity to transform the asset base of many rural communities—through a series of potentially transformative new community rights, such as the Community right to bid, Community Right to Build and Right to Challenge.

The RCPU will report the findings of this research in Autumn.

52. During development of the new Rural Development Programme Defra should explore how Leader can be used better to help those communities looking to retain services that are under threat. However, no amount of support will make a local shop, pub or other service viable if communities do not use them. (Paragraph 217)

By the end of the current Rural Development Programme Leader groups will have spent over £20 million on projects that are supporting basic services for the economy and rural population under measure 321. The range and diversity of these projects is huge and delivery through Leader offers the best way to identify and support the services most vital

to the local economy and rural community. It is important that funding is allocated only to projects that offer a sustainable service model, often putting into place alternative methods of service delivery which involve communities and significant amounts of volunteer time. This in itself helps to embed the service into the community and promote and sustain its use locally, allowing the best option for local needs to be developed and implemented.

Improving the quality of life in rural areas provides multiple benefits. Investing in great places to live, work and visit can help to unlock the potential in the local rural economy, supporting growth in new and existing businesses. Protecting vital rural services therefore helps to contribute to sustainable development and ultimately more sustainable rural communities.

The Leader approach will continue as a mandatory component of the next Rural Development Programme, spending a minimum of 5% of the EU funding allocation. We are currently considering “access to services” alongside a number of other programme priorities and also looking at more efficient ways of delivering support. Our initial assessment of evidence indicates there is a good rationale for public intervention in rural services, however any future support of this type will be only be targeted where it is most needed and also where it delivers clear, demonstrable benefits for the local rural economy.

53. We recommend the RCPU put in place a programme to support communities wishing to come together to realise the benefits that collective action can bring. (Paragraph 218)

The Government recognises the potential of collective buying groups to reduce energy bills for off-grid households in rural areas and the importance of supporting communities to benefit from collective buying power. Due to their frequently informal nature and seasonality, it is not possible to accurately map the exact number of oil-buying groups in the UK. We do know that 71 groups in England and Wales are registered through the Citizens Advice “Find your local Oil Buying Club” service, an increase from 68 in November 2012. We, therefore, accept the principal aim of this recommendation which is to ensure all communities have the confidence and tools to realise the benefits of collective action.

The Government, however, questions whether it is best placed to action this recommendation. The Rural Community Action Network (RCAN), for example, is leading the way in supporting their communities to take collective action. There are many impressive examples of their supporting communities in setting up fuel buying clubs or community transport schemes. They have a documented track record of bringing fuel and travel costs down for some of the most vulnerable members in our rural societies. Defra has a long standing working relationship with the umbrella body for the RCAN network, Action with Communities in Rural England (ACRE). Defra’s RCPU will seek to work with ACRE to pool the knowledge and expertise built up at local level to produce a national guidance note. The Government will seek to make this widely available to our rural stakeholders.

54. As take-up of neighbourhood plans demonstrates there is a risk that if the state passes power and responsibility to local communities some will rise to the challenge but some will not. Inequality within rural areas may increase as a result. We welcome

funding from Government to help communities get initiatives off the ground but funding must also be directed at professional community support organisations. Without the encouragement, hands-on support and resources of such organisations, many communities may miss out on the opportunity to have a say in their future. (Paragraph 222)

Locality, the organisation providing support to local groups on community rights, is a membership organisation with over 5,000 groups across the country. This means they have real reach into communities and an interest in helping those groups who have less capacity. In addition DCLG is funding the Community Shares Unit, set up to grow the community shares market to help local communities who want to raise finance to develop their projects. For example West Mill wind farm in Oxfordshire raised £4m for a rural energy project.

Defra also funds Action with Communities in Rural England and the 38 Rural Community Action Network members. The Rural Community Action Network support community-led action and strong local governance; increase help strengthen the long-term sustainability of local community life and, seek to influence policies and services, particularly to achieve equity for rural communities. The advice both organisations offer to communities is independent of Government.

The Localism Act 2011 places a legal duty on local planning authorities to advise or assist those engaging in neighbourhood planning. Additionally, in May 2013 the Department for Communities and Local Government launched a £9.5 million, two-year programme to support communities to progress their neighbourhood plans and neighbourhood development orders. Support comprises both grants of up to £7,000 per neighbourhood area and direct support and advice tailored to the needs of individual neighbourhoods.

The Rural Communities Policy Unit

55. We recommend that all policies be subject to rural proofing, unless a case can be made that it does not apply. Action taken to ensure fair rural outcomes must be reflected in a policy's Impact Assessment so that rural stakeholders can see that their needs have been accounted for. Where applicable, the impact assessment process must include consideration of the rural premium that exists in delivering services in rural areas. (Paragraph 227)

Defra's RCPU leads on rural proofing of Government policy across government and has engaged with a range of Departments developing policies which may impact on rural communities. All Government departments, when considering their policy interventions, are now required to address rural dimensions in their Impact Assessments. In addition, rural proofing is explicitly mentioned in HMT's Green Book, the official guidance for public sector bodies on how to appraise proposals before committing funds to a policy, programme or project. It draws policy makers' attention to assessing whether policy proposals are likely to have a different impact in rural areas from elsewhere. In addition the RCPU published new rural proofing guidance in July of this year to assist Departments in considering rural communities in the development of their policies. RCPU is also undertaking workshops with Departments where policy developments have a particular impact on rural communities.

56. We agree that Defra should review rural proofing annually. The review must acknowledge where it has failed to secure rural fairness as well as the successes it has achieved. It seems sensible to us for that review to be included in Defra's Annual Report and Accounts in line with the guidance for other Government departments. (Paragraph 229)

Rural proofing is an ongoing activity that the RCPU supports Government Departments with. Lord Cameron of Dillington and a team of House of Lord peers are currently conducting a one off independent review of Government departments' efforts to rural proof their policies and programmes. The Cameron Review will include evidence of how rural proofing interventions have, or have not, been applied to secure rural fairness. The review will report in spring 2014. We will seek to include the key findings of Lord Cameron's Review in Defra's Annual Reports and Accounts.

Greater rural proofing transparency exists at national level. For example, Government Departments are required to report yearly on their rural proofing activity in their annual reports and accounts.

57. While we consider that the network of bodies with which the RCPU maintains a structured relationship constitutes a comprehensive engagement framework, we believe that including rural practitioners in local authorities in that structure would be mutually beneficial. (Paragraph 233)

Defra's RCPU meets with the Rural Coalition regularly to discuss our own and other government departmental policy initiatives. The Rural Coalition has senior level membership from a variety of strategic and local level advisors and practitioners including the Local Government Association, the Rural Services Network and the National Association of Local Councils. Defra also has a good working relationship with the County Council Network, their advice, for example, was used to influence and shaped Defra's local level rural proofing materials. Defra engages directly with local government where this is necessary for specific policy developments. For example there is extensive dialogue with local government and Local Enterprise Partnerships on LEP Economic Strategies. It is also worth noting that Defra has a Rural Development Delivery Team (RDT) working from local offices who engage with local government and communities on a daily basis. RCPU and RDT often work in tandem on locally relevant issues, so RDT may often be the face that is most recognised at local level. This is the right split of responsibilities between a national policy (RCPU) and a delivery team (RDT).

Defra Ministers and officials regularly meet with the 17 Rural and Farming Networks¹¹ in their localities and twice a year with all Chairs. The RFN groups are made up from a range of local level stakeholders including local authority practitioners and decision makers, with several of the RFN Chairs also being local authority councillors in their localities.

The RCPU holds two stakeholder engagement events per year. The first was held in April with a further event planned for October. These bi-annual events invite a wide range of stakeholders with rural interest to influence Defra and OGD policy areas.

¹¹ <https://www.gov.uk/government/policies/making-sure-government-policies-and-programmes-benefit-rural-businesses-and-communities/supporting-pages/details-page-rural-and-farming-network>

58. While deprivation may be more directly aligned with other Departments such as DWP we believe that because of the different rural experience of deprivation and disadvantage, which Defra is most likely to better understand, rural deprivation should be a policy focus for the RCPU. In addition, the implications of an ageing rural population mean that if healthcare is not already included within the services priority then the RCPU should add it as an additional policy focus. (Paragraph 236)

We recognise that small pockets of deprivation and poverty in rural areas can lead to unintended consequences for the hard to reach and more isolated rural communities. Sparsity, social isolation and costs of living can be higher in rural areas and this can create pockets of disadvantage. The RCPU continues to work with Government Departments on a targeted basis to ensure that the data and evidence they use to design and implement their policies has been rurally proofed. Examples of this include:-

- The RCPU worked with DECC in the development of a new measure of fuel poverty, which will enable better identification and targeting of households in rural areas.
- The RCPU supported the Child Poverty Unit in assessing statistical and other evidence of need in rural areas.
- The development of the Green Deal. The ECO included a recognition of the carbon saving potential of insulating solid walled houses, which are widely represented in rural areas and a new condition requiring suppliers to deliver £28.5m available (15% of the area based element of the scheme) to households in rural areas.
- In assessing how its annual £210m Community Learning budget should be spent, the Department of Business Innovation and Skills (BIS) recognised that rural as well as urban learners benefited from this budget, and they wanted to ensure that the needs and interests of rural learners were appropriately addressed. BIS identified an evidence gap and commissioned, with Defra, a research project to assess the state of Community Learning in rural areas. This provided a wealth of information on the status of community learning in rural communities and highlighted a number of good practice examples. As a result, BIS has committed to disseminating the lessons learned from the Community Learning Trust pilots in rural areas, so that the needs of rural learners could be reflected in the wider roll out of the initiative.

We also agree that an ageing rural population has strategic implications for healthcare provision. The RCPU is working with DoH on a range of issues affecting the delivery of healthcare in rural areas. For example we have released a Rural Proofing for Health Toolkit, an on-line tool focused on the needs of healthcare practitioners planning and delivering services in rural areas.

59. When it is next updated we expect to see a more ambitious Rural Statement that includes reference to the RCPU's policy plans for the future. The Statement must also include some key performance outcomes so that rural areas can hold the Government to account. Such indicators might include figures on rural GVA, rural deprivation, the numbers of rural pubs and shops, and feedback from rural stakeholders. (Paragraph 244)

The Rural Statement set out to underline our commitment to Rural England. It reflects the Government's vision of successful rural businesses and thriving rural communities in a living, working Countryside. As noted above, there is no intention to update the rural statement. The Government does agree that it is helpful to set out figures on, for example, rural Gross Value Added (GVA) and we would refer the Efra Committee to the Statistical Digest of Rural England that examines the differing aspects of rural GVA.

We also agree that feedback from rural communities is important to capture. However, we do not feel it is for Government to produce this type of reporting. Instead, we would refer the Efra Committee to review the 2012–13 Annual report on Defra's investment in the ACRE Network. This report outlines initiatives such as retaining rural retail services, community transport schemes and case studies from rural stakeholders. This report provides examples of what local communities, supported by the rural community action network, can achieve in their co-working.

60. In response to this Report Defra must set out what steps it is taking to combat poverty and deprivation in rural areas and how it is ensuring that pockets of rural deprivation that might otherwise be overlooked in official statistics are being recognised across Government. (Paragraph 249)

See 58 above.