

UK Industrial Strategy: Rural Opportunities & Challenges

March 2018, Newcastle University London
Workshop Report

Background: The UK Industrial Strategy White Paper was launched in November 2017 by the Secretary of State for Business, Energy and Industrial Strategy. It includes examples, references and plans that embed and infer opportunities for Britain's rural economies. Rural stakeholders led by Defra worked hard to inform the final Strategy, including via a Workshop at the Rural Entrepreneurship Conference, Newcastle University in June 2017.

On the 20th March, Newcastle University's Rural Enterprise UK (REUK) team, with the support and participation of the UK Government's Departments for Business, Energy and Industrial Strategy (BEIS) and Environment, Food and Rural Affairs (DEFRA) hosted a Workshop for organisations and agencies active in England's rural economies to explore and inform plans for implementing the UK Industrial Strategy. The Workshop offered a mixture of presentations and discussions. Close to 40 people drawn from national to local government organisations, economic and rural agencies, business groups and academics participated in the day. This paper provides a summary description of the Workshop, links to the formal presentations, and key features and messages that arose from participants' discussions and comments. A separate Policy and Practice Briefing is also in preparation from the event.

Workshop Structure and Summary: Presentations offered an overview and insight into key features of our rural economies and the UK Industrial Strategy, and evidence of rural firms' performance and actions from recent small business surveys. Discussions were triggered by the experience and suggestions from a Panel of public and private sector leaders about how rural areas and rural businesses can take up or shape the opportunities presented by the Industrial Strategy, and extended through focused debates in three breakout sessions covering Sector Deals and issues, Local Industrial Strategies, and the wider Business Environment and challenges.

The Workshop was chaired and opened by **Professor Jeremy Phillipson from the Centre for Rural Economy** introducing the rural focused work of Newcastle University, and specifically the REUK initiative which has undertaken Rural: Urban analysis of the BEIS-commissioned UK Longitudinal Small Business Survey (LSBS), since 2016 [click [here](#) to see the presentation]. This large scale business survey reveals that rural firms' economic performance has at least matched, and in measures such as innovation and access to finance has outshone that of England's urban firms outside of London. With a quarter of England's small firms operating from our rural areas, such evidence shows the importance of rural enterprises' contribution to achieving national and regional economic growth and rebalancing the economy through measures set out in the UK Industrial Strategy. It is critical that those tasked with delivering the Industrial Strategy at national to local level should engage rural enterprises and economies in equitable and visible means.

This was followed by a presentation about the key features of the UK Industrial Strategy and its potential application for our rural areas, by **David Campbell from BEIS**. This presentation had been prepared by BEIS and DEFRA's Rural Policy team, continuing the joint-working that has developed between these Government departments in the preparation of the Industrial Strategy White Paper. Members of both departments had encouraged and guided the REUK team in the development of this Workshop and made

active inputs to the discussions including managing the Workshop's breakout sessions. The BEIS/DEFRA presentation can be viewed [here](#).

These speakers, and other BEIS and DEFRA staff, joined four invited representatives from South West and North East England, the Rural Services Network of local authorities and other bodies, and from the Federation of Small Businesses, Britain's largest small business membership organisation, as a Panel to describe their experience, current activity and reflections about how rural economies might best contribute to and benefit from the UK industrial Strategy. The two speakers from the South West and North East England were invited because their area's activities, summarised below, are illustrated or referred to in the Industrial Strategy White Paper.

David Fursdon, recently chaired the South West Rural Productivity Commission to examine the nature and drivers of productivity in its rural economies. This arose at the request of the Chairs of the four Local Enterprise Partnerships in South West England, and consisted of a Panel member from each county within that region. Crucially their work was supported by a secretariat paid for by the LEPs. The Commission attracted over two hundred documents, took oral evidence from about forty witnesses during an evidence day in each county, and was steered by a 'strategy board' drawn from the LEPs and some of the government departments responsible for aspects of the areas' economies.

Drawing on this material their report of evidence and recommendations for follow up actions was published and is available [online](#). David expressed the need for the LEPs to ensure action is taken on the Commission's findings. With work still needed to develop and promote some of the Commission's ideas, one of the recommendations was for a rural task force which might for example help shape growth deals and other regional initiatives. David shared some of the conclusions, concerns and ideas that emerged during the Commission's work. These included:

- Recognition that Defra can't achieve all the changes requested by those who gave evidence, under their rural proofing role alone, due to limited resources and the many government organisations that have some responsibility for issues, such as planning, broadband, trade and business support. They are also challenged by the variety of views from diverse organisations about how these and other issues should be delivered in rural areas, for which they often need to forge a middle and practical route.
- Whilst they were attracted by suggestions of greater cooperation and sharing sales and services by businesses, they concluded that this would only happen with some external assistance or measures, focused on facilitating interactions, for example through hubs in functioning market towns, but these need to be embedded in a planning system.
- Demand for improved digital connectivity was raised by all those who gave oral evidence. The Commission was unimpressed by the idea that a Universal Service Obligation should have a cost cap, which could result in decisions that some places were deemed too remote to get improved digital connections. They argued that in today's world this is such a necessity that the universality of need should drive this investment.
- Confusion about the opaque nature of supports, grants, loans and stemming from different European funds and so in the past.
- The lack of technological business skills and service skills, especially from family and other lifestyle businesses.
- Above all the Commission requested that government should describe how they would like to interact with rural businesses and representative bodies. Currently they discovered organisations close to

government are all doing it in slightly different ways. Thus they sought one channel to engage rural areas, either through a properly constituted body such as revitalised Rural and Farming Networks or by improving the LEPs rural representation.

David was followed by **Janice Rose, Policy and Research Manager, at Northumberland Council**. She related how Northumberland Council initiated a more proactive approach to rural development, in part because of concerns that most existing activities were city based, and that their rural areas were getting squeezed out of the economic growth agenda through attention to metropolitan areas on the one hand and to neighbouring Scotland on the other. This involved proactively taking steps to develop a place-based approach. Manifestation of this approach has been/ will be evidenced in:

- The North East Rural Growth Pilot Network, a 3 year pilot funded by Defra, with funding subsequently extended by the NE LEP. This pilot has facilitated real understanding about how we can help rural business growth.
- The North of Tyne Devolution Deal, for the local authorities for Newcastle, North Tyneside and Northumberland Councils. Its area stretches from a major city to the one of the most remote parts of Northumberland, and includes a range of landscapes including greenbelt, coalfields, National Park and upland areas - as such the north east mirrors England. This enables real understanding of rural and city interdependencies. This year will include work with the North East Chamber of Commerce, which is largely focused on city-based businesses and actors, to explore what rural means for them and how rural interaction may contribute to businesses in their area.
- The Borderlands Initiative Growth Deal. Like the North of Tyne Growth Deal this is also referred to in the Industrial Strategy. It covers local authority areas of Scottish Borders, Dumfries and Galloway, Northumberland, Cumbria and Carlisle. This investment fund, to raise economic prosperity and productivity in these Borderlands can be seen as the first rural version of the 'City Deals' agreed by the UK government with Manchester, Edinburgh and Glasgow etc. Essentially it offers the prospects of securing investment in rural areas to the same principles and criteria as city investment, with the added dynamic of engaging both UK and Scottish Governments.

These three mechanisms operate across different geographies, and Northumberland Council have used whichever geographies best suits the needs of what they are trying to achieve. The approach they now plan to take is to develop a North of Tyne Rural Productivity Plan, perhaps using a similar approach to that adopted in the South West Rural Productivity Commission. They plan to showcase Growth from the three initiatives above and to demonstrate what the area contributes to the Industrial Strategy's Grand Challenges. Thus they may seek to demonstrate, for example How national plans for Capital Investment contribute in rural areas, or for post-Brexit land management? How should rural innovation and productivity around national capital be equitably supported? How to ensure that increased growth is at the heart of our rural areas?

Janice Rose also suggested that new metrics around housing, access to services and community aspects may be needed. Perceptions of rural areas' economic performance and contributions need also to be changed, so that they are seen as a great place to live, a place to do business, a place where you can innovate and compete. To achieve this we need to get the whole of government involved not just Defra and BEIS.

She echoed the importance of higher profile and a national voice and recognition that they can't do it all on their own. Northumberland Council are promoting themselves to Government as the rural scale-up champion of England; they can show that rural is good at start up business, good at lifestyle businesses,

good at competitive business of a certain size, but there is a need to scale up and forge links with larger rural development drivers and areas. They recognise that multiple rural and non-rural voices need to be brought together to ensure that wherever there is good practice in rural areas, it can be showcased.

Sarah Green, representing the Federation of Small Businesses (FSB) represents rural interests in FSB's *circa* 200,000 members across the UK, of which around a third are in rural areas. She welcomed that UK organisations had worked together to create an economic strategy that should help us going forward. However, the key test is whether it will deliver economic growth and prosperity in all parts of the UK as despite successive government policies to tackle regional disparity limited progress has been made. Sarah considered five themes or drivers in the Strategy:

Infrastructure - FSB's rural members cite improved infrastructure as their priority. Whether transport or broadband, infrastructure is an enabler that allows all of the other things to happen, and rural micro-businesses have a raw deal on both. This needs to change. For example – how do we ask tourism businesses to improve productivity and grow when trip advisor and web marketing is key to growth but many tourism businesses do not have secure broadband access and many rural villages do not have 4G.

Innovation – The FSB supports the broader focus on innovation in the Industrial Strategy and in particular the acknowledgement that innovation is not just trail blazing new technologies. New ideas and processes are as likely as any new technology to achieve long term productivity improvements in a local business. Few small firms are going to have world-beating technologies, but they could become better by adopting existing technologies. However, there is a disconnect, as whilst the strategy recognises the broader innovation approach, the KPIs are still designed around a more traditional approach ie increase in R&D spend.

People - 40% of FSB members are single owner managed businesses. 60% employ people, with the average firm size being around seven people. Many small businesses operate as small businesses due to the choice of their owners. They do not follow the neo-classical economic model and are not simply motivated by economic motives. Many are necessity entrepreneurs as they want to live in rural areas and there are not employment opportunities in these areas. However, government only assess and measure these businesses by economic measures. For example, jobs created or % turnover growth. This fails to recognise that often these small businesses provide critical services in communities that are often isolated or remote. Such businesses provide social value, make places unique, and provide services to communities. These are not typically the measures around which grants are devised and decisions taken. Sarah called for a joined up conversation about what we want from our small businesses in small, rural or isolated communities.

Business Environment – There is a growing issue with the lack of commercial premises for business in rural areas. There are examples of the last commercial buildings in villages being converted to housing due to the current planning presumption in favour of housing and the greater value of housing sites compared to commercial land. This is resulting in the loss of the last critical services in some rural communities. Greater protection for commercial premises needs to be in place.

Places - Sarah drew attention to a problem with the Strategy's language in promoting its support to rural areas and small businesses. The term Industrial Strategy can be off putting to those in rural communities, as the language is associated with urban areas and big business. Greater awareness, visibility, and accessibility to LEPs and other bodies within the institutional infrastructure is needed to support and lead

a place-based approach. The current institutional inconsistency between areas makes it difficult for businesses to navigate. Currently, it is not obvious to rural businesses where to go for support, signposting to access points needs to improve to ensure that rural firms can get the support they potentially need and deserve.

Andy Dean, Assistant Director of the Rural Services Network introduced the Network and reflected on the Industrial Strategy's value for rural economies and communities. This national organisation covers rural England, and at its heart are 150 rural local authorities, county councillors and others, plus a plethora of other rural organisations. Reflecting on these local authorities' comments and concerns about the Industrial Strategy, Andy:

- Emphasised that agriculture and food production are pivotal to rural economies. Addressing these sectors will be vital as this will have such a large impact on rural communities. However, as is so often stated there is also a lot more to rural economies than agriculture and tourism, with huge diversity and potential to be addressed.
- Considered that the Industrial Strategy makes a good start, with several themes and features that rural areas and bodies can connect to. Nevertheless, there needs to be a strengthened rural geographic focus to the Strategy, for a variety of reasons. Beyond those that have already been recognised he highlighted that, arguably, the biggest economic impacts of Brexit will be felt in the countryside, because of the scale and reach of funding, regulation and support for farming and the environment from the EU. Moreover, beyond farming and environment, we should have a deep look at the wider rural economy and its future.
- Suggested that the sector approach may work for food and other sectors, but given the characteristics of rural economies - such as the predominance of very small businesses, the lack of recognition that some are substantially innovative, combined with the lack of rural recognition, visibility and rural reach of many LEPs – he suggested rural firms and places did not naturally fit this approach at national or local level.
- Highlighted concern that resources would continue to get drawn to urban areas, and that safeguards were needed to prevent this. The alternative has often been rural versions of wider measures, such as the pilot Rural Growth Networks, intended to ensure that interventions and resources reach rural businesses and rural communities. Consequently he raised the suggestion that a Rural Industrial Strategy should be developed, to give a focus to rural contributions and opportunities that exist. He was not suggesting a major central planning exercise, but a statement about what rural wants to do. Such an approach finds support from RSN members
- Andy also argued that future funds under the Strategy should be accessible to rural businesses or communities, but set out a case that bureaucracy and administration must be kept to a minimum. He encouraged delegation or devolution of fund management, building on the good practice in rural north east England and the Leader Programmes. Such exemplars need to be shared and built upon.

Tim Goodship, Deputy of Rural Policy, Defra, and Edward Corse, Industrial Strategy Stakeholder Engagement lead at BEIS also commented as members of the Panel. Tim expressed caution about having a separate Rural Industrial Strategy, preferring that rural is not seen as separate, but an integral part of the Industrial Strategy and its measures. However, he reinforced and agreed with the need for bottom up development, and said Defra was looking at what might replace LEADER once the UK left the EU. He also extended the question raised by Sarah Green about how does government and stakeholders know when these programmes are successful, acknowledging that a lot of the metrics used presently aren't quite appropriate in rural areas, eg good rural projects won't get through if the measure is the scale

of contribution to GVA, or how much output is increased. Despite these reservations he believed that, relative to previous industrial and growth strategies on which he has worked, a key difference in this Industrial Strategy is its focus on Place. The opportunity this time is to tailor the IS and its measures through Local industrial strategies and place-based initiatives they would take.

Edward also added that the development of this Strategy and this Workshop was a great example of another and critical change relative to previous efforts and programmes, namely government's joined up approach to its development, and the integrated nature of the Strategy's themes and measures. He acknowledged that government needs to work closely with a variety of institutions and make sure that they're equipped to embrace the challenges. He added that many conversations during the development of the Strategy have rightly focused on the foundations of the issues that enable growth. Government needs to make sure that we are tackling these, but also the Strategy's Grand Challenges through which we are looking forward to what might happen in 15-20 years. He emphasised that government is interested to make sure that rural economy is prepared for the challenges and opportunities which lie ahead.

After Lunch, **Professor Matthew Gorton, Professor of Marketing at Newcastle University Business School** presented relevant findings from the UK Longitudinal Small Business Survey. He set the scene for the participants' rural exploration of three key themes used in the Industrial Strategy, in the afternoon's discussion groups: Industry Sector Deals, including skills/innovation/links to place; Local Industrial Strategies, and place-focused Growth/ Productivity Deals; and Business Environment, including Exports/Trade.

Matt offered evidence and insight from the REUK's rural: urban analysis of the LSBS on rural business performance, business plans and obstacles and the nature and reasons for seeking external finance; on rural firms' experience and commitment to exports and imports. Through regional analysis of rural firms' experience on these growth drivers his presentation also showed the importance of territorial strategies and deals, such as those described by Panellists, and Local industrial strategies, embracing rural evidence and experience to identify intra-rural and rural:urban differences in performance and aspiration. Matt's presentation can be viewed [here](#).

Comments and questions to the morning speakers, and the issues, challenges, examples and suggestions raised in the three discussion groups was captured by REUK rapporteurs working in each group. These are informing preparation of a Policy and Practice Briefing by Jeremy Phillipson and Roger Turner, the REUK team's Knowledge Exchange Facilitator, who worked with Defra and BEIS staff to generate and frame this Workshop.

Newcastle University's REUK team wish to extend their thanks to all contributors and participants for their input before, during and after the Workshop, and hope that these discussions, of which this is summary record, will help to ensure that rural economies and their actors are appropriately and beneficially embraced in the UK Industrial Strategy and its delivery measures.

Roger Turner, Oak Tiwasing and Jeremy Phillipson, May 2018

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