

Brexit: Implications for the rural north of England

Summary Report

Dr Paul Cowie, Newcastle University

Dr Gail Mulvey, University of Cumbria

Professor Frank Peck, University of Cumbria

Professor Keith Shaw, Northumbria University

November 2018

Report prepared for Northumberland County Council
and the Institute for Local Governance (ILG)



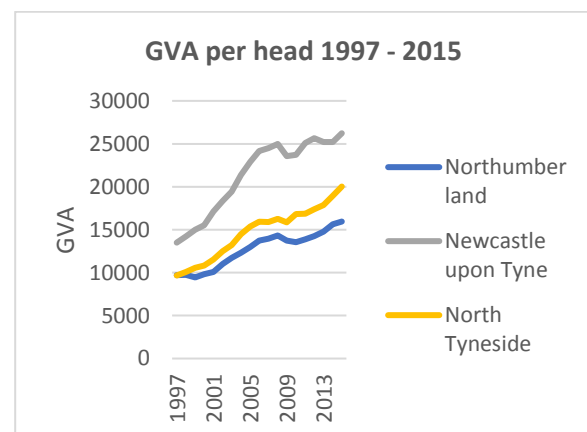
Introduction

This study has been commissioned by Northumberland County Council to consider the implications of Brexit on the rural north of England. Brexit is a 'once in a generation' event which will have a significant and long-lasting impact on all parts of the UK. The area covered by this report is primarily the rural parts of the county of Northumberland, but inevitably, what happens in the neighbouring areas will have a significant impact on rural Northumberland so a wider focus on the rural north is employed where necessary. In addition, rural areas are interconnected with urban regions across the North, hence the impact of BREXIT on the rural north must include consideration of the potential impacts of BREXIT on regions of the North, including the metropolitan areas.

Policy Review

The policy review captures how the rural north of England has been lagging behind both the regional and national economy for some time. The data shows that Northumberland has lagged behind the urban areas of the region in both GVA and levels of employment for a number of years.

Rural economies also face problems relating to low wage levels, affordable housing, connectivity and dependence on EU funding. However, problems also arise from mistaken or outdated assumptions about rurality, and the application of policies designed primarily for urban areas.



Complex Governance

The rural north of England now sits in an increasingly complex web of governance institutions: Combined Authorities, Local Enterprise Partnerships, local authorities not to mention the Northern Powerhouse and Growth Deals. Devolution is cluttered, messy, over-lapping, asymmetrical, lacks a coherent sense of place and is vague on the long-term. However, there is a recognition that, 'One size doesn't fit all' and that there is scope for new ways of working in a culture of uncertainty.

What about the Rural? There is a lack of awareness of rural contribution and challenges. Rural seems to be underplayed/an afterthought in key strategies. Our review highlights how Britain's rural areas represent a forgotten opportunity. Their economic contribution – 16.6 per cent of GVA – derives from diverse activities; 'traditional' rural sectors such as agriculture and tourism operate alongside a growing presence of agri-tech, energy generation, digital and creative industry and manufacturing. The latter accounts for the same proportion of the rural and the urban economy. Different elements of the rural

economy are closely intertwined, relationships to urban neighbours are important, and rural places themselves are highly diverse.

As well as the general rural economy, this project undertook a sector by sector review. Table 1 outlines the possible outcomes for the key regional sectors.

Two round table stakeholder events, both urban and rural, also highlighted the need for the region to play to its strengths and develop a shared vision to guide future policy and planning.

Rural Enterprise Hub in Hexham (Credit NNPA 2017)

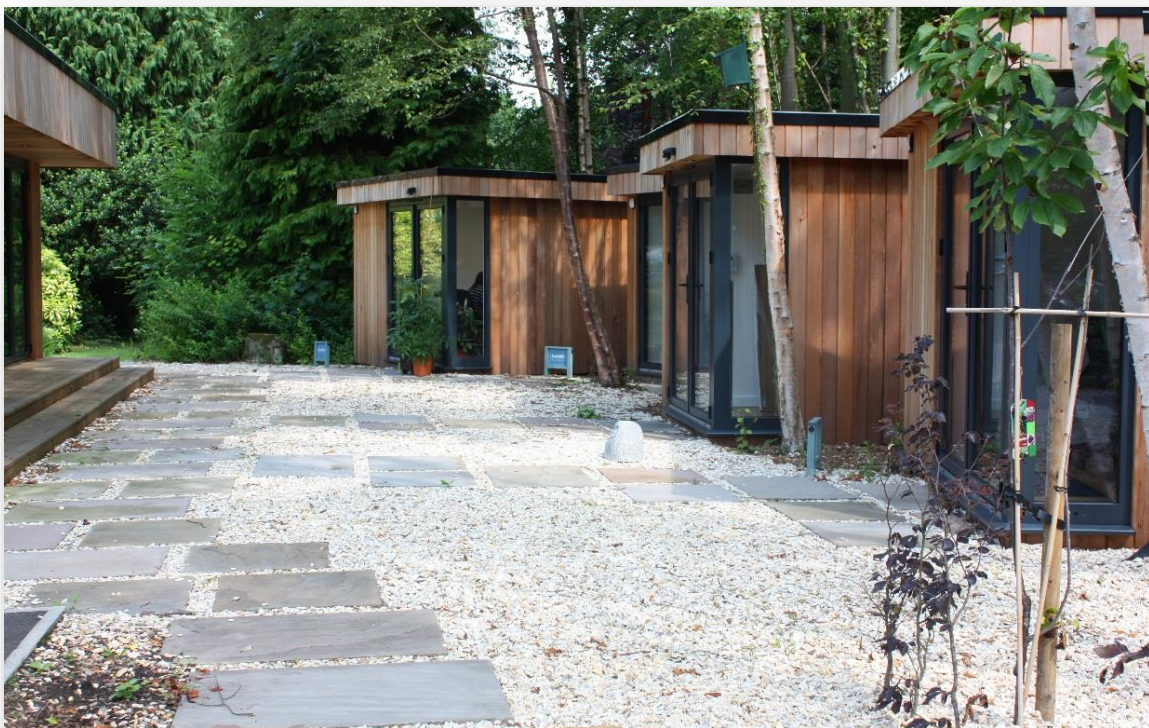


Table 1: Optimistic and Pessimistic Sectoral Outcomes from Brexit

Sector	Optimistic outcome for rural areas	Pessimistic outcome for rural areas
Agriculture	<p>End of CAP stimulates innovation and prompts farms to invest in technology to enhance productivity.</p> <p>Rural areas of the North become “test beds” for new models of farming.</p> <p>Upland farms have opportunity to de-intensify and diversify successfully.</p>	<p>Farms with low productivity experience barriers to investment.</p> <p>Hard Brexit damages export markets in Europe and exposes UK to cheaper imports (Brazil, USA).</p> <p>UK government has difficulty in negotiating new farm policy with WTO</p>
Digital	<p>Rural areas capitalise on the successful roll-out of superfast broadband.</p> <p>Addressing the digital divide a priority for policy to facilitate smart farming.</p> <p>Rural areas of the North become test bed for new technologies applied to health-care diagnosis and delivery.</p> <p>Rural North successful in securing public funding through Borderlands Growth Deal, Productivity Investment Fund and Shared Prosperity Fund.</p>	<p>Low demand for digital services from farming in rural areas.</p> <p>Businesses in rural areas held back by lack of digital skills base and local education and training capacity.</p> <p>New investment in broadband infrastructure in rural areas fails to keep pace with urban areas.</p> <p>Rural areas not successful securing Productivity Investment Fund and Shared Prosperity Fund.</p>
Environmental and Renewable Energy	<p>New government policy has capacity to deliver better environmental outcomes from farming.</p> <p>Rural areas of the North capitalise on natural advantages for the generation of wind and hydro-power.</p> <p>UK green growth strategy supports investment in sustainable sources of domestic timber.</p>	<p>The post-Brexit farm policy may not succeed in providing a viable basis for sustainable farming.</p> <p>There may be unintended negative consequences for rural areas and upland environments.</p> <p>Communities may respond negatively to plans to expand windfarms in rural areas.</p>
Fishing	<p>UK plans to withdraw from Common Fisheries Policy and assume exclusive access to waters up to 200 miles.</p> <p>UK negotiates with other countries to trade access rights to different waters.</p> <p>Agreement reached with the EU over conditions for fish exports.</p>	<p>The EU might insist on status quo extended beyond the current transition agreement.</p> <p>The UK might not be able to enter negotiations with third countries due to EU restrictions necessary to sustain export trade to Europe.</p>
Forestry	<p>Brexit negotiations restrict imports of wood and wood products from the EU. This stimulates domestic production and opportunity for innovation in wood products for the construction industry.</p>	<p>Withdrawal from the CAP leads to loss of funding opportunity for SMEs in the forestry sector.</p>

	<p>Withdrawal from CAP creates opportunity for UK policy innovation in supporting small scale forestry businesses in rural areas.</p>	<p>Increased demand for domestic timber exacerbates existing problem with low rates of forest planting.</p> <p>Public funding for woodland management declines.</p>
Manufacturing	<p>Short term benefit for exports arising from fall in value of pound.</p> <p>Longer term benefits derived from success in negotiating beneficial trade deals.</p> <p>UK government committed to supporting manufacturing growth in rural areas. Government prioritises the skills and labour needs of industry dispersed across rural areas.</p> <p>Growth and proximity to energy generation (renewable energy) attracts manufacturing firms to rural areas.</p>	<p>Manufacturing in rural areas shares the same difficulties as those in cities with regard to recruiting labour, delays at borders and tariff barriers.</p> <p>Transport & logistics sector experiences increased cost that feed into supply chains.</p> <p>Priority given to northern City-Regions for public investment. Investment in innovation and infrastructure in rural areas not maintained. Persistence of an urban-rural digital divide.</p>
Tourism	<p>Travel to and from the EU is not impaired and the UK tourism industry continues to grow. Growth in both inbound and domestic tourism partly due to the relatively low value of sterling.</p> <p>Investment in improved marketing for the rural north and National Parks in particular compensates for negative Brexit effects.</p> <p>The opening of Carlisle Airport brings more tourists to the rural north.</p> <p>UK Government's post-Brexit farm policy stimulates diversification into tourism, recreation and agricultural heritage.</p>	<p>A shortage of labour, wage spirals and increased costs cause some hotels and B&Bs to close.</p> <p>Surviving accommodation providers less competitive due to shortage of experienced workers to fill vacancies.</p> <p>ESIF and ERDF funding not replaced to the same degree by the UK government.</p> <p>Lack of full digital connectivity in rural areas impedes marketing and reduces the attractiveness for tourists to stay in rural accommodation.</p>

Understanding the Future

The Policy review highlights significant aspects that are important in understanding Brexit impacts. Rural areas are obviously highly vulnerable to changes in public policy affecting agriculture and the environment. However, there are clear linkages between sectors within rural areas – farming, forestry, tourism, energy – through which both threats and opportunities are mediated. The economy of rural areas need to be understood as a system rather than as a collection of separate sectors associated with land and landscapes.

Secondly, rural areas contain locally significant centres of population – including free-standing industrial settlements, market towns and commuter settlements as well as dispersed villages. The “rural North” therefore contains much greater diversity of economic activities than is often assumed in policy. There is, for instance, a significant amount of advanced manufacturing dispersed across rural areas. The implications of Brexit for the Rural North therefore needs to consider the interdependencies that exist between urban and rural areas within the North.

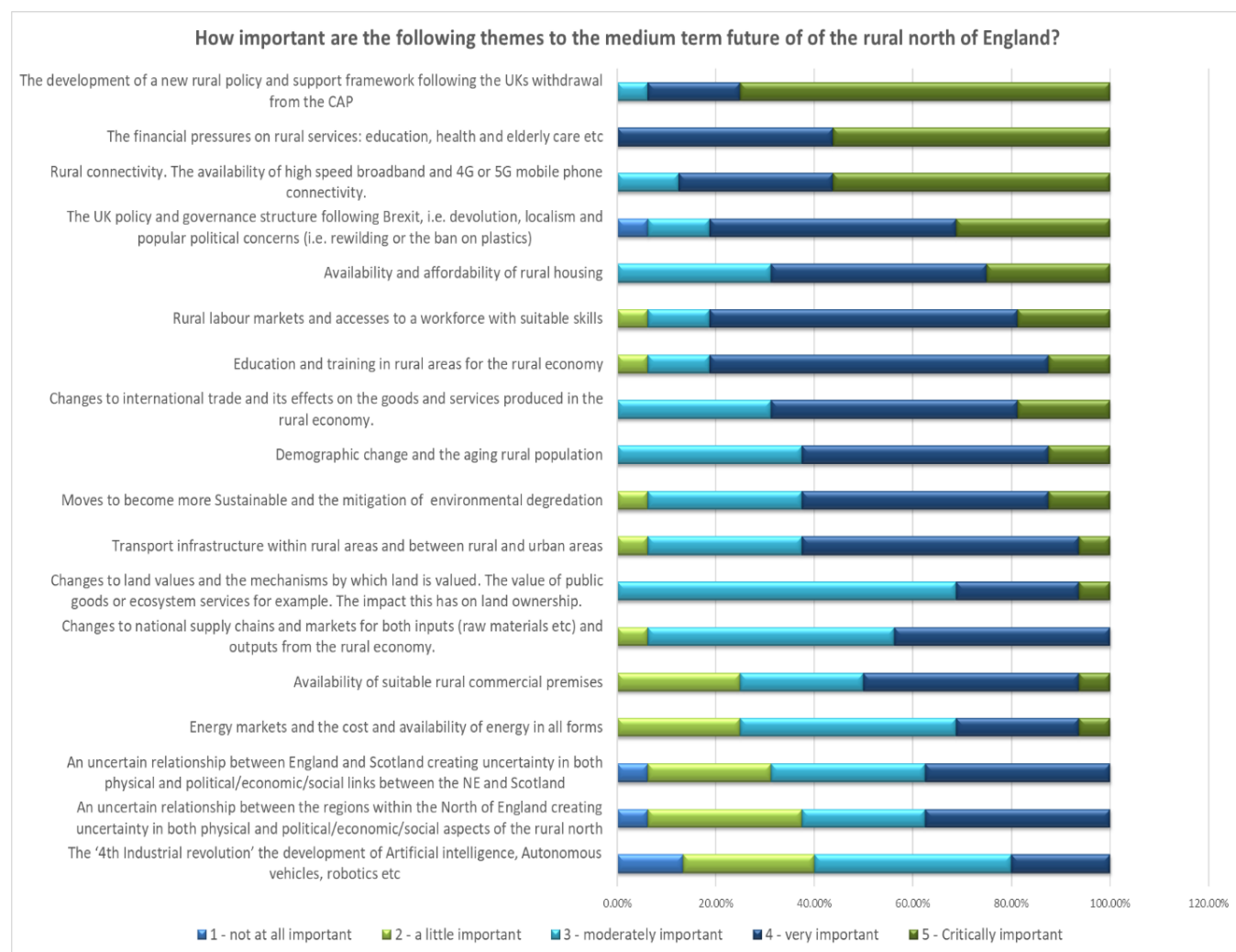
These considerations inform the approach taken to gathering evidence from stakeholders drawn from both rural and urban areas. The most important driver of change identified by the expert panel was *the shape of regional and rural policy support following Brexit*. There is a widespread view that the new agricultural policy and regional policy structure will have a significant impact on the rural north. This may be partially mitigated by benefits derived from the new devolved structures (North of Tyne Combined Authority) and the proposed Borderlands Growth Deal. The rural north of England may also be disadvantaged by a lack of commitment to invest in digital infrastructure and digital skills formation are believed to be vital to benefit from the 4th industrial revolution.

Understanding the drivers for change

Building on the policy review, the next step in the process of understanding the future was to determine: what are the drivers for change? For this part of the research a Delphi Survey was used. This involved convening a panel of expert stakeholders to gain a consensus of views on the key drivers for change. In the first step the panel were asked to nominate three important drivers

for change. In the second step the panel were asked to indicate how important they felt each driver for change was to the future of the rural north of England. Table 2 shows the drivers for change in order of importance. As well as giving an importance score for each driver, the panel were asked to give an explanation as to why they had given a driver a particular score.

Table 2: Post-Brexit drivers for change





First & Last Brewery, Elsdon (Credit <http://www.firstandlastbrewery.co.uk/>)

Developing the scenarios

The two scenarios presented in this report deliberately reflect the best and worst outcomes of Brexit. Even the best outcome for the rural north of England presents significant challenges for policy makers due to the pre-existing deficiencies in the region's economy. In the worst case scenario, policy makers will need to make significant decisions to mitigate the effects of Brexit. In both scenarios, tackling the pre-

existing weaknesses of the northern rural economy will also provide a policy framework to tackle Brexit. These weaknesses, as identified by the expert panel include, a better regional jobs and skills market, better connectivity - both in transportation and ICT - and a more joined up approach to regional decision making.

Scenario 1

GROWING THE RURAL ECONOMY

The UK has left the European Union with a limited trade agreement but not a customs union or free trade agreement. There is a short-term impact, mainly caused by increased friction in trade that recovers over time but not to pre-Brexit levels. The north of England has been able to do better than most out of the trade deals which were concentrated on advanced manufacturing including car production and agricultural and food products. The north of England remains one of the most affordable places to live in the UK and has retained a stable population in contrast to other regions which have suffered population falls as a result of changes to EU migration patterns. The quality of life remains a key draw for many people and as such, key sectors of the economy, particularly in critical areas such as primary production, manufacturing, health and education, are able to maintain a stable workforce.

CHANGES TO FARMING PRACTICE

IMPROVED BIO-DIVERSITY



Better flood protection in the uplands improves flood resilience downstream

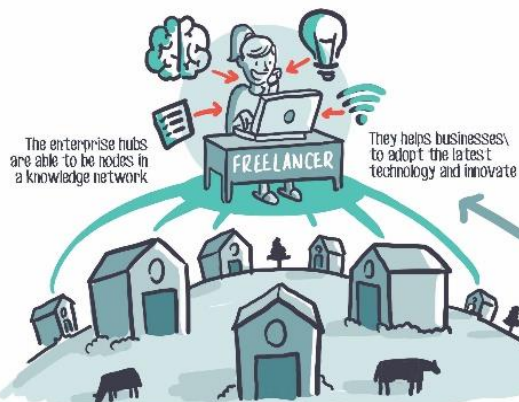
CO₂

The strategy to decarbonise the transport system through the switch to public transport and electric vehicles means transport is on its way to being carbon neutral.



Steps are underway to facilitate similar connectivity using autonomous vehicles in other areas

BETTER PUBLIC TRANSPORT IN THE NORTHERN EXPANDS THE LABOUR MARKETS

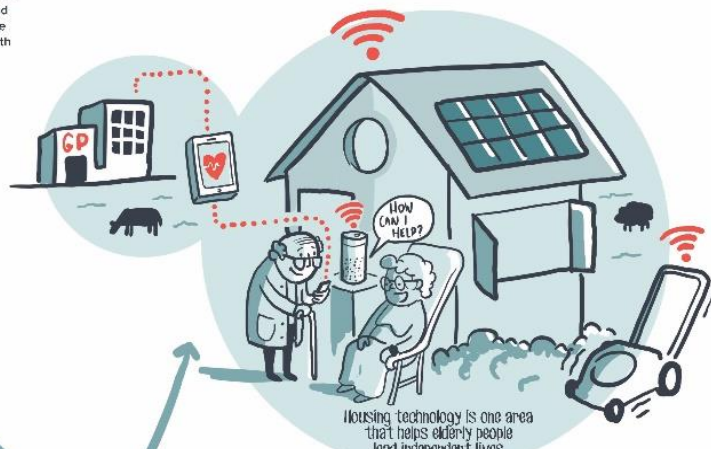


The enterprise hubs are able to be nodes in a knowledge network

They help businesses to adopt the latest technology and innovate

A NETWORK OF RURAL ENTERPRISE HUBS PROVIDES SUPPORT TO MICROBUSINESSES

DELIVERY OF RURAL SERVICES IS BEING IMPROVED BY BETTER TECHNOLOGY



Housing technology is one area that helps elderly people lead independent lives

HIGH VALUE AND SUSTAINABLE BUILDING MATERIALS



The forestry supply chain now delivers high quality building materials produced in the region

Links between applied research and local industry have grown stronger due to coordinated action through the Local Authority



GREEN ECONOMY SUPPORTED BY TRAINING & EDUCATION

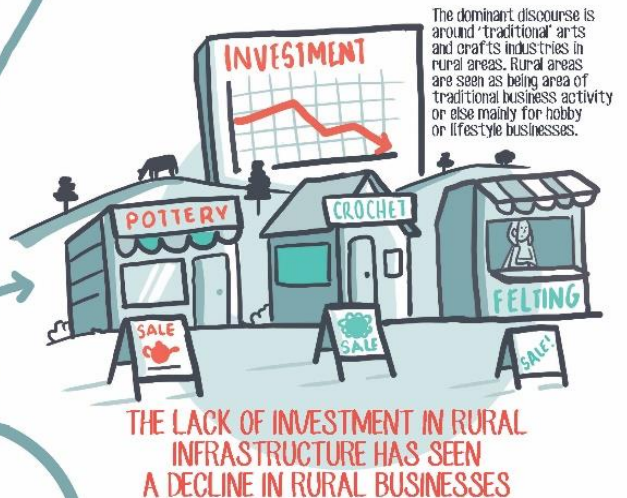
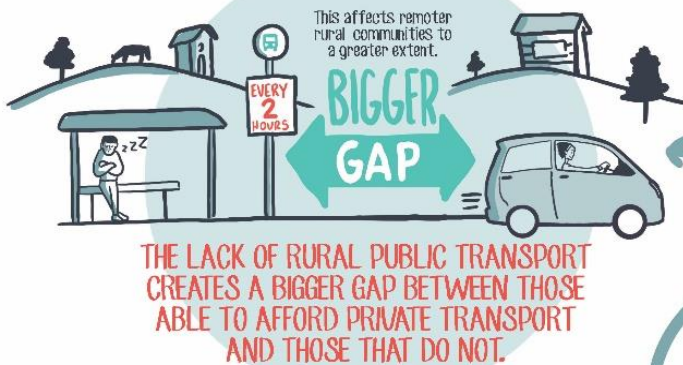
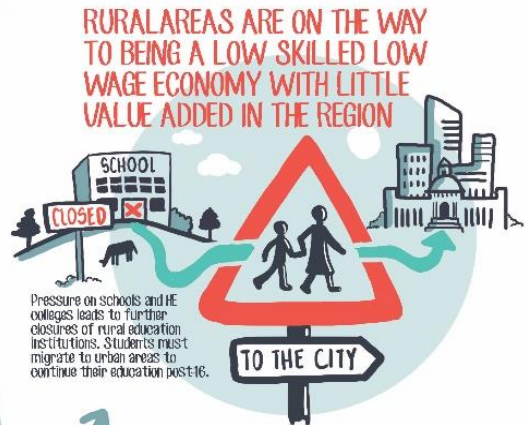
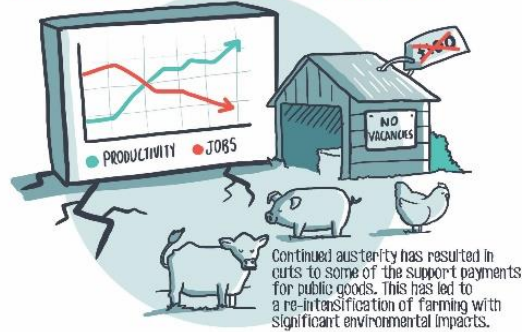
THE POST-BREXIT RURAL NORTH OF ENGLAND

Scenario 2

AFTERMATH OF A HARD BREXIT

The UK has left the European Union without any agreement on trade or any other substantive issues such as migration or regulatory standards. 5 years ago, a limited trade agreement was reached which has elevated some of the issues caused by the hard Brexit. Following the successful second independence referendum, Scotland has left the Union and is in the process of re-joining the European Union. It has also negotiated a limited trade deal with the EU in relation to its critical sectors, sea food, whisky and other food products and oil & gas. The north of England has suffered more than most from the impact of Brexit. It is only now starting to emerge from a serious recession. High unemployment has resulted in a significant out-migration of working age people.

FARM INCOMES AND LAND PRICES CONTINUE TO COME UNDER PRESSURE.



THE POST-BREXIT RURAL NORTH OF ENGLAND

The final workshop held by the project team has created a third scenario and roadmap for the future. It highlights both the risks and the opportunities presented by Brexit and what the region can do to face the challenge head on. There are fundamental structural issues that need to be addressed: connectivity; skills and training; supply chain infrastructure and coordinated governance for example. Some of these issues can be tackled by the region and its stakeholders without help. Other issues require support and assistance from beyond the region. The clear message was that the region needs to speak with one voice and be clear about what it is asking for.

The final scenario highlighted:

- The need for a joined up approach to strategic development which is driven from the bottom-up.
- The ambition of the region to be a testbed for innovation in rural development.
- Greater devolution has allowed integrated budgets to tackle structural problems in the rural north of England.

- That all parts of the rural north of England have future proof connectivity
- A combination of neighbourhood planning and community development has delivered affordable rural housing for the region.
- That skills and training match the region's rural economy with a high skill high wage labour market. New technology is at the heart of this transition.
- Universities, other Higher Education Institutes and research centres deliver a triple-helix model of rural development. This retains more graduates in the region, generates more start-ups and increases productivity.
- The economic changes are also helping to change the demographic balance of the rural areas with younger people and families choosing to make the rural north of England their home.
- At the heart of all the changes is the idea of a sustainable environment. This is reflected in the way

that the economy is developed. This is seen in farming, food production, forestry, energy production and construction. Shorter more sustainable supply chains not only boost the local economy now they future proof the economy going forward.

Conclusion

This study has highlighted the threat to the rural north of England presented by Brexit. Sector reviews suggest that threats to the rural North may be underestimated and opportunities missed by considering sectors in isolation rather than as an interdependent economic system particularly in upland areas.

Also, most significant economic activities in rural areas are located in free-standing industrial settlements and market towns distributed across a wide area. Urban-rural interdependencies are therefore vital to understanding the possible effects of Brexit on the rural North.

The North of Tyne Combined Authority and the Borderlands Growth Deal, as well as the new national policy in relation to agriculture, offer an opportunity to take control over the strategic direction of

rural development. This could develop synergies between rural sectors to exploit the opportunities presented by Brexit.

This project has developed three scenarios mapping the long-term future. The final scenario sets out a shared vision for the rural north of England.

Recommendations

- The final workshop highlighted the need for the rural region to speak with a single confident voice. To tackle such a complex and uncertain future requires a coordinated approach. This project engaged a wide range of stakeholders in its development. This needs to be continued and expanded.

Recommendation 1 –

Northumberland CC working with partners should maintain the network of stakeholders established by this project to maintain the collaboration and knowledge exchange started by this project.

- It has been recognised in this research that while some Brexit effects are likely to be sector

specific, threats and opportunities will also be transmitted between sectors. Brexit effects on rural areas will also not be separable from the effects on northern City-Regions.

Recommendation 2 –

Partnership structures should enable cross-sectoral knowledge exchange and coordinated actions between cities and rural areas in the North.

- This project has started the process of creating a vision for the future and a roadmap to take concrete steps on the path to that future. However many of the ideas and objectives are still very abstract. The stakeholders need to be more specific about what is required and from whom.

Recommendation 3 –

Northumberland County Council working as the rural node within the new devolution deals to develop a specific and costed ‘wish list’ of projects and programmes that will deliver the outputs contained in the third scenario’s vision.

- The third scenario highlights a number of opportunities for the rural north of England to improve and diversify the economy. However, these are often built on tangible (ICT Connectivity and transport) and intangible (skills and knowledge) infrastructure that are currently absent or deficient.

A good example given by a participant at the final workshop was local quality food production. Farmers wanting to shorten supply chains and diversify into supplying meat produced on their farm are hampered by the lack of an abattoir north of the river Wear. This adds costs to already tight margins.

Recommendation 4 –

Any sectoral development programmes must start with a review of the underpinning infrastructure to ensure that it is in place to enable the sectoral developments.