SUBMISSION FROM SCOTTISH ENTERPRISE

Thank you for providing Scottish Enterprise (SE) with the opportunity to take part in the above inquiry. I am responding in my capacity as action CEO while Jack Perry is overseas on business.

With around 97% of the land mass in SE’s area of responsibility being rural, we very much recognise the strong influence that Scotland’s rural areas have on our economic success.

As at 1 April 2008, SE will have a greater focus on enabling economic growth within the context of the Government Economic Strategy, with a particular drive on increasing business competitiveness and productivity in sectors key to the growth agenda. As part of the equity dimension of the Government’s Economic Strategy, SE will strive to ensure that economic growth is balanced across regions, both urban and rural.

Although SE does not have a direct role in the provision of housing in rural areas, we believe that this is an important issue for rural economic development, outwith the direct benefits to the rural economy from housing construction. It is clear that the availability, affordability and quality of housing has a direct impact on the ability of rural areas to attract and retain a suitable labour force for business activity, from manual labour to highly talented entrepreneurs seeking a high quality of life.

In particular we would highlight the following insights from various research activities that our Rural Group has recently undertaken:

- From a survey of 120 rural businesses, one of the key constraints on business growth cited was the availability of suitable labour;

- Research into the impact of the creative sector in rural areas highlighted the potential for creative individuals, attracted to rural areas by the quality of life on offer, to catalyse growth in the local economy; and

- Our recent study into migrant labour in Scotland highlighted the potential for workers from the A8 countries to add further value to the economy through better utilisation of their often high-level skill-sets. Housing was identified as being a key issue in the attraction and retention of these individuals, who are already contributing towards productivity gains in many rural businesses.

In addition a recent paper on the Barriers to Rural Economic Development, completed in conjunction with the Scottish Estates Business Group, National
Farmers Union of Scotland and the Scottish Rural Property and Business Association concluded in its section on Rural Housing that:

- there is an affordable housing problem in Rural Scotland;
- this acts as a barrier to rural development because it affects the rural labour market;
- the problem may be worse in low pay sectors like agriculture, forestry and tourism.

With the above in mind, our views on the Inquiry questions of direct relevance to Scottish Enterprise are as follows:

**Role of the planning system**

New development, industrial and housing, must be encouraged to meet the many economic challenges facing rural areas in Scotland, while at the same time preserving the rich natural and built environment that defines and differentiates Scotland on the global stage. It is important that we have safeguards in place in the form of good design standards to make sure sporadic rural development does not damage intrinsically valuable assets of the rural landscape such as the scenery, quality of the environment and cultural heritage.

However in rural areas there must be greater scope for more innovative planning policies that encourage diversification, distinctiveness and individuality must be permitted providing they can demonstrate additionality to the local economy. Small-scale affordable housing developments should be encouraged within the boundaries of small rural towns and villages enabling them to remain self-sufficient and to continue to contribute to the wider economy.

It is essential for the economic well-being of all rural areas, and critical in areas such as Dumfries & Galloway that are experiencing severe labour supply problems, that planning authorities identify sites suitable for affordable housing. Moreover, in tackling out-migration the provision of individually designed houses and holiday homes, carefully managed through development plans, could be a significant means of attracting people into rural areas.

Our view is that planning authorities need to work more closely with partner agencies in order to create a more proactive approach to sustainable rural development rather than the currently perceived restrictive approach. Planning authorities should be actively encouraged to play a greater role other than that of regulation in the formation of economic strategies.

**Supply of land and infrastructure**

One issue that limits physical development in rural areas is the availability, cost and procedural difficulties of providing services to new sites and
developments. Development is constrained in many areas through limitations in water services as well as energy provision. Whilst it is recognised that site servicing is a material consideration in terms of the planning system and that commercial issues direct infrastructure decisions, unless more encouragement is given to utility providers to invest in rural areas the scope for new development will become increasingly constrained.

Clearly the private sector has a strong influence on land availability. In areas where market failure is evident a proactive use of the planning process could demonstrate confidence and leadership to the private sector in a way that enables the provision of land to work more efficiently. However, from our business development perspective the current situation of residential land values outstripping industrial land values poses some potential dangers. Pressure from residential developers in a tight market to get ‘change of use’ on industrial sites and buildings as a means of increasing housing supply could have a knock-on effect through constraining economic activity. The Government’s emphasis on the development of brown field sites may add to these pressures.

We are also aware that the designation of floodplain areas in rural areas has the potential to remove development sites – perhaps another issue that requires to be reviewed.

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