

RURAL ECONOMY AND CONNECTIVITY COMMITTEE

Implications of COVID-19 for the Scottish budget related to connectivity and the rural economy

SUBMISSION FROM SAVOUR THE FLAVOURS

In relation to the rural economy:

1. In light of the impact of COVID-19 on the rural economy, how can future budgets best be deployed to develop resilient rural businesses, communities and supply chains?

In the Scottish Budget 2020-21 Rural Economy Portfolio Priorities, it is stated that: “taking area-based approaches in our islands and rural communities”

The impact of Covid-19 on the rural economy, both in its negative impacts and its emerging opportunities, has been highly sector-based, rather than place based. Certain sectors (food service, wedding industry, night economy) have been devastated by Covid-19 and will face severe long term repercussions, other sectors (food retail, direct to consumer food production) have experienced increased demand.

Savour the Flavours is a regional food and drink brand based in Dumfries & Galloway, led by consultants who have been operating in regional economic development and marketing for many years. Our experience of the rural economy in the south of Scotland is that dominant sectors and place intersect. Future budgets could best support rural economic recovery and growth by acknowledging the importance of both place based and sector based approaches to supporting rural economies, rural businesses and rural communities. It is not an either-or.

Adopting an approach that encompasses both place and sectors is a more complex approach to rural economic development which would require careful and consultative intervention design. However we would propose that such an approach, one that takes cognisance of the differentiated needs of sectors within different localities, would result in more impactful and more cost effective delivery, which would consequently deliver increased resilience across the board in Scotland’s rural economy.

There is also a real opportunity for the Scottish Government to adopt a more sophisticated needs-led approach to rural economic development that, while rooted in place, embraces emerging collaborative opportunities to cultivate sector based co-operation across supply chains. Some of these opportunities are noted within the recent Programme for Government, such as the development of a Local Food Strategy and support for Producer Organisations. This is a very welcome step in the right direction, but we would suggest there is significant opportunity in this localised sector based approach that remains to be unlocked.

In the allocation of budgetary resource, evidence from a range of organisations, such as [Scottish Rural Action](#), and our own primary [research](#) has highlighted the essential role that privately owned small and micro businesses played in rural resilience and food

security during lockdown. However, due to the tight focus on a growth-agenda within the business support and economic development ecosystem, many of these community facing businesses have not traditionally benefitted from support that is appropriate to their needs.

It is essential that small and micro businesses, including those without growth ambitions, receive needs-based support that is appropriate to their capacity, their business priorities and their ambitions. For example, a small shop in a rural village is more likely to require advisory support in succession planning, improving environmental efficiency and HR, rather than e-commerce or innovation support. In developing resilient rural businesses, communities and supply chains; operational support such as this is hugely valuable and should be a priority in enabling rural recovery.

2. Is Brexit likely to pose additional challenges for the rural economy in recovering from the impacts of COVID-19 and how should funding best be allocated to support recovery of the rural economy in this context?

Yes. We are currently concluding a survey of food and drink businesses in Dumfries & Galloway to assess business support needs. 26% of respondents have indicated that they need 'Support in planning for Brexit'. This was the fourth most frequently cited response, after 'Marketing or social media training', 'Digital or e-commerce support' and 'Support in marketing my products or services'.

Respondents citing Brexit support as a need included micro businesses through to medium enterprises; and it was cited by enterprises at every stage of the food and drink supply chain, from primary product to foodservice and retail. This suggests that there is widespread ongoing demand for advisory support to help businesses prepare for and adapt to Brexit.

In terms of allocation of funding to support recovery of the rural economy in this context – and in general – our experience in Dumfries & Galloway, based on direct feedback from businesses and our operational experience, is that support should be:

- Needs-led - designed around and informed by identified business need
- Locally delivered and adapted to local circumstances and local market challenges.
- Fully inclusive of community focussed businesses with limited growth, as well as businesses considered to be growth prospects
- Designed to leverage and capitalise on local and sector based strengths and opportunities
- Designed to support and enable informal, as well as formal, collaboration and cooperation

Rural economies are highly complex with interdependent supply chains – as a result, effective and impactful rural economic development and business support solutions are likely to be equally complex and locally differentiated. How support is designed and delivered is key, the 'how' – the design - is much more important than 'how much' budget is allocated to it in delivering impact and effecting change.

In relation to both the rural economy and connectivity:

7. What are the implications for the Scottish budget related to these policy areas of the Scottish Government's stated intention to ensure a "green recovery" and to build a "wellbeing economy" after the COVID-19 crisis?

In allocating resource to support economic recovery, mindful of a green recovery and wellbeing, we would propose that the Scottish Government should prioritise support for those businesses and organisations that have a vested interest in Scotland's rural economy, and in the people and communities within it.

Locally owned small businesses embedded in rural communities are more likely to support rural resilience and create localised, circular economies than corporations.

Policy makers who live in rural communities are more likely to have a better understanding of the needs of those areas, than those based in Edinburgh.

Small and medium family owned primary producers are more likely to adopt a nature-based approach to land management than industrial or intensive producers.

Through policy development, programme design and budgetary allocation, the Scottish Government has an opportunity to tilt the balance away from the large, industrial and the centralised, towards localised, smaller and greener enterprises.

8. Are lessons learned during the pandemic likely to lead to major shifts in future Scottish Government spending in these areas and, if so, what should these shifts look like?

It should. These shifts might include:

Addressing capacity and confidence

The human capacity and confidence impacts of Covid-19 on the owners, managers and leaders within businesses and organisations in the rural economy should be acknowledged and addressed within policy, programme development and spending allocation. In our business support survey, 29% of respondents indicated that their 'business confidence had taken a knock', while 23% stated that they had personally 'been affected by stress or depression due to the impact of covid on my business'. To maximise rural resilience and recovery, everyone should matter and reduction in capacity or confidence should not be a barrier to accessing support. Modified approaches to the design of support programmes to ensure inclusivity and accessibility should be explored.

Locally designed, not just locally delivered

Place based approaches should mean much more than simply localised delivery and community development. It should embrace the opportunity of local differentiation in the design of intervention and support, and include locally held budgets for delivery of activity and intervention. One of the recent challenges we have encountered is the lack

of relevance of the new regional food group resource to the needs of our region, and the lack of flexibility in budget use – specifically resource being ring-fenced for temporary post creation rather than the delivery of collaborative activity.

Aligning outputs to wellbeing rather than growth

Traditionally business support and economic development interventions have focussed on delivery of measurable outputs; generally speaking these have been job creation, growth in turnover and business investment.

So, more jobs, not necessarily better jobs; larger volume, not necessarily more profitable or more environmentally sustainable production.

If the Scottish Government is serious about delivering a green recovery and enabling a wellbeing economy, then its focus on '*what*' is achieved, rather than '*how*' that achievement is delivered, needs to change.