

RSE

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Advice paper

March 2023, AP23-1

The cost of living: impact on rural communities in Scotland



Summary

- The cost of living crisis, Covid-19 and the Russia-Ukraine war have had a more significant impact on remote rural areas than on urban areas. The prices in remote rural communities for some essential goods were already higher than those in urban centres. And the recent increases in inflation have further exacerbated living costs pressures for remote rural Scotland.
- There is a general scarcity of quality data regarding rural communities. The RSE recommends that policymakers regularly commission and monitor high-quality, robust statistical evidence. Research is essential to fully comprehend the complex picture of the challenges remote rural areas in Scotland are grappling with.
- The key challenges for remote rural communities are related to the 'rural premium' whereby communities face higher costs for food, clothes and other household goods, energy bills and transport.
- Access to social services was also identified as one of the acute challenges rural communities face. This includes access to childcare, health services and care for older people. In sparsely populated areas, delivering such services can prove challenging and small changes can threaten the sustainability of local provision.
- The current UK and Scottish government cost of living support schemes have lessened the impact of increased living costs on individuals, businesses and communities. However, these schemes have not generally accounted for geographic disparities in the prices faced by consumers. In real terms, people in rural areas will not receive the same level of financial support.
- Many of Scotland's rural areas are not connected to the gas network and rely on other types of heating, which are more expensive. Rural Scotland also wrestles with higher levels of energy consumption in local authorities than the rest of Scotland, England or Great Britain as a whole. The disadvantage in energy prices for rural communities is not reflected in any discount schemes.
- The RSE commends the ongoing work on the Energy Bill under scrutiny in Parliament at the moment, which could potentially allow energy sourced locally, to be delivered locally, thus removing the limits of accessing locally-generated energy due to the existence of the grid infrastructure.
- The RSE recommends further measures to provide support for both domestic settings and businesses in relation to the cost of living crisis considering the geographical disparities. Any piece of legislation or policy measure related to the cost of living should be 'rural-proofed.'
- The RSE working group agreed that the collaboration between the Scottish and UK governments would be key to effective rural-proofed policy development. The RSE recommends the implementation of a more formal approach to collaboration between the government and indeed, local authorities.

Introduction

1. The Royal Society of Edinburgh (RSE), Scotland's National Academy, in conjunction with the Young Academy of Scotland (YAS), welcomes the opportunity to respond to the Scottish Affairs Committee's consultation on the impact of the cost of living in rural communities in Scotland. As a national organisation with an extensive coverage across Scotland, this response draws on our varied expertise, especially across economy, social studies and the public sector. A working group was formed to contribute to this consultation response, which included fellows and members of the RSE Economy and Enterprise Committee who draw both on their professional expertise and their experience as rural residents. The comments from the working group have informed this response.

2. While the remarks presented below could easily be attributed to the entire rural Scotland, in line with Scottish Government's differentiation between rural areas as 'accessible rural' and 'remote rural'¹, the recommendations and observations included here are particularly relevant for the remote areas of Scotland, which face the greatest challenges, as emphasised in our submission.

The particular challenges facing Scottish rural communities in relation to the cost of living compared with other areas of the UK

1. Major societal events such as the cost of living crisis, the increase in fuel prices, Covid-19 and the Russia-Ukraine war have had a greater impact on remote rural areas than on urban areas. This relates to the specific challenges that rural communities face, which are outlined below (although the points raised are not exhaustive). These challenges, although made more acute by the cost of living crisis, are long-standing in nature. It is thus useful to differentiate between short- and long-running challenges.

2. The five local authorities with the lowest median annual earnings are all predominantly rural. These are: Argyll and Bute, Dumfries and Galloway, Moray, Scottish Borders and Na h-Eileanan Siar². We shall see that the prices faced in remote rural communities for some essential goods are higher than those in urban centres. Hence the difference in earnings between remote rural areas and other parts of Scotland understates actual differences in living standards. Inevitably, this leads to increased use of food banks and emergency energy bill payments in these areas. Differences in living standards are an incentive for young people to leave, changing the demography of remote rural Scotland towards an older, declining population.

3. However, before reflecting on the specific challenges faced in remote rural Scotland it is important to highlight the general scarcity of detailed data. The RSE recommends policy-makers to regularly commission and monitor high-quality robust statistical evidence as such research is essential to fully comprehend the complex picture of the challenges remote rural areas in Scotland are grappling with. The main measures currently in use (e.g. the SIMD – Scottish Index of Multiple Deprivation) cover large geographical areas in rural Scotland, with mixed economic conditions, and thus are less reliable for nuanced policy-making. Moreover, the distances used in assigning measures of remoteness are usually based on car transportation. In remote rural areas, with an older population, car transport may not be an option for a significant share of the population. Where public transport has to be relied upon, the disadvantages of rurality are even greater. Accessing health services such as hospitals (usually located in urban areas) could very well take an entire day. Wealth is more unequally distributed within rural SIMDs because of their wider geography, which means that pockets of deprivation within rural communities may be overlooked. The 2022 census will be a useful instrument to support regular analysis and capture more fine-grained differences.

¹ Scottish Government (2021). *Rural Scotland Key Facts 2021* [online]. Available at: <https://www.gov.scot/publications/rural-scotland-key-facts-2021/> (Accessed 31 January 2023).

² Office for National Statistics (2022). *Annual Survey of Hours and Earnings* [online]. Available at: <https://www.ons.gov.uk/surveys/informationforbusinesses/businesssurveys/annualsurveyofhoursandearningsashe> (Accessed 13 February 2023).

4. Limited and localised analyses do exist, such as the research commissioned by the Highlands and Islands Enterprise which showed that rural inhabitants needed around 10-40% higher incomes to achieve a similar standard of living to urban households³, or its revision in 2016⁴ which noted similar trends. The main drivers for the rural premium outlined in such studies are the higher prices paid in rural communities for food, clothes and other household goods, energy bills and transport.

5. These were the main areas outlined in more recent reports also, prepared at a time when the cost of living crisis was emerging. For instance, a 2021 report from the Scottish Government reiterates that the cost of living is higher in rural areas, noting that: 'Households in rural Scotland, therefore, require a higher income to attain the same minimum living standard as those living in urban areas'⁵.

6. A 'remoteness premium' is often discussed in relation to rural communities and this is intensified by lower wages in certain communities as mentioned above (not true across the board). This relates for example to food prices, which are influenced by transportation costs, lower density of shops and shopping habits which differ from urban areas⁶. Scottish Government's own estimates show a difference of 13% in the weekly food costs of island inhabitants in the north of Scotland, with other rural areas evaluated to pay about 4% more on necessities⁷. These disparities are further enhanced for clothing costs, as people in remote areas are often faced with higher delivery charges for products.

7. Both the cost of products and services have soared, but rural communities face additional expenses related to commuting which are added to the overall growth curve. Transport was highlighted as the key area that leads to an uplift of costs in rural areas⁸. While the public transport challenges are well-known as a long-standing issue for rural areas, growing problems related to the frequency and reliability of such services were noted after

the Covid-19 pandemic. Recent and continuous problems with ferry travel have also affected the remote rural communities that rely on this means of transportation both for accessing the mainland as well as for having supplies delivered to their localities.

8. A growing concern across Scotland, but making its impact felt more acutely in rural areas, is the diminishing housing stock due to a considerable increase over the last years in the purchase of second homes and short-term lets such as Airbnb⁹. The lack of affordable housing (both for buying and rental) can force local inhabitants to move out of these areas. Consequent upward pressure on house prices means that the higher prices paid for consumables in remote rural areas are no longer offset by lower housing costs.

9. A further area that was identified as challenging is digital access, with remote areas more likely to experience digital exclusion due to either financial challenges which reflect in an inability to secure good access to networks or the overall poor quality of connection (the roll-out of high-speed broadband in rural areas is both slow and expensive). Although currently attracting a premium price, the use of satellite and/or mobile data connectivity may supersede cable-based solutions. For instance, research on the accessibility of banking services in rural areas in the Highlands and Islands shows that geographical challenges make access to banking services difficult in these localities, with the continuing trend of bank closures across the UK impacting communities in rural areas to a larger extent, especially where digital banking is inaccessible due to connectivity issues or due to limited technical abilities¹⁰.

10. Access to social services was also identified as one of the acute challenges rural communities face. This includes access to childcare, health services and care for older people. In sparsely populated areas, delivering such services can prove challenging and small changes can threaten the sustainability of local provision.

³ Hirsch, Donald, Amanda Bryan, Abigail Davis, Noel Smith, Jo Ellen, and Matt Padley (2013). *A Minimum Income Standard for Remote and Rural Scotland*. Loughborough University [online]. Available at: <https://www.hie.co.uk/media/3191/aplusminimumplusincomeplusstandardplusforplusremoteplusruralplusScotlandplus-plusummaryplusandpluskeyplusfindings.pdf> (Accessed 1 February 2023).

⁴ Hirsch, Donald, Amanda Bryan, Abigail Davis, Noel Smith, Jo Ellen, and Matt Padley (2016). *A Minimum Income Standard for Remote and Rural Scotland – A policy update*. Loughborough University [online]. Available at: <https://www.hie.co.uk/media/6441/aplusminimumplusincomeplusstandardplusforplusremoteplusruralplusScotlandplus-plusapolicyplusupdateplus2016.pdf> (Accessed 1 February 2023).

⁵ Scottish Government (2021). *Poverty in Rural Scotland – Evidence review* [online]. Available at: <https://www.gov.scot/publications/poverty-rural-scotland-review-evidence/pages/3/> (Accessed 31 January 2023).

⁶ Revored-Giha, C., & Russo, C. (2021). *Food prices in Scottish remote rural areas: Measuring and explaining the 'remoteness premium'*. Paper presented at 16th Congress of the European Association of Agricultural Economists "Raising the Impact of Agricultural Economics: Multidisciplinary, Stakeholder Engagement and Novel Approaches", Prague, Czech Republic.

⁷ Scottish Government (2021). *The cost of remoteness - reflecting higher living costs in remote rural Scotland when measuring fuel poverty: research report* [online]. Available at: <https://www.gov.scot/publications/cost-remoteness-reflecting-higher-living-costs-remote-rural-scotland-measuring-fuel-poverty/pages/4/> (Accessed 1 February 2023).

⁸ Scottish Government (2021). *Poverty in rural Scotland: evidence review* [online]. Available at: <https://www.gov.scot/publications/poverty-rural-scotland-review-evidence/> (Accessed 1 February 2023).

⁹ Scottish Government (2019). *Research into the impact of short-term lets on communities across Scotland* [online] Available at: <https://www.gov.scot/binaries/content/documents/govscot/publications/research-and-analysis/2019/10/research-impact-short-term-lets-communities-scotland/documents/people-communities-places-research-impact-short-term-lets-communities-scotland/people-communities-places-research-impact-short-term-lets-communities-scotland/govscot%3Adocument/people-communities-places-research-impact-short-term-lets-communities-scotland.pdf> (Accessed 1 February 2023).

¹⁰ Highlands and Islands Enterprise (2018). *Access to banking services in rural areas* [online]. Available at: <https://www.hie.co.uk/media/3004/accessplustoplusbankingplusservicesplusinplusruralplusareasplus-plusreport.pdf> (Accessed 1 February 2023).

Service failure thresholds are much lower when these services rely on a small number of people to provide management and support¹¹.

11. Whereas industry in urban areas tends to be dominated by services, agriculture is more prevalent in rural areas of Scotland, and it is intimately connected to the prosperity and wellbeing of local population. The impact of multiple crises was particularly felt in the small to medium farms in the region, with businesses facing sustainability issues due to increased fuel and prime materials prices (e.g. fertilisers). Impending Scottish Government decisions on farm support payments will have an important influence on the size and shape of the agriculture sector in rural Scotland going forward.

To what extent recent UK Government cost of living support measures meet the needs of rural populations in Scotland and whether they could be better tailored

12. Current UK and Scottish government cost of living support schemes have lessened the impact of increased living costs on individuals, businesses and communities. The RSE welcomes the targeted approach to supporting individuals, households and businesses. However, these schemes have not generally accounted for geographic disparities in the prices faced by consumers, such as those discussed in answer to the previous question.

13. Rural communities in Scotland face long-standing challenges that have been exacerbated by recent increases in inflation. This means that the cost of living crisis leaves those with low-incomes in rural communities at a greater risk of falling below poverty thresholds. Thus, for example, the Scottish Government defines a household as being in fuel poverty if, after deducting housing costs, more than 10% of its net income is required to pay to meet reasonable fuel needs. Extreme fuel poverty is defined as the case where 20% of net income is required to meet reasonable fuel needs. Scottish Government estimates suggest that around 52% of households in remote rural Scotland were in fuel

poverty in October 2022¹², with this proportion, even after accounting for the energy price guarantee, likely to rise to 57% by April 2023. Equivalent figures for Scotland as a whole are 35% and 39% respectively. The discrepancy between the national figures and those for remote rural communities is stark.

14. In real terms, people in rural areas will not receive the same level of financial support. The cost of living payment grant scheme is designed to support people with low incomes, to cover the costs of essentials as prices rise. Rising food prices have had the largest upward contribution to the consumer price index annual inflation rate between August and September 2022¹³. Whilst this has undoubtedly impacted the whole of the UK, more so for those on low-incomes (necessitating the cost of living payment scheme), rural communities were already facing higher costs for food, as indicated by the data presented in the first section of this paper¹⁴. In order for the cost of living grants to meet the needs of rural communities, an adjustment should be made to the entitlement to reflect the costs of living within the locality.

15. In terms of energy, there is wide consensus across different institutions and within the RSE working group that the rural areas are particularly disadvantaged. Many of these difficulties were summarised in the *Action Plan to Deliver Affordable Warmth in Rural Scotland*, published in 2016¹⁵.

16. Many of Scotland's rural areas are not connected to the gas network and rely on other types of heating (e.g. electricity, oil) which are more expensive. Those local authorities with the lowest share of households connected to the gas grid are listed below¹⁶. East Dunbartonshire has the lowest share of households (4%) not on the gas grid.

| Local authority | Estimated share of properties not on the gas grid |
|-----------------------|---|
| Scottish Borders | 34% |
| Dumfries and Galloway | 39% |
| Aberdeenshire | 42% |
| Argyll and Bute | 56% |
| Highland | 61% |
| Na h-Eileanan Siar | 88% |
| Orkney Islands | 100% |
| Shetland Islands | 100% |

¹¹ Ingela K. Naumann; Victoria Gorton; Joanna Sakali (2022). *Developing Sustainable Local Childcare Solutions* [online]. Available at: https://era.ed.ac.uk/bitstream/handle/1842/39276/Highland_Coproductio_WP2.pdf?sequence=3&isAllowed=y (Accessed 1 February 2023).

¹² Scottish Government (2023). *Cost of Living (Tenant Protection) (Scotland) Act 2022 – proposed extension: statement of reasons* [online]. Available at: <https://www.gov.scot/publications/proposed-extension-cost-living-tenant-protection-scotland-act-2022-statement-reasons/pages/12/> (Accessed 13 February 2023)

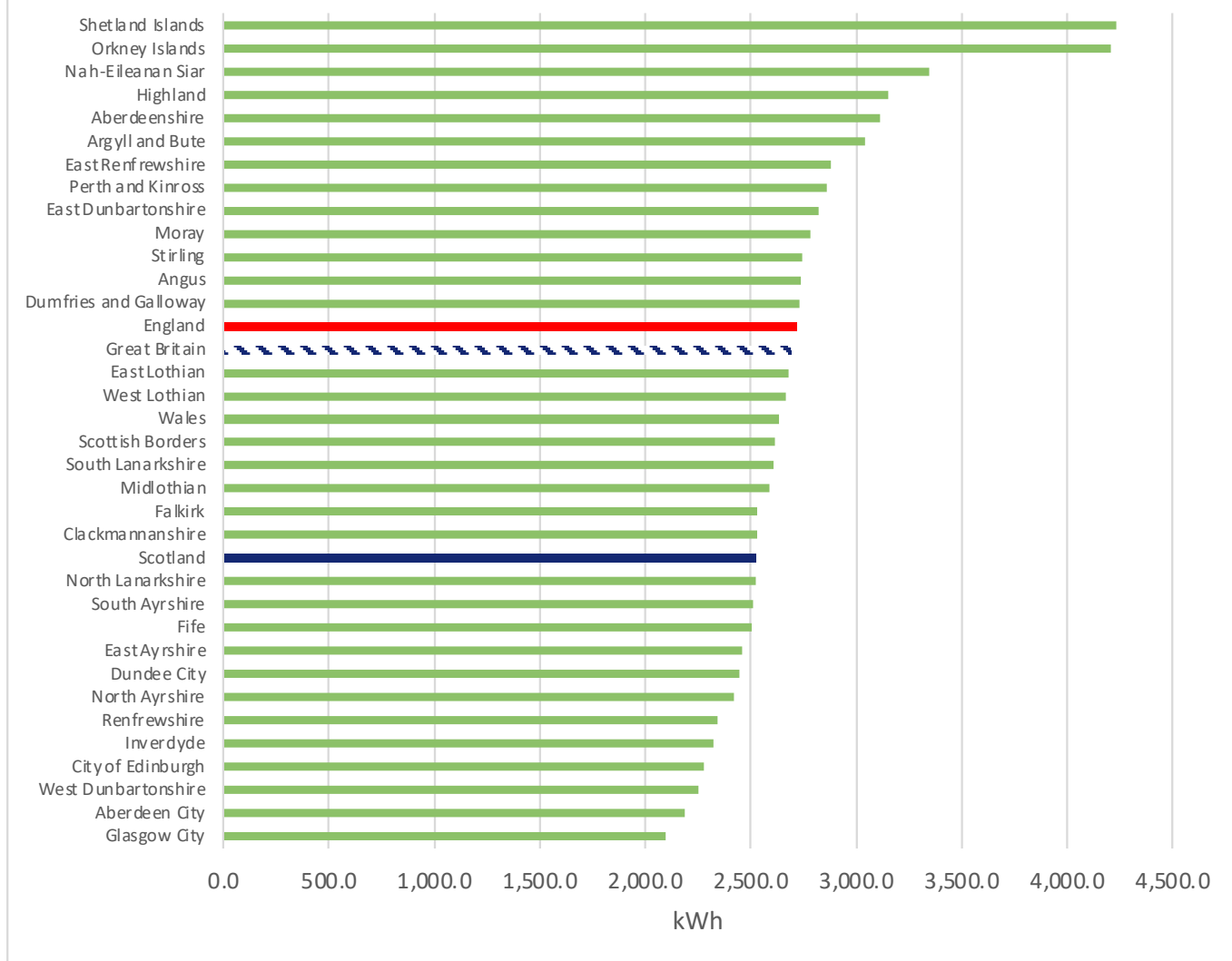
¹³ Office for National Statistics (2022). *Consumer Price Inflation, UK: September 2022* [online]. Available at: <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/september2022> (Accessed 2 February 2023).

¹⁴ Scottish Government (2021). *Poverty in rural Scotland: evidence review* [online]. Available at: <https://www.gov.scot/publications/poverty-rural-scotland-review-evidence/pages/6/#:~:text=4.1%20Food%2C%20clothing%20and%20household,urban%20areas%20in%20the%20UK%20.> (Accessed 2 February 2023).

¹⁵ Scottish Rural Fuel Poverty Task Force (2016). *Action Plan to Deliver Affordable Warmth in Rural Scotland*. [online]. Available at: <https://www.gov.scot/binaries/content/documents/govscot/publications/strategy-plan/2016/10/action-plan-deliver-affordable-warmth-rural-scotland-proposed-scottish-rural/documents/00508120-pdf/00508120-pdf/govscot%3Adocument/00508120.pdf> (Accessed 13 February 2023).

¹⁶ Department for Business, Energy and Industrial Strategy (2022). *Sub-national estimates of the number of domestic properties not connected to the gas grid* [online]. Available at: <https://www.gov.uk/government/statistics/sub-national-estimates-of-households-not-connected-to-the-gas-network> (Accessed 13 February 2023).

Median annual consumption ((kWh per meter): All Domestic (2021)



17. Lack of connectivity to the gas grid implies greater reliance on other fuels, including the use of (expensive) electricity as a heat source. The figure above shows how median electricity usage by domestic customer varied by Scottish local authority in 2021¹⁷.

18. The figure illustrates the much higher levels of energy consumption in local authorities which form part of remote rural Scotland than is the case in the rest of Scotland, in England or in Great Britain as a whole. Aside from lack of connectivity to the gas grid other factors that contribute to these relatively high levels of consumption include:

- Weather effects – greater exposure to wind-driven rain, such as that experienced in the Highlands and Islands increases energy consumption for heating¹⁸.

- Hard-to-heat house types – data from the Scottish Household Survey show that 57% of properties in remote rural areas are detached houses, while only 22% of those in the Rest of Scotland are detached. Conversely, 35% of dwellings in the Rest of Scotland are flats/maisonettes, while only 7% of those in remote rural Scotland belong to this category¹⁹. Detached houses are more expensive to heat.
- Poor insulation - As a recent analysis of Energy Action Scotland²⁰ shows, apart from income-related fuel poverty, one of the main problems in rural Scotland is poor insulation, an issue which significantly affects households relying on electric energy. High proportions of older properties also contribute to this problem.

¹⁷ UK Government (2023). *Regional and local authority electricity consumption statistics*. [online] Available at: <https://www.gov.uk/government/statistics/regional-and-local-authority-electricity-consumption-statistics> (Accessed 14 February 2023).

¹⁸ Abuku, Masaru, Hans Janssen, and Staf Roels. (2009). 'Impact of wind-driven rain on historic brick wall buildings in a moderately cold and humid climate: Numerical analyses of mould growth risk, indoor climate and energy consumption'. *Energy and buildings* 41, no. 1: 101-110.

¹⁹ Scottish Government (2021). *Rural Scotland Key Facts 2021* [online]. Available at: <https://www.gov.scot/binaries/content/documents/govscot/publications/statistics/2021/02/rural-scotland-key-facts-2021/documents/rural-scotland-key-facts-2021-publication-tables-figures/rural-scotland-key-facts-2021-publication-tables-figures/govscot%3Adocument/rural-scotland-key-facts-2021-publication-tables-figures.pdf> (Accessed 14 February 2023).

²⁰ Energy Action Scotland (2022). *The hardest hit: impact of the energy crisis* [online]. Available at: https://www.nea.org.uk/wp-content/uploads/2023/01/3830_NEA_Fuel-Poverty-Monitor-Report-2022_V2-1.pdf (Accessed 1 February 2023).

19. Scotland's electricity supply is controlled by two companies, SSE Networks - on and above the Central Belt - while a second institution, SP Energy Networks, covers the rest of the country (both companies manage both low and high voltage networks). Transmission and distribution charges in the North of Scotland area are among the highest in the UK. In 2015, OFGEM estimated that the distribution component of the charges on an annual 4,300-unit household electricity consumption in the North of Scotland was £134, which compares with £95 in the South of Scotland and £66 in London.

20. These high charges come even though, while the population of the Highland Council area comprises only 0.36% of the UK total, this area provides 5.5% of the 49.7Gw UK installed capacity for renewables. These include 42.7% of the UK's installed hydro capacity and 13.0% of installed onshore wind. Highland, together with Dumfries and Galloway and Scottish Borders, areas also characterised by remote rurality, provides 22.9% of UK installed onshore wind²¹.

21. The *Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments*, drawn up in 2014, encourages the renewables industry to contribute towards community benefits funds. Such contributions provided a total of £15.7m in 2019. They are *voluntary* arrangements, where the guideline for payments is £5000, index linked, for each installed megawatt (Mw) per annum²².

22. As the Scottish Fuel Poverty Advisory Panel²³ and other sources indicate, the impact of rising cost of energy are higher in remote areas of Scotland, with existing support measures not generating equal effects in urban and rural areas. The disadvantage in energy prices for rural communities is not reflected in any discount schemes. The current £400-pound payment for households does not account for the previously highlighted variation in energy usage for rural vs urban living, failing to consider issues such as poorer quality insulation and higher prevalence of inclement weather conditions, and the costs incurred due with having limited access to the grid in rural areas.

23. In addition, the energy bill relief scheme that offers discounted wholesale prices for businesses, including schools, care homes, and hospitals fails to account for the difference in energy usage for rural-based organisations. The government has helpfully set energy prices at £19.61 per megawatt-hour (MWh) for electricity and £6.97 per MWh for gas. However, it will not provide additional support for businesses with a higher usage unless they are listed within the energy-intensive category²⁴. As with domestic dwellings, rural businesses and essential services are more likely to have less energy-efficient buildings and also have to deal with a colder climate. This leads to unequal support, with similar businesses/organisations operating in rural locations having higher operating costs than their urban counterparts.

24. Consideration should also be given to the composition of businesses and public services and the impact increasing costs has on viability. For example, schools in rural locations have less funding due to their composition. Rural schools are likely to have fewer pupils and, therefore, less funding/income as the current system is based on a set amount per pupil²⁵. Further costs could render them unable to pay for increasing energy charges. Childcare provisions have faced similar challenges, with some facilities closing down due to low numbers of children attending²⁶. In a private setting, low numbers mean less revenue, coupled with the additional costs of operating, which could lead to a loss of profits and, ultimately further closures. The situation has been exacerbated considerably by the Covid-19 pandemic, as temporary closures and health and safety measures such as social distancing have created particular sustainability issues for private and third sector childcare providers²⁷.

25. All in all, the RSE recommends that any further measures to provide support for both domestic settings and businesses in relation to the cost of living crisis take into account the complexity outlined above and are designed to meet diverse needs from the start.

²¹ Department for Business, Energy and Industrial Strategy (2021). *Regional renewable energy in 2021* [online]. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1107327/Regional_renewable_electricity_in_2021.pdf (Accessed 14 February 2023)

²² Scottish Government (2019). *Community benefits from onshore renewable energy developments* [online]. Available at: <https://www.gov.scot/publications/scottish-government-good-practice-principles-community-benefits-onshore-renewable-energy-developments/pages/2/> (Accessed 14 February 2023)

²³ Scottish Fuel Poverty Advisory Panel (2021). [online]. Available at: <https://www.sfha.co.uk/mediaLibrary/other/english/97615.pdf> (Accessed 1 February 2023).

²⁴ HM Treasury (2023). *Guidance Energy Bills Discount Scheme* [online]. Available at: <https://www.gov.uk/guidance/energy-bills-discount-scheme> (Accessed 2 February 2023).

²⁵ The Scottish Government (2013). *Commission on the Delivery of Rural Education* [online]. Available at: <https://www.gov.scot/publications/commission-delivery-rural-education-report/pages/10/> (Accessed 2 February 2023).

²⁶ APS Group (2021). *The challenges of rural childcare provision, innovative models and the needs of agricultural families* [online]. Available at: <https://www.gov.scot/binaries/content/documents/govscot/publications/research-and-analysis/2021/03/challenges-rural-childcare-provision-innovative-models-needs-agricultural-families/documents/challenges-rural-childcare-provision-innovative-models-needs-agricultural-families/challenges-rural-childcare-provision-innovative-models-needs-agricultural-families/govscot%3Adocument/challenges-rural-childcare-provision-innovative-models-needs-agricultural-families.pdf> (Accessed 2 February 2023).

²⁷ Ingela K. Naumann; Victoria Gorton; Joanna Sakali (2022). *Developing Sustainable Local Childcare Solutions* [online]. Available at: https://era.ed.ac.uk/bitstream/handle/1842/39276/Highland_Coproduction_WP2.pdf?sequence=3&isAllowed=y (Accessed 1 February 2023).

Any further steps the UK Government could take to support Scottish rural communities in relation to the cost of living

26. To account for significant differences between urban and rural living, the RSE recommends that any piece of legislation or policy measure, related to the cost of living or more widely, is 'rural-proofed' in a similar manner to which it is screened for equality, diversity and inclusion implications. This should be informed by a full systematic statistical methodology. For instance, implementation of energy support measures, such as the alternative fuel payment scheme run based on different timescales, which leads to delays in accessing such funds compared to the standard regular heating support packages.

27. As mentioned previously, Scotland is a major generator of renewable energy, apart from conventional sources, wind and hydro energy, with renewable sources generating over 90% of Scotland's electricity needs in 2019²⁸.

28. The RSE commends the ongoing work on the energy bill under scrutiny in Parliament at the moment²⁹, which could potentially allow energy sourced locally to be delivered locally, thus removing the limits of accessing locally-generated energy due to the existence of the grid infrastructure. This is in line with the Scottish Affairs Committee's own enquiry into renewable energy which recommended a review of the grid in Scotland³⁰. Such an approach could potentially benefit rural communities through the generation of local markets, and the RSE has already put forward recommendations for a more active and flexible management of distribution networks³¹.

29. There are major infrastructure challenges for the development of energy supply across UK and while continuing to invest to support people accessing conventional sources of energy is needed, there also needs to be more flexibility in policy design to support a more equitable distribution of production and consumption, especially in relation to renewable energy (of great potential in rural Scotland). Moreover, in designing policies in the future, consultation with both Scottish Government, and more extensively, at local level, can ensure policies serve the diverse needs of rural communities. Other measures, considered in agreement

with Scottish Government, could include for instance compulsory processes to direct wind farm community benefit funds towards local communities, and perhaps particularly towards the provision of affordable housing to support the development of local economies.

30. The RSE recommends a detailed analysis of existing infrastructure in remote areas is conducted and that measures are put in place to improve access to services that are so readily available in urban areas (such as broadband and energy provision). Elements of social infrastructure, including access to health care, social care or childcare, should be included in these assessments also. Considerable investment is needed to ensure the needs of vulnerable populations in these areas will be met with support from the UK government also.

31. In applying policies, consideration should be given to the implications for such rural communities, to ensure that delivery is equal across the board (not limited to already better off urban communities, or those that are accessible rural). Rather than blindly applying blanket policies across the whole of UK, recognizing at the planning stage the complexity of localities, how people move in space, how they use public resources (e.g. public transport or car parks) would lead to more effective policy-making for the benefit of rural communities. This would entail complex analysis of the needs and organisation of local communities within specific geographies affected by the intended policy. Implementing public and social policy models that are context-sensitive and crisis-resilient is not only important for Scotland's rural communities, but could also benefit other communities across the whole of the UK who are facing similar challenges, contributing to long-term wellbeing and prosperity.

32. A better recognition of the contribution of certain industries that are prominent in Scotland, such as Scotch whisky, tourism, timber or fish farming is needed from the UK government. Whereas such industries make significant contribution to the UK's overall budget, people working in these sectors tend to have lower wages. The sustainability of these industries, and their continued successful growth depends on adequate support for local communities based on tailored support measures. This includes, but is not limited, to budgeting for state aids and grants longer than one year at a time, ideally 3+ years, as such short timeframes make business planning in social enterprises and the third sector very difficult.

²⁸ Idem

²⁹ UK Parliament (2023). *Energy Bill* [online]. Available at: <https://bills.parliament.uk/bills/3311> (Accessed 1 February 2023).

³⁰ UK Parliament (2021). *Scottish renewables progress hampered by grid connection charges* [online]. Available at: <https://committees.parliament.uk/committee/136/scottish-affairs-committee/news/157526/scottish-renewables-progress-hampered-by-grid-connection-charges/> (Accessed 1 February 2023).

³¹ The Royal Society of Edinburgh (2021). *Facing Up to Climate Change: 10 Years On: Energy* [online]. Available at: <https://rse.org.uk/wp-content/uploads/2022/04/RSE-AP-TP-Facing-Up-to-Climate-Change-10-Years-On-Energy-2021.pdf> (Accessed 1 February 2023).

How effectively the UK and Scottish governments have worked together to coordinate and provide support in relation to the cost of living for the people of Scotland.

Additional information

Any enquiries about this advice paper should be addressed to Stephanie Webb, Policy Advice Officer (swebb@therse.org.uk), and Dr Cristina Clopot, Policy Advice Officer (cclopot@therse.org.uk).

33. In short, it is not clear whether the UK government consulted the devolved administrations regarding the cost of living support package. The RSE working group agreed that the collaboration between the Scottish and UK governments would be key to effective rural-proofed policy development. The RSE recommends the implementation of a more formal approach to collaboration between the government and indeed, local authorities. As such, consideration should be given to other examples of effective collaboration, such as the work on freeports, where an agreement was eventually reached to allow two new green freeports in Scotland³².

34. Consideration could also be given to the formalised collaborative approach implemented within city deals, to foster effective collaboration at a regional level. City deals offer an example of councils working directly with the Treasury to secure bespoke funding for the design of regional economic strategies, mainly around infrastructure³³. It was noted within the working group that the city deal initiative was a more helpful approach to collaboration and regional development than the current levelling-up programme, where local authorities/councils have to submit applications to secure funding, and the decision is solely in the hands of civil servants in Westminster. Local authorities are more likely to have a better understanding of the issues and the potential solutions in the communities they serve. Therefore, are well-placed to help develop policies for the locality, including financial support schemes following the cost of living crisis for local households and businesses.

³² UK Government (2023). *Joint cooperation to deliver two new Green Freeports in Firth Of Forth and Inverness and Cromarty Firth* [online]. Available at: <https://www.gov.uk/government/news/joint-cooperation-to-deliver-two-new-green-freeports-in-firth-of-forth-and-inverness-and-cromarty-firth#:~:text=Two%20new%20Green%20Freeports%20will,and%20level%20up%20the%20country>. (Accessed 06 February 2023).

³³ Ward, M. (2023) *UK Parliament Research Briefing: City Deals* [online]. Available at: <https://commonslibrary.parliament.uk/research-briefings/sn07158/#:~:text=City%20deals%20are%20bespoke%20packages,Partnerships%20and%20other%20local%20bodies> (Accessed 06 February 2023).



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