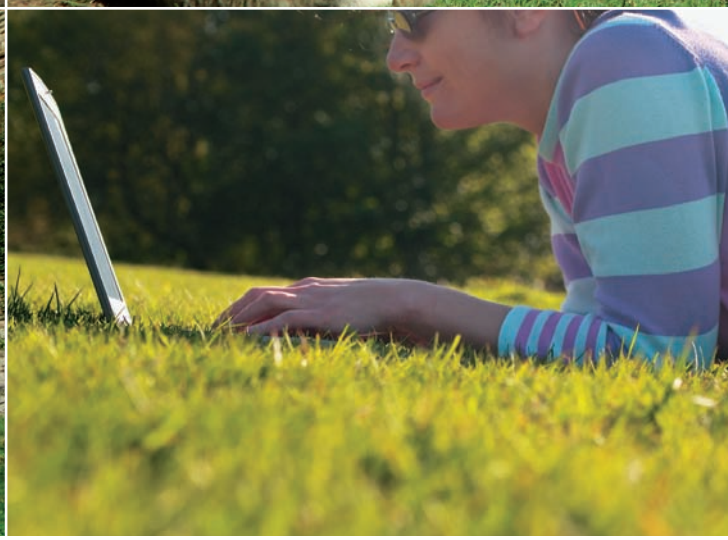
OECD Rural Policy Reviews

ENGLAND, UNITED KINGDOM



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OECD Rural Policy Reviews: England, United Kingdom 2011

Please cite this publication as:
OECD (2011), *OECD Rural Policy Reviews: England, United Kingdom 2011*, OECD Publishing.
http://dx.doi.org/10.1787/9789264094444-en

ISBN 978-92-64-09442-0 (print)
ISBN 978-92-64-09444-4 (PDF)

Series/Periodical: OECD Rural Policy Reviews
ISSN 1990-9276 (print)
ISSN 1990-9284 (online)

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Foreword

With gains in agricultural productivity leading to a dramatic reduction in farm employment, rural regions across the OECD now depend on a wide range of economic engines for growth. Increasing globalisation, improved communications and reduced transportation costs are additional drivers of economic change in rural areas. Traditional policies to subsidise farming have not been able to harness the potential of these economic engines. In 2006, the OECD published a thematic report The New Rural Paradigm: Policies and Governance, *which seeks to explain the shift in rural development policies to account for these important economic changes and the need for a new approach to governance.*

Policies to develop rural places are beginning to take into account the diversity of economic engines as well as the diverse types of rural regions. On the aggregate level, rural regions face problems of decline with out-migration, ageing, a lower skill base and lower average labour productivity which then reduce the critical mass needed for effective public services, infrastructure, and business development, thereby creating a vicious circle. However, there are many rural regions which have seized opportunities and built on their existing assets, such as location, natural and cultural amenities and social capital. The success of such dynamic rural regions is evident in regional statistics.

Promoting rural development poses numerous policy and governance challenges because it requires co-ordination across sectors, across levels of government and between public and private actors. OECD countries have therefore been undergoing a paradigm shift in their approaches to accommodate such important challenges. The most defining characteristics of this shift are a focus on places rather than sectors and an emphasis on investments rather than subsidies.

The multi-disciplinary nature of rural development has contributed to the lack of comprehensive analytical frameworks to analyse and evaluate multisectoral, place-based approaches. To fill this knowledge gap, the OECD co-operates with stakeholders worldwide. Its work on rural development was intensified with the creation in 1999 of the Territorial Development Policy Committee (TDPC) and its Working Party on Territorial Policy in Rural Areas. These bodies provide governments with a forum for discussing regional and rural development. In early 2006, under TDPC's guidance the Directorate of Public Governance and Territorial Development (GOV) launched a series of national rural policy reviews, such as this one on England, to deepen international knowledge in this field.

Acknowledgements

This review was prepared by the Directorate of Public Governance and Territorial Development (GOV) of the OECD in collaboration with the government of the United Kingdom. The Secretariat would like to thank Robin Mortimer, Ron Scrutton, Tony Williamson, Nick Turner, and Jackie Rawlings from the UK Department for Environment, Food and Rural Affairs (Defra) for their support for the study, their part in providing background information and for accompanying the study missions.

Peer Reviewing countries (Ireland and The Netherlands) were represented by: Gillian Buckley, Investment Manager, Western Development Commission (Irish delegate to the OECD Working Party on Territorial Policy in Rural Areas) and Hans Zwetsloot, Director, Rural Development Programme, Ministry of Agriculture, Nature and Food Quality.

The Review was directed by Joaquim Oliveira Martins (Head, Regional Development Policy Division) and David Freshwater (Head, Rural Development Programme). The Review was co-ordinated and drafted by David Freshwater and Betty-Ann Bryce (Administrator) of the OECD Secretariat. External contributors were Robert Annis, *former* Director Rural Development Institute, Brandon University (Canada), Thomas Johnson, Frank Miller Professor of Agricultural Economics, Harry S. Truman School of Public Affairs, University of Missouri (United States) and Renata Rees, *former* Head of Rural Strategy, Defra (United Kingdom). Jeanette Duboys, Erin Byrne, and Kate Lancaster prepared the review for publication.

Special thanks go to Pippa Gibson of Defra and Justin Martin of the Commission for Rural Communities (CRC) for providing a wealth of statistical information that helped shape the report. Officials from Communities and Local Government, The Department for Business, Innovation and Skills and the Department for Transport helped set the scene for our study missions which benefited from the planning and participation of John Fitzsimmons and Graham Russell from CRC. Other officials from CRC, members and officials from the Regional Development Agencies, officials from the Government Offices in the Regions, representatives from Local Authorities, the voluntary sector, the academic sector, other parts of the government network and many others made our visits enjoyable, interesting and extremely illuminating.

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Acronyms and Abbreviations

ACRE	Action with Communities in Rural England
AONB	Area of Outstanding Natural Beauty
BERR	Department for Business, Enterprise and Regulatory Reform
BIS	Department for Business, Innovation and Skills
CAP	Common Agricultural Policy
CEDOS	Chief Economic Development Officer's Society
CIM	Community Issues Management
CLG	Department for Communities and Local Government
CRC	Commission for Rural Communities
CSR	Comprehensive Spending Review
DA(RR)	Domestic Affairs Committee on Rural Renewal
DCLG	Ministry of Communities and Local Government
DCMS	Department for Culture, Media and Sport
DECC	Department of Energy and Climate Change
DEFRA	Department of Environment, Fisheries and Rural affairs
DSO	Departmental Strategic Objective
DTI	Department of Trade and Industry
EFRA	Environment, Food and Rural Affairs Select Committee
ERDF	European Regional Development Fund
ERDP	England Rural Development Programme
GO	Government Office
HCA	Homes and Communities Agency
ICT	Information and Communications Technology
LAA	Local Area Agreement
LAG	Local Action Group
LDF	Local Development Framework
LEADER	Liaison Entre Actions de Développement de l'Économie Rurale
LSP	Local Strategic Partnership
MAA	Multi Area Agreement
NAHP	National Affordable Housing Programme
NRP	OECD New Rural Paradigm
NSRF	National Strategic Reference Framework
ONS	Office of National Statistics
PPP	Public-Private Partnerships
PPS	Planning Policy Statements
PSA	Public Service Agreement
RCAN	Rural Community Action Network
RDA	Regional Development Agency

RDPE	Rural Development Programme for England
REH	Rural Evidence Hub
RERC	Rural Evidence Research Centre
RES	Regional Economic Strategy
RIP	Regional Implementation Plan
RRAF	Regional Rural Affairs Forum
RSCP	Rural Social and Community Programme
RSS	Regional Spatial Strategy
SCS	Sustainable Community Strategy
SFP	Single Farm Payment
SNR	Sub-National Review for Economic Development and Regeneration
SOC	CRC's State of the Countryside report
SPA	Special Protection Area
SRS	Single Regional Strategy
SSSI	Site of Special Scientific Interest
TSA	Tenant Services Authority

Assessment and Recommendations

Overview of rural England

There is no region in England that can be considered predominantly rural, as defined by the OECD

England lies above the OECD average for intermediate and predominantly urban regions in terms of territory, population and share of GDP. Using the OECD definition, about 10% of England's population is considered rural. In intermediate regions, the rural population makes up about 28% of the total, while it is about 4% in predominantly urban regions. Using the rural typology employed by the UK authorities, roughly 80% of the population is classified as urban (living in a place of more than 10 000 inhabitants) and 20% is rural. Of the 9.6 million rural residents only 600 000 (6%) live in "sparse" rural areas but they constitute the vast majority of the population of these areas, since there are only 100 000 urban residents in sparse areas. By contrast, the roughly 9 000 000 rural residents in "less sparse" areas are only 20% of the total population. One can roughly identify the less sparse territory as being adjacent to, or influenced by, urban settlements, while the sparse territory is relatively free from major urban influences.

While the United Kingdom has a relatively large predominantly rural territory, as defined using the OECD typology, none of this land is found within England. Thus, England is in the same category within the OECD as the Netherlands, New Zealand and Luxembourg, which all have no predominantly rural regions. Typically, the analysis of rural conditions and rural policy within the OECD has largely focused on conditions in predominantly rural areas. These areas are characterised by: low population densities, the absence of large cities, relatively long distances to major urban settlements and limited internal economic and social linkages. While there are rural areas within England, they do not correspond to these characteristics and the challenges facing rural policy in rural England are thus somewhat different to those confronting rural regions in most of the OECD.

To deal with the absence of predominantly rural regions, this report uses the UK authorities' rural typology. This approach is more appropriate for a densely settled country where the majority of the rural population and rural territory are in close proximity to urban centres. A key concept in the typology is the idea of sparseness, which captures the difference between more densely, settled rural areas, which are generally found near urban places, and the less common remote rural regions, where settlement density is lower. Because the territory of England is relatively small given the population, a fine spatial grid is also required in order to allow rural areas to be identified. Since urban places are distributed across the countryside, the use of larger spatial aggregations, like districts, results in average population densities that mask their rural elements, even if a large share of the territory is rural in nature.

On average, rural England has better demographic and socio-economic indicators than urban areas

England's rural areas, like Scotland's, challenge the demographic profile typical of other OECD rural areas. England's population has been growing over time, and the population of rural areas has been growing at a faster rate due mainly to the influx of retirees. The availability of housing in rural areas is consequently a much larger problem in rural England than in most OECD countries, many of which are experiencing declines in rural population. The growth in the rural population largely comes from an influx of older native born individuals from urban areas in England, particularly retirees and commuters from urban areas. The rural population is therefore ageing quite rapidly, even by OECD standards. This inflow of older urban residents has made rural regions older and wealthier, as these individuals typically bring considerable wealth with them. Conversely, the increase in urban population largely comes from overseas immigration. Birth rates in urban and rural England have been falling, as is the case in virtually all OECD countries, and natural replacement rates are now no longer sufficient to sustain population growth.

Rural England as a whole displays good socio-economic indicators as compared to urban areas and experiences a positive migration balance. A key difference between urban and rural disadvantage is that the less well off in urban areas tend to be geographically concentrated in specific neighbourhoods in a city, while the rural disadvantaged are more likely to be dispersed across the territory However, there are important differences between rural households in sparse and less sparse regions. While those households in less sparse regions, which make up the majority of rural households, have a lower rate of poverty than urban households, the converse is true for rural households in sparse regions. In 2006-07 the proportion of households with less than 60% of the median income in urban areas was about 19%, while it was 18% in less sparse regions and 26% in sparse regions. This distinction between sparse and less sparse holds for other socio-economic indicators. While rural in aggregate does better than urban, it is because the majority of rural households are found in less sparse territory, where conditions are better than the urban and rural averages. However, for the minority of rural residents located in sparse territory many indicators are considerably worse than the urban average.

Despite these demographic and socio-economic differences, rural England also shares a number of important characteristics with rural areas in other OECD countries. These include: a high rate of outmigration by rural youth, very low birth rates among the rural population, a diminished relative role for agriculture and other primary industries in the rural economy, and challenges in adapting the rural economy to a more open trading system and shifting international comparative advantage. This latter point has important implications for the mix of skills and firm types that will be needed in the future rural economy.

There are relatively large amounts of green space in all regions of England, including London

While Greater London has virtually no rural land, it does have a considerable amount of green space – 38% of the territory, excluding gardens. In other English regions, the

largest share of developed land is found in the Southeast, at 12.2%, with the South West having the smallest share at 7%. Further, a large share of the English countryside has been set aside for public use. One of the most visible forms of restriction on development are greenbelts. Much of the land in the peri-urban area surrounding cities has been designated as open space. The primary purpose for designation is to limit urban sprawl, but a secondary effect is to create proximate green space for urban dwellers. While some land in greenbelts has been released for urban expansion, the amount of undeveloped land in the various regions remains relatively constant. In 2006, there were 1.67 million hectares of greenbelt in England, or about 13% of English territory.

Rural England has a diverse set of natural landscapes. Major categories of designated lands include: national parks (8%), areas of outstanding natural beauty (16%), sites of special scientific interest (8%) and environmentally sensitive areas (9%). Another 8% is designated for other types of environmentally related public purposes. But due to extensive land management, there is very little land in England that could be characterised as wilderness. The land base that is currently least influenced by human activity roughly corresponds to those areas that are most remote from urban development. An important characteristic of the English landscape is the high percentage of land used for agriculture. England has one of the higher percentages of agricultural land in the OECD. Compared to many larger countries, a much larger percentage of England's land is suitable for growing crops. Historically, a major focus of rural policy in England was to ensure that this land be maintained in crop production for reasons of food security. While the amount of land in farms has been declining over time, it has declined faster for non-arable land than higher quality farmland, and land in farms has declined at a slower rate than the increase in rural population.

In many ways sustainable management of the natural environment is key to understanding rural policy in England. There is a strong cultural attachment to the "English countryside" and this in turn has led to a strong focus on environmental preservation. The environment has long played an import role in social and political discourse in England. But now, concerns with climate change have added a further dimension to an already complex topic. Concerns with the environment also include: accommodating population growth, the reduction of various types of pollution, protection of species, minimising the adverse effect of transport systems and managing land use in a sustainable way. These all have important implications for the quality of life of rural residents and on the economic structure of rural England.

Because England is part of an island the marine ecosystem plays almost as significant a role as the terrestrial one. Typically England's rural policy has not had a strong focus on coastal issues, but the majority of the coastline is outside urban areas. In particular climate change is projected to increase vulnerability to flooding in numerous coastal locations. In 2009-10, 56% of the EUR 1.24 billion budget of the Environment Agency was allocated for flood and coastal risk management. This has important implications for examining the interaction between flood mitigation strategies and rural policy. A second clear coastal link is the potential for offshore wind power which will require new transmission capacity to be constructed in proximate rural areas.

The compact nature of England results in a high degree of connectivity between urban and rural

There are few rural parts of the country that are more than a half hour drive from a medium-size city. This makes England similar to such OECD countries as, the Netherlands, Belgium and Japan. A consequence of this is a high level of coupling of rural and urban regions. This coupling leads to a general public interest in the "countryside" that is both an advantage and a constraint for rural development. Much policy that relates to rural areas is influenced by this high degree of connectivity. In particular, the ability of urban people to readily visit rural areas, and the opportunity for most rural people to visit, work, shop and obtain public services in urban areas has led the UK government to adopt a rural policy framework, mainstreaming, that focuses on the similarities between rural and urban areas.

The settlement pattern in rural England has evolved into a structure with a large number of very small or micro-communities. Much of rural England is characterised by villages and hamlets. A considerable share of the English population (6.7%) lives in communities of less than 500 people. Only places of 30 000 and above, which account for 71% of the population, have a larger population share. Thus, of the 20% of the English population found in rural areas, roughly one third live in places smaller than 500. Another 6%, or so, live in places between 500 and 2 500 in size. In total these two groups account for about two-thirds of the rural population.

The planning framework and rural housing needs sometimes conflict

The limited availability and high cost of housing in many parts of rural England affect both the quality of life of rural residents and the competitive position of the rural economy. Housing is the single largest expense item for most households, and the cost of housing is on average a larger share of household income in rural areas than in urban ones. This reflects a growing rural population that has consistently exceeded the growth rate of housing and a trend towards smaller family sizes. Rural house prices are higher, both on average, and for the lowest price quartile than urban prices. In both sparse and less sparse territories, average house prices in the smallest communities (hamlets and isolated dwellings) exceeded house prices in urban areas (population > 10 000) for the 2000-07 interval. For the lowest quartile of the housing stock this trend continues. While house prices fell with the onset of the recession, there still appears to be a considerable gap between urban and rural house prices.

Affordability is a particular problem in rural England due to the combination of higher housing prices and lower household incomes. In 2007, a rural household earning an average income would pay an amount 7.7 times its annual income for an average-price rural house, while an urban household with an average income would pay 5.9 times its annual income for an average house. There are important regional variations across the country, with rural homes in the South and Midlands that are influenced by London's property market having greater affordability problems than houses in the north. Despite higher housing prices, formal measures of homelessness are lower in rural areas than in urban centres, but to some extent this reflects the lower incidence of formal shelters and a greater likelihood of people staying with friends and relations in rural areas.

A well recognised goal of the land planning system was to limit new housing construction in rural areas. Initially, this reflected the goal of maintaining land in agriculture, but more recently it has been justified as a way to preserve open space and to reduce energy consumption associated with dispersed settlements. In conflict with the planning goal has been, a desire by people to move to the countryside, a desire for more spacious dwellings and a decline in household size. In many rural communities the result has been increasing competition for a relatively static housing stock. Moreover, the same planning restrictions have tended to place limits on the amount of rural land that can be used for business purposes. Both firms that might have wanted to locate in a rural community and firms in rural communities that require additional space have been adversely affected by restrictive planning, and consequently there are fewer rural employment opportunities than there might otherwise have been.

There are important differences between the urban and rural economies

At one level, the nature of the rural economy differs little from that of urban England. Adopting a broad national accounts perspective, the economic structure of rural England is roughly the same as that of urban England. This is important, because it is seen as removing an important justification for the existence of rural policy as a distinct set of policies and programmes that focus only on rural areas because of their uniqueness. While there are modest differences between the various sectors in terms of the number of establishments in urban and rural England; the relative importance of the various sectors, other than agriculture, is roughly similar. If similar calculations are carried out by employment, it also appears that there are limited differences between urban and rural. Further, if a major justification for rural policy is to support agriculture, then the steady decline in farm numbers and the shrinking share of employment in agriculture make this rationale for rural policy less relevant.

But the economy of rural England is not homogeneous, in that there are important differences among various rural communities. While, on average, rural areas may have an economic structure that is not very different than the average urban structure, the high degree of variability across rural areas limits the value of the average as a basis for understanding local economic conditions. Moreover, since a rural region is, by definition, an aggregation of small settlements, it is impossible for the economic structure to resemble that of an urban region at anything other than a broad brush level. A more nuanced and disaggregated approach suggests that the economic structure of rural England is quite different than that of urban England. While land-based activities no longer define the rural economy, there are still a number of important ways in which the economic structure of rural England differs from that of urban England. These include:

- a different mix of industries,
- a different occupational mix in terms of skills,
- a higher incidence of self-employment,
- a different size distribution of firms, with micro firms and sole proprietorships being more common and very large firms being very scarce in rural England, and
- a different size distribution of places.

As noted earlier rural England is made up of small settlements that have truncated economies and are highly dependent upon “export-oriented” businesses for their viability; urban England, by contrast, consists of much larger settlements that have complex internal

economic structures that allows a broader range of goods and services and greater self-sufficiency.

Self-employment and employment in small firms accounts for a larger share of total employment in rural areas. In sparse rural areas, there is very little employment in large firms, and in the rural parts of less sparse regions, large firms account for roughly half the share of employment that they do in urban less sparse regions. Conversely, in rural areas small firms of various types account for the majority of employment, with the smallest firms accounting for larger shares in sparse territory and as size of place declines. This is a logical reflection of smaller local labour markets in rural areas and also the difficulty in getting planning approval for developing large parcels of land for business purposes.

Unemployment rates in rural England are lower than in urban England but follow the same trends. Prior to the current recession unemployment rates in urban and rural areas fell steadily for over a decade, but with unemployment rates in rural England maintaining a fairly steady two percentage points below those in urban England. In both urban and rural England, there is also a relatively stable rate of economic inactivity – that is people nominally of working age who are neither employed nor active job seekers. Of the economically inactive, roughly 25% in all regions would like a job, with a slightly larger share in urban areas wanting employment. Discouraged workers are also roughly equal percentages of the labour force in urban and rural regions. Part-time employment rates are roughly constant across different degrees of rurality, but a larger share of rural part time workers indicate that they prefer to work part time than is the case in urban regions.

In general, the rural labour force is less qualified than the urban labour force. This reflects differences in occupational structure (for example, there are few job opportunities in investment banking or neuro-surgery in rural areas). But the unemployed in rural areas have similar characteristics to the urban unemployed, except for a slightly smaller percentage of students seeking work and a slightly higher percentage of people who have withdrawn from the workforce and are not seeking a job. In turn, lower qualifications lead to lower earnings and rural areas reflect this phenomenon. The incidence of low-wage jobs is higher in the more rural parts of England. While low wages may reflect uncompetitive local labour markets, where employers have a dominant bargaining position, they may also reflect an occupational mix where a larger share of workers add limited value and consequently receive low pay.

Productivity is the main driver of economic growth

In general, rural areas have lower rates of productivity growth than do urban regions. However, once the effect of London is taken out the differences are greatly reduced. Although the UK in aggregate has lagged other OECD countries in terms of productivity growth, some parts of the UK have exhibited relatively high levels of productivity growth, while others have low levels. Further, within regions there are even wider variations in productivity among places than exist between regions. Rural areas on average have a work force that has a higher proportion of individuals with lower levels of skill, both in terms of formal education and in work-related training. While many rural industries are capital-intensive, particularly resource-based firms, it can be more difficult to finance investment in rural areas. The network of financial intermediaries is less dense, and because more firms are small, finance is largely restricted to

borrowed funds from banks, with little or no opportunity to access equity or bond markets. This can result in too low capital-labour ratios and low productivity.

Work by the OECD has led to the conclusion that innovation is a key driver of productivity improvement. In rural areas, innovation is particularly important because firms often face constraints that are not present in urban areas. These include: a small local market that can limit growth opportunities and the acceptability of new products, small local labour markets that can lead to difficulty in finding sufficient workers or workers with appropriate skills, higher costs in identifying and accessing external markets and weaker networks of financial and business service providers. Some forms of innovation, especially those based on formal R&D activities, are uncommon in rural areas. But there are many examples of other types of innovation such as rural firms that rely on the owners' ideas to produce novel products or to adapt existing technologies to new uses. In rural England, there are higher rates of new firm formation than in urban areas and the rural economy is dominated by small and medium-size business. In principle, a larger share of SMEs should also lead to a more competitive economic structure, because large firms tend to have more pricing power. However small firms in rural areas may have local monopolies, in the sense that they are the only providers of specific goods or services for a large territory. For example, in small villages, there is often one pub, one petrol station and one village shop, which leads to less competitive behaviour.

An important way to increase innovation and productivity is to ensure that firms, especially small firms, have access to various types of management and technical support. In rural England, business services are provided by: private firms on a for–profit basis; by government action, either directly or indirectly; and through the non-government sector. Because they are small, firms in rural areas tend to rely more on local external providers of services than do larger urban firms, which can afford an internal service provider or draw on external providers from outside the region. Access to debt capital is a major issue, and in more remote rural areas there may be less immediate access to banks or government agencies that deal with business finance. The steady reduction in bank locations and the increase in cash terminals and Internet banking can adversely affect rural businesses. Firms are also typically more dependent on high-speed Internet than are residential users, so slower growth of broadband access and the absence of ICT professionals in rural areas are serious constraints.

The role of small and medium-size firms is crucial to rural prosperity. Rural businesses are dominated by the self-employed and small businesses. Self-employment accounts for 30% of rural firms but only 19% of urban firms. Further, 92% of rural businesses have fewer than ten employees, versus 14% in urban areas. Since most new firms are also small firms, it is not surprising that rural areas have a higher incidence of new firm formation than urban areas. For rural areas, business starts per 10 000 population are consistently above the average for England as a whole. Only major urban centres are also at this high level, and this may reflect the general tendency for a higher incidence of entrepreneurship among immigrants than indigenous populations.

Rural entrepreneurs show a lower interest in expanding their businesses than do their urban counterparts. In terms of local economic development, it is generally recognised that the easiest way to expand employment and income opportunities in a local economy is by growing existing firms, rather than trying to attract firms from outside or create new local firms. Because the rural economy is highly dependent upon SMEs, this makes the reluctance of existing small business owners to expand their firms a potential impediment to growth. A better understanding of why firm owners are reluctant to grow is important.

It may reflect a limited local market and difficulty in tapping external markets. It may reflect a shortage of skilled workers or financial capital. It may reflect difficulties in expanding the physical size of the enterprise due to zoning restrictions. Or, it may simply reflect the owner's personal satisfaction with a business of a given size.

England has a long tradition of sophisticated rural policy

Rural policy evolved since the beginning of the 20th century within the context of a shift from rural areas as sites of agricultural production to areas of leisure, conservation and aspirational consumption. The period 1997-2001 is notable for the plethora of new institutions, strategies, priorities and reviews related to rural policy. The extensive institutional changes of this period were as much about improving economic development in English regions as addressing rural issues, and the creation of the RDAs reflected this concern. A second White Paper on rural issues was published in November 2000, alongside an urban White Paper. It marked an important stage in the evolution of the policy framework for rural England, containing 261 commitments to improve rural services, transport, the rural economy, the countryside, rural towns and villages, and the way the government handled rural policy.

Following the creation of the Department for Environment, Food and Rural Affairs (Defra), the Secretary of State for Environment, Food and Rural Affairs commissioned a number of actions to improve the focus and delivery of rural policy. In response to a finding that the rural delivery structures were confusing, bureaucratic and too centralised to meet future challenges, the government, led by Defra, developed the Rural Strategy 2004. The Rural Strategy identified three priorities for a sustainable rural England – economic and social regeneration; social justice for all; and enhancing the value of the countryside. It also led to further changes, including the dismantling of the Countryside Agency and the transfer of its rural advisory function to a new body, the Commission for Rural Communities (CRC). The 2007 Sub-National Review for Economic Development and Regeneration (SNR) is at the heart of the latest round of changes affecting not just rural policy but policy development as a whole in England today. The SNR recognised the need for more changes and suggested reforms in the following areas:

- managing policy at the right spatial levels;
- ensuring clarity of roles;
- enabling places to reach their potential;
- empowering all local authorities to promote economic development and neighbourhood renewal;
- supporting local authorities to work together at the sub-regional level;
- strengthening the regional level; and
- reforming central government's relations the regions and localities.

Mainstreaming is the government's approach to policy delivery

England is at the forefront in developing a policy approach that seeks to bridge rural and urban policy needs – this is mainstreaming. Mainstreaming is meant to ensure that people in all parts of England receive comparable policy treatment by government. Consequently, rural development policy takes the form of "rural mainstreaming". Rather than identifying

specific rural policies, the government focuses on developing broad policies in all departments and agencies to deliver specific benefits to all the people in England, wherever they might live. Under this approach the challenge is to ensure that rural residents receive equitable access to a common set of policies and programmes. This policy approach to rurality is unique in OECD countries. The rural mainstreaming approach recognises that there are some distinctive aspects to the delivery of certain policy objectives in rural areas. But, rather than seeing them as conflicting with the government's mainstreaming agenda, the goal is to support that agenda by improving the knowledge of rural areas and making it available during the policy design and development phase. In addition, rural mainstreaming capitalises on the government's emphasis on devolution, with a multitude of horizontal and vertical collaborations at all levels of government. Furthermore, it stimulates consideration of rural needs and concerns early and at all stages of policy development through an important component to rural mainstreaming, "rural proofing".

Defra as "rural champion" works to ensure that rural remains on the agenda and is not overlooked or diluted by the multiple priorities of sectoral departments. Defra supports rural mainstreaming by allocating its resources in four precise ways: *i*) to act as rural champion and promote the representation of rural interests in mainstream policy making and delivery; *ii*) To maintain and develop strong links with the rural network; *iii*) To improve the evidence base on the rural context and share it with other government departments; and *iv*) to sponsor other bodies, such as the CRC. However, in the context of rural issues, the wider mandate to mainstream presents some challenges. Whereas Defra's focus is on rural communities and on the wider rural agenda, other departments, such as the Department for Communities and Local Government (CLG) and the Department for Business, Innovation and Skills (BIS), also play major roles in rural policy, but lack a rural focus.

The more simplified rural delivery landscape ushered in by rural mainstreaming translates into a more pared down funding system for Defra, but a complex rural financial framework overall. Defra funds for economic development in rural areas are: the Defra contribution to the RDA's single pot; the Rural Development Programme for England (Pillar 2 of the CAP); and European Structural Funds. In England, local government's functions have steadily increased through devolution, challenging financial capacity in instances where local government responsibilities exceed available resources. Local government is largely reliant on central government for its revenue, as well as raising its own sources of revenue through rates and other fees and charges. The relationship between national, regional and sub-regional levels varies markedly from region to region in terms of co-operation and negotiation. The parish and town councils are not subject to the same restriction on funding as the district and local councils. Although they have much smaller budgets than unitary or two-tier councils, they have more freedom over how it is used.

Mainstreaming and the "places agenda" implement rural policy at the sub-national level through Regional Development Agencies (RDAs) and Government Offices for the Regions (GOs). In the 1990s, the government introduced nine regional agencies as intermediate actors in England and regional Government Offices. While they are not formally a new level of government, they have a degree of operational autonomy. The RDAs and GOs contribute a regional perspective to the development of national policy and work with regional-level partners to develop regional strategies and drive the delivery of national policies at regional level. They are sponsored by national policy departments which make a funding contribution in return for an agreed upon set of activities to be carried out at the regional level. Local development strategies provide a framework within which specific projects and funding

sources can be utilised to greatest advantage. They also assist in the more effective delivery of regional and national programmes and policies. At the sub-regional level there is the Local Development Framework (LDF), the Sustainable Community Strategy (SCS) and the Local Area Agreement (LAA). The introduction of LAAs and SCS has helped to integrate the different themes and priorities for local areas into one place. The LDF is a portfolio of local development documents that collectively represent the spatial planning strategy for local areas.

Local partnerships are key to mainstreaming rural policy in the implementation and design phase at the local level. Given the number of actors at the sub-regional level and the fact that no single organisation can be responsible for ensuring that service provision in an area meets the needs and aspirations of the local community, partnerships have developed to fulfil this role at county and district levels. Local Strategic Partnerships (LSPs) bring together key public providers, such as local authorities, health bodies, education bodies, police, fire and rescue services, and national bodies operating at local level, such as the Department for Work and Pensions, the Environment Agency, and Learning and Skills Councils, with the private and voluntary sectors. A key role of the LSP is to draw up and agree a sustainable community strategy that sets out a vision for the area and key priorities to reflect in a Local Area Agreement.

Policy assessment

The rural policy approach in England has a great deal of consistency with the tenets of the NRP

English policy has made great strides towards the goals of localising public choices, increasing accountability, and instituting evidence-based decision making. The reorganisation of governance, planning and policy assessment, and improvements in horizontal and vertical co-ordination of government are moving in the right direction. Devolution has pushed many public choices down to the regional and local levels. Decentralisation of central government functions has made it possible for there to be increased flows of information between residents and central government. The continuous morphing of England's policy framework over the years has culminated in an approach that:

- broadens rural policy to involve more than agriculture;
- follows an investment-oriented, rather than a subsidy-based policy approach; and
- introduces national economic policies that are more place-based.

Mainstreaming rural in the context of England is both innovative and forward thinking and in many ways represents the future of rural policy, but there are some important gaps.

The foundation for effective mainstreaming is not yet in place. The speed at which England jumped from specific rural policies at the national level to no rural specific interventions as mandated by mainstreaming may have prevented wider take-up. This is largely because mainstreaming is simple in theory but complex in application. The mandate to mainstream rural – to ensure the consideration of rural circumstances as part of day-to-day policymaking – requires wide co-ordination capacity and oversight beyond what is visible. Thus, it appears that in the short-to-medium term, mainstreaming needs *additional specialist rural policy* support.

Mainstreaming creates the risk that policy will treat rural and urban areas as the same when in reality they are not. The idea of mainstreaming can be inappropriately interpreted as

reflecting a belief in the homogeneity of England. But the planning process belies this position and operates in a completely different way. It maintains a bright line between urban and rural. Moreover, English society seems to see urban and rural as distinct and different.

Mainstreaming can also create the expectation that vertical co-ordination between governments will work as well in rural areas as in urban ones. There are numerous reasons to believe that this is not the case – population density, different issues in rural areas (land use, and agriculture are examples), demographic differences, and different determinants of economic success. Reconciling these conflicts is probably crucial for mainstreaming to reach its full potential.

Evidence across the OECD suggests that the body in charge of rural affairs should be able to act as a *super partes* actor. In England, Defra is the "*super parte*" for rural affairs. But realignments within Defra, as well as responsibilities for such issues as climate change and the environment, threaten to divert attention and resources from rural affairs. Moreover, while Defra oversees most rural policy, the CLG oversees rural planning policy and economic development in the regions. Thus, rural development is the responsibility of two government departments and the various agencies linked to them. The challenge for Defra lies in corralling these objectives and/or inserting the "evidence" of rurality into the policy discourse at the appropriate time.

While all departments are charged with adopting a mainstreaming approach, there is little incentive for them to actually do so. If there are costs to delivering mainstreamed policy, then the department absorbs them. If the department sees little benefit from mainstreaming in terms of its core functions, then the presence of additional costs is likely to weaken its commitment to mainstreaming.

Finally, sparsely populated areas are not fully benefiting from mainstreaming. At the sub-regional level, the local capacity to mainstream seems to vary depending on the type of region and its proximity to urban areas. Mainstreaming should recognise the differences between sparse and less sparse rural areas, and recognise how remote rural differs from peri-urban.

For mainstreaming to be fully successful, the rural proofing process must be strengthened

Rural proofing has become a key mechanism working in concert with rural mainstreaming and there is clear evidence that rural proofing has had a positive impact. In general, thinking about rural implications increasingly takes place *early* in the policy process. Defra, supported by the Commission for Rural Communities connection at the national level, and its visibility through a plethora of activities and support provided to different local bodies, have combined to provide greater knowledge of rural circumstances and characteristics. National policy guidance documents with specific references to rural issues, the official rural and urban definition, and the inclusion of rural concerns in the 2007 comprehensive spending review are examples of successful rural proofing.

However, the rural proofing process has to be better linked to mainstreaming and to Defra's efforts to ensure that other departments fully consider mainstreaming in the policy design process. In fact, the separation of roles between Defra and the CRC could undermine the capacity to implement both mainstreaming and rural proofing. Rural proofing is the mechanism by which the performance of mainstreaming is evaluated. It is used to check to see whether there is a meaningful difference between urban and rural service delivery

conditions. The CRC is charged with rural proofing as part of its assessment of conditions in rural England, while Defra is responsible for mainstreaming. While there is some merit in having an arm's length evaluation process for rural proofing, this seems to be outweighed by the fact that the CRC is not part of the government and is not involved in the early stages of policy design. Similarly, despite the delineation of tasks between Defra and the CRC, the responsibilities for rural proofing seem somehow less clear and fluid in practice at the national level.

Despite the clear benefits, the take-up and implementation of rural proofing continues to be mixed. Rural proofing seems to have made greater inroads with *ex poste* impact assessments of policy than with *ex ante* assessments during the policy design phase. It is seemingly continually thwarted by a "patchy" understanding of the rural dimension of policy, and confusion surrounding responsibilities for proofing are also acknowledged barriers to its effective implementation. There are four "reoccurring" unaddressed policy issues:

1. lack of systematic application across all departments;
2. lack of awareness among some senior staff of the need to carry out rural proofing;
3. lack of consistent leadership to champion the needs of rural area across governments; and
4. lack of effective monitoring of the delivery of policies on rural communities.

Richer sources of "rural evidence" are needed

England has adopted an "evidence-based" approach to developing and assessing public policy. Data is being developed at very fine-grained level of geographical detail. Plans are in place to make these data, information and analyses widely available. The Rural Evidence Hub, with its interactive querying and mapping facility, promises to be a critical component in the successful execution of Evidence Based Policy Making (EBPM). Further, another important innovation is the establishment of the Rural Evidence Research Centre. The Centre's mapping facility is a good first step.

However, the benefits of EBPM depends on how adequately it is grounded in theory and the quality of the information upon which it is based. Mainstreaming and rural proofing rely upon a proper assessment of local needs and opportunities, and a well thought out vision of how the policy will impact the rural area. If there is little data collected at the sub-national level that has a territorial dimension this makes it hard to describe the rural condition. Further, there is even less time-series data, which makes it difficult to see the impacts of policy over time. Despite the existence of a suite (currently 22) of socio-economic indicators covering a wide range of government policy priorities used to measure progress, it is clear that government as a whole needs to improve its evidence base. The limited number of time series of statistical indicators for England at a low enough spatial scale to allow rural analysis is troubling. Certainly, cross-sectional data provide useful snapshots of conditions at a point in time and may be sufficient to point to the need for a policy intervention. But, without time series data at detailed spatial levels, it is difficult to draw meaningful conclusions about how well particular policies have operated or how rural conditions in specific areas are changing.

Given the still significant role of agriculture in English rural policy, there is limited statistical information on this sector. While agricultural statistics are collected at the UK level, in part as a requirement for CAP participation, only limited data on economic

conditions in agriculture are available for England or for regions within England. Perhaps when the United Kingdom was managed as a single entity, this was not an important issue, but now that there are distinct national units within the UK, the lack of a similarly disaggregated data set for each of the four UK nations is problematic.

There should be more emphasis on *rural opportunity* and evidence should be mustered to better make this case. There is a need to change the argument on rural from disadvantage to advantage. To fully embrace the NRP, England should continue to emphasise the opportunities for growth and development in rural areas. Rather than seeking to defend rural interests by basing policies on rural needs, the main argument should be that rural areas make a positive contribution to the overall health – economic, environmental and social – of an area, and so all should benefit from intervention directed at improving rural. Much of what the CRC does focuses on inequities and not opportunities. While adopting an emphasis on the positive, rather than the negative, may seem somewhat superficial, it is an important way to counteract common misperceptions of rural as lagging and backward.

Understanding and expanding urban-rural linkages is crucial for effective rural policy. With such a high degree of interaction between urban and rural *milieus*, any change in one environment has major implications for the other. London, in particular, exerts a strong influence over most of the rural areas in southern England and well into the Midlands. Other large cities also have major hinterland effects, so there is very little rural territory that is not part of some functional region that has a major city at its core. England is introducing the idea of city regions in an attempt to allow these functional regions to better manage their growth.

There still appears to be a policy bias in favour of urban areas. Building an evidence base at the national level that reaffirms the sameness of rural and urban, thereby justifying no special measures for rural areas, could overlook important differences among rural areas. Rural districts' key sources of employment are in four sectors common to urban areas: distribution and retailing; business and financial services; public administration education, training and health; and manufacturing. However, business owners in rural areas encounter different problems then their urban counterparts. Isolation and population sparsity are also a "crucial distinctive feature of the development prospect for rural areas". Thus the evidence base should be able to distinguish between different types of rural areas, so that policies can be tailored to their circumstances. Additionally, there is some indication that the way policy objectives are formulated leads to a rural disadvantage.

The governance framework at the sub-regional level has some challenges

England is virtually unique in having no formal intermediary layers of government between the national and local levels. In most OECD countries, there are at least three distinct levels of government. In both federal and unitary systems there is typically some form of regional government that has an elected assembly, clearly specified responsibilities and self-determined revenue streams. In federal systems, the states or provinces have clearly enumerated responsibilities that are distinct from those of the national government and are constitutionally guaranteed. In unitary states, the responsibilities and revenues of the intermediary level may be specified through law or through well-established traditions. In the United Kingdom, only England has no intermediate level of elected government.

This is an important issue for rural areas. In a national legislature with membership based upon representation by population, no rural place will be able to play a significant role in electing a member. Further, no member is likely to feel much responsibility to any particular rural place or even to any group of rural places if legislative districts encompass both rural and urban areas.

The decentralisation and regionalisation of governance has progressed significantly in the United Kingdom, including within England. The backdrop for the delivery of rural development policy in England has been reshaped in recent years by a range of initiatives, including: the adoption of place-shaping, partnerships and joint working; the move from a focus on outputs to one on outcomes; the introduction of new approaches to monitoring and evaluation; and an emphasis on local government reorganisation in a manner that promotes a new regional agenda and community empowerment. Based on a multitude of pilot programmes and assessments, a more robust and streamlined multilevel governance framework has become visible in England. The Government Offices in the regions offer opportunities for increased communication in both directions between rural areas and the central government. The Regional Cities policy recognises the linkages between rural and urban components of regional economies. The Multi-Area Agreement programme recognises the need to strike a balance between local autonomy and flexibility on the one hand, and regional co-operation and co-ordination on the other. But, policy makers now face a number of dilemmas regarding the governance of rural England:

- How to effectively devolve governance, and fulfil the expressed mandate from central government to provide local areas with as much autonomy and authority as possible.
- How to reorganise without alienating current governmental bodies.
- How to create strong local governments while ensuring collaboration at regional and national levels.
- How to strengthen local and regional governments when most revenue flows down from central governments.

By its nature, decentralisation fragments public policy making and implementation, because it devolves complex and resource-intensive responsibilities to lower levels of government. Across the OECD these multi-level governance structures are under stress. In fact, a recent OECD report, *Mind the gaps: Managing mutual dependence in relations among levels of Governments*, found that multi-layered relationships are being challenged by a series of "gaps" (information, capacity, fiscal, administrative and policy) in the mutually dependent relationship between public actors at the different levels of government. When the multi-level governance relationship observed in England is analysed with these gaps in mind certain challenges are revealed.

The pace of fiscal autonomy at the local level lags behind the pace of devolution. One of the necessary aspects of devolution is moving responsibility and accountability for funding down to the level where decisions must be made. But there remains a sizeable gap between the newly empowered local governments that the government established in principle, and the actual impact as witnessed at the local level. This leaves the impression that the centre is still solely responsible for designing policies and setting standards. There are options for overcoming the possible loss of economies of scale and externality effects associated with devolution, without resorting to excessive micro-management of sub-national service delivery by the centre. The devolved decision-making process and the

places agenda, led by CLG, has already established much of the necessary infrastructure, governance and accountability framework.

In England there is a marked will to devolve resources but also an "enduring government resistance to radical enfranchisement of local government". Tension between central and local government over the degree of central intervention is not unique to England; similar tensions can be observed in other OECD countries. The tug-of-war in England is rooted in three areas: public expectations, social equality and financial reform. The will to increase sub-national autonomy and the "cautious, possibly over-cautious approach" to actually doing so is evidenced by the LAA/MAAs. In many respects, the LAA/MAA process offers greater ability to target money to local priorities, but on the other hand, there are indications that the central government continues to influence the choice of indicators – thereby influencing local actions.

In general, the RDAs and the Government Offices (GOs) are important innovations. They have moved decision making out of national government bureaucracies, but they remain creatures of the central government with only delegated responsibility and subject to direct oversight. With the RDAs there is an ongoing tension between a desire for uniform behaviour in order to ensure consistency with government policy and the premise that the point of the RDAs is that they should be doing different things, because the conditions in the regions vary. Moreover, there is still an ongoing political question as to whether the RDAs are even needed. This has to weaken the incentives for RDA staff to be proactive or to plan for the long term.

Regional offices do have some important responsibilities and latent capacities that are relevant for rural development. Because each regional office is charged with responsibility for enhancing the economic performance of a specific territory, including its rural component, it has a relatively clear focus on the specific opportunities and constraints within its territory. Regional authorities receive funding for rural development and regional development programmes from national departments responsible for these policies. They have a considerable degree of discretion in how the funds are allocated once their strategic and operational plans are approved, so they can define region specific intervention. They also administer EU funds and while they have less discretion in the global allocation of these funds than is the case with English resources, they do have the ability to fit broad EU programme allocations into specific local projects.

The Government's reviews of Sub-National Economic Development [SNR] and Local Government are set to have a big impact on RDA delivery of the government's objectives in rural areas. The merging of the Regional Spatial Strategies and the Regional Economic Strategies into a Single Regional Strategy (SRS) as recommended by the SNR, is wise. It is important though that these two critical determinants of quality of life be totally consistent. More than ever before, the economic development of rural England will depend on sound spatial planning, while the rural environment will depend on the nature of the economic development that is encouraged and permitted. Spatial plans must be measured against their effects on indicators of economic development. Economic development strategies must be measured against indicators of sound land use.

The institutions tasked with co-ordinating the relationships at the sub-national level competencies and capacities vary. Most importantly, the RDAs must now become more adept at balancing economic and spatial planning aspect of the strategies. This is an issue for certain constituencies, such as some elements of the business community, which

prefer the traditionally business-led agenda of the RDAs. Others, like local authorities, are "keen to see integrated strategies that move beyond 'only' economic development". As central government's key representatives in the regions, GOs have accumulated considerable experience in managing the complex interrelationships between the policies of separate government departments and policy making within the regions. As they matured, they became increasingly deft at providing directions from London to various county, district and local governments, but they are far less adept in moving information in the other direction. There are three possible (and not mutually exclusive) reasons for this. First, local governments may not be making their case to the GOs; second, the GOs may not be paying adequate attention and are not moving the ideas back up; and third, the leadership in London may not be particularly interested in responding to local concerns. GOs have important capabilities that can reinforce the work of the RDAs. For example, the SRS involves important decisions on matters such as transport policy, waste management, minerals, renewable energy, and gypsies and travellers, all of which are topics the RDAs have little or no experience with.

Creating a bottom-up development approach will be difficult in the absence of strong efforts to invest in developing local leaders, and to provide them with adequate means for undertaking some sort of meaningful long-term strategy. More capacity building will be necessary before local and regional institutions are able to fully demonstrate the benefits of diverse and bottom-up governance. A key element of the NRP is a bottom-up process that is driven by local citizens and their institutions. Without strong local institutions, the NRP cannot work. At the moment, local government in England seems to suffer from periodic reorganisations imposed from above. Moreover, there is great inconsistency in the structure of local government, with varying responsibilities among counties, districts, and other local governments. This shifting set of institutions can only contribute to confusion and a sense of lack of control at the local level. The ability of local communities to act independently is greatly constrained by: national planning directives, a limited local tax base and, most importantly, the absence of any tradition of strong local government. The experience of LEADER in much of Europe and of the *Pacte rural* in Quebec shows that this can be done, but it requires patience and commitment by the national authorities.

Despite being welcomed as a "genuinely devolutionary development", the LAA process is considered by some to be too "top down rather than a genuine negotiation between equal partners". The capacity of the local level to properly negotiate LAAs, particularly in regions where the urban-rural split is tilted towards the urban, comes into question in the face of nationally imposed targets (sometimes out of sync) and corporate plans that constrain the ability of partners to "consider" rural in the agreement process. It is difficult to agree on rural development strategies in a wider context of conflict between different functional departments of government and between different levels of central and local government. Identifying and agreeing shared priorities represents a considerable challenge where deeply embedded institutional agendas prevail and where the culture of interagency work is poorly developed.

The MAAs in turn are an aggressive step toward "new governance" and horizontal co-ordination of local government by allowing planning for economic development at a multi-local government level. The likely benefits of MAAs include: the costs of economic development spilling over into neighbouring jurisdictions and, the reduction or elimination of wasteful competition among local governments. However, the inducements for local authorities to join an MAA seem to be low. Since MAAs are voluntary, it would

seem that there may be incentives for some local authorities to stay out of the agreements – the so-called "free rider" problem.

There is scope to further elevate the influence of the rural voice

The rural lobby in England seems to be decreasing rather than increasing in strength. Under the "duty to empower", the Government's approach to improving the competitiveness of regions entails supporting and strengthening regional leadership by bringing together business, the public sector, universities and local communities. Thus, there is recognition at all levels that citizen and stakeholder engagement is a prerequisite for truly place-based services. This provides scope to galvanise the wide array of rural actors in England. Taking advantage of bodies already in place is one way. Defra should consider reviewing the *eight* Regional Rural Affairs Forums to ensure that they are as effective as possible in bringing together the grassroots rural voices in the regions. England could also consider making better use of the Regional Empowerment Partnerships (REPs) which offer a clear, unambiguous route to local authorities and their partners for national bodies wishing to see improved outcomes at a local level. They are uniquely placed to ensure the effective and joined-up delivery of support because they understand how national priorities relate to local priorities, particularly LAA priority outcomes.

The authorities need to be resourceful in finding ways to develop and sustain citizen voice and local leadership. The devolution of responsibility to, and up-skilling of, Parish Councils (and other local authorities) is another important practice; local people should know best the priorities for their local communities. Local community leaders have much to say and much to offer about innovative, creative, locally nuanced service delivery strategies. They argue that, with local knowledge and local input, service options, design, delivery, and staffing could be significantly improved, and, if full-cost accounting were to be undertaken, this might be achieved without great cost increases. In Japan, the planning mechanism at local regional bloc level of the Japanese spatial plan also calls for the co-operation of national and local stakeholders in policy formulation and mandates roundtable discussions between local stakeholders and central government. There are also networks in place to enable local actors and stakeholders to contribute to rural policy.

There is a need for more synergies between housing, planning and economic policy

In rural areas where people live in small communities that are geographically dispersed, there is a need for housing market flexibility to ensure that regional labour markets work efficiently. Rural communities can be thought of as being analogous to neighbourhoods in a city – some people work in the neighbourhood where they live but others work outside the neighbourhood. The combination of effective public transit and proximity allow more urban workers to live in one neighbourhood and work in another than is the case in rural areas. In a rural context there are large distances among neighbourhoods, so taking a job outside one's home location is more likely to involve relocation than is the case in a city. For rural labour markets to clear, there has to be either the opportunity to find reasonably priced housing near where jobs are available or an adequate supply of land zoned for business uses in places with excess labour. Neither of these situations is common in rural

England. Further, if those currently without work, but with a home, fear that relocating to another community will leave them with a worse housing situation, there is also likely to be an employment mismatch. It is likely that the causes of high housing prices include the following:

Restrictions on changes in land use limit the land available for development of new housing units. This reduces total housing supply, especially in rural areas, resulting in increased prices.

Planning requirements increase the cost of gaining required permits and approvals, raising the average costs of building new homes. This reduces supply and increases prices.

Restrictions on the adaptation of existing housing stocks to meet the changing demands for housing further increase the price of housing

The high cost and inadequate supply of housing is most acutely felt among low-to-moderate income families and has resulted in multiple policy responses. Increasing the stock of affordable housing through social housing programmes is one response. Social housing programmes subsidise home builders who construct social housing and those low to moderate income families who occupy it, making it possible for more families to afford housing. Another policy response has been to limit the sales and rental of housing units to non-residents of rural communities.

The English planning process presents some limitations. In rural areas, land use policy and housing policy become significant determinants of growth and development. The costs of navigating the process, for both developers and regulators, mean that small projects are relatively unattractive. This creates a built-in bias against development – land and economic – in rural communities, because most rural projects are small-scale.

There is a clear public interest in increasing the stock of rural housing. Lower housing costs increase the ability of employers to attract high quality labour at reasonable cost. Lower housing costs increase the effective incomes of consumers, raising their standard of living while increasing the demand for most products. Owners of existing residential property have an interest in maintaining or increasing housing prices, but the interests of most other private stakeholder groups are served by increasing housing supply and thus reducing prices. Housing construction increases short-run employment.

Reform of land markets would bring benefits overall, but there would be clear losers as well as winners. Because the current system inflates property values, it generates huge windfall gains for current property owners and for a few farm land owners. Reform of this system would mean that current owners would experience windfall losses in asset values. These are well established and powerful stakeholders who could make such a transition slow, painful and expensive. Moreover, it is important to recognise that in many cases, they are not the beneficiaries of *status quo* policies, since the rents generated by those policies were largely capitalised into asset values *before* current owners acquired them. At present, a number of rural communities limit the sale or transfer of property to non-residents in order to make more of the limited number of housing units available to residents. The belief is that non-residents impose a social cost on rural communities, because they are seldom in the community, do not support local shops and do not take part in the cultural fabric of the community. Yet the number of non-resident owners and second home owners continues to rise, and long-time residents continue to have difficulty finding homes in the community.

There are some challenges associated with service delivery in rural England

The capacity to provide services in rural areas is compromised, particularly in sparsely populated regions. Service costs are higher in rural areas and local authorities can lack the fiscal resources to meet expectations. Often central bodies are financially unprepared to underwrite the full costs of equal service delivery in rural areas and rural areas increasingly lack the political leverage to mobilise support in their favour.

In England, there is a strong national recognition of the importance of increasing economic competiveness but limited attention to the role of rural areas in these strategies. The UK government has developed a number of national strategies that are designed to modernise the economy and has challenged the RDAs to bring productivity employment and income in the lagging regions closer to the national average. Because much of rural England is peri-urban and the high growth parts of the economy are often not found in urban core regions, but on the edge of cities (as in most other OECD countries), the importance of rural is likely to be even higher than in countries where rural tends to be a more remote condition.

Create better linkages between English policy and EU policy

There is a risk that the UK government may have de-emphasised agriculture in its rural development policy beyond a level that is prudent. It is certainly the case that the direct economic role of agriculture has diminished to the point that it is no longer a major factor in most rural communities. However, the indirect role of farming, especially as it conditions the environment and the persistence of an agricultural focus in the planning process, means that agriculture should in fact be an integral issue in considering rural policy.

The transformation of the CAP from an instrument of agricultural protection and subsidisation policy to one focused more on rural development and environmental protection will necessarily affect England's more mature rural development policy. While the rural development measures in the CAP are still primarily focused on peripheral, remote and underdeveloped regions, they do offer more opportunities for England than previous policies. But in order to benefit from the shift in the CAP to the fullest, England will have to act strategically. As an example of an area where England could benefit from the emerging priorities of the CAP consider multifunctionality. Support for strategies to enhance the multifunctional nature of agriculture could support the land protection and environmental goals of the England.

In the past, England has not fully taken advantage of support from European Regional Policy. EU regional policy is a secondary but still significant component of English regional policy. Regional policy is primarily delivered through the European Regional Development Fund (ERDF). The two primary programmes are the Regional Competitiveness and Employment programme and the Convergence Programme. While all of England qualifies for the Regional Competitiveness and Employment programme, only Cornwall and the Isles of Scilly qualify for the Convergence programme; Merseyside and South Yorkshire qualify as phasing in regions. Further, under EU regional policy each member state is to have a National Strategic Reference Framework (NSRF) in order to qualify for EU funding.

The authorities in England are still conceptualising how to organise their activities in ways that can take best advantage of the funding that is available.

Recommendations

The current fiscal constraints demand a new approach to thinking about rural development in England

The effect of the recession on the UK budget calls into question the potential for maintaining current high levels of public expenditure for many policy areas. Because the UK budget is likely to be more constrained in the future than it has been in the recent past, the following policy recommendations are developed with a period of public fiscal austerity in mind. But while fiscal constraints may limit some forms of public policy, there are still important roles for national public policy to support appropriate development in rural England.

The UK government should resist the temptation to replace existing financial incentives with more regulations. Instead, they should consider designing policies that increase the incentives for local actors to carry out rural development in ways that are consistent with national policy objectives and make greater use of market forces than has been the case in the past. Government should still play a structuring role in this policy environment, but the national government should play a smaller role in the direct delivery of goods and services and in defining the various parameters under which specific local economies operate.

The government should first look for market-based solutions to rural policy problems and only as a last resort move to direct intervention. Some have characterised this approach as one where the government's main role is to steer the boat and not to row it. It is a strategic role that relies upon market incentives to provide day-to-day operational incentives but uses government policy to set conditions that lead to markets providing appropriate signals. While there are many roles for the government to play in rural England, the policy recommendations provided here focus on five key areas that are central to further improvements in rural socio-economic conditions and can play a key role in increasing the productivity of rural firms and workers. These are as follows:

1. introducing a distinct rural component to the regional cities strategy;
2. enhancing mainstreaming to ensure equitable access to an appropriate set of consumer/household services in rural England;
3. strengthening the rural economy by joining up housing policy, planning policy and economic development strategies at the local level;
4. expanding rural connectivity by developing robust networks; and
5. continuing the current work to achieve more effective governance structures.

Broaden the city regions approach to include a rural component

If city regions are to be a major part of the spatial development strategy for England, then there has to be some policy in place for those rural areas not part of a city region. At present the city regions strategy seemingly ignores the rural component. England is introducing

the idea of city regions in an attempt to allow these functional regions to better manage their growth. By providing administrative coherence over a local labour market there is greater opportunity to increase private sector and public sector productivity. The available evidence shows that rural communities, households and firms in close proximity to an urban centre take advantage of the broader array of goods and services available there.

Enhance mainstreaming

Mainstreaming should be reinforced with other measures in the short-term, the mandates of mainstreaming and rural proofing should be better integrated, and responsibilities clarified. If the government is to achieve its goal of moving from an "after the fact" policy assessment to one where rural interests are part of mainstream policy design, then the two functions of design and evaluation should be better coupled. One option could be for Defra to take over the rural proofing function and integrate it with its mainstreaming responsibility. Arguably, the CRCs triple mandate – to serve as rural advocate, to provide rural advice to government and to act as a rural watchdog/rural proofing mode – comes with an inherent conflict of interest. The rural advocate role is a significant policy innovation and one that has been beneficial on behalf of rural people and communities in England. However, an advocate is not a neutral party. If the CRC is to provide impartial advice to the government, it should not be tainted with even the hint of an exaggerated "pro-rural" perspective". On the other side, the current separation of roles between Defra and the CRC is not desirable and weakens the capacity to implement both rural mainstreaming and rural proofing.

Consider more rural-specific interventions, especially for sparsely populated regions where mainstreaming is more challenging. One way could be building upon existing market towns and seaside community programmes. These local population concentrations provide essential economic and social services to their surrounding territory and create smaller functional regions. Policies to support these places as regional hubs could provide a useful complement to the city region approach, especially in those rural areas that lie outside a city region.

Moreover, in English rural areas where urban service delivery solutions have been the least effective the authorities should consider:

Encouraging a stronger minority voice and linking authorities across jurisdictions. This requires mechanisms that assure rural populations a voice and ensure transparency of decision-making at all levels of government.

Moving beyond planning single services to designing an integrated mix of services, and providing flexibility in delivering on mandates. This requires cross-cutting mechanisms that go beyond any single department and test service decisions in a broader context. This may mean different service models, unconventional providers, and the like. It may also require the ability at local level to pool funding to increase fiscal capacity to undertake service initiatives.

Adopting a strength-based perspective and recognising and attending to hidden or dispersed disadvantage. The discourse needs to shift from ideas about subsidising rural areas to making rural investments in the new Green Economy, in the Creative Economy, etc., so that rural areas are seen as current or potential engines of growth.

Innovating in governance structures and accountability approaches. In particular, targets and reporting metrics have to be rethought to focus on outcomes, especially where rural service models produce somewhat different outputs. In parallel, more transparent

information on funding levels would make it easier to follow transfers and rural service spending decisions.

Expanding the discussion on who should pay for services. To date, mainstreaming has focused on identifying an equitable set of services, without enough consideration of a mechanism to pay for these services. In rural areas, the search for efficiency is leading to consolidation in order to increase the number of users at any site. However the benefits of consolidation in rural areas are often less than anticipated. If the service provider pays any portion of the transport costs, the increased distances travelled offset some of the savings from consolidation. If the client pays the travel costs, then the volume of customers is generally less than anticipated because some users conclude that travel costs are too high to justify the trip. For services that are either provided directly by the UK government or whose provision it influences, by regulations, financial support or some other means, there will be tendency for the service to be designed in an urban-centric way. This simply reflects the fact that the rural population is small relative to the urban population and the sparse rural population is particularly small. As a result, designers will ensure that the programme works in an urban setting. Moreover, in an urban society, it is increasingly unlikely that those charged with designing the service have any particular knowledge of actual rural conditions.

Addressing the issue of public transportation should be a priority. Many rural dwellers have difficulty accessing services due to poor public transport. This is a cross-cutting development issue that needs to be tackled on a partnership basis. This is where one would expect to find many innovative trials of new service provision strategies and programmes and to see considerable evidence and commentary on the virtues of rural proofing. There are indeed examples of this being attended to and implemented, but unfortunately these seem to be launched as pilots and then to remain as such rather than becoming core aspects of enduring systemic system change that bubbles across rural regions.

Identifying new ways to meet the goal of providing an equivalent quality of life in urban and rural areas. In other OECD countries where large shares of the rural population are found in predominantly rural regions, public services have to be delivered at the point of residence because travel costs are so high. In England, where the vast majority of the rural population lives in peri-urban regions, it is often possible to combine urban and peri-urban demand into common service locations, making for a more efficient scale of service delivery. However, to ensure that rural people receive adequate access, some care has to be taken in determining appropriate locations for services, co-ordination of operating hours with local bus schedules and co-locating services so that multiple activities can take place on a single trip.

Strengthening the rural economy

To better identify new ways to enhance the competitiveness of the rural economy, a broader focus than *simply* on pure economic development approaches will be required. Success will involve finding ways to allow planning policy, housing policy and economic strategies to operate in harmony. The UK government has recognised the importance of increasing productivity in England at the national and regional levels, and there are strategies to increase the productivity of the lowest-performing regions. However, the current macroeconomic approach employed views regional economies as a decomposition

of the national economy, while, in reality, the economy of each of the nine regions is an aggregation of microeconomic units. For a region to have an improved economic performance, the productivity of individual firms has to improve.

The Government needs to reduce the number of government imposed restrictions on individual choice, as a reduction yields higher productivity with no additional outlays. In a period of fiscal constraint where government cannot provide as much direct financial support to local actors, the best option for ensuring a stronger economy may be to find ways to selectively reduce the constraints that firms and local governments face. In England there are numerous constraints on action that come in the form of national regulations and laws, each of which is developed to meet some particular policy objective. There are also regional policy directives and regulations, and there are district and county rules and regulations that affect firms. The multiple layers of regulation can combine to constrain behaviour to a very narrow range of feasible alternatives, which results in lower productivity. Small reductions in the number of constraints could allow significant gains in output and productivity.

Ensure that synergies across policy instruments are considered in advance. While there have recently been comprehensive reviews of planning policy and housing policy, and the government has moved enthusiastically to adopt many of the recommendations, some of these changes are being individually introduced before fully examining how they impact upon each other, and, most importantly, before a full assessment of the links between housing supply, planning goals and economic activity in rural areas is undertaken. The basic unit of analysis for this type of assessment should be the local labour market. The availability of housing, the types of firms and their labour force requirements, as well as the capacity of the transport system, all condition the size of the local labour market. If any of these change significantly, the appropriate spatial unit of analysis also changes. For example, an area with a restricted housing supply and a planning regime that limits new housing and new sites for firms will likely have a geographically large local labour market with high rates of long-distance commuting. This will reflect the difficulty households face in finding housing near job opportunities.

Another priority should be resolving the relative scarcity of social housing in rural England. Resolving the housing problem will entail altering the planning system to modernise it and to include a broader set of objectives. The UK government has thoroughly investigated all the dimensions of the rural housing problem. Unfortunately each of these assessments has both pointed out the need to improve housing markets and made clear the real challenges in finding a politically acceptable solution. There is a clear tension between the desire of people to visit and live in an unspoiled pastoral environment and the obvious impossibility of this environment being maintained if large numbers of people actually try to do this. Planning is vital in a complex society where there are competing demands for resources and potentially large externality impacts on the public, and the structure of the planning process could be improved. Prescriptive planning approaches that set hard targets at national level, such as determining the number and regional distribution of new housing units, may be less appropriate than a more indicative planning system that provides incentives for local communities to determine individual housing targets. If these targets prove to be inappropriate it is possible to alter the incentives so that local targets are adjusted.

Efforts should be made to show how England has the capacity to absorb more rural housing without compromising the nature of the countryside. While there is a popular belief that rural England is already overbuilt, this seems not to be the case. Indeed large parts of the

rural countryside are effectively excluded from development, so the amount of land that is potentially buildable is much smaller than might be thought. New housing units could be added in rural communities in ways that do not detract from the existing *milieu*. In many ways it may be less disruptive to build a few housing units in many places than to build a large number of units in a few places. From a political perspective this results in the costs and benefits of new housing being broadly distributed, rather than concentrated on a few communities.

Expanding connectivity

More attention to improving all forms of connectivity would bring considerable benefits both locally and nationally. The modern economy is increasingly being driven by dense networks for communication and the exchange of goods. The result of this is that successful places everywhere are connected to each other and that places that are not well connected are not successful. Networks within rural areas are inherently less dense than in urban places, because there are fewer individuals and firms. However, rural areas rely on these networks both for internal linkages and for connection to the outside world. Because they are more limited, there is less redundancy and any break in a rural network can have far greater consequences than a similar break in an urban place where duplicate connections exist.

The OECD countries are now part of a global network economy where those with high degrees of connectivity have a competitive advantage over those with fewer and weaker connections. While England has distinct advantages due to its small size, high population density and relatively dense transportation systems, it is still true that many English rural areas, especially the sparse ones, are not full participants in modern society and the network economy. In a period where the UK government faces serious budgetary shortfalls, it is more difficult to justify investments that may not appear to have an immediate payoff. However, if rural England is to be competitive in a global economy and to contribute fully to national wealth, it will require the full set of connectivity investments. For rural areas to prosper they need stronger communication. Governments everywhere have recognised the importance to rural areas of broadband Internet, and there are ongoing efforts in England to finish connections for the last few places and to improve connection speeds across the country.

Developing more effective governance structures

There is a tendency for national governments when faced with declining fiscal resources to transfer delivery responsibilities to lower levels of government. Typically, this transfer is couched in terms of subsidiarity, when in reality it is simply mandated activity that comes without additional resources to carry out the duty. In England the last decade has seen a considerable effort to decentralise a very unitary government structure. The creation of regions has allowed the introduction of policy that no longer provides the same things to all parts of the country.

The lack of a national rural policy may be more than offset by the opportunity for more tailored regional policy. England has moved from a "rural policy" to a "regional policy" as a way to deal with spatial differences. While rural areas are no longer seen as needing a specific "rural policy", which can be interpreted as a loss of the ability to apply different

types of support from those available in urban areas, the introduction of regions does potentially allow the opportunity for each region to develop interventions that are appropriate for its specific rural territory.

The nine English regions provide an opportunity to reweight national goals established through the PSAs and DSOs in ways that better fit the underlying opportunities in each territory. Devolution of responsibility to the RDAs is an important innovation. It represents a recognition that national laws and policies can only provide a broad brush environment. National results are ultimately the aggregation of individual actions, and the key message of devolution is that improving the local environment is crucial. A continued commitment to effective double devolution should result in improved local competitiveness which leads to improved regional competitiveness and ultimately improved national competitiveness.

Time will be needed for all the actors to understand the new structure, especially at local level. The trend in OECD countries, including those with unitary governments, is to increase the responsibilities and flexibilities of regions. In England, the establishment of the RDAs, the use of LAAs and MAAs and the introduction of Regional Cities, all point to a governance system that moves decision-making out of Whitehall. This process has inevitably led to an unstable policy environment as the new structure takes shape. It now seems that sufficient reform has taken place to provide an opportunity for new behaviour at the local level. But if the national government is to acquire the evidence to see if these changes are desirable it will have to provide a period of governance stability.

Summary

Specific conditions have led English rural policy to adopt a form that is different from approaches found in other OECD countries. In particular, the absence of any predominantly rural territory focuses the consideration of rural issues on what might in other countries be considered peri-urban areas. Consequently, England has adopted a policy approach that integrates rural and urban milieus through mainstreaming. Further, while facing increasing non-traditional demands for the countryside, England has been able to maintain a highly productive arable agriculture. As noted above, there are still important opportunities for improving rural policy and rural development in England. But there are also important lessons for other OECD countries, as they begin to recognise that the scope of their rural policy has to be extended from only predominantly rural regions into intermediate and predominantly urban regions as well. In particular, the regional city approach and the integration of public services may be useful models for other countries.

Introduction

This *Rural Policy Review of England* is part of the ongoing work activity of the Rural Policy Programme of the OECD. The broad goals for the set of reviews are to identify how a particular country conducts its rural policies, and, to use this information to help all OECD member countries develop more coherent frameworks for future rural policy that reflects current best practices in other countries. In particular, the reviews focus on how countries can help improve the efficiency of the local economies within their rural regions, so that rural citizens and firms can achieve their full potential.

In order to assess the policies in a country the OECD has to first understand conditions within that country and the existing policy context. Every country has a unique set of geographical, social and economic conditions within its rural territory and these both shape and constrain the types of activities that are carried out within rural areas. Further, every country has its own set of political institutions that also determine the types of function that different levels of government undertake. In many cases, this takes the form of supra-national relationships, such as membership in the European Union or participation in various multilateral obligations, which also have implications for national rural policy.

It is also important to recognise that the term "rural policy" has a broad range of interpretations within the OECD member countries. It is probably the case that each member country has its own specific sense of the domain of rural policy. For the reader of this report it is important to keep in mind that the broad sense of "rural policy" used here is unlikely to correspond to the national perspective. While we do not provide a specific definition of rural policy, the sense in which it is used in the OECD is the set of policies and programmes that help improve the economic and social well-being of rural residents.

Understandably, while there are great similarities in the types of problems facing rural residents, rural firms and rural local governments across the OECD countries, there are also important differences among OECD countries that will lead to different approaches to rural development. Moreover, it is increasingly clear that there may be significant differences in conditions and opportunities within any OECD country that further complicate the development of a national rural policy.

Thus, to ensure that the review considers both the National Rural Policy and the pertinent "issues" impacting policy design and implementation, the country under review prepares a background document for the OECD. This foundation document, referred to, as the *OECD Background Report* contains important analytical and statistical information and sets out the basic conditions found in its rural areas and outlines the existing rural policy. This report is then supplemented by: *i)* information contained in the OECD Territorial Database that provides comparable international data; *ii)* information generated from the different "rural" visits to different areas in the country under review; and, *iii)* information from prior OECD work.

An important part of this process is the series of "rural" field visits, which provide a context to understand the statistics, build on the information contained in the background report, as well as afford an opportunity to better identify how polices operate "on the ground". During the visits, one-on-one and group discussions are undertaken with a range of relevant government (policy makers from different levels of government) and non-government stakeholders. The key issues in England were: Service Delivery, Housing Policy and Economic Development, and the visits were linked to these themes. As a result, the OECD team undertook three study missions in 2009. The first was to the South West Region to discuss housing, the second to the North East/North West Region for meetings on economic development, and the third to the East/West Midlands to discuss service delivery challenges in England.

The analytical perspective that provides a common reference point for this, and all Reviews, is the OECD New Rural Paradigm (NRP). Since its publication in 2006, the methodology of the NRP has been accepted by OECD member governments as a framework for designing a new generation of rural policies that are oriented to improving the competitiveness of rural areas and in so doing improve their contribution to national economic development objectives. The main policy focus of the NRP is to identify potential investment opportunities in rural areas that can lead to more effective resource use and increase productivity.

This review has four chapters. The first chapter frames rural England in terms of key indicators and changes. Chapter two describes the evolution of rural policy in England, plus the existing policy design and mechanisms. The third and fourth chapters form the core, as they contain the assessment and recommendations. In chapter three the performance of current policy is assessed in terms of goals identified by England and against the requirements of the NRP. Then in chapter four recommendations are suggested that could improve policy efficiency and help increase the competitive position of rural England, while paying attention to other important policy dimensions, such as environmental protection or preservation of important cultural amenities.

The analysis and recommendations by the OECD are based upon work conducted prior to the 2010 elections in the United Kingdom and reflect conditions in England, UK in 2009. The policy assessment and recommendations provided in the review are not based upon a detailed examination of existing conditions and policies. Detailed analysis of this type is best conducted by the member country. Instead the OECD review provides a reflection on rural policy in England that is based on the documents provided by the country, the experience of the review team in-country, and draws on knowledge from previous OECD work. The review offers suggestions that reflect the experience of other OECD countries and tries to identify the strengths and weaknesses associated with policy initiatives. The recommendations are not presented in order of priority, nor are they designed to offer a clear path for designing specific policies.

Chapter 1

Profile of Rural England

The OECD Rural Policy Reviews *analyse rural policy and the conditions that typically characterise development in rural areas: low population densities, absence of large cities, long distances between settlements and limited internal economic and social linkages. In this sense, the* Rural Review of England, UK *is no different. However as the characteristics visible in other OECD rural areas are either not all present, or are present but in markedly different ways, and urban rural interaction is more significant, this study of England offers an interesting perspective. Chapter one reveals that living close proximity to an urban place presents different rural "development" challenges. One such challenge in England is balancing push and pull factors, like preserving land and ensuring regional labour markets work efficiently and improving the availability of rural housing. This chapter sets the tone for the later policy discussion by providing an overview of the key aspects of rurality in England. The first section introduces the definition of "rurality" in the context of the OECD and England. The second section analyses rural demographic trends, focusing on the impact of migrants and commuting patterns in rural England. This is followed, in the third section, by a look at the socio-economic conditions typical to rural England; poverty, social exclusion, the availability of services and housing are some of the issues discussed. The last two sections, provide a sense of not just the rural economy but the factors that have the greatest potential to drive rural economic development.*

1.1. Key points

Using the OECD definition, only about 10% of England's population is considered rural. England has no predominantly rural regions and is above the OECD average for intermediate and predominantly urban regions in terms of territory, population and share of GDP. In intermediate regions the rural population makes up about 28% of the total population while it is about 4% of the population in predominantly urban regions.

On average, social-economic indicators are stronger in England's rural areas than in urban areas. Significant inflows of retirees and commuters from urban regions of England have resulted in an increasing rural population making the rural regions older and wealthier. While aggregate indicators show that rural residents have a good quality of life, there is considerable evidence that not all rural residents are in this situation. In rural areas, just as is the case in cities, there are people who: have well below average incomes, suffer from limited access to basic services, and live in substandard housing.

Homelessness is lower in rural areas than in urban centres but housing affordability is a problem. In many rural communities there has been increasing competition for a relatively static housing stock. This is due to the combination of higher housing prices and lower household income relative to urban places. And a land planning system that tends to limit new housing construction in rural areas largely to preserve open space and to reduce energy consumption associated with dispersed settlements.

At the highest level of statistical aggregation the difference between the economic structure of rural England and urban England is minimal. This is largely because traditional rural industries have steadily declined. Rural labour market performance is good, but there are pockets of weakness. Productivity growth is lower in rural regions while, unemployment rates are lower in rural than urban England but follow the same trends. Self-employed and small businesses form the core of rural businesses, but rural entrepreneurs show a lower interest in expanding their businesses when compared to their urban counterparts.

The economy of rural England is diverse but planning policies that seek to prevent rural sprawl may be a barrier to rural business growth. Farm income is high on average compared to other EU countries, but English farmers face risk from the exchange rate and are more exposed to demand for non-commodity outputs. Tourism can play a role in improving rural household income and employment. Manufacturing is still a key sector in rural England and rural manufacturing firms seem to be seeking: more space for new facilities, better access to road transport, lower operating costs, and, in some cases, escape from an unproductive environment for labour relations. The service sector is the dominant source of income and employment in rural areas, but its size may decline as the role of the UK government in the economy decreases.

1.2. "Rural" is different in England

England is the largest part of the island of Great Britain, and the territory of the island is shared with two other countries, Scotland and Wales. These three countries plus Northern Ireland comprise the United Kingdom, which is the sovereign state. While the United Kingdom has a considerable amount of territory classified as predominantly rural, none of this is within England. Typically, the analysis of rural conditions and rural policy within the OECD has largely focused on conditions in predominantly rural areas. These areas are characterised by: low population densities, the absence of large cities, relatively long distances to major urban settlements and limited internal economic and social linkages. While there are significant rural areas within England they do not correspond to these characteristics.

... According to the OECD's typology there are no predominantly rural regions in England

England lies above the OECD average for intermediate and predominantly urban regions in terms of territory, population and share of GDP (Figure 1.1). Based on the OECD typology England has no predominantly rural regions, with the territory of the country being classified as predominantly urban (33%) or intermediate (67%) (Box 1.1). Using the OECD definition about 10% of England's population is considered rural. In intermediate regions the rural population makes up about 28% of the total population while it is about 4% of the population in predominantly urban regions. Rural England is largely peri-urban in character, where rural dwellers and territory are in close proximity to urban concentrations. Thus, England is in the same category within the OECD as, The Netherlands, New Zealand and Luxembourg, which all lack predominantly rural regions. Relative to other OECD countries, only the Netherlands has a higher population density than England. The predominantly rural territory in the UK is distributed as follows: 54% of Scotland, 41% of Wales and 47% of Northern Ireland.

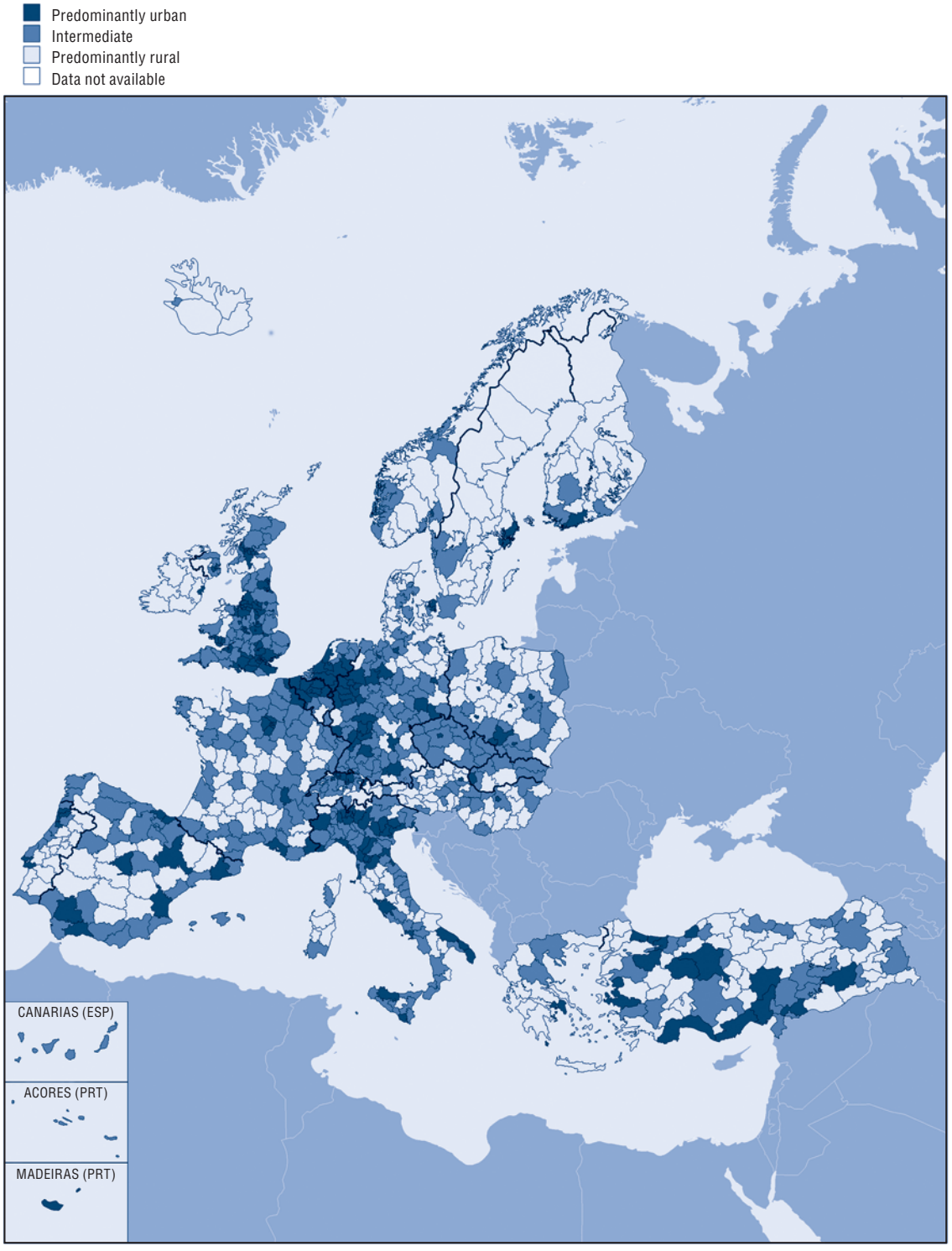
... but in England there are two dimensions to rural: statistical and cultural

This review utilises both the OECD definition of rurality and England's definition. The OECD's definition is usually used to compare across countries, but the absence of predominantly rural regions in England makes it difficult to draw meaningful comparisons. As a result, the balance of the discussion uses England's rural typology and concept of rurality as the basis for analysis.

Statistical concepts

Two statistical definitions of rurality are used by the UK government for England. They operate at two very different spatial levels. In England, as in other OECD countries, the definition of rural is mainly a matter of population density. Typically countries identify a threshold density above which the territory is considered urban and below which it is rural. In England settlements with 10 000 or more people are considered urban. When using large scale geographic units (counties or districts) there is no territory in England that can be considered rural. The finer the spatial grid used to make this determination, the larger the amount of rural population and territory that results. Because England is a relatively small country with a high average population density, a relatively fine grid is required to identify meaningful amounts of rural territory.

Figure 1.1. **Weight of England's rural areas**



Source: OECD (2009), *Regions at a Glance 2009*, OECD Publishing, Paris.

Box 1.1. **OECD regional typology**

Regional grid

The OECD has classified regions within each member country. The classifications are based on two territorial levels (TLs). The higher level (Territorial Level 2) consists of about 335 sub-national macro-regions across the OECD while the lower level (Territorial Level 3) is composed of more than 1 681 small regions across the OECD. All the regions are defined within national borders and in most cases correspond to administrative regions. Each TL3 region is contained within a TL2 region (except in Germany and the United States). This classification facilitates greater comparability of regions at the same territorial level.

Regional typology

To take account of the different "geography" of each region and facilitate meaningful comparisons between regions of the same type and level, the OECD has established a regional typology. This typology is based on the percentage of regional population living in rural or urban communities and classifies TL3 regions as predominantly urban, predominantly rural, and intermediate. In terms of rural the criteria used is:

Population density:	A community is defined as ***rural*** if its population density is below 150 inhabitants per km^2 (500 inhabitants for Japan to account for the fact that its national population density exceeds 300 inhabitants per km^2).
Settlement patterns:	A region is classified as: ***Predominantly rural*** if more than 50% of its population lives in rural communities, ***Predominantly urban*** if less than 15% of the population lives in rural communities, and ***Intermediate*** if the share of the population living in rural communities is between 15% and 50%.

Source: OECD (2009), *Regions at a Glance 2009*, OECD Publications, Paris.

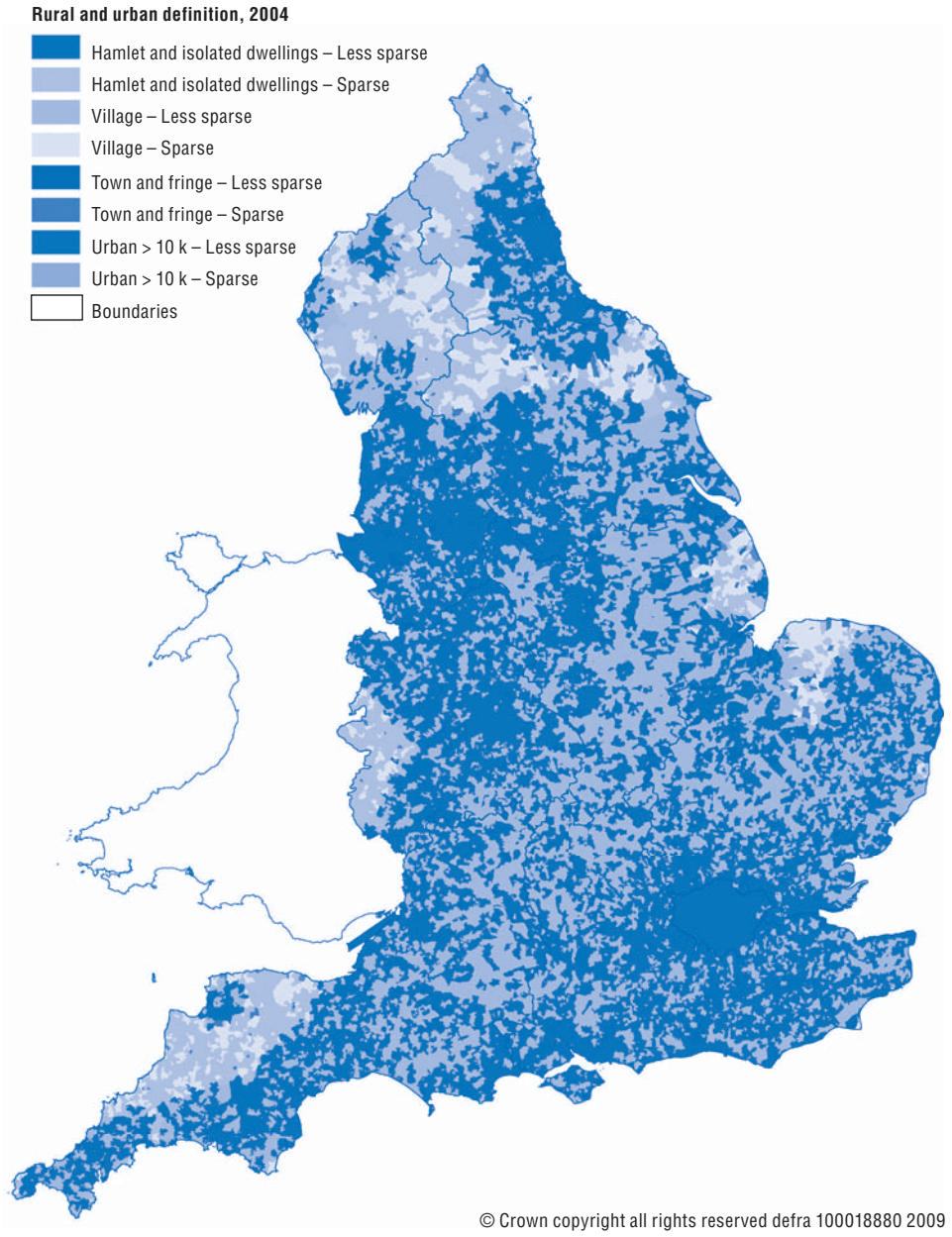
The most common definition was developed by the UK Office of National Statistics (ONS). Every part of the UK is assigned to a one hectare size grid and categorised as to settlement form. Then each grid is defined as sparse or less sparse on the basis of the number of households in adjoining grids up to 30 km distant. Table 1.1 shows the different levels of detail possible under ONS rural and urban area definition for population sparsity and settlement type and the map in Figure 1.2 shows the sparse and less sparse territory in England. Using the ONS typology roughly 80% of England's population is classified as urban (living in a place of more than 10 000 inhabitants) and 20% is rural. Of the 9.6 million rural residents only 0.6 million, or 6%, live in sparse rural areas, but they are the vast majority of

Table 1.1. **Rural and urban definition**

Two class definition	Population sparsity definition	Settlement type definition
Rural	Less sparse	Hamlet and isolated dwellings
		Village
		Town and fringe
	Sparse	Hamlet and isolated dwellings
		Village
		Town and fringe
Urban > 10 k	Less sparse	Urban >10 k
	Sparse	Urban >10 k

Source: CRC (2010), *State of the Countryside 2010*.

Figure 1.2. **Map: Definition in terms of sparsity**



Source: Defra.

the population in these areas, since there are only 100 000 urban residents in sparse regions. By contrast, the roughly 9 million rural residents in less sparse regions are only 20% of the total population in this category. One can roughly identify the less sparse territory as being adjacent to, or influenced by, urban settlements, while the sparse territory is relatively free from major urban influences.

Urban areas are those grids with more than 10 000 people but they could be sparse or less sparse depending on the number of households in the neighbouring grids. Three types of rural settlements are identified, town and fringe, village, and finally, hamlet and isolated dwellings as the third rural category. The process results in eight possible types of territory.

In many cases this is reduced to six possible categories by combining the two smallest size groups.

The second rural typology used in the UK is based upon existing administrative boundaries at the district level. This approach provides information that is more useful when the national government is not dealing directly with individual citizens or firms, but working through sub-national institutions. It is also useful when administrative data is being considered, since these data are only available on the basis of administrative boundaries. Three rural and three urban categories are defined. Figure 1.3 indicates the various district types. The typology is:

major urban: districts with either 100 000 people *or* 50% of their population in an urban area with a population of more than 750 000; there are 76 districts in this group;

large urban: districts with either 50 000 people *or* 50% of their population in one of 17 urban areas with a population between 250 000 and 750 000; there are 45 districts in this group;

other urban: districts with fewer than 37 000 people *or* less than 26% of their population in rural settlements and larger market towns; there are 55 districts in this group;

significant rural: districts with more than 37 000 people *and* more than 26% of their population in rural settlements and larger market towns; there are 53 districts in this group;

rural 50: districts with at least 50% but less than 80% of their population in rural settlements and larger market towns; there are 52 districts in this group; and

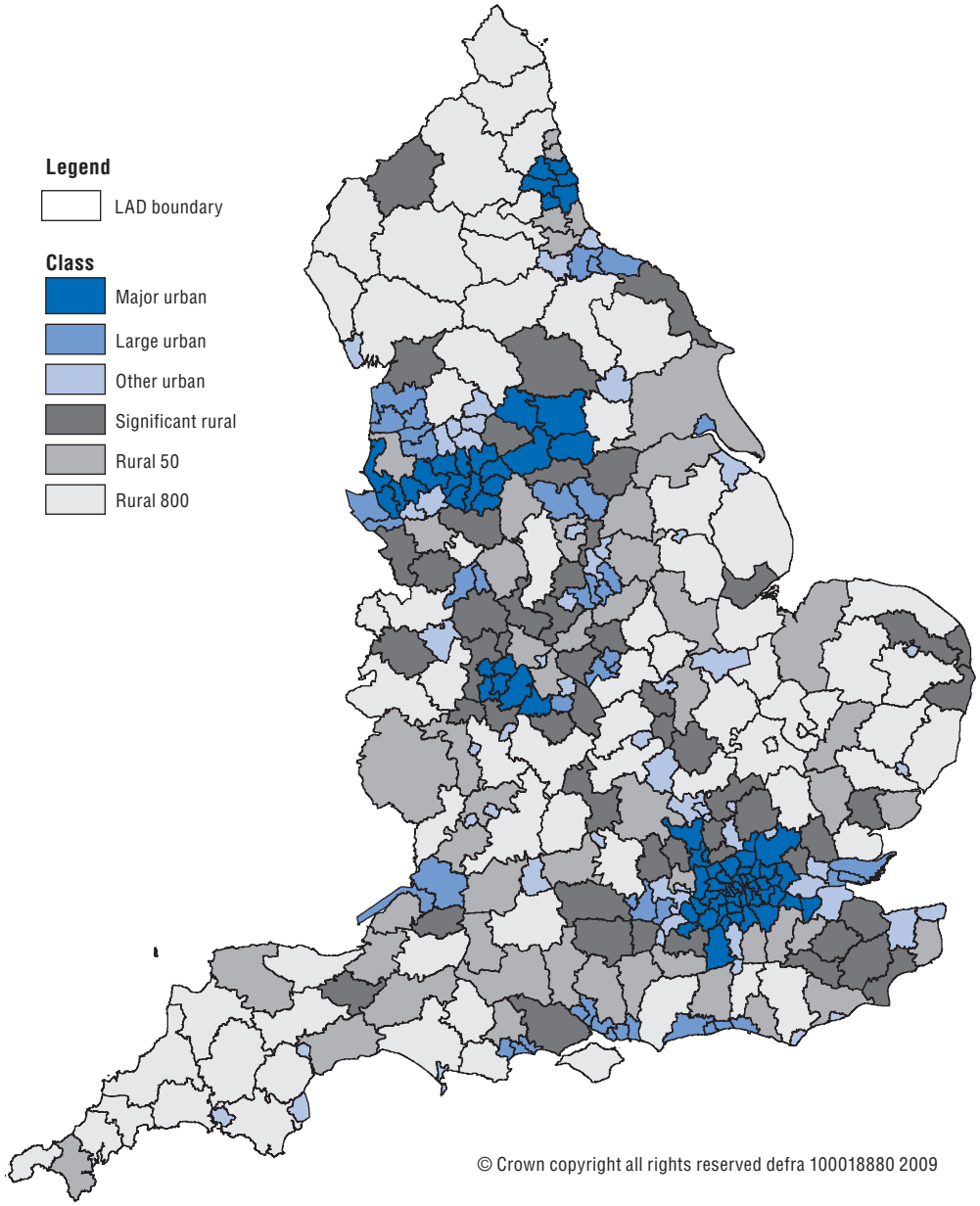
rural 80: districts with at least 80% of their population in rural settlements and larger market towns there are 73 districts in this group.

In England a key distinction can be drawn between accessible and non-accessible rural. The opportunities and pressures on the population in each type of place are considerably different because of the strong rural-urban linkages in the accessible part of rural England. Moreover, much of rural England is accessible, so the majority of the rural population is found in this type of territory. In terms of the OECD typology one would consider accessible rural to be primarily the rural locations found in predominantly urban and intermediate regions, while inaccessible rural would largely correspond to predominantly rural category. However, these are two distinctly different typologies. The OECD definition contains both urban and rural territory in each category, and the difference among OECD categories reflects the share of the regional population that is urban or rural. By contrast, accessible, non-accessible and non-rural categories are mutually exclusive categories.

Cultural

The rural dimension. Much of how England is defined, both by its residents and by the rest of the world, has a rural dimension. One stereotype is the classic image of the countryside with pastoral views and rustic cottages. While there is far more to rural England than this image it still resonates, and it motivates people from abroad to visit England and English city dwellers to imagine living a better rural life. In England, to a greater extent than in other OECD countries, the ideal life for the majority of the population takes place in the "countryside". While there are many definitions of the countryside, the common elements are a pastoral setting that shows clear evidence of human occupation. In general the rural areas of England that are adjacent to urban areas are more likely to satisfy this notion of the

Figure 1.3. **Map: Definition based upon existing administrative boundaries**



Note: This map refers to the pre-2009 local authority rural-urban classification, which pre-dates the reorganisation of local government in April 2009.

Source: Defra.

countryside than are more isolated rural areas, which increases the former's attractiveness to urban residents who are contemplating relocation to a rural setting.

Adding to the allure of rural England is the richness of the natural environment, the vast amount of historical and cultural sites.[1] Rural England is home to 17 World Heritage Sites (*e.g.* Stonehenge), over 400 historic properties and 4 000 Sites of Special Scientific Interest (SSSIs). There are 224 National Nature Reserves, and 33 Areas of Outstanding Natural Beauty designations. England's most dramatic and remote landscapes, the nine National Parks, host more than 70 million visitors each year (State of the Natural Environment, 2008).

Approximately 1 400 Local Nature Reserves cover about 35 000 ha. These are a mix, ranging from: windswept coastal headlands, ancient woodlands and flower-rich meadows; to former inner city railways, abandoned landfill sites and industrial areas re-habitated by wildlife. Further, 33% (1 057 km) of the English coastline is conserved as Heritage Coasts.

Like most OECD countries, most of the rural land in England is involved in agriculture, with a large share of the land base cropped and the rest in pasture and woods. Also, like the rest of the OECD, the majority of the rural population is engaged in some other occupation than farming. Unlike most of the OECD, the vast majority of the English rural population is less than a 30 minute drive from a city of at least 50 000 inhabitants. It is this close connection between urban and rural that perhaps is the dominant feature of English rurality. In addition, the combination of proximity and the strong sense of cultural attachment mean that the condition of the countryside takes on a far higher social and political profile than might be expected in a highly urbanised society. This results in large popular support for the countryside and its residents, but the support is often linked to the "rural idyll" perspective of countryside life. The compatibility of this perception with the development of rural areas is seemingly secondary.

Settlement patterns. The settlement pattern in rural England has resulted in a large number of very small or micro-communities. Indeed, much of rural England is characterised by villages and hamlets. A large share of the English population, 6.7%, lives in places with less than 500 people. Only places of 30 000 and above, which account for 71% of the population, have a larger population share. Thus, of the 20% of the English population found in rural areas, roughly one third live in places smaller than 500. About another 6% of the English population live in places between 500 and 2 500 in size. In total these two groups account for about two-thirds of the rural population. It is this dispersed pattern of settlement with small villages interspersed among open countryside that makes rural England attractive to both urban residents and international travellers.

Accessible rural areas have a much harder time maintaining a distinct rural nature and an independent economic structure. However, they have a clear advantage, in that they are able to access the goods and services available in urban centres. By doing this they avoid some endemic problems associated with rural areas-scale, density and critical mass. While accessible areas are spatially separate from urban centres they benefit from the same agglomeration effects. But this access flows in two directions. They face inflows of urban residents seeking retirement or secondary homes in the countryside and countryside recreational opportunities. The urban influence can result in direct impacts like competition for housing and indirect influence, like planning restrictions on development to ensure that the countryside maintains a character that is most compatible with urban interests.

By contrast, remote rural places are largely unable to "borrow" from neighbours because distances are too great. Their economic and social systems are far more self-contained, even though they too are connected to national and global markets. In these areas, unique problems are evident, specifically: high public service delivery and access costs, the necessity for long distance commuting and a clear differentiation in the quality of life between those with and without access to an automobile. Small remote places are less likely to be able to sustain basic retail and service functions without high levels of subsidy because there are too few occupants to cover the cost of delivery. As such, this population of about 6.2 million people introduces a particular challenge for the planning system when it examines service delivery and issues of community viability. In addition these communities are too small to

act as local independent labour markets, especially given the high proportion of retired people in rural England. Thus, in these more remote regions, the loss of basic services within the village can have major implications for long term community viability.

Housing is an important aspect of the micro-community dilemma. In any small community even a handful of new homes represent a significant increment to the housing stock. But adding a small number of new homes does not address the fundamental problem of high cost for servicing the community, nor its "too small" size problem to be attractive for either retail businesses or many potential employers. However, the majority of these communities are "well-connected", either to neighbouring places, where they can in aggregate form a functional region, or to larger urban places where they are part of a larger regional economy. Because England is small, densely settled and has a strong public and private transport system, the majority of rural residents in small places have access to employment, retail establishments and public services in a relatively timely way, even though it may involve using either public transport or a private automobile.

In a sense accessible rural areas can be thought of as neighbourhoods that are part of an urban agglomeration, but with a green space buffer surrounding each neighbourhood. Just as in the urban space, rural neighbourhoods can have different characteristics but have to be considered in the larger city context when making recommendations about their development. A key implication of this approach is that the idea of sustainability has to be rethought. A rural community should not be judged to be unsustainable in terms of self-sufficiency considerations when it is part of a larger functional metropolitan region that allows it to specialise in a small number of functions.

1.3. Rural England is growing and is better off

Unlike many OECD countries, the rural population in England has been growing over time and at a faster rate (Figure 1.4, Annex Figure 1.A1.1). This has resulted in the rural population being a relatively stable share of the total English population, with about 20% living in rural areas over the past few decades. Historically, rural areas were a major source of population for cities, as birth rates and family sizes remained larger in rural places than in urban centres. A combination of: large families, limited local job prospects and higher urban incomes led to rural outmigration in virtually all OECD countries for most of the twentieth century. But by the end of the century the rural outflow had declined in importance. Young people continue to leave rural England for urban areas either for additional education or in search of better jobs, but the number leaving has fallen as rural birth rates have declined.

... due in part to the inflow of older wealthy urbanites

Now the growth in the rural population largely comes from an influx of older native born individuals from urban areas in England. This inflow of older urban residents has made rural regions older and wealthier, as these individuals typically bring considerable wealth with them. Conversely, the increase in urban population largely comes from overseas immigration. In all of England birth rates have been falling, as is the case in virtually all OECD countries and natural replacement rates are now no longer capable of adding more people.

The eight English regions have different rural population shares. Figure 1.5 shows that the urban-rural population split among the regions, excluding London, varies considerably. The smallest rural share of population is in the Northwest, 12.2%, but this region has one of

Figure 1.4. **Rate of population increase 2001-05**

Source: ONS (2008). Resident population estimates, all persons, mid 2001-05; CRC (2008), *State of the Countryside 2008*.

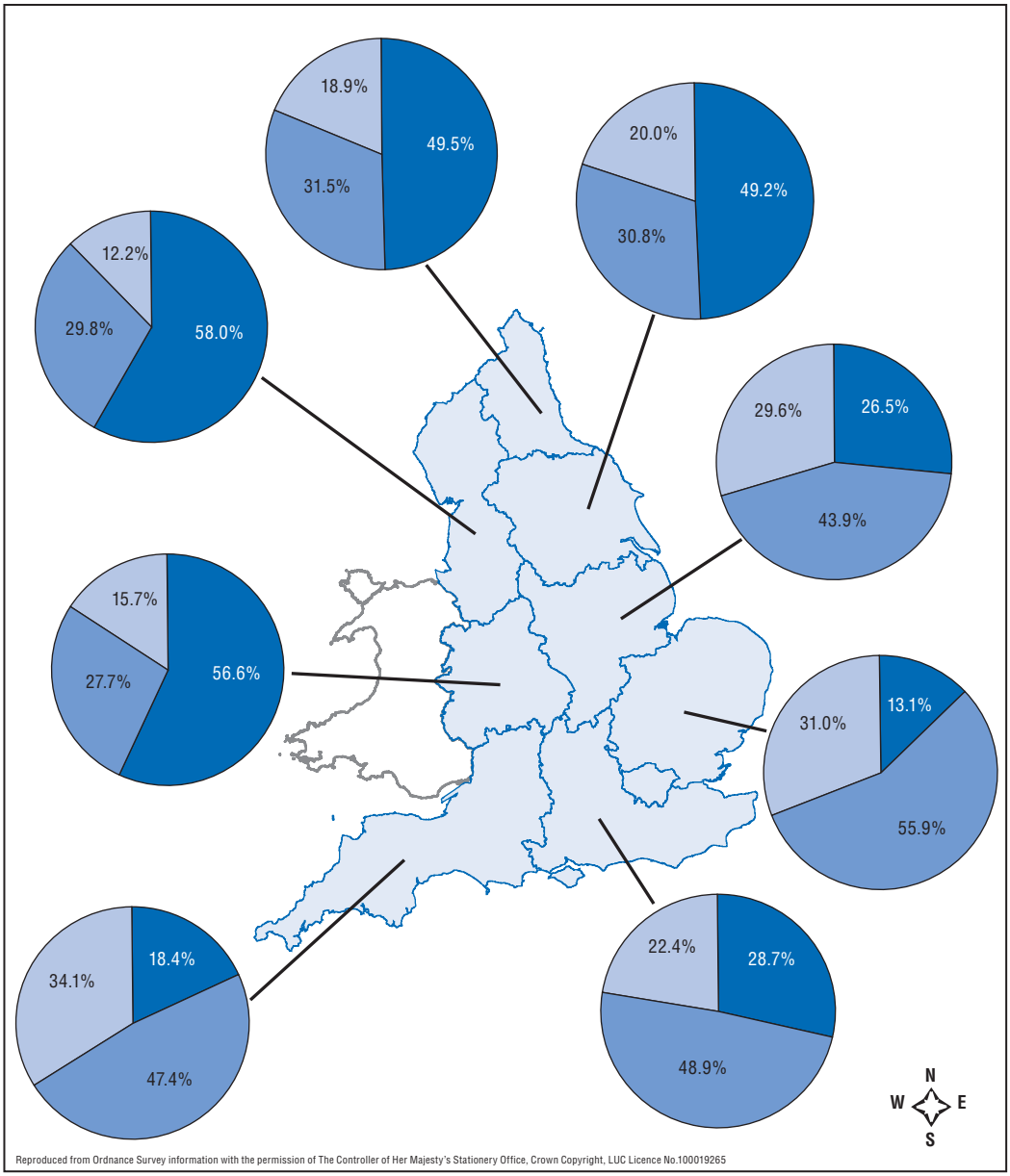
the highest amounts of sparse rural territory, The Southwest has over one third of its population in rural areas and also has a high degree of sparse settlement. From another perspective, the Southwest and the Northwest are experiencing the highest rates of urban to rural migration, because of the presence of high amenity locations. In general, the rural population is a larger share of the regional total population in the more southern regions, but these regions also have the highest share of rural less sparse territory, so there is greater urban-rural interaction. The distribution of rural settlement size also varies, with the regions in the north and east having a much higher share of the rural population in larger towns and villages, and the regions in the south and west having more small villages and hamlets.

… rural migrants are of three distinct types

At least three distinct types of rural migrants can be identified. The first are retirees who seek a place in the "countryside" to enjoy the ambience. These people look for places of considerable scenic beauty and with good public services. The second group includes commuters who continue to work in an urban setting and who look for a rural community having good road or rail access to urban centres. The third group is largely made up of immigrants who move to the countryside to take on jobs that the local population does not want or where there are too few local people to fill the positions. Economic migrants with low attachment to their new place of residence are part of the last category. If local employment opportunities weaken or better opportunities appear elsewhere they are likely to leave. Each type of migrant has different implications for the rural communities they reside in, and for rural policy.

Retirees bring their wealth and pension income to rural England and contribute to the demand for local retail sales and to the demand for some public services, particularly health care. They can also impact housing prices, especially in rural communities that are considered to be scenic. Although their presence may increase employment opportunities in those industries that provide them with services, they do not add to the local labour

Figure 1.5. **Regional distribution of population over time**



Source: CRC (2006), *State of the Countryside 2006*.

force. They may also strengthen community cohesion through their involvement in voluntary local activities. For government, the inevitable need by seniors for higher levels of health services creates additional cost when they locate in rural areas with limited health care facilities. Moreover, as people age their need for either in-home services or some form of residential care increases pressures to build additional capacity in places that may be too small in size to achieve low unit service costs.

Commuters bring wealth and income to rural places, but this can also lead to displacement of long time residents who cannot compete for the available housing stock. Commuters may have less attachment to the community than retirees because a significant portion of their life remains connected to the city where they work. Because they also incur large travel costs, in terms of time in transit, they tend to have less time to participate in the social life of the village, which reduces social cohesion. The high percentage of commuters in England also leads to ongoing pressure for better transit systems. While many commuters travel by train, which has higher fuel efficiency per commuter than automobiles, the capital costs to improve train capacity are high, especially when this capacity is only used for brief periods twice a day.

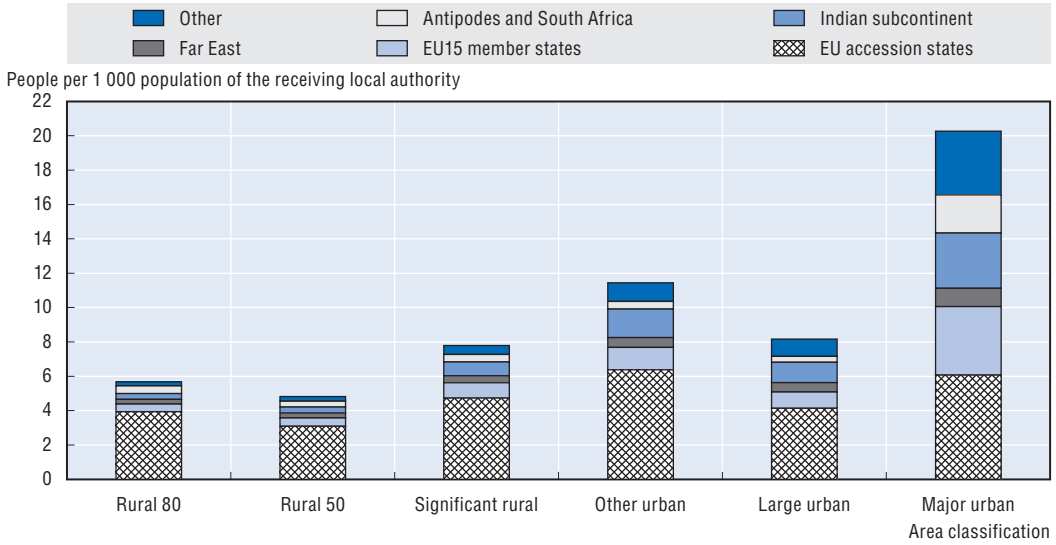
Overseas migrants have been an important part of rural population growth in some areas of England this past decade. This influx is largely associated with the liberalisation of internal border controls within the EU. Due to: open internal borders, a shortage of workers in traditional land based industries, growth in tourism and construction, and a relatively high wage rate, especially given the value of the pound within Europe, there has been a large number of individuals from Eastern Europe seeking work and higher incomes. These economic migrants tend to be found in somewhat different locations than other rural migrants because they move to places where employment is available, not necessarily where visual amenities are prevalent or where transport connections are good. Economic migrants tend to be younger, often without families, and tend to be ethnically dissimilar to urban immigrants (Figure 1.6). While more East Europeans settle in urban areas than in rural, they are by far the majority on non-native born migrants to rural England. Conversely, East Europeans account for roughly one third of immigrants in urban areas.

Because economic in-migrants are often non-native English speakers, they can place additional demands on public services for translation. While they make a positive contribution to the local economy by filling vacancies, which leads to higher levels of output; they typically earn relatively low wages and may compete with the native population for an already limited supply of low cost housing. Thus their contribution to economic output comes at a cost of additional demands on local public services.

… and shorter distances mean most residents whether rural or urban commute

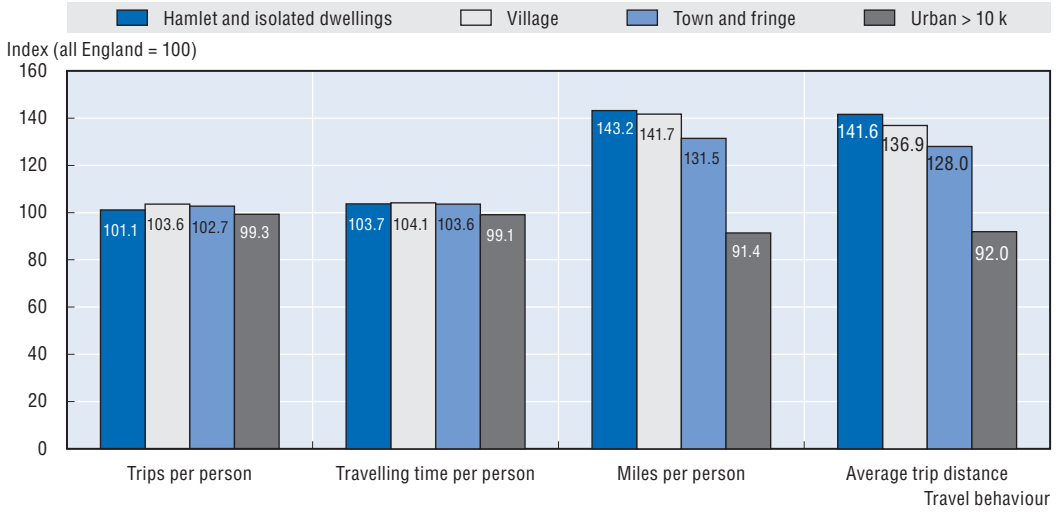
In England, most residents whether rural or urban residents commute and the share of English workers engaged in commuting, and commuting distances, have increased (Figure 1.7). Long distance commuting is an important way in which individuals reconcile their residential aspirations with their work, and is an important way for local labour markets to match employers and workers. On average, rural residents travel similar distances as their urban and suburban counterparts. In particular, 60.5% rural and 54.8% urban residents drive to work, while 8.7% rural and 2.8% urban walk to work. A higher proportion, of rural residents 16.7% work from home or 19.1% travel a very short distance to work compared to urban residents, 7.5% and 13.9%, respectively (OECD England

Figure 1.6. **Origin of overseas migrants 2006-07**



Notes:
i) Antipodes and South Africa – Australia, New Zealand and South Africa.
ii) Indian Sub-continent – India, Pakistan, Bangladesh, Nepal, Sri Lanka and Bhutan.
iii) Far East – China, Philippines, Thailand, Malaysia, Japan, South Korea, Vietnam, Singapore, Indonesia, Taiwan, Hong Kong, Mongolia, North Korea, Cambodia, Laos and East Timor.
Source: CRC (2008), *State of the Countryside 2008*.

Figure 1.7. **Trips, distance and travelling time per person, 2006 to 2008**



Source: CRC (2010), *State of the Countryside, 2010*.

Background Report). Also a higher proportion of urban residents 31.7% travel shorter distances on average 1-4 km to work compared to 17.3% of rural residents.

Three types of commuting

Three distinct forms of commuting are of interest: rural to urban commuting, urban to rural, and rural to rural. In the structure of commuting flows in rural England, Frost provides information on the importance of these three types of flow. For less sparse areas, 45% of commuters from town and fringe, 40% of commuters from villages, and 38% of commuters

from dispersed households go to urban areas for work. Roughly a third in each category work where they live and the balance go to some other size place, including market towns. For sparse areas the share of urban commuters is much smaller at 10%, 16% and 15% respectively. A much larger share of residents in sparse areas (about 72%) work within sparse areas. All play an important role in balancing labour supply and demand, but the phenomenon of commuting also has important implications for the rural housing market and for social cohesion in many rural communities.

Rural to urban. Of the categories of commuting, rural to urban is the most discussed. It is usually seen as a way for urban areas to obtain sufficient workers to meet their demand for labour. It is usually described as an inward flow of under-employed rural workers who earn higher wages in urban employment. However this may describe a portion of the rural to urban flow in England, the more relevant aspect is of well paid urban professionals relocating to a peri-urban community to have a larger home in a more peaceful setting. England's relatively dense road and rail network facilitates commuting, and these workers can afford the out of pocket costs of commuting. This is an important phenomenon. According to Dent and Bond's work: *An Investigation into the Location and Commuting Patterns of Part-time and Full-time Workers in the United Kingdom*, people in the highest income quintile commute more than twice as far as people in the lowest income quintile (2008, pp. 3). Further, areas with low levels of socio-economic deprivation, such as peri-urban regions, have longer commuting distances (2008, pp. 20-21).

London plays a dominant role in rural to urban commuting. Residents in the rural area around London show the furthest average distance travelled for all urban conurbations, reflecting the longer reach of London into the surrounding rural countryside. The majority of these trips are by car with rail a distant second. Note that in general rural residents have the longest commutes, with the vast majority by car. Estimates from the study are that commuting will likely continue to increase in the future but the mix of modes of travel will include a larger share of rail. Although London has the largest impact on rural areas in terms of urban migrants seeking a rural lifestyle while retaining their urban occupation, the phenomenon is common in all English cities.

The secondary effect in rural areas from this influx of wealthy commuters is increased competition for the virtually fixed stock of housing, which leads to rapid price increases that in turn make it difficult for people earning lower local wages to afford a home. In addition, because the new residents are commuters they tend to retain many of their previous sources of goods and services, rather than making local purchases. As a result, there can be an increase in population, an increase in average household income and little increase in local retail sales. Finally, because the new migrants remain culturally attached to the city, their values and interests are typically different than those of long term residents, which can cause cohesion problems.

Urban to rural. The second type of flow, urban to rural, is to some extent a reflection of the first. In the near fringe of major cities there is often an outflow of workers living in social housing in the city to jobs in rural areas. High price rural housing and few vacancies force these people to remain living in cities where housing is available. Because commuters to the city make up a significant share of the rural workforce, there is often a local rural

labour deficit, especially for lower and moderate skill occupations, that is met by urban to rural commuters.

Rural to rural. The final flow, rural to rural, reflects two phenomena. The first is the fact that the majority of rural settlements are too small to act as autonomous local labour markets, so labour markets clear only with commuting. In reality most small rural settlements have too few employment opportunities for the resident workforce, even with the outflow of urban commuters. In addition, because rural housing markets tend to be dominated by urban in-migrants, it can be difficult for a typical rural worker who finds a job in another community to also find an affordable house in that community, forcing the worker to commute. Thus the relocation of households from urban to rural areas also contributes to an increase in rural to rural commuting.

1.4. Rural England has good socio-economic indicators

Rural England as a whole displays good socio-economic performance (Table 1.2) as compared to urban areas and experiences a positive migration balance. England's rural areas, like Scotland's, challenge the demographic profile typical of other OECD rural areas. Continuing a trend, rural households had higher average gross incomes than urban households in 2008 (Figure 1.A1.2). Median household income from all sources was highest in the smallest size rural category – hamlets and isolated dwellings. This could reflect the prevalence of farms, estates and other large properties in this category. However household income in villages is the second highest category and it exceeds income in the town and fringe areas, which in turn exceeds income in urban areas. Median household income for households in the hamlet and isolated dwelling category is GBP 33 145, which is 12% higher than the median household income of GBP 29 594 in urban areas (Table 1.A1.3).

In general, statistics for England show that rural people tend to live slightly longer and are somewhat healthier than people who live in urban areas. But because the average age is higher in rural than in urban areas, there is actually a higher incidence of disease; many major diseases, such as, cancer, heart disease and strokes, are more common for older individuals. Infant mortality rates are somewhat lower in rural than in urban areas. Teenage birth rates are significantly lower in rural areas than in urban, when measured for the same age cohort. Crime rates are also lower in rural England then in urban areas. England has developed an Index of Multiple Deprivation (IMD) which aggregates a number of social and economic indicators. The IMD for 2007 reaches its highest level in sparse urban areas, then in less sparse urban areas, followed by less sparse village, hamlet and isolated dwelling regions. All other regions fall below the national median of 17.08 (Figure 1.8).

The rural population that is adjacent to urban areas is typically able to take advantage of the agglomeration benefits of cities and still live in a more desirable location. This lifestyle includes a high level of commuting, both by train and automobile that allows access to higher order urban retail and public services. By contrast, residents in more remote rural (sparse) areas have less access, to affordable housing, to employment opportunities, to a broad mix of retail establishments, and to the same range and quality of public services. A key difference between more remote rural areas and more adjacent rural places is a constrained public transport system. While bus or rail service may exist in more remote areas, it is almost always infrequent. Further, although there is less congestion

Table 1.2. **Selected socio-economic indicators**

Comparison between rural and urban areas

Subject	Theme		Indicator	Rural compared with urban	"Very" rural" compared with other rural
Income	Low Income	1	Numbers in low income	Somewhat better	Similar
		2	By age group	Somewhat better	Similar
		3	By family type	Somewhat better	Similar
		4	By family work status	Similar	Similar
		5	Children	Much better	Similar
		6	Working-age adults	Somewhat better	Similar
		7	Older people	Similar	Similar
	Inequality	8	Income inequalities	n.a.	n.a.
Work	Lack of work	9	Unemployment	Much better	Better
		10	Lacking, but wanting, paid work	Somewhat better	Similar
		11	Out-of-work benefits recipients	Much better	Similar
	Disadvantage at work	12	Numbers in low pay	Similar	Worse
		13	Low pay by industry	Similar	Similar
		14	In receipt of tax credits	Similar	Similar
		15	Access to training	Similar	Similar
Education	Children	16	Education attainment at age 11	Similar	Similar
		17	Education attainment at age 16	Similar	Similar
		18	School exclusions	Somewhat better	
	Working-age adults	19	Without qualifications	Somewhat better	Similar
Health	Children	20	Low birth weight babies	Somewhat better	Similar
		21	Infant deaths	Somewhat better	Similar
		22	Underage pregnancies	Much better	Better
	Adults	23	Premature deaths	Somewhat better	Similar
		24	Longstanding illness/disability	Somewhat better	Similar
Housing	Quality	25	Non-decent homes	Worse	Worse
		26	Energy inefficient homes	Worse	Worse
		27	Fuel poverty	Worse	Worse
	Availability	28	Homelessness	Much better	Similar
		29	Overcrowding	Much better	Similar
		30	Mortgage arrears	Similar	Similar
Services		31	Help from social services	Similar	
		32	Without a bank account	Mixed	Better
		33	Access to transport	Worse	Worse
Community		34	Anxiety	Much better	
		35	Polarisation by housing tenure	Similar	Similar
		36	Dissatisfaction with local area	Much better	Better
		37	Victims of crime	Much better	

Note: *Somewhat better* is used to mean that the rural percentages are at least three-quarters of the urban percentage. For example, the 19% of the rural population in low-income households compares with the 25% of the urban population in low-income households.

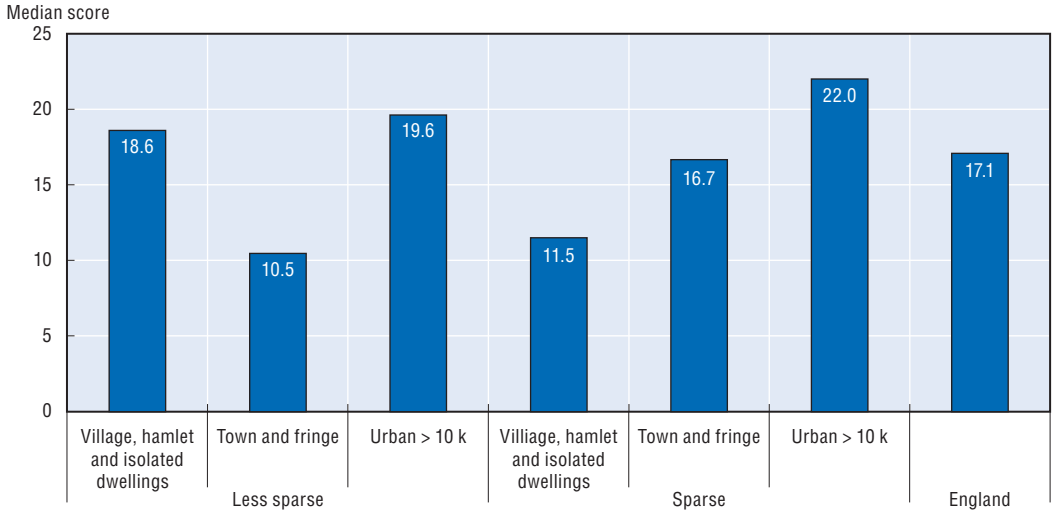
Source: Palmer, G. (2009), *Indicators of Poverty and Social Exclusion in Rural England: 2009*, A report for the Commission for Rural Communities.

on the road grid in remote areas, the general condition of roads is lower and the road network often has to manoeuvre round natural barriers, which increases travel time.

... but there is evidence of social exclusion

While proportionally lower and less concentrated than in urban areas, there is evidence of dispersed poverty in rural England. According to the Poverty Organisation in 2008, 21% of rural employees were paid less than GBP 7 per hour, 19% of the rural

Figure 1.8. **Index of multiple deprivation, 2007**



Source: CRC (2008), *State of the Countryside 2008*.

population – 17% pensioners – are in households with incomes below the government's low income threshold. Further, 11% of working-age adults receive out-of-work benefits, and 16% receive in-work tax credits over and above the standard family element. Rural areas were less likely to have access to cheaper fuel choices during the 2002-04 period – 22% of rural households were in fuel poverty (Palmer, 2009, *Indicators of Poverty*).

One way to characterise the plight of the disadvantaged is through the idea of social exclusion. As Shucksmith notes, poverty is a single dimension indicator that reflects limited income, while disadvantage cuts across multiple dimensions of well-being (Shucksmith, 2000, p. 12). A key difference between urban and rural disadvantage is that the less well off in urban areas tend to be geographically concentrated in specific neighbourhoods in a city, while the rural disadvantaged are more likely to be dispersed across the territory. The idea of social exclusion was developed to capture the multiple dimensions of the problem. In general it refers to the variety of ways in which an individual can find it hard to be integrated into society. While low income and the lack of employment, or underemployment, are dimensions of economic disadvantage, there are other forms of disadvantage, including, an inability to influence events in one's community, lack of social status, or lack of access to public transport. Arguably, it may be easier for an individual to independently alter her, or his, level of economic well-being than their social status, because one's economic welfare largely reflects employment. While obtaining a job may be difficult, it is a relatively simple task when compared to altering how one is perceived by one's peers.

The influx of wealthy urban residents into rural England can contribute to social exclusion. This may happen in two ways. Initially urban in-migrants may not be accepted into traditional rural society, thus they may be isolated from the local community. But, over time, as their numbers increase they often tend to take over the communities they are colonising. The newcomers typically, are better educated, have higher levels of wealth and income, and are often more familiar with the mechanics of government. This gives them an advantage in organising and influencing events both locally and at higher levels of authority. They may have limited interest in preserving a rural way of life that holds little

benefit for them. And, they have the economic means to satisfy their needs either locally or from urban sources.

Income poverty

Grouping sparse and less sparse rural areas together tends to mask important differences, and obscures pockets of poverty. There are important differences between rural households in sparse and less sparse regions with respect to poverty (Table 1.3). While households in less sparse regions, which make up the majority of rural households, have a lower rate of poverty than urban households, the converse is true for rural households in sparse regions. In 2006-07 the proportion of households with less than 60% of median income in urban areas was about 19%, while it was 18% in less sparse regions and 26% in sparse regions. This difference in condition relative to urban households between sparse and less sparse also holds for other socio-economic indicators. Thus while it is true that rural households in aggregate do better than urban, it is because the majority of rural is found in less sparse territory where conditions are slightly better than the rural average. However for the minority of rural

Table 1.3. **Comparison of poverty levels in sparse and less sparse rural areas**

Comment	Sparse	Less sparse
House poverty – The proportion of households in income poverty (60% of median income) is above the England average (24%) in all sparse rural ares but below the England average in less sparse villages, hamlets and isolate dwellings (2008 pay check data).	31% in town and fringe 27% in village 25% in hamlet and isolated dwelling	23% in town and fringe 20% in village 17% in hamlet % and isolated dwelling
Benefits dependency – A higher proportion of super Output Areas from sparse villages, hamlets and isolated dwelling and sparse town/ fringes are in the bottom 50%, *i.e.* most income deprived. (Indices of Deprivation 2007: Income Deprivation Domain).	28% of sparse hamlet, villages and isolated dwellings in most income deprived 50% 57% of sparse town/fringe in bottom 50%	12% of sparse hamlet, villages and isolated dwellings in most income deprived 50% 31% of sparse town/fringe in bottom 50%
Child poverty – There are significant differences in income poverty for children and young people depending on whether they live in sparse or less sparse rural areas. (Indices of Deprivation 2007: Income Deprivation Domain).	30% of sparse hamlet, villages and isolated dwellings in the bottom 50% for children and young people income deprivation 54% of households in sparse town and fringes in bottom in the bottom 50% for children and young people income deprivation	12% of sparse hamlet, villages and isolated dwellings in the bottom 50% for children and young people income deprivation 28% of households in sparse town and fringes in bottom in the bottom 50% for children and young people income deprivation
Pensioner poverty – Income for under 65 and 65-75 age groups is below the England average in sparse village and town/fringe areas (English Longitudinal Study of Ageing data, from SoTC 2007). For people older than 75 there is less difference between sparse and less sparse areas according to ID 2007 data, although HBAI data shows higher income poverty for older people in "very rural" districts.	88% of England average in sparse villages for under 65 age group 61% of England average for sparse town and fringe in under 65 age group 86% of England average in sparse villages for 65-75 age group 89% of England average for sparse town and fringe in 65-75 age group	131% of England average in less sparse villages for under 65 age group 106% of England average in less sparse town and fringe in under 65 age group 114% of England average in less sparse villages for 65-75 age group 101% of England average for less sparse town and fringe in 65-75 age group
Worklessness – The proportion of working households in sparse villages and town and fringe areas is less than the England average (46%), and correspondingly, the proportion of workless households is above the England average (34%) (SoTC, 2007).	37% of households in sparse villages are working, and 47% are workless 39% of households in sparse town and fringes are working, and 41% are workless	45% of households in less sparse villages are working, and 46 per cent are workless 32% of households in sparse town and fringes are working, and 35% are workless
Low pay – Gross weekly pay falls with increasing rurality (using 2007 ASHE data).	Gross weekly pay in Rural 80 districts was GBP 446, compared to an England average of GBP 463 in 2007	Gross weekly pay in Significant Rural districts was GBP 476

Source: CRC (2009), *Rural financial poverty: Priorities for action*.

located in sparse territory many indicators are systematically considerably worse than the urban average.

This suggests that there is a rural pattern of poverty that parallels the well understood segmentation by income class in urban areas. In parts of cities there are pockets of poverty and other undesirable conditions that co-exist with affluence in other parts of the city. Similarly, rural has its own dichotomy that loosely corresponds to better conditions in those rural places that are proximate to urban areas, with worse conditions in more remote regions. While the analogy between urban and rural deprivation is roughly true, an important difference is that in rural regions there are few geographic concentrations of poverty and other negative indicators. In a rural area, while there may be a high incidence of disadvantage, the individual households experiencing these conditions are likely to be scattered across a large geographic territory and not concentrated in a specific village or on a single road. This makes rural deprivation less visibly identifiable.

Fuel poverty

Moreover, there is a greater chance of being fuel poor in rural areas, 15.8% as opposed to 10.4% in urban (Table 1.4). This can be attributed to the age (pre-1919 versus post-1945 construction – better insulation) and the nature of rural houses (generally detached and larger than urban houses). For example, over 60% of the homes in urban areas and rural towns are cavity walled and on mains gas, but only 32% in villages and 21% in hamlets (CRC 2010, State of the Countryside).

Table 1.4. **Fuel poverty in rural and urban areas**

Rurality	% households in group		Number (1 000s) Households in group		Total number of households (1 000s)	*% Total fuel poor in group*
	Not fuel poor	Fuel poor	Not fuel poor	Fuel poor		
Urban	89.6	10.4	15 253	1 768	17 022	72.7
Rural	84.2	15.8	3 536	664	4 199	27.3

Source: OECD (2009), *England Background Report*.

... a need for more affordable housing

Housing is the single largest expense item for most households, and in rural England the cost of housing is on average a larger share of household income than in urban England. This reflects the trend to smaller family sizes, so that over time each housing unit is, on average, occupied by a smaller number of people and the growing rural population that has consistently exceeded the growth rate of housing. In 2007 the UK government commissioned a review of the rural economy with a focus on housing by MP Mathew Taylor. The review, *The Living Working Countryside*, was completed in 2008 and documents important gaps in housing in rural England. Taylor notes that between 1998 and 2008 the rural population increased by over 800 000 people, which is a 7% increase compared to a 3% increase in urban areas. Similarly, in its update to the State of the Countryside Report, the CRC projected that by 2031 the number of households in the most rural district is likely to increase by 37% in comparison to the household growth rate for England of 29% for the same period (Table 1.5).

Between 2007 and 2008, the number of new homes built across England decreased by 19%, from 175 000 to 142 000 (CLG, 2009, Housing Statistics). Similarly, over the past five years, the number of new built properties sold in rural areas across England was

Table 1.5. **Projected household estimates, 2006-2031 (national)**

Area classification	2006	2011	2016	2016	2021	2026	2031	2006-31 % change
Rural 80	2 553 000	2 735 000	2 932 000	2 932 000	3 131 000	3 321 000	3 497 000	37.0%
Rural 50	2 531 000	2 689 000	2 868 000	2 868 000	3 048 000	3 212 000	3 367 000	33.0%
Significant rural	2 808 000	2 984 000	3 183 000	3 183 000	3 372 000	3 553 000	3 711 000	32.2%
Other urban	2 932 000	3 113 000	3 296 000	3 296 000	3 478 000	3 644 000	3 799 000	29.6%
Large urban	3 194 000	3 356 000	3 540 000	3 540 000	3 716 000	3 882 000	4 030 000	26.2%
Major urban	7 500 000	7 869 000	8 286 000	8 286 000	8 687 000	9 064 000	9 407 000	25.4%
England	21 518 000	22 746 000	24 105 000	24 105 000	25 432 000	26 676 000	27 811 000	29.2%

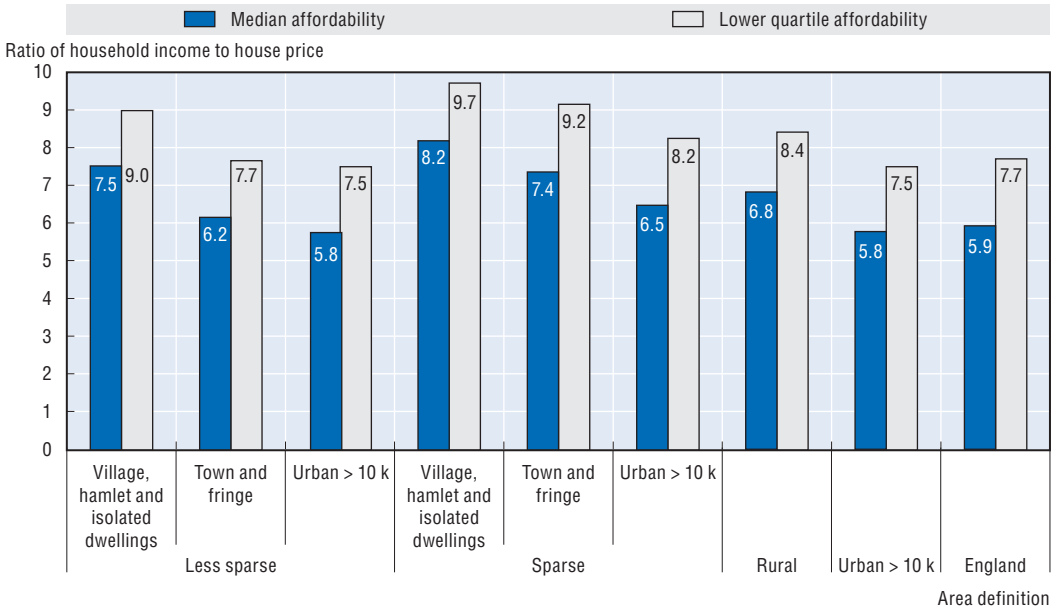
Source: CLG (2009), *Household estimates and projections by district, England, 1981-2031*; CRC (2010), *State of the Countryside Update.*

approximately 119 000 (CRC 2010, State of the Countryside Update). The resulting mismatch between supply and demand has led to a rapid increase in rural housing prices. As a consequence, wealthier in-migrants are able to purchase most of the available homes for sale while the locals, earning local wages, are less able to find homes that are affordable. Thus, affordability is a problem in rural England due to the combination of higher housing prices and lower household income relative to urban places. In 2007 a rural household earning an average income would pay an amount 7.7 times its annual income for an average price rural house, while an urban household with an average income would pay 5.9 times its annual income for an average house (Figure 1.9). There are important regional variations across the country with rural homes in the South and Midlands that are within the influence of London having greater affordability problems than houses in the north. Despite higher housing prices formal measures of homelessness are lower in rural areas than in urban centres, but to some extent this reflects the lower incidence of formal shelters and a greater likelihood of people staying with friends and relations in rural areas.

High prices for housing in rural areas can make the rural poor even worse off. The limited availability and high cost of housing in many parts of rural England affects both the quality of life of rural residents and the competitive position of the rural economy. In England rural house prices are higher both on average and for the lowest price quartile (Table 1.A1.1). In both sparse and less sparse territories average house prices in the smallest communities (hamlets and isolated dwellings) exceed house prices in the larger urban areas (population >10 000) for 2000-07. For the lowest quartile of the housing stock this trend continues. While house prices fell with the onset of the recession there is still a considerable gap between urban and rural house prices.

Places with expensive rural housing tend to be located in areas with high amenity values that attract retirees and second home purchasers, or are convenient for urban commuters. These groups tend to have more financial resources than the local populace and are able to bid housing away from locals. The resulting high prices lead to lower income households having to spend a larger share of their income on housing than is the case in less desirable places. Although housing remains relatively affordable in less desirable parts of rural England, it is still a high multiple of average household earnings. Figure 1.9 shows that in smaller places, especially in sparse territory, it is harder for both the lower quartile of households and the median household to purchase a home than is the case in most urban areas.

Figure 1.9. **Median lower quartile housing affordability, 2007**



Notes:
i) Ratio calculated using postcode level house sale data and output area level household income data. Area definition ratios use the median of respective postcode ratios.
ii) As the affordability ratio figure increases, houses become less affordable.
iii) Methodology differs to previous years, when mean output area house price and household income were used, and is therefore not comparable.

Source: CRC (2008), *State of the Countryside*.

Other complicating factors include the smaller share of social housing in the total housing mix than is the case in urban areas and, the preference in English culture for home ownership, which is adversely impacting the private rental market.[2] According to the housing statistics for 2008 households are split as follows: 68% are owner occupiers, 18% are social tenants, and 14% are private renters (CLG 2009, Housing Statistics). Social housing exists to ensure that market outcomes do not result in those with insufficient resources having no place to live. The lack of sufficient social housing is exacerbated by a relatively weak private rental housing market, and by a rural housing stock that has a much smaller share of apartments and smaller homes. This latter point contributes to a mismatch where older individuals can be trapped in a house that is now too large for their needs, thereby making it unavailable for a family with children. In addition, those rural areas with high levels of amenities also have a considerable share of their housing stock tied up as second or holiday homes (CRC 2005, State of the Countryside).

Finally, the planning system plays a major role in determining new housing availability. The Taylor report notes that the supply of housing in rural areas has increased by far less than is desired, due to a restrictive planning system that has emphasised the preservation of farmland and to placing new housing on brownfield sites, which are relatively uncommon in rural areas (Matthew Taylor Report 2007). A well recognised goal of the land planning system of England, from the immediate post World War II period up to the recent past, was to limit new housing construction in rural areas. Initially this reflected the goal of maintaining land in agriculture, but more recently it has been justified as a way to preserve open space and natural resources, and to reduce energy consumption

associated with dispersed settlements. In conflict with the planning goal has been: a desire by people to move to the countryside, a desire for more spacious dwellings and a decline in household size. In many rural communities the result has been increasing competition for a relatively static housing stock. Moreover, the same planning restrictions have tended to place limits on the amount of rural land that can be used for business purposes. Both, firms that might have wanted to locate in a rural community, and existing firms in rural communities that require additional space, have been adversely affected by restrictive planning, and consequently there are fewer local employment opportunities in rural places than might have been the case.

The limited supply of land zoned for new housing, combined with net in-migration to much of rural England, has resulted in excess demand for the available stock and a consequent increase in housing prices. Not surprisingly, the available stock of market housing is allocated to those with the greatest income and wealth, and these are often new migrants. Two consequences of this process are, a higher rate of outmigration of younger people, who might have wished to remain in their place of birth had housing been available, and reduced social cohesion between new residents and the longer-term residents whose children cannot find affordable housing.

… and rural residents face more difficulty in gaining access to public and private services

Households in rural areas in all OECD countries face more difficulty in gaining access to public and private services than do their urban counterparts. These difficulties include: a lower range of service types, less choice among service providers, more expensive services and higher travel costs to get to the service provider. More limited access to service contributes to a lower quality of life that may not be fully compensated for by the positive aspects of living in the countryside. Rural areas of England are changing demographically with the influx of urban migrants and immigrants seeking opportunity and quality of life advantages. These population shifts amplify an already broadly-based wave of swelling expectations: that life in the country should not mean less services and amenities. Therefore, along with perennial issues like affordable housing, equitable access to services is a requisite for continued rural development. And, in a "virtuous spiral", service sectors themselves become increasingly important parts of the rural economy (Box 1.2).

Services to the elderly

Service delivery for older persons can pose particular challenges. In July 2009 the Social Exclusion Task Force of the Cabinet Office released a report, *Working Together for Older People in Rural Areas*. Alongside the government's strategy on ageing, *Working Together for Older People in Rural Areas* is the final report of a joint project between the Social Exclusion Task Force and the Department for Environment, Food and Rural Affairs. This report examines evidence on the social exclusion experienced by older people in rural areas and identifies examples of innovative service delivery that can make a real difference in these areas.[3] Difficulties in accessing public services may themselves generate and/or perpetuate unequal capacities and life-chances and this can result in a form of administrative exclusion (Shucksmith, 2000). To improve access, government should look to innovative and imaginative transport models to provide older people, in particular, full access to public services so that they are not further disadvantaged.

Box 1.2. **The services sector's dominant role in OECD countries**

The service sector, in aggregate, now dominates total employment and value-added in OECD countries, accounting for more than 70% of these two measures (OECD (2005), *Growth in Services*). As shown in the below Table the role of services continues to increase in importance. While services play a slightly smaller role in rural regions than in urban, they are still the dominant component of the economy. This makes it clear that a vibrant service sector is both vital for a prosperous local economy and a crucial mechanism for ensuring that the needs of individual citizens are met. A by product of this phenomena is a growing interest in ensuring that the service sector contributes fully to economic growth within the regions of the OECD countries, both in terms of its direct effect and as a foundation, or input, for the production of the primary and secondary sectors. The concern applies to rural areas where there are particular challenges in service delivery.

Economy-sectoral contribution to gross value added

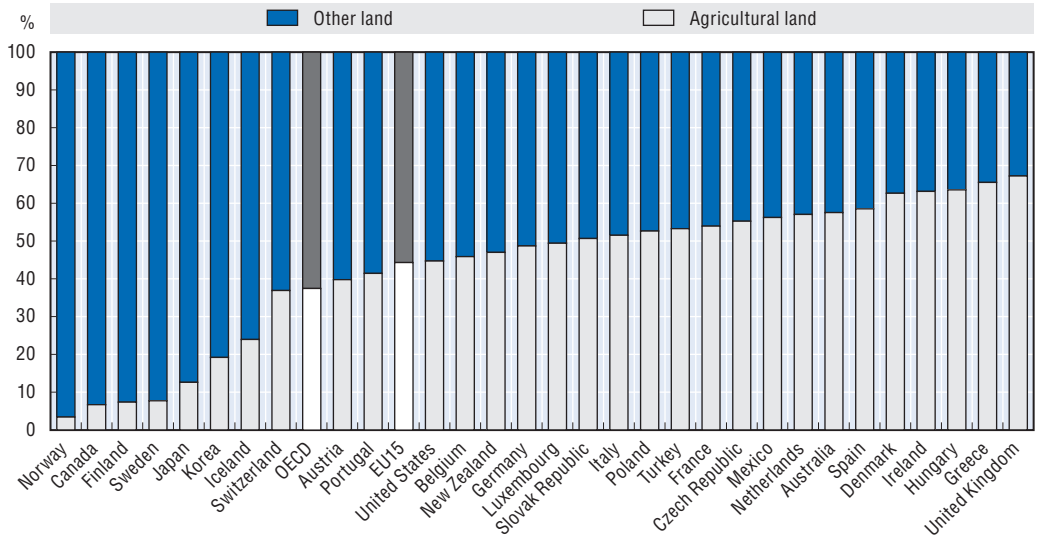
	Agriculture % of value added		Industry % of value added		Services % of value added	
	2007	1997	2007	1997	2007	1997
Australia	2.6	3.4	29.1	27.7	68.3	68.9
Austria	1.8	2.3	30.6	30.9	67.7	66.8
Belgium	0.8	1.6	23.9	28.4	75.3	70.1
Canada	2.2	2.5	31.7	30.9	66.1	66.6
Czech Republic	2.4	4.2	38.9	40.6	58.7	55.2
Denmark	1.2	3.2	26.5	25.6	72.4	71.2
Finland	3.3	4.1	32.6	32.3	64.2	63.7
France	2.2	3.2	20.4	23.5	77.4	73.3
Germany	0.9	1.3	30.4	31.0	68.7	67.7
Greece	3.8	7.7	20.4	20.0	75.9	72.2
Hungary	4.0	7.4	29.7	31.8	66.3	61.1
Iceland	5.8	9.8	23.7	28.9	70.5	61.3
Ireland	1.7	5.2	33.6	38.6	64.8	56.2
Italy	2.1	3.2	27.5	29.5	70.4	67.3
Japan	1.4	1.7	28.5	32.8	70.1	65.5
Korea	2.9	5.2	37.1	37.9	60.0	56.2
Luxembourg	0.4	0.8	15.6	20.9	84.0	78.2
Mexico	3.3	5.5	35.8	35.2	60.9	59.2
Netherlands	2.0	3.5	24.4	25.8	73.6	70.7
New Zealand	6.2	6.8	24.6	25.5	69.2	67.6
Norway	1.4	2.4	42.7	37.1	55.9	60.4
Poland	4.3	6.6	31.8	33.4	63.8	60.0
Portugal	2.5	4.6	24.5	29.1	73.0	66.3
Slovak Republic	3.6	5.3	39.3	35.2	57.2	59.5
Spain	2.9	5.0	29.8	29.3	67.4	65.7
Sweden	1.4	2.5	28.3	29.1	70.3	68.4
Switzerland	1.2	1.8	28.0	28.5	70.8	69.8
Turkey	8.7	10.8	27.8	37.2	63.5	52.2
United Kingdom	0.7	1.4	23.0	29.9	76.3	68.7
United States	1.3	1.7	21.8	25.5	76.9	72.8

Source: OECD (2009), *OECD in Figures 2009*; OECD (2010a), *Rural Policy Reviews: Strategies to Improve Rural Service Delivery*, OECD Publishing Paris.

Access to basic consumer services

Smaller places always offer a more limited set of services to residents because the local market is small. Since a relatively large share of the English rural population lives in very small communities they inevitably face a narrow set of local services. The high incidence of car ownership and increased commuting for work offers the opportunity to shop away from home. But this impacts the long-term viability of local service providers and further reduce locally available services. While those with cars may have acceptable access to services, those without cars are limited by the combination of few local service providers and weak rural public transport system. Figure 1.10 shows that between 2000 and 2008 there has been a slow, but steady, decline in the percentage of rural households with access to major consumer services. The notable exceptions to this are increases in access to cash points and to supermarkets, which reflects a shift in how banks deliver access and the growing role of supermarkets in the English retail system.

Figure 1.10. **Availability of services 2000-08**



Source: CRC (2008), *State of the Countryside*.

For rural services, especially in sparse locations, a proportionately larger number of service outlets are needed to compensate for the greater distance that rural users have to travel. Table 1.6 shows the number of service outlets by type in different geographies. The largest numbers of service providers are in urban areas, but this is not surprising, as the urban population is larger than the rural population. How much larger the share of rural outlets needs to be to deliver equivalent access to that available in urban areas is not known. Roughly 20% of the English population is found in rural areas, so one approximation of the appropriate rural share of service outlets might be 20%. As shown in the table, petrol stations, pubs, post offices and primary schools met this criterion. For some types of service, such as higher education or national government offices one might accept a lower share in rural areas, but for other services, including emergency health care and local food shops a higher share might be desirable.

Table 1.6. **Number of service outlets, 2010**

Service	Less sparse				Sparse				% in rural areas
	Hamlet and isolated dwellings	Village	Town and fringe	Urban > 10 K	Hamlet and isolated dwellings	Village	Town and fringe	Urban > 10 K	
Banks and building societies	27	29	1 106	9 265	2	21	222	67	13.1
Cashpoints (all)	889	1 636	3 220	48 508	69	173	309	153	11.5
Convenience stores	148	463	994	6 382	6	51	86	23	21.4
NHS dentists	43	107	728	7 009	4	5	80	27	12.1
GP surgeries (all sites)	69	490	1 250	8 173	13	81	84	17	19.5
GP surgeries (principal sites)	43	242	845	7 078	10	32	75	15	15.0
Hospitals	51	25	107	1 696	1	4	25	14	11.1
Job centres	1	1	14	572	1	0	6	6	3.8
Petrol stations	486	864	729	4 530	48	95	72	25	33.5
Pharmacies	35	74	1 155	10 253	1	12	104	42	11.8
Post offices (all)	290	1 816	1 385	5 031	106	289	80	18	44.0
Post offices (outreach)	72	368	15	13	45	95	2	0	97.9
Primary schools	581	2 463	1 720	11 668	93	244	97	26	30.8
Pubs and restaurants	2 061	4 851	2 982	19 365	227	475	246	103	35.8
Secondary schools	53	91	328	2 517	5	11	47	16	17.4
Supermarkets	33	69	845	5 007	6	10	83	23	17.2

Source: CRC (2010), *State of the Countryside*.

Transportation

The proportion of people living in households whose nearest bus stop is within a 13 minute walk and has a service at least once an hour is used as an indicator for access to a good bus service. For rural areas the availability of good bus service grew steadily between about 1997 and 2004. From 2004 the availability of good bus service has appeared to stabilise. The lower population densities and the distribution of service outlets are major determinants of rural travel behaviour. But there are aspects of this behaviour that show a marked similarity to urban residents' travel:

The number of trips per person per year, and the time spent travelling per person per year do not vary much, on average, and this has remained true for rural areas as much as urban.

On average, people everywhere make around 1 000 trips per year (though people in London make fewer trips), and spend a little over an hour per day travelling (though people in London and people in rural areas spend somewhat more time).

The main difference is in distance travelled and the modes used for travel. Rural people travel around 10 000 miles per year compared with around 7 000 for all English residents. Rural people use cars significantly more and use public transport or walking correspondingly less. The difference is most striking for distance travelled, but the number of trips highlights the differences in the use of transport modes other than the car.

Car ownership is higher in rural areas, which may be due to a combination of higher average incomes and a greater need for car ownership (due to the distance to services and to the lack of public transport). In 2005-06, 87% of residents in settlements with less than 3 000 people owned a car, compared with 70% nationally – the figures for owning two or more cars were 54% and 32% respectively. Car ownership for the lowest income groups is much higher in rural areas than in urban areas. In rural areas car ownership has risen for those on lower incomes, with two-car ownership rising especially fast.

Internet connectivity

Take-up of broadband varies geographically. Broadband use is now similar in rural and urban areas (on average). However the use is higher in the more wealthy areas of central, southern England where there are high levels of commuting to cities, and lower in more remote areas, especially in the East Midlands, the South West, and the North. Broadband use relates fairly closely to relative incomes in the different areas (Figure 1.A1.7). Access to the Internet has increased greatly with technological developments. First figures were available in 2002, when rural usage was at 44% of rural people; this rose to 62% in 2007. A "digital divide" has emerged with younger and wealthier people having greater access. Similarly, access to high speed broadband has emerged as an issue for rural households and businesses. The Internet offers the possibility for rural and urban firms to provide improved services in rural England, and for service providers in rural areas to offer their services outside their immediate territory. Access to high speed broadband capacity is crucial for rural areas to take advantage of these opportunities (OECD, 2010). In England approximately 30% of households (Figure 1.11) in villages, hamlets and isolated dwellings – sparse and less sparse – have Internet access at a speed of less than 1 megabit (Mbps) per second and 80% with less than 5 Mbps (CRC 2010, State of the Countryside).

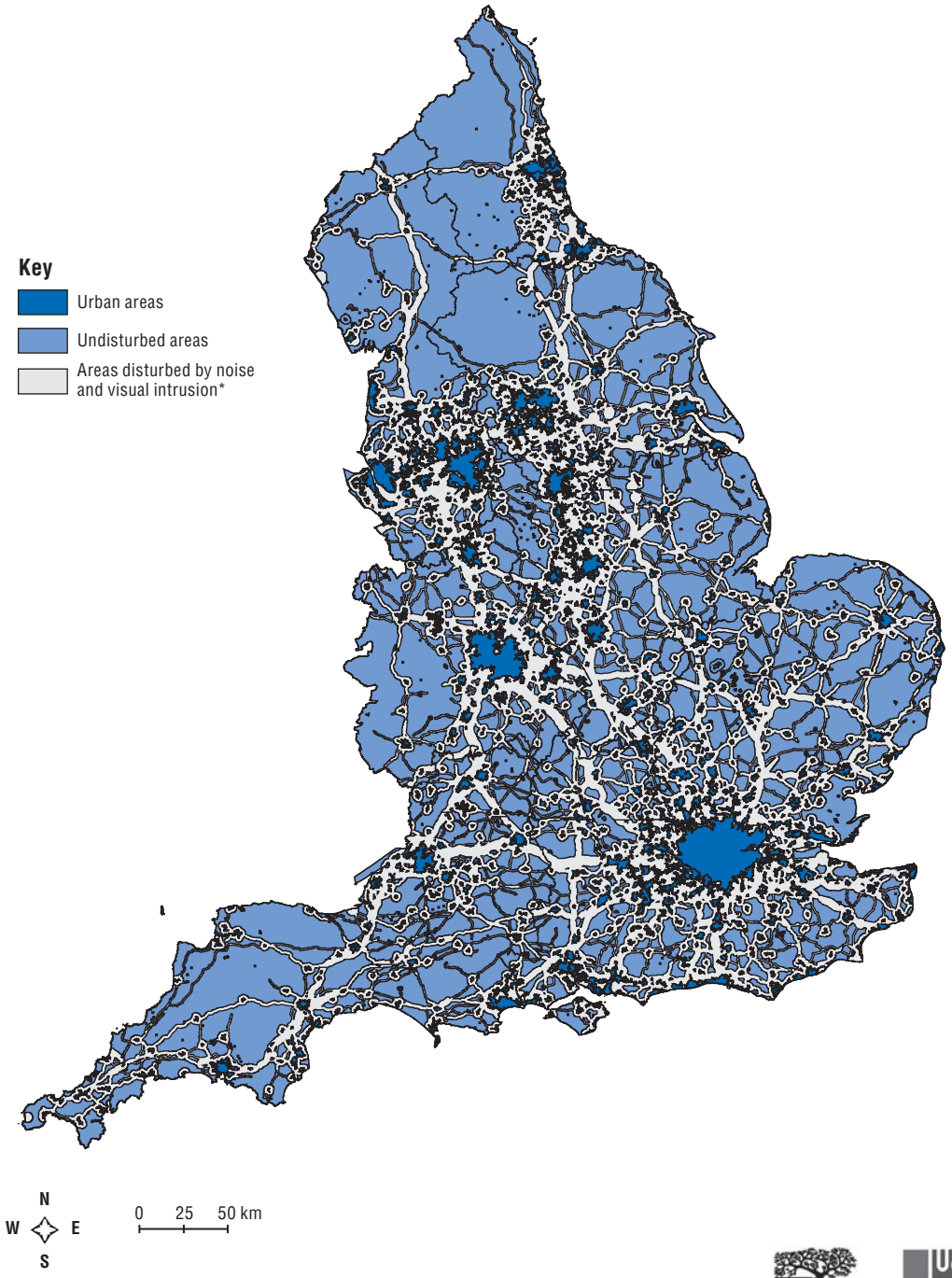
Rural dwellers tend to use the Internet more for looking for goods and services, but less for education and training. Some of this difference may reflect the older population of rural areas. But it seems logical to assume that much of the difference is due to lower accessibility to shops, but there is no formal evidence to make such a causal link, except that the relatively higher figures for villages and hamlets against rural towns would bear this out. In addition rural households use the Internet for more purchases than do urban households and the higher use is pronounced for food and groceries, household goods, and for travel and accommodation, but less so for music and DVDs, computer software, and electronic goods. This pattern would seem to point to both a higher proportion of older users in rural areas and people using the Internet to offset the limited access to services, but a definitive conclusion cannot be drawn from the data.

… Despite the strong perception, the English countryside is not overbuilt

There is very little land in England that could be characterised as wilderness – land that is largely untouched by human actions. Rural England has a diverse set of natural landscapes, but virtually all of England's territory is characterised as having experienced a high degree of management over an extended period of time. The land base that is currently least influenced by activity roughly corresponds to those areas that are most remote from urban centres. An important characteristic of the English landscape is the high percentage of land that is used for agriculture. England has one of the higher percentages of agricultural land in the OECD (Figure 1.12). Compared to many larger countries, a much larger percentage of England's land is suitable for growing crops. Historically, a major focus of rural policy in England was to ensure that this land be maintained in crop production for food security reasons. While the amount of land in farms has been declining over time (Figure 1.A1.3), it has declined faster for non-arable land than higher quality farmland, and it has declined at a slower rate than the increase in rural population.

England's rural areas also include a large coastline that has historically relied upon fishing and seaside recreation for its vitality. Both of these industries have been under

Figure 1.11. **ADSL Internet access speed, 2009**



* Areas disturbed by urban development, major infrastructure projects and other noise and visual intrusion.

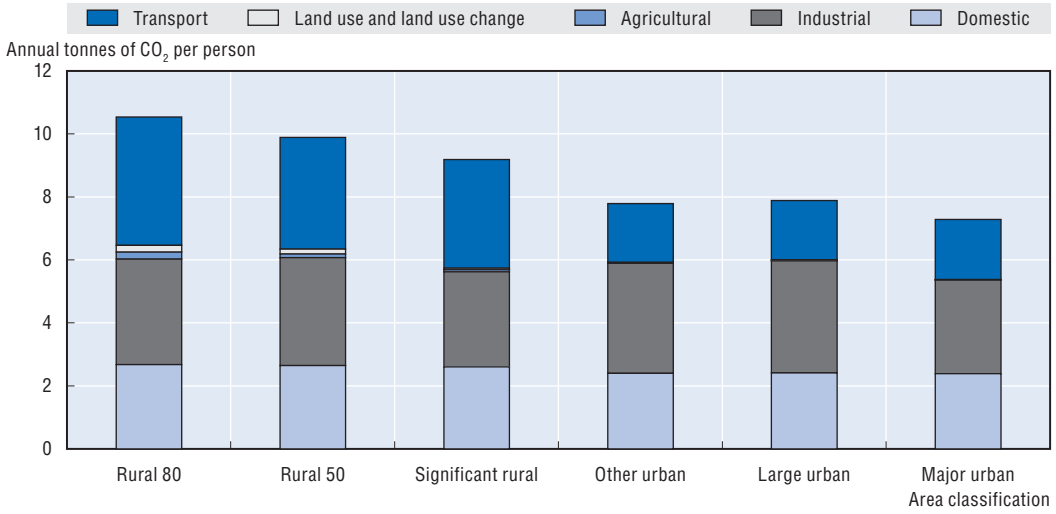
Produced on behalf of CPRE by Land Use Consultants

This map is based on data from 2001 to mid-2007.
For full information see the report available at *www.cpre.org.uk*

Source: CRC (2010), *State of the Countryside*.

Figure 1.12. **Share of agricultural land use in the national land area**

Average 2002-04



Note: National data for Austria, Belgium, Canada, Czech Republic, Denmark, France, Germany, Hungary, Ireland, Japan, Korea, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain and Turkey.

Source: OECD (2008), *Environmental Performance of Agriculture in OECD Countries Since 1990*, OECD Publishing Paris.

stress and renewal of the coastal economy is seen as a significant challenge, although surprisingly it is generally not seen as being a core part of rural policy.

Farming in more marginal areas has important amenity and environmental value. For example, livestock farming can be seen as having a primary value in terms of facilitating recreational activity in the Uplands region. The area is associated with marginal agriculture, particularly sheep production and to a lesser extent cattle. But many farms in the area are facing reductions in livestock production, as lower cost foreign production takes away market share. However, there are strong pressures to maintain farming in the Uplands, primarily because the local ecosystem has evolved to a state where farming, or some other form of active land management, is required to maintain the landscape and wildlife population.

Unlike rural areas in many other countries in the OECD, there is still a relatively large amount of rural land in large hereditary estates. Some of these remain in the hands of families who have owned them for centuries, others have changed hands relatively recently and still others are owned by the government, large corporations or the National Trust.[4] The estates contribute to the English notion of the countryside in a number of ways. Since many of these "stately homes" were created in the nineteenth century as a demonstration of economic success, they, in a sense, are an archetype for the still current aspiration to own a country home. They typify the ideals of the countryside through their landscape plans, and because many of these homes are tourist attractions they provide both rural income and a specific type of connection for the urban population to rural England. A characteristic feature of the large estates is a limited interest in selling land. While the share of land held by large estates varies by region, it represents a considerable amount of rural land in several regions. When this land is added to land that is formally designated for preservation, and unbuildable sites are also included, there is a much smaller amount of "developable" land in England than may at first appear.

… debunking the perception of the overbuilt English countryside

There is a strong perception in England that the countryside is overbuilt. This perception of excessive development may account for the considerable reluctance to allow additional construction in rural areas. While the majority of England remains un-urbanised (Figure 1.A1.4), the government has a target that at least 60% of new housing should be built on brownfield, or previously developed, land. In reality there are relatively large amounts of green space in all regions of England, even in London. While Greater London has virtually no rural land, it does have a considerable amount of green space – 38% of the territory, which does not include gardens. In other English regions the largest share of developed land is found in the South East at 12.2% with the South West having the smallest share at 7% (Barker, 2006, p. 45). The *Barker Review of Land Use Planning* commissioned a survey of attitudes in 2006 that found that 54% of respondents believed that half or more of the English territory is already developed (Barker, 2006, p. 44). By contrast Barker reports that the highest estimate of the actual share of developed land is 13.5%, with a low estimate of 8.3% Barker, 2006, p. 44). Strong restrictions on land conversion account for some of the concentration of the population on a small share of land. But, a significant amount of rural land is also precluded from development because it has been designated as protected.

A large share of the English countryside has been set aside for public use. In 2006 there were 1.67 million hectares of greenbelt in England, or about 13% of the English territory. Greenbelts are one of the most visible forms of restriction on development. Much of the land in the peri-urban area surrounding cities has been designated as open space. The primary purpose for designation is to limit urban sprawl, but a secondary effect is to create proximate green space for urban dwellers. Greenbelts have been used for decades in England to restrict the spatial extent of large urban centres. While agriculture provides the majority of land that is not brownfield for development, the amount of land leaving farming in any year has been under 5 000 hectares in recent years (OECD [2009], *Background Report*). While some land in greenbelts has been released for urban expansion, the amount of land in the various regions remains relatively constant (CRC 2007, State of the Countryside). Figure 1.A1.5 shows the share of greenfield development in rural areas.

When the percentage of designated land in England is totalled, including green belts, it results in about 62% of the territory being precluded from development. The major categories of designated lands include: national parks 8%; areas of outstanding natural beauty 16%; sites of special scientific interest 8%; and, environmentally sensitive areas 9%. Another 8% of the land base is designated for other types of environmentally related public purposes. However this total overstates the amount of protected land, since some parcels of land may fall in more than one category. For example, part of a national park may also be a site of special scientific interest. An additional 5% of rural land is unlikely to be available for development. This is land held by the Ministry of Defence – 263 000 hectares, the National Trust – 223 000 hectares and various water utilities 203 000 hectares (CRC 2005, State of the Countryside). Finally, most of the large private estates which control large blocks of land in several of the English regions have proved to be reluctant to develop land over their history and continue to show little interest in doing so despite recent high prices for land that can be used for housing. In addition some portion of the remaining land will be unbuildable due to topography, flooding risk or inaccessibility.

… preservation of the environment is an important part of social and political discourse

In many ways sustainable management of the natural environment is key to understanding rural policy in England. The strong cultural attachment by the population to the "English countryside" has led to a strong focus on environmental preservation. The environment has long played an important role in social and political discourse in England. But now concerns with climate change have added an additional dimension to an already complex topic. Concerns with the environment also include: accommodating population growth, the reduction of various types of pollution, protection of species, minimising the adverse effect of transport systems, waste management and managing land use in a sustainable way. These all have important implications for the quality of life of rural residents and on the economic structure of rural England.

Land preservation

Preservation of farmland is no longer the main factor conditioning the management of the rural environment. Over time the focus on agricultural productivity has been modified to include the production of non-commodity farm outputs, including wildlife habitat and visual amenities, and controls have been placed upon farming to limit adverse environmental consequences in the form of pollution and erosion. Biodiversity is in general improving on designated sites, with 2 051 hectares of new habitat established since 2004, but there are significant concerns about wildlife diversity on farmland, particularly as changes in the agricultural policy induce significant adjustments by farm managers that will bring set-aside land back into production (Box 1.3). As a member of the EU the UK government follows EU directives for the majority of its environmental protection standards. The Environment Agency plays the lead role in establishing regulations to achieve these standards. Air and water quality in rural England are steadily improving as pollution controls become more effective and enforcement increases. Since 1998, sulphur dioxide emissions have declined by 76%, and particulate emissions have declined by 37%. Solid waste produced has fallen by 14% since 2005.

… but there is tension between preserving land and improving the local economy

The tension between: preserving land in farms, protecting the natural environment, growing the local economy and ensuring an adequate supply of housing is increasing. While pesticides and synthetic fertiliser are important tools for increasing agricultural output, there is still some concern that current use rates may be causing undesirable environmental consequences. Food productivity is no longer the dominant issue it was in the immediate post-war era, and significant parts of the farming sector appear to have marginal productivity at current prices and with more open trade regimes. Moreover, non-agricultural uses of the countryside, for leisure based activities and for pure environmental preservation purposes, can conflict with agricultural production. While the housing sector has significant implications for the environment because of the widely-held English desire to live in the countryside, this desire can only be satisfied with a considerable increase in the rural housing stock. Moreover, increased rural housing inevitably leads to greater commuting, typically by car, and this has knock-on implications for air quality and fossil fuel consumption.

Typically, England's rural policy has not had a strong focus on coastal issues, but the majority of the coastline is outside urban areas. Because England is part of an island the marine ecosystem plays almost as significant a role as the terrestrial one. In particular climate change is projected to increase vulnerability to flooding in numerous coastal

Box 1.3. **Campaign for the Farmed Environment**

In the United Kingdom, the agricultural industry is under pressure to do more for the environment. Accordingly, the expectation is that each farmer should be doing their part to meet national environmental targets. To realise these expectations, the Campaign for the Farmed Environment a ground-breaking initiative to encourage environmentally friendly land management practices was launched. The initiative brings together a number of farming organisations[1] and government bodies[2] under one rubric. Second it aims to retain and exceed the environmental benefits previously provided by set aside. To do this the Campaign encourages and supports farmers and land managers to adopt new approaches to land management. The suggested measure can take the form of advice or practical demonstrations. Three themes form the core of the Campaign. **Resource protection** is one theme and the focus is on making better choices to protect soil and water. For example protecting watercourses by tackling the source of run-offs and flooding; slowing down pathways of soil erosion or creating a physical barrier. A second theme is **Farmland bird** and the measures are largely about ensuring that farmland birds receive seed food, have a nesting habitat, and an insect rich foraging habitat. Suggestions offered by the Campaign included supplying seed food during the winter and early spring by 2 ha of seed-rich cover crop. For the habitat, farmers could explore the creation and maintenance of networks of insect rich foraging habitats. Finally, there is a **Wildlife** theme which seeks to introduce different means of providing a variety of habitats to benefit wildlife. For instance, buffering and protecting water on farms to help protect and provide the habitat for bats, newts, water voles and other small mammals. The Campaign started nationally in November 2009 and has a local face in the form of Local Liaison Groups which were established in certain areas to act as the main point of activity.

1. The Farm organisations include: National Farmers Union, Country Land and Business Association, and Agricultural Industries Confederation.
2. The Government Departments include Defra, The Environment Agency, Natural England and the Royal Society for the Protection of Birds, a charity working to secure a healthy environment for birds and all wildlife.

Source: Campaign for the Farmed Environment website: *www.cfeonline.org.uk/*.

locations. In 2009-10 the majority, 56%, of the GBP 1.24 billion budget of the Environment Agency was allocated for flood and coastal risk management. This has important implications for examining the interaction between flood mitigation strategies and rural policy. A second clear coastal link is the potential for offshore wind power which will require new transmission capacity be constructed in proximate rural areas.

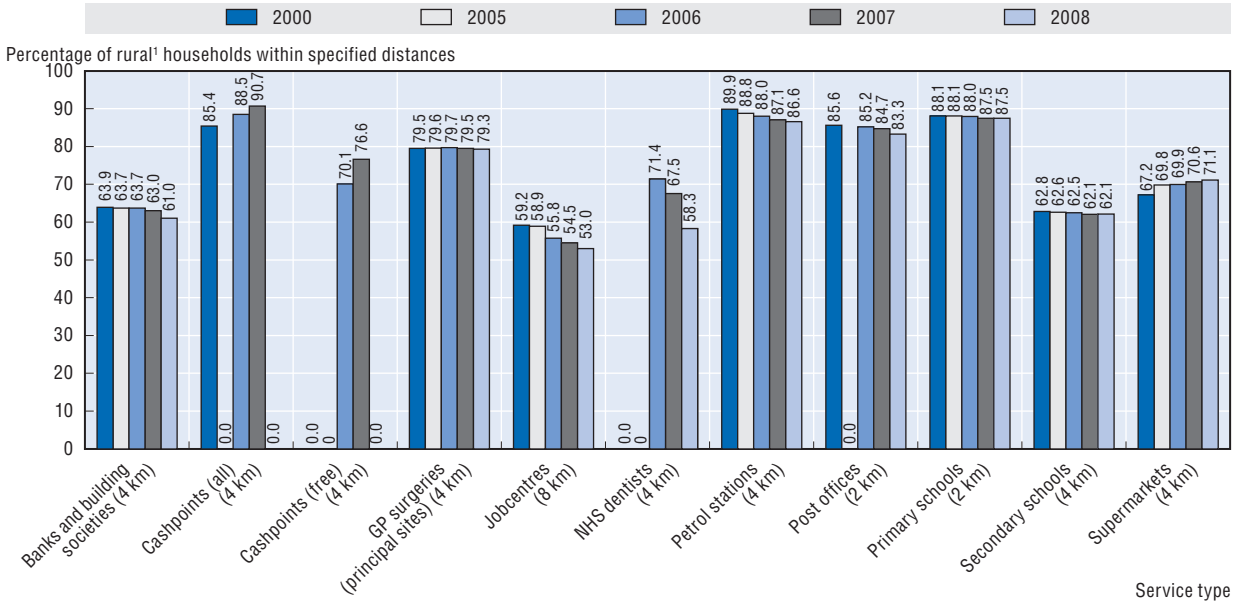
Recycling

In England there are ongoing efforts to encourage recycling by both households and businesses to reduce the waste stream. As a relatively small, highly urbanised country with a large and wealthy population waste management is an important environmental topic. It is equally important in the context of rural because rural areas typically receive urban waste for ultimate disposal. Thus, how waste policy is formulated has important consequence both for the environment and for the rural population. Recycling has become more common in England, but there is still a large waste stream that cannot be economically recycled. The cost of waste disposal continues to increase as standards for disposal sites are made stricter, existing sites reach their capacity and local opposition to new sites increases.

Noise and visual intrusion

An emerging, but significant issue in rural England is noise and visual intrusion. This concern reflects a decline in visual amenities caused by non-traditional land use such as power lines, wind turbines warehouses, groups of homes in a non-village setting, etc. It also reflects the noise associated with major roads and airport approach and departure routes. Figure 1.13 shows the extent of noise and visual disturbance in 2007. The pattern largely follows major urban agglomerations and major transport corridors with higher levels of disturbance in the more densely settled southern portion of England. Table 1.7 shows changes in the level of disturbance by region between the 1960s and 2007.

Figure 1.13. **Levels of intrusion in England, 2007**



Source: CRC (2008), *State of the Countryside*.

Table 1.7. **Change in the level of intrusion by region**

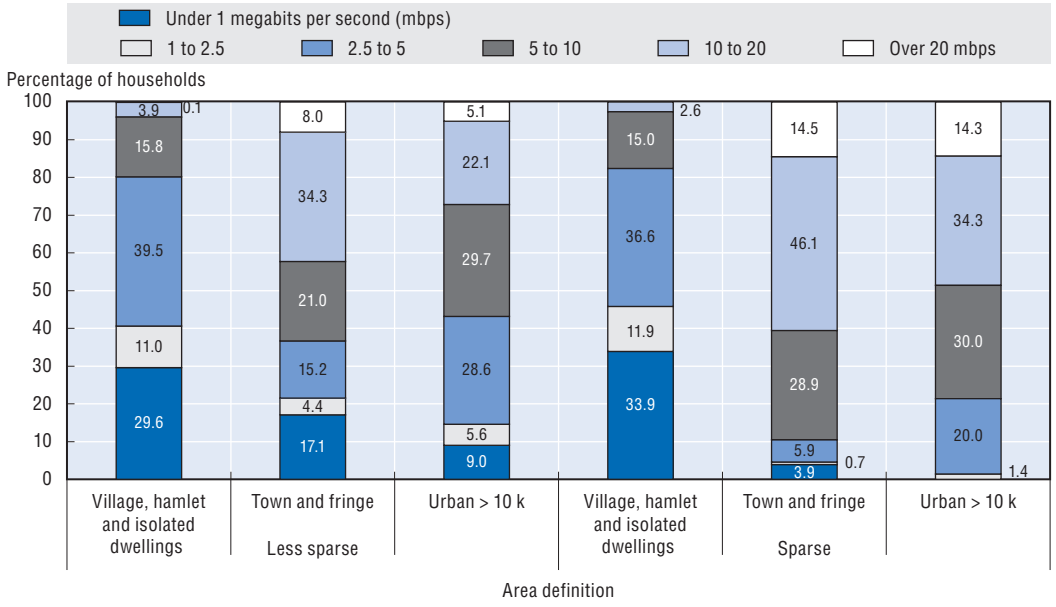
Region	Early 1960s		2007		% change 1960-2007
	Disturbed area (km^2)	% of region	Disturbed area (km^2)	% of region	
East Midlands	4 080	25.8	7 934	50.2	94.5
East of England	4 276	21.8	9 715	49.6	127.2
North East	2 127	24.5	3 010	34.7	41.5
North West	4 549	30.5	7 245	48.6	59.3
South East and London	7 947	37.8	14 541	69.2	83.0
South West	3 565	14.6	10 356	42.5	190.5
West Midlands	3 650	28.1	6 397	49.2	75.2
Yorkshire and Humber	3 739	24.0	7 141	45.9	91.0
England	33 934	25.5	66 340	49.9	95.5

Source: CRC 2008, State of the Countryside.

Climate change

Climate change is a crucial issue in the United Kingdom and the government has embarked upon a major effort to limit greenhouse gases as a way to mitigate carbon footprints and reduce emissions. Evidence suggests that on a per person basis the rural population has a larger emissions profile than urban residents (Figure 1.14). This largely reflects higher per capita transport emissions. However, some of these emissions are driven by the fact that the majority of the motorways and other major roads are in rural England, and even though most of the traffic on these roads reflects urban factors, the associated emissions are allocated to rural residents. A second factor is that rural residents are on average wealthier than urban residents and this income effect accounts for much of the higher use of cars. The figure also shows that agriculture and land conversion account for a minor amount of CO_2 emissions on a per capita basis, and by extension, in aggregate.

Figure 1.14. **Estimates of end user CO_2**



Source: CRC (2008), *State of the Countryside*.

The carbon footprint of various types of local authority does not vary by a large amount (Figure 1.A1.6). Rural Southern England has the highest carbon footprint with emissions of 13.4 tonnes of carbon per person. The hinterlands of industrial cities have the lowest level at 11.1 tonnes. This is a difference of 2.3 tonnes or 21%. However, Central London has 12.5 tonnes of carbon per person and the London suburbs are at 11.5 tonnes. Given the dominant role of London in the English population the absolute level of emissions from London may be a more pressing problem than the somewhat higher per capita emissions from rural areas.

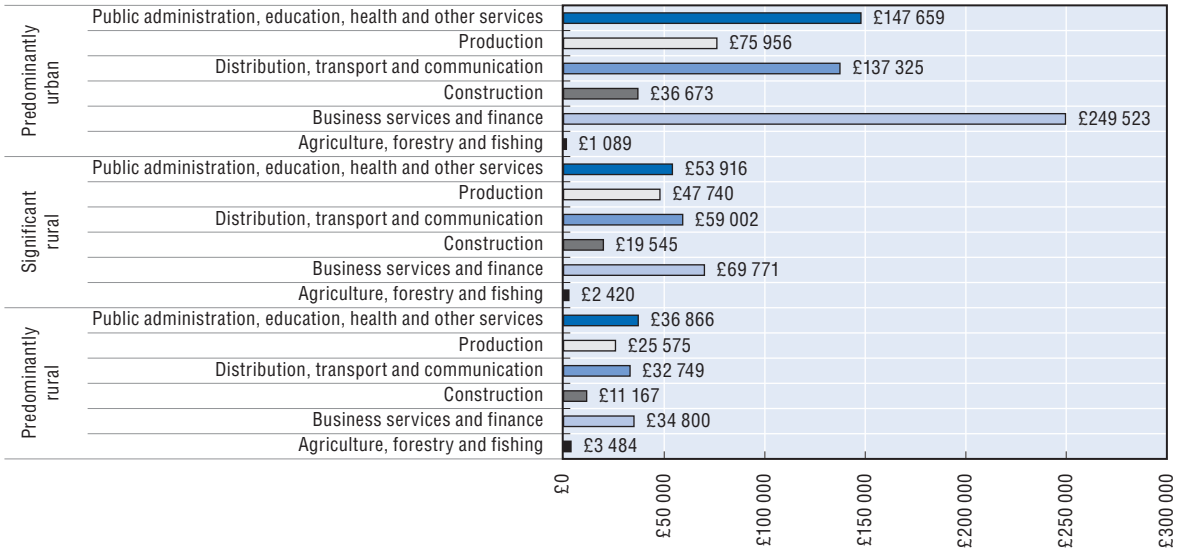
1.5. There is no "distinct" rural economy in England

In England, any discussion about the rural economy almost invariably begins with the statement "there is no distinctly 'rural' economy". This position is reinforced in the 2009 Report, *The Government's response to the report of the Rural Advocate: England's rural areas: steps to release their economic potential*. At the highest level of statistical aggregation there is indeed

little difference in economic structure between rural England and urban England. This is largely because industries traditionally associated with rural areas have steadily declined, such as, farming, mining, and seaside tourism (OECD [2009], *Background Report*). In particular, natural resource based industries, which are almost exclusively found in rural England, now account for a very small and shrinking share of GDP and employment (Figure 1.5).

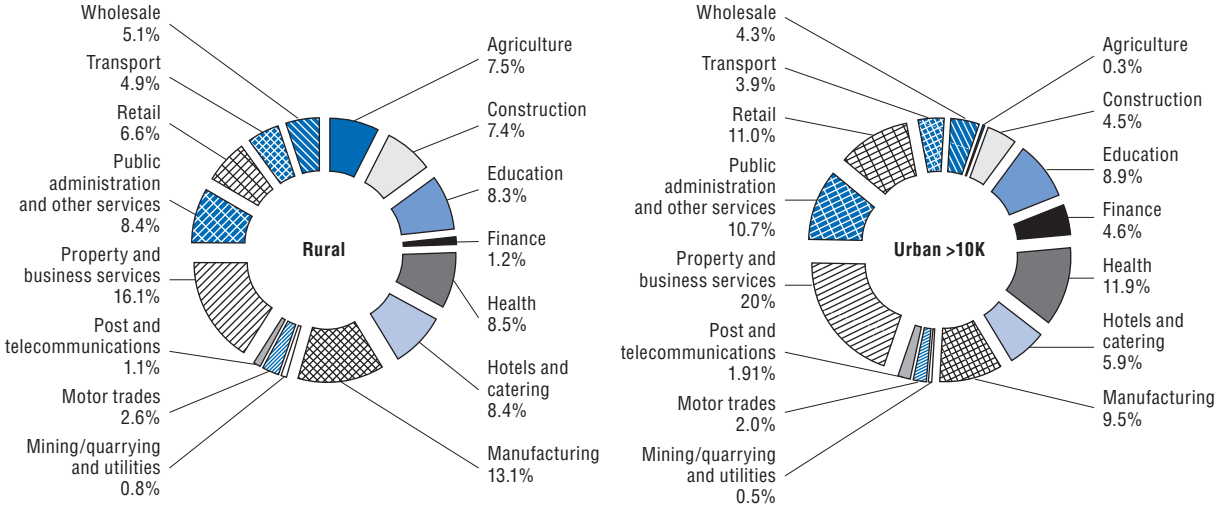
While there are modest urban-rural differences between the various sectors in terms of number of establishments in England, the relative importance of the various sectors, other than agriculture, is roughly similar. As in urban areas, the major source of income and employment in rural areas is the service sector (Figure 1.16). It is by far the largest source of employment and output and public sector employment is a relatively large share of all service employment.

Figure 1.15. **Gross value-added per industry in 2007**



Source: CRC (2010), *State of the Countryside*.

Figure 1.16. **Share of employment by broad industry group**



Source: CRC (2010), *State of the Countryside*.

The relative share of other major sectors, including manufacturing, construction and government, are roughly the same in urban and rural England. If similar calculations are carried out by employment it also appears that there are limited differences between urban and rural (SoC 2004, p. 234).Thus, when a broad national accounts perspective is adopted, the economic structure of rural England is roughly the same as that of urban England (Figure 1.16). Further, if a major justification for rural policy is to support agriculture then the steady decline in farm numbers and the shrinking share of employment in agriculture make this rationale for rural policy less relevant. Moreover, while agriculture remains the major land use it plays a marginal role in terms of economic output and employment. Manufacturing remains a significant economic force in some parts of the country, especially small and medium size firms. Nonetheless there are important challenges associated with the use of aggregate descriptors when designing rural policy and this is explored further in Chapter 3 of this review.

… labour market performance in rural England is good but has pockets of weakness…

Prior to the current recession unemployment rates in rural England were consistently lower than in more urbanised regions (Table 1.8). Similarly employment rates tend to be higher in rural than in urban areas with a larger share of the potential workforce actually employed (Table 1.9). England has a target rate of 80% for full employment, with this defined as being employed, or in work, education or government approved training. By this standard rural areas have consistently performed better than urban. In addition rural areas have a higher incidence of self-employment.

Table 1.8. **% economically active working age population who are unemployed, 2004-06**

Area Classification	2004	2005	2006
Rural 80	3.1	3.3	3.7
Rural 50	3.4	3.5	4.1
Significant rural	3.5	3.8	4.6
Other urban	4.7	4.8	5.7
Large urban	4.9	5.1	5.7
Major urban	6.4	6.6	6.9
England	4.8	5.0	5.5

Source: OECD (2009), *England Background Report*.

Table 1.9. **Proportion of local authorities with 80% and above employment rate**

Area definition	2005		2006		2007		Change 2005-07	
	Number	%	Number	%	Number	%	Number	%
Rural 80	24	32.9	30	41.1	27	37.0	3	4.1
Rural 50	16	30.8	20	38.5	17	32.7	1	1.9
Significant rural	20	37.7	23	43.4	14	26.4	–6	–11.3
Other urban	7	12.7	7	12.7	10	18.2	3	5.5
Large urban	11	24.4	13	28.9	11	24.4	0	0.0
Major urban	7	9.2	10	13.2	6	7.9	–1	–1.3
Rural	40	32.0	50	40.0	44	35.2	4	3.2
Mixed	27	25.0	30	27.8	24	22.2	–3	–2.8
Urban	17	14.0	22	18.2	16	13.2	–1	–0.8
England	**83**	**23.4**	**101**	**28.5**	**83**	**23.4**	**0**	**0.0**

Source: CRC (2008), *State of the Countryside*.

Those who are unemployed in rural areas have similar characteristics to the unemployed in urban areas, except for slightly smaller percentage of students seeking work and a slightly higher percentage of people who have withdrawn from the workforce and are not seeking a job. Higher employment rates in rural England may reflect a number of factors. The first is a rural culture that is perhaps more work oriented. The second is a recognition that in some rural areas the long term prospects for work are not good so it is better to leave for an urban area where they are better, which reduces the number of unemployed. A third factor may be the influence of the higher role that commuting plays. There is a greater share of commuters in rural areas who enhance the share of the resident population that is employed.

Less qualified rural workers

In general the rural labour force is less qualified than the urban labour force. This reflects differences in occupational structure (for example, there are few job opportunities in investment banking or neuro-surgery in rural England). However, in some rural areas there appears to be a shortage of lower skill workers, particularly in seasonal occupations such as tourism and agriculture, as immigrants now play a major role in meeting employers' needs. Lower qualifications often lead to lower earnings, and rural areas reflect this. Figure 1.17 shows that the incidence of low wage jobs is higher in the more rural parts of England. Low wages may reflect uncompetitive local labour markets where employers have a dominant bargaining position, but they more often reflect an occupational mix where a larger share of workers add limited value and consequently receive low pay.

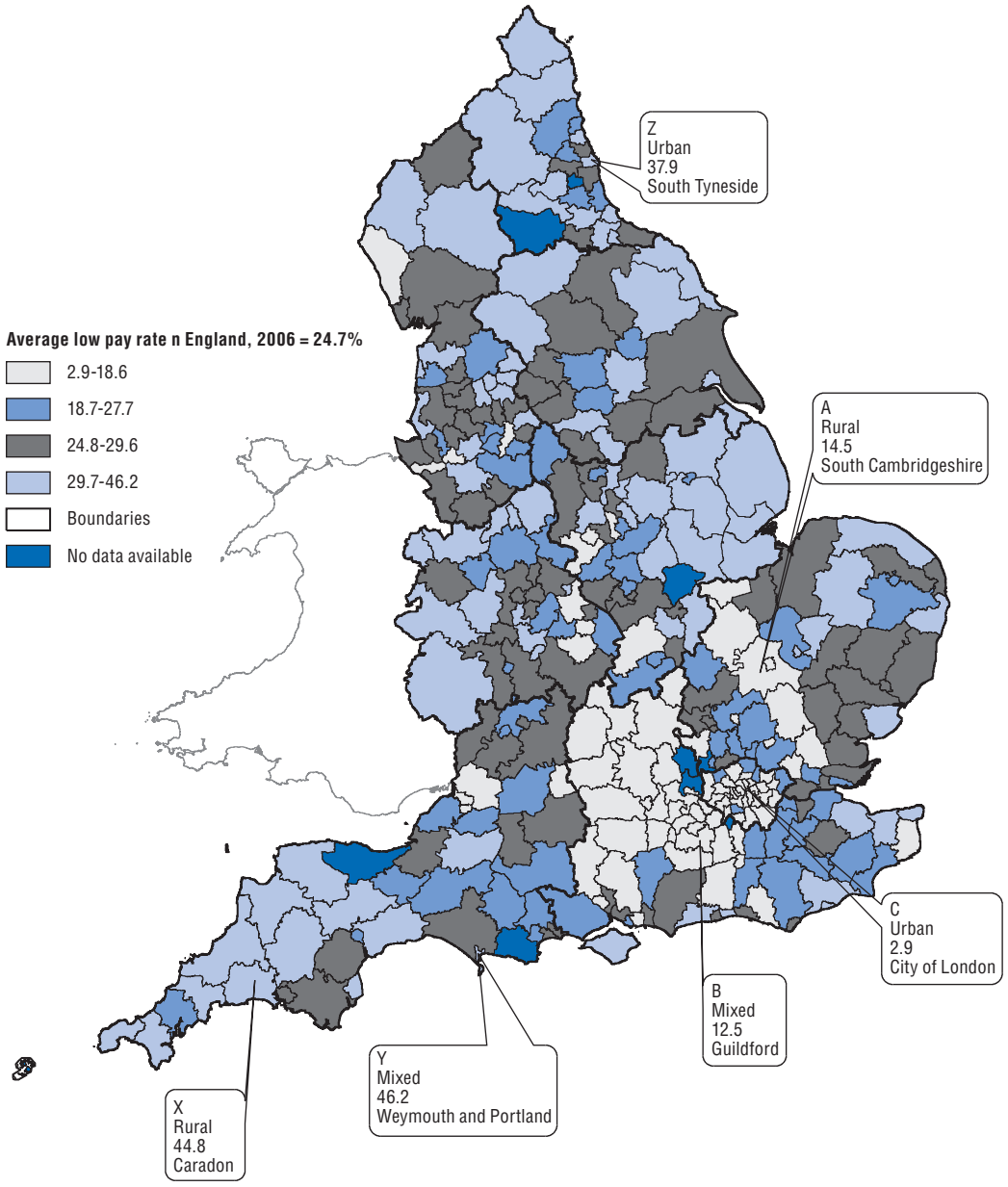
Variability in rural labour market conditions

There is great variability in labour market conditions among the regions. In general economic conditions for rural dwellers in each region correspond to those in the urban portion of the region, with southern regions being more prosperous and having more positive demographic conditions, but also higher housing costs and a greater shortage of affordable housing. The economic performance of all regions, other than London, is relatively uniform in terms of growth rates of income. Urban-rural differences are not large and in several regions rural areas appear to have faster growth in median income than do the urban components (SoC 2006, p. 72). Similarly, job density in rural areas across the regions is roughly the same as in urban areas, with the exception of London. Not surprisingly, commuting flows vary considerably across regions, with those regions either containing a very large city or in close proximity to London having higher rural to urban commuters. (SoC 2006, p. 88). While these are relatively old data, they show that rural England is closely coupled to urban England in terms of labour markets. In three regions more than one quarter of the rural labour force commutes to an urban occupation. Only in the North-west, where rural people are most remote from major urban places, is the rural to urban commuting flow less than 10%.

… unemployment rates are lower in rural than urban England, but follow the same trends…

Prior to the current recession unemployment rates in urban and rural England fell steadily for over a decade, but with unemployment rates in rural England maintaining a fairly steady two percentage points gap below those in urban England (SoC 2006, p. 81). In both urban and rural England there is also a relatively stable rate of economic inactivity –

Figure 1.17. **Low wage jobs in England, 2006**



Source: Institute for Public Policy Research (2006); CRC (2008), *State of the Countryside 2008*.

that is people nominally of labour force age but who are not active job seekers (SoC 2006, p. 81). Of the economically inactive, roughly 25% in all regions would like a job, with a slightly larger share in urban areas wanting employment. Discouraged workers are also roughly equal percentages of the labour force in urban and rural regions. Part time employment rates are roughly constant across different degrees of rurality, but a larger share of rural part time workers indicate that they prefer to work part time than is the case in urban regions.

Employment in rural areas is more likely to be in smaller establishments or in self-employment than is the case in urban centres. Not surprisingly, self-employment and employment in small firms account for a larger share of total employment in rural areas. In sparse rural areas there is virtually no employment in large firms while in the rural parts of

less sparse regions large firms account for roughly half the share of employment that they do in urban less sparse regions (SoC 2007, p. 97). Conversely, in rural areas small firms of various types account for the majority of employment, with the smallest firms accounting for larger shares in sparse territory and as size of place declines. This is a logical reflection of smaller local labour markets in rural areas and also may reflect the difficulty in getting planning approval for developing large parcels of land for business purposes.

England uses the employment rate as a measure of local labour market efficiency. If a region is able to employ 80% or more of its resident workforce locally this suggests that there is both a reasonable balance between labour supply and demand in terms of: low levels of unemployment, and relatively low commuting flows. The spatial unit of measure is the district, which is a large enough territory and population base to cover multiple local labour markets. There has been a slight increase in the percentage of rural districts with an 80% or higher employment rate (SoC 2008, p. 97). Looking at the statistic at a more refined geographical scale it appears that more remote rural areas have had the greatest success in improving their employment rate, while more adjacent rural areas have seen a decline in the share of districts with an employment rate greater than 80% between 2005 and 2007.

The fact that more remote rural regions have a higher rate of self-sufficiency is neither surprising, nor necessarily desirable. If anything it suggests these areas have not developed linkages with other parts of the English economy. Possibly, the employment rate, as used in England, is a flawed indicator of labour market performance, since it rests upon some questionable assumptions. In particular, it assumes that individuals employed in any given district are locals. However, in many adjacent rural areas there are large gross flows in and out of the regions. While there is limited evidence on urban to rural flows, ONS has indicated that in most English regions the rural to urban net commuting flow is over 15% of rural workers, with in excess of 25% in the East Midlands and East of England (SoC 2006, p. 88). Often higher income individuals reside in a rural location and work in an urban location, while lower income individuals work in the rural location but reside in an urban location. Further, the underlying logic of city regions suggests that urban areas and their proximate rural regions are strongly integrated, which would lower the employment rate. In this situation a low employment rate can be interpreted as strong confirmation of this linkage.

… productivity is the main driver of economic growth at the national and local level…

The UK Treasury has conducted a major analysis on levels and sources of productivity in the United Kingdom (Box 1.4). Their analysis shows that the UK in aggregate has lagged other OECD countries in terms of productivity growth. However, within the UK some regions have relatively high levels of productivity growth while others have low levels. Further, within regions there are even wider variations in productivity among places than exist between regions. There is a perception that rural areas have lower levels of productivity growth in England than urban regions. However, once the London effect of is removed the differences greatly reduce (CRC 2008 England's rural areas steps to release their economic potential: advice from the rural advocate to the Prime Minister).

Rural areas in England are typically challenged in terms of some of the drivers of productivity. Webber, Curry and Plumridge conclude that labour productivity in rural England is 21% lower in sparse rural regions than in urban regions, and 13% lower in less sparse rural regions (2009, p. 666). They attribute the difference to a combination of

Box 1.4. **Productivity drivers in the United Kingdom**

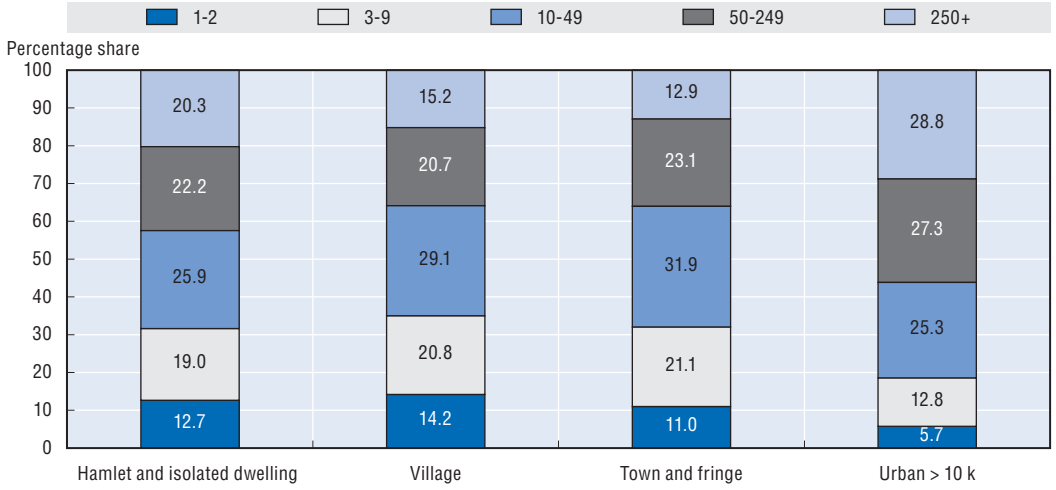
The Treasury identifies: skills, investment, innovation, enterprise and competition as the main components of productivity increases. Skills reflect the human capital of the work force. Both levels of formal education and job specific training contribute to higher productivity. Investment governs the speed at which capital investment takes place. Higher levels of capital – modern equipment and facilities, allow labour and capital to be combined more efficiently. Innovation measures the rate of technological change and improvement in how resources are combined. While innovation is typically seen in terms of new patentable ideas and processes it also includes improvements in management and the processes of production. Enterprise is a measure of new firm formation. High rates of new business starts suggest that entrepreneurs see opportunities for either new products or better ways of providing old products. Competition is seen as driving firms to be more efficient by removing opportunities to charge higher prices. Increasing competition also creates pressure for firms to innovate to provide new or better products or control costs of production.

industry mix, size of firm and characteristics of the labour force. The implications are that firms in rural areas are not inherently less productive than firms in urban areas. Galindo-Rueda and Haskel examine firm-level productivity and find that firms in areas where there are high densities of workers with high levels of formal education and skills (urban places) tend to have higher productivity (2005, pp. 5-6) In addition, while many rural industries are capital intensive, particularly resource based firms, it is often more difficult to finance investment in rural areas. The network of financial intermediaries is less dense and because more firms are small, finance is largely restricted to borrowed funds from banks with little opportunity to access equity or bond markets. Some forms of innovation, especially those based on formal R&D activities are uncommon in rural areas, but there are many examples of innovative rural firms that rely on the owners' ideas to produce novel products or to adapt existing technologies to new uses. In rural England there are higher rates of new firm formation than in urban England and the rural economy is dominated by small and medium size business. In principle a larger share of SMEs should also lead to a more competitive economic structure because large firms tend to have more pricing power. However small firms in rural areas may have a local monopoly, in the sense that they are the only provider of that good or service for a large territory. In small villages there is often one pub, one petrol station and one village shop, which leads to less competitive behaviour.

… rural businesses are dominated by the self-employed and small businesses…

Self-employment accounts for 30% of rural firms and 19% of urban firms. Further, 88% of rural businesses have fewer than ten employees; versus 81% in urban areas (CRC 2010, SoC). Figure 1.18 shows the share of employment by employee size. Since most new firms are also small firms, it is not surprising that rural areas also have a higher incidence of new firm formation than urban areas (Table 1.10). For rural areas, business starts per 10 000 population are consistently above the England average. Only major urban centres are also at this high level and in urban areas this may reflect the general tendency for a higher incidence of entrepreneurship among immigrants than indigenous populations.

Figure 1.18. **Share of employment by employee size band, 2009**



Notes:

1. VAT trader and PAYE employer information forms the basis of the IDBR supplemented by information from Companies House on incorporated businesses.
2. Data supplied via a bespoke analysis request. All data as at March 2009.
3. The IDBR covers businesses in all parts of the economy, missing some very small businesses operating without VAT or PAYE schemes (self employed and those
4. This analysis is based on employment data for local units in England only.
5. Those businesses with 0 employees were deemed by ONS to be disclosive and have therefore been removed from this analysis.

Source: ONS (2010), IDBR Bespoke Analysis Service; CRC (2010), *State of the Countryside 2010*.

Table 1.10. **Business start-ups per 10 000 population**

Classification	1999	2000	2001	2002	2003	2004	2005	2006
Major urban	38	37	34	34	37	35	35	35
Large urban	26	27	25	26	28	26	26	25
Other urban	26	26	25	26	28	27	26	26
Significant rural	32	33	31	33	35	33	32	33
Rural 50	31	32	30	32	34	33	32	32
Rural 80	34	34	33	35	37	34	33	33
England	**32**	**32**	**30**	**31**	**34**	**32**	**32**	**31**

Source: OECD (2009), *England Background Report*.

The reluctance to expand

However, rural entrepreneurs show a lower interest in expanding their businesses than do their urban counterparts (Table 1.11). In terms of local economic development it is generally recognised that the easiest way to expand employment and income opportunities in a local economy is by growing existing firms, rather than trying to attract firms from outside the community or create new local firms.[5] Because the rural economy is highly dependent upon SMEs, this makes the reluctance of existing small business owners to expand their firms a potential impediment to economic growth. A better understanding of why firm owners are reluctant to grow their firm is important. It may reflect a limited local market and difficulty in tapping external markets. It may reflect a shortage of skilled workers or financial capital. It may reflect difficulties in expanding the physical size of the enterprise due to zoning restrictions. Or, it may simply reflect the owner's personal satisfaction with a business of this size.

Table 1.11. **Aspirations for small businesses, 2005**

Area definition	Aim to grow the business		Will not grow the business	
	Number	Per cent	Number	Per cent
Hamlet and isolated dwelling less sparse	239	54.7	198	45.3
Village less sparse	335	54.1	284	45.9
Town and fringe less sparse	376	58.2	270	41.8
Urban > = 10 k less sparse	2 967	60.5	1 938	39.5
Hamlet and isolated dwelling sparse	59	40.4	87	59.6
Village sparse	54	52.9	48	47.1
Town and fringe sparse	85	62.5	51	37.5
Urban > = 10 k sparse	23	56.1	18	43.9
England and Wales	5 060	58.6	3 580	41.4
Rest of UK	922	57.3	686	42.7

Source: CRC (2008), *State of the Countryside 2008*.

5.1. … *innovation is one way to overcome the constraints faced by small firms…*

Innovation is particularly important in rural areas because firms often face constraints that are not present in urban areas (Smallbone, North *et al.*, 2002). These include: a small local market that can limit growth opportunities and the acceptability of new products, small local labour markets that can lead to difficulty in finding sufficient workers or workers with appropriate skills, higher costs in identifying and accessing external markets and weaker networks of financial and business service providers. Innovation can be a way to overcome these impediments that otherwise might lead to firm failure or inability to grow. Moreover rural regions tend to have lower levels of GDP per capita than do urban regions (OECD, 2009, How Regions Grow). In part this reflects differences in industry mix and skill composition of the work force, but it clearly points to the possibility of higher rates of innovation as being a way to meet national goals of increasing productivity in lagging areas. Agriculture provides an important reference point for assessing the ability of rural firms to innovate. Over the last hundred years the volume of agricultural output in all OECD countries has increased considerably. But at the same time the number of workers in agriculture has fallen dramatically and there has been a significant reduction in the amount of land farmed in OECD countries. The increase has come from the adoption of new technologies and other innovations in farming. The same picture holds for other resource based industries, demonstrating that innovation is possible in rural areas.

Rural England innovation

Studies in England show that rural firms are innovating, especially small and medium size enterprises. In the 1980s rural SMEs had higher rates of growth and innovation than their urban counterparts, but by the 1990s this situation was reversed, in part by faster adoption of the Internet and the advantages it provided in urban areas (Smallbone, North *et al.*, p. 4). The question of whether slower adoption rates reflects less interest in using the Internet or difficulty in obtaining fast broadband access is not resolved in the study, but the authors do note that more remote rural firms had slower Internet take-up rates. In another study North and Smallbone compare innovation rates among accessible and remote rural firms for a number of different industries (North and Smallbone, 2000). Their results show that innovation takes place in both remote and accessible regions. Moreover, they find that manufacturing firms in their sample tend to have higher rates of innovation than service

Box 1.5. **SMEs entrepreneurs and innovation**

There is growing, recognition that entrepreneurship and small firm development promotes innovation and in so doing meets fundamental economic and social objectives. A recent OECD study set out a "priority" list for policy in adapting to the new forms of innovation in the area of SME and entrepreneurship.

Entrepreneurship cultures	**Encourage the entrepreneurship culture.** This can be achieved with policies that engender conducive cultures and attitudes where possible. For example, education systems, the media and business support organisations can help foster entrepreneurial motivations.
SME and entrepreneurship framework conditions	**Lessen unnecessary obstacles to SMEs and entrepreneurship.** For example: taxation, social security, bankruptcy legislation, competition policy, product market regulation, labour market regulation, finance markets and intellectual property protection. OECD research shows for example how unbalanced taxes on company profits and losses and high average tax rates on SMEs relative to large firms can diminish SME and entrepreneurship activity.
Firm dynamics	**Promote entry and exit competition in the market.** The process of creative destruction is most pronounced in periods of economic crisis and recovery. Well-designed policies can achieve two objectives at the same time: the creation of jobs in SMEs in response to an aggregate demand stimulus or targeted employment and investment subsidies and the improvement of productivity by helping new and small firms to carry innovations into the economy.
Access to finance	**Promote greater access to finance.** A finance gap for new and small firms involved in the represents a potentially serious barrier to innovation. Policy responses such as grants, loans, loan guarantees, mezzanine finance, seed capital, venture capital, business angel finance and investor readiness programmes need to be explored.
High-employment-growth firms	**Facilitate and support breakthrough innovation as they may promote jobs.** One of the contributions of new firms and SMEs is breakthrough innovation through a small minority of firms that often exploiting new science developed in universities and research laboratories. In this context, they are an important part of the high-employment-growth firm sector.
Innovation in the bulk of SMEs	**Recognise the latent potential of the bulk of SMEs.** "Incremental innovation" also characterises SMEs and innovation is also about non-technological innovation. Thus policies should encourage the bulk of SMEs to begin to innovate incrementally and strengthen their non-technological innovation. For example, the focus could be on innovation support to high-growth-potential enterprises or on increasing their capacity to *absorb* knowledge.
Knowledge transfer	**Promote knowledge transfers and overcoming networking problems in innovation systems.** Examples of relevant policy approaches include creation of science parks and business incubators, encouraging mobility of staff between universities and industry, and facilitating knowledge exploitation through licenses, patents and university and corporate spin-offs, and shared foresight and strategy development activities.
Workforce skills in SMEs	**Support skills upgrade.** The typical SME needs to upgrade its skills to make incremental improvements in its products, processes, organisational methods and marketing approaches. This may be achieved through better access to formal training, but also through informal methods such as the creation of problem-solving work teams and engagement with external knowledge intensive service activity providers such as consultants.
Entrepreneurship skills	**Encourage entrepreneurship education and training.** This includes small business management skills (such as business planning and accounting), strategic skills (such as decision-making and opportunity recognition), and entrepreneurial traits (such as leadership and creativity). It implies the need for a change in curriculums, pedagogies, structures and strategies in education and training systems to better import these skills.

Box 1.5. **SMEs entrepreneurs and innovation** *(cont.)*

Social entrepreneurship and social innovation	**Entrepreneurship is not only about profit making.** Social entrepreneurship and social innovation are important features of a broader vision of innovation and are expanding at a rapid pace. Institutional arrangements, however, are often not well adapted to the needs and modus operandi of these organisations and approaches. National legal, financial and fiscal frameworks for social enterprises therefore need to be reviewed and adjusted and accompanied by capacity building, skills development and network creation for social entrepreneurs.

Source: OECD (2010), *OECD Studies on SMEs and Entrepreneurship: SMEs, Entrepreneurship and Innovation*, OECD Publishing, Paris.

providers. There also seems to be a clear link between innovation and productivity and growth. The firms with the best records in innovation grew the fastest and made larger contributions to regional output and employment (p. 104).

The broadening scope of innovation

The importance of innovation as a key driver of productivity improvement has long been recognised by the OECD (OECD [2009], Regions Matter). Similarly HM Treasury studies point to innovation not only as a key factor in improving productivity but also in improving competitiveness and economic well-being. Within this framework, urban areas are typically considered the leading source of innovation because the narrow definition of innovation employed focuses on patent activity as the primary measure of science based research and development. Consequently, other important sources of innovation, many of which are visible in rural areas, are ignored. These include: new products and services that are not the result of patentable activity, process innovation that improves how goods or services are produced, and innovations that expand markets or improve marketing methods. All of these innovations improve competitiveness and can increase productivity. But, the view on innovation is expanding (Box 1.6). The UK publication *Innovation Nation* notes that the "traditional indicators that measure expenditure on research and development and count production of patents fail to capture 'hidden innovation' and therefore may be under-representing the strength of the UK's innovation activity". The report suggests that the government shift its emphasis from "supplying" research funding to companies and universities to putting in place government agency "demand" for innovative products and services (Innovation Nation, 2008).

1.6. Five "key" sectors form the core of the rural economy

The rural economy in England is characterised by agriculture, tourism, manufacturing, service provision and renewable energy.

… Farming has a smaller role in the economy but remains highly productive

Trends in the structure of agriculture are similar in England to those in other OECD countries, which is unsurprising given the global nature of most agricultural commodity and input markets. One aspect of globalisation is a concentration of production on higher quality farmland. Consequently, the more marginal land in England is either being abandoned or is being farmed less intensively. This involves reductions in stocking rates or abandonment of the most marginal grazing land. Where local ecosystems have adapted to agriculture, the

Box 1.6. **The changing face of innovation**

Innovation today is a pervasive phenomenon and involves a wider range of actors than ever before. Once largely carried out by research and university laboratories in the private and government sectors, it is now also the domain of civil society, philanthropic organisations and, indeed, individuals. Therefore, policies to promote it should be adapted to today's environment and equip a wide variety of actors to undertake innovative actions and benefit from its results. An OECD study based on firm-level data for 21 countries shows that five innovation patterns are common to most countries analysed.

1. Forms of new-to-market innovation linked to own generation of technology (in-house R&D and patenting).
2. Product innovation with marketing expenditures or marketing strategy changes.
3. Upgrading of processes with spending on equipment, often with external or partnership-based development.
4. Broader innovation involving organisational and marketing-related innovation strategies.
5. Networked innovating, in which firms seek external sourcing of knowledge, often from the public knowledge base and through formal collaboration.

Source: OECD (2010b), *The OECD Innovation Strategy: Getting a Head Start on Tomorrow*, OECD Publishing Paris.

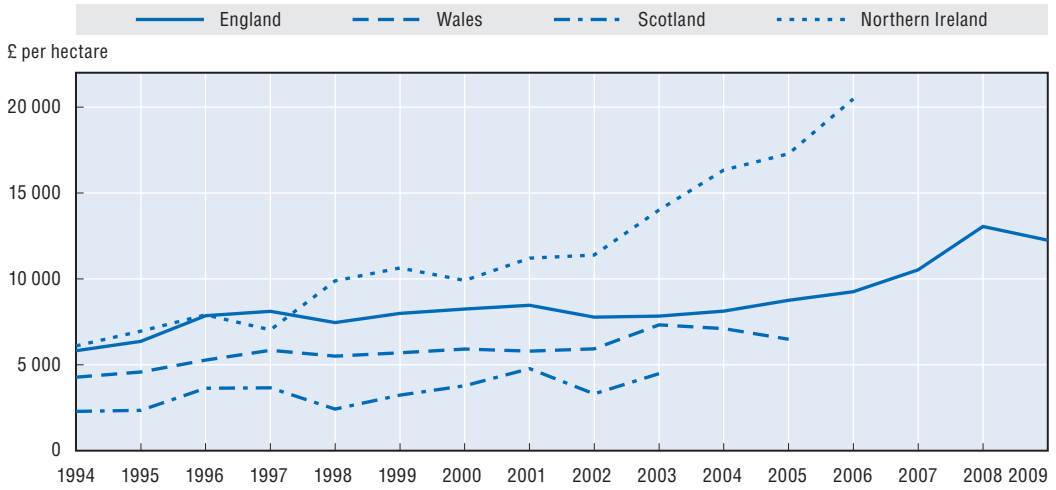
withdrawal of management can lead to ecological shifts that may be seen as undesirable. In some cases a change in agricultural use has negative implications for tourism that relies upon a particular scenic character or tourism based upon the presence of specific types of wildlife, especially bird species. In contrast, England has seen an increase in output on higher quality lands as farmers respond to price signals, either from the market or from EU policy. This involves increases in farm size, more intensive use of inputs and specialisation in a smaller number of commodities. In those parts of England where large estates are more common the process has been able to move faster because land ownership is more concentrated and there are often adequate resources to invest in agricultural modernisation.

Farming remains the dominant use of land

Farming remains the dominant use of land in England (74% of the territory) despite the decline in farm numbers and farm employment (Figure 1.19). Because the amount of land in agriculture is not shrinking as fast as farm numbers, average farm size is increasing. In many parts of England farm sizes are larger than in other parts of the EU and farm productivity is high. England is experiencing an increase in land used for equine activities, especially land that is proximate to urban centres. This reflects both the common phenomenon of wealthy urbanites aspiring to horse or pony ownership on a country home and the fact that equine enterprises qualify as an agricultural use, so they are able to escape some of the planning restrictions on rural housing development. A consequence of the planning system is relative stability in farmland values, since there is limited opportunity for land conversion except when the planning system determines that more land is needed for development.

Farming plays a steadily smaller role in the economy of rural England, but it remains a visible and influential force. Farming plays the largest role in the local economy in those regions that are most remote and have the fewest alternative sources of income. Conversely, high value agriculture is often found in regions that have a more diversified economic base. In these regions the value of agricultural output can be increasing at the same time as the

Figure 1.19. **Agricultural land**



Source: Defra Statistics.

percentage share of agriculture in regional GDP is declining, because other parts of the economy are growing at a faster pace. England's rural policy has recognised that the land-based sectors, primarily agriculture, account for a declining share of rural employment and income. However, the value and volume of agricultural output continues to increase over time. A measure of the continued significance of agriculture in the UK is the relative slow decline in food self sufficiency especially since the population is growing. For types of food that can be produced in the UK the ratio of self sufficiency in 2007 was about 73%, down from about 83% in 1990. Much of the decline can be explained by lower levels of production of livestock resulting from the various disease problems and reduced competitiveness as a result of the strong value of the pound (Agriculture in the United Kingdom, 2008, p. 69).

There is variability in the competitiveness of English agriculture

Portions of English agriculture have become less competitive in recent years. In particular, extensive livestock production has seen significant reductions in herd and flock sizes. This reflects the cumulative effect of a number of factors, including: farms of too small a scale to be efficient, highly marginal locations, the adverse impact of disease episodes on production and marketing, and a high exchange value for the pound. Notwithstanding significant amounts of subsidy by both the EU and the UK, there have been steady reductions in sheep and cattle numbers in areas of marginal productivity. At present it would seem that the main factor driving continuing efforts to preserve farming in less favoured areas is a concern with the non-commodity outputs associated with these farms, and not any specific worry about reduced domestic meat supplies. These farms are located in areas with a strong rural tourism industry that exploits the visual amenities and wildlife habitat associated with extensive grazing systems. With reduced animal numbers there are fears that this tourism will be adversely affected.

Other portions of English agriculture, particularly field crops and vegetable production, have been relatively prosperous and have retained their competitive status. These crops have benefitted from support through EU Agricultural policy or have experienced strong domestic and European demand due to evolving tastes by consumers. For many arable crops, England has an advantage within the EU of relatively efficient producers. Value added per agricultural

worker in the UK is considerably higher than the EU average, and most of this reflects higher farm productivity in England. In 2007 about 68% of farmland in England was on holdings of 100 hectares or more and these farms accounted for 13% of farm numbers.

Farmers benefit from planning constraints

Farmers in England benefit from the current planning restrictions on converting farmland to another use, unless, of course, they wish to sell their land for another use. Farmland values, and land rents, reflect farm productivity values and not the opportunity cost of the land. This provides farmers with access to land at far lower prices than would be the case if land was freely convertible in use. As a result, farmers' costs of production are somewhat lower than they would be if land could be readily converted. However, because most farming in England takes place in close proximity to urban centres and because the English population has a strong interest in protecting the natural environment and in high quality rural landscapes it operates under more scrutiny than is the case for farmers in many other countries. The importance of agri-environmental linkages in England can be seen by the large share of Pillar II CAP funds that are allocated to this axis. For example, over the 2009-13 RDPE programme period, GBP 3.3 billion of the total budget of GBP 3.9 billion (85%) will be allocated to agri-environmental programmes in England.

The price of farmland is a key indicator of expectations about the future of the sector, because land values are largely determined by expectations about future levels of net farm income. In principle in England this measure might be suspect, because virtually all farmland is found in close proximity to urban areas so there is the potential for farmland values to reflect a premium for future land conversion. However, the planning system in England makes it very difficult to convert farmland, so most farmland remains valued on the basis of its agricultural capability. Despite major cycles in net farm income over the last two decades farmland has steadily increased in value. Between 2003 and 2007 the average price of farmland increased by just over 50%. This suggests that farmers have relatively positive expectations about agriculture in the near to medium term.

Multiple roles for agriculture in England: Environmental management and production

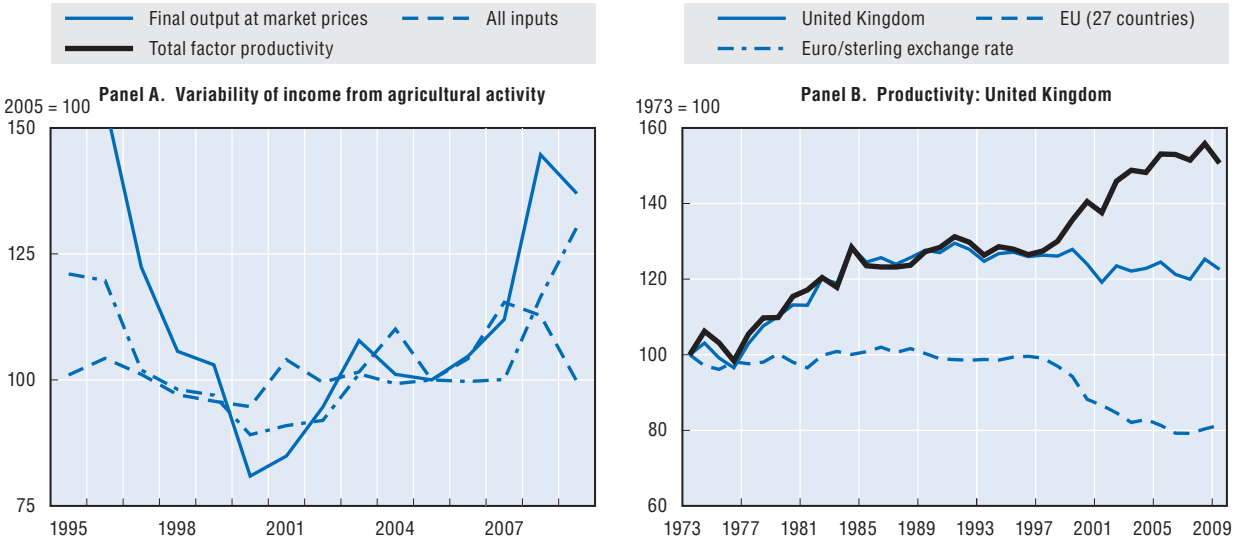
While farmers are a declining share of the population, agriculture still plays an important role in many rural areas, particularly in environmental management: Farming's role in rural land use has already been discussed. Some of these are positive functions, especially in more marginal farming areas where grazing systems create habitat for wildlife and provide visual amenities for nature based tourism. In other cases farming can contribute to environmental problems through: nutrient runoff on arable land and greenhouse gas emissions from livestock.

The production role of English agriculture remains important and may be increasing. While there were adequate global food supplies and limited concern with transportation costs it was common for OECD governments to de-emphasise domestic food production. More recently, a combination of rapid food price increases; a slowing of the global growth rate in agricultural productivity and an interest in local foods for carbon footprint, food security or food safety reasons, has led to a renewed interest in domestic food production. After a prolonged period of decline, farm incomes in England are increasing. This reflects the benefits of stronger world commodity prices, moderating input costs and a weaker pound, which helps UK exports and increases the value of CAP subsidies. Moreover, England has not had a major farm related food safety crisis in the last few years after a decade of periodic disasters.

Farm income is higher on average

Farm income in the United Kingdom has over the long run been higher than for the EU15 countries in aggregate, although livestock crises in the late 1990s and early 2000s had a major adverse impact (Figure 1.20). Some of the recent increase in the UK reflects the effect of the declining value of the pound, but a considerable portion reflects the relatively high productivity of UK agriculture. As the right panel of Figure 1.20 also shows, since 1990 the value of total farm output has been relatively stable while the value of inputs has declined and there has been a steady rise in total factor productivity. In 2008 total factor productivity in agriculture increased by 18% over the level ten years prior, while it has increased by 55% since 1973. Since England accounts for the vast majority of farms in the United Kingdom, and an even larger share of the large farms that generate the majority of farm income, these UK level income and productivity data likely understate conditions in England.

Figure 1.20. **Agricultural Income and Productivity**



Source: Defra Statistics.

Farm income and farm output are slowly recovering from an extended period of decline, but there is variability by commodity and farm size. Defra statistics indicate that in the last five years there has been a general improvement in farm income. In the livestock sector, especially for beef and sheep, there has been a modest growth in the volume of output and a sharper growth in revenue as the effects of foot and mouth disease disappear. In the crop sector there are few clear trends in output, but prices have increased considerably in the most recent years. In 2004 about 25% of English farms reported negative net farm income and about 13% of farms reported farm income in excess of GBP 50 000 with an average of GBP 21 000. By 2008 about 19% of English farms reported negative net farm income and about 26% of farms reported farm income in excess of GBP 50 000 with an average of GBP 48 000.

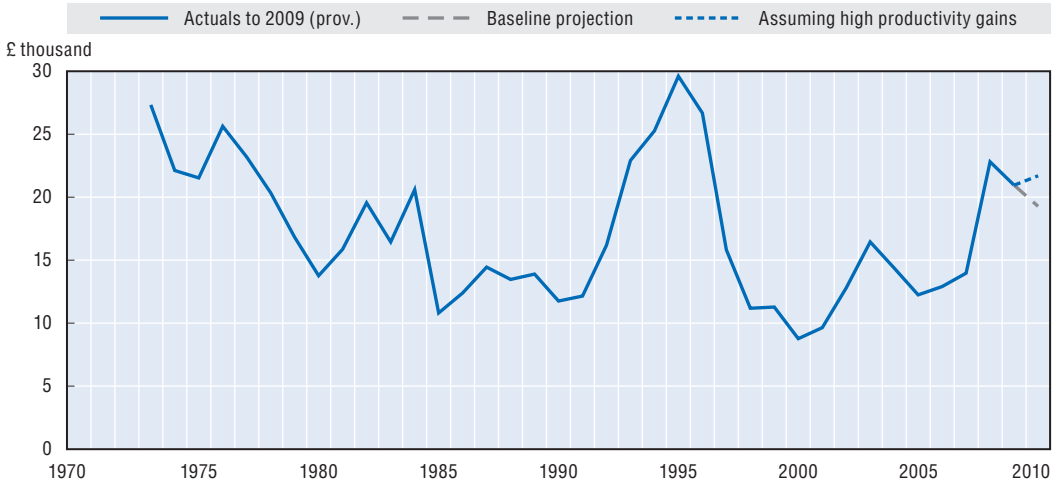
In 2005 agricultural policy reform in the EU led to the introduction of the Single Farm Payment (SFP), which provides farmers with more management flexibility while maintaining income support. Logically the introduction of the SFP should increase productivity at both the farm and sector level. At the farm level farmers now have the flexibility to alter their enterprise mix and either bring land into or out of production depending on relative commodity prices. At the sector level the aggregate effect of the SFP should be a shift in production from more

marginal regions and less profitable commodities to more output of high value products on higher productivity land.

English farmers face significant exchange rate risk. English farmers face significant exchange rate risk, both for commodity prices and CAP support. As long as the UK remains outside the euro zone farmers in England face an additional source of risk. The CAP governs agricultural policy in England and its payments are denominated in Euros. This means that a strong pound not only reduces the export competitiveness of English production, but it also reduces the value of EU support. If exchange rates are stable this is usually not a major problem but in the last few years the UK went from having a very strong pound to a relatively weak one. In 2008 the period of high commodity prices corresponded with a strong pound, so high market prices offset some of the diminished value of CAP support. By 2009 commodity prices had declined but so had the exchange value of the pound which increased the export competitiveness of English agriculture and the value of CAP support.

The importance of the pound-euro exchange rate for English agriculture is shown in Figure 1.21. Forecast levels of farm income per person employed differ by about GPB 20 000 per farm between a high and low exchange rate assumption. This divergence is in fact larger than the projected baseline value for each forecast period. Conversely strong increases in productivity provide only an average 20% increase in per capita income over baseline forecasts, even though the benefits of productivity improvements cumulate over time while exchange rate effects result in a onetime shift in trend.

Figure 1.21. **Prospects for farming incomes**



Source: Defra Statistics.

Farming in England is more exposed to demands for non-commodity outputs

Farming in England, like in the Netherlands and Belgium among the OECD countries, faces multiple demands for a broad variety of conflicting outputs. The combination of: a small territory, a large population and a pervasive interest in the "countryside" by a large share of citizens has led to agriculture being challenged to produce multiple outputs. Unlike most OECD countries, where most of agriculture takes place in predominantly rural regions, farming in England is highly visible to the majority of the population. Much of England's most productive land is in peri-urban regions, which means that while farming

is a major land use it accounts for only a small share of regional employment and economic activity. A large share of production in England already comes from very large farms, but there are broad public concerns that these farms maintain a landscape that favours efficient production at the expense of the environment. People and policy favour smaller fields with hedgerows and a mixture of crops and livestock, although technology and agricultural policy provide incentives for monoculture on large fields. While these tensions exist in all OECD countries they are perhaps more evident in England.

Weakened public support for Agriculture

A series of farm health crises has weakened public support for agriculture. The United Kingdom, particularly England, has experienced the most severe agricultural health-related crises of all OECD countries in recent time. BSE from 1984 through virtually all the 1990s had major consequences for the British cattle industry, and then foot and mouth disease in 2001 and 2007 resulted in further massive losses to sheep, cattle and pig producers. But these crises led to even larger losses in the non-farm rural economy because of the impacts on tourism. As a result, it became clear to the government and to the public that there was far more to rural England than agriculture and that events in agriculture could reduce the value of rural England. The combination of health related events, and the associated adverse consequences of farm consolidation and farm abandonment on wildlife and scenery have made agriculture appear in a less positive way, and at times as an impediment to rural development.

… Tourism is an important contributor to the UK economy

Tourism accounted for 3.3% of GVA in 2005 and 2.7% in 2007. By contrast, agriculture accounted for 0.5% and 0.44% in the same time periods. The vast majority of tourism in UK results from domestic trips (about 80% of expenditure) with international visitors accounting for the balance. In terms of international tourism, far more residents of the UK visit other countries than the converse, resulting in a negative international tourism balance. Despite this, the UK has the sixth highest rate of international visits.

> Tourism directly supports over 1.4 million jobs and indirectly supports around 2.7 million jobs. It is the fifth largest industry in the United Kingdom. The sector comprises around 289 000 businesses (OECD [2010], *Tourism Trends*).

While there are no specific data available on the relative amount of urban and rural visits for domestic tourism, it is likely that more urban people visit rural areas than rural people visit urban areas, if only because of the difference in population share. This implies that rural England is a net beneficiary in terms of domestic tourism flows. In terms of international visitors, the majority of business related travel is likely to be urban in nature and the top ten sites for international personal travel in England are urban locations, both of which imply a lesser role for rural England in international travel than is the case for domestic travel. It is important to note that most rural tourism activities are vulnerable to weather and other climate related or external effects. This can make tourism an unstable source of income and employment. Periods of high precipitation, especially on weekends, reduce visitors, and flooding or drought can also have major impacts. Seemingly unrelated events have major impacts. The Foot and Mouth episode in 2001 was initially seen as an agricultural crisis, but restrictions on travel to reduce the spread of the disease had a huge impact on rural tourism. Defra estimates that the losses to tourism considerably exceeded the direct costs to agriculture.

Rural tourism is especially important in the English context. There is a confluence of strong demand, due to the typical appreciation by the English population for the

countryside, and there is ready access, because the majority of rural England is highly accessible for short visits. Moreover, international trends in tourism suggest that in most OECD countries there is an increase in short visits relative to longer stays; and this in turn suggests that there may be the potential for even more domestic visits than is now the case. The effects of the current recession have contributed to domestic visits, as English households have switched from foreign to domestic vacations in order to save money. Weakness in the British pound has also contributed to fewer foreign holidays. However, the importance of rural areas as destinations for international visitors should not be ignored. In particular the "stately homes" and gardens attract thousands of international visitors, and there is growing international interest in more active rural experiences, such as, biking and fishing and extreme sports. England has a renewed strategy for increasing international tourism and rural areas play a significant role within it (OECD 2010, Tourism Trends). Table 1.12 shows the most tourism dependent local authorities.

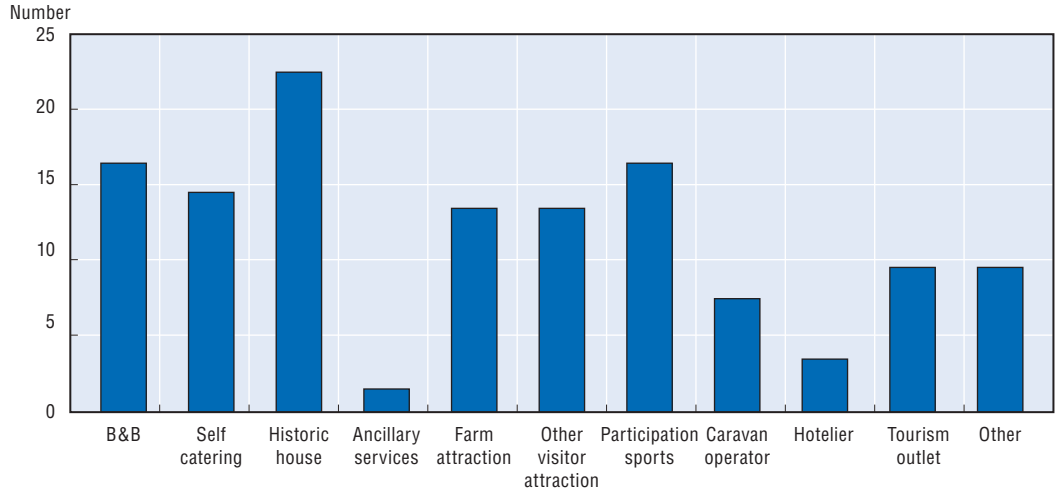
Table 1.12. **Top 50 visitor "economy-dependent" English authorities, 2006**

Rank	Area	Tourism-related industry as % total 2006	Rurality (100 = 100% local population live in rural area)	Rank	Area	Tourism-related industry as % total 2006	Rurality (100 = 100% local population live in rural area)
1	Isles of Scilly	34.1	100	26	Westminster	14.1	0
2	West Somerset	26.2	100	27	Tynedale	13.8	82
3	Forest Heath	23.6	100	28	Caradon	13.6	100
4	Kensington and Chelsea	20.9	0	29	Chester-le-Street	13.4	29
5	Eden	20.8	100	30	Newark and Sherwood	13.3	64
6	Penwith	20.7	100	31	New Forest	13	46
7	Restormel	20.2	100	32	Allerdale	12.9	100
8	South Lakeland	19.8	100	33	Bournemouth	12.8	0
9	Berwick-upon-Tweed	19.5	100	34	Rother	12.7	52
10	Weymouth and Portland	19.3	21	35	South Hams	12.7	96
11	Scarborough	18.2	46	36	Derbyshire Dales	12.5	100
12	Blackpool	17.8	0	37	Chester	12.4	28
13	Torbay	17.6	15	38	Cotswolds	12.4	100
14	Great Yarmouth	17.4	27	39	Richmond-upon-Thames	12.3	0
15	Richmondshire	17.1	100	40	Harrogate	12.1	44
16	Alnwick	16.7	100	41	Shepway	12.1	36
17	East Lindsey	15.9	100	42	Stratford-on-Avon	12	100
18	Purbeck	15.2	84	43	Teignbridge	12	91
19	East Devon	15	74	44	Brighton and Hove	11.9	1
20	North Devon	14.7	65	45	Ribble Valley	11.9	93
21	Bridgnorth	14.6	90	46	Torridge	11.9	100
22	North Norfolk	14.6	100	47	Hinckley and Bosworth	11.7	29
23	West Devon	14.4	100	48	South Northamptonshire	11.7	100
24	North Cornwall	14.2	100	49	South Staffordshire	11.7	40
25	Isle of Wight	14.1	86	50	Ryedale	11.6	100

Source: ONS NOMIS, Defra, Deloitte (2008), *The Case for the Visitor Economy, Final Report*.

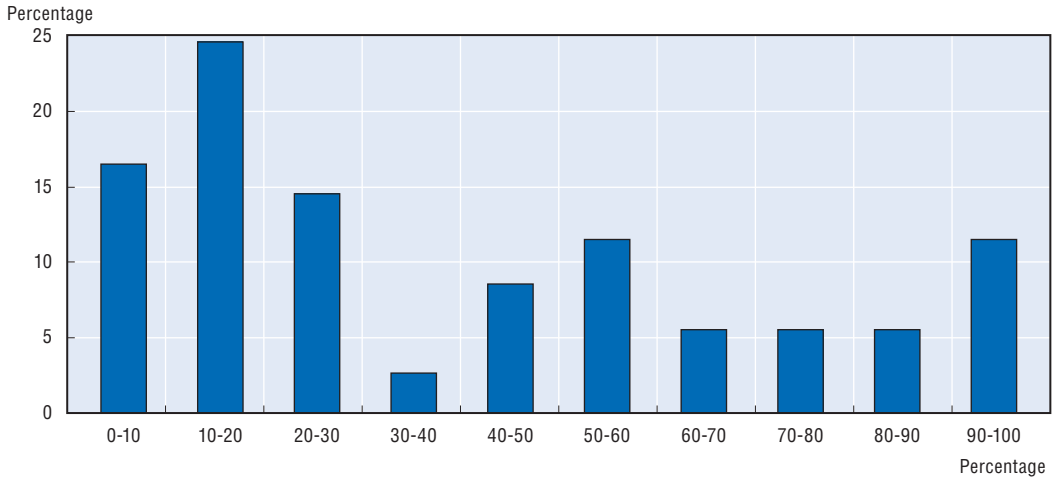
Rural tourism involves a variety of businesses (Figure 1.22). The most important are cultural and sport related. Historic homes are major attractions in England as are facilities offering participatory sporting opportunities. These in turn provide opportunities for accommodation and additional sales by restaurants, pubs, and grocery stores. Figure 1.23 shows that most tourism enterprises are part of a larger business. In only just over a quarter of all tourism firms does this activity account for 60% or more of the total enterprise activity.

Figure 1.22. **Types of rural tourism business**



Source: CLA Business confidence in *Rural Tourism 2004*.

Figure 1.23. **Percentage of business devoted to rural business**



Source: CLA Business confidence in *Rural Tourism 2004*.

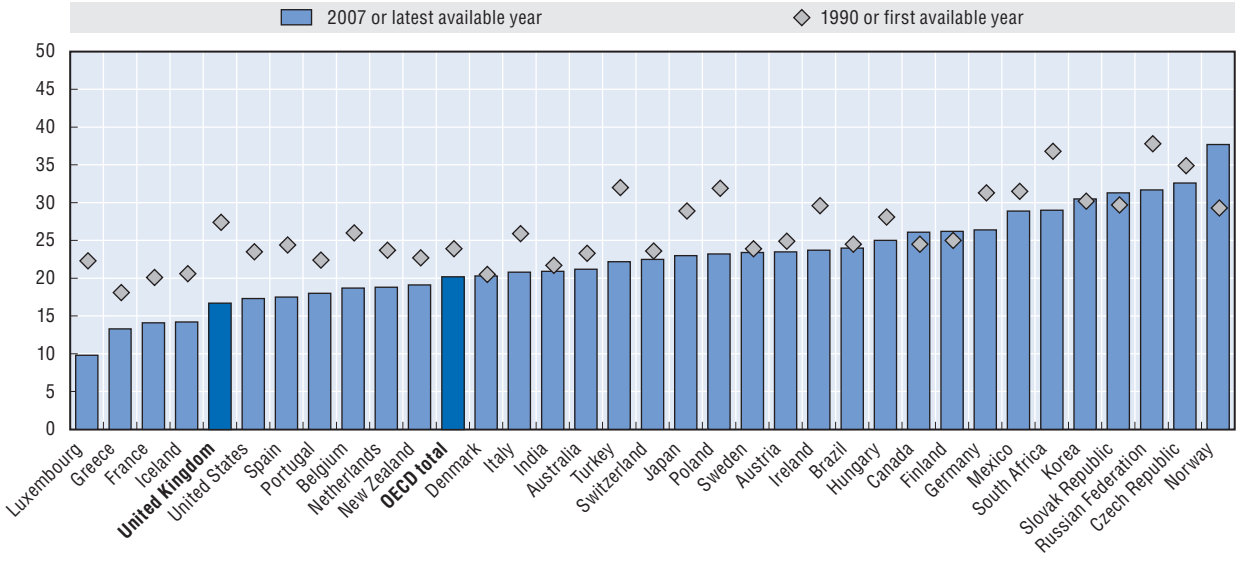
While the majority of the private sector involvement in English tourism is by small and medium size enterprises, as is the case in other OECD countries, England has a large share of bigger enterprises in its tourism sector. These include: large hotels and restaurants, theme parks and other specific destinations. The majority are in urban centres, particularly London, which may provide an added attraction for urban tourism. Rural SMEs involved in tourism face significant challenges in advertising, differentiating their product from competitors and in finding qualified workers for what is often seasonal and low-wage work.

Rural tourism may not offer large numbers of full time opportunities, but it can play an important role in improving rural household income and employment. If rural households are able to augment existing income from another form of employment with part-time or seasonal tourism work this can increase their material well-being. Opportunities exist for farmers to incorporate holiday rentals on their farm, for larger rural homes to be converted to bed and breakfasts or small inns, and for village pubs to boost their sales by appealing to rural visitors.

... Manufacturing still plays a significant role despite a noticeable decline

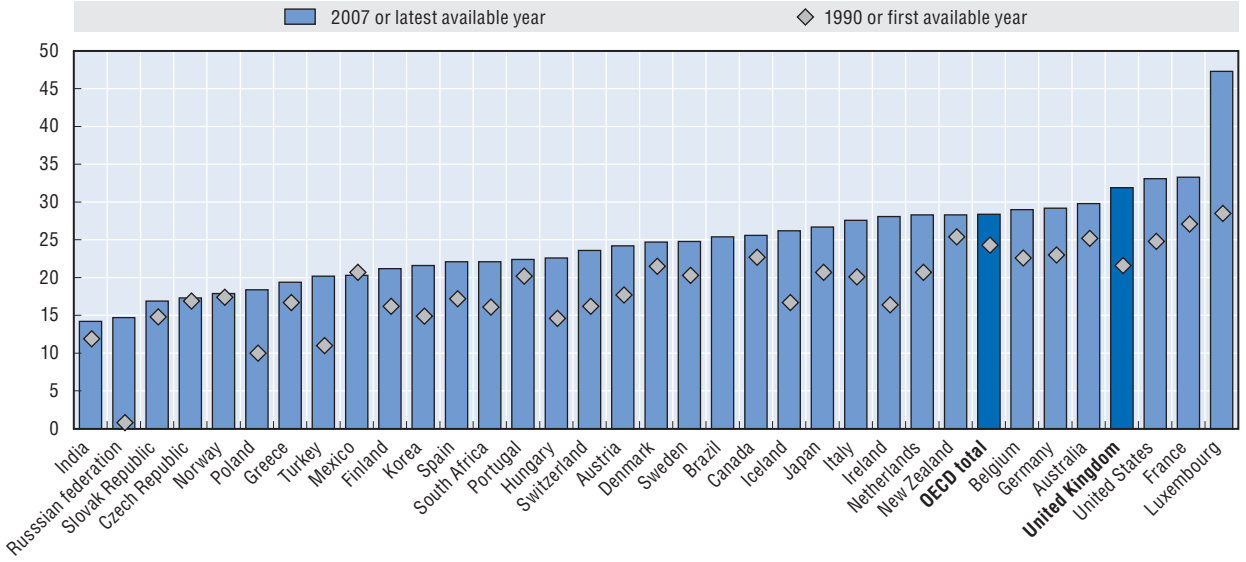
The United Kingdom, like other OECD countries, has experienced a major reduction in the level of employment and share of GDP associated with manufacturing. The UK now ranks among those OECD countries with the lowest share of manufacturing in GDP (Figure 1.24). For the country that founded the industrial revolution and for decades was the manufacturing centre for the world, this is a major adjustment. As shown in Figure 1.25 England now generates a larger share of GVA from one part of the service sector – Banking insurance and real estate, than from manufacturing.

Figure 1.24. **Value-added in industry**



Source: OECD (2009), *OECD Factbook 2009, Economic, Environmental and Social Statistics*, OECD Publishing, Paris.

Figure 1.25. **Value added in banks, insurance, real estate and other business services**



Source: OECD (2009), *OECD Factbook 2009, Economic, Environmental and Social Statistics*, OECD Publishing, Paris.

But manufacturing still plays a significant role in England, including in rural areas. Between 1995 and 2006 manufacturing GVA in England increased by 10.4%. In predominantly rural areas the increase was 19.5%, in significant rural territory the increase was 21.5%, and in predominantly urban areas the increase was 4.7%. Although predominantly urban areas accounted for just over half of all manufacturing value added in 2006, this was a decline from about 55% in 1995. The adjustment process of manufacturing can be characterised in the following way. There has been a greater relative decline in the traditional major urban centres, whose past growth was driven by export oriented manufacturing, than in more peripheral regions. And, it is in the major urban centres, especially London, that business services are concentrated. Because urban manufacturing is the largest share of total manufacturing, the relative strength of rural manufacturing is less recognised. There has been a shift in employment and output toward smaller and medium size firms, although large firms still account for the majority of employment and output. There has also been growth in foreign owned firms, with a disproportionate share of foreign investment taking place outside the traditional manufacturing dominated urban centres.

This pattern, including the relative strength of rural manufacturing, is common in other OECD countries. It reflects a comparative advantage of rural regions relative to urban regions. Rural areas are less likely to take on many service sector functions because distance, density and lack of size preclude many services from being provided in rural places. This suggests that, in addition to traditional resource based activities, rural areas have a comparative advantage in producing manufactured goods which are storable and can be shipped to distant customers. The major factor differentiating England from other OECD countries is the nature of rural. While for other OECD countries rural is generally seen as "predominantly rural" regions, for England rural is largely "peri-urban" in nature. Nevertheless there is a similar sense that manufacturing firms are seeking: more space for new facilities, better access to road transport, lower operating costs, and, in some cases, escape from an unproductive environment for labour relations. While it is tempting to think of firms as relocating from cities to rural areas, the more common case is that new firms are established in rural areas and old ones in urban areas shrink or die. Thus Keeble and Tyler (1995) conclude that rural firms are more likely to be independent, locally owned and locally managed.

In a recent study Webber, Curry and Plumridge (2009) examine productivity differences between rural and urban firms. They find that productivity is lowest in rural sparse areas, followed by less sparse, with urban areas having the highest productivity. Further analysis suggests that much of the difference in productivity at the firm level can be explained by: differences in; industrial composition, plant sizes, labour force, educational levels, extent of foreign ownership, population density and public-private ownership ratios (p. 668). The implications are that firms in rural areas are not inherently less productive than firms in urban areas. While England has seen the same sort of urban to rural shift in manufacturing that has taken place in other OECD countries, there is reason to think that England may have benefitted less from the shift than have other countries.

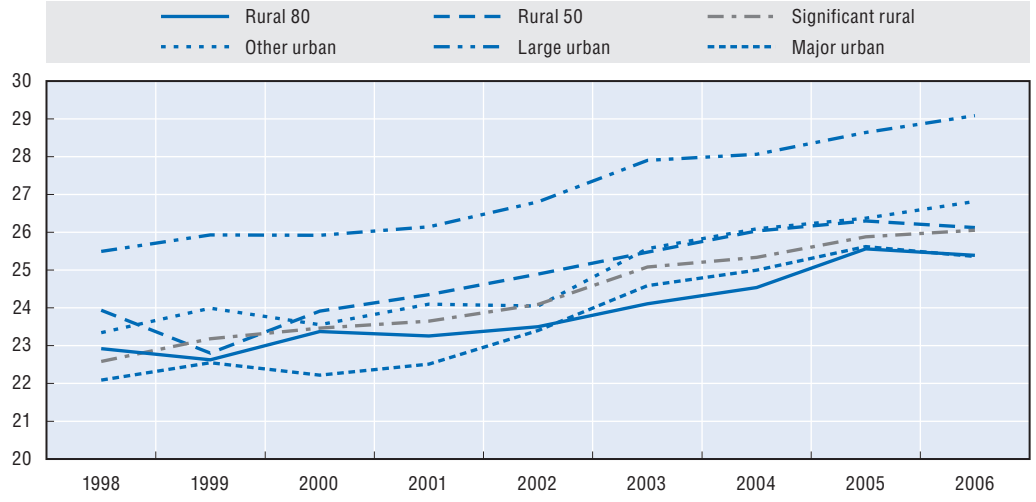
Planning policies try to restrict firms to brownfield locations in an effort to manage the location of business and to increase urban density. But this creates a burden for the firm that may lead to fewer businesses and less employment than is potentially possible. In particular, rural workers may be most disadvantaged by the strategy, since they lose potential local employment opportunities. An admittedly older study by Keeble and Hauser (1971) examined factors that accounted for manufacturing firm relocation in the 1960s. The key factors in firm location decisions were, access to markets, availability of an adequate

labour supply, and planning and site availability (pp. 234-235). In the 1960s, and to a considerable extent today, there was a bias against greenfield site development for businesses in rural England. While the original rationale for this was preservation of agricultural land to facilitate food security, the current rationale is less clear. The issue extends to rural manufacturing firms that are seeking to expand their operation and have outgrown their current site. They are faced with a long and possibly futile search for a new rural site of sufficient size, remaining at their current scale of production, or relocating to an urban brownfield location.

... The service sector is a dominant source of income and employment

The service sector is now the dominant source of income and employment in both urban and rural areas. Government employment in services is particularly important in both urban and rural England as shown in Figure 1.26. Consequently any reductions in government employment will have considerable impact. There has been considerable change, and mostly decline, in the numbers and availability of most types of service outlets. "Availability" of services in England is generally measured by the proportion of households that are within a set straight line distance of the nearest service outlet. As noted earlier, the availability of many services in rural areas has fallen since 2000, except cashpoints and supermarkets which have risen mainly due to market forces. But market forces have also seen a decline in banks and building societies and petrol stations. While availability of general practitioners, primary and secondary schools has remained almost the same for rural areas, availability of NHS dentists, post offices and job centres have seen significant reductions. There has been an increase in bus accessibility. To a considerable extent, shifts in demand for private services explain the decline in the number of these outlets. The declining number of pubs reflects a change in how people spend their leisure time, and the reduced number of village shops reflects a combination of: increased commuting, the greater incidence of car ownership, and the increase in the number of supermarkets and regional retail outlets. This combination has shifted demand away from local providers to larger stores that can take advantage of scale economies and a greater variety of goods to attract customers.

Figure 1.26. **Share of public sector employment by degree of rurality**



... Renewable energy is poised to play an important diversification role

There has been a relative boom in renewable energy production in England. This counters most of the main traditional drivers of the rural economy, other than tourism, which have experienced declines in employment and output due to long term trends and the recession. While the installed base of renewable energy sources is small, which explains the high rate of growth, it is clear that renewable energy can play an important diversification role in many parts of rural England. An important aspect of the heightened concern with climate change is a focus on renewable energy. England has greatly reduced its use of coal, but remains dependent on fossil fuels for most of its energy needs. Domestic natural gas stocks are being depleted and new sources of energy will be needed to replace them in the near future. Renewable energy can help in this regard and also help in achieving greenhouse gas emissions targets.

Bioenergy is already playing a role in electricity production and as a source of heat (Table 1.13). Landfill gas is the single largest source of energy and co-firing of waste materials with fossil fuels is the second largest contributor. Given the large demand for electricity in England and the limited land base, there is little likelihood of biofuels playing a much larger future role in energy production. While the government currently has a 10% target there is concern that this may be unrealistic.

Table 1.13. **Biofuels used to generate electricity and heat in the UK**

	2001	2002	2003	2004	2005	2006
Electricity						
Landfill gas	822.2	878.5	1 074.5	1 313.1	1 407.2	1 451.10
Sewage sludge digestion	119.0	120.6	112.5	124.1	131.1	152.0
MSW combustion	387.1	420.2	445.8	429.5	426.3	479.0
Co-firing with fossil fuels	–	94.0	197.3	335.1	830.7	829.0
Other	282.2	273.6	304.3	301.1	286.7	267.5
Total	1 610.5	1 786.8	2 134.5	2 502.9	3 081.9	3 178.6
Heat						
Landfill gas	13.6	13.6	13.6	13.6	13.6	13.6
Sewage sludge digestion	49.4	53.4	52.5	52.5	48.0	48.3
Domestic wood	204.2	204.2	204.2	204.2	204.2	204.2
Industrial wood	195.6	195.6	195.6	195.6	80.9	80.9
Straw, farm waste AD and SRC	72.2	72.2	72.2	73.9	73.9	73.9
MSW combustion	26.2	33.7	33.7	33.7	33.7	33.7
Total	561.1	572.8	571.9	573.6	454.3	454.6
Total (thermal and electric)	2 171.6	2 359.6	2 706.3	3 076.4	3 536.2	3 633.1

Source: CRC (2008), *State of the Countryside*.

On the other hand the UK government estimates that wind could produce up to 30% of the UK's electricity by 2030 (Committee on Climate Change, Dec. 2008). In 2007 the British Wind energy Association estimated that wind power accounted for 2.2%, which exceeded hydroelectric energy. Table 1.14 indicates that while England is currently behind Scotland in terms of onshore wind production, it could have roughly as much possible new capacity in future years. In terms of offshore wind power, England is the leading producer and has far more capacity in the pipeline than the other nations of the UK.

Table 1.14. **Wind generation capacity in the United Kingdom, 31 December 2009**

Operational	Onshore		Offshore	
	Capacity	No.	Capacity	No.
England	739.02	95.00	528.40	6.00
Northern Ireland	294.73	27.00		
Scotland	2 022.52	93.00	10.00	1.00
Wales	370.55	31.00	150.00	2.00
UK	3 426.62	246.00	688.40	9.00
Under construction				
England	9.00	1.00	1 156.80	5.00
Northern Ireland	20.00	1.00		
Scotland	484.95	16.00		
Wales	3.00	3.00		
UK	545.65	21.00	1 156.80	5.00
Consented project				
England	1 070.33	77.00	2 692.20	9.00
Northern Ireland	249.8	13.00		
Scotland	255.25	74.00		
Wales	182.85	12.00	750.00	1.00
UK	4 058.23	176.00	3 442.20	10.00
Planned projects				
England	1 374.23	93.00	2 220.00	5.00
Northern Ireland	964.10	52.00		
Scotland	3 883.43	102.00		
Wales	1 278.33	23.00		
UK	7 500.09	270.00	2 220.00	5.00

Source: OECD based on data from BWEA available at *www.bwea.com/statistics/2009.asp*.

1.7. Summary

England is virtually unique among the OECD countries in terms of the high degree of connectivity between urban and rural parts of the country. The fact that the vast majority of the rural population lives within a half hour travel time by car to an urban place of at least 50 000 leads to a different context for rural. As in all OECD countries, there is a large amount of inter-regional variability in socio-economic structure among the English regions. Conditions in the rural south-east currently differ markedly from the rural north-west. This suggests that opportunities for future rural development will also differ considerably. While there is untapped potential in all the rural parts of the English regions, the nature of the opportunities will vary by region, and most importantly, the opportunities in rural territories in each region will differ markedly from those in urban places.

England is similar to other OECD countries in terms of many rural trends, including a weaker role for agriculture, an ageing rural population, increased concerns with the sustainability of the countryside, challenges in the delivery of household and business services, and significant dependence on public sector transfers. However, England has some particular challenges that separate it from other OECD countries. These include: a pervasive rural housing shortage that is accompanied by high prices, difficulty in finding popular support at the national level for converting rural open space to other uses, and pockets of poverty that are masked by a generally better-performing rural household situation.

Notes

1. There are a wide range of national and international statutory designations in place to protect these areas: Sites of Special Interest (SSSI) protect the country's best wildlife and geological sites. Special Areas of Conservation (SAC) give special protection under the European Union's Habitats Directive to a variety of wild animals, plants and habitats. Special Protection Areas (SPA) give protection under the Birds Directive to rare and vulnerable birds, and for regularly occurring migratory species. Ramar Sites are wetlands of international importance designated under the Ramsar Convention. National Nature Reserves (NNR) both protect some of the finest sites in England for wildlife and geology, and provide great opportunities for people to experience nature. Local Nature Reserves are places which have wildlife or geology of special local interest. They are living green spaces in towns, cities, villages and countryside which are important to people, and support a rich and vibrant variety of wildlife. Marine Protected Areas (MPA) are areas of sea designated for the protection of biodiversity or natural and cultural resources. National Parks are some of the finest landscapes in England, designated to both conserve and enhance their natural beauty, wildlife and cultural heritage and to provide opportunities for the public to understand and enjoy these special qualities. Areas of Outstanding Natural Beauty (AONB) are designated to conserve and enhance the natural beauty of their landscapes. There are also non-statutory designations for England's natural environment, including: Heritage Coasts are managed so that their natural beauty is conserved and, where appropriate, accessibility for visitors improved. European Geoparks contain areas of geological importance and are used to promote the wider understanding of geology to the public. World Heritage Sites are places of international importance for the conservation of our cultural and national heritage. Biosphere Reserves contribute to the conservation of landscapes, ecosystems and species; foster economic and human development; and provide support for research, monitoring, education and information exchange. Local Geological Sites are important for their scientific, educational, and historical value, as well as their visual qualities (Natural England).
2. Social housing is housing that is let at low rents and on a secure basis to people in housing need. It is generally provided by councils and not-for-profit organisations such as housing associations.
3. The report is available online at the Cabinet Office website at: *www.cabinetoffice.gov.uk/social_exclusion_task_force.aspx*.
4. The National Trust is a registered charity that was founded in 1895 to protect threatened coastline, countryside and buildings. Since its inception it has acquired land and buildings in rural parts of the UK. Acquisition is through purchase or from donations by owners that receive preferential tax treatment by the UK government. In 2009 the National Trust had 3.5 million members and controlled 709 miles of coastline, 254 000 hectares of countryside and more than 350 houses, monuments, parks and gardens.
5. Research has shown that success rates are higher for strategies that focus on helping existing firms in a community prosper and grow, than for trying to attract new firms through inward investment or stimulate entrepreneurship. Business Retention and Expansion International (BRIE) operates training programs for communities to put in place proactive support teams for local businesses. See their web site at *www.brei.org/*.

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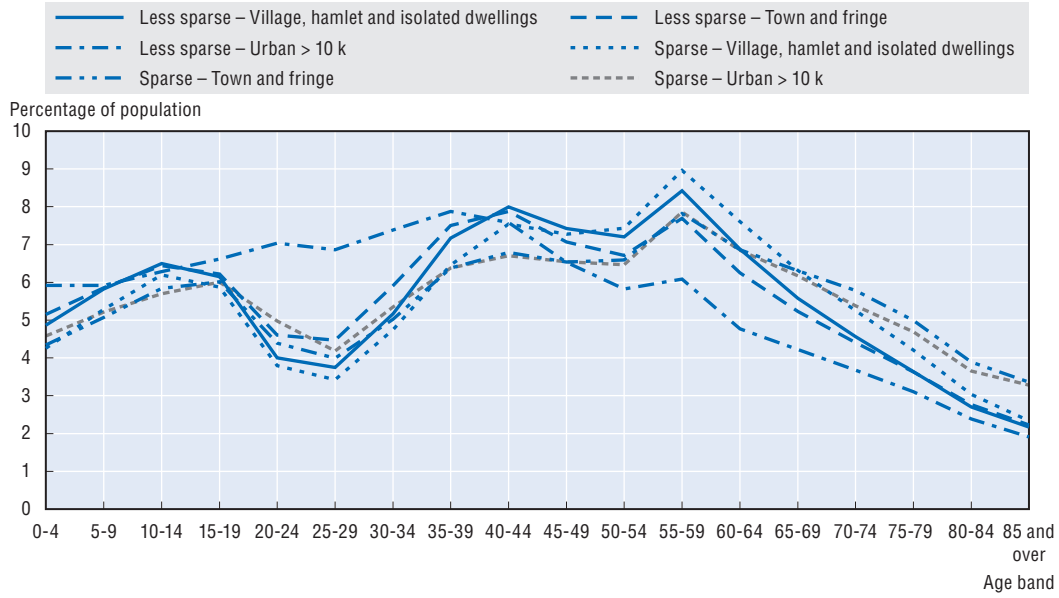
ANNEX 1.A1

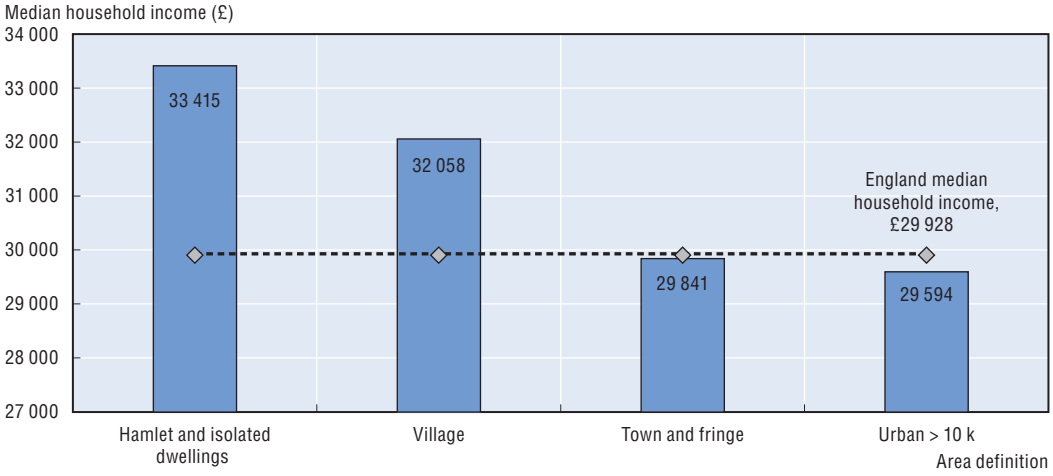
Additional Tables and Figures

Figure 1.A1.1. **Proportion of population by area and age profile, 2005**



Source: ONS (2008), Resident population estimates, all persons, mid 2001-05; CRC (2008), *State of the Countryside 2008*.

Figure 1.A1.2. **Median household income (un-equivalised), 2008**



Notes:

1. "Equivalised" incomes take household size into account. For the purpose of calculating relative poverty the figures assume that a smaller household needs less income than a larger household. For more details see DWQ (2008) Households below average incomes, First release, June 2008.
2. Mean incomes are higher than medians since the high earnings of a small proportion of people have little effect on a median average but increase the mean average.

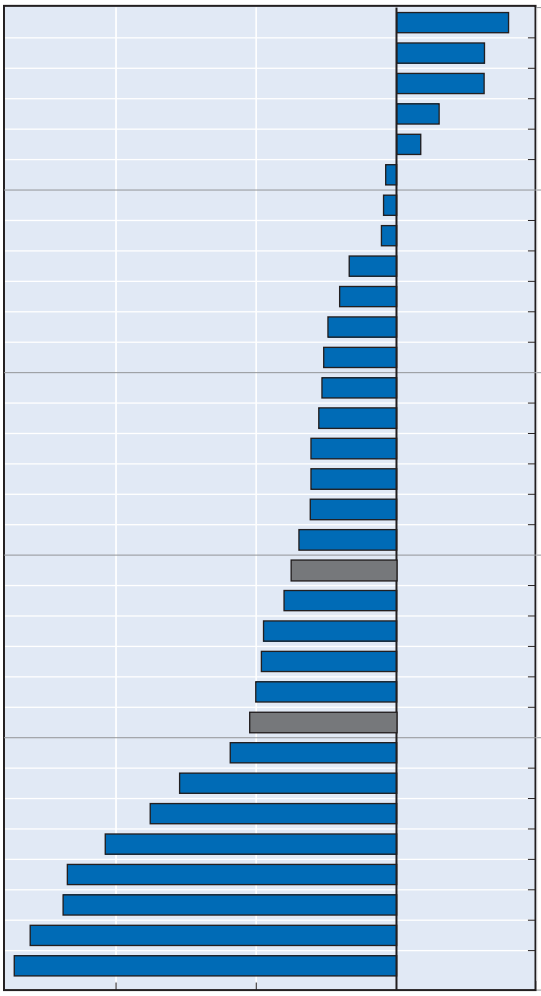
Source: CRC (2008), *State of the Countryside 2008*.

Table 1.A1.1. **Change in average and lower quartile house prices**

Area definition		Average				Lower quartile			
		2000 (GBP)	2007 (GBP)	2000-07 average annual quartile (GBP)	2000-07 average annual % change (GBP)	2000 (GBP)	2007 (GBP)	2000-07 average annual quartile (GBP)	2000-07 average annual % change
Less sparse	Hamlet and isolated dwellings	178 495	352 705	24 887	13.9	58 244	137 105	11 266	19.3
	Village	148 700	296 682	21 140	14.2	54 266	132 819	11 222	20.7
	Town and fringe	104 134	213 142	15 573	15.0	42 900	105 948	9 007	21.0
	Urban > 10 k	104 592	212 954	15 480	14.8	35 807	94 906	8 443	23.6
Sparse	Hamlet and isolated dwellings	129 721	313 087	26 195	20.2	52 917	141 854	12 706	24.0
	Village	103 277	258 831	22 222	21.5	45 745	128 143	11 771	25.7
	Town and fringe	86 286	204 315	16 861	19.5	41 150	110 005	9 836	23.9
	Urban > 10 k	72 355	167 837	13 640	18.9	36 259	96 538	8 611	23.7
	Rural	125 618	257 600	18 855	15.0	48 180	119 072	10 127	21.0
	Urban	104 488	212 823	15 476	14.8	35 808	94 911	8 443	23.6
	England	**108 508**	**220 880**	**16 053**	**14.8**	**38 167**	**99 277**	**8 730**	**22.9**

Source: CRC (2008), *State of the Countryside*.

Figure 1.A1.3. **Agricultural land area**

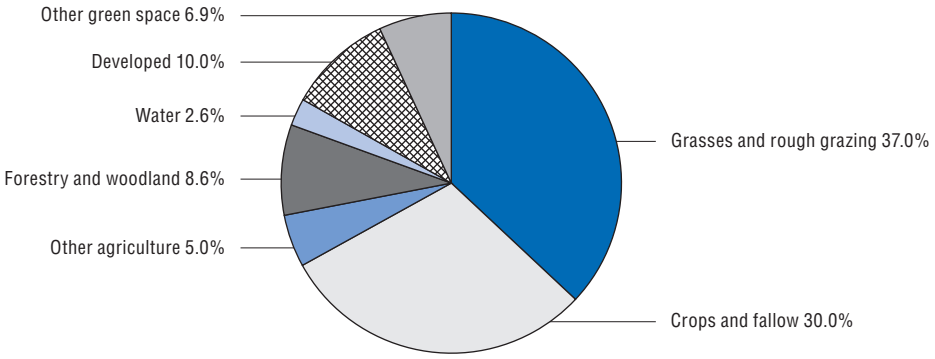


	Average		Change	
	1990-92	2002-04	2002-04	
	('000) Hectare	('000) Hectare	('000) Hectare	%
Norway	1 002	1 042	40	4.0
Mexico	104 033	107 300	3 267	3.1
Belgium	1 351	1 393	42	3.1
Luxembourg	126	128	2	1.5
Turkey	40 662	41 014	352	0.9
Czech Republic	4 285	4 269	–16	–0.4
Slovak Republic	2 448	2 437	–11	–0.5
Iceland	2 416	2 403	–13	–0.5
Germany	17 288	16 996	–292	–1.7
Greece	8 621	8 446	–175	–2.0
Canada	62 373	60 852	–1 521	–2.4
Ireland	4 465	4 349	–116	–2.6
France	30 492	29 682	–809	–2.7
Austria	3 428	3 333	–95	–2.8
New Zealand	13 006	12 610	–396	–3.0
Switzerland	1 573	1 525	–48	–3.1
Netherlands	1 994	1 932	–61	–3.1
Spain	30 269	29 215	–1 054	–3.5
OECD	1 301 453	1 252 552	–48 901	–3.8
United States	426 442	409 367	–17 074	–4.0
Denmark	2 788	2 656	–132	–4.7
Australia	464 367	442 002	–22 364	–4.8
Portugal	3 992	3 792	–200	–5.0
EU15	146 421	138 759	–7 662	–5.2
Sweden	3 375	3 175	–200	–5.9
Hungary	6 357	5 865	–491	–7.7
Japan	5 204	4 747	–457	–8.8
United Kingdom	18 143	16 260	–1 883	–10.4
Finland	2 542	2 244	–298	–11.7
Poland	18 686	16 465	–2 221	–11.9
Korea	2 179	1 895	–284	–13.1
Italy	17 546	15 156	–2 390	–13.6

Note: National data for Austria, Belgium, Canada, Czech Republic, Denmark, France, Germany, Hungary, Ireland, Japan, Korea, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain and Turkey.

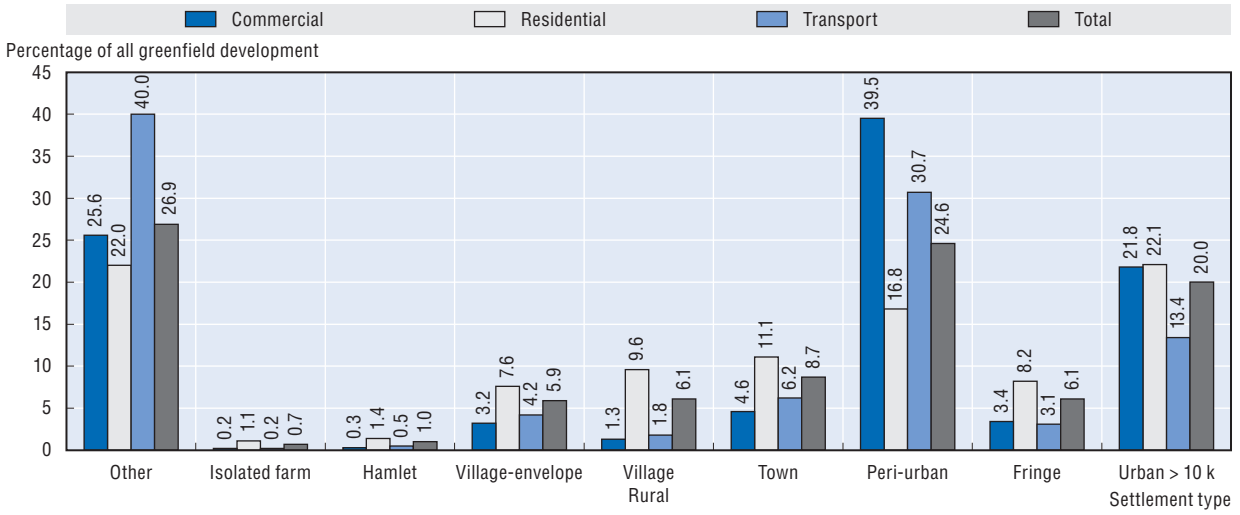
Source: OECD (2008), *Environmental Performance of Agriculture in OECD Countries Since 1990*, OECD Publishing, Paris.

Figure 1.A1.4. **Estimated breakdown of land use, 2005**



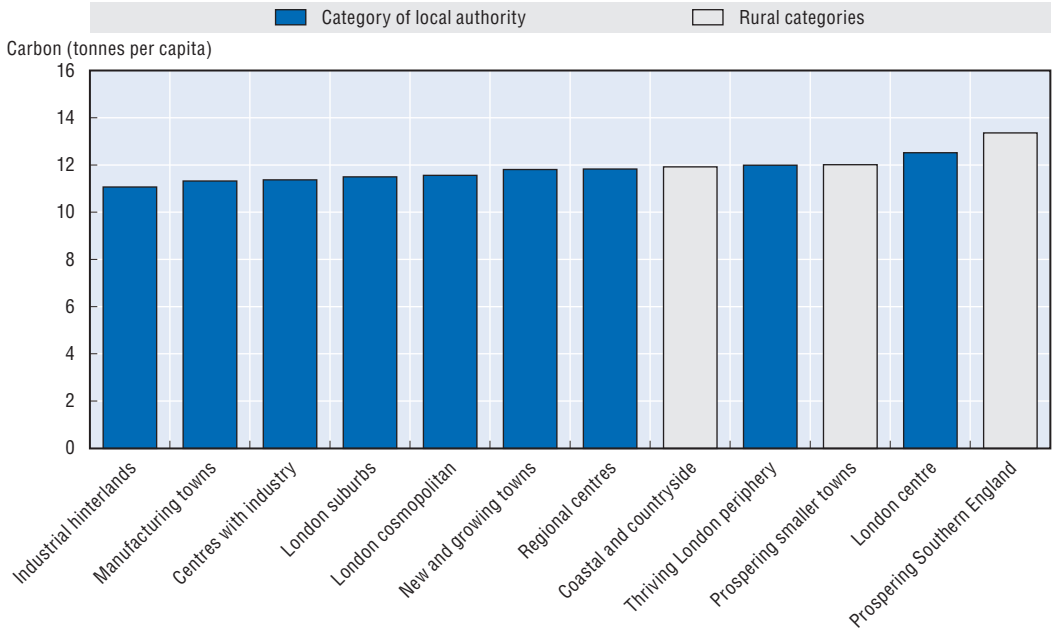
Source: CRC (2010), *State of the Countryside 2010*.

Figure 1.A1.5. **All greenfield development by broad purpose and settlement type, 2000 to 2006**



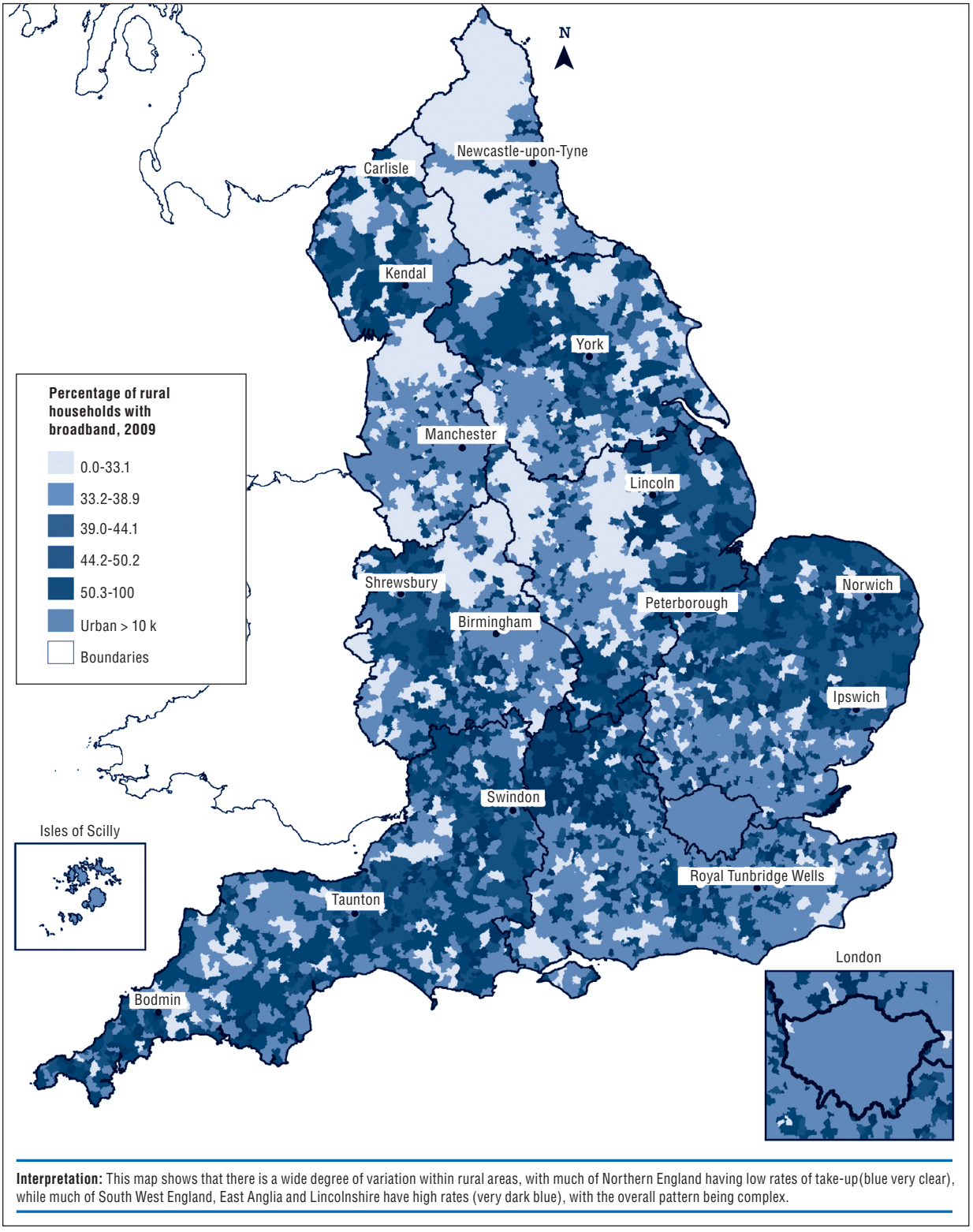
Source: CRC (2010), *State of the Countryside 2010*.

Figure 1.A1.6. **Carbon footprint by category of local authority**



Source: CRC (2008), *State of the Countryside*.

Figure 1.A1.7. **Percentage of rural households with broadband, 2009**



Interpretation: This map shows that there is a wide degree of variation within rural areas, with much of Northern England having low rates of take-up(blue very clear), while much of South West England, East Anglia and Lincolnshire have high rates (very dark blue), with the overall pattern being complex.

Source: CRC (2010), *State of the Countryside*.

Chapter 2

England's Rural Policy and Governance Mechanisms

Understanding rural policy in the English context requires analysing: 1) the evolution of rural policy in England, and 2) considering the overall approach to rural policy today, including governance and financial mechanisms, as well as stakeholders. Accordingly, this chapter focuses on policy responses to the rural challenges in England identified in chapter one, that led to mainstreaming as the rural policy approach currently in place in England. The evolution of rural policy in England, the policies, and the institutional frameworks underpinning the design and delivery of rural policy are discussed. The chapter is structured as follows: the first section sets out, in three phases, an abridged historical timeline of rural policy development and the transition from a rural policy that is "linked" to agricultural policy to one that is both separated and more "mainstreamed". The subsequent two sections discuss the mainstreaming policy approach at the national and the sub-national levels along with identifying key actors and mechanisms. The fourth section analyses the financial framework associated with rural policy. Finally, as changes in housing policy and spatial planning greatly impact rural areas, key developments in this regard are considered separately in a last section.

2.1. Key points

England has a long tradition of sophisticated rural policy. Mainstreaming is currently the Governments approach to rural policy and delivery. It is meant to ensure that people in all parts of the English territory receive equitable treatment by government. Rather than identifying specific rural policies, the government focuses on developing broad policies in all departments and agencies to deliver specific benefits to all the people in England, wherever they might live. Mainstreaming requires that consideration of rural needs and concerns take place early and at all stages of policy development through the use of rural proofing.

Defra as "rural champion" works to ensure that rural remains on the agenda and are not overlooked or diluted by the multiple priorities of sectoral ministries. Defra supports rural mainstreaming by allocating its resources to act as rural champion and promote the representation of rural interests in policy making and delivery; maintain and develop links with the rural network; improve the evidence base on the rural context; and sponsor other bodies.

The adoption of the rural mainstreaming policy delivery landscape translated into a more pared down funding system for Defra. However it also resulted in a more complex rural financial framework for rural England. Mainstreaming and the "places agenda" implement rural policy at the sub-national level through Regional Development Agencies and Government Offices for the Regions. These bodies contribute a regional perspective to the development of national policy, and work with regional-level partners to develop specific regional strategies and drive the delivery of national policies at regional level.

Local partnerships are *key* to mainstreaming rural policy at the implementation and design phase at the local level. Given the number of actors at the sub-regional level, and the fact that no single organisation can be responsible for ensuring that service provision in an area meets the needs and aspirations of the local community, partnerships have developed to fulfil this role at the county and district levels.

A major concern for rural communities continues to be the availability and affordability of housing. On the whole, the national target for housing is being achieved, but realising rural housing targets continues to be a challenge. The mandate to mainstream rural policy and rural proof is equally applicable to housing policy, but it is complicated by a singularly complex housing governance framework.

2.2. Introduction

In recent years, rural policy has presented some of the most difficult and unexpected challenges to the English government. With the hunting ban, Foot and Mouth disease, agricultural reform through the Common Agriculture Policy, housing development and the "right to roam", and developments around crime, social exclusion and employment in the countryside, rural issues have featured strongly in public policy debates and continue to do so today. In the wake of this, the English approach to rural policy has evolved from a

number of independent strategies that sought to bridge agriculture, economic development, housing, regional, urban, and rural interests. Policy for rural areas has had to adapt and draw heavily from a myriad of policy measures at international, national and regional levels that impact rural England. To some extent, this has fostered a differentiated notion of "rural policy" which is reflected in the approach visible today. To fully grasp the dynamic nature of rural policy in England an overview of the policies, the actors and institutions involved, as well as a discussion of some key issues, is necessary. This chapter serves this role. The first section explores the extent of the transformation of policy chronologically. The second and third sections, examine the current policy framework, the actors and policy mechanisms. This is followed by an overview of the rural financial framework and a final section that considers housing availability and affordability, which are critical issues in rural England.

2.3. The evolution of rural policy in England

Rural policy in England evolved within the context of a shift from rural areas as sites of agricultural production to areas of leisure, conservation and aspirational consumption. Within this section, the milestones and the ebb and flow of rural policy is captured in three phases: the early years up to 1997 when rural policy was influenced by, but already being recognised as distinct from, agricultural policy; 1997-2001 when rural policy was more clearly separated from agricultural policy and gained in prominence with new "rural" focused institutions and initiatives being introduced to guide the process; and, the period leading into the current dynamic 2002-09, when once again rural policy is reconfigured, but this time as a "pared down" and "simplified" structure. Throughout these phases, the evolution of rural policy in England is intriguing because the concept of "rural policy" was consistently being explored and reshaped.

… the early years: distinguishing rural policy from agriculture policy…

There was early recognition in England that rural areas needed a more nuanced approach than could be dealt with through agricultural policy. The two main thrusts of early rural policy included stemming depopulation in the most peripheral parts of the UK and dealing with the consequences of structural change in agriculture, especially the reduction in farm employment. In 1909, the Rural Development Commission was created to keep under review and advise government on the economic and social development of rural areas. While the Commission was mainly created to address longstanding income problems in UK farming, it also focussed on finding non-agricultural sources of rural employment and it had supplemental authority with a broader rural development focus.[1] This latter function was cemented in the early 1980s when the Commission was granted the authority to designate Rural Development Areas as a way to encourage integrated approaches to economic and social development. Each Area was to receive financial support through programmes managed by Local Authorities and government agencies.

Nonetheless, during this period agricultural policy heavily influenced rural policy in England. Following World War II the UK government reoriented its rural policy focus to strengthening agriculture. The relative scarcity of food during the war and a desire for greater self-sufficiency accounted for the emphasis on ensuring agricultural productivity and the preservation of agricultural land. This led to major investments in increasing agricultural productivity and to restrictions on farmland conversion that largely continue today. As a result, farmers were able to make investments in improving output with

minimal oversight while price supports encouraged the expansion of farm output.[2] And, planning took on a much larger role in shaping land use patterns. *The Town and Country Planning Act of 1947* created parallel planning systems for rural and urban England. In 1968 the Countryside Commission was established to oversee the protection and promotion of the English countryside. The combination of financial aid for agricultural production and a planning system that prevented most farmland conversion resulted in agricultural interests having a disproportionate influence over rural England.[3] By the 1970s there was growing interest in protecting the natural environment, including scenic landscapes and wildlife habitat. During this period the Countryside Commission was placed under the supervision of the Secretary of State for the Environment. In 1995 the White Paper "*Rural England: a nation committed to a living countryside*" became the first White Paper in 50 years to address rural issues in an integrated manner.

Box 2.1. **Impact of CAP on rural policy in England**

The Common Agricultural Policy (CAP) is a system of European Union subsidies and programmes meant to enable producers of all forms of food to survive and remain competitive on world markets. The key objectives of the CAP are to: increase agricultural productivity, ensure a fair standard of living for agricultural producers; stabilise markets; assure availability of supplies; and, ensure reasonable prices to consumers. Rural development policy emerged in a piecemeal way through successive reforms of the CAP. Consequently, there are two "pillars" through which funding is disbursed. Pillar I the larger share of the overall budget provides subsidies to farmers. The second pillar is the Rural Development Regulation. In the UK each of the devolved administrations (England, Northern Ireland, Scotland, and Wales) has its own rural development plan for disbursing Pillar II funds.

The CAP has evolved in ways that make it more important for broader rural development issues and England has used the flexibility in the CAP to shift money from direct payments for commodities to other programme areas. Early opportunities for modulation* of direct payments were implemented by the UK and France at the turn of the 21st century. These were largely for agri-environmental improvements, but they tended to be most valuable in marginal farming areas where additional farm income plays a relatively larger role in the local economy.

Over time it is possible to see a shift in English rural policy to be better aligned with the agriculturally linked provisions of the Rural Development Funding provided under CAP. *The expansion of Pillar II makes the CAP an increasingly important factor in rural policy.* With the introduction of Pillar II to the CAP in 1999 it began to play a major role in rural development policy within the EU. As funds are diverted from Pillar I to Pillar II and programmes under Pillar II become more structured and better funded they play larger roles in conditioning national rural policies. Because Pillar II remains highly oriented to agriculture it promotes a stronger role for farming in rural development. Funding is made available for farm diversification, agri-environmental improvement, farmer training and improving infrastructure that has direct ties to agriculture, such as modernising farm market towns. The broadest aspect of Pillar II is its support for the LEADER programme, which offers opportunities for introducing locally based rural development approaches that rely on a wide variety of sectors and actors.

* The term "modulation" is used to describe the transfer of funds from direct subsidy payments under Pillar I of the CAP to rural development expenditure under Pillar II of the CAP. It is a mechanism used to shift financial resources across otherwise separate budget lines.

… 1997-2001: measures and mechanisms to realise rural policy…

In 1999, the Rural Development Commission was merged with the Countryside Commission to form the Countryside Agency. With a budget of around GBP 100 million, the Agency operated as: a national policy adviser on rural issues, statutory overseer of the countryside, and programme delivery body for a wide range of social and economic schemes. In the same year, the government, concerned with economic development in English regions, created the Regional Development Agencies (RDAs) specifically to enhance the economic prosperity of the regions.[4] The next year, a second document on rural policy was published, the White Paper "A *fair deal for rural England*" (alongside an Urban White Paper). It set out the vision of the countryside, as "living, working, protected and vibrant, where there is access to jobs and services". Key to this publication, were the 261 commitments to improve: rural services, transport, the rural economy, the countryside, rural towns and villages, and the way the government handles rural policy. Moreover, by proposing to deliver the policy precepts through the main programmes on health, education, housing and transport to achieve real improvements for rural communities, it not only signalled the importance of cross cutting efforts in realising rural policy, but it essentially codified the rural policy approach as *mainstreaming* (Box 2.2) and imposed a rural proofing requirement upon national and regional government (OECD 2009 Background Report). Arguably, the Foot and Mouth outbreak – less than three months after the White Paper publication – confirmed the importance of adopting a co-ordinated approach to rural affairs. As the crisis effectively "closed" many rural areas to the public, it severely impacted tourism and the wider rural economy.

Box 2.2. **Mainstreaming defined**

Mainstreaming recognises that there are differences between urban and rural communities, but is founded upon the certainty that the basic requirements of all types of community are fundamentally the same – everyone needs a high quality local environment, a decent home, a good education system, and access to good healthcare and other public services.

Mainstreaming dictates that the needs and interests of rural people, business and communities should be *equitably* addressed through all mainstream policies and programmes

Under mainstreaming *equitable* does not mean *equal* or *uniform* or imply a uniform approach to delivery of services.

Mainstream policies and programmes are typically those that apply universally. They are generally developed at the national level, interpreted at the regional level and implemented at the local level.

Under mainstreaming those designing the policy or delivering the programmes will determine the best delivery method.

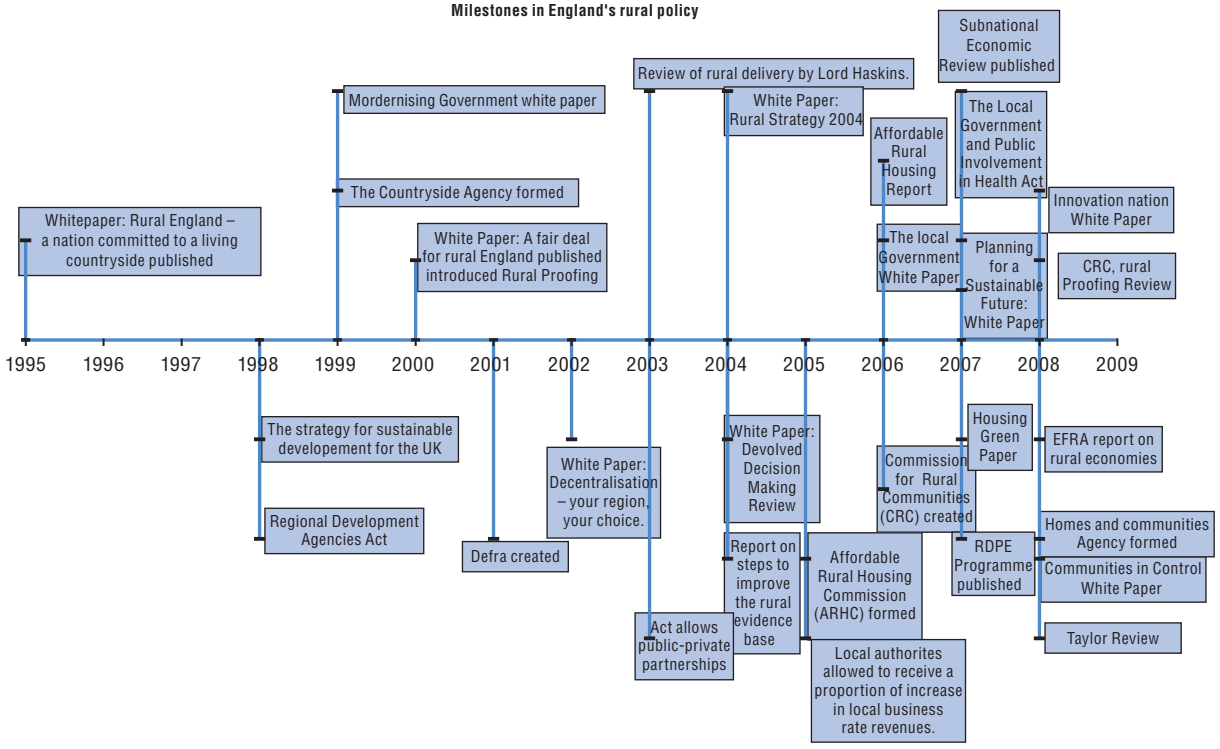
Source: OECD (2009), *England Background Report*.

With an approach in place, and the crisis in mind, the first Government Department with a specific remit for rural affairs soon followed (2001). While other Government Departments continued to have major responsibilities in rural areas; the Department for Environment, Food and Rural Affairs (Defra) provided an opportunity to bring policy on agriculture, the environment and rural affairs under one roof.[5] Defra was represented in a

wide range of committees dealing with issues for which there was a need to consider rural impacts (including committees on: ageing policy, children's policy, communities, public health, economic affairs etc). Further, in response to the Rural White Paper, a new Ministerial subcommittee of the Domestic Affairs Committee focussed on rural renewal (DA(RR)) was established.[6] DA(RR)'s role was to oversee the development and implementation of the government's policies on the rural economy and rural communities. This also included providing a rural proofing function by monitoring the impact of the government's wider policies on rural areas.[7]

The period of 1997-2001 is notable for the plethora of new institutions, new strategies, and new priorities all related to rural policy. All of these bodies were tasked with promoting the needs and interests of rural people by all parts of government. Intrinsically there was "a shift in the rhetoric of analysis from seeing rural policy and rural economies as essentially about agriculture to acceptance of [them as] much more diverse service economies" (Ward 2009). The policy frameworks and new institutions moved to concretise these developments. Further, the emphasis in this period on "region wide collective strategies" presages in many respects the OECD's New Rural Paradigm, which was not published until 2006. Further, the main driver of change was the growing acknowledgement that the needs of rural areas extended well beyond that of agricultural policy, a position that is still struggling to gain traction in other OECD countries.

Figure 2.1. **England's rural policy timeline**



... 2002-09: reconfiguring, reprioritising and simplifying rural affairs...

This period is marked by an overwhelming effort to improve the delivery of government policies in rural areas and align delivery with the policy principles outlined in the 2000 White

Paper. The examination of rural policy in the Government's 2002 Spending Review resulted in the emergence of the first rural Public Service Agreement (PSA) target for Defra. Its aim was "*to reduce the productivity gap between the least well performing quartile of rural areas and the English median by 2006, and improve the accessibility of services for rural people*". While a welcome step, the target proved difficult to achieve because Defra as the sole "owner" of the target lacked the necessary delivery levers (Box 2.3). Local bodies acquired more flexibility and freedom to identify and respond to local needs through the 2002 White Paper "*Decentralisation – Your Region, Your Choice: Revitalising the English Regions*". In the same year, a number of actions were commissioned to improve the delivery of initiatives in rural areas. These include: the review of the *Rural White Paper,*[8] steps to improve the rural evidence base;[9] and an independent review of rural delivery (Haskins Report).[10] Rural delivery measures were deemed confusing, bureaucratic and too centralised to meet future challenges by the Haskins report. In fact, the first recommendation was that "*Defra should review and clarify its rural policy remit in order to ensure that it is consistently understood by all concerned, including those who deliver its policies*". In response, Defra developed the Rural Strategy 2004, codifying a new devolved and targeted approach to rural policy and delivery. Three priorities for a sustainable rural England were identified by the strategy – ***economic and social regeneration***; ***social justice for all***; and ***enhancing the value of the countryside***.

Box 2.3. **Public Service Agreements**

Introduced in 1998, Public Service Agreements set ambitious goals for key service improvement to the public across all government activities. They link directly to the local authority Local Public Service Agreements and are intended to trickle down to the regional level where Government Offices, RDAs and their partners are expected to work together to achieve them. Realising the first rural PSA proved challenging for Defra because whilst other departments indicated that they would support work in rural areas, and signed up to the PSA's delivery plan, they also had other priorities and PSA targets to deliver. Defra was the only department that could be held to account in failing to deliver against the rural PSA target. Further, the government had no means of measuring progress towards achieving the target – it took several years before there was agreement on the set of indicators that should be used to measure productivity in a rural context.

Reconfiguring

The 2004 Rural Strategy also led to the dismantling and formation of new institutions and some old bodies inheriting new responsibilities. In particular, the Countryside Agency was dismantled. Its tasks were split between: Natural England a new environmentally-focused body; and the rural advisory function was given to another new body, the Commission for Rural Communities (CRC),[11] while the RDAs picked up the economic and social development programmes. The CRC juggles multiple functions – it has a particular focus on social disadvantage and economic underperformance and it is rural adviser for the government, rural advocate for the communities, and watchdog. In watchdog mode, the CRC advises and judges the rural proofing process, and provides the government and other bodies with an "impartial, expert view" on the way policies are meeting rural needs.[12] The RDAs rural role was further enhanced in 2004, when Defra's Rural Strategy increased their rural delivery

responsibilities. This included the transfer of key staff and funding from the former Countryside Agency and the Rural Development Service, effective 2005-06, although the extra resources were not ring-fenced for particular rural activities. In 2006, responsibility for the socio-economic elements of the England Rural Development Programme (ERDP) and its successor programme, the Rural Development Programme for England (RDPE) were also transferred to the RDAs.

Reprioritising

Place-based policy making was strengthened with the *2007 Sub-National Review for Economic Development and Regeneration* (SNR). Managing policy at the right spatial level by: increasing the participation of local authorities and communities in boosting economic growth, encouraging partnership work, and strengthening the regional level, were but a few of the policy perspectives emphasised in the Review (Box 2.A1.1). Reducing disparities among the regions, and improving the economic performance of England's regions, cities and localities were primary concerns. And, the reforms aimed to better tap the opportunities and potential of England's regions (CLG 2008a). Consequently, reform sparked another round of institutional change, affecting both rural policy and policy development as a whole. Overlapping strategies were replaced with a single strategy to co-ordinate: employment, economic growth, housing, planning and environmental objectives in each region. Further, the Regional Assemblies were abolished; the City Region Strategy gained traction through a commitment to explore their establishment for transport and economic development (Box 2.4). And, Multi Area Agreements (MAAs) as a means for local authorities to pursue pooling economic responsibility at the regional level were introduced.[13]

Box 2.4. **Other policies impacting rural areas**

Sustainable communities

As the framework on rural policy evolved, so too did strategies on issues ancillary to, but inherently linked to rural areas such as cultivating sustainable communities and fostering city regions. In 2003, the government launched the Sustainable Communities Plan, a long term programme of action for sustainable communities, defined as successful, thriving and inclusive communities in both urban and rural areas. The policy document sought to respond to increasing unaffordability of much of the housing stock; the legacy of poorly designed urban sprawl. With respect to rural areas the report sought to address the housing needs of rural communities and offered a commitment to increase the supply of affordable housing in smaller rural communities. In practice the policy approach limited the need to extend development into the countryside but allowed for more development on Greenfield sites and introduced Regional Sustainable Development Frameworks and the Community Strategies into the planning process.[1] The characteristics of sustainable communities were further elaborated by the Bristol Accord of the same year. The accord emphasised that the role of cities was key to success and that sustainable communities can exist at different spatial levels, neighbourhood, local, city and regional (Sustainable Development Toolkit). In 2006 CLG produced the white paper Strong and Prosperous Communities.[2]

City regions

The focus on city regions as the "territorial foci of economic development", within central government departments – especially the ones that sponsor the RDAs could overwhelm the

Box 2.4. **Other policies impacting rural areas** *(cont.)*

focus on rural areas (Lowe, Ward 2007). Action at the city region level is increasingly vital for economic growth in England and this was an important aspect of the SNR reforms. Indeed a follow-up policy document to the SNR, the *UK economy: addressing long-term strategic challenges* outlined in greater detail the importance of the city region. In sum it makes clear the appropriate spatial level for co-ordinating the range of policies such as planning, housing, transport, skills and regeneration to provide the support and infrastructure for sustainable growth in the medium and long term is the city region (BERR, 2008). This is because firms and individuals benefit from the positive spillover of agglomeration in city regions and the result is higher productivity and employment. To ensure that the appropriate spatial levels are considered the government implemented reforms to encourage more multi area agreements (MAAs); impose a new duty on local authorities to assess the economic conditions of their areas; new approach to target regeneration investment to improve economic performance and rates of work and enterprise in deprived areas.

1. The community strategy is the overarching framework for local activities and contributes to sustainable development approach. The Sustainable communities plan was followed in 2005, by the Sustainable Development Framework that set out the key principles for building sustainable communities.
2. Many of the proposals were implemented through the Local Government and Public Involvement in Health Act 2007 and the 2007 Comprehensive Spending Review.

Source: CLG (2009a), (2009b), (2009c).

2.4. The different components of rural policy in England

Taken as a whole, all the changes transformed rural policy in England by: introducing clearer frameworks for accountability, devolving and delegating to the frontline – moving the decision making closer the people, and creating more flexible arrangements for service delivery. Nonetheless, the results continued to be mixed. In some cases, the lack of effect may have been the result of poor policy design or inadequate funding. In other cases, the lack of effect is the result of the policies not being the best "fit" for the place. The less than optimum results could arguably reflect the lack of consensus about how best to strengthen rural communities and economies in rural England.

… "Mainstreaming" is the Government's approach to rural policy and delivery

The changes noted above illustrate a preference in England for a rural policy that does not depend on rural-specific interventions. As a consequence, today, rural policy in England is realised through "mainstreaming" the government's overarching approach to policy development (Box 2.5). This area-based approach operates cross-sectorally and at all levels of government. Intrinsically, it is about working constructively within a national policy framework, which already recognises that all communities are different, and which is increasingly designed to give local areas the flexibility to respond to local circumstances and needs. To a certain extent mainstreaming is an organisational ethos that embraces both a more "holistic" and "localised" agenda and that widens the responsibility frame at all levels to increase the capacity to address these needs.

By adopting the mainstreaming approach the government adheres to the principles set out in Rural Strategy 2004, while ensuring that the delivery of the "outcomes" sought in the different policy strategies across departments is applied in a manner that recognises the distinctiveness of urban and rural areas. Moreover, the decision to mainstream rural

policy reflects: England's urbanised landscape, the historically tenuous relationship between agriculture and rural, and the need, born out of a series of crises, to find new ways to reinforce a rural economy that is separate and distinct from agriculture. As a rural policy, this approach is unique to OECD countries and is in many respects both forward thinking and innovative. For example, rural mainstreaming acknowledges that there are some distinctive aspects to the delivery of certain policy objectives in rural areas and seeks to support it by improving the knowledge of rural areas and making it available during the policy design and development phase. Another characteristic of rural mainstreaming is that it capitalises on the government's emphasis on devolution with a multitude of horizontal and vertical collaborations at all levels of government. Mainstreaming rural also helps to remove the "special pleading" stigma sometimes associated with rural policy in England. The preference for a wider approach to rural policy in England over a specific national rural policy is meant to distance rural areas from the "special pleading" mentality with which they are often associated. "All local areas, not just rural areas, need policy and delivery adjustments to meet their own particular needs" (Moor 2008). The core of the mainstream approach to rural is grounded in a number of important precepts set out in Box 2.5.

Box 2.5. **Area Based Policy**

An OECD report on evaluating Area Based Policy observed that mainstreaming has long been a mantra within urban policy in England and was thrust centre stage by the Urban White Paper. The Local Strategic Partnership were tasked with developing community strategies that consciously used mainstream as well as specific resources from funds such as the Neighbourhood Renewal Funds to reverse the fortunes of deprived areas. Mainstreaming can be thought of in three distinct ways:

1. the attempt to bend resources from main spending programmes such as education, social services, housing to target areas of special need or to improve the quality of service delivery to such areas;
2. the attempt to learn lessons from what works in specific programmes and projects and apply them more generally to other areas; and
3. the attempt to incorporate into mainstream services the policy lessons that arise from specific initiatives.

Source: OECD (2004), *Evaluating Local Economic and Employment Development*, LEED, OECD Publishing, Paris.

… and, rural mainstreaming ensures that the evidence based needs of rural areas are considered

Implementing and delivering policy under mainstreaming in a manner that benefits rural communities can be a challenge, especially since without management, the multiple priorities of sectoral ministries could undermine any attention to rural issues. Ensuring that all government departments with policy responsibilities for the population at large take account of rural when designing and implementing policies is the thrust of rural mainstreaming. The responsibility for rural mainstreaming lies with Defra. So, Defra is tasked with co-ordinating and overseeing rural policy within government and promoting the needs and interests of the rural community across government.[14] Specifically, the rural programme focuses on the outcomes of the government's social and economic policies in

relation to rural people and places. Figure 2.2 shows how Defra is meant to deliver strategy through rural mainstreaming. Its resources are allocated as follows:

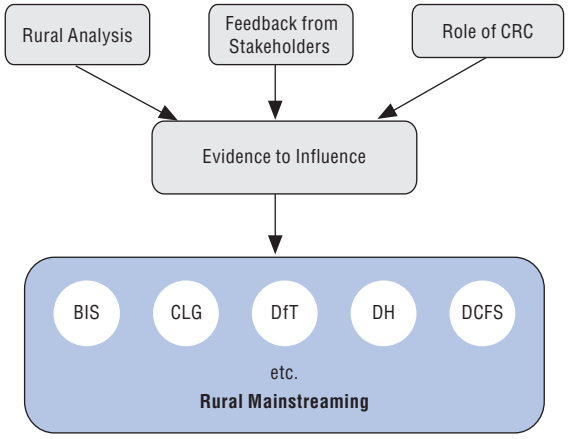
i) to act as rural champion and promote the representation of rural interests in mainstream policy making and delivery;

ii) to maintain and develop strong links with the rural network;

iii) to improve the evidence base on the rural context and share it with other government departments; and

iv) to sponsor other bodies such as CRC.

Figure 2.2. **How Defra delivers rural strategy**



Source: Defra.

... but as mainstreaming rural is a mandate for government, other departments also play a role

In keeping with mainstreaming, policy for rural areas is the task of government as: a whole, no matter the sector. The government at large is responsible for national policy and strategy matters in areas such as health, transport, the environment, climate change, community empowerment, education, skills, business support and culture. Therefore all main government policy departments are responsible for ensuring that their policies and programmes take account of, and do not adversely impact upon, rural people, businesses and communities.[15] This also means that the responsibility for the delivery of services to rural people, communities and businesses lies with the appropriate lead policy department. For example, the Department for Transport has policy responsibility for the type and standard of transport services to be delivered in rural as well as urban areas.[16]

Select Committees and CRC. There is also an element of Parliamentary oversight through a number of standing and select committees to further support attention to rural issues. Typically this is handled through the Environment, Food and Rural Affairs Select Committee (EFRA) and the CRC. EFRA exists to examine the expenditure, administration and policy of Defra and its associated public bodies. It has conducted a number of enquiries into Defra's areas of responsibility, including a report in October 2008 on the potential of England's rural economy. This was intended as a follow up to the Rural Advocate's 2008 report on the same subject, and made a number of comments and suggestions about Defra's handling of its rural brief. As part of the CRC model, the chairman of the CRC, as the Rural Advocate, enjoys formal (in the form of writing a Rural Advocates report presented annually) and informal

(party meetings) access to the Prime Minister. As a result of the committee's inquiry, Defra accepted the suggestion to rename the Department Strategic Objective (DSO) to reflect the importance of delivering socially and economically sustainable rural communities. It also acknowledged the committee's perception that it had been too reactive in addressing its rural mainstreaming responsibilities and, accordingly, initiated a new programme of joint work with the CRC to refresh and re-launch the concept of rural mainstreaming and the package of rural proofing materials available to policy-makers.[17]

CLG and BIS. In the context of rural issues, the wider mandate to mainstream presents some challenges. Whereas Defra's key focus is on local communities and on the wider rural agenda, other departments such as the Department of Communities and Local Government (CLG) and Department for Business, Innovation and Skills (BIS) play important roles in rural policy. For example, CLG was established in 2006 with a vision to create "*prosperous and cohesive communities, offering a safe, healthy and sustainable environment for all*". Through this vision, wider policy remit and role in shaping delivery at different spatial levels, CLG took on the role of "the department of place". CLG's places approach created an opportunity to mainstream rural issues across government, and joint work with Defra has considered how to embed rural considerations into the framework for place based "community proofing". Moreover, this brings it in line with the wider "places agenda" of the CLG. As such, mainstreaming is vital to the CLG work agenda. The single and integrated regional strategy which is at the core of the *Prosperous Places* agenda is anchored to the mainstreamed policy framework. As a complement, the recently restructured BIS has responsibility for strengthening regional economies (including grants and business investments), sponsoring the RDAs and for sub-national implementation.[18]

… Mainstreaming has fostered a robust approach to delivering rural policy

1) National performance indicators that set the framework for local strategies

Throughout the mainstreaming process the rural component is largely implicit rather than explicit. This is understandable, as the intent is to fulfil a mandate of improving the livelihood of rural communities without relying on a "rural-specific" interventionist approach, except when the evidence and outcomes are clearly defined (*e.g.* Rural Development Programme). So Defra aims to "*secure a healthy natural environment for everyone's well being, health and prosperity, now and in the future*" – to essentially build strong rural communities. This is realised through the DSOs. The strong rural communities DSO mandates efforts to create "socially and economically sustainable rural communities". DSOs are arguably as important as Public Service Agreements (PSA) which identify government wide objectives (Box 2.3). They set the goal for the department over three years and provide a framework for performance management and progress reporting.[19] Two intermediate outcomes test whether the rural DSO is being achieved (Table 2.1): 1) *whether, the evidenced needs of rural people and communities are being addressed through mainstream public policy and delivery*; and 2) *whether, economic growth is supported in rural areas with the lowest levels of performance,* along with 12 indicators. Moreover, the adoption of the "strong rural communities" DSO provided the impetus for strengthening rural mainstreaming. And strong rural communities are those created by the residents and boast diversity and a sense of place (Defra, 2008). Table 2.1 sets out the relevant PSAs and DSOs along with the definition of strong rural communities, the intermediate outcomes and the indicators.

Table 2.1. **2007 comprehensive spending review PSAs and DSOs**

Defra		
Public Service Agreements (PSA)	Departmental Strategic Objectives (DSO)	
PSA 27 To lead the global effort to avoid dangerous climate change	DSO 1: A society that is adapting to the effects of climate change, through a national programme of action and a contribution to international action	
PSA 28 Secure a healthy natural environment for everyone's well-being, health and prosperity, now and in the future	DSO 2: A healthy, resilient, productive and diverse natural environment DSO 3: Sustainable, low carbon and resource efficient patterns of consumption and production DSO 4: An economy and a society that are resilient to environmental risk DSO 5: Championing Sustainable Development DSO 6: A thriving farming and food sector, with an improving net environmental impact DSO 7: A sustainable, secure and healthy food supply **DSO 8: Socially and economically sustainable rural communities** DSO 9: A respected department, delivering efficient and high quality services and outcomes	
DSO 8	*Intermediate Outcome*	*Indicators*
Strong rural communities (socially and economically sustainable rural communities)	Economic growth is supported in rural areas with the lowest levels of performance	This measure focuses on GVA at the sub-regional level: an input measure (workplace based jobs at district level; and an output measure (GVA at district level.
	The evidenced needs of rural people and communities are addressed through mainstream public policy and delivery	This IO has been designed to assess the performance of government policies in rural areas by comparing a basket of socio-economic outcomes and trends in rural areas to the nation picture. The proposed measures are: educational attainment; social employment and economy; housing affordability; crime and antisocial behaviour.
Characteristics of strong rural communities:		
Decent homes at prices people can afford; Good education opportunities; Good health outcomes; Access to employment and business opportunities; A safe environment; Rural people having the opportunity to have a say on the way their community is run.		

Source: National Audit Office (2009), Performance of the Department for Environment, Food and Rural Affairs, 2008-

2) Evidence based decision making

Effective "rural" mainstreaming relies on the "right evidence". Accordingly, an important aspect of Defra's work centres around gathering information on rural dynamics. This information is made available to each government department as they design and implement policy. This in turn increases the potential for better outcomes in rural areas and more informed decision making and creates greater understanding of the dynamics of rural residents and places in the departments. In fact, the limitations and lacklustre results associated with the rural PSA target were linked to the "limited evidence base and choice of indicators". In contrast, the strong rural communities focus is supported by a vastly improved approach and data that illustrates better the diversity and complexity of rural areas (Defra, 2008). Defra oversees the development of the evidence base and ensures its accessibility to other departments in collaboration with CRC.

3) Rural proofing

Thinking rural or "rural proofing" became a requirement for all government officials with acceptance of the 2000 White Paper. Rural proofing can be seen as a response to a long-standing charge against the government that it did not adequately "think rural" when

developing and implementing policies. Rural proofing is essentially "considering the likely impact of policy decisions on rural areas, and, where necessary, adjusting the policy to take into account the particular needs of those who live in, work in, or enjoy the countryside". The point of encouraging early assessments of expected, or likely, impacts in rural areas is a critical factor for rural mainstreaming. This type of prior assessment of policy goes well beyond a mere audit. It is about making the right evidence on rural dynamics available to the key decision makers in a timely fashion so as to enable the introduction of corrective measures. The form of the evidence will vary, but an important aspect is urban-rural data collection and analysis to determine how the urban-rural split could impact policy and strategy (EEDA, *Rural Proofing Toolkit*). Differential impacts on rural areas could arise from three situations where:

Rural needs might differ from the needs of urban communities.

Solutions for rural areas differ from the solutions that work in urban areas.

Unintended adverse consequences from proposed strategies or policies in rural communities despite them being fit for purpose in urban communities.[20]

In Defra's view rural proofing is both a tool for policy makers to use in designing policies and a process for local influence and engagement. Defra and CRC have a shared objective to realise rural proofing and to promote the concept and practice across a wide range of organisations including local authorities and other bodies and sectors. Defra sets and promotes rural proofing policy across all government bodies at all levels, and advises departments on how to deliver their rural proofing responsibilities and on how best they can support delivery of the government rural agenda.

Rural proofing is also under the CRC remit. In this role, CRC monitors and tracks progress by Government Departments and has developed a rural proofing toolkit. The toolkit is designed to assist policy-makers in assessing the likely impact of policies in rural areas and to identify options for ensuring equitable delivery. In the past, the rural proofing process was in "checklist" form and considered limited by many in form and function. However the refreshed toolkit launched by CRC in 2009 clearly reflected many of the concerns. It was much more targeted, containing both key questions and potential solutions to ensure better synergies between rural areas and policy objectives. Further, the changes make it far more multifunctional, as it can be used as a stand-alone guide or in conjunction with other resources (Box 2.6).

4) Partnerships which are encouraged among communities and agencies

Mainstreaming expands the range and role of actors at the sub-national level in policy design and implementation.[21] Devolution, and double-devolution to empower local communities, is an important aspect in England and has gathered increasing momentum since the introduction of the white paper *Communities in Control* (July 2008). As a result, the development and delivery of rural policy involves a vast network of actors from the public and private sectors operating at national, regional and local level. Figure 2.3 shows the relationships among the key players involved at the various levels in rural policy in England. The "places agenda" led by the CLG established infrastructure, governance and accountability, and created an opportunity to mainstream rural issues across all levels of government. The development of the "region" as a political, economic and social entity offered more scope to engage communities in designing and shaping services. A vast number of partnerships are in place from the Local Strategic Partnerships

Box 2.6. **"Refreshed" rural proofing toolkit**

Step One: The policy development process – where thinking rural will be most useful:

What are the objectives of the proposed policy?

What are its intended impacts or outcomes?

Which areas, groups or organisation are supposed to benefit?

What is the current situation and why is it not delivering the outcomes required?

On implementation, monitor change – evaluate the impact the policy is having, using appropriate data collection and assess what is, or isn't being achieved.

Step Two: Rural proofing policy development:

1. Evidence base – a strong and credible evidence base should be available. It should include:
   - *a)* existing research, survey or analysis with a rural dimension;
   - *b)* specially commissioned data and research; and
   - *c)* use of the ONS rural and urban Areas definition to interpret data sets.
2. Service provision and availability:
   - *a)* Will the policy affect the availability of public and private services?
   - *b)* Will the policy rely on existing service outlets, such as schools, libraries and GP surgeries?
   - *c)* Will the policy rely on the private sector or a public-private partnership?
3. Delivery costs:
   - *a)* Will the cost of delivery be higher in rural areas where clients are more widely dispersed and economies of scale can be harder to achieve?
   - *b)* Will the policy rely on local institution for delivery?
4. Accessibility and infrastructure:
   - *a)* Will the policy affect travel needs or the ease/cost of travel?
   - *b)* Does the policy rely on infrastructure (*e.g.* broadband ICT, main roads, utilities) for delivery?
   - *c)* Will delivery of the policy be challenging at the "edges" of administrative areas?
   - *d)* Is the policy dependant on new buildings or development sites?
5. Communications:
   - *a)* Does the policy rely on communicating information to clients?
6. Economies:
   - *a)* Will the policy impact on rural businesses, including the self employed?
   - *b)* Will the policy affect land-based industries and, perhaps, rural economies and environments?
   - *c)* Will the policy affect people on low wages or in part-time or seasonal employment?
7. Disadvantage:

Will the policy target disadvantaged people or places?

Step Three: policy implementation and evaluation – policy initiative has been implemented, it is important that there is a rural perspective.

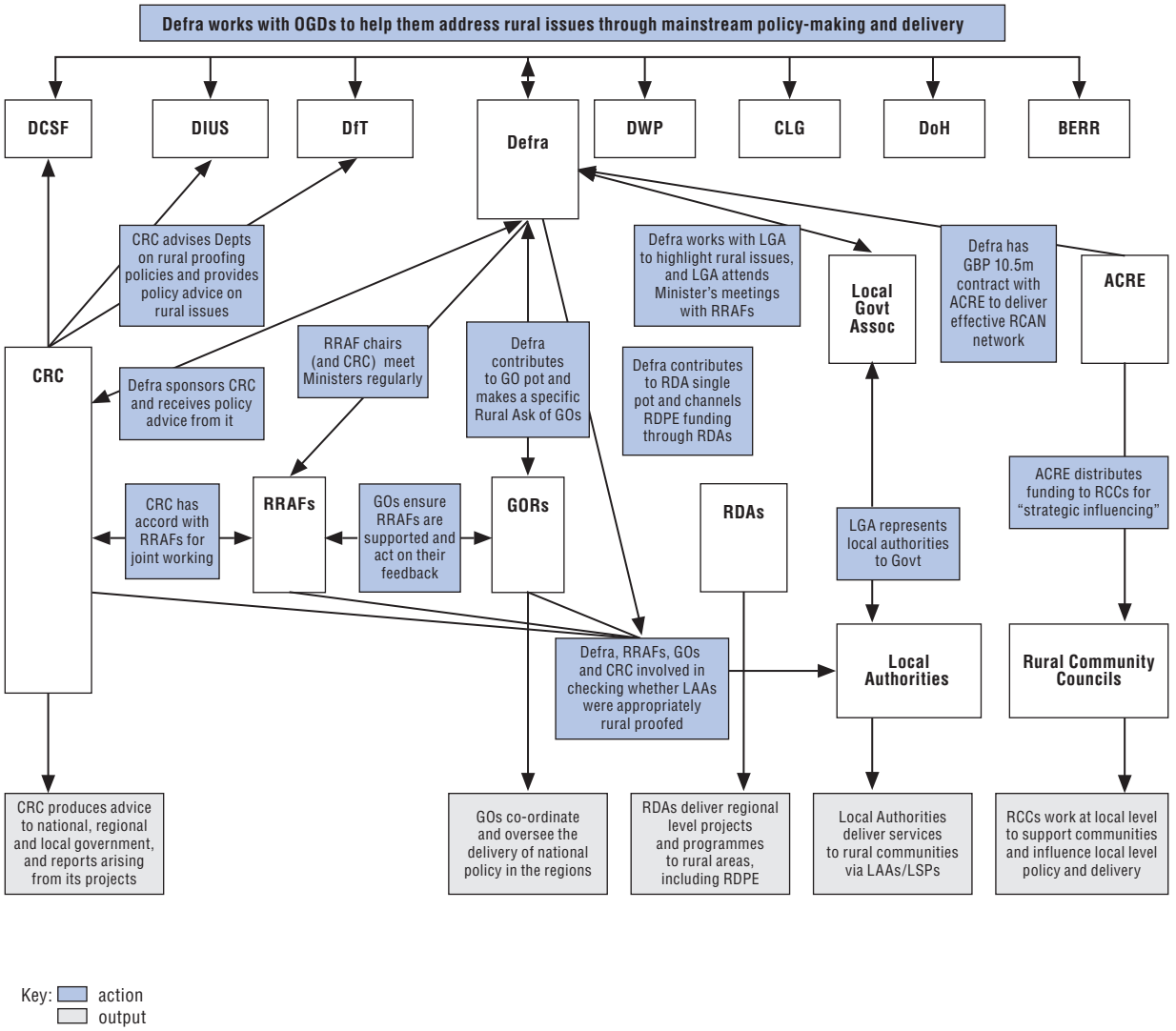
Source: CRC (2009a), *Rural Proofing Guidance*, CRC available at *www.ruralcommunities.gov.uk/files/rural%20proofing%20toolkit.pdf*.

(LSPs) to sub-partnerships at the sub-national level. In the context of rural issues, this means that the regional and local structures that have been developed are expected to address the needs and interests of their rural constituencies as part of their everyday work. Further, the "duty to co-operate" rule promises that public agencies will be active participants in partnerships, rather than passive observers (IDEA, 2009).

5) *Community empowerment*

The 2004 Rural Strategy called for a *strong rural voice, listened to by government*. One element of this "strong rural voice" is the **Regional Rural Affairs Forums** (RRAFs), which were refreshed as a result of the Rural Strategy and given a specific function of bringing together grassroots rural representatives and encouraging them to express their opinions on issues of significant interest to rural people, communities and businesses. The eight Regional Rural Affairs Forums were created as a result of the 2000 Rural White Paper and are an important means of delivering the government's commitment in the White Paper,

Figure 2.3. **Rural relationships**



Source: Defra.

that *Ministers should be fully informed of the state of the countryside and should have regular and direct contact with the main rural groups so that they know what is going on and what countryside people think*. The Forums are independent entities, serviced through the Government Offices (GOs). They have a direct relationship with the CRC, set out in a concordat agreed in September 2008; and with Defra via their quarterly meetings with the Rural Affairs Minister, which also involve the Rural Advocate.

6) and, third sector organisations

Third sector bodies are often described as the life-blood of rural communities. In rural England, they are no different; they provide a valuable service in addition to those offered by the public sector and are often better placed to design and deliver the services that people in rural areas need. Frequently, they work in partnership with (and/or are funded by) government agencies.[22] There are a wide range of non-public sector organisations with interests in rural policy, ranging across business and community groups. For example; Action with Communities in Rural England (ACRE) is a significant stakeholder and key advocate in rural policy work. It is the umbrella body for a national network of 38 Rural Community Councils (RCCs). ACRE, the RCCs and the bodies that bring together the RCCs in the regions, are known collectively as the Rural Community Action Network (RCAN). RCCs act as a strategic voice for rural communities, allowing grass root issues to be championed and solutions worked out in partnership among statutory, voluntary and private sector providers. ACRE plays an invaluable role in leading and advising the RCCs and in representing them to government. Defra funds the RCC network, providing GBP 10.35 million between 2008-09 and 2010-11. The funding enables RCAN members across England to work with local authorities; regional bodies and central government as advocates for rural communities.

2.5. Mainstreaming rural at the sub-national level: actors and mechanisms

The emphasis on devolution means that the actual delivery of most of these services sits with either a national-level body specialising in the field, such as Post Offices Ltd, or with appropriate regional or local government bodies, such as RDAs or local authorities. An example of this is the provision of bus services – the Department for Transport sets the level and principles of the Bus Services Operators Grant; local authorities develop local transport plans to set priorities for the delivery of services; and private sector bus companies provide the required services in return for supplemental subsidy funding.

… The GOs and RDAs take the lead at the regional level

Mainstreaming and the places agenda facilitate rural policy at the sub-national level through the RDAs and the Government Offices (GOs). They have three roles: bring the regional perspective to national policy; work with regional-level partners to develop regional strategies; and, drive the delivery of national policies at regional level. A network of nine bodies, the GOs are overseen by CLG but are accountable to the 11 policy departments that make a financial contribution in return for an agreed range of activities.[23] The GOs are the principal regional-level means of both influencing and monitoring the development and delivery of policy in rural areas. And, Defra's agreed range of activities with the GOs includes specific rural requirements. For example:

ensure that rural needs and interests are mainstreamed both within the GO and in other aspects of regional policy-making and delivery;

ensure, that the views of rural stakeholders in the region, including the Regional Rural Affairs Forums, are listened to and acted upon, as appropriate, in the region; and

ensure, that the region's rural priorities are appropriately reflected in existing and new regional strategies.

All GOs report to Defra quarterly on both their assessment of their region's performance/risks and on their own progress/risks in relation to the rural ask.

The capacity of each RDA to focus on rural areas varies, but on the whole the EFRA Select Committee found the RDAs to be doing "good work" in rural areas (EFRA 2008). The RDAs mandate to improve economic prosperity applies to both rural and urban areas and the mechanisms and investment priorities for rural areas are set out in their Corporate Plans (Box 2.7).[24] Based on figures for 2007-08, 27% of all RDA outputs were delivered in rural areas while 19% of the population of England lives in a rural area. Further, Business Link in the South West provided support to 34 705 established businesses in rural areas from September 2008 to October 2009, And South West Manufacturing Advisory delivered support designed to add value to manufacturing businesses for 307 rural businesses from January 2009 to March 2010. Five of the regions' 14 Grant for Business Investment projects

Box 2.7. **Regional Development Agencies**

The Regional Development Agencies' primary role is as strategic drivers of regional economic development in each of the nine English regions. The RDAs aim to co-ordinate regional economic development and regeneration, enable the regions to improve their relative competitiveness, and reduce the imbalance that exists within and between regions. Under the Regional Development Agencies Act 1998, each Agency has five statutory purposes, which are to:

1. Further economic development and regeneration
2. Promote business efficiency investment and competitiveness
3. Promote employment
4. Enhance development and application of skill relevant to employment
5. Contribute to sustainable development

The Regional Development Agencies are sponsored by the Department for Business, Innovation and Skills, but receive approximately GBP 2.2 billion funding from six departments: BIS, CLG, Defra, DECC, DCMS and UKTI. The Defra contribution in 2009-10 is GBP 60 058 million. In addition, under the RDPE, some GBP 600 million of EU and Exchequer funds is being made available over the lifetime of the programme (2007-13) through the RDAs to help make agriculture and forestry more competitive and sustainable and to enhance opportunity in rural areas.

Each RDA decides how to spend its own share of the single programme budget in line with the RDA sponsorship framework and in light of regional priorities identified in Regional Economic Strategies (drawn up by RDAs working together with regional partners). Under the new sponsorship framework which has operated since April 2008, the RDAs are directed to focus on regional economic growth. This is underpinned by five outcome-focused indicators (productivity, employment, skills, innovation and enterprise). In addition, they are required to apply two cross-cutting principles to all their business. These are sustainable development and economic opportunities for all, including rural and urban areas.

were awarded to rural areas – an investment totalling GBP 2 279 250. To correspond with mainstreaming, the RDAs restructured their rural delivery approach specifically to move away from separate rural programmes (*e.g.* the Rural Renaissance programmes). Where specific regional (or sub-regional) needs have been identified, some RDAs supplement the mainstreaming approach with more targeted programmes. Often staff with specific rural remits are maintained to provide advice on rural delivery and rural mainstreaming.

… guided by the Single Regional Strategy which links economic and spatial planning processes…

Starting in 2010, the social, economic and environmental objectives for the regions and local areas are being shaped by the Single Regional Strategy (SRS). Prior to that they were guided by two separate instruments the Regional Spatial Strategy (RSS) – which set out the regional land use plan, and the Regional Economic Strategy (RES) – which set the direction for economic growth. One challenge with separately conceived policy approaches was priorities based on divergent assumptions about "growth rate" leading to "confusion and undermining confidence" (Schmuecker, 2007). Thus, merging the strategies promises to address lingering fragmentation and conflict in spatial and economic plans that sometimes existed. Moreover, the SRS reduces the number of public agencies and strategies that exist at the regional level.

Table 2.2. **Local government organisations**

Unitary Authorities	One single authority carries out the vast majority of local government functions in its area. that is, education, housing, planning, strategic planning, transport planning, passenger transport, highways, fire, social services, leisure and recreation, libraries, waste collection, waste disposal, and environmental health. They are also "collection authorities", responsible for collecting council tax.		
	Metropolitan Authorities	36	
	London Borough	36	
	Unitary Authorities English Shire	47	
	**An additional nine new Unitary Authorities were created in 2009; including: Bedford Borough, Central Bedfordshire, Cheshire East, Cheshire West and Chester, Cornwall, County Durham, Northumberland, Shropshire and Wiltshire		
Two-tier Authorities	Responsibilities are divided between a county council and a district council		
	County Councils	34	County councils are responsible for education, strategic planning, passenger transport, transport planning, highways, fire, social services, libraries and waste disposal.
	District Council	238	District councils cover smaller areas and provide more local services, such as housing, planning applications, leisure and recreation, waste disposal and environmental health.
Third-tier Authorities	Responsibilities are divided between a town council and a Parish council. While these are not principal local authorities they frequently cover rural areas. The total budget for these councils is approximately GBP 500 million with individual council budgets ranging from GBP 100 to over GBP 1 million reflecting the diversity in size of the areas. Their responsibilities include: litter, parks, public clocks, allotments and maintenance of the village hall. They also have a consultative role in planning applications, and may issue precepts for their services.		
	Town Council Parish Council	8 700	They are responsible for services like allotments, public toilets, parks and ponds, war memorials, and local halls and community centres.

… Local authorities lead the way at the sub-regional level

There are some 388 local authorities in England, employing over 2 million people, which are responsible for the delivery of 700 different services to people and communities.[25] The size, shape and structure of local authorities across England varies considerably, with some traditionally urban areas, organised into large, "single tier", all-purpose unitary authorities, and other, generally rural areas, represented by two-tier

structures with county and district councils (Table 2.2). This urban-rural distinction is, however, changing with a growing number of two-tier areas becoming unitaries.

The structure of the local authority does not materially affect its range of responsibilities (although in two-tier areas the responsibilities are shared between county and district councils and their relationship can sometimes make delivery more challenging). Nor does the structure affect the council's responsibility for addressing the needs and interests of its rural residents, in line with the overarching principle of rural mainstreaming. Councillors are responsible for making decisions on behalf of their local community about: the nature and delivery of local services, the size and allocation of the authority's budget and the appointment of senior officials.[26]

... through local development strategies that provide the framework for action

Local development strategies provide a framework within which specific projects and funding sources can be utilised to the greatest advantage. They also assist in the more effective delivery of regional and national programmes and policies. At the sub-regional level there is the Local Development Framework (LDF), the Sustainable Community Strategy (SCS) and the Local Area Agreement (LAA). The introduction of LAAs and SCS has helped to integrate the different themes and priorities for local areas into one place.[27] The LDF is a portfolio of local development documents that collectively represent the spatial planning strategy for Local areas.[28] A number of these strategies are discussed below.

Local Area Agreements and Sustainable Community Strategies...

Derived from both the PSAs and the DSOs 188[29] national indicators serve as the basis for determining the targets local government must meet and against which performance is assessed. Thus the indicators are to be used by all levels of government and represent a balance between national and local priorities. Certain services, because they are specific to, or more closely linked to, local need, must be designed and delivered by local authorities. As a consequence, a subset of 35 indicators (or improvement targets) conceived as specific to "local areas" are carved out from the larger set of 188 to be "performance managed" locally. This is typically done within the context of the **Local Area Agreements (LAAs**). Understandably, the process of identifying targets appropriate to the spatial context of the local area is particularly important and having the "right" evidence of rural dynamics, rural proofing and all the other aspects of rural mainstreaming are fundamental to this process. It is worth noting that before the introduction of LAAs, local authorities were required to report against over 1 200 different indicators to different government departments. This burden was reduced in 2007.

There are 152 LAAs across England.[30] An LAA is essentially an agreement to deliver improved outcomes for the local area as a whole against up to 35 improvement targets. The selected targets from the National Indicator Set should reflect national and local priorities and can include local indicators on which the areas do not have to report on to central government (OECD 2009 England, Background Report). In practical terms this means that, subject to national constraints, the local authorities, in collaboration with appropriate partners, set the priorities, determine the performance indicators, and monitor and review performance.[31] A necessary companion to, or the basis for determining the appropriate direction for the LAA, is the **Sustainable Community Strategy (SCS)**. Each local authority has a duty to prepare a Community Strategy; it represents the blueprint for development in the district. Further, as it is developed in an open, collaborative and consultative manner,

Box 2.8. **Cornwall's Local Area Agreement**

Cornwall's first LAA covered the three-year period between April 2006 and March 2009. Through the LAA process, Cornwall County Council together with Jobcentre Plus wanted to build on the successes already achieved through the Local Public Service Agreement (LPSA). As well as getting people back into work, the LPSA demonstrated that employment had other positive knock-on effects, for example improving health and community cohesion. Worklessness was therefore negotiated as one of the five priorities of the LAA and badged as "Cornwall Works".

The Cornwall Works model is a multi-agency, client-centred overarching strategy to take those furthest from the labour market from "welfare to the workforce". With the related aims of getting more people into work, helping them stay in work and helping them progress in work, the strategy is based on four key principles:

prevention: working with clients with multiple issues and seeking early interventions, the strategy seeks ways of identifying and tackling the factors that push people into long-term worklessness;

inclusion: by using a variety of agencies to tackle non-work issues (like health, debt, confidence) the strategy aims to remove all barriers to inclusion in employment;

individual and **community-based approaches**: the route to any potential claimant can be through any of the partner agencies, but there is an important role for the Voluntary and Community Sector (VCS) in building and maintaining support; and

joined up services and funding: by establishing a single core brand (which includes for example all the providers supported by the European Social Fund) the partners are confident the strategy will outlive any single individual funding stream.

So far the Cornwall Works approach has led to:

an increase of 2.1% in the employment rate for people with disabilities;

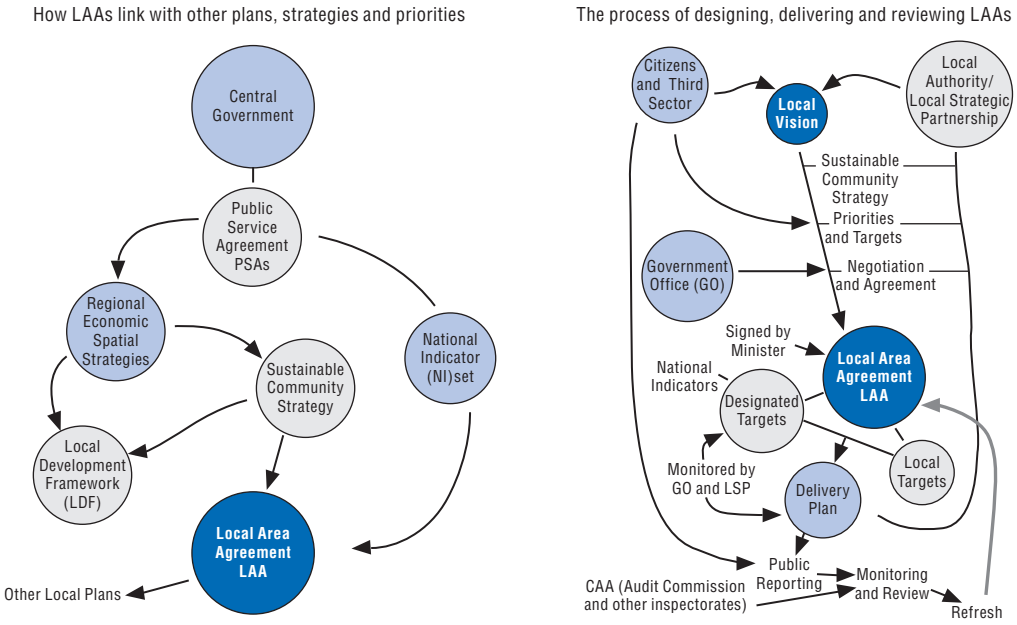
1 000 very long-term Incapacity Benefit customers engaged, 23% into jobs with a 97% sustainability rate; and

an increase of 2.7% in the 50+ employment rate.

it is indicative of local stakeholders expectations and considers all factors, economic, social and environmental needs of the areas. Whereas the LAAs are a short-term delivery strategy (three-year cycles), the SCS is the long-term vision for the community (Figure 2.4 and Box 2.9). Consequently, the SCS sets a framework for the LAA, and the LAA serves as the mechanism to realise the SCS vision. And, the LAA Reward Schemes provide local authorities and their partners with a financial incentive to achieve agreed upon targets in relation to key improvement priorities.

In principle, the process of forming the LAA provides a clear opportunity for the consideration of rural needs. For example, the GOs oversee and negotiate the LAAs, so they are well-placed, and as indicated, they have a clear Defra mandate to carry out this function. Moreover, the national indicator set covers a diverse range of policy priorities across government including, education, health, transportation, climate change, protection of the natural environment, crime reduction and economic development. All areas are within the purview of the GOs, thus they have the knowledge and the capacity, as the principle of mainstreaming allows, for rural interests and needs to be considered across all GO activities.

Figure 2.4. **Local Area Agreements: The process**



Source: Blume, Toby (2009), *Urban Forum, The Handy Guide to LAAs: A guide to Local Area Agreements for Community Groups 2009*.

Box 2.9. **Pennines Multi Area Agreement**

The Pennine Lancashire area is classified as predominantly urban (85%) and has a population of over 520 000 with a mix of countryside, accessible villages and small towns. It is a conundrum of sorts in that it boasts innovative cutting edge industries such as aerospace, beautiful natural assets dubbed the "Pennine Playground" because of their suitability for attracting visitors but it also has some of the most deprived areas, nationally. For example, in the Pennine area, over 117 000 people live within 10% of the most deprived areas in the country, accounting for over 22% of the total population. The vast array of businesses in the Pennines include: aerospace, manufacturing, advanced flexible materials, digital and creative industries. But despite the mix of industries there is a distinct "over reliance" on the declining manufacturing sector, 25% of all employment is in the sector and more employed indirectly in support services. This dependence has served to undermine the economic performance of Lancashire and is responsible for the decrease in employment: between 1995-2005, 20 800 manufacturing jobs were lost. The Pennine MAA or Pennine Strategy was devised to address the economic underperformance and take better advantage of the areas strengths and potential by increasing GVA and closing the output gap. Specifically it aims to deliver the following outcomes:

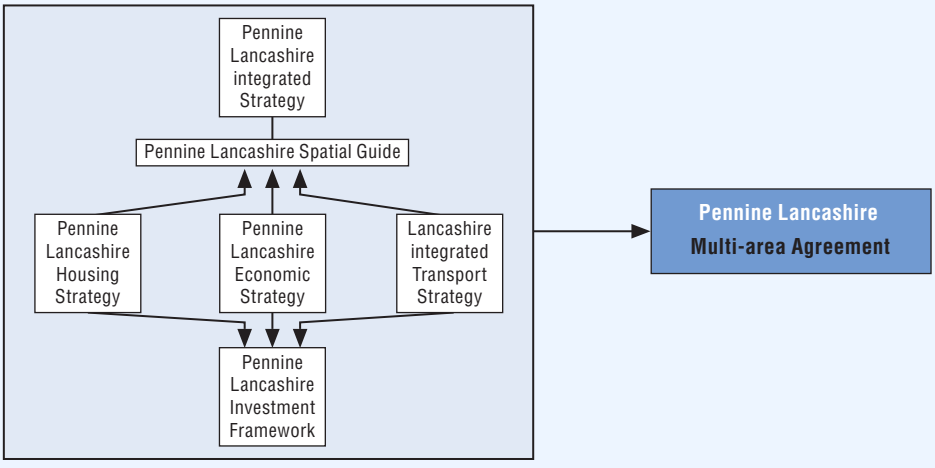
GVA generated	£384 m
Gross employment impact	6.583
Net employment impact	4.745
New jobs at NVQ2	3.732
New jobs at NVQ3	962
Higher level jobs (NVQ4 and above) introduced	2.251

Box 2.9. **Pennines Multi Area Agreement** *(cont.)*

There are a number of government (six Local Authority districts) and non government partners to the agreement. The **vision** for Pennine Lancashire is to provide a confident, dynamic and growing economy, characterised by a thriving higher value business base, supported by a responsible education and training system; an area with fast and reliable transport links to employment opportunities underpinned by a revitalised housing market and cohesive communities. There are seven themes in the strategy: Funding, Transport, Skills – Higher Education: Worklessness; Economic Development; Spatial Planning and Strategic Housing. And the strategy uses these themes to set out a collaborative approach to economic regeneration whereby for each action by the partnership to realise a theme there is an equivalent action by the government in terms of either policy flexibility and/or facilitating the necessary resources. So for each theme the agreement sets out its priorities and its expectations from government in terms assistance to effectively realise the outcomes. See the below table for an example of one of the actions that had to be realised by the Partnership and the government under the funding theme:

	Local action	Government action	Who is directly responsible for agreeing action	Other partners with an interest
Funding	**Pennine Lancashire** to develop an integrated Economic Delivery plan with partners.	**Government Departments** led by HM Treasury and CLG will work with Pennine Lancashire to consider the development of a single programme approach to capital public investment in Pennine Lancashire and measure to develop a rationalised appraisal framework.	**BIS/NWDA**	**HMT, CLG, DFT**

The 12 year **strategy** aims to influence a positive shift in trajectory while at the same time recognising that it has to be a "sustained effort". It was developed by identifying those problems that are best handled at the cross boundary level and that if tackled over a period of time would yield significant economic gains and most importantly be mutually beneficial to the area To this end different local strategies guided the development of the MAA (see below). The MAA works in conjunction with the LAA. For example where the MAA creates new job opportunities this will in principle help meet the LAA targets on worklessness.



Source: Multi Area Agreement: Pennine Lancashire, December 2008.

Multi Area Agreements that provide an opportunity for co-operation across multiple jurisdictions…

Similar in form to LAAs, but activated across administrative boundaries are the **Multi-Area Agreements** (MAAs). In essence MAAs are a way of co-ordinating a number of spatially contiguous LAAs. A wider and more strategic form of area agreement, they enable bottom up setting of priorities that could be used to access pooled funding streams. For example in the pan-Dorset MAA, Bournemouth and Poole work actively with the rural hinterlands to think about how the larger region works as an economic entity, allowing local government to take things forward. MAAs tackle cross-boundary issues to increase economic growth and prosperity for local people and communities The UK government has recognised that functional economic areas often operate on a spatial level somewhere between the local authority and the region. The MAA provides a signed public agreement with government whereby groups of local authorities work together with local agencies and the RDAs and pledge to boost economic growth and tackle deprivation and financial inequalities, in return for action by government to devolve more power and reduce barriers to delivering better outcomes. Actions so far have included: more flexible resources for housing, integrated and flexible employment and skills investment, and a refocusing of national targets to increase support to local businesses.

Thus far, the MAAs have proved more popular in city regions and other urban areas that lack a single overarching local authority, although there are several MAAs that do not involve a major city, such as the Pennines MAA (see Box 2.9 and Figure 2.5). The extent to which urban centred partnerships have built the needs of the rural hinterland into the agreement has varied. Producing the story of the place and developing the MAA proposal is task intensive, and the capacity and resources to generate these types of relationships vary across the partnerships and local authorities. Other than the partnerships themselves, the key actors in the MAA process are CLG and the GOs. MAA policy is administered and supported by CLG. They work to promote interest in MAAs by "selling" the value of MAAs to other departments. The GOs in turn, broker the agreements. They help to secure the co-operation and involvement of different partners, negotiate with local authorities, and review the priorities and targets to ensure coherence with the wider regional and national framework (Russell 2008, Research into Multi Area Agreements, Interim Report). MAAs are assessed against the following criteria:

Providing clear additional benefits to local, sub-regional and regional economic performance.

Objectives are clear, appropriate, realistic and fit within the broader regional and national context.

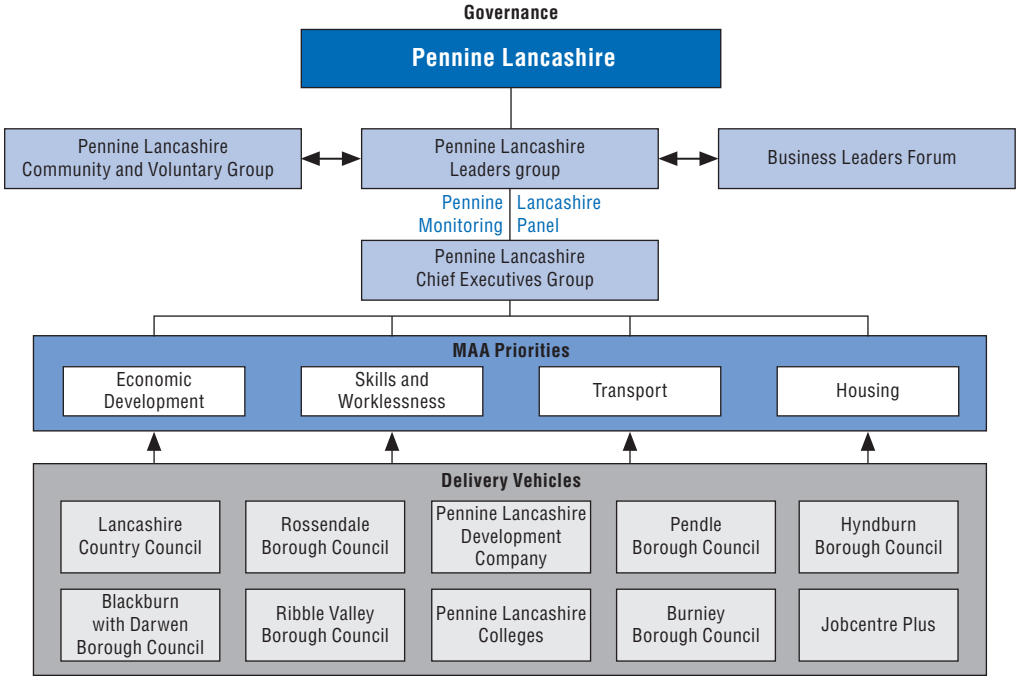
The required capacity and expertise is in place to support development and delivery for MAA outcomes.

All relevant key partners have been consulted and are actively engaged in the delivery plans underpinning the MAA proposals (Figure 2.5).

Local Strategic Partnerships

It is evident that local partnerships are key to mainstreaming rural policy especially in the implementation and design phase at the local level. Also as they are a part of the SCS and LAA process. No single organisation can be responsible for ensuring that service provision in an area meets the needs and aspirations of the local community. Partnerships fulfil this role at county and district levels. In fact, the **Local Strategic Partnerships (LSPs)**

Figure 2.5. **Pennine Lancashire governance structure**



Source: Multi Area Agreement: Pennine Lancashire December 2008.

bring together key public providers such as local authorities and different department bodies,[32] with the private and voluntary sectors (Box 2.10). A key role of the LSP is to draw up and agree a sustainable community strategy that sets out a vision for the area and to identify key priorities to reflect in a Local Area Agreement.

Box 2.10. **Local Strategic Partnerships**

A Local Strategic Partnership (LSP) is a non statutory body that brings together different parts of the public, private, voluntary and community sectors working at a local level. The LSP is guided by the local authority and other partners included the police and the primary care trust. The role of the LSP is to ensure that the different organisations work together to identify local needs and problems and develop a long-term Sustainable community strategy and LAA for the area to deliver services more effectively. They have no legal powers or resources of their own, so the decision taken must be carried forward through the local authority of the area or one of the other partners such as police, health, or the employment service. Most public sector partners on a LSP are under a duty to co-operate in the preparation and implementation the LAA for the area.

... Parish and Town Councils also play a role

Parish and Town Councils are the first tier of local government. There are around 10 000 community, parish and town councils in England, made up of nearly 100 000 councillors. Members are elected for a term of four years and councils are funded principally by an annual precept (local tax) and grants. Parish and town councils are statutory bodies. They deliver a vast range of services at a community level and have a large range of

powers. The Local Government and Public Involvement in Health Act 2007 enabled a number of new powers for town and parish councils, the most significant of which was the power of wellbeing. The activities parish and town councils are involved in are potentially immense, including planning, promoting tourism, licensing, community halls, representation, management of town and village centres and providing community halls. Although in practice, Parish Councils tend not to be strong actors in rural development. The Quality Parish and Town Council Scheme was set up in 2003 to encourage parish and town councils to achieve the highest levels of professionalism (Box 2.11).[33]

Box 2.11. **The Quality Parish and Town Council Scheme**

The Rural White Paper "*Our Countryside: The Future. A Fair Deal For Rural England*" published in November 2000 proposed a number of initiatives designed to enhance the role of parish and town councils; to develop a framework for partnership working; and to equip parish and town councils to take on a stronger role for the benefit of the local community. A central proposal was the introduction of the new concept of a Quality Parish Council. The Quality Parish and Town Council Scheme was launched in March 2003 and from July 2003, all town and parish councils could apply for Quality status.

The aim of the scheme is to provide benchmark minimum standards for parish and town councils. The scheme is supported by six national bodies, the CRC, CLG, Defra, the Local Government Association, the National Association of Local Councils and the Society of Local Council Clerks. Defra commissioned the University of Wales to review the scheme in 2006 and their research led to amendments to the scheme that will help councils achieve ever higher levels of professionalism and help to cement their position as community leaders. The amended scheme came into operation in June 2008 and is managed by the National Association of Local Councils.

To achieve Quality Status, parish and town councils must demonstrate that they have reached the standard required by passing several tests:

Electoral Mandate

Qualifications of the clerk

Council meetings

Communication and Community Engagement

Annual Report

Accounts

Code of Conduct

Promoting local democracy and citizenship

Terms and conditions

Training

A County Accreditation Panel (CAP) considers applications for Quality status. There is one panel for each English county area. The panels were established by NALC, for the government, with nominations submitted from County Associations of Local Councils. Each County Accreditation Panel consists of between three and five members, all experienced in working with both principal authorities and parish councils. They are approved by CLG and Defra and act through NALC on behalf of the government.

As of April 2009, there are 670 quality councils out of around 10 000 community, parish and town councils in England: *www.nalc.gov.uk/Toolkits/Quality_Status.aspx*.

... and parish plans provide a starting point, but are underutilised

Community-led plans are an important form of participatory democracy in England. Communities come together to establish their priorities and set concrete action plans to achieve them. Parish plans are holistic, looking at a community's social, economic and environmental aspects. The plans can provide valuable insight into a community, its aspirations, priorities and needs. **Parish Plans** were developed in 2000 as part of a larger Vital Villages programme run by the Countryside Agency (the precursor to the CRC). Following initial successes, Defra provided over GBP 1 million of further funding for parish plans in 2005-06, and then a further GBP 2.4 million towards parish planning activities through the Rural Social and Community Programme (RSCP) before support ended in March 2008. In addition, plans were also funded by local authorities and parish councils. Evidence shows that those plans funded locally tended to have a greater impact locally and were more likely to be taken into account by principal authorities.

Parish plans provide an ideal basis for local authorities to develop community strategies, including Local Area Agreements and strategic partnerships, and provide a great opportunity for parish planners to influence local authorities. In 2007, Defra funded a research project, "Integrating parish plans into the wider systems of local government". The independent report made a number of recommendations to government, local authorities and parish planners in support of integration. Through the RSCP and the Rural Pathfinders, Defra also provided funding for the new national guidance for parish planning. This is now being used by parishes across the country and is managed by Action with Communities in Rural England (ACRE). Moreover, the Local Government White Paper made several proposals aimed at strengthening local leadership. It emphasised the responsibility of local public services providers to inform, consult and devolve whilst working in partnership with local communities. Parish plans were specifically mentioned in the White Paper.

2.6. England's rural financial framework

... Mainstreaming rural widens the access to funding

In England, local government functions have steadily increased through devolution, challenging financial resources in instances where local government responsibilities exceed available revenue. In general it can be said that lower levels of government in England are highly dependent upon the UK government for transfers for the majority of their revenue. Thus the economic and financial relationship between the local government and regional and central level is complex. In addition to raising internal sources of revenue through rates and other fees and charges, local government receives funding from central government. The structures, roles and responsibilities of the sub-regional political structure in England is constantly evolving in response to the continuous debate on the balance of power and control over service delivery between national and local government and the scope and responsibilities of locally elected councillors. The scale and reach of local government, and the complexity and degree of change taking place impacts rural areas.

The relationship between national, regional and sub-regional level varies markedly from region to region in terms of co-operation and negotiation. The parish and town council is not subject to the same restrictions on funding as the district and local council. They have much smaller budgets than unitary or two-tier councils, but they have much more freedom over how it is spent because they cover much smaller areas and are often the best place for involving their local communities in how money is spent. Nonetheless,

rural areas, in particular, have suffered from the ebb and flow of policy strategies and interventions that promised benefits to communities but ultimately lacked the resources for continuation or were one-off projects. For example, the numerous pilot programmes that flowed from the *Modernising Rural Strategy* era, introduced plausible approaches that provided a service or demonstrated a sound principle for scale up, but funding was subsequently reduced or stopped, leaving local government with the choice of continuing a programme (*e.g.* rural pathfinders) itself from a fixed internal budget or dropping it.

… Defra has a limited pool of money to influence rural strategy

The more simplified rural delivery landscape ushered in by rural mainstreaming translates into a more pared down funding system for Defra, but creates a complex financial framework for rural England. Defra directed funds for economic development in rural areas are divided as follows (*EFRA Committee Report*, pp. 93):

Defra's contribution to the RDA's single pot;

the Rural Development Programme for England (2007-13); and

European Structural Funds.

For example in 2008-09, the amount of funding allocated to rural socio economic objectives by Defra was GBP 102.3 million. Of this amount, the Rural Community Councils received GBP 3.5 million; CRC received GBP 6.4 million; and, GBP 89.5 million was channelled through RDAs as part of RDPE Axis 1 and 3 – the Axes of the RDPE with the potential to generate greater "rural economic progress". Defra also contributed GBP 53 million as non earmarked monies to the RDA single pot in this period (*Env. Committee*, p. 124). Thus, Defra's contribution to RDAs is in two forms. One is the contribution to the integrated "non ring fenced" pot and the other is funding earmarked for Axes 1, 3, and 4 of the RDPE. The integrated pot contribution is sometimes critiqued as being too low, in comparison to the amounts provided to the RDAs by other UK departments, to carry much weight.

UK government expenditure on rural England[34]

… other departments spend far more money in rural England

The very essence of mainstreaming implies wider funding streams that go beyond Defra. The mainstreaming of rural within broader policies makes it difficult to quantify actual spending on rural areas; as funding is allocated to sectors rather than geographical areas. That said, approximately GBP 49 billion was spent in 2007-08 by the government in rural areas (Table 2.3). Table 2.4 provides the spending figures for the following types of administrative geography: Metropolitan districts, Unitary Authorities, Shire Districts; Police Authorities; Passenger Transport Authorities; London councils; Shire Counties; Fire Authorities; National Parks and Waste Authorities.

… the RDA "single pot" scheme pools money from various departments

RDAs are funded by contributions from different departments brought together into a "single pot" that is supplemented by European Funding, funding from English Partnerships and capital receipts from disposal of assets. For example, CLG is the primary funder of the RDAs, accounting for approximate three-quarters of the budgets (GDP 1.67 billion). A fifth of the RDA's budget (GBP 0.48 billion) is from BIS, but that department manages the budget (Box 2.12). Total RDA funding is around GBP 2.2 billion or EUR 3.1 billion, which is around 0.5% of economic activity. Despite the multiple funding sources, the total monies received

Table 2.3. **Sum of estimated rural spend in England, 2007-08**[1]

Type	GBP millions
Government service expenditure	46 990
Defra funding	2 199
Housing Corporation[2]	131
Total	49 320

1. Methodology: Local Authority, DWP, Defra funding and housing corporations are all actual spend. The Department of Health (DH) Primary Care Trust figures relate to budget allocations. The tables do not include all spend in rural areas nor do they include schemes that are exclusively spent on urban areas. It is not possible to provide a figure for the percentage of total government funding that is allocated to rural areas.
2. The Housing Corporation was the national government agency that funded new affordable housing and regulated housing associations in England up to 30 November 2008. The work of the agency was taken over by Homes and Communities Agency and the Tenant Services Authority from 1 December 2008. The table shows the total spend of housing corporations allocated by in 2007-08 which included the National Affordable Housing Programme. The programme is delivered by a range of private sector providers such as Registered Social Landlords and private house building companies. The main areas of spend are on social rented accommodation and new build affordable housing. The Housing Corporations figures were provided with their classification applied. The table is made up of total spend on:

   Rural areas population between 1-3 k
   Rural areas population less than 1 k
   Small towns population between 3-9 k
   Shared ownership re-purchase in a rural area

Under the rural definition which was used to find the share of the population in Table 2.3, Urban is defined as settlements over 10 k population. Therefore the methodology is comparable to that used in Table 2.3.

Source: Defra estimate.

Table 2.4. **Government service expenditure on rural areas 2007-08**

	Rural spend GPB millions	Rural spend as % of total
Service expenditure		
Highways roads and transport services	640	11
Education services	7 220	18
Social care	3 150	17
Housing services (GFRA[1] only)[2]	310	13
Cultural and related services	560	18
Fire and rescue services	400	18
Police services	1 810	15
Court services	10	18
Environmental services	890	18
Planning and development services	320	15
Central services[3]	580	18
Other services[4]	40	17
Total Service expenditure	15 940	18
Health (Primary Care Trusts) (Allocations)	12 530	18
Social (Department of Work and Pensions) benefits	18 520	**19**
TOTAL	**46 990**	**18**

1. General Fund Revenue Account. This is the fund within which most transactions of a Local Authority take place.
2. Excludes Registered Social Landlord spend. Housing Corporation was the national government agency that funded new affordable housing and regulated housing associations in England up to 30 November 2008. The work of the agency was taken over by Homes and Communities Agency and the Tenant Services Authority from 1 December 2008. In the case of rural areas, the total spend of housing corporations allocated in 2007/08 was approximately 6.5% of the total spent or approximately GBP 131 million. This included the National Affordable Housing Programme which is delivered by a range of private sector providers such as Registered Social Landlords and private house building companies. The main areas of spend are on social rented accommodation and new build affordable housing.
3. Includes council tax collection, registration of births, deaths and marriages, and conducting elections.
4. Includes services not covered elsewhere.

Source: Local Government Finance Statistics revenue expenditure figures 2007-08 from CLG *www.local.communities.gov.uk/finance/stats/natstats.htm#rev* derived from Capital Outturn Returns (COR) submitted by English local authorities Glossary of terms available at *www.local.communities.gov.uk/finance/stats/lgfs/2008/lgfs18/annexG.pdf* and Department of Health 2007-08 allocation to Primary Care Trusts (represents around 80% of total National Health Service funding) DWP Benefit Expenditure by Country, Region and Local Authority 2007-08 *http://research.dwp.gov.uk/asd/asd4/LA_expenditure.xls*.

by RDAs represents a mere fraction of public spend, less than 2%. A number of other departments prefer to support their own sub-national structures or local authorities directly instead of through RDAs. Thus, to a certain extent, the RDAs must rely on influencing public expenditure managed by other bodies to execute their strategies (Pearce, G, 2009). To ensure coherence, the RDAs seek to co-ordinate efforts of non funding departments at the regional level through the regional delivery plans.

In 2000-06 roughly GBP 66.6 million from the EAGGF was matched by Defra for use in targeted rural areas. As the only significantly lagging or "convergence" region in England, Cornwall and the Isles of Scilly tend to receive the lion's share of the allocations. This amounted to approximately GBP 133 million over 2000-06. The LEADER+ portion of the EU monies, translated into roughly GBP 10 million per annum to England. An additional, GBP 100 million of spend from the other structural funds was also directed to Rural Areas (memorandum submitted by Defra, EFRA. Committee p. 93).

EU funds are delivered through the RDAs…

The regional priorities for RDPE implements the European Agricultural Fund for Rural Development (EAFRD) in England and draws in money from Europe and the UK Exchequer.[35] The programme has four axes, for 2007-13, GBP 3.9 billion was allocated, twice the amount of the 2000-06 programme (OECD, 2009 *England Background Report*). Defra as managing authority is responsible for the overall operation implementation and management of the programme and works with the Rural Payments Agency and the different delivery partners. Natural England, the RDAs and the Forestry Commission are the delivery bodies. Each region must produce a Regional Implementation Plans (RIP) which sets out the RDPE priorities of the RDPE and the GOs help to facilitate the process of preparing the plans and meeting the objectives. These plans help the delivery partners work together and "identify opportunities for cross cutting mutually supportive activity" (OECD, *England Background Report*).

The primary focus of RDPE is to maintain the character of the English countryside and this is reflected in the allocation of funds. Axis 2, agri-environment and land management schemes, receive approximately GBP 3.3 billion of the total budget, to be delivered by Natural England and the Forestry Commission (Table 2.5). Natural England is an independent public body and the government's advisor on nature conservation. They distribute funds (through RDPE) associated with the governments' sustainable, environmental "green" farming schemes and provides environment farming advice. Funds target improvement to land management in the countryside and enhancing the rural environment. In addition, 20% of the budget is dedicated to support Areas of Outstanding Natural Beauty (AONBs). For example, the West Midlands with its four AONBs received around GBP 800K in 2008-09. Nationally for the same period, Natural England contributed around GBP 9.5 million over 36 AONBs in England.

Further, another, GBP 540 million for Axis 1 and 3 measures, will be delivered by the RDAs (and where applicable Natural England). The aim here is to promote the competitiveness and innovative capacity of business in rural areas. The RDPE includes measures to support employment opportunities across a range of activities in sectors other than farming and forestry. The Axis 4 Leader measure receives the minimum, which is 5% or GBP 105 million, for use across the country. Additional monies include the GBP 55 million for Axes 1, 3 and 4 measures in support of the EUs convergence objective

Box 2.12. **Regional Development Agencies' Finance**

In 2009, the government published the results of a major evaluation exercise covering over 60% of RDA expenditure over a five year period to 2007. The RDAs are financed through a Single Budget, a fund which pools money from all the contributing Government Departments (BIS, CLG, DECC, Defra, DCMS and UKTI). BIS is the sponsor Department. DIUS, which was a separate contributor, merged with BIS following the Machinery of Government change announced on 05 June 2009.

The RDA's allocated budgets for 2008-09 and 2009-10 are set out below, together with their indicative allocations for 2010-11. These take account of all changes that have been agreed with the RDAs post-CSR 2007 Settlement:

RDA allocation by region	GBP million 2008-09	GBP million 2009-10	GBP million 2010-11	Budget per Head (GBP)
Advantage West Midlands	296	295	212	55
East of England Development Agency	132	136	108	24
East Midlands Development Agency	161	160	131	37
London Development Agency	346	375	326	50
North West Development Agency	385	397	305	58
One NorthEast	245	249	195	98
South East England Development Agency	161	165	133	20
South West of England Regional Development Agency	170	157	125	31
Yorkshire Forward	297	317	228	62
TOTAL (Single Budget)	2 193	2 253	1 762	

In addition to their Single Budget, the RDAs have taken over management of socio-economic part of the European Regional Development Fund (ERDF) and the Rural Development Programme for England (RDPE). Both programmes run from 2007-13 and together amount to GBP 9 billion. Associated administration costs have been provided by: CLG (GBP 6 million), included in all three years; but Defra (GBP 4.95 million) included for 2008-09 and 2009-10 only as it is allocated on an annual basis. Delivery of agri-environment schemes under the RDPE is administered for Defra by Natural England.

As part of the CSR 2007, the RDAs budgets over the three years were reduced by 2.5% (GBP 320 million). In addition, the RDAs identified cash savings of about GBP 350 million, which will be funded from value for money savings.

Source: www.berr.gov.uk/whatwedo/regional/regional-dev-agencies/funding-financial-gov/page20136.html.

for Cornwall and the Isles of Scilly. Finally, GBP 100 million is allocated to the livestock industry to support:

improvements in competitiveness;

assistance in the changing responsibilities and facilitating improvement animal health and welfare; and

enhancing the efficiency and effectiveness of on-farm management of nutrients.

… and the LEADER aspect of EU funds ensures a more targeted bottom-up approach

In England, the LEADER programme is a mainstream delivery mechanism for harnessing local knowledge. The aim of LEADER is to infuse a "bottom up", community led approach into the delivery of RDPE funding in rural areas across European Union. Although

Table 2.5. **England 2007-13 Rural Development Programme**

Area	Target	Delivery mechanism	Delivery agent	Budget for period 2007-13
Axis 1	Improving the competitiveness of the farming and forestry sector	Socio-economic element: no specific schemes; targeted at farming and forestry sectors	Regional Development Agencies	GBP 249 million for England (of which GBP 98 million is ring-fenced for the livestock sector)
		Energy crops scheme	Natural England	Regional Budget: GBP 24.5 million GBP 47 million for England
Axis 2	Improving the environment and the countryside	Environmental stewardship – ELS, OELS and HLS	Natural England	GBP 3.3 billon for England
		England woodland grant scheme	Forestry Commission	
		Hill farm allowance	Rural Payments Agency	
Axis 3	Improving rural quality of life and diversifying the rural economy	No specific schemes; targeted at farm businesses and other rural businesses and communities	Regional Development Agencies	GBP 287 million for England. Regional Budget GBP 41.32 million
Axis 4	Leader	Area based: Bottom up: access via Local Action Groups (LAGs)	Regional Development Agencies	About GBP 105 million of the Axis 1 and three funds will be delivered through Leader.

Source: Defra; Bidwells (2008), *A Guide to Rural Funding in the East of England*, Country Land and Business Association, January 2008.

there are guidelines set out by the EU Commission, each Member State has some flexibility in how the approach is used. But, while joined up partnership working at the local level has been underway for some time in rural England the LEADER experience itself is relatively new. In England, the LEADER approach targets rural areas with particular needs or priorities, as identified by the regions in their RIPs. Previous LEADER experiences in England include: LEADER I which was largely a pilot programme with minimal funds, EUR 1.5 million and limited to parts of West Cornwall and the North Tamar area of West Devon. This was followed by the LEADER II initiative which provided GBP 26 million over the period 1995-99, and focused on funding innovative, sustainable pilot projects in Objective 5(b) areas.[36]

The present programme continues the focus on innovative, local area based development plans and allocates the mandatory minimum of 5% of the EU funds to realise these ends (Table 2.5). The LEADER model focuses on the following framework:

- close working relations between regional delivery partners to ensure an integrated approach to rural development across all Axes
- broadly consistent approaches to the selection of Local Action Groups (LAGs)
- development, and engagement of LAGs in ways that complement local and sub-regional governance arrangements, building in particular on the government's "place-based" agenda for communities and the growing significance of local leadership given effect through Local Strategic Partnerships

Moreover as a rule, the population within a LAG area is supposed to be greater than 5 000 but not more than 150 000 (Defra 2007 Leader Implementation notes).[37]

2.7. Housing policy and spatial planning in rural England

In the 1930s, soaring car ownership opened up the countryside to thousands of visitors and rambling became hugely popular. This was followed by firms shifting their businesses from conurbations and big cities to smaller towns and rural areas in the hunt for more space, cheaper labour and a more desirable environment. In the decades that followed, increasing pressures on the countryside from people, vehicles, businesses and development, coupled

with vigorous lobbying from the likes of the Campaign to Protect Rural England, forced the government to take action to protect its natural heritage. As noted earlier, *The Town and Country Planning Act of 1947*, laid the foundations of the planning system and still continues to guide the process. This is demonstrated by the landmark new planning guidance, almost 50 years later, the government endorsed the role of the planning system in helping to reduce car dependence and the need to travel, and to curb the spread of out-of-town shopping developments. In 2000, new official planning policies on housing marked a radical shift away from low density sprawl and towards using previously developed brownfield land for new homes before greenfield sites were utilised.

England's tradition of protecting the natural, cultural and historical amenities of its rural areas is largely managed through the planning process, housing permits and historical preservation programmes. And, the cumulative effect of the land use planning process has been to preserve many of the attributes that the English generally value (Box 2.13). However, various unintended consequences are present, such as: inefficient markets for land, housing and commercial property; housing shortages; growing demand for subsidised housing; discrimination against small rural communities in allowing new housing; and depressed rates of rural development.

Box 2.13. **The essential elements of land use policies and procedures in England**

Land may be converted from agricultural uses to housing, commercial or industrial uses only with permission from the various planning authorities.

These planning authorities have strong preferences against development in rural areas.

Development principles are very rigid and hard to satisfy in some rural areas

- Brownfield development requirements
- Access to transport routes

The process of receiving authority to develop is lengthy and expensive.

The land use planning process identifies land for development absent any consideration of the price of the land, or the cost of developing the land other than its proximity to current development.

Since the land owners are frequently unwilling sellers, and even when willing have a very strong bargaining position, land prices are significantly higher than would be the case in a more competitive process.

The effects of the lengthy and expensive permitting process, lack of bargaining power, and frequently unwilling sellers, combine to increase the cost of developed land significantly.

The combination of restrictive supply, inflated costs, and strong demand for housing make housing costs, especially housing costs in rural areas, significantly higher than would otherwise be the case.

… recognising the link between housing policy and economic development

A focus that is less on targets and timescales, and more on better management and planning will increase the availability of affordable rural housing. This was one of the messages of the 2007 housing policy review: the *Matthew Taylor Report*.[38] England's planning

system struggles to balance protecting and conserving the countryside with promoting more development in rural areas and has often resulted in overly restrictive or "ill-thought through development" in rural areas, and or stifled rural economies and increased, rather than reduced, the housing affordability gap. After a thorough analysis Taylor proposed a different perspective, that of harnessing the planning process as "an engine of regeneration" to better deliver on the vision of vibrant sustainable communities in rural areas. The Taylor report contained 48 recommendations with many of the proposed directives subsequently being adopted by the government. The report is behind many of the recent and ongoing strategic and institutional changes impacting housing policy in England. Some of the major recommendations include:

Widening the approach to sustainable development to integrate social, economic and environmental characteristics. The report noted that Regional Spatial Strategies (RSS) often operate from a core belief that the sustainability of the region means focusing development in urban areas where the majority of the population lives and the infrastructure is most developed. It also questioned the current two narrow definition of sustainable, which seemed to render smaller and rural communities as unsustainable.

Creating a master plan strategic vision for housing development that incorporates more community participation – to help understand and shape new and existing communities, and a strong partnership framework – a developer, a local planning authority, and government agencies was more favourable in the long run than the *developer led piecemeal deliver by the numbers* approach. The latter, while useful in delivering numbers, fails to provide the *places people want to live,* and *has* proved ill-equipped to deliver the appropriate mix of services, employment opportunities and significant green space combinations that are needed.

Adopting a plan led approach with a clear evidence based long term vision to improving the supply of housing is particularly important in the case of smaller rural settlements (< 3 000), which in the planning process, which have tended to be ignored by local planning authorities.

Better recognising the ways that economic growth can improve community sustainability, especially by providing opportunities for people to work near where they live. This should be central to planning decisions to underpin rural economic regeneration and to move beyond the current inclination to overlook the importance of rural economies.

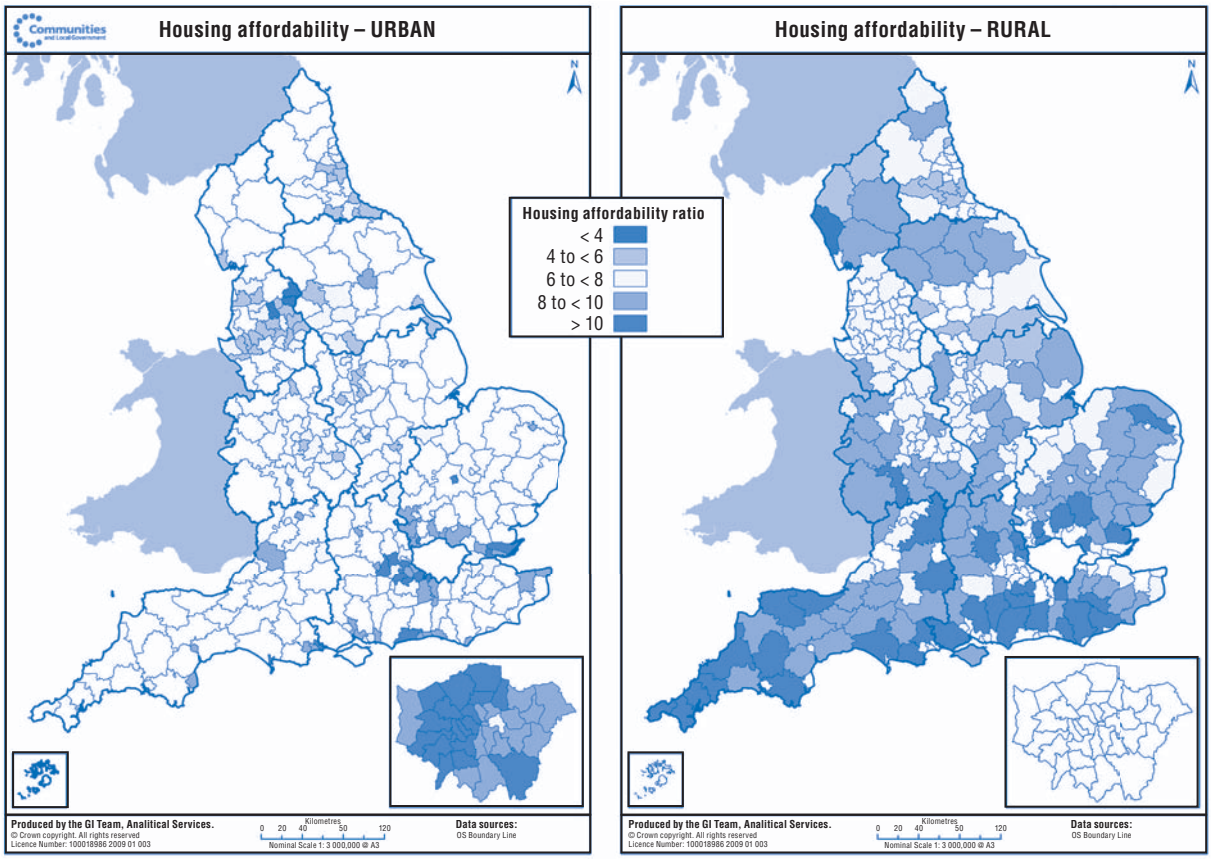
Thus, the Mathew Taylor Review sets a context for rural housing in England. Moreover, it links the performance of the housing market to the performance of the rural economy. The limited availability of housing influences the operation of local labour markets by stranding some workers in pockets of high unemployment and by increasing commuting when workers cannot relocate, because there is a shortage of housing (p. 48). Some rural places have been deemed unsustainable by the planning process because they have too little local employment and earned income. Often this reflects a high proportion of retired in-migrants or holiday homes in the community, which have squeezed out housing opportunities for local workers, and discouraged new businesses because there is no local labour (p. 89).

... increasing the availability of affordable rural housing

More affordable homes are needed in rural areas. One concern for rural communities continues to be the availability and affordability of housing. As chapter one points out,

increased migration to rural areas resulted in increased demand and high housing prices. More than 50% of local authorities with the highest house price to income ratio are in rural areas (HCA, 2007). The average price of homes in 2007 was GBP 8 000 more expensive in rural compared to urban areas. The average cost of a lower quartile price home was GBP 6 000, more expensive in rural areas. Wages in rural areas are less than in urban areas, so an inability to fund a home purchase has implications for the availability of public and private services if workers are priced out of the market. Box 2.14 provides a definition of affordable housing in England.

Figure 2.6. **Rural/urban housing affordability – indicative figures for 2008**



Source: Communities and Local Government.

The housing needs of English residents continue to change as the tastes, demographics, family structure, life expectancy, and life style preferences of the English changes. In the recent *State of the Countryside: Housing Demand and Supply* (CRC, 2010) the CRC predicts increasing shortages of housing in rural areas as retirees and ex-urbanites choose rural areas over urban areas. This increase in demand will exacerbate the already serious shortage of housing in some rural areas. The issue becomes an economic one, not only for rural areas, but for England as a whole, if it leads to suboptimal decisions about investments in productive capacity, skills and services. While unrestricted housing development can generate negative externalities that lead to suboptimal results from society's perspective, the consequences of labour and capital immobility, and excessive transactions costs can also generate significant social costs.

Box 2.14. **What is affordable housing?**

Different types of affordable housing:

Social rented housing: This is housing that is supplied by either local authorities or housing associations and is provided to those in most need at below market rent. Social rented housing is managed by local authorities, Arm's Length Management Organisations on behalf of authorities or housing associations. Newly built social rented housing is managed by housing associations.

Right to Buy or Right to Acquire, schemes that allow tenants to buy their existing rented home at a discount to market value

Intermediate housing: This is housing designed to help people enter home ownership. This includes the conversion of existing tenancies through various part or full purchase schemes. IH includes

Shared Ownership (part buy/part rent) enables people to buy a minimum 25% share in a new build property, whilst paying rent on the remainder. Further share can be purchased over time. **Rent to Homebuy** is a scheme that enables prospective shared owner to rent a new build property at below market rent for up to *five* years, with an opportunity to buy a minimum 25% share in the same property during or at the end of the rental period.

Homebuy equity loan is a scheme offered in partnership with developers; it enables purchasers to buy a new build property with the help of an equity loan of up to 30% of the property value. The loan is repayable on resale and a fee is levied after year five.

Source: CLG (2008b), *Delivering Housing and Regeneration: communities England and the future of social housing regulation – Consultation: summary of Responses*, Communities and Local Government, London.

In particular there is a shortage of "social housing" – property reserved for lower income households (Box 2.14). This reflects previous sales of social housing and weak incentives for the construction of new rural social housing. In 2007 the government indicated that the housing stock should be increased by 3 million new homes by 2020, which would be a 13.4% increase, with the majority of the new homes to be constructed in larger towns and cities (pp. 39-40). The *Mathew Taylor Report* notes that given the planned urban rural split in construction, and a higher projected growth rate for the rural population, this would lead to housing being constructed for only 81% of the projected increase in rural population (p. 41).

The resulting high housing price in much of rural England is identified as a top policy issue by many people. For example, the Rural Services Network in its report entitled, "Sustaining Rural Communities: A Call for Action" characterises the planning process as follows:

> The planning system too often discriminates against rural communities. Local planners are hidebound by guiding principles, such as the percentage of development, which must be delivered on brownfield land, restricting development to locations serviced by public transport, and the exclusive focus on "growth centres" as locations for development. These all mean that most rural centres (including many market towns) are denied the opportunity to respond to changing circumstances. As a result their functionality is compromised, they become unbalanced and unsustainable.

> Our urban population's expectations about the countryside providing an attractive environment for leisure and recreation are naturally high. The responsibility to meet these expectations has been passed (by government) to land management organisations (National Parks, Natural England, Environment Agency) and local authorities (via their planning function). They in turn pass this responsibility to land owners, land managers, and those that live and work in the countryside. This brings an increasingly high burden of regulation and third party involvement in people's everyday lives. (*Rural Services Network*, 2008, p. 5).

In most rural areas social housing is now constructed by imposing a requirement on developers of private housing to build social housing units as part of the development approval process. The effect of this is to further inflate the price of new market-priced housing, since the purchasers of these units have to cover a portion of the cost the developer incurred in constructing the social housing units. When the rural housing market was strong, both developers and purchasers of the new market homes were willing to absorb this "tax". A weaker housing market has made it more difficult for local governments to require the same share of social housing as they could in the past, and this has slowed the overall pace of new housing development.

… meeting housing targets in rural areas…

On the whole, the national target for housing is being achieved, but realising rural housing targets continues to be a challenge. The government plans to deliver 70 000 affordable homes per year by 2010, 45 000 of which will be social rented homes and 25 000 low cost home ownership.[39] And, while the government is on track to deliver its targets of 46 000 for 2008-09, there is a noticeable difference in realising the targets in urban versus rural areas, Thus far, the national targets on affordable housing in urban areas for the 2008-09 targets evidence a mere 1% shortfall. However, in rural areas, the housing targets reveal a shortfall of 13.75% (Table 2.6). In fact, most recently the housing targets for rural settlements with a population below 3 000 were revised down from 10 300 to 8 500 for 2008-11, because of changing economic conditions, rather than because of a reduction in projected demand (HCA, 2010). It is worth noting that, the 10 300 completed homes national target for rural affordable housing, an average of 3 433 homes a year for the three year period, was already considered below the recommended levels needed in rural areas.[40]

Table 2.6. **Rural housing delivery during 2008-09**

National affordable housing programme and rural 2008-09 targets and outcomes

HCA Programme	2008-09 target	2008-09 outcome	Shortfall	Percentage shortfall
National Affordable Housing Programme (NAHP)	47 750	47 276	474	0.99
Rural < 3 000	2 800	2 415	385	13.75

Source: CRC.

… simplifying housing delivery and governance mechanisms

The mandate to mainstream rural policy and rural proof is equally applicable to housing policy, but it is complicated by a singularly complex housing governance framework. There are three tiers of planning in England that appear to be only weakly co-ordinated. There is a national directive to increase the availability of affordable housing in the form of the national target, PSA 5. It states *Achieve a better balance between housing*

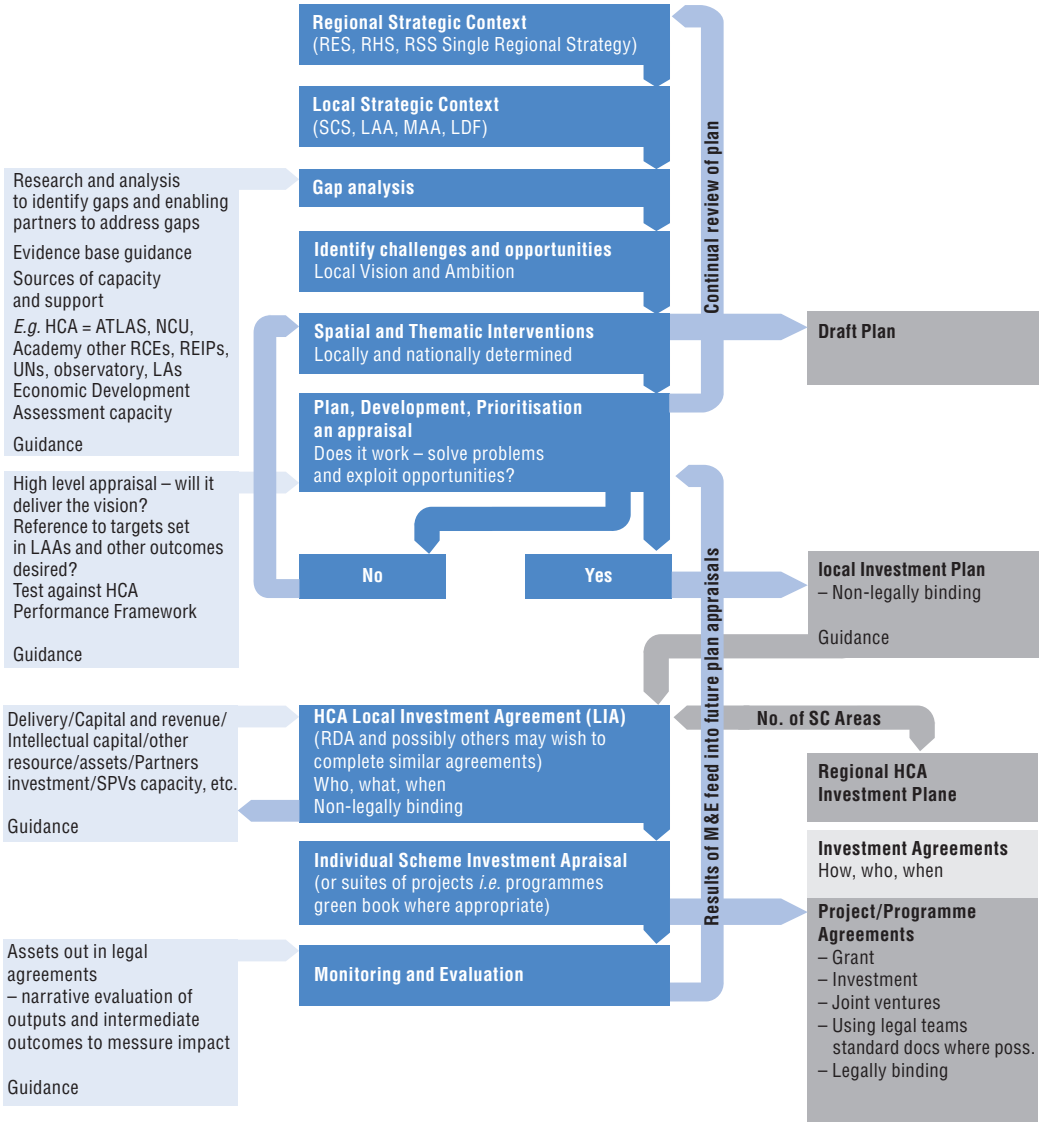
availability and the demand for housing, including improving affordability; in all English regions while protecting valuable countryside around our towns, cities and in the green belt and the sustainability of towns and cities. There are also government policies on different aspects of planning set out in Planning Policy Statements (PPS). In 2006, PPS3 was introduced to address the concern over the low supply of land for housing. In this statement, the focus is on confirming the adequate supply of land and expanding the role of local authorities in determining the mix of housing. Prior to the economic recession the shortfall in rural housing was attributed to "insufficient funding" and lack of "land availability". In the wake of the economic downturn funding and land availability continue to be a contributing factor, but are now joined by the inability to secure bank funding and developers' hesitancy to commit to housing schemes in rural areas in the face of "higher capital costs" and "planning permission difficulties" (CRC, March 2009).

Until early 2008 the Housing Corporation (HC) was the main non departmental body funded by the CLG to meet the housing targets and provide advice on housing policy. In this role it administered the National Affordable Housing Programme (NAHP) which provides funding to build and renovate homes and regulated housing associations in England. However, the Housing and Regeneration Act 2008 replaced the HC with two new delivery bodies: the independent regulator for affordable housing – the Tenant Services Authority (TSA) and a national housing and regeneration agency – the Homes and Communities Agency (HCA). The TSA is the regulatory body for registered providers of social housing. It is more or less a watchdog for social tenants and regulates social housing landlords and set the standards for management. The HCA is a non departmental body sponsored by CLG and merges responsibility for land and funding. With a total budget of more than GBP 17.3 billion for the 2008-11 (GBP 8.4 billion of which is the NAHP), it works to ensure homes are built in a manner that is economically, socially and environmentally sustainable. Thus it delivers not just housing but also community facilities and infrastructure. Working with partners, HCA aims to deliver 155 000 new homes each year, a proportion of which will be designated for low cost home ownership and social rent. To fulfil these targets it provides funding in the form of grants and subsides to housing associations and developers.[41]

The HCA adopts a holistic approach in engaging with local authorities on housing policy and needs. The "single conversation" is the business model used by the HCA to engage local authorities and other partners. Strategy, investment, capacity and delivery form the core of the single conversation. The meetings are with different local authorities and cover the "totality of housing and regeneration priorities in the local area". This allows the HCA to access local authority knowledge and information before determining an appropriate housing and regeneration investment strategy for the particular local area. Since it is also an evidence based process, previous and existing agreements and investment strategies are part of the process. Thus, attention is given to regional economic, spatial, transportation, and sustainable community strategies in addition to LAA and MAA priorities. This approach follows the mainstreaming policy approach and in principle provides opportunities for the consideration of rural dynamics. One important outcome of the conversation is a local investment agreement detailing the HCA's proposed investment for the area. Figure 2.7 provides an overview of the single conversation process.

Regional planning bodies are required to develop regional plans that reflect a long-term (15-20 years) vision of development in the region. These Regional Spatial Strategies (RSS) recently became part of the Single Regional Strategy that is meant to define economic

Figure 2.7. **HCA Single Conversation Process**



Source: Homes and Community Agency.

and social development activity in each region. The RSS approach to development is based on an assessment of settlement function and potential. It defines which places are growth poles and which are "not sustainable". At the local level, the local planning authorities are required to prepare local development frameworks (LDFs) for their area that are coherent with the RSS. If there are changes to the RSS, they are to be implemented through an *exception site* process that is restrictive and difficult. The rural exception site policy enables the local authority to allocate or release small sites for affordable housing, which are not designated as building sites by the planning process, within and adjoining existing small rural communities. When identified, rural exception sites can either be allocated in the Local Development Framework or brought forward separately as individual planning applications. Because exception sites cannot be sold for market housing, the raw land is relatively inexpensive. Often the large difference in price between a parcel of land zoned for agricultural use and one zoned for housing makes it possible to convince a farmer to

Box 2.15. **Getting building back on track in rural England**

The government is determined to improve the availability of affordable housing and a number of initiatives are underway (see table below). The Kickstart and the Local Authority New Build programmes are both managed by the HCA. The Kickstart programme was set up by the previous government to address the difficulties facing stalled sites that were ready to develop. HCA has committed to support Kickstart schemes for which a contractual commitment is in place or which have been identified as priority for an area. Total investment for round one of the scheme was approx GBP 425 million, spread across 139 schemes to unlock just under 10 000 homes. Round two details are being finalised. The Local Authority New Build Programme was also introduced to support local authorities build new council houses on council owned land. The coalition government will support those schemes for which a contractual commitment was in place prior to the May election. The funding, made up of GBP 200 million grant from the HCA and matched by a similar figure of borrowing by the local authorities, will help to deliver approximately 3 000 new council homes in 51 local authority areas.

Initiatives	Summary
Rural Masterplanning Fund	The GBP 1 million Rural Masterplanning Fund allows rural Councils to design and plan new homes and reflects the commitment to help local authority partners deliver sustainable developments for their communities. Through this initiative, 36 rural councils are being supported with GBP 1 million worth of expert support to help them design and plan thousands of new homes, The fund which is from CLG and Defra is managed by the HCA. To access the funding councils in rural areas must bid to get expert advice in preparing master plans from the HCA's consultancy panel of specialists.
Local Authority New Build Programme	The Local Authority New Build Programme allows local authorities to take the lead in affordable housing supply. It provides local councils with access to over GBP 230 million in funding to deliver more affordable homes. The funding, made up of GBP 122.6 million grant from the HCA and matched by a similar figure of borrowing by the local authorities, will see over 1 900 new council homes built on 164 different sites across the country. In the second round over 73 local councils participated.
Kickstart Programme	The Kickstart programme aims to not only unlock homes (22 400) but create new apprenticeships and labour opportunities. During the first round the GBP 359.9 million invested was spread across 136 schemes and resulted in 10 281 new homes. Examples of initiatives, the Portswood Road Project Southampton, in the south east, of England, a total of GBP 5.567 million was allocated, to unblock development of over 100 new homes for the area. The second Kickstart round could yield 3 688 homes in 45 schemes around the country, worth more than GBP 15 million.
Public Land Initiative	Through the Public Land Initiative, developers work with public land owners to develop new homes. Different HCA and local authority sites are identified in the regions and developers work with public land owners to build new homes. The expected housing yield is 1 250 homes.

Sources: Housing and Communities Agency; CLG.

sell land for social housing at a price well above the farming value but still well below the value of unrestricted housing land. With a low land acquisition cost it is possible to construct new housing with a small enough investment that the rents charged for social housing cover the total cost of the project.

2.8. Summary

In sum, England's rural policy is now mainly oriented toward ensuring equitable access to services for all rural residents. Rural mainstreaming is the main policy mechanism and it focuses on ensuring that all government departments and agencies provide equitable levels of service to urban and rural residents. Defra, as the department responsible for rural mainstreaming, co-ordinates the process. England has had rural policy that is distinct from agricultural policy for over a century. These two policy sets are

however linked through the restriction on the conversion of farmland. Over time rural policy has moved from an initial effort to strengthen the economic base of rural areas while preserving landscape, to a greater focus on environmental preservation, including the amenity value of farming.

England has implemented a policy of double devolution to push responsibility for policy delivery to lower levels of government. While the UK government continues to set broad policy parameters and retains control over most public spending, regional agencies were created to provide sub-national strategies for the specific problems facing different parts of England. Below the regional level are local governments that have direct delivery responsibility for public policy.

Policy design and delivery is a highly complex process, and this is true for rural policy. There is a surprisingly large number of policy actors at all levels of government, many of which have overlapping responsibilities. England has recognised the problems in this structure and has adopted a strategy of trying to link-up activities, by various mechanisms, such as, single pot funding, single conversation strategy sessions, comprehensive plans and admonitions to "join-up" various government policies.

Only a modest amount of the public sector expenditure in rural areas can be termed rural policy *per se*. As in all OECD countries, the majority of outlays are for broad programmes that are not place specific, but provide benefits to all citizens irrespective of where they live. While Defra sets broad parameters on types of outcomes it would like to see in rural areas when it provides funding to the Regional Development Agencies, these funds are not "ring-fenced" and the RDAs have great flexibility in their budget allocation. It does however appear that a greater percentage of RDA budgets are allocated in rural areas, than the rural share of population.

Currently England has not integrated EU rural development funding into internal rural policy. Because EU funding is agriculture oriented it is more compatible with current UK domestic agricultural policy than with rural policy. The majority of EU funds are used for agri-environmental programmes and only the required minimum is spent on LEADER.

Excess demand for rural housing and high housing prices are a major policy issue in rural England. National housing policy has discouraged the construction of new housing in rural England, despite a growing rural population. England retains a strong commitment to providing affordable housing, but has not allocated sufficient public money for construction in recent decades, especially in smaller rural places. The resulting shortfall in rural housing has had major implications on rural economic development, rural social cohesion, commuting patterns and rural household budgets.

Notes

1. In 1999, The RDC was merged with the Countryside Commission to become the Countryside Agency. This final body was abolished in 2003 and its remaining responsibilities were transferred to Defra and the Commission for Rural Communities.
2. This was reinforced by the efforts of other groups, particularly the Campaign to Protect Rural England which has worked since 1929 to prevent rural land conversion and maintain a traditional farming structure.
3. When the UK joined the European Union (EU) the Common Agricultural Policy (CAP) emphasis on increasing domestic food production was largely congruent with then existing UK agricultural policy. Higher levels of support under CAP provided an incentive for increased production in agriculture.

4. RDAs for eight of the English Regions were established under the Regional Development Agencies Act 1998 and came into operation on 1 April 1999. The ninth, for London, was established in July 2000 as an executive body of the Greater London Authority under part V of the Greater London Authority Act 1999. The RDAs came about by bringing together the regional staff and funding programmes of English Partnerships – the Government's regeneration agency – with those of the Rural Development Commission. The remaining national policy, research and advocacy functions of the Rural Development Commission were then brought together with the Countryside Commission in establishing the Countryside Agency.

   In June 2010 it was announced that all of England's eight regional development agencies would be abolished. The RDAs will be replaced by sub-regional economic development partnerships based around cities and sub-regions. The joint council and business-led partnerships will be called Local Enterprise Partnerships (LEPs).

5. Defra was established to succeed the Ministry of Agriculture, Fisheries and Food.

6. It was chaired by the then Secretary of State for the Environment, Food and Rural Affairs, Margaret Beckett.

7. The Committee oversaw the development and implementation of the Rural Strategy 2004, and once the Strategy was in place the Committee was disbanded in line with the Government's new mainstreaming agenda.

8. This was published in January 2004.

9. This included the publication of a report on Social and Economic Change and Diversity in Rural England in January 2004, as part of the Government's ongoing rural research programme.

10. This was carried out by Lord Haskins and published in November 2003.

11. In June 2010, the Commission for Rural Communities was abolished and its functions absorbed by Defra.

12. As a national level body, this means having close relationships with Government Departments, the Local Government Association (LGA) and national representative bodies such as ACRE, NALC and third sector bodies. The policy principle of rural mainstreaming, and the mandatory requirement to undertake effective rural proofing, applies to the agencies and non departmental public bodies at the national level. As the main rural player outside Defra, CRC is expected to advise and challenge the Government and delivery bodies at all levels to improve performance in rural areas and entrench best practice.

13. The SNR changes marked the end of the Regional Assemblies as in practical terms it transferred the executive planning function of the RAs to the RDAs and the scrutiny function to a new entity, the Local Authority Leader Boards.

14. It is also responsible for agricultural and environmental policies, which have a significant bearing on life in rural areas, despite contributing only a relatively small amount to the rural economy.

15. These departments include: the Department for Environment, Food & Rural Affairs; the Department for Communities and Local Government; the Department for Health; the Department for Transport; the Home Office; HM Treasury; the Ministry of Justice; the Department for Work and Pensions; the Department for Business, Innovation & Skills; the Department for Children, Schools and Families; the Department for Culture, Media and Sport; and the Department for Energy and Climate Change. Most, if not all, of these departments have executive agencies and non-departmental public bodies, which are responsible for more detailed policy matters and the delivery of specific programmes in particular policy areas, such as the Homes and Communities Agency and Sport England. There are over 400 such bodies, and they are also expected to take account of rural needs and interests, where appropriate. Defra sponsors a number of such bodies; those with a particular interest in and responsibility for issues affecting rural areas include: the Environment Agency; the Forestry Commission; Natural England; the National Parks; and the Commission for Rural Communities.

16. Other departments crucial to the delivery of services in rural areas include: Department for Children, Schools and Families. Under the 2000 Rural White Paper, the Government established a set of Rural Service Standards. An annual report on the standards was published up until 2005, but following a review in 2006 it was agreed to discontinue the process on the grounds that the original goals for national standards, for example for the provision of pre-school education, had been met and embedded. It was also felt that other standards, such as fire response times, would be far more sensibly set at a local level, as local service providers would be better placed to set targets that took account of local conditions.

17. Defra's response to that report was published in December 2008.

18. In 2009, BIS was formed by merging the Department for Innovation, Universities and Skills and the Department for Business, Enterprise and Regulatory Reform. This new department incorporates all the functions of the previous two including work on skills, further and higher education, innovation, science and technology, enterprise and business support, better regulation and business sectors generally.

19. Since 1998, the Labour government has used biennial spending reviews (in 1998, 2000, 2002 and 2004) to set out its public spending plans which provided a division both within and between two broad categories of spending. The fifth spending review a Comprehensive Spending Review (CSR) covers departmental spending plans for the three fiscal years from April 2008 to March 2011.

20. As summarised by the Eastern of England Development Agency (EEDA) in its *Rural Proofing Toolkit*.

21. Since the general election of 1997 there have been a series of constitutional reforms which have strengthened the sub-national level in the UK. There has been a "devolution" of powers to Scotland, Wales and (with some difficulties) Northern Ireland. At the same time, there has been an increasing impetus behind administrative devolution in the English regions through the strengthening of the Government Office network, and the establishment of Regional Development Agencies and non-statutory Regional Assemblies. When the previous administration took office in 1997, the then Prime Minister set out his four principles of public service reform, which underpinned the Government's approach to improving delivery:

    national standards and a clear framework for accountability;

    devolution and delegation to the frontline;

    more flexible arrangements for service delivery;

    expanding choice for the consumer.

    Applying these principles to the delivery of rural policy was a central a compelling message of Lord Haskins' review and was taken into account in developing the devolved and targeted approach set out in Rural Strategy 2004.

22. Defra also engages with other third sector organisations as appropriate. Some examples of these are: the Rural Community Buildings Network (Defra organises and hosts its regular meetings, and works with the group to promote the benefits of community buildings in rural areas); Pub is the Hub (since 2001, PITH has helped over 300 rural pubs to support rural communities by maintaining village shops, post offices or other rural services) and the Plunkett Foundation (which promotes and supports co-operatives and social enterprises in rural communities).

23. The 11 policy departments are: BIS, Cabinet Office, DCLG, DCMS, DCSF, Defra, DECC, DfT, DWP, Home Office and MoJ.

24. Although these are by their very nature brief and only provide summaries of activity and intent, they do set out RDA investment priorities including rural. These must set out how each agency intends to deliver regional economic growth and must demonstrate how the cross-cutting principles are to be applied. They are agreed across sponsor departments.

25. These services include tackling disadvantage and promoting community cohesion, transport planning and provision, community safety and crime reduction, social services, education and lifelong learning, housing and planning, arts, sport, culture, the local environment, refuse collection, heritage protection, trading standards and environmental health.

26. Just under 18 000 people are elected to serve on local councils in England. The income received by local authorities derives from a number of sources. These include income from fees and charges, their own tax raising powers (the Council Tax), their share of national business rates (the National Non Domestic Rate) and directly from Government, mainly through the revenue support grant, but also a number of other specific grants.

27. Other local plans that have to be linked to the LAA include the: Joint Strategic Needs and Assessment for Health and Social Care; Crime and Disorder Reduction Strategy; Local Transport Plan; Children and Young Peoples Plan; National Park Management Plan; Municipal Waste Strategy; and Licensing Policy.

28. The LDF will be comprised of: Local Development Scheme (LDS); Statement of Community Involvement (SCI); Local Development Documents (LDD) (including Development Plan Documents (DPD) and Supplementary Planning Documents (SPD), and Annual Monitoring Report (AMR).

29. Ten of the 188 National Indicators (NIs) on education and early years learning are compulsory to include in all LAAs.

30. Following local government restructuring in April 2009.

31. Local Strategic Partnerships (LSPs) in the case of a unitary authority or County Council level in other cases.

32. Health bodies (PCTs), education bodies, police, fire and rescue services and national bodies operating at local level such as the Department for Work and Pensions, Environment Agency and Learning and Skills Councils.

33. In June 2008 a revised scheme was announced, following a Defra commissioned review by the University of Wales. These modifications have helped councils to achieve even higher levels of professionalism and helped to cement their position as community leaders.

34. It is usual in England for Government funding to be allocated to policy headings rather than geographical areas. The financial breakdowns provided are based on actual spending on key areas and reflect a best estimation on the split of population between urban and rural areas. Examples of this include: spending on police services is allocated to police authorities, of which there are 39 in England, covering much larger geographic areas and populations than Local Authority Districts; or the four-fifths of spending on health that is allocated to 303 Primary Care Trusts. Other spending may be allocated to District Councils, Unitary Authorities or County Councils. All these bodies cover both urban and rural areas. In these cases, we have used Census 2001 population data to calculate the proportion of the administrative area's population that lives in rural areas and derive the share of total budget that is assumed to be distributed to rural areas. Whilst this provides an indication of the budget available to rural areas it assumes equal distribution per capita. The tables do not include all spend in rural areas nor do they include schemes that are exclusively spent on urban areas. The mainstreaming of rural within broader policies makes it difficult to include an accurate split between rural and urban spending. While the tables are our best estimate of spend in rural areas, they are likely to understate total rural spending. Therefore it is not possible to provide a figure for the percentage of total government funding that is allocated to rural areas, but for some specific services (Table 2.3) this has been provided.

35. A single instrument is used to finance rural development policy under Pillar II of the CAP the European Agricultural Fund for Rural Development (EAFRD). The Fund provides financial support for actions under three axes, and there are minimum spending requirements to ensure that the Member States spend their allocated funds across all three objectives. Axis 1 – on which a minimum of 15% of allocated funds must be spent – aims to support measures designed to improve the competitiveness of the agriculture and forestry industries (*e.g.* restructuring holdings, improving human capital and product quality). Axis 2 – on which a minimum of 25% of allocated funds must be spent – aims to support land management measures designed to enhance the environment and the countryside (*e.g.* agri-environment schemes, animal welfare commitments). Axis 3 – on which a minimum of 15% of allocated funds must be spent – aims to support policies that target improvements in the quality of life in rural areas (*e.g.* basic services provision, rural heritage conservation) and promote economic diversification towards non-agricultural activities (*e.g.* tourism). A minimum of 5% of EAFRD funds are ring-fenced for LEADER initiatives across the three axes. Rural development policy is implemented through national strategy plans prepared by each Member State on the basis of domestic priorities. These plans must be approved by the Commission, and are subsequently delivered through rural development programmes in each member state.

36. They are South West; Marches (West Midlands); Midlands Uplands (Peak District); Lincolnshire; Northern Uplands (parts of Northumbria, Lancashire, Cumbria and North Yorkshire), and East Anglia.

37. Population upper and lower limits can be relaxed where in the view of Defra the exclusion of a given settlement, such as a market town, would have an impact on the coherence of the area, or, at the other extreme, where there is a very clear case on the basis of an area's coherence being compromised.

38. In 2007 the then Prime Minister asked Matthew Taylor, MP for Truro and St Austell, to conduct a review of the countryside and make recommendation on how to support a healthy rural economy and deliver affordable housing. The Review was presented to government in 2008 and a government response was published in 2009 accepting many of the recommendations.

39. This would be done, through the National Affordable Housing Programme (NAHP).

40. For example, in 2006, the affordable Rural Housing Commission noted that 11 600 new affordable homes a year was needed to shrink the gap in rural housing needs. The 2006 Joseph Rowntree Foundation report indicated a lower number, 9 600 and the CRC estimated an even higher per annual number, 30 800.

41. Currently the HCA is on track to deliver their target for 2008-9 of 45 000 Affordable homes. Current forecast completion for this target over the period 2008-11 is over 5 500.

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ANNEX 2.A1

Additional Boxes

Box 2.A1.1. **Review of sub-national economic development and regeneration**

The Sub-National Economic Development and Regeneration review has been led by HM-Treasury, working closely with the Department for Communities and Local Government and the Department for Business, Enterprise and Regulatory Reform with extensive involvement of other Government Departments. The review's report outlined a series of recommendations to refocus powers and responsibilities of delivery and governance structures at the regional, sub-regional and local levels to deliver economic improvements in all areas – urban and rural. The government has decided:

- To legislate to create a duty on local authorities to carry out an economic assessment of their area underpinned by statutory guidance
- To legislate for the creation of statutory sub-regional authorities for economic development that will be voluntary in nature as well as for the creation of multi-area agreements with statutory duties.
- To refine its plans for producing the regional strategy and ensuring appropriate regional governance arrangements – in each region the RDA and a board of local authority leaders will have joint responsibility for producing, signing off and monitoring implementation of the regional strategy.
- That further legislation to allow delegation of decision-making by RDAs to local authorities is not needed

The forthcoming Regeneration Framework will shape and transform the way that regeneration is carried out in England in the future. A draft framework was published for consultation in July 2008 which sets out the government's vision for regeneration. It proposes measures to ensure that regeneration investment is co-ordinated and prioritised in the right places; devolves power through decisions about where to invest being made as locally as possible; and focuses regeneration investment on tackling the underlying economic challenges.

This will make it easier for local and regional partners to focus on the outcomes that really matter for local communities. It will be for local and regional partners to balance the needs and opportunities that exist to ensure that regeneration activities are responsive to the needs of different places and the use of lower level data in targeting investment should enable rural, as well as urban areas to benefit from regeneration.

Source: CLG (2008c), *Transforming places: changing lives: a framework for regeneration,* Communities and Local Government, London.

Chapter 3

Assessment of England's Rural Policy

This chapter analyses England's rural mainstreaming, within the context of the OECD's New Rural Paradigm (NRP). It begins with a discussion of the NRP and the different types of policy permutation that flow from it, and inherent challenges associated with each. The analysis then moves to the complexities associated with: mainstreaming rural, rural proofing and improving the "rural evidence". This is followed by a discussion on devolution and the importance of maximising the rural voice in England. Devolution and subsidiarity in particular are very important concepts in the United Kingdom. A discussion on decentralisation elucidates the "pitfalls" or "gaps" that become visible when the commitment to devolution varies. The last sections assess the critical issues related to housing, service delivery and the links between English Policy and EU policy. Throughout this chapter, critical issues are put forward that appear to be obstacles to a more efficient and effective rural policy in England.

3.1. Key points

Mainstreaming as the rural policy for England is, in a sense, *too* broad and *too* narrow, placing it in a space that needs further clarification and support. England has adopted a multi-sectoral approach to rural development that goes well beyond the traditional land based industries and recognises the broader value of rural areas to the national economy. But rural is not *yet* well mainstreamed in England. This is largely because mainstreaming is simple in theory, but complex in application and requires a great amount of co-ordination capacity and oversight.

Mainstreaming can be perceived as treating rural and urban areas as the same when in reality they are not. There are numerous reasons to believe a distinction between rural and urban remains useful population density, different issues in rural areas (land use, and agriculture are examples). Furthermore, English society seems to see urban and rural as distinct and different; likewise, so does the planning process, which maintains a bright line between urban and rural. Reconciling these conflicts is probably crucial for mainstreaming to reach its full potential.

It is important that data, information and analyses are relevant and accurate at the lowest possible geographic level. England has adopted an "evidence-based" approach to developing and assessing public policy. The benefits of evidence based policy making depend on how well it is grounded in theory and the quality of the information upon which it is based. Furthering the diversity of England's rural economy is apparent when analysis is developed at the sub-national and subsectoral level.

In England there is a *marked will* to devolve resources, but also an "enduring government resistance to radical enfranchisement of local government". The tug-of-war in England is rooted in three areas: public expectations, unequal society and financial reform. But despite these intrinsic barriers, the government is being urged to "take a more flexible view of decentralisation and to deliver on its promises of earned autonomy".

There is a need for improved housing market flexibility to ensure that regional labour markets work efficiently. Rural communities can be thought of as being analogous to neighbourhoods in a city – some people work in the neighbourhood where they live but others work outside the neighbourhood. The combination of effective public transit and proximity allow more urban workers to live in one neighbourhood and work in another than is the case in rural areas. Public transit is unlikely to provide this flexibility in rural areas, so something else is needed.

The goal of rising productivity for England's regions and residents is excellent, but when coupled with sustainability and quality of life, the connection to indicators is not as strong. The focus on improving competitiveness and productivity, which led to strategies that target: increasing and improving employment, creating and attracting new enterprise, and generating new wealth from the place of work, seem to ignore

income secured from public and private pensions; property receipts, investment proceeds and social and government transfer payments.

3.2. Introduction

Mainstreaming and the other specific programmes and policies that affect rural England are shaped by a specific philosophy of the role and practice of government. Every government has a its own context in which policy is developed, and to fully understand any policy the larger context in which it was developed and operates must also be understood. Meta-policy refers to the context in which policy is made and executed. It recognises that policy is influenced by a complex fusion of ideas, practices and political exigencies, and is ultimately shaped by the interaction between different policy networks (Greenaway, 2004). The overview of rural policy development in chapter two highlighted the significant meta-policy changes in the United Kingdom and England over at least the last decade. Each policy change gave a clear sense that emerging policies and programmes recognised the need for: economic agility, spatial sensitivity, and a responsive, flexible government. Moreover, these conditioning values affected: the rate of policy change, the effectiveness of programmes, and expectations of government by citizens. The list of meta-policy principles recently embraced by the UK shaping specific macro, sectoral and place-based policies includes: sustainability, devolution, greater horizontal and vertical co-ordination of policy, strategic planning, evidence-based policy making, and greater government accountability.

Evidence that policies in England are being guided by specific meta-policy principles is abundant. Indeed, economic policies are frequently justified by reference to specific, as well as more general, cases of market failure and the need for greater social and spatial equity. Correspondingly, the advantages of international trade, competition, restructuring, entrepreneurship and innovation are generally recognised. Many policy statements express the goal of reducing the number and size of subsidy schemes to the private sectors (HM Treasury, 2008, p. 32). For example, "Continued competition from emerging and developing economies requires economic restructuring to enable countries to specialise and benefit from their comparative advantage, leading to gains from trade" (HM Treasury, 2007, p. 19).

In this chapter, England's rural policy is analysed within the framework of the OECD's New Rural Paradigm (NRP). Rural policy, as perceived by the OECD, embraces a holistic approach to the development of rural areas and serves the interest of the majority of rural citizens. For example, it is a strategy that is based on investments: to build local assets, to realise village renewal and development, to ensure conservation of rural heritage, and more. This type of approach typically requires a different business environment and competences, as well as structural reforms for basic services and investments. The analytical frame of this chapter covers both the *implications* and *impact* of mainstreaming and rural mainstreaming on rural areas as well as *how* this policy approach "fits" within the OECD's NRP. This allows the review to respond to some of the *key* questions set out by the government of England for the OECD to consider. They include:

1. How mainstreaming as a policy is working?
2. What are the challenges associated with mainstreaming?
3. Is there *more* of a focus on urban and "suburban" areas to the exclusion of the more rural areas?
4. What are the implications of England's rural policy on urban areas?
5. Do the RDAs/Local Authorities give sufficient priority to lower performing rural areas?

Finally, the three policy areas Housing, Service Delivery and Economic Development serve as a backdrop for this discussion and each is discussed separately in the final section of the chapter.

3.3. The New Rural Paradigm offers a framework for examining rural policy in England

Three important factors influence rural policy making across OECD countries, all of which are visible in England. They are: an increased focus on amenities – over 75% of land in OECD countries is in rural areas; the pressure to reform agriculture policy, due to external and internal budgetary concerns; and, decentralisation trends in regional policy (OECD, 2006, NRP). Recently there has been a noticeable increase in policy targeting to enhance local economic opportunities and to allow decisions to be rendered at the appropriate spatial level. These factors have been driving OECD countries to recalibrate and develop more multi-sectoral, place-based strategies that identify and better exploit the development potential of rural areas. The NRP catalogs the impact these changes can have on the design, implementation and governance of rural policy. Specifically, rural policy has moved from a traditional, sector-based approach to a more modern form – one that considers the spatial context, thinks in terms of investments instead of subsidies and embraces a bottom-up partnership framework (Table 3.1). And, the discussion of policy objectives and instruments for polices in rural region typically address the following:

Enhancing the competitiveness of rural regions.

Shifting from an approach based on subsidising declining sectors to one base on strategic investments in order to develop new enterprises.

Shifting from a sectoral to a place-based approach, including attempts to improve co-ordination and to integrate various sector polices at regional and local levels.

Promoting framework conditions to support or attract enterprises indirectly.

Enhancing business assistance and network of knowledge and expertise to diffuse new technologies.

Developing human resources through vocational training and capacity building for policy actors at local levels.

Ensuring new ways of providing public services in scarcely populated areas.

Table 3.1. **The New Rural Paradigm**

	Old approach	New approach
Objectives	Equalisation, farm income, farm competitiveness	Competitiveness of rural areas, valorisation of local assets, exploitation of unused resources
Key target sector	Agriculture	Various sectors of rural economies (ex., rural tourism, manufacturing, ICT industry, etc.)
Main tools	Subsidies	Investments
Key actors	National governments, farmers	All levels of government (supra-national, national, regional and local), various local stakeholders (public, private, NGOs)

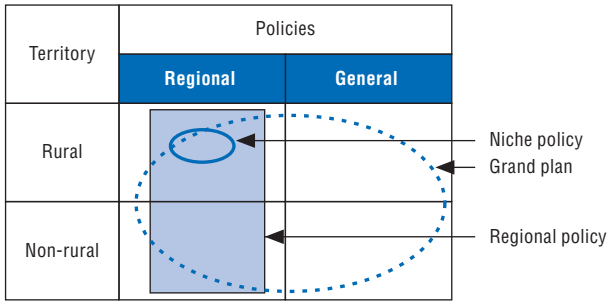
Source: OECD (2006), *The New Rural Paradigm: Policies and Governance*, OECD Publishing, Paris, France.

... types of rural policy that flow from NRP

Within this context, determining the appropriate role for *rural policy* within the wider public policy space can be paradoxical, particularly when the focus of regional policy is on

regional competitiveness. Analysis of several OECD countries evidence rural policy characteristics that can be categorised in two dimensions: narrow rural policy or broad rural policy. Broad rural development policies are those that adopt a grand overarching design – a cross sectoral policy in practice, one that attempts to integrate all policies. Included in this frame are those policies and programmes that were designed with other objectives in mind (perhaps without a rural focus or consideration) but which have intended or unintended impacts on rural dwellers and places. In contrast, the more "niche" or "narrow policy" approach is policy designed specifically to address the needs of rural communities (Figure 3.1). Often with the grander scheme, the effort to "address all areas through a rather broad policy framework" such as agricultural policy, transportation policy, or energy policy outdistances capacity. As such, the push to co-ordinate *all* actions and bridge *all* gaps tends to yield more inertia and inaction than concrete results (OECD, NRP, 2006). The too narrow rural policy delivers results, but also policies that risk being too disconnected from other regional, sector or national polices.

Figure 3.1. **OECD matrix for rural policy analysis**



Source: OECD (2006), *The New Rural Paradigm*, OECD Publishing, Paris.

The OECD has found that "somewhere in-between" approaches offer advantages in addressing both market and policy failures affecting rural areas (OECD, NRP, 2006). Spain illustrates this well. The government of Spain recently introduced the Law on Sustainable Development of Rural areas. This law extends the responsibility of rural policy from a sole actor, the Ministry of Agriculture to the government at large (OECD Spain Rural Review 2009). By creating the *politica rural de estado* or a "rural policy of state" they have enabled a way to better co-ordinate the efforts of the regional administrations and better link them with the national government. The national body tasked with overseeing this effort is comprised of representatives of different ministries and one representative from each region, the *consejero* in charge of rural development in each region. Mainstreaming rural policy at the national level was key because Spain has a highly decentralised governance structure with extremely autonomous regions. Each region has extensive experience with rural development policy garnered through the LEADER programmes and Local Action Groups (LAGs). But the approach to rural governance policy framework was often disconnected at the regional and the national level and yielded suboptimal results (OECD, *Spain Rural Review 2009*). The law essentially formalised much of what already existed in Spain, as well as creating a rural policy with oversight at the national level.

… England reflects aspects of the New Rural Paradigm

England has adopted a multi-sectoral approach to rural policy that goes well beyond the traditional land based industries and recognises the broader value of rural areas to the

national economy. For example, the current approach recognises that: tourism plays a major role in the rural economy, that commuters bring their urban pay to rural areas where they live, that the non-commodity benefits of agriculture can be significant, and that the underlying structure of the rural economy has changed in crucial ways. Moreover, despite its somewhat urbanised landscape, rural England is home to many important historical sites and recreational amenities vital for the rural economy. Accordingly, the rural policy approach significantly impacts land management and must also consider a range of environmental and economic development issues. There is also acknowledgement that urban and rural places play different roles in a prosperous economy, and that they will face different challenges. For example, "The productivity benefits from knowledge spillovers means that the highly skilled will tend to be more concentrated in those areas where knowledge-intensive industries cluster. Given the increasing returns to skills, this will further increase the likely growth of these areas relative to other areas. While cities offer opportunities for growth, this will have implications for disparities and differential rates of growth across the country" (HM Treasury, 2007, p. 20).

Further, the rural policy approach in England has considerable consistency with the tenets of the NRP. The continuous morphing of England's policy framework over the years has culminated in an approach that:

broadens rural policy well beyond agriculture;

follows an evidence based and investment oriented, rather than subsidy based, policy approach; and,

introduces national economic policies that are more place-based.

In addition, the Sub-National Review of 2007 with its emphasis on: managing policy at the right spatial level; ensuring clarity of roles for those bodies acting sub-nationally; and enabling places to reach their full potential codified this movement. The recommendations contained in the report to refocus powers and responsibilities of delivery and governance structures at the regional, sub-regional and local levels to deliver economic improvements in all areas – urban and rural capture a place based methodology.

3.4. The challenges in mainstreaming rural

The fundamentals of the NRP are present but there is scope to go further in key areas. First, England does have a mixed approach to rural policy: the broad (mainstreaming) and the narrow (the RDPE). But, there are gaps between the two that if shrunk would better serve rural areas. Put simply, in the context of the NRP, mainstreaming rural is almost *too* broad and *too* narrow, placing it in a space that needs further clarification and support. Second, the current array of policies influencing rural England is broad, from competitiveness policy, to territorial policy, to transport and housing policy. There are opportunities for the various policies to be made more consistent. Rationales for these policies are generally well reasoned. The policies frequently cross-reference each other and seem well joined up. The objectives of these policies, if achieved, are welcome. Creating incentives and flexibility for change is certainly what is necessary for aggregate economic success. However, recent policy changes have led to large number of new schemes and agencies, as well as new responsibilities for old agencies. There are dangers and costs involved in rapid, unpredicted and volatile change. These two aspects are discussed further below.

… Mainstreaming rural is complex; it requires wide co-ordination capacity and oversight that…

Through mainstreaming the government is pursuing a multi-faceted agenda with many multi-stakeholder objectives. Numerous departments at the national level have important roles to play in improving the responsiveness of policies. Mainstreaming rural makes it more, rather than less, dependent on existing common understandings about rurality, at the national and sub-national level, and on an interconnected framework at the national level beyond what is now visible. This is largely because mainstreaming is simple in theory, but more complex in relation to rural (Figure 3.2, p. 162). Placing the responsibility on all departments to mainstream rural is conceptually elegant. But ensuring that the needs of rural areas are understood and considered as part of day-to-day policymaking can be a challenge when Defra does not control or dictate the work of these departments or organisations. This puts Defra in a "difficult position" because "it has a DSO that cannot be achieved without significant assistance from other departments and bodies" (Government Response, 2009). Further, co-ordination and oversight of a diverse group of stakeholders that impact rural policy at the national, regional and sub-regional levels is required. This supporting characteristic was noted by the EFRA Parliamentary Committee in its 2008 hearings on rural areas. According to the report, "mainstreaming as it stands requires strong reinforcement to ensure adoption of the principles at all governance levels" (EFRA, 2008).

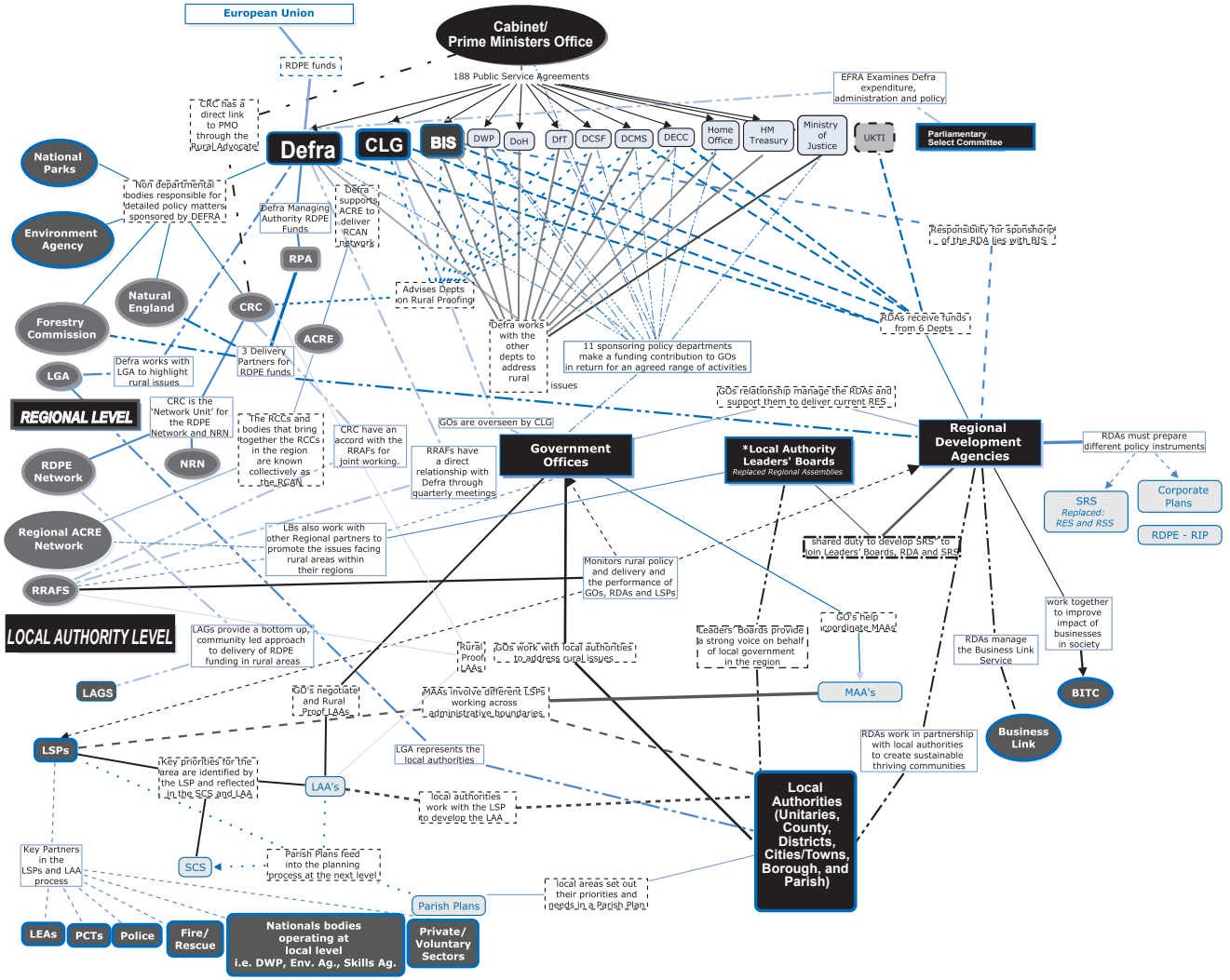
… is hampered by varied levels of implementation and take-up

Despite great effort, rural is not *yet* well mainstreamed in England. The discussions as part this review with the different stakeholders involved in rural policy, as well as the testimonies and submissions for the 2008 EFRA Parliamentary Select Committee process, made this abundantly clear. In fact, in relation to building on the economic success of rural areas, the memorandum from the Lancashire Rural Delivery Pathfinder stated succinctly, "… it has not been possible, or in any way advisable, to rely upon mainstream interventions". Since the government is committed to mainstreaming rural spending, some additional time exploring the implementation aspects may be warranted. It would seem then that one consistent challenge for mainstreaming continues to be inconsistent implementation. A 2008 OECD report, *Making Local Strategies Work: Building the Evidence Base*, observed that strategies may be conceptually sound but lack follow through at a practical level because there is lack of consideration of "issues of implementation and the interplay of many small, but often sensitive and significant, local considerations" (OECD, Leed 2008). Arguably, some of these aspects are at work in relation to mainstreaming rural at the different levels of government. Although the Leed report was conceived as guide to local economic development strategies, its salient point on implementation woes, specifically the failure to give sufficient weight to local implementation issues which could result in these issues being transformed from potential drivers of the strategy into barriers, is relevant.

… requires continued support for rural affairs…

Evidence across the OECD countries suggests that the body in charge of rural affairs should be able to act as a *super partes* actor. This entity, among other things, is expected to be in a position to ensure the integration of urban and rural policies and to: address urban-rural linkages; broaden the scope of support for rural communities to a whole government perspective; and, create a climate of support for legitimate rural concerns (OECD, *Finland Rural Review 2008*). In England, Defra is the *super partes* actor for rural affairs. But

Figure 3.2. **OECD schematic of key actors and mechanisms in English rural policy as of 2009**[1]



ACRE	Action with Communities in Rural England
BIS:	Department for Business
BITC:	Business in the Community
CRC:	Commission for Rural Communities
DCFS:	Department for Children, Schools and families
CLG:	Department for Communities and Local Government
DCMS:	Department for Culture Media and Sports
DECC:	Department for Energy and Climate Change
DfT:	Department for Transportation
DoH:	Department of Health
DWP:	Department for Work and Pensions
EFRA SC:	Environment, Food and Rural Affairs Select Committee
LAAs:	Local Area Agreements
LAGS:	Local Action Groups
LEAs:	Local Education Authorities
LGA:	Local Government Association
LSPs:	Local Strategic Partnerships
MAA:	Multi-Area Agreements
NRN:	United Kingdom National Rural Network
PCTs:	Primary Care Trusts
RCANs:	Rural Community Action Network
RCC:	Rural Community Councils
RES:	Regional Economic Strategy
RIP:	Regional Implementation Plan
RIS:	Regional Integrated Strategy
RSS:	Regional Spacial Strategy
RDPE:	Rural Development Programme for England
RPA:	Rural Payments Agency
RRAFS:	Rural Regional Affairs Forums
SCS:	Sustainable Community Strategy
UKTI:	United Kingdom Trade and Investment

1. This excludes housing and planning actors.

realignments within Defra as they relate to rural affairs, as well as Defra's responsibilities for other key government agenda items, such as climate change and the environment, threaten to divert attention and resources from rural affairs. The Department began as an entity meant to forestall inaction or inertia on rural policy with expanded scope and jurisdiction over rural development policies. "The creation of Defra was partly aimed at raising the profile of rural affairs within government" (Atterton, 2008).

But that tide has seemingly turned, and, in the last few years, the rural affairs division within Defra has been reduced in form and function. Moreover, the "Department's" attention has become ever more focused on climate change and environment sustainability, a focus, confirmed in a statement by the Parliamentary Under Secretary of State (Marine Landscape and Rural Affairs). This has fed perceptions of rural affairs at the national level being "downgraded" or "becoming politically marginalised and being allocated ever diminishing staff and financial resources" (Atterton, 2008). In its 2008 submission to the EFRA Select Committee the RDAs described mainstreaming as "vital at national government level" because it provides the "underpinning policy framework support needed to ensure that government's sub-national partners can provide adequate and appropriate support to rural areas". The report also notes that while "Defra's decision to restructure and focus on the two PSAs", is understood. It "effectively reduced their explicit commitment to rural affairs within their agenda and reduced their rural team resources by half". Thus, the submission questioned if this was concurrent with effective cross-government rural proofing and if it would leave a "substantive gap in the explicit rural proofing coverage of key Whitehall departments" (EFRA, 2008 Ev. 66, 3.3).

Defra is the government department responsible for co-ordinating and overseeing rural policy within government, and for promoting the needs and interests of rural people, businesses and communities across government (OECD England Background Report). But CLG plays an equally important role as it oversees rural planning policy and local government functions in the regions. With important aspects of rural development within the realm of two government departments and the various agencies linked to them, the challenge for Defra lies in corralling these objectives and/or inserting the "evidence" of rurality into the policy discourse at the appropriate time. For example, in the south of England, policy makers pointed to the division of policy delivery on rural housing at the national level between Defra and CLG as one area that sometimes yields miscues in objectives and expectations. Further, while all departments are charged with adopting a mainstreaming approach, there is little incentive for them to actually do so. If there are costs to delivering mainstreamed policy then the department absorbs it. If the department sees little benefit from mainstreaming in terms of its core function, then the presence of additional costs is likely to weaken its commitment to mainstreaming. In principle Defra can ask for policy change, but Defra is unable to compel a change if the department fails to comply. If Defra has responsibility for ensuring that departments act to deliver on mainstreaming objectives, it should have some ability to compel altered behaviour, or the resources to subsidise change. Mainstreaming would work better if, for example, Defra or some other agency has the authority to require action or the ability to cover incremental costs associated with mainstreaming.

… requires more rural specific policy support beyond RDPE

On the whole, it appears that in the short to medium term rural mainstreaming needs additional specialist rural policy support, beyond RDPE, to ensure that it delivers to rural communities what is desired. Undoubtedly, by rejecting specific rural policies England

inherently refocuses its support for rural areas away from the sectoral approaches, explicit subsidies, and narrow client groups that are criticised as the Old Rural Paradigm. Similarly, it is agreed that "effectively delivered mainstream policies and programmes will almost always be more successful and sustainable compared to short-term, stand-alone, rural specific interventions" (Moor, 2008). But the central government role in managing rural policy requires ground rules to manage complexity in the form of plural and tangled hierarchies characteristic of most modes of co-ordination (Figure 3.2). Finland stands in direct contrast to England in size and scope. It is a sparsely populated country with an average population density of 17.1 inhabitants/km^2. But, the need to define rural policy in a way that balanced co-ordination between sectoral policies and attended to rural needs resulted in a similar dual rural policy approach. Unlike England, Finland took advantage of EU funds to foster its narrow approach to rural development. In their words, "the EU programmes, contained the funding, but the national narrow rural policy creates the content" (OECD, *Finland Rural Review*). However, Finland's narrow rural policy approach is different in that it is a combination of different programmes (*e.g* village action, the work of the Local Action Groups (LAGs) EU instruments, and the Regional Strategic Programmes) all partly funded through RDP Finland (Box 3.1). At present England seems to lack an effective strategy to link RDPE to national rural policy objectives. In England's case, the extra support could take many forms, perhaps a lead department with a senior Cabinet Minister ensuring that the potential of rural areas is fully realised and an acceptable level of service delivery is achieved.

Box 3.1. **Finland's rural development policy**

The National Rural Policy Programme (*Maaseutupoliittinenkokonaisohjelma*) is drawn up by the Rural Policy Committee and is one of the four Special Programmes derived from the Regional Development Act (602/2002). It is the main instrument of broad rural policy and as such aims at providing coherence to the different sectoral policies oriented towards rural areas. Revised every four years, the programme contains both a strategic perspective and concrete proposals carried forward by the Rural Policy Committe. The Rural Policy Programme includes a special Rural Policy Programme. The narrow rural policy refers not only to EU programmes but also to other activities of the national rural policy and the main instrument of the narrow rural policy is the Rural Development Programme for the Mainland Finland 2007-13. Thus, Finland has successfully integrated EU programmes at the core of its "narrow rural policy" and is considered a "model" in many respects for other EU countries, especially its LEADER method and its approach to mainstreaming national funds and other EU funds in order to cover the entire countryside.

Broad		Narrow
Work of the Rural policy Committee and its Action Programme: Special programmes of the government including the Rural Policy Programme.		
Labour Policy	Environment, community planning and housing policy	Village Action
Tax. Policy and budget	Regional and municipal policy	Work of LAGS
Social and Health Policy	Agriculture, forest and natural resources policy	EU Instruments *e.g.* Rural Development Programme and Structural Fund Programmes
Industrial and Energy Policy		Regional Strategic Programme of Region Councils
Education, culture and know-how		

Box 3.1. **Finland's rural development policy** *(cont.)*

Local Action Groups (LAGs) are entities created when Finland joined the EU and the LEADER II Programme and corresponding national Rural Programme Based on Local Initiative (POMO) were launched (most were created in 1996-97, and the rest by 2003). The LAGs have both a board where citizens, municipalities, local organisations and enterprises participate and paid staff to manage LEADER projects. The LAGs cover the whole rural territory of Finland, an area range of 1 000 to 49 000 square kilometres and the number of people in these from 14 000 to 95 000. At present there are about 3 900 villages in Finland and about 2 800 of them have a registered village association. Finland has strong tradition in village action. More than 1 900 village associations have a village development plan which is implemented by associations, enterprises, municipality and other organisations. The Village Action Association of Finland is an umbrella organisation for Residents' Associations, village coalitions, LAGs and national central organisations. At the end of 2007 it had 129 member organisations. The Village Action Association of Finland promotes and develops village action and locally initiated rural development on the national level. This association provided the services of the LAG Network Unit until 2007 and gathered and distributed information about the work and development projects of the LAGs.

Source: OECD (2008), *OECD Rural Policy Reviews: Finland*, OECD Publishing, Paris.

… is particularly challenging in an environment of frequent policy change…

The frequency of policy change in England threatens to undermine the uptake of mainstreaming. An important role of policy is to create a regime of incentives for both private and public decision makers, and this requires stability. A policy to promote regional governance, for example, provides incentives for existing local governments to invest in collaborative relationships and new institutions that didn't exist previously. These kinds of processes require the investment of time and resources. OECD work on strengthening governance has demonstrated that reforms of complex systems that are cross sectoral in nature often take many years to implement (OECD, 2008, Ireland). But political systems tend to focus on short-term results whereas administrative systems must focus on longer-term interests. Policies and programmes that are not performing should be changed, and creating incentives and flexibility for change is certainly necessary for economic success. But, while political actors can help to ensure responsiveness and political accountability, this has to be balanced with the provision of a long-term integrated perspective that better meets the demands of the public-at-large.

There are clear costs involved in a continually shifting policy environment. Rapidly shifting policy creates several problems for decision makers. First, policy changes make investments (of financial capital, human capital, social capital and political capital) in old policy strategies obsolete. Again using policy to promote regional governance as an example, policy that changes too quickly also makes investments in relationships with other governance leaders and institutional arrangements obsolete, at significant cost to local governments and officials. Secondly, and perhaps more importantly, rapidly changing policy erodes the incentive to make the appropriate future investments, since certainty around the new policy is reduced. At a minimum, investments are delayed while the parties wait to see if the policy will be amended, or replaced with a new one. Finally, policy uncertainty invites obstructionist behaviour and lobbying by special interest groups that

perceive that they can simply "wait out" the current policy regime, or perhaps influence the next policy shift to be more advantageous to them.

There are several examples of policy that are perceived to be in a state of constant flux. First, regional assemblies were initially envisioned as elected and powerful institutions which could directly influence economic development and public service delivery. This concept was subsequently abandoned in favour of a less influential Council of Governments. While it is quite likely that given other policy changes the "Council of Government" approach was more workable than an elected assembly, it is nevertheless true that the decision making environment for local governments was, and is, quite uncertain because of the series of policy changes involved. Another example is the uncertainty around the spatial policy and the development policy. Discussions in England in 2009, during site visits, revealed a considerable amount of frustration, uncertainty, and even cynicism about the policy that was emerging. In 2004 the Planning and Compulsory Purchase Act replaced local plans with local development frameworks and Regional Planning Guidance with Regional Spatial Strategies. The Planning Act of 2008 laid out a new process for national infrastructure development. The goals of these changes are very good in principle. They are designed to bring planning, sustainability and economic development into the same process. But in 2009, the Regional Spatial Strategies had been in development for multiple years, and were only then being completed in most regions. As a result there was still a great deal of uncertainty about their implications.

From the perspective of local decision makers, the national spatial policy was a long time in coming, following the commencement of the process to develop it. This created uncertainty itself. Again the ultimate policy may very well be the best outcome, but the lengthy and circuitous course that led to the policy created significant uncertainty among public and private decision makers. Yet another example of policy uncertainty was the series of reorganisations of several agencies involved in rural policy. In 2007 the Department of Business, Enterprise and Regulatory Reform (BERR) was created from the Department of Trade and Industry (DTI). Just two years later, BERR was merged with the Department of Innovation, Universities and Skills to become the Department of Business Innovation and Skills (BIS). Meanwhile, in 2008 the Department of Energy and Climate Change was created by combining components of BERR and Defra. These changes were not mere cosmetics. They moved certain functions among departments, affecting stakeholder relationships and adding uncertainty to the decisions made by both private and public decision makers. Again, these changes may be necessary, and desirable, but it is important to recognise the unintended effects they have on incentives.

... needs more clarification of the urban-rural gap...

Understanding and expanding urban-rural linkages is crucial for effective rural policy in England (Box 3.2).Thus the evidence as to what constitutes a meaningful urban rural gap needs to be further clarified. A particular challenge for mainstreaming is determining what constitutes a meaningful urban rural gap. The simplest test is to require identical services in all parts of the territory. This has the virtue of simplicity of measurement, but it is expensive, and it may not result in rural people receiving the right mix of services. The ideal approach would be to require equivalent outcomes in terms of quality of life. But this approach raises impossible measurement burdens and strong interpersonal welfare comparisons. As a result, there is no clear sense of how urban rural gaps are to be measured.

Box 3.2. **Rural-urban links in England**

In a globalised and urbanised world there is a need to overcome the divide of rural and urban. Rural-urban interactions can be defined as linkages across space (such as flows of people, goods, money, information and wastes) and linkages between sectors (for example, between agriculture and services and manufacturing). In broad terms, they also include "rural" activities taking place in urban centres (such as urban agriculture) and activities often classified as "urban" (such as manufacturing and services) taking place in rural settlements. In a polycentric model of an urban agglomeration, urban-rural interaction takes on the following five types of interactions.

1. Demography – including bi-directional commuting, second homes, retirement strategies, etc.
2. Economic Linkages – these include traditional flows of primary products and the outflow of manufacturing and logistics functions to rural areas, as well as key transport connections like airports.
3. Public Service linkages – with strong connections from flows of people and economic activity there is corresponding need/opportunity to co-ordinate public services so that people have better opportunities for receiving services than might be available from their immediate locality.
4. Environmental services – rural areas provide core environmental services to urban centres including water, waste disposal, recreation space, visual amenities
5. Multilevel governance – in a regional city there are multiple levels of local government that have varying powers and overlapping authorities. In addition any one government can take decisions that have effects on others. Consequently new forms of managing government are needed that reflect urban and rural conditions.

With such a high degree of interaction between urban and rural milieus any change in one environment has major implications for the other. London, in particular, exerts a string influence over most of the rural areas in southern England and well into the Midlands. Other large cities also have major hinterland effects so that there is very little rural territory that is not part of some functional region that has a major city at its core. England is introducing the idea of city regions in attempt to allow these functional regions to better manage their growth.

… reflects an implicit belief in the homogeneity of England not reflected in all aspects of policy…

The idea of mainstreaming can be perceived as reflecting an implicit belief in the homogeneity of England. As explained in the England Background Report to the OECD, mainstreaming rural is appropriate because there are few significant differences between the urban and rural populations in terms of their needs and the two economies. But the planning process belies this position and operates in a completely different way. It maintains a bright line between urban and rural. Moreover, English society seems to see urban and rural as distinct and different. An important consequence of considering the "rural" economy to be the same as the "urban" economy is the impact on the capacity to develop a distinct set of rural policies that focus on the *uniqueness* of rural England. Land based activities no longer define rural England, but there are still a number of important ways in which the economic structure of rural England is different than that of urban England. A more nuanced and disaggregated approach would reveal these differences. Some factors for consideration include:

(1) A different mix of industries that becomes apparent when NACE categories at a lower level of aggregation than national account data are employed…

While on average rural areas may have an economic structure that is not very different than the average urban the high degree of variability across rural areas makes the use of this average of limited value in understanding local economic conditions (Box 3.3). Table 3.2 shows this in terms of business numbers. Rural England is defined at a low level of spatial aggregation; as such, it is important that a similar low level of aggregation be employed when discussing economic structure. Once the diversity within rural areas is recognised there may be reason to reconsider the value of relying on comparisons made at a high level of aggregation to frame policy.

Box 3.3. **Location quotients and economic activity**

A common measure of economic structure is the location quotient which provides a measure of the share of employment or output in one particular territory relative to another. Location quotients provide a summary measure of differences in economic structure by industry type. The industry types are based upon a standard classification system (NAICS in North America and NACE in the European Union). These classification system classify every type of firm in a nested hierarchy with more specialised categories at the base and culminating in a small number of very broad categories at the top.

For example, category 23 of NACE is the manufacture of machinery and equipment. Within category 28 are four subcategories each of which can have multiple subcategories of its own. For example, 28.9 is manufacture of other special purpose machinery, which includes as a subcategory 28.93, the manufacture of machinery for food beverage and tobacco processing. In 28.93 one finds: cream separators, milk processing machinery, machinery to produce flour and meal, bakery ovens, machinery to make cigarettes and a host of other types of very specialised machinery. Some types of machinery can be produced by small firms, such as cream separators, while other types of equipment are highly sophisticated with only a handful of companies in the world having the capacity to produce the equipment, cigarette rolling machines. Similar detail exists in the other NACE categories.

At the most aggregate level, used in national accounts, there are ten categories. However using the data at this level of aggregation to describe sub-national economic structure provides limited useful information. This is especially true if the two regions have very different settlement structures – that is the size distribution of communities is not similar.

Suppose two regions have the same share of employment in finance and insurance, This really tells you little if one region includes the national capital and the other is quite rural. Finance and Insurance has four major subcategories and over 30 categories below this. Category 64.1 includes central banking as a subcategory, but also would include the branches of banks in a small villages that take deposits and makes small loans to consumers but do not handle any commercial lending. Moreover, the region with the national capital will include bank branches that make sophisticated commercial and international loans as well as providing consumer finance. To conclude that because the Location Quotients are the same in the two regions that this means that finance and insurance activities play identical roles in the local economy is not justified.

Box 3.3. **Location quotients and economic activity** *(cont.)*

To properly understand the economic structure of the two regions location quotients have to be constructed at a more disaggregate level. Once this is done it becomes apparent that the previous similarities in economic structure between different regions can be a statistical artefact. At a more disaggregated NACE level there are multiple categories and in many cases only one of the regions will have firms in that category. And, even when firms in the two regions are in the same category they may still perform different functions. Thus while location quotients provide a useful way to compare economic structure it is important to use the right level of disaggregation when calculating them in order to get meaningful results for forming policy.

Source: OECD Rural Programme.

Table 3.2. **Business stock 2005**

Industrial class	Rural 80	Rural 50	Significant rural	Other urban	Large urban	Major urban	England
Agriculture; forestry and fishing	16.9	10.8	6.8	2.0	2.0	0.8	5.8
Mining and quarrying; Electricity, gas and water supply	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Manufacturing	7.7	8.5	8.4	9.3	10.3	8.4	8.6
Construction	11.8	12.6	12.3	12.8	12.9	8.9	11.2
Wholesale, retail and repairs	18.9	19.8	20.4	22.6	23.5	22.3	21.4
Hotels and restaurants	7.2	6.5	6.6	7.7	7.5	6.6	6.9
Transport, storage and communication	4.3	4.6	4.4	5.1	4.4	4.2	4.4
Financial intermediation	0.6	0.7	0.9	1.0	0.9	1.7	1.1
Real estate, renting and business activities	23.8	27.5	30.9	30.2	29.4	35.9	30.8
Public administration; other community, social and personal services	7.2	7.4	7.7	7.5	7.2	9.8	8.2
Education; health and social work	1.4	1.5	1.6	1.8	1.7	1.5	1.5
Total stock (number of businesses)	241 455	206 120	223 230	171 935	180 335	530 710	1 553 785
Working age population (millions)	3.4	3.5	4.0	4.2	4.5	10.0	30.4
Stock per 10 000 people	703	593	565	411	403	286	511

Note: The stock of VAT registered enterprises is the number of enterprises registered for VAT at the start of the year. This is an indicator of the size of the business population. Since over 99 per cent of registered enterprises employ fewer than 50 people, it is also an indicator of the small business population. However it should be noted that only 1.8 million of the estimated 4.3 million UK businesses are registered for VAT.

Source: CRC, 2006 State of the Countryside.

(2) a different size distribution of firms with mainly micro firms and sole proprietorships, and

In particular, in more remote rural (sparse) regions, agriculture, forestry and fishing play a much larger role and real estate renting and business activities are less important. While there are far more businesses in large urban areas than in other types of territory, there is a much higher stock of businesses per 10 000 people in the most remote rural regions, reflecting the prevalence of smaller firms, and rural businesses are on average much smaller than those in urban areas.

(3) a different occupational mix in terms of the skills that are present in urban and rural jobs.

Occupation categories also vary once a more detailed classification is employed. The occupational breakdown shown in Table 3.3 seems to suggest the skill mix between urban

Table 3.3. **Distribution of jobs across sectors, 2004**

Industry	Percentage					
	Rural 80	Rural 50	Significant rural	Other urban	Large urban	Major urban
A: Agriculture, hunting and forestry	0.8	0.5	0.3	0.1	0.1	0.1
B: Fishing	0		0	0	0	0
C: Mining and quarrying	0.4	0.3	0.1	0.1	0.1	0.1
D: Manufacturing	14.7	15.4	13.5	12.8	12.3	9.4
E: Electricity, gas and water supply	0.3	0.4	0.4	0.5	0.5	0.3
F: Construction	5.5	5.4	4.8	3.9	4.5	4.1
G: Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	19.1	18.4	19.1	19.7	18.7	16.8
H: Hotels and restaurants	9.0	7.2	7.2	6.2	6.3	6.4
I: Transport, storage and communication	5.2	5.4	5.3	7.1	5.2	6.7
J: Financial intermediation	1.5	2.2	3.3	3.6	4.1	5.7
K: Real estate, renting and business activities	12.6	13.6	15.5	15.5	15.4	19.6
L: Public administration and defence; compulsory social security	5.0	5.3	4.9	5.1	5.4	5.7
M: Education	9.3	9.9	9.0	9.4	10	8.6
N: Health and social work	11.0	11.3	11.7	11.7	12.7	10.7
O: Other community, social and personal service activities	5.3	4.8	5	4.3	4.5	5.8

Source: CRC (2006), *State of the Countryside*.

and rural is similar. But the higher share of managers and senior officials in urban and rural locations reflects the higher stock of businesses per capita. Moreover a senior manager for a firm employing ten people is unlikely to be equivalent in terms of skills or income to one in a firm employing 10 000 people. The similarity in skill mix is also an artefact of collecting data on the basis of place of residence instead of place of employment. The table shows that the rural catchment area of city regions explains a lot of the relatively high performance of rural England. While higher skill people may choose to live in rural England the fact that they work in urban England suggests that there are still structural differences between the economies of urban and rural places.

Because the settlement structure of rural areas is made up of small communities it is improbable that the rural economy resembles the urban economy in a meaningful way. Basic theories of urban economics demonstrate that larger places offer higher order goods and services than smaller places. While a small community and a large city may have the same percentage of their population in some sector, say education, in the small place the only schools will be at the primary and secondary level, while in the large place there will also be continuing and further education facilities. Banks may make consumer and small business loans in small places, but in large places they will also make larger loans and offer a broad range of financial services that appeal to larger firms. In large centres we find tertiary care hospitals that provide specialised treatments to a large region that covers the city and a large surrounding rural territory, while in a rural community there may be only a primary care centre.

Finally, since a rural region is, by definition, an aggregation of only smaller settlements, otherwise it would be an urban region, it is impossible for its economic structure to resemble that of an urban region at anything other than a broad brush level. While the relative share of firm numbers may be similar across broad sectors, the size distribution of the firms within a given sector varies considerably by urban region and size

of rural region. Similarly, the employment share by broad economic sector may look the same, but both the skill composition and the levels of specialisation of workers will differ significantly by type of region. This inevitably leads to a different mix of goods and services being produced by any sector depending on the size of the region where it is located.

(4) The local economy in rural areas is more open and more specialised

A different settlement structure exists, with rural England being made up of small settlements that have truncated economies that are highly dependent upon "export-oriented" businesses for their viability; and with urban England having much larger settlements that have a complex internal economic structure that allows a broader range of goods and services and greater self-sufficiency Rural communities have a limited number of economic functions and a limited mix of firms. This reflects their small size in terms of labour force and local market potential. Many goods and services cannot be profitably produced in a small community and have to be imported from a larger place (Box 3.4). While small communities in very remote regions where transport costs are high may have a broad range of locally produced goods this is uncommon in most rural areas of the OECD. Specialisation allows the community to produce a small number of items at competitive prices and export them to the rest of the country and to other countries. The earnings from exports are in turn used to buy the goods and services that are not produced locally. Where small local economies have difficulty identifying activities in which they are competitive, their ongoing survival hinges on public transfers and they tend to have high shares of employment in the public sector and a large share of households with high levels of unearned income from transfer payments.

Mainstreaming also creates the expectation that vertical co-ordination between governments will work as well in rural areas as in urban areas. There are numerous reasons to believe that this is not the case – population density, different issues in rural areas (land use, and agriculture are examples), demographic differences, and different determinants of economic development success.

Box 3.4. **Export base models**

While export base or economic base models are often criticised they remain an important tool for regional economics. In particular they can play an important role in thinking about the nature of local economies in rural areas in identifying strategies for economic development. The fundamental assumption of export base models is that there are two types of economic activity in a community. Some part of the local economy is oriented to creating goods or services that are sold to other regions, while other parts of the local economy are oriented to providing goods and services to be consumed within the region. While both types of activity are important the distinction is central to the logic of the model.

Few economies are able to produce locally all the goods and services that the residents want or firms need as inputs. These have to be purchased from an external source. For example, in England a large amount of tea is consumed, but no tea is grown in England. For the English population to be able to consume tea there has to be some revenue to purchase it. Ultimately this revenue has to come from selling something produced in England outside the country, either directly to tea producers or to a third party. The basic sector of the local economy is the part that sells its output externally and generates the revenue for the community to buy imports.

Box 3.4. **Export base models** *(cont.)*

The idea is particularly powerful in rural communities because they tend to be small specialised in the production of a limited number of goods and services and hence in apposition where much of what resident firms and families consume has to be imported. Unless the community receives ongoing income transfers it has to generate enough export revenue to pay for its imports. In urban areas, by contrast, a far higher share of final demand can be met from local sources so the internal dynamics of the economy are both more complex and more dominant.

The second part of export base theory deals with the role of the non-basic, or local, component. Production sold for local demand is important because it may be an intermediate input in the production of an export good, or because it is consumed by workers in an export activity. Thus, a firm producing lumber that is sold to another firm that produces chairs for sale overseas is a key part of the production process. But export base theory differentiates the two functions. If there was no demand for chairs there would be no demand for lumber. Conversely it may be possible for the chair manufacturer to import wood. Most importantly if chair sales increase or decrease there is a direct effect on the sales of the lumber firm.

The share of basic and non-basic activity can be determined in a number of ways. Some sectors such as tourism are inherently basic, because by definition tourism involves customers form some other place who buy a tourism experience. Other sectors such as dry cleaning are almost entirely non-basic, because it is unusual for someone from another community to bring their clothes to another community to be cleaned. Other sectors may be harder to classify. Retail establishments may sell some of their goods locally while some are exported. By segmenting economic activity on the basis of sales or employment into the two categories it is possible to determine the share of non basic and basic activity.

The ratio of non-basic to basic activity provides a simple multiplier. If exports increase by some amount, then total economic activity will increase by the multiplier times the increase in exports. The simple development strategy for a rural community consists in the first place of increasing exports and in the second place in ensuring that there is adequate capacity in the non-basic sector to support the economic base. The logic of the model suggests that some sectors/firms are more important than others, because in a sense they are the locomotives that power the local economy. Other firms, while important, are more like rail cars in that they are a vital part of the train, but do not cause it to move.

… reflects a bias in setting policy targets that favours urban areas…

Notwithstanding the aims of mainstreaming, there appears to be a policy bias in favour of urban areas and this is reflected in the way policy performance is measured. The performance indicators for LAAs, described in Chapter 2, that are derived from PSAs and DSOs have specific metrics that are used to assess how well a local government has fulfilled its tasks. Often departments are challenged to lower the unit cost of delivering services or to expand the number of individuals or firms served. Such a metric has an inherent policy bias because it is always easier to meet this sort of target in urban areas, simply because travel costs are lower and population densities are higher.

This urban bias can also be seen in the way evidence based decision making is implemented in the UK. Building an evidence base at the national level that reaffirms the sameness of rural and urban and thereby justifying no special measures for rural areas could overlook the differences in rural areas that make special interventions necessary. A House of

Commons report acknowledged this aspect indicating that, while rural districts key sources of employment were in four sectors common to urban areas: distribution and retailing; business and financial services; public administration education, training and health; and manufacturing, business owners in rural areas encounter different problems then their urban counterparts. In addition, isolation and population sparsity is also a "crucial distinctive feature of the development prospect for rural areas". Thus the evidence base should be able to distinguish between different types of rural areas, so that the policies can be tailored.

… is challenged by a new emphasis on urban regions…

MAAs are an aggressive step toward "new governance" and horizontal co-ordination of local government. They allow two or more jurisdictions that have LAAs to join forces and leverage the local government's strategic planning efforts to a larger area. There are at least two potential benefits of planning for economic development at a multi-local government level. First, it is likely that the benefits and costs of economic development will spill over into neighbouring jurisdictions. By developing a MAA local governments can more equitably share in these costs and benefits. Second, a MAA may reduce or eliminate wasteful competition among local governments, without stifling the beneficial effects of a pro-business development attitude.

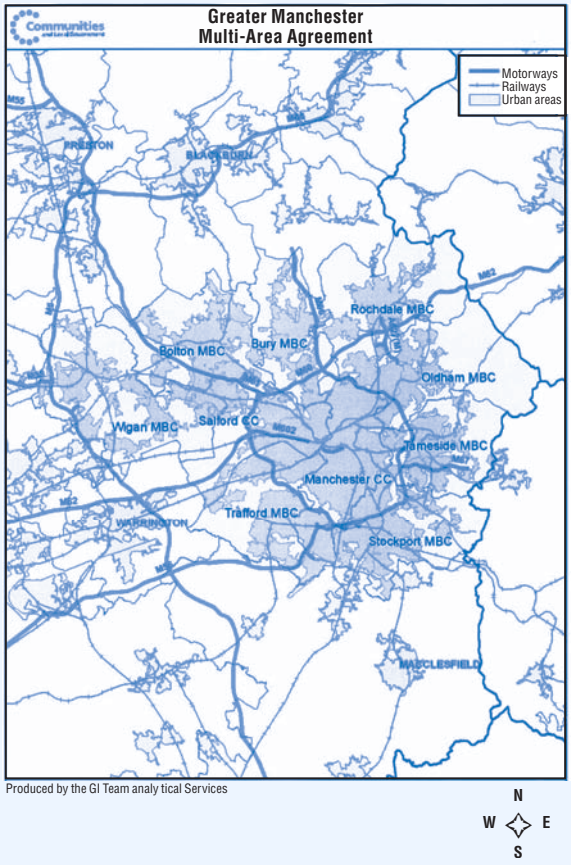
While in principle the MAA process is open to any group of local authorities that already have LAAs with similar objectives, in practice the formation of MAAs is mainly driven by a large urban local government. For a larger local government the benefits from increased resource flexibility can be significant, but this is less likely to be the case for smaller government because their existing resource base is both small and mostly allocated to core functions that cannot be reduced. When rural local governments become part of an MAA they are in effect "junior partners" if only because their ability to negotiate and deliver resources is smaller than the urban government leaders.

In addition to the existing macro-regions, England is introducing "city-regions" as another form of functional region. There is a growing interest by the UK government in using city-regions as a building block for local development and public policy implementation. These sub-regions link a major urban centre with surrounding urban places and a rural hinterland. The policy recognises that in many parts of the country there is such a close coupling among adjacent places of differing size that for planning and implementation purpose the various pieces have to be treated as a whole. This phenomenon is clearest in the case of London where its economic and cultural shadow extends well into surrounding regions, with many villages more than an hour away by train now largely occupied by London commuters. However it is an equally clear situation for Manchester, Birmingham, Newcastle, Bristol and other English urban centres.

The idea of a regional city offers both threats and opportunities for rural areas that become part of one of these regions. Currently the main focus of the model is a city-led development policy that presumes that future growth will come out of the urban core of the main city. This suggests a fairly minor role for rural territory, as it is likely to be seen as providing a reserve of land and a portion of the local labour force. However if the government of the city region is able to see rural playing a larger role then it is possible that the introduction of city regions as a meaningful sub-national unit of government can offer better development opportunities for the rural parts of the territory. This of course begs the question of what happens to those rural areas outside the boundaries of the identified city regions.

Box 3.5. **City region: Greater Manchester**

Greater Manchester is an amalgamation of central Manchester and surrounding boroughs. It represents one of the more advanced city efforts to integrate urban and rural territories in England and recently the existing Multi-Area Agreement was used to successfully apply for status as one of two pilot city regions. This should allow Manchester a greater autonomy in its use of national and local funds and a greater ability to develop its own local development strategy. While Manchester is a major urban centre it also has a considerable rural territory as is shown in the map.



The local government recognises the importance of managing the region in a way that takes advantage of its rural area, rather than simply seeing it as a land reserve for future urban needs. Manchester participates in an EU programme PLUREL that is developing a spatial strategy for peri-urban areas. The rural areas of Manchester experience two-way commuting provide an important leisure and tourism resource and retain a significant agricultural sector. Manchester is also exploring ways to invest in the rural areas, especially peat bogs as an effective carbon sequestration strategy. Restoring peat bogs may allow the city region to meet its climate change targets in the most cost-effective way.

If city regions do not fully integrate their rural areas into a regional development strategy it is possible that these territories will fall between the cracks. In the case of Manchester this happened during the foot and mouth crisis in England in the early part of the decade. The UK government provided assistance to farmers who lost their herds and flocks, but the mechanism of distributing support was through the shire county structure. But in Manchester the more rural boroughs that were part of the city were no longer part of a county system, so the farmers were technically ineligible for support. When farmers first appealed to the local government for assistance there was no agency that was responsible for agriculture. While the problem was eventually resolved, it does point out the importance of recognising that adding rural territory to an urban government structure requires adjustments in how that government operates.

City regions offer an innovative way to manage urban-rural interaction, but at present the rural component seems to be ignored. While the idea of city regions could be

advantageous for rural areas that fall within a city region boundary it appears that there has been very little thought about how the introduction of the city region will affect the associated rural population. To a great extent city regions appear to be designed to allow urban growth management, with no thought for the potential consequences for rural communities and citizens. It is not clear whether rural areas will have a veto over plans that have adverse consequences for them, or whether they will even have significant input into plan formulation. Because urban rural flows are bi-directional it will be important to recognise all the linkages within a city region if the policy is to be broadly accepted. Moreover it is not clear what happens to those rural territories that do not fall within a city region. England sees mainstreaming as reducing, if not eliminating the need for specific rural policy. Within any given city region it may be the case that there are few significant gaps between the quality of life of urban and rural populations, and public services are appropriately delivered. However the larger the role played by city regions in organising the delivery of public services, the more important it becomes to determine how services are to be equitably provided to those in the sparse territory beyond the boundaries of city regions.

… focuses too little on rural opportunity…

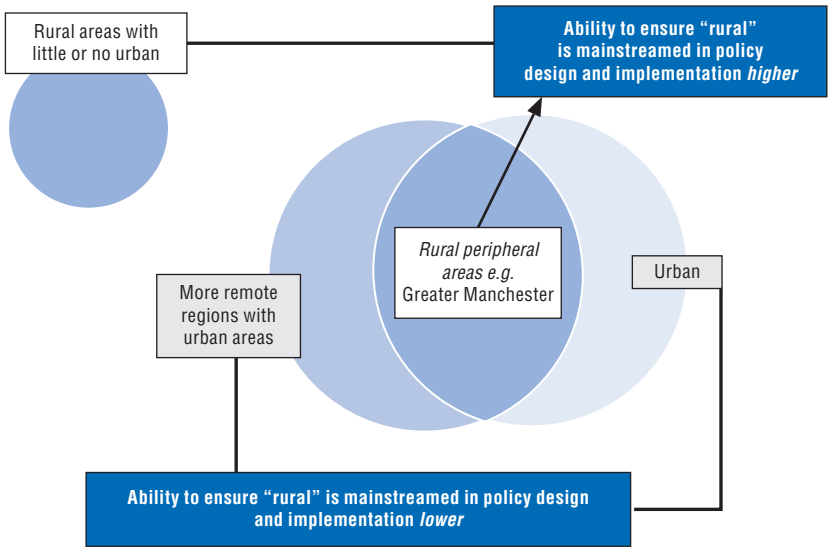
There is a need in England to change the argument on rural from disadvantage to advantage. Even Defra has acknowledged a concern that rural areas, and what makes them distinctive, risk being ignored if current policies and programmes are not explicitly examined and modified (Pathfinder Report, Defra 2008). Rather than seek to defend rural interest by basing policies on rural need or disadvantage, the argument should be that rural areas make a positive contribution to the overall health – economic, environmental and social, of an area, and intervention should be directed at improving this overall health. For example, the focus of CRC is on "tackling rural disadvantage" and *not* taking advantage of rural opportunities. Admittedly the CRC was established with this approach mandated by the government, but the fact that this was the mandate speaks to how the national government perceived rural England.

To fully embrace the NRP England should continue to emphasise the opportunities for growth and development in rural areas. When constraints exist they should be identified in a way that shows that they inhibit development rather than as contributing to disadvantage**.** While this sort of emphasis on the positive rather than the negative may seem somewhat superficial, it is an important way to counteract common perceptions of rural as being lagging and backward. This may be especially important in England where another common perception of rural areas is defined in terms of the "rural idyll" which carries connotations of a bucolic countryside where the pace of life is slower and modern society and the modern economy is kept at bay. Certainly this image has positive implications for some types of tourism, but too wide an adoption may condemn much of rural England to the role of national park or museum.

… and is more difficult to implement in sparsely populated areas

At the sub-regional level the local capacity to implement mainstreaming in a manner that fully benefits rural areas seems to vary depending on the type of region and its proximity to urban areas. This is a particularly acute problem in sparsely populated areas where the potential for providing public and private services is very different than in urban and peri-urban England. Some services that are available in the majority of the English territory, such as, proximity to a major hospital, ready access to further and continuing

Figure 3.3. **Proximity and ability to mainstream**



education, or access to a major retail complex, are simply not possible in a small community in a sparsely settled region. A comparison of sparse and less sparse rural areas reveals that there are clear differences in service access. On the one hand, there are cases of great uniformity of access in sparse regions. This was observed in the Northumberland region, one of the least populated parts of England. The relative homogeneity of the area makes it possible that the entire population receives the same type and level of services, albeit at a lesser level, and this is properly reflected in the choosing of performance measures for the LAAs. Conversely, in peri-urban areas the majority of the rural population benefit from the nearby urban centres (Figure 3.3), but there are fringe groups (those without cars and the handicapped) who lack access. This leads to a situation where high average performance masks pockets of weakness. Within these regions, implementing mainstreaming becomes more problematic – in the sense of people in the same region receiving markedly different services – in two distinct situations: 1) *the more remote regions that include a large urban area*, and 2) *urban centres*. In the case of the urban centres, specific urban policies help fill the gap in performance. An urban example is the Working Neighbourhoods Fund (WNF) through which the government tackles worklessness in urban areas with the highest concentration of unemployment and lowest levels of enterprise. But there are no parallel rural specific stop-gap mechanisms. Fundamental to the preference for mainstreaming rural across all policies instead of rural-specific policies is that mainstreaming moves rural out of the realm of "special pleading for rural areas" critique, and puts rural on par with urban in the framework of policy development. The thought is that "basing policies just on rural needs" could shadow this view and cause "policy makers to see delivery to rural communities as a marginal activity" and possibly "raise unrealistic expectations" (Atterton, 2008).

One factor impacting the performance of mainstreaming in sparsely populated areas could be the LAA process. There is often a challenge in OECD countries to find holistic policy interventions at the local level that address multiple diverse problems simultaneously, are well targeted and have sufficient resources to accomplish the objectives (OECD, Leed, 2009). Typically what are visible are interventions with "unexplored synergies between different actions" and "unexploited local resources". In this vein,

England is no different. Despite being welcomed as a "genuinely devolutionary development" the LAA process is considered by some to be "top down rather than a genuine negotiation between equal partners". According to the GHK Consulting Report on Rural Proofing, policy makers believe that rural proofing is unnecessary because the ability to adapt policies locally is built in for the delivery agents. However based on discussions with local representatives during the review site visits, the contrary seems to be the case. To be precise, the scope for adapting the policy is more limited particularly for the LAAs. A DCLG report observes this in some respects, when it described the LAA process as having not "'yet developed a true partnership with sufficient flexibility to register local priorities as well as minimum central requirements". The report goes on to note that this could hinder the development of more tailored local solutions" (CLG Committee Report). There are other impediments that must also be considered. A Memorandum submitted by the Chief Economic Development Officer's Society (CEDOS) to the EFRA Committee identified more what it referred to as "key barriers" interfering with the effectiveness of local authorities. These include:

Resource constraints – The way resources are managed and spent by the RDAs;

Multi-layered bureaucratic channels – Too much filtering of funding through too many layers of bureaucracy the inhibits the local solution for local problems approach;

Partnership Fatigue – Too many partnership requirements impose upon local authorities, leading to an over complex partnership landscape;

Requirements Overload – Having to jump through too many hoops to gain access to different funding streams with different application processes, criteria and performance monitoring arrangements;

Distance – National and regional decision-making on rural issues is too remote and may not take into account the special circumstances that apply to a locality.

In this setting, while the hesitancy to introduce more rural specific policies is understood, there may be scope to consider other stopgap mechanisms to assist sparsely settled areas in England while the LAA process finds its rhythm. Further, no matter the degree of co-operation and partnership taking place between stakeholders, less than optimal results will be achieved if the scope for adapting the LAAs to local priorities is not expanded.

3.5. Strengthening rural proofing

There is clear evidence that rural proofing has had a positive impact. In general, thinking about rural implications is more frequently taking place early in the policy process. The CRC connection at the national level and its visibility through the different activities and support provided to different local bodies has combined to provide greater knowledge of rural circumstances and characteristics. National policy guidance documents with specific references to rural, the official rural and urban definition, and the inclusion of rural in the 2007 comprehensive spending review are examples of successful rural proofing. Further, the New Build Home Buy Scheme Shared Ownership is an example of effective rural proofing, as are the amendments to the Housing and Regeneration Bill. The amendments allow the Secretary of State for Housing to designate areas where shared ownership properties will be exempt from leasehold enfranchisement. Although this has taken a long time to come to fruition, the change to legislation and the consultation papers demonstrate how Government Departments can successfully rural proof their policies. Similarly the Lancashire LAA which covers

Box 3.6. **What constitutes policy flexibility, factors for consideration**

Governments limit the flexibility of local offices for different reasons but often to achieve national objectives and accountability. The hesitancy surrounding increased manoeuvrability at the local level is usually related to concern over likelihood of meeting national objectives, increased situations of funding misallocation or in ability to audit. Arguably a policy is more for local actors if a mix of the below factors are visible:

Programme design: Do sub-regional offices have any input into the design of policies and programmes? Are they consulted? Are they free to determine the programme mix and even adapt design features of programmes, including target groups, or are these largely centrally determined? May local public employment service (PES) offices implement innovative programmes outside the standard programme portfolio? Do they design local employment strategies?

Financing: Do sub-regional actors have flexible global budgets or line item budgets for active measures? Are they free to allocate resources flexibly between budget items for active measures?

Target groups: Are local offices free to decide on the target groups for their assistance locally or do programmes already specify particular target groups?

Goals and performance management: To what extent are organisational goals and targets centrally determined? Do they allow room for sub-regional goals and hence flexibility in adapting goals to local circumstances? Are targets and indicators hierarchically imposed or negotiated with regional and local actors? Is performance assessment based solely on quantitative criteria? Are sanctions imposed if targets are not met?

Collaboration: Are local offices free to participate in partnerships and do they collaborate with other actors? Can local offices decide who they collaborate with locally?

Outsourcing: Are local offices responsible for outsourcing services to external providers?

Source: OECD (2009), *OECD Policy Brief* "Breaking out of Silos: Joining Up Policy Locally", OECD Publishing, Paris.

Lancashire County Council plus its 12 District Councils and has only 27% of the population in rural areas – ranging from around 6% in Burnley to around 92% in the more rural Ribble Valley, was successfully rural proofed. To ensure that the LAA delivers for rural and urban Lancashire, the Pathfinder Task Group identified the LAA performance measures with the most rural impact and identified "rural tags" to data collection so the impact on rural areas could be monitored and assessed.

But, as a key mechanism working in concert with rural mainstreaming, certain aspects of rural proofing need to be strengthened. The process has to be better coupled to mainstreaming and to Defra's efforts to ensure that other departments fully consider mainstreaming in the policy design process. Some noticeable challenges to be addressed include:

… the separation of roles between Defra and CRC …

The current separation of roles between Defra and the CRC is not desirable and weakens the capacity to implement both mainstreaming and rural proofing. At present the CRC is charged with rural proofing as part of its assessment of conditions in rural England, while Defra is responsible for rural mainstreaming. While there is some merit in having an arm's length process for rural proofing, this seems to be outweighed by the fact that CRC is not part

of the government and cannot be fully involved in the early discussions of incorporating mainstreaming into policy design. Consequently, it appears that CRC, because of its outsider status, is left to come up with somewhat arbitrary measures for rural proofing that are not tightly coupled to mainstreaming. If the government is to achieve its goal of moving from an after the fact policy assessment to one where mainstreaming is part of policy design, then the two functions of design and evaluation should be better coupled.

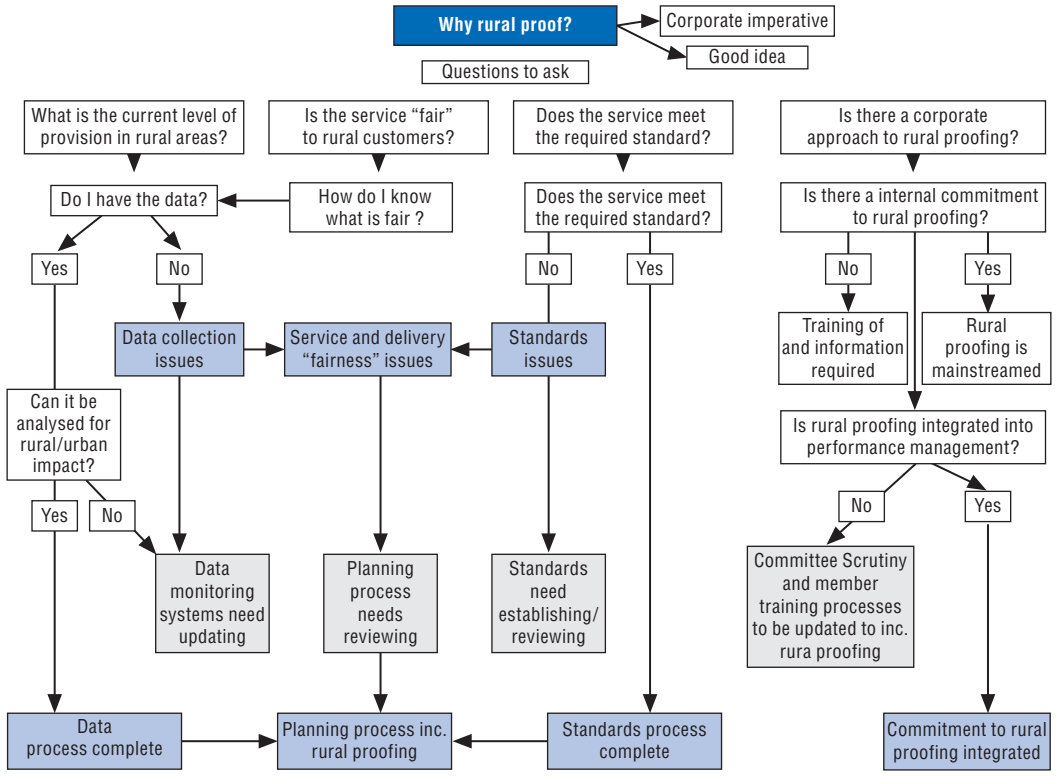
… rural proofing seems to happen more after the fact…

Despite the clear benefits from rural proofing, the take up and implementation of rural proofing continues to be mixed. To date, rural proofing seems to have made greater inroads with *ex poste* impact assessments of policy than with *ex ante* impact assessments during the policy design phase. Timing is important as it allows for an opportunity to adjust policy when a less than desirable impact on rural communities is projected. In 2007 CRC noted that "the systematic consideration of rural areas as a place where policy may play out differently is *unusual*, although not wholly absent, at the early stages of policy development" (2007 CRC Monitoring Report). These sentiments were echoed again in CRC's 2008 submission to the EFRA Parliament Select Committee: "The term 'rural proofing' has traditionally been used to describe a process where the impact of a policy decision on rural communities is considered *after* the policy has been developed." The 2008, GHK report commissioned by CRC to analyse rural proofing, counts "lack of understanding about 'the need for (or when to) rural proof' as one of the factors still impeding rural proofing success". In many instances, the early consultative phase represents the critical moment when information about rural is most needed, and yet is to a certain extent unknown. Moreover, it is particularly important if, as is sometimes the case, "rural areas are treated as "one uniform area for statistical purposes" (Ernst & Young, 2008). At an event evaluating the impact of the 2008 Budget on rural areas, it was noted that early engagement with policy makers during the committee consultative and issue debating stages would have provided an opportunity to mitigate a number of measures with disproportionate impacts on rural areas in the budget. Examples include: the removal of allowances for small business (Agricultural Buildings Allowances), and the increase in fuel duty and changes to vehicle excise duty (Ernst & Young, 2008). It is clear that rural proofing assessments in the initial stages of the policy design stand to yield greater benefits for rural communities and better support the mainstreaming process. But the current assignment of responsibilities is an impediment to this happening. On this point CRC itself seems to concur: "As we move to mainstreaming of rural needs into mainstream policy making, we want to see consideration of rural impacts, needs and solutions embedded into policy development during the process, rather that at the end, or as an afterthought" (Memorandum, EFRA). Figure 3.4 provides an example of the rural proofing process.

… the definition and responsibilities for rural proofing still seem unclear…

There still seem to be lingering issues around the definition of, and responsibilities for, mainstreaming and rural proofing. Given the diversity of rural populations and the contexts within which they reside, rural proofing is not a straightforward endeavour. It is truly challenging, complex, "hard-to-get-right" and requires substantial place-based sensitivity and understanding. But throughout the review process, very different interpretations of mainstreaming and rural proofing were offered. A 2008 report analysing rural proofing noted the following: "many admit to not understanding rural proofing as a concept and finding it to be yet another impact to assess" (GHK, 2008). The report also indicated that the "patchy"

Figure 3.4. **The rural proofing process: an example**



Source: Improvement and Development Agency.

understanding of the rural dimension of policy, and confusion surrounding responsibilities for proofing as barriers to rural proofing. Similarly, despite the delineation of tasks between Defra and CRC, the responsibilities for rural proofing seem somehow less clear and fluid in practice at the national level. In fact there were instances where the role and responsibility for rural proofing was not easily articulated by sub-national level actors. Regarding the definitions, both the Minister for Defra and the Secretary of State for Rural Affairs are on the record criticising the terminology (although not the concept), and calling for something better. To ensure effectiveness, it is really important that people have a common understanding of the terminologies being applied and if the terms themselves are barriers to achieving their objectives then perhaps they should be revisited for greater clarity.

In particular, the definition of mainstreaming, which sets the overarching framework, is less than straightforward. The Defra document entitled, *Mainstreaming Rural Policy* sets out the following statement:

> "When we talk about Mainstreaming we are talking about ensuring that the policies and processes we develop to deliver our desired outcomes are designed effectively to meet the needs of people living throughout the country."

The document goes on to say that mainstreaming is a critical component in the process of devolution, since it gives local governments the flexibility to design their own programmes. Later the document states:

> "[…]Government recognises that there is a place for specific rural policies and programmes in some cases where the evidence and outcomes are clearly defined.

However, we must also recognise that effectively delivered mainstream policies and programmes will almost always be more successful and sustainable than short-term, stand-alone, rural-specific interventions."

… the commitment to rural proof is low…

OECD analysis shows that the commitment of various stakeholders (other sector departments) to prior impact assessments (*e.g.* rural proofing) is a prerequisite to success (OECD Leeds). In England, the commitment to successful rural proofing is mixed, and despite solid examples, as a whole rural proofing consistently underperforms. According to the 2009 CRC National Audit Report, while "50% of CRC recommendations have been acted upon" there are four "reoccurring" unaddressed policy recommendations:

1. rural proofing is not being applied systematically across all departments;
2. some senior staff are not aware of the need to carry out rural proofing;
3. there is a lack of leadership in place to champion the needs of rural communities across governments; and
4. delivery of policies on rural communities is not being effectively monitored.

A cause for concern is noted by the Audit Commission, in the consistency of these barriers. Some of these factors were noted in the first CRC monitoring report, and their persistence implies a risk of stagnation.

… the refreshed rural proofing toolkit needs more…

The refreshed toolkit streamlines the process, but it is *not* enough by itself. The kit offers an opportunity for more consistent approaches to measuring the extent to which mainstreaming goals are being accomplished. The introduction of a more uniform way to go about the rural proofing exercise should improve its credibility. As long as rural proofing is seen as an *ad hoc* process it is easy to discount the conclusions drawn. The toolkit is not only useful for assessing programmes and policies, but in its revised form it may be more useful for those designing new programmes and policies, because it offers a description of how rural proofing will be carried out. In this way, it provides policy makers at all levels with a better understanding of rural proofing and its importance within mainstream policy making. Arguably, an important part of the 2009 toolkit rollout, which received minimal attention, are the factors needed to further embed rural proofing. These include:

Designating "rural champions" at official and non-executive level, who are not to become solely responsible for conducting rural proofing, but are also to champion the sector's interest and support others to build their knowledge and awareness.

Setting up rural advisory groups to be responsible for raising awareness of rural issues within departments and organisations, and to provide expert advice to mainstream policy processes.

Bringing in short term expert advice and support from relevant organisation, such as CRC, to provide specific, tailored, expertise to inform the development of particular policies and initiatives.

Holding briefing and training opportunities for policy-making staff to build knowledge and capacity.

Making use of the extensive data, research, evidence and advice the organisations can offer.

It is evident that with all things in place the "rural champion" element will still be necessary in the short term to help stimulate interest and commitment. Defra's project, run by CRC, to place experts in Whitehall departments may go a long way to bridging this gap.

3.6. Improving the evidence base, strengthening the case for rural policy

England has adopted an "evidence-based" approach to developing and assessing public policy (EBPM). According to Sanderson evidence based policy making "EBPM" is an important part of public sector reform in all OECD countries (Sanderson, 2002, p. 2). He also suggests that there are two distinct elements to the effort to increase government effectiveness in the UK (Sanderson, 2002, p. 3). The first is a focus on accountability to show that government is working effectively. PSAs and DSOs are part of the performance management evidence. The second element is evidence to promote improvement, and this requires evaluation to show how policy leads to improvement. Essentially, evidence based decision making relies upon objective external information to inform the policy process.

The benefits of evidence based policy making depends on how well it is grounded in theory and the quality of the information upon which it is based. Information is produced from data, thus the quality of the data collected, and the care with which data are analysed determine the success of evidence based policy making. Since in England the government is deliberately devolving responsibility to regions and localities it is important that data, information and analyses are relevant and accurate at the lowest possible geographic level. It is also important that the data and analyses are accessible and affordable (preferably free) to the general public so that the public feels confident in its veracity, and can use it in innovative ways to advance the goals of evidence based policy making. DCLG makes the point that community empowerment can only take place if communities both understand their place and understand how to bargain effectively with national government (DCLG, 2009). Having strong evidence is a crucial part of both requirements.

An example of how this might be carried out is the Community Accounts data system put in place by the Newfoundland and Labrador provincial government in Canada to facilitate local decision making capability (Box 3.7). In addition, UK policy makers make extensive use of pilot projects. Pilot projects can be an ideal basis for evidence based policy making, but only if the pilot projects are designed to provide reliable information. For example, communities that host pilot projects must be compared to similar communities without the projects to establish "treatment" effects. Following the collection and analysis of data, the conclusions drawn should inform policy makers whether the programme or policy has merit and what adjustment should be made to improve its performance.

Successful "local" and "rural" development strategies are best built on evidence of development needs. Indeed effective building and use of evidence at the outset of designing rural development strategies not only identifies problems and deficiencies but can help address them and improve delivery. The concept is certainly well understood in England and is a visible characteristic of the policy development process. The reliance on evidence-based policy making as official policy in the United Kingdom seems to date back at least to the *Whitepaper on Modernisation of Government* and coincides with efforts to make government more efficient and effective (Solsbury, 2001). Evidence is an essential part of both *ex post* and *ex ante* policy assessment (Johnson *et al.*, 2010). *Ex post*, evidence allows programme assessment for the purposes of accountability and comparison against targets. *Ex ante*, evidence of previous programme and policy effectiveness allows comparisons between alternatives and the

Box 3.7. **Community accounts: Providing community level data in Canada**

The OECD New Rural Paradigm argues for locally led development strategies as the best way to identify local capacity and bring about sustainable development. But for local communities to be in a position to drive their future development they have to have accurate information both about their community and how it relates to other rural places. Much of this information is routinely assembled by national statistical agencies, but it is rarely made available in a way that local leaders can use.

In Canada this gap has been addressed by a number of ways. The initial version, Community Accounts, was developed by Newfoundland and Labrador Statistics Agency in 2002. Community Accounts has been in operation for *eight* years and provides a graphical and tabular interface for a wide range of community level data. Individuals select a level of geography and a category of data, and are presented with tabular or chart based results. Other communities can be selected to allow comparisons to see where any place stands relative to its peers. Because time series data is available it is possible to see how conditions have changed over time.

Community Accounts is accessible by anyone with a connection to the Internet and there is no charge for using the data. The Statistics Agency maintains the site, and provides on-line tutorials and formal training sessions on a semi-regular basis. While the data is largely from other federal and provincial sources, the value-added by the Statistics Agency comes from aggregating the various series into a coherent and user friendly data base.

Wide spread use of Community Accounts in Newfoundland attracted the attention of officials in Nova Scotia. In 2005 the Department of Finance created Community Counts to provide the same basic comprehensive community level data base of demographic and socio-economic indicators for Nova Scotia. In 2009 The Rural Secretariat of Agriculture and Agri-Food Canada introduced the Community Information Database to provide essentially the same information for any community in Canada.

By providing a user-friendly, well-maintained, comprehensive set of local indicators the provincial government in Newfoundland provided communities with an important tool for understanding their condition. Moreover, they are able to see how other places compare to them on a variety of measures. This, in turn, provides useful information for undertaking the next step of creating a locally based development strategy.

For more information see:
Community Information Database, *www.cid-bdc.ca*.
Community Counts, *www.gov.ns.ca/finance/communitycounts*.
Community Accounts, *www.communityaccounts.ca*.

identification of best practices. Measured against these goals, England has made much progress toward effective evidence based policy making, but there is scope to go further.

… data availability is improving, but it is not very user friendly…

Despite the existence of a suite of socio-economic indicators covering a wide range of government policy priorities (currently 22), used to measure progress, it is clear that government as a whole could usefully improve its evidence base. EBPM is defined as using, "…the best available evidence from research at the heart of policy development and implementation" (Davies, 1999). It is not simply amassing data. Data must be organised into information and then analysed. Analysis must be based on sound theories regarding causal relationships between policy instruments and policy goals. It is only at this stage

that evidence is produced. Effective EBPM not only requires good research but it also requires proficient users of research. Decision makers must be able to distinguish good analyses from junk science. Users must also be able to distinguish meaningful findings from insignificant and spurious relationships. This is especially important as devolution increases the number of policy makers involved in EBPM, and as the policy focus moves from national aggregates to conditions in specific places.

There are limitations in how the Rural Evidence Hub and the Rural Evidence Research Centre now gather evidence. Evidence based policy making has been adopted by many agencies at all levels of English government and data is now being developed at very fine grained geographical detail. Plans are in place to make these data, information, and analyses available very broadly. The Rural Evidence Hub (REH) promises to be a critical component in the successful execution of evidence based policy making. The Hub collates data from numerous agencies including: the Office of National Statistics (ONS), Commission for Rural Communities, and from private sectors sources such as CACI Ltd. However, much of the data on this site seems to be based on the decennial census. Decennial data is of limited use for policy assessment. More importantly, the REH seems to be limited to the exposition of data organised into information. But, as noted above, information does not rise to the standards of evidence without the application of theory and rigorous analysis. However, making information available to analysts is a necessary first step. Another important innovation is the establishment of the Rural Evidence Research Centre (RERC). The Centre's mapping facility is a good first step but there is much more that can be done in this regard. The RERC's link to the interactive mapping features on the Office of National Statistic's website is also helpful since much more data is available on this site, but more analytical work would make a significant contribution to EBPM.

In comparison to some other OECD countries the mapping technologies used by both the RERC and the ONS are limited in several ways. First they are simple mapping processes rather than true Geographic Information Systems. Second, they do not support relational databases. Relational data bases are important since they allow users to better understand the spatial relationships between multiple variables. How is poverty related to health indicators for example? Third, the availability of spatial data on the sites is somewhat limited. There is a wide variety of variables but many include data for the most recent census year only. Effective EBPM requires time series to accurately reflect turning points in the indicators. The state of the art in interactive mapping is advancing rapidly. Many very attractive and valuable products can be offered by exploiting the web's satellite imagery (Google maps for example). As one example of the possible value-added information services that are possible, consider the Rural Policy Research Institute's Community Issues Management CIM project (*www.cim-network.org/default.aspx*). CIM allows individuals and local or regional groups to "… frame, manage and take action on complex issues". CIM not only provides users with instant access to over 500 national data series, but it allows groups to add their own unique, place-based data, and to merge these data for analyses of their unique issues. The data is relational so that any number of data series can be overlaid and cross-tabulated. The data can be mapped, or downloaded to files for further analysis.

… ensuring that data is readily available at varying geographic scale is important

Currently there seems to be limited data at the sub-national level with a territorial dimension. Mainstreaming and rural proofing relies on a proper assessment of local needs and opportunities and a well thought out vision of how the policy will impact the rural area.

This evidence must be used systematically in the strategy building process and shared with all interested parties. For rural areas, the government must be able to quickly identify any particular rural issues that may require specific or targeted action and to ensure that the mainstream measures designed to support the economy are having a proportionate impact in rural as in urban areas – evidence base. However, there is little data collected at the sub-national level that has a territorial dimension which makes it hard to describe the rural condition. Further, there is even less time-series data which makes it difficult to see the impacts of policy over time. The consultation process is a key part of evidence gathering as it affords interested stakeholders a say, is currently regarded by some rural citizens as top down one-way communication. In such an environment the quality of the evidence is suspect. Further, there are real challenges in developing indicators that can reflect the fine grain of place, which is what is necessary for a local authority to plan interventions. For instance if the district measure is used as an indicator, it will help to comprehend the area at the top level. However, if this measure is used as a performance measure, at the local level, it will be too crude and will fail to reflect the subtleties of the place.

Evidence based decision making should also include, both information on how conditions are evolving and evaluation of programme performance over time. While the UK collects an impressive volume of rural statistics, there are some significant gaps. At the NUTS2 level (national) there are typically comprehensive statistics available for each part of the UK, except England. Perhaps more importantly, the limited number of time series of statistical indicators for England and the RDAs is troubling. Certainly cross-sectional data provides useful snap-shots of conditions at a point in time and may be sufficient to point up the need for a policy intervention. But, without time series data it is difficult to draw meaningful conclusions about how well particular policies have operated or how rural conditions are changing.

Moreover, given the still significant role of agriculture in English rural policy, there is limited statistical information on farming in England. Public policy in England is meant to be evidence based. This suggests that a comprehensive a comprehensive set of economic statistics should be readily available. While these statistics are collected at the UK level, in part as a requirement for CAP participation, the data are not readily disaggregated spatially. It is possible to extract general trends in England's agriculture from UK statistics, because England has the largest share of farm income, farm land, farm output and farm numbers in the UK, so the UK aggregate accounts are dominated by conditions in English agriculture, especially for crop production. But these trends are crude indicators that lack the precision needed to fully develop rural policy in England that integrates the roles of agriculture with the other aspects of rural development.

3.7. Decentralisation in England

Decentralisation is a management tool used by governments to prompt better public spending effectiveness and service provision. The decentralisation and regionalisation of governance has progressed significantly in the United Kingdom, and within England. The adoption of: place shaping, partnerships and joint working, that involve moving from a focus on outputs to one on: outcomes, new approaches to monitoring and evaluation, and emphasis on local government reorganisation in a manner that promote a new regional agenda and community empowerment, all create a backdrop for the delivery of rural development policy in England. Based on a multitude of pilot programmes (*e.g.* Rural Pathfinders) and assessments (*e.g.* the sub-national economic development and regeneration review), a more robust and streamlined multilevel governance framework is visible in England. The Government Offices in

the regions offer opportunities for increased communication in both directions between rural areas and the central governments. The regional cities policy recognises the linkages between rural and urban components of regional economies. The Multi Area Agreement programme recognises the need to strike a balance between local autonomy and flexibility on the one hand, and regional co-operation and co-ordination on the other. They also provide opportunities and incentives for local governments to relinquish certain powers to regional authorities in return for the power of greater scale and influence.

… there are still some roadblocks to realising devolution in England

Policy makers face a number of dilemmas regarding the governance of rural England. They include: how to effectively devolve governance; how to reorganise without alienating current governmental bodies; how to create strong local governments while ensuring collaboration at regional and national levels; and, how to strengthen local and regional governments when most revenue flows down from central government. It is the expressed policy of central government to provide local areas with as much autonomy and authority as possible; this is the essence of double devolution. But in many respects the UK remains a strikingly centralised structure (Figure 3.5). A recent OECD report, *Public Administration after New Public Management"* captured the rates of government centralisation for a number of OECD countries. In the OECD the UK as a whole is in an intermediate position, but is much closer to the Netherlands, in being centralised than are the Nordic countries (Table 3.4). Moreover the decentralisation largely reflects devolution to Scotland, Wales and Northern Ireland, while no such process has occured for England. The RDAs were originally designed to provide a level of governance below the central government, but above the local governments. But this is a notion that has been deemed unpalatable by a large part of the English population.

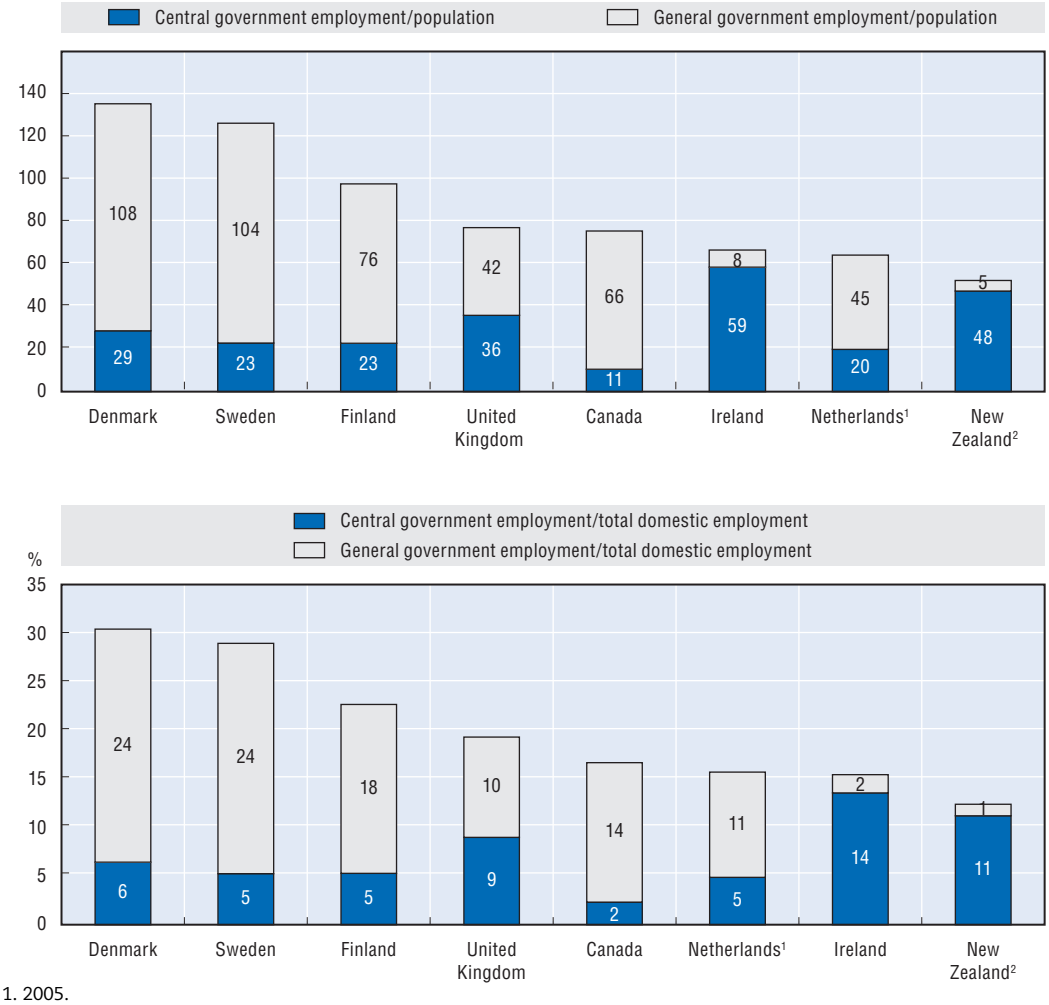
By its nature, decentralisation fragments public policy making and implementation, because it devolves complex and resource intensive responsibilities to lower levels of government. The devolved framework that emerges from a decentralised approach typically gives rise to mutually dependent relationships vertically and horizontally across all public actors at the central, regional and sub-regional level that require close co-ordination. In a recent OECD Working Paper, *Mind the Gaps: Managing Mutual Dependence in Relations among Levels of Government*, the authors note that multi-layered relationships across OECD countries are fraught with a series of "gaps" in the mutually dependent relationship between public actors at the different levels of government (Charbit and Michalun, 2009). And, these multi-level governance structures are under stress. And to realise better outcomes in decentralised structures these so-called "gaps" in information, capacity, fiscal, administrative, and policy have to be better reinforced (Table 3.5).

… a weak sub-national fiscal capacity maintains national government focus

The importance of decentralisation in England is reflected in the vast landscape of stakeholders and partnerships guiding local development. However, one of the necessary aspects of devolution is moving responsibility and accountability for funding down to the level where decisions must be made. And in England, there remains a sizeable gap between the newly empowered local government that the government established in principle, and the actual impact as witnessed at the local level (*House of Commons Report*, 2009). This leaves the impression that the centre is still solely responsible for designing policies and setting standards. But, there are options for overcoming economies of scale and externality effects, without resorting to excessive micro-management of sub-national service delivery

Figure 3.5. **Size of government in the years leading up to the recession**

Full-time equivalents per 1 000 inhabitants (2006) and per cent of domestic employment in full-time equivalents (2006)



1. 2005.
2. 2004.

Note: Employment in general and central government relative to population and domestic employment. The Nordic Countries followed by the Netherlands and the United Kingdom have the large general governments when the health and education sectors are excluded the size decreases to 14% and 22% respectively.

Source: OECD (2010), *Public Administration after New Public Management*.

by the centre. Spending power refers to the ability of the sub-national level to shape, determine and change their spending policy. The major facets of autonomy included: policy, budget, input, output and monitoring and evaluation. The devolved decision making process and the places agenda, led by CLG, has established the necessary infrastructure, governance and accountability framework.

To be effective, public policy makers, public managers, and citizens must view funding as if it were their own. They must bear the opportunity costs when they allocate public funds to various uses. Thus far devolution has not delivered any substantial financial rebalancing. Local government is dependent upon central government for the vast majority of its revenue (*House of Commons Report 2009*). The assignment of fiscal competency depends on the institution in place to manage the co-ordination, and so financing arrangements need to be consistent with spending assignments. A seeming

Table 3.4. **Rates of centralisation per policy area excluding health and education**

Full-time equivalents (2006)

		Denmark	Finland	Netherlands[1]	Sweden	United Kingdom
Collective goods in Kind	Central government services	0.35	0.28	n.a.	0.32	0.39
	Basic research	1.00	1.00	n.a.	1.00	1.00
	Defence	0.98	1.00	n.a.	0.99	1.00
	Public order and safety	0.91	0.77	n.a.	0.78	0.25
	Infrastructure and network services	0.20	0.68	n.a.	0.67	0.53
	Environmental development and community services	0.34	0.30	n.a.	0.06	0.17
	Service regulation	0.16	0.44	n.a.	0.44	0.36
Individual goods in kind	Non-market recreation, culture and religion	0.37	0.05	n.a.	0.14	0.32
	Social services	0.03	0.08	n.a.	0.08	0.21
	Market subsidies	0.00	0.00	n.a.	0.00	0.00
Total central government employment/total general government employment		0.23	0.36	0.42	0.28	0.39

1. The rate is defined as central government employment as a share of general government employment per policy areas, excluding health and education noted

Source: OECD (2010), *Public Administration after New Public Management*.

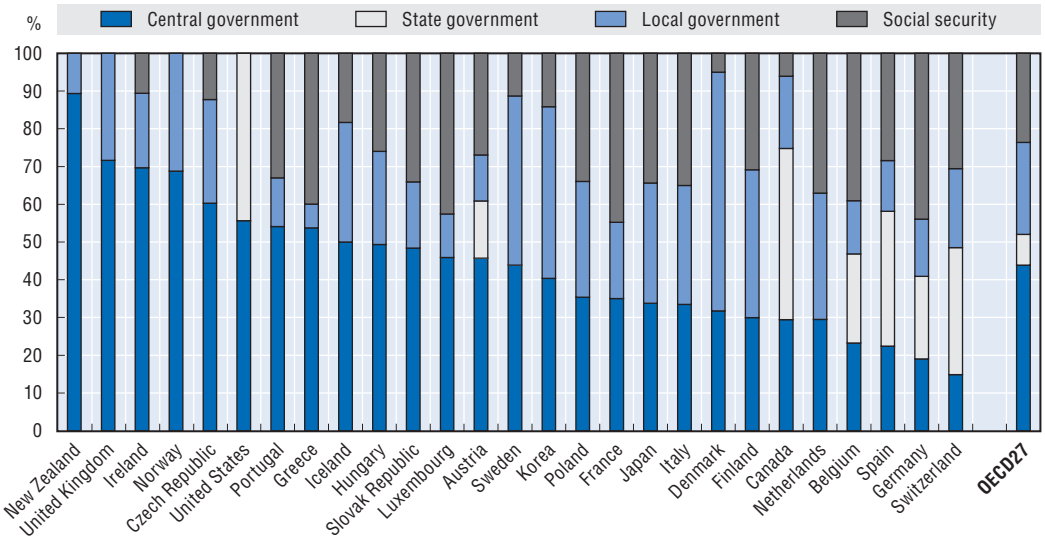
Table 3.5. **Five dominant gaps that challenge multilevel governance relationships**

Information gap	Information asymmetries, between levels of government when designing, implementing and delivering public policy.
Capacity gap	Created when there is a lack of human, knowledge (skill-based), or infrastructural resources available to carry out tasks, regardless of the level of government.
Fiscal gap	Is represented by the difference between sub-national revenues and the required expenditures or sub-national authorities to meet their responsibilities. The existence of a fiscal gap between the revenues and required expenditures of sub-national government results in financial dependence by the sub-national level on the central level. Regardless of the transfer type, the sub-national level remains dependent on the national level for funding and for a fiscal capacity to meets it s obligations. While the central government depends on the sub-national level to deliver more and increasingly costly public services and meet both national and sub-national policy priorities.
Administrative gap	Arises when administrative borders do not correspond to functional economic areas at the sub-national level. The implementation of effective programmes requires a minimum scale the can sometimes only be obtained through specific policies favouring horizontal co-operation.
Policy gap	Results when ministries take purely vertical approaches to cross sectoral policy. Policy initiatives that begin at the central level for application at the sub-national level are symbolic of the necessary co-ordination between ministries. Overcoming this gap requires co-ordination at the central level and ongoing consultation with the sub-national level to determine needs, implementation capacity and to maintain open channels of information exchange in order to monitor and evaluate policy.

Source: OECD (2009), *Working Paper on Multi-Level Governance*. Charbit, C. and M. Michalun (2009), "Mind the Gaps: Managing Mutual Dependence in Relations among Levels of Government", *OECD Working Papers on Public Governance*, No. 14, OECD Publishing, Paris.

hesitancy to loosen the hold on the "purse" at central level was acknowledged in the House of Commons 2009 inquiry *the Balance of Power: central and local government*. There the Committee noted that "central government continued to hold the purse strings, evidenced by local governments' reliance on central government for 75% of its total expenditure". The degree of fiscal decentralisation between central and local government is not unique to England. The responsibility for financing goods and services fall to different levels of government across OECD member countries and the level of fiscal decentralisation across countries varies (OECD 2009, Government at a Glance). In some countries (*e.g.* New Zealand), central government spend the largest proportion of total government resources accounting for 90% while in Switzerland a federal state, the central government accounts for less than 15% of total expenditures (Figure 3.6).

Figure 3.6. **Distribution of general government expenditures by level of government (2006)**



Notes:

1. Excluding the transfers paid to other levels of government.
2. Excluding transfers received from other levels of government and including tax sharing arrangements.
3. Or earliest year available: 1996 for Japan, Netherlands and Norway, 1997 for the Czech Republic, 1998 for Iceland; 2000 for Greece, Korea and Hungary.
4. Or latest year available: 2005 for New Zealand.
5. Unconsolidated data (only in1995 for Poland).
6. For the United States, no breakdown between state and local governments is available.

Source: OECD (2009), *Government at a Glance*, OECD Publishing, Paris.

England is small in size, by comparison with many OECD countries but it does have a high degree of regional diversity. Government offices in the regions have some important responsibilities and latent capacities that are relevant for rural development. Because each regional office is charged with the responsibility for enhancing the economic performance of a specific territory, including its rural component, it has a relatively clear focus on the specific opportunities and constraints within its territory. Although Regional authorities receive funding for rural development and regional development programmes from national departments responsible for these policies, they have considerable discretion in how the funds are allocated once their strategic and operational plans are approved, so they can define region specific intervention. They also administer EU funds, and while they have less discretion in the global allocation of these funds than is the case with English resources, they do have the ability to fit broad EU programme allocations into specific local projects. Moreover, the figures for 2007-08 show that 27% of all RDA outputs were delivered in rural areas while 19% of the population of England lives in a rural area. However, this reveals little about the true impact of the RDAs in rural areas. This is because RDAs are no longer required to provide rural specific outcome data. Up until April 2008, the RDAs were obliged to report against a number of outputs (number of jobs created or safeguarded number of new businesses created and demonstrating growth after 12 months, etc) and disaggregate them on a rural/urban basis.[1] Under the new reporting framework, RDAs are required to produce an annual report, to be laid before Parliament, which must:

report on progress against the RDA's corporate objectives;

demonstrate how their activities have contributed to supporting regional growth; and,

demonstrate how the cross-cutting principles have been applied to the RDA's business and what effect their application has had on the way in which the RDA has developed and delivered its corporate objectives in support of regional growth.

The greater emphasis on outcomes means that the job of assessing wider impact is now both easier and harder. It is easier because in trying to evidence outcomes, RDAs will need to alter their monitoring practices, which in turn should support better monitoring of wider impacts. However, it is harder because the shift away from outputs will lead to more qualitative, narrative styles of reporting, which is less useful in establishing value for money. In reality, it is likely that the RDAs will use a combination of quantitative data where it exists and narrative text. In addition, the sponsorship framework provides for additional work to assess the impact of RDAs, and independent performance assessments (which assess organisational capacity). Neither of these provides analysis of RDA performance specifically in rural areas.

... and while there are formal methods to support decentralisation the commitment is subpar

Thus in England there is a *marked will* to devolve resources, but also an "enduring government resistance to radical enfranchisement of local government". OECD analysis reveals that there are degrees to decentralisation ranging from complete devolution – full sub-national autonomy to delegation – minimal autonomy (Table 3.6). The tug-of-war in England is rooted in three areas: public expectations, unequal society and financial reform.

Table 3.6. **Degrees of decentralisation**

Key features distinguishing degrees of decentralisation (from Evans and Manning, 2004)

	Political features	Fiscal features	Administrative features
Deconcentration (minimal)	No locally elected governmental authority. Local leadership is vested in local officials, such as a governor or mayor, who are appointed by and accountable to the central government.	Local government is a service delivery arm of the central government, and has little or no discretion over how or where service is provided. Funding is provided by central government through individual ministry budgets. There are no independent revenue sources.	Staff working at the local level are employees of the central government, and fully accountable to the centre, usually through their respective ministries.
Delegation (intermediate)	Government at the local level is lead by locally elected politicians, but they are accountable, or partially accountable, to the central government.	Spending priorities are set centrally, as well as programme norms and standards; local government has some management authority over allocation of resources to meet local circumstances. Funding is provided by the central government transfers usually a combination of block and conditional grants. There are no independent revenue sources.	Staff could be employees of the central or local government, but pay and conditions of employment are typically set by the centre. Local government has some authority over hiring and location of staff, but is less likely to have authority over firing.
Devolution (substantial)	Government at the local level is lead by locally elected politicians who are fully accountable to their electorate.	Subject to meeting nationally-set minimum standards, local government can set spending priorities and determine how to best meet functional obligations. Funding can come from local revenues, revenue sharing arrangements and transfers (possibly with broad conditions) from central government.	Staffs are employees of local government. Local government has full discretion over salary levels, staffing numbers and allocation, and authority to hire and fire. (Standards and procedures for hiring and managing staff, however, may still be established within an overarching civil service framework covering local governments generally).

The demands for fair treatment and expectations regarding equivalent services are high. As such, the "electorate" is less likely to support greater devolution if it means service delivery standards will vary (Box 3.8). But despite these intrinsic barriers, the UK government is being urged to "take a more flexible view of decentralisation and to deliver on its promises of earned autonomy" (CLG Committee Report). The will to increase sub-national autonomy and the "cautious, possibly over-cautious approach" to doing so is evidenced by the LAA/MAAs. In many respects, the LAA/MAA process offers greater ability to target money to local priorities, but on the other hand, there are indications that the central government continues to influence the choice of indicators – thereby influencing local actions. In the Northeast, for example, there is a sense at the GO that there are too many streams of initiatives from too many departments.

… England is virtually unique in having no formal intermediary layers of government

In most OECD countries there are at least three distinct levels of government. In both federal and unitary systems there is typically some form of regional government that has an elected assembly and clearly specified responsibilities and self-determined revenue streams. In federal systems of government the states or provinces have clearly enumerated responsibilities that are distinct from those of the national government and are constitutionally guaranteed. In unitary government countries the responsibilities and revenues of the intermediary level may be specified through law or through well-established traditions. In the United Kingdom, only England has no intermediate level of elected government. In Scotland, Wales and Northern Ireland there are legislative bodies with enumerated powers and responsibility, but no similar body exists for England, nor is there an intermediary level of government above the county within England. This is a particular issue for rural areas. In a national legislature with membership based upon representation by population, no rural place will be able to play a significant role in electing a legislative member. Further, no member is likely to feel much responsibility to any particular rural place, or even to any group of rural places if legislative districts encompass both rural and urban areas. Conversely, a city may be able to elect a member who largely represents just that city and large cities will have multiple members who represent that place. Where there are formal sub-national regional assemblies with specific powers there is greater possibility for a rural voice, since the geographic scale for each electoral district is reduced.

… the sub-national government is constrained by weak capacity

However, the institutions – GOs, RDAs, etc., tasked with co-ordinating the relationships at the sub-national level competencies and capacities vary. In general, while the RDAs and the GOs are important innovations that have moved decision making out of national government bureaucracies in London, they remain creatures of the UK government, with delegated responsibility and are subject to direct oversight. To manage the new responsibilities the RDAs must become more adept at balancing the economic and the spatial planning. This new role could undermine the traditional business agenda; this is the view of certain constituencies (*e.g.*, Business Community) hesitant to embrace the expanded RDA portfolio. While others, like the local authorities, are "keen to see integrated strategies that moved beyond "only" economic development (House of Commons Business and Enterprise Committee 2008-09). No matter the view of the new tasks, of concern, to some witnesses before the Business Enterprise Committee is the lack of RDA expertise in spatial planning.

Box 3.8. **Barriers to increasing "localism" or the autonomy of local government in England**

A recent inquiry by the Communities and Local Government Committee found that there are three main barriers to increasing localism in England: public expectations, unequal society and financial reform.

1. Public expectations

The CLG Committee inquiry found that the public remains unconvinced of the value of greater autonomy for the local authorities if it results in varied service delivery standards. To them, variation of service is an unacceptable standards or service. The body observed that "the British electorate appears to have unusually strong expectation about equal treatment of people in different parts of the country and in different circumstances" (*CLG Committee Report 2008*). Nonetheless, when local authorities engage deeply with the public they can shift attitudes. The Lyons inquiry found that once the concept of successful public consultation was introduced, two-thirds agreed that it did not matter if local councils provided different levels of services.

2. An unequal society

Local authorities are responsible for so many services and are linked with local matters. The demand for fair treatment and the level of inequality in Britain creates pressure on local authorities that can result in pressure from the central government to deliver outcomes that exceed plausible expectation. Research shows that where income inequality is relatively high, this increases the challenge faced by local authorities, and others to deliver services of acceptable standards to all. The harder it is for local councils to convince the local population that they are performing well, the harder it is to make the case for localism.

3. Financial reform

In England, local councils raise their own revenue by property tax – council tax. But most authorities are able to fund only a minority of the spending requirements from local revenue. In 2006-07 across local government 75% of revenue expenditure was funded from government grant and only 25% from local taxes. The government grant included general revenue support grant and specific (ring-fenced) grants as well as revenue from the non-domestic rate (business tax) levied by the central government and redistributed to local government on a per capita basis. The proportion of income raised locally by individual councils varies from 13% to 69%. One of the challenges faced by the council is the "gearing effect" of council tax. Because the grant from central government is fixed, any increase in council spending above the level assumed by the government falls disproportionately on council tax. Thus, the councils at the lower end face a challenge if they wish to raise spending above the level set by the central government.* The higher the gearing ratio, the more sensitive council tax levels are to local spending decisions and the harder it is for the local authority to provide additional funding to support projects which are a specifically local priority.

* For example, a council which finances 25% of its spending from council tax and has a formula spending share calculated at GBP 100 million would need to raise GBP 25 million in council tax, and would received GBP 75 million from central government. If it wished to increased its spending by 15 (GBP 1 million), it would have to increase council tax receipts by GBP 1 million – an increase of 4% – so the percentage increase in council tax is four times the percentage increase in spending. Conversely, a council which finances 75% of its spending from council tax and has a formula spending share calculated at GBP 100 million would need to raise GBP 75 million in council tax, and would received GBP 25 million from central government. If it wished to increases its spending by 1%, it would still have to increase council tax receipts by GBP 1 million – but in this case the increase would be only 1.3% – so the percentage increase in council tax is much nearer the percentage increase in spending. This is the gearing effect, a ration of two different percentages – the percentage change in local authority expenditure and the percentage change in council tax required as a result.

Source: House of Commons, Communities and Local Government Committee, *The Balance of Power: Central and Local Government*, Sixth Report of Session 2008-09, London: The Stationary Office Limited.

The GOs were conceived as the regional agency of the various ministries and to act as conduits for information flows from the top down and the bottom up. As central government's key representatives in the regions, GOs have considerable experience managing the complex interrelationships between the policies of separate government departments and policy making within the regions. As they matured, they became increasing deft at providing directions from London to various county district and local governments, but are far less so in moving information in the other direction. There are three possible, and not mutually exclusive, causes for this. The first is that local governments are not making their case to the GOs; the second is that the GOs are not paying adequate attention and are not moving the ideas back up to Whitehall; and of course, the third is that the leadership in London is not particularly interested in responding to local concerns. GOs have important capabilities that can reinforce the work of the RDAs. For example, the SRS involves important decision on matters such as transport policy, waste management, minerals, renewable energy, and gypsies and travellers, topics on which the RDAs have limited, to no, experience.

In conclusion, a great deal of capacity building will be necessary before local and regional institutions are able to fully demonstrate the benefits of diverse and bottom-up governance. At present there are few incentives for strong and thoughtful local government in rural England. A key element of the NRP is a bottom-up process that is driven by the local citizens and their institutions. Without strong local institutions the NRP cannot work. Local government in England seems to suffer from periodic reorganisations that are imposed from above. Moreover there is great inconsistency in the structure of local government, with varying responsibility among counties, districts, and other local governments. This shifting set of institutions can only contribute to confusion and a sense of lack of control at the local level. Moreover, the ability of local communities to act independently is greatly constrained by national planning directives, a limited local tax base and most importantly, the absence of any tradition of strong local government. In this environment it is highly doubtful that it will be possible to create a bottom-up development approach without strong efforts to explicitly invest in developing local leaders and to provide them with adequate means for undertaking some sort of meaningful strategy over a period of time. The experience of LEADER in much of Europe and of the *Pacte Rural* in Quebec, Canada shows that this can be done, but it requires patience and commitment by national authority.

3.8. There is room to further elevate the visibility of the rural voice

The rural lobby in England seems to be decreasing rather than increasing in strength. Devolution, regionalisation and the attempts to integrate rural and urban policies signpost a shift from treating the countryside as a singular political unit. In addition, the influx of new residents from urban areas has significantly reduced social cohesion in many rural communities. Collectively, this is producing policy divergence and may undermine the momentum for the rural voice. Under the "duty to empower", the government approach to improving the competitiveness of regions entails supporting and strengthening regional leadership by bringing together business, the public sector, universities and local communities. This provides scope to galvanise the wide array of rural actors in England to ensure the needs of rural areas are well integrated.

... take advantage of rural bodies already in place

There are different ways to strengthen the visibility of the rural constituency in England. One way could be exploring and recalibrating the Regional Rural Affairs Forums

Box 3.9. **Effective rural governance: A perspective from RUPRI**

In 2004, a study on *Effective Rural Governance* was undertaken by the Rural Governance Initiative (a programme of the Rural Policy Research Institute – RUPRI) in the United States. RUPRI sought to identify the principles that underlie good governance at the community level and to test the findings in different communities. The study determined that effective governance is a broad inclusive framework that is more about government practice than just the government system. Specifically, effective rural governance is "an amalgam of specific practices that makes the difference between stagnating and flourishing communities" that is linked to rural prosperity. The difference between "practice" and "system" lies largely in responsibility: when citizens look *solely* to government to make critical decisions they disregard their own decision making power and potential as well as that of other organisations. In the broader framework, responsibility is shared across the continuum of stakeholders. Based on this definition the study derived *eight* principles of effective rural governance. The principles are summarised in the table below:

Collaboration	Cross border/cross political sectors	Forming a regional collaborative that crosses geographic borders (towns, cities, or counties) and institutional fault lines (private, public, and philanthropic sectors).
Sustained Citizen Engagement	New, inclusive leadership	Bringing forward new voices, including ethnic minorities, newcomers, youth, and others, who are typically absent or marginalised from the community's leadership.
	Grassroots visioning	Undertaking a collective, pro-active visioning process to generate ideas, surface and address conflicts, and start building trust among diverse participants.
Leveraging Regional Resources	Investing local capital	Investing in the region and leveraging additional capital.
	Analysis of competitive advantages	Examining the region's competitive advantages using current, reliable, and intelligible data.
	Involvement by key intermediaries	Engaging at least one intermediary institution that can act as an honest broker, facilitate dialogues, and catalyze action.
	Public entrepreneurial development	Enriching the capacities of local elected officials and helping them to grow from caretakers to public entrepreneurs.
	Solid achievements and celebrations	Tackling a few concrete projects with identifiable and measurable outcomes and celebrating these first achievements before embarking on new efforts.

Source: Stark, N. (2005), *Effective Rural Governance: What Is It? Does It Matter?*, RUPRI's Rural Governance Initiative Briefing Paper, published in June 2005 (RUPRI).

(RRAF) to ensure greater consistency in terms of their influence and effectiveness. The RRAFs are a network funded by Defra and overseen by the GOs, to bring together and represent to local, regional and national government, and the views and concerns of grassroots rural stakeholders. They vary considerably in size, structure and membership, and some appear to be more effective at influencing local and regional policy and delivery than others. Similarly, the Regional Improvement and Efficiency Partnerships (RIEPs) offer a clear, unambiguous route to local authorities and their partners for national bodies wishing to see improved outcomes at a local level. They are uniquely placed to ensure the effective and joined-up delivery of support because they understand how national priorities relate to local priorities, particularly LAA priority outcomes.

There is recognition at all levels that citizen and stakeholder engagement is a prerequisite for truly place-based services. From the three England OECD missions it was

evident that local community leaders had much to offer about innovative, creative, locally nuanced, service delivery strategies. Indeed, local knowledge and local input, service options, design, delivery, and staffing, could be significantly improved, and, if full account costing were to be undertaken, this might be achieved without great cost increases. This sentiment resonates with experience elsewhere in OECD countries. The ability to engage meaningfully in service co-production tests the capacity of small rural communities and their often overextended stakeholders (Box 3.10). Authorities need to be resourceful in finding ways to develop and sustain citizen voice and local leadership. The planning

Box 3.10. **Developing a rural delivery strategy for Hampshire**

Hampshire is situated mid way along the south coast of England and is one of the largest non-metropolitan or "shire" counties in England. It has a population of over 1 240 000 (2001 census) and covers an area of almost 368 000 hectares. 85% of Hampshire's land area and 23% of the population are defined as rural. The rural delivery strategy aims to address issues of rural deprivation, isolation, poor accessibility, and higher costs in service delivery. The county council's elected Cabinet made these issues a key priority. The process was led by the newly created post of Executive Member for Rural Affairs and shaped by the County Council's Cabinet. Developed in a targeted way, the county council focused only on improving services under its direct control or those services the council could influence. In seeking to identify the needs of the rural dwellers in Hampshire with respect to these services, they prepared a structured consultation paper. This began first with a diverse group of HCC staff portfolio holders from different strands within HCC, identifying the "key" priorities for rural Hampshire. This formed the foundation for the consultation document that was developed and used for external dialogue with stakeholders.

Public consultation is the norm in England. However, because it is done so frequently and extensively, some policy makers worry about "consultation fatigue". Add to this the "time consuming" and "cumbersome" technical aspects that lead to a time lag that impacts the value and implementation feasibility of the initiative. In a unique approach, HCC chose to forego the typical public consultation for a "targeted" public consultation. Thus, instead of the Hampshire county constituency at-large being engaged directly, HCC targeted 250 stakeholders, a mix of public bodies, community organisations, pressure groups and volunteer groups they felt would represent well the views of residents in the county. There was also a general public engagement process via the Internet and a consultation seminar which provided people with an opportunity to discuss key issues around rural service delivery in the county. The consultation responses were used to develop "action plans" to improve rural service delivery in the county. In March 2009, these plans were adopted and later approved by Cabinet in April 2009.

Based on the results of the consultation the priorities for rural Hampshire services are as follows:

Supporting sustainable rural communities; including affordable housing, rural broadband, access to services, supporting volunteering, and community engagement.

Providing effective rural transport.

Farming food and access.

Economic Development.

Climate change, including renewable energy and making better use of the country's wood fuel resource.

Sources: Tickle, J. and D. Hobson (2009), "Supporting Hampshire's Rural Communities: Developing a Rural Delivery Strategy for Hampshire", case study prepared for the OECD CRC Workshop: *Designing Services for Rural Communities: The Role of Co-design and Co-delivery*, 12 June 2009.

mechanism at local regional bloc level of the Japan spatial plan also calls for the co-operation of national and local stakeholders in policy formulation and mandates round table discussions between local stakeholders and central government. There are also networks in place to enable local actors and stakeholders to contribute to rural policy.

… encourage the minority voice and link authorities across jurisdictions

As noted above, rural services require strong rural input and often "co-production". This requires mechanisms that assure rural populations a voice, and ensure transparency of decision-making at all levels of government. The CRC is a good rural advocate and well connected with the rhythm and challenges of the countryside and of those who live there. But, it cannot replace, or serve the same function as, vibrant community-based development organisations. Increasingly service provision is not confined to one locality, but must be considered within an increasingly complex rural-urban ecology. Therefore, there needs to be a chain that links co-ordinated policy and programmes locally, regionally, and nationally. Unless these are well-aligned, services are undermined.

The devolution of responsibility to, and up-skilling of, Parish Councils (and other local authorities) is an important practice; local people should best know the priorities for their local communities. But it is essential that each council learn from the best practice and mistakes of others. Councils cannot afford to be continuously reinventing the wheel. Knowledge synthesis and exchange is an important support to service co-production (Box 3.11).

Box 3.11. **Colorado, United States**

"Economic gardening" began in Littleton, Colorado to support local entrepreneurs in rural areas. As much as three-quarters of staff time available for business support is used to provide tactical and strategic information. They have developed sophisticated search capabilities using tools often only available to large corporations. They subscribe to ten different database services and CD-ROMS which provide them with access to over 100 000 publications worldwide, and they use these tools to develop marketing lists, competitive intelligence, industry trends, new product tracking, legislative research and to answer a number of other custom business questions. They also monitor all new construction through Dodge Construction Reports so that local contractors can bid on projects. In addition, they track real estate activity and have access to the market reports of national consulting firms. Their Geographic Information Systems (GIS) software can plot customer addresses as well as provide demographic, lifestyle and consumer expenditure information. They also monitor local businesses and vacant buildings and projects. Finally the information component also includes training and seminars in advanced management techniques such as systems thinking, temperament, complexity theory and customer service strategies

Sources: www.uwex.edu/ces/cnred; www.casimir.org; www.fusionlinking.co.uk/TOP.html; www.littletongov.org/bia/economicgardening/default.asp.

3.9. Housing policy and rural England

Housing policy for rural England is widely perceived as needing reform. Two basic problems exist with rural housing. The first, and most common, is a *shortage of housing given the local demand*, while the second is a problem of an *inferior housing stock*. Problems with the quantity and quality of housing are largely seen within England as an issue of social equity, but in reality they have major implications for the rural economy. A major consequence of a

housing market where people cannot readily relocate and find accommodation leads to employment mismatch. In many rural communities there are too few jobs for available workers, while in other places there are unfilled employment opportunities, but insufficient housing. If the two types of community are within reasonable commuting distance then workers are able to live in one place and work in another. However, this has well recognised adverse environmental consequences and also reduces the effective wage earned by the amount of commuting costs. For low wage occupations the cost of commuting may make it irrational to take a job when commuting costs are high. This is especially likely if there are high levels of support for the unemployed.

… problems in rural housing influence other aspects of the rural economy

In rural areas where people live in small communities that are geographically dispersed, there is a need for housing market flexibility to ensure that regional labour markets work efficiently. Rural communities can be thought of as being analogous to neighbourhoods in a city – some people work in the neighbourhood where they live but others work outside the neighbourhood. The combination of effective public transit and proximity allow more urban workers to live in one neighbourhood and work in another than is the case in rural areas. In a rural context there are large distances among neighbourhoods, so taking a job outside one's home location is more likely to involve relocation than is the case in a city. For rural labour markets to clear there has to be either the opportunity to find reasonably priced housing near where jobs are available, or an adequate supply of land zoned for business uses in places with excess labour. Neither of these situations is common in rural England. Further, if those currently without work, but with a home, fear that relocating to another community will leave them with a worse housing situation, there is also likely to be an employment mismatch.

As described in chapter one shortages of rural housing have led to high prices. It is likely that the causes of high housing prices include the following factors:

Restrictions on land use change which limit the land available for development of new housing units. This reduces total housing supply, especially in rural areas, resulting in increased prices.

Planning requirements that increase the cost of gaining required permits and approvals raising the average costs of building new homes, thus reducing supply and increasing prices.

Restrictions on the adaptation of existing housing stocks to meet the changing demands for housing, which further increases the price of housing.

The high cost and inadequate supply of housing is most acutely felt among low to moderate income families and has resulted in multiple policy responses. Increasing the stock of affordable housing through social housing programmes is one response. Social housing programmes subsidise home builders who construct social housing and those low to moderate income families who occupy it, making it possible for more families to afford housing. Another policy response has been to limit the sales and rental of housing units to non-residents of rural communities. This is achieved in a number of ways, most of which limit the rights of home owners and renters, and create inflexibilities in the housing market. Another consequence of English housing policy is a large gulf between the cost of social housing and the cost of market housing. Policies to increase the supply of social housing that require developers to produce a portion of new housing to be allocated as social housing effectively increase the cost of the remaining market housing, exacerbating the gap in prices and increasing the number of people that can only afford social housing.

... the English planning process presents some limitations on rural housing provision

In rural areas land use policy and housing policy have become a significant determinant of economic growth and development. The costs of navigating the process, both by developers and regulators, means that small projects are made infeasible, at least in comparison with larger projects. This creates a built in bias against development – land and economic – in rural communities, because most rural housing projects are small scale.

It appears that planning objectives now conflict with housing objectives. There is a clear public interest in increasing the stock of rural housing. The public has a stated interest in increasing housing stocks especially in the affordable ranges. The public also has an interest in reducing overall housing costs as a way of increasing effective incomes and improving the competitiveness of businesses. Given the public responsibility for providing social housing, lower housing costs would reduce the cost of achieving this responsibility, since fewer residents would require social housing, and the cost of closing the gap between need and ability to pay would be reduced for the rest. The interests of most private stakeholder groups are also served by increasing housing supply and thus reducing prices. Housing construction increases short run employment. Lower housing costs increase the ability of employers to attract high quality labour and reasonable costs. Lower housing costs increase the effective income of consumers increasing their standard of living thereby increasing the demand for most products. Conversely owners of existing residential property have an interest in maintaining or increasing housing prices.

English society and the overall economy would benefit from the reform of land markets, but there would be clear losers as well as winners. Because the current system inflates property values it generates huge windfall gains for current property owners and for a few farm land owners. Reform of this system would mean that current land owners and property owners would experience windfall losses in asset values. These are well established and powerful stakeholders who could make such a transition slow, painful and expensive. An example of the type of reform that would change the future of rural areas follows. At present a number of rural communities limit the sale or transfer of property to non-residents in order to make more of the limited number of housing units available to residents. The belief is that non-residents impose a social cost on the rural communities because they are seldom in the community, do not support local shops, do not take part in the cultural fabric of the communities. Yet the number of non-resident owners and second home owners continues to rise and residents continue to have difficulty finding homes in the community. To the extent that owners of second homes do create external costs for rural communities, they could be required to pay these costs. If special rates, or levies were implemented to replace the systems of *ad hoc* restrictions on home ownership and the funds used to help residents purchase or rent homes markets would create incentives to supply the types of homes demanded in the places where they were needed.

Another example of a land use policy that has been proven to allow market forces to work to the advantage of home owners, home buyers and home builders is a system of transferable development rights (TDR). Under a TDR system, land owners in at region all receive explicit TDRs on their undeveloped land. Developers (of residential, commercial or industrial land) are required to aggregate enough development rights to commence development. They do this by purchasing TDRs from land owners that do not wish to have their land developed, or from owners of land that is less suitable for development. The

number of development rights necessary to develop an acre or hectare of land is some multiple of the number of TDRs granted to the land owners. In this way development is concentrated on a fraction of the total land. Development is subject to certain restrictions deemed necessary to assure quality development. The rate of development is allowed to proceed according to the forces of supply and demand. A TDR system allows the public to ensure a more orderly process of development but it injects competition into the process of land conversion. It also reduces the transactions cots. Together these features of the TDR system tend to reduce the costs of the final housing, commercial and industrial property.

Box 3.12. **Transferrable Development Rights (TDR) systems**

A potentially useful way to supplement planning regulations that allows market forces to help allocate parcels of land for conversion of use is a system of transferrable development rights (TDRs). It requires that government create development rights for all parcels of land that can then be sold or used. Planning systems continue to determine which particular areas of a territory can be developed and which cannot.

The policy innovation is that land owners in areas where development is allowed can purchase supplemental development rights from owners of land in regions where development is not permitted. The additional rights can allow higher density development than would otherwise be permitted. The property developer has to weigh higher returns from more intensive development against the cost of purchasing development rights. This creates a market test. Landowners who have lost the right to develop land in zones where planning restricts development have the potential to be compensated for the restrictions imposed on them.

In addition, groups that might like to see less development in a region where it is nominally allowed to purchase development rights from landowners and hold them off the market. Those opposed to changes in land use are able to achieve their objective, but only by compensating others whose property they wish to influence.

In the United states more than 20 states have introduced TDRs as a supplement to the planning process and allow the benefits from land conversion to help compensate those whose property has restrictions on use.

For more information see: *http://ohioline.osu.edu/cd-fact/1264.html*.

Source: Timothy Lawrence (1998), *Transfer of Development Rights*. Factsheet CDFS -1264-98, Ohio State University, Columbus Ohio.

3.10. Service delivery – the challenges and opportunities in rural England

Most of rural England is a relatively densely populated area. As a result, travel times from most rural areas to urban service centres are relatively short compared to other OECD countries. And, as in most OECD countries, rural residents with easy access to urban centres tend to vote with their feet by consuming the services they need in larger centres where economies of scale permit greater selection and lower prices. Thus one would expect that rural English residents, as a group, will get a lower portion of their services locally than urban residents. If it is an English goal to increase service access in rural regions and to reduce the level of commuting to urban areas, then policy must tackle this issue. From discussions in England it appears that mainstreaming has created an expectation that equivalent services will be available everywhere. While this is not the intent of mainstreaming the perception does point to a problem in implementation.

… the elderly, the poor and those in remote places face problems…

In England, most services are generally available to urban residents in all income classes. Although some urban residents do not have access to specific services, particularly if they are provided through the market on a user-pay basis, there is general proximate availability. On the other hand, in many rural areas, especially the more remote, certain services are not available, or are available at considerably higher cost and/or lower quality than in urban locations. Although very few national governments explicitly guarantee that public services should be uniformly available across their territory, there remains a growing perception by portions of the public that spatial equality of access should be part of the statutory rights of citizens.

Box 3.13. **Key trends in the design, composition, infrastructure and offering of services**

Services are increasingly specialised with special technologies and equipment. Professional staff are accustomed to working in groups with differing spheres of specialisation and to being interconnected with professional colleagues. Opportunities for continuous learning and for consulting with experts are close at hand in urban settings. In rural England, a specialist will typically experience a reduced market and may need access to new technologies and process designs in order to gain a critical mass and market share.

Technological change in services has often led to larger minimum efficiencies of scale in service delivery which conflicts with smaller or shrinking rural demand. The service sector has also seen rapid technological changes. Computerisation has been common and many professional services now use advanced technologies. A characteristic of these technologies is a high fixed cost and a relatively low variable cost. This results in economies of scale over a significant range of production. In urban areas where there are large numbers of users the new technologies tend to reduce the unit cost of providing services. But in rural areas, because of the underlying geography that limits the number of users, these cost savings do not necessarily occur, and indeed unit costs may go up with the adoption of new technology.

If governments mandate, through national standards, that specific technologies be used for a given service and that all providers have minimum skill sets, professional training and experience, then rural areas have to adopt them even though an older technology or a rural volunteer may deliver a roughly equivalent service at lower unit cost.

There are problems in adopting modern technologies in rural settings with less than optimum technological capacity. If a service provider has specialised equipment that needs repair, where will they access the expertise to provide the necessary repairs? There is a dependency on supportive infrastructure that is sometimes not immediately at hand in rural areas.

Source: OECD (2010a), *Rural Policy Reviews: Strategies to Improve Rural Service* Delivery, OECD Publishing Paris.

Rural areas are becoming more diverse and home to migrants from urban areas who are accustomed to a high level of services and amenities. Indeed, the expectation of choice among services as an entitlement is becoming more general. The capacity to provide services at this level is compromised in rural areas, and particularly in sparsely populated ones by a variety of factors, such as: distance, lack of critical mass and density, weaker transportation and communications networks, and greater difficulty in recruiting and retaining providers. Service costs are higher in rural areas and local authorities can lack the

fiscal resources to meet expectations. At the same time, central governments are increasingly financially unprepared to underwrite the full costs of equal service delivery in rural areas. Increasingly, rural areas lack the political leverage to mobilise support in their favour. In general, governments are content to show that they are ensuring equal levels of funding and leave it up to rural authorities to find ways of absorbing higher costs.

... but a number of approaches to improve rural service delivery exist

To improve service delivery in rural areas England should consider:

Moving beyond planning single services to designing an integrated mix of services and providing flexibility in delivering on mandates. Mainstreaming and rural proofing may work for developing and delivering particular services suited to the local rural context. However, central to rural vitality is balancing the whole mix of services that enhance quality of life. That requires cross-cutting mechanisms that go beyond any single department and test service decisions in a broader context. In this regard, there is a need to clarify the roles of Defra as convenor, facilitator, or monitor. Rural proofing means acknowledging that the particularities of place need to be taken into account in developing and delivering services. This may mean different service models, unconventional providers, and the like. It may also require the ability at the local level to pool funding to increase fiscal capacity to undertake service initiatives.

Adopting a strength-based perspective and recognise and attend to hidden or dispersed disadvantage. Rural England's assets need to be better articulated and brought to the fore in policy debate which needs to address the vitality and potential of rural England. The benefits of rural areas for living, working and investment need to be better understood and championed. The discourse needs to shift from ideas about subsidising rural areas to making rural investments: in the new Green Economy, in the Creative Economy, etc. so that rural areas are seen as current or potential engines of growth. England is relatively unusual in OECD terms in that, on average, rural areas face proportionally lower levels of disadvantage than urban ones. On most indicators, rural disadvantage is found at rates of roughly two-thirds to three-quarters of that for the national level. However, while disadvantage in some rural areas is not as marked as in urban areas, where it might be concentrated, it does still exist – and may in fact be growing – and has a similar impact on the availability of opportunity for the people and communities concerned as in urban areas.

Innovating in governance structures and accountability approaches. Devolution to local authorities and flexibility in service provision pose challenges to existing governance and accountability approaches. In particular, targets and reporting metrics have to be rethought to focus on outcomes, especially where rural service models produce somewhat different outputs. In parallel, more transparent information on funding levels would make it easier to follow transfers and rural service spending decisions.

... consider a more nuanced discussion of rural disadvantage

Currently the CRC's main mandate is to point out rural disadvantage, but in general rural England is not particularly disadvantaged. Thus, the disadvantage focus has two weaknesses. First it draws attention away from the wide array of opportunities that exist in rural England, As such it paints an inaccurate picture of the rural condition, and implicitly overstates the magnitude of the problems. To be sure, if public policy is largely driven by a focus on redistribution the approach may not be a problem. But if the broad thrust of public

policy is oriented to taking advantage of opportunities and strengthening efficiency disadvantage can be the wrong message. This leads to the second disadvantage of the approach. When examples of rural disadvantage are set out, they are readily countered by examples of where rural is doing well. This can call credibility into account, because the CRC story does not appear consistent with the experience of the people receiving it.

A more balanced approach by the CRC may actually make any discussion of disadvantage more compelling. If only part of the CRC message is about disadvantage, then the CRC is more likely to be seen as an honest broker of information. Further, by recognising that only part of rural England is disadvantaged two consequences are, first that the magnitude of the problem becomes smaller and perhaps more manageable, and second, the argument for actually resolving the problem becomes more compelling because it is now no longer the normal rural condition, but an aberration to the rural condition.

While many rural people experience a lower quality of life than is socially desirable, they are a minority of the rural population. The CRC's Disadvantage Study20 identified three critical factors that singly, and in combination, contribute to rural disadvantage: financial poverty – relating to income and employment; access poverty – relating to access to transport and other services; and network poverty – relating to contact with, and help from, friends, neighbours and others. Innovative rural policy should work on all three of these factors, and the latter two, in particular, demand substantial place-based sensitivity in order to ensure appropriate programme design and service delivery. For example, access poverty occurs because distance and limited mobility may preclude eligible individuals from receiving a service, even though it is nominally available. An individual without a car and no practical access to public transportation has limited ability to access any service that is not within walking distance. This means that efforts to improve the quality of, or reduce the cost of, providing services by consolidating them in regional centres may have the effect of effectively reducing eligibility by reducing access.

Better information will be required to identify where rural disadvantage is to be found. Information for place-based planning, decision-making and programme review becomes more and more important as rural services evolve. The need is for small-area data that is fine-grained and allows comparison across multiple service domains at different levels of aggregation. For example, while in the more peripheral areas, it is apparent that many people are not well-off and policy may take account of this, in more geographically central areas and those closer to cities where commuting predominates, disadvantage also exists but tends to be masked by the averages used in area-based statistics. An example of this is in the finding that, while about 2.5% of small areas with the highest levels of deprivation are found in rural areas, by most measures of deprivation 15-18% of people suffering deprivation are found in rural areas. Unless improved data make such issues evident, poor rural people's needs will not be adequately recognised in policy.

... and, improve business advisory services

An important way of increasing innovation and productivity is to ensure that firms, especially small firms, have access to various types of management and technical support. In rural England business services are provided by: private firms on a for–profit basis; by government action, either directly or indirectly; and through the non-government sector. Because firms in rural England are mainly small and medium size they are more reliant on local external providers of services than are larger firms that can afford an internal service provider or can draw on external providers from outside the immediate region. Access to

debt capital is a major issue for small firms, and in more remote rural areas there may be less immediate access to a bank or government agency that deals with business finance. The steady reduction in bank locations and the increase in cash terminals and Internet banking adversely affect rural business because its needs are too complex for these new approaches.

A second broad issue in terms of business services is access to Internet and computer technologies (ICT). Businesses are typically more dependent on high speed Internet than are residential users, so slower broadband access in rural England may be a significant impediment to firms. Similarly, the absence of ICT professionals in rural England to provide maintenance, technical support and training functions can also reduce the productivity of rural firms. This issue carries into other basic business services, such as, accounting, legal advice and management support. Rural areas often have few of these professionals and those that are located in rural areas typically are generalists who lack training in specific areas that may be vital to a particular firm.

England provides a national business advisory service, Business Link, to assist new entrepreneurs and existing small businesses. Since 2005 Business Link has been managed at the regional level by the RDAs, with each region defining how it wants the core set of Business Link functions to be structured and delivered. While the RDA sets the general framework for the service actual delivery is provided under contract by an independent firm, through a contract that establishes performance targets. In general, Business Link is staffed by individuals with specific fields of expertise that correspond to different aspects of a business, such as, marketing, finance or manufacturing production systems.

The regions differ somewhat in how they deal with rural firms. Business Link absorbed the old Farm Business Advisory Service and its functions are now integrated in the more general structure. In all regions farmers still have access to traditional services, although in some cases not from specific farm specialists. In some regions the main way rural enterprise is perceived is as advice to farmers. That is, only farm businesses are treated as a distinctly rural enterprise. Other businesses in rural locations receive support from the same individuals as serve non-rural firms. In other regions there is a small team of rural generalists who act as first contacts and who recruit appropriate specialists after making initial contact with the firm and identifying the key issues.

While there have been important changes to Business Link in recent years it remains recognised as an important source of support for small business and entrepreneurs. Users of the services in rural areas recognise the advantages of having access to specialists who have the technical knowledge to deal with their issues, but in those RDAs where rural users do not perceive a well-designed entry point there may be gaps in services. Because rural culture remains different from urban, it is as much how meetings evolve as the actual content of the discussion that establishes sufficient trust for the firm owner to fully engage with the service provider.

3.11. Linkages between English policy and EU Policy

... agriculture should in fact be an integral issue in considering rural Policy

There is a risk that the UK government may have deemphasised agriculture in its rural policy beyond a level that is prudent. Farming has been decoupled from rural development approaches by virtue of the adoption of a mainstreaming focus. It is certainly the case that the direct economic role of agriculture has been diminished to the point that it is no longer a major factor in most rural communities. However the indirect role of farming, especially as

it conditions the environment and the persistence of an agricultural focus in the planning process, mean that agriculture should in fact be an integral issue in considering rural policy.

As the CAP is transformed from an instrument of agricultural protection and subsidisation policy to one focused more on rural development and environmental protection objectives, it will necessarily affect England's more mature rural development policy. While the rural development measures in the CAP are still primarily focused on peripheral, remote and underdeveloped regions, they do offer more opportunities for England than previous CAPs. But in order to benefit from the shift in CAP to the fullest, England will have to act strategically. As an example of an area where England could benefit from the emerging priorities of CAP consider multifunctionality. Support for strategies to enhance the multifunctional nature of agriculture could support the land protection and environmental goals of the English. Multifunctionality recognises that agriculture and other rural land uses provide a wide array of services, (food quality, landscape management, environmental amenities, enhancement of biodiversity, agritourism, etc.), many of which are non-market in nature. More than most places, England has historically viewed and treated its rural areas as a source of non-market services. Traditionally these services have been encouraged and assured in England by regulation and the planning process. Multifunctionality provisions in the CAP would monetarily reward farmers for producing these non-market goods. By fully exploiting these CAP measures; England may be able to produce more and better multifunctional services, at lower overall cost.

Box 3.14. **Agriculture policy in England is formed at the European level**

As the United Kingdom is a member of the European Union, agricultural policy in England is largely determined in Brussels. While the UK has input into the formation of the Common Agricultural Policy it is only one country among many and the resulting policy framework is a compromise that is acceptable to all members. Consequently there is little reason to believe that the CAP is the optimal policy for the UK. Moreover because agricultural conditions vary considerably among the four constituent countries of the UK there is little reason to believe that the UK position within the EU is optimal for England. Thus, unlike those countries which can independently set their agricultural policy on the basis of national priorities, while respecting international obligations, and arguably choose policies that are best suited to their national interests; in the case of England agricultural policies will reflect a broader set of interests and may well not result in policy signals that are fully congruent with national objectives for agriculture.

When the UK joined the EU the CAP emphasis on increasing domestic food production was largely congruent with then existing UK agricultural policy. Moreover the protection afforded to agricultural land in the UK under planning regulations gave farming a dominant position in rural areas. Higher levels of support under CAP provided an incentive for increased production in agriculture.

In recent years the CAP has evolved in ways that make it more important for broader rural development issues and England has used the flexibility in the CAP to shift money from direct payments for commodities to other programme areas. Early opportunities for modulation of direct payments were implemented by the UK and France at the turn of the 21st century. These were largely for agri-environmental improvements, but they tended to be most valuable in marginal farming areas where additional farm income plays a relatively larger role in the local economy.

Marsden and Sonnino argue that multifunctionality is viewed very differently by different stakeholder groups. It is sometimes seen as a way of enhancing farm income and helping to support agricultural survival. This is the *agro-industrial paradigm*. An opposing view is that multifunctionality is a way of replacing agricultural land uses with more environmentally sustainable land uses – the *post productivist paradigm*. They argue in favour of a third perspective – the *rural development paradigm* – in which multifunctionality is viewed as an opportunity to help rural areas develop into more liveable, successful and sustainable economies. The rural development paradigm for multifunctionality requires three conditions:

> […] it must add income and employment opportunities to the agricultural sector; it must contribute to the construction of a new agricultural sector that corresponds to the needs and expectations of the society at large; it must imply a radical redefinition and reconfiguration of rural resources, to varying degrees, in and beyond the farm enterprise (Marsden and Sonnino, p. 423).

The three paradigms lead to divergent policy strategies. Agro-industrial paradigm policies tend to have little influence on the nature of more successful farms and focus instead on pluriactivity of the least successful farms. In contrast, post productivist paradigm policies restrict the activities of agricultural firms, marginalising their role in the rural system. Only the rural development paradigm tends to stress the integrative role of agriculture in the rural socio-economic system.

… and there is an opportunity to further the goals of multifunctionality in rural regions…

Given the process of devolution in the UK and in England, the perception and reality of multifunctionality is likely to be somewhat different in each of the regions. However, the evolution of EU agricultural and rural policy is an opportunity to further the goals of multifunctional rural regions through a system of incentives for farmers, agribusiness, and regional policy makers. Two examples of multifunctionality policies with pro-rural development features are local foods and distributed renewable energy. Local foods systems, while already an important part of some rural areas of England, have great potential of integrating the goals and interests of farm and non-farm residents of rural areas. Nutrition, food safety, environment, and social dimensions become intrinsically related when producers and consumers are reconnected. While local food systems may not produce the lowest cost product, they may produce the highest valued products.

England has been relatively aggressive in taking advantage of the evolving CAP programme. A good example has been the rate of voluntary modulation that England has introduced, which is significantly higher than most other member states. As the level of mandatory modulation increases between 2008 and 2013 this voluntary portion is being reduced but is still significant. Over time, the more support that can be moved into Pillar II programmes, the greater the possibility for meaningful and sustainable rural development. But as is often the case, the "devil is in the details" when it comes to policy. How effective has English policy been in exploiting EU policy to achieve sustainable rural development goals? Overall, England's relatively mature rural development policy has probably meant that it has been quite effective. The single farm payment has been applied regionally rather than on a farm by farm basis, which could result in an easier transition to "a new agricultural sector". England has taken full advantage of the voluntary modulation option in the new CAP. This has increased the level of English financial responsibility because of the matching requirement for Pillar II schemes. England has largely devolved responsibility

for the approval of Pillar II applications to the regions. Watts *et al.* (2009) conclude that this policy has led to quite different types of schemes in the various regions. This in itself is desirable if the differences reflect the different needs and constraints in the regions.

… European regional policy seems to be a secondary component of English regional policy

As in the case of certain other policies areas, EU regional policy is a secondary, but still significant, component of English regional policy. The European Union's regional policy is a more recent policy innovation than the CAP. EU regional policy was designed to increase social and economic cohesion through the reduction in regional disparities, to increase the competitiveness of businesses through regional development strategies, and to increase cross-border co-operation. Regional policy is primarily delivered through the European Regional Development Fund (ERDF), which includes programmes designed to address each of the objective. The two primary programmes are the Regional Competitiveness and Employment (RCE) programme and the Convergence Programme. While all of England qualifies for the Regional Competitiveness and Employment programme, only Cornwall and the Isles of Scilly qualify for the Convergence Programme, although Merseyside and South Yorkshire qualify as phasing in regions. Further, under EU regional policy each member state is to have a National Strategic Reference Framework (NSRF) in order to qualify for EU funding. The UK's NSRF summarises its development strategy as follows:

> […] the government's overall approach to increasing growth in the UK economy is based on maintaining macroeconomic stability and driving forward lasting improvements focused on employment and the five drivers of productivity: competition, enterprise, innovation, investment and skills.

This generic statement suggests that England has not fully thought through how to organise its activities in ways that can take best advantage of the funding that is available.

England seems to be taking better advantage of RCE funds. These programmes require at least a one to one match by member state governments. Together the EU and UK funds amount to significant resources to support regional development. A cursory review of recently funded projects under the Regional Competitiveness and Employment programme suggest that much of these funds are allocated to research and infrastructure, rather than to direct support of entrepreneurs and businesses. In general this seems a prudent strategy since it tends to most directly address issues of market failure, and provision of public goods. On the other hand, it is essential that investments of this nature be submitted to the most strenuous *ex ante* evaluation available to assure that the projects have the highest possible rate of return.

… Energy policy in rural England could also become more consistent with EU actions

While not dictated by EU policy, UK and English energy policy is influenced by EU energy policy. In response to rising energy dependence, the threats of global climate change, and its historic interest in continental energy supplies, demands and trade, the EU has rather ambitious goals and aggressive policies related to energy, especially renewable energy. The EU goals for renewable energy production represent a very significant challenge for England, especially rural England. Given the high population density in rural England, the high levels of demand by all citizens for rural amenities, the opportunities for local food systems, agritourism, and other diversified activities, the opportunity cost of renewable energy production in rural England will be high. Current waste streams can be converted to energy without incurring significant opportunity costs. However, opportunity costs will arise as scenic

assets are disturbed by wind, solar or mono-species silvi-cultural energy activities and by the resulting need for power transmission lines and more lorries on the roads. Dedicated energy crops will displace current crops leading to price increases for the consumers of traditional crops. Agricultural production contributes a very small amount to GVA in most years. These levels may be enhanced by renewable energy production (if energy can be produced profitably), but other sources of farm income, such as agritourism may be reduced.

On the other hand, distributed renewable energy production could reduce or reverse the rural "energy poverty" situation. Rural areas, as the source of energy could potentially enjoy lower prices for energy. This would partially offset the opportunity costs discussed above. Thus energy policy will play an important role in the future of rural England. A policy based on waste stream energy production would have advantages for rural areas. Policies regarding wind, solar and dedicated energy crops should be carefully developed with opportunity costs in mind. Distributed energy systems would generally be preferable to a concentrated system which would require more investments in transmission and transport systems.

3.12. Summary

English rural Policy is consistent with the NRP in many ways. England has adopted abroad rural policy that goes beyond support for agriculture and England has moved to adopt an investment based approach based upon evidence-based decision making. However there are aspects of the NRP that are not fully embraced, including a "bottom-up" decision making process and an integrated and comprehensive place-based rural development strategy.

Rural policy in England is mainly rural mainstreaming and is based upon the observation that rural and urban societies and economies are not very different. Mainstreaming features the important principle of treating rural and urban people and regions equivalently. Mainstreaming also cuts across all government agencies and programmes. However mainstreaming has not been fully embraced by all departments and despite major efforts is not well understood.

Further, the premise that rural and urban England are alike is debatable. At the local level, rural England differs considerably from urban England in terms of economic conditions and opportunities. However, it is true that in terms of public service needs, which is the focus of mainstreaming, there are great similarities between less sparse rural areas and urban England, that create opportunities for synergies in public service delivery. These synergies do not exist for the minority of the rural population living in sparse areas.

Rural proofing is used in England to assess the efficacy of rural mainstreaming efforts. Despite the fact that responsibility for rural proofing lies with the individual Government Departments and Defra it appears as if to some degree rural proofing has been outsourced to CRC. This is most likely because a number of initiatives that relate to rural proofing including 2009 rural proofing toolkit seemingly come from CRC. This agency has the advantage of independence, but it has difficulty influencing the design of policy to make it more compatible with rural mainstreaming. Despite a number of efforts to improve the rural proofing process it remains poorly understood and has limited impact.

England has moved to devolve policy delivery responsibility to the sub-national level. But this effort is quite limited. The main policy instruments are Regional Development Agencies (RDAs) and Government Offices (GOs). These entities are still part of the UK government but operate as semi-autonomous delivery agents for Whitehall departments. While each region is meant to develop a specific strategy geared to local needs, the amount

of actual flexibility in the system is limited, if only because the RDAs and GOs receive their funding from Whitehall.

England has tried to foster more independent behaviour at the local government level through the use of Local Area Agreements (LAAs) and Multi Area Agreements (MAAs), which offer local governments more policy flexibility if they agree to a GO approved multi-year strategy. In reality the policy flexibility is constrained, because the LAAs and MAAs require the local government to choose the majority of its objectives from a list of options derived from National policy objectives and because virtually no net new financial capacity is created.

Housing policy in England has a large effect on the rural population. There is a longstanding housing shortage in rural England that is exacerbated by housing policy and land use policy. These two instruments make the construction of new housing in England difficult. In addition the weakness of the rural housing market has important consequences for labour immobility, community viability and rural business creation and expansion.

Rural service delivery in England is dominated by the mainstreaming approach. There are important opportunities for improving service delivery that go beyond mainstreaming. These include greater reliance on other delivery mechanisms than the government, better co-ordination of different services from multiple agencies, and a greater ability of service users to influence the mix and delivery mechanics for services.

Note

1. The RDAs report on their performance in line with the sponsorship framework.

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Chapter 4

Policy Recommendations for Rural England

Based on the analysis of the English rural context and the current approach to rural development, this chapter offers a number of policy recommendations to help mainstreaming and rural mainstreaming better adapt to the heterogeneous and rapidly evolving context in rural England. The recommendations are captured under six overarching themes that emerged as a way to organise policy to enhance rural development in England. These are: i) *develop more effective governance structures in the framework of decreasing budget outlays;* ii) *enhance mainstreaming to increase the impact on rural communities;* iii) *bridge a key divide by considering the needs of rural citizens in the Regional City framework;* iv) *strengthen the rural economy;* v) *ensure equitable access to services; and* vi) *expand connectivity.*

4.1. Key points

The current environment of fiscal constraint demands a new approach to thinking about rural development in England. The effect of the recession on the UK budget calls into question the potential for maintaining current high levels of public expenditure for many policy areas. But while fiscal constraints may limit some forms of public policy, there are still important roles for national public policy to support appropriate development in rural England.

The UK government should resist the temptation to replace existing financial incentives with more regulations. Instead, consider designing policy that both increases the incentive for local actors to carry out rural development in ways that are consistent with national policy objectives, and makes greater use of market forces than has been the case in the past.

To be more consistent with the New Rural Paradigm, the government should first look for market based solutions to rural policy problems. Direct intervention by government in rural policy problems should be a last resort. Government should play a strategic role that relies upon market incentives to provide day-to-day operational incentives, but use policy to set conditions that lead to markets providing appropriate signals.

Introduce a distinct rural component to the regional cities strategy. If City Regions are to be a major part of the spatial development strategy for England, then policy must be put in place to ensure that rural areas within the City Region benefit from inclusion, and to deal with those rural areas that are not part of a City Region. The high degree of rural-urban interaction already in existence offers an opportunity for improved policy co-ordination.

Mainstreaming should be enhanced to ensure equitable access to an appropriate set of consumer/household services in rural England. Mainstreaming is an effective strategy for delivering national public services to the majority of urban and rural households, but it should be reinforced with other measures in the short-term. Better integration of the mandates of mainstreaming and rural proofing is needed, and responsibilities should be clarified. Consider more rural specific interventions, especially for sparsely populated regions where making mainstreaming work is more challenging.

Strengthen the rural economy by joining up housing policy, planning policy and economic development strategies at the local level. To better identify new ways to enhance the competitiveness of the rural economy a broader focus than *simply* on pure economic development approaches will be required. Reduce the number of government imposed restrictions on individual choice, as this can yield higher productivity with no additional outlays.

Expand rural connectivity by developing robust networks. More attention to improving all the forms of connectivity in rural England, particularly broadband, would bring considerable benefits both locally and nationally.

The current lack of a broad national rural policy may be more than offset by the opportunity for more tailored regional policy. The nine English regions provide an opportunity to reweight national goals established through the PSAs and DSOs in ways that better fit the underlying opportunities in each territory. An investment of time in policies and programmes will be needed for all the actors to understand the new structure, especially at the local level.

4.2. Introduction

Government policy in England is in flux, due in large part to the severity of the economic crisis and the resulting austere fiscal climate. Reshaping of policy strategies in response to tighter financial constraints will directly impact rural areas, since it causes departments to shift focus and all important resources. English policy in general has made great strides towards the goals of: localising public choices, creating a system to support and exploit greater accountability, and instituting evidence-based decision making. The reorganisation of governance, planning and policy assessment, and the improvement in horizontal and vertical co-ordination of government are movements in the right direction. Devolution has pushed many public choices down to the regional and local levels. Decentralisation of central government functions has also made it possible for there to be increased flows of information between residents and central government.

Socio-economic conditions in rural England are at a high level, both relative to urban England and to rural areas in other OECD countries. To a large extent this reflects the longstanding concerns by the English population and the UK government with the well-being of the English countryside. The influence of the government comes in a variety of ways. These include: broad public policy objectives that incorporate rural aspects, planning regulations that govern rural land use, large financial transfers from the UK government to regional, district and local governments, and considerable direct delivery of consumer services by national agencies. As a result, there is both a high degree of direct public sector employment in rural areas, and also a strong influence on household and firm behaviour, through laws, regulations and financial incentives. Five policy topics are offered as key recommendations for extending rural policy in England. While there are many roles for the government to play in rural England, the policy recommendations provided here focus on only five critical areas. Other topics are certainly possible and important, but the issues chosen are central to further improvements in rural socio-economic conditions and can play a key role in increasing the productivity of rural firms and workers. They are as follows:

- continuing the current work to achieve more effective governance structures;
- enhancing mainstreaming to ensure equitable access to an appropriate set of consumer/household services in rural England;
- introducing a distinct rural component to the regional cities strategy;
- strengthening the rural economy by joining up housing policy, planning policy and economic development strategies at the local level; and
- expanding rural connectivity by developing robust networks.

While the themes are discussed independently, they also overlap. For example, ensuring that rural is integrated into the regional city strategy has implications for mainstreaming and for achieving more effective governance structures. Similarly, improving connectivity will play an important role in strengthening the rural economy and in improving rural service delivery.

4.3. Developing more effective governance structures

Government plays a large role in rural England largely to avoid the high potential for incompatible or undesirable activities by individuals and firms. The relative density of the population and the potential for significant externality effects were people and firms to make decisions strictly in terms of their private interests is a concern. For example, close proximity among users dictates the need for mechanisms to minimise conflicts among land uses. A strong regulatory system can provide a framework in which people are encouraged to fully consider all the consequences of their actions and where behaviour that is socially undesirable is constrained. In this policy structure a balance of incentives (carrots) and restrictions (sticks) has been employed in rural England to induce people to carry out desirable actions and to reduce incentives for them to follow undesirable actions.

... The recession has greatly limited budget outlays

However, the effect of the recession on the UK budget calls into question the potential for maintaining current high levels of public expenditure in many policy areas, including those affecting rural development. Because the budget of the UK government is likely to be more constrained in the future than it has been in the recent past, the policy recommendations made in this chapter are developed with a period of public fiscal austerity in mind. But, while fiscal constraints may limit some form of public policy, there are still important roles for national public policy to support appropriate development in rural England.

... so the government should resist the urge to rely primarily on increased regulation

Public policy should not simply move to the use of greater regulation to try to achieve national policy goals by creating "duties" on lower level governments that come without the resources to carry them out. Such unfunded mandates are a tempting way to continue to have a strong national policy direction while limiting national outlays, and can often be packaged as part of a process of devolution of authority. But if all that is transferred is responsibility for delivery, without meaningful responsibility for defining the nature of the action or the means to finance it, then the national government has retained control but taken away the carrot that previously encouraged co-operation.

... and instead introduce policies that increase incentives

Instead of replacing existing financial incentives with more regulations, the UK government will have to be creative in designing policy that both, increases the incentive for local actors to carry out rural development in ways that are consistent with national policy objectives, and that makes greater use of market forces than has been the case in the past. Government should still play a structuring role in this policy environment, but the national government should play a smaller role in the direct delivery of goods and services, and in defining the various parameters under which specific local economies operate. The NRP suggests a policy framework that facilitates local decision making. To be more consistent with the NRP the government should first look for market based solutions to rural policy problems and only as a last resort move to direct intervention. Some have characterised this approach as one where the government's main role is to steer the boat and not to row it. It is a strategic role that relies upon market incentives to provide day-to-day operational incentives, but uses government policy to set conditions that lead to markets providing appropriate signals.

Box 4.1. **Building local leadership capacity at the regional level, Québec, Canada**

Local communities in rural areas often have relatively strong social capital, but it is typically very oriented to helping that specific place. However many small rural communities now have to be integrated into a larger region both for economic activity and for public service delivery. This requires that small communities that have had limited collaboration, and often high levels of mistrust, act together to achieve their collective interest. In many rural regions this is a difficult task because there is no local leadership that operates at the regional level.

Quebec recognised this problem after it introduced the new county level governments (MRCs) as a way to put in place a large enough population base and local economy that it would be possible to achieve critical mass for businesses and government services. While local community leaders were expected to participate in a county government, they had no tradition of working with the surrounding communities, and had often seen them as competitors. To overcome this mistrust and to establish a regional way of thinking the provincial government introduced the *Pacte Rural,* which provided financial incentives for collaboration among communities within an MRC. While both social and economic actions were supported in the first version of the Pact, Quebec determined that building stronger social integration was a precondition for effective economic co-operation and so the second version of the *Pact Rurale* focused on developing regional social capital.

Funding is provided for small scale collaborative projects that involve multiple communities or interest groups. While these specific projects provide a useful local outcome, for example: an art fair, a walking trail or a joint tourism promotion initiative, the main value for the province is that collaboration is strengthened. After almost ten years of support most MRCs now have a relatively strong sense of collective identity and see development of the larger region as a positive benefit for their individual communities.

Source: OECD (2010), *OECD Rural Policy Reviews: Québec, Canada*, OECD Publishing, Paris.

… The governance structure going forward should be different…

Rural England is similar to peri-urban rural areas in other countries, so rural policy in England offers multiple opportunities for other countries to examine policy options for their peri-urban areas. In England the last decade has seen a considerable effort to decentralise a very unitary government structure. The creation of regions has allowed the introduction of policy that no longer provides the same things to all parts of the country. Mainstreaming this flexibility across space is important if public policy is to respond to different opportunities. Thus our recommendations suggest that the governance structure going forward should be different than it has been in the past.

… no national rural policy may be more than offset by a more tailored regional policy…

In many ways, England has moved from "rural" to "regional" policy as a way to deal with spatial differences. The notion that rural areas are no longer seen as needing a specific "rural policy" can be interpreted as a loss for rural areas because of the inability to benefit from different types of support from those available in urban area, or it can be seen as an opportunity to gain from more tailored regional policy. Consequently, the

introduction of a regional approach bodes well and should be perceived as an opportunity for each region to develop interventions that are appropriate for its specific rural territory. Devolution of responsibility to the RDAs is an important innovation. It recognises that national laws and policies can only provide a broad brush environment. The nine English regions provide an opportunity to reweight national goals established through the PSAs and DSOs in ways that better fit the underlying opportunities in each territory. National results are ultimately the aggregation of individual actions, and the key message of devolution is that improving the local environment is crucial. A continued commitment to effective "double devolution" should result in improved local competitiveness, which will lead to improved regional competitiveness and ultimately improved national competitiveness.

… The benefits of devolution would be expanded with more fiscal capacity

With more limited national fiscal capacity the opportunities to induce particular behaviours at the local level by providing funding are reduced. Additional duties are, of course, an alternative behavioural change option, but one that contradicts the basic premise of devolution. In practice, the art in improving governance will lie in the ability to modify existing constraints (rules and regulations) in ways that maintain the key principles that led to their initial introduction, but which also allow greater flexibility in behaviour by individual actors, so that they too can achieve their objectives. Enhancing governance will be crucial if the four other key policy themes are to be sucessful. These are:

introducing a distinct rural component to the regional cities strategy,

enhancing mainstreaming to ensure equitable access to an appropriate set of consumer/household services in rural England,

strengthening the rural economy by joining up housing policy, planning policy and economic development strategies at the local level, and,

expanding rural connectivity by developing robust networks.

This in many respects reflects the reduced fiscal capacity of the UK government due to the recession, which limits traditional policy mechanisms. This also reflects in part the basic ideas of the NRP, which is based upon the rural governance experience of other OECD countries. In part it reflects changes that are already underway in the UK policy process, due to devolution and the recommendations from major policy reviews. In part it reflects the changing nature of the larger world that England operates in, including modifications to EU policy and changing global conditions. In part it reflects the new environmental concerns of, climate change, energy and food availability and sustainability.

An example of this new governance structure is realigning the roles of the GOs and the RDAs. The GOs in relation to the RDAs are experienced but appear to be severely underutilised. At the sub-national level the division of responsibilities under the SNR awards the RDAs the wider mandate and the more strategic role. However the GOs are "Whitehall in the regions" and are experienced in implementing and co-ordinating across all Departments, whereas the RDAs experience and capacity is more linked to its funding sources. Because of the use of a "single pot" the RDAs have considerable flexibility in decision-making. In addition, despite the vast amount of work the RDAs are doing, there is always the risk that when prioritising objectives Defra will lose out to the directives of BIS and CLG respectively, because these agencies account for a much larger share of the RDA budget.

... and a more stable governance period would improve delivery

But change must always be balanced against stability. Providing a more stable national policy environment could help individuals, organisations, firms and local governments make better decisions. The policy environment in England is highly unstable. For example, while RDAs have been in existence for a number of years and play a central role in sub-national policy design and delivery and are charged with administering EU programmes, they do not have independent statutory status. As things now stand, the UK government could choose to either abolish them or expand their responsibility with a simple change in policy. Consequently, those who deal with the RDAs must consider the possibility that they may cease to exist. This clearly has to influence long term commitments to by potential partners RDA programmes. Similarly, the ongoing role of the GOs is equally ambiguous. Irrespective of the mechanism, the UK government will continue to play a key role in structuring: the physical environment, the economic environment, and much of the social environment in rural England, and implementing these recommendations will also require modifications to governance structures.

The trend in OECD countries, including those with unitary governments, is to increase the responsibilities and flexibilities of regions. In England, the establishment of the RDAs, the use of LAAs and MAAs and the introduction of Regional Cities, all point to a governance system that moves decision-making out of Whitehall. This process has inevitably led to an unstable policy environment as the new structure takes shape. It now seems that sufficient reform has taken place to provide an opportunity for new behaviour at the local level. But if the national government is to acquire the hard evidence to see if these changes are desirable it will have to provide a period of governance stability. This is needed for two reasons. The first is that rational individuals will not commit to the new structure if they believe it will soon be changed. Thus without stability there is no opportunity to see how local decisions are affected. The second reason is that ongoing policy change makes it impossible to sort out the effects of specific policies. If two policies change and there is an observed change in the behaviour of decision makers, there is no possibility to indentify the specific contribution of either policy to the change in behaviour.

4.4. Enhancing mainstreaming

Mainstreaming is an effective strategy for delivering national public services to the majority of urban and rural households. Because peri-urban England is tightly coupled to urban England the same basic service delivery mechanisms can be used in the majority of both territories. In many cases people in rural areas are even able to obtain services from proximate urban places, or it is possible to provide virtually identical services locally because there is sufficient density of the rural population to allow cost-effective provision. Tight budgets are coming at a time when the demand for public services is likely to grow. Budget constraints will inevitably conflict with popular demands for more and better public services, especially as the English population ages. This makes it vital to find ways to both define appropriate sets of public services that improve the quality of life of people in different settings and to find more cost-effective ways of delivering them.

... Defra's capacity to ensure that rural mainstreaming is followed should be reinforced

While Defra is charged with ensuring that mainstreaming is carried out across the UK government it has too few resources to adequately monitor what is going on in other

departments early enough to allow easy modifications and too little authority to require changes when there is a clear rural disadvantage. For mainstreaming to meet its potential there should be an additional resource commitment to Defra and there must be some supplemental mechanism put in place that gives Defra standing to go to the Cabinet, if necessary, to ensure compliance with mainstreaming requirements. This is not an unusual issue. In North America both Agriculture and Agri-Food Canada and the United States Department of Agriculture are charged with lead roles in rural development. And in both countries other agencies have far more influence over rural conditions, but often pay little attention to the effect their policies have on rural people, firms and places. Not surprisingly, only in the infrequent times when the Minister, or Secretary, of Agriculture has strong political influence do other agencies pay real attention to requests to consider the consequences of their actions on rural areas.

... Mainstreaming should be supplemented with a specific rural policy for sparse areas

While mainstreaming can fully address the needs of most of the rural population, sparsely populated areas are not fully benefitting. Some services that are available in the majority of the territory, such as, proximity to a major hospital, ready access to further and continuing education, or access to a major retail complex, are simply not possible in a small community in a sparsely settled region. Thus, to increase the effectiveness of mainstreaming and to ensure that adequate levels of public services are provided to all, it would be useful to introduce tailored rural policy in sparse areas that can address the unique issues facing places that: have low population density, are considerably distant from urban centres, and feature low levels of demand. Such a policy would parallel the already existing Neighbourhood Programmes that have been created in the recognition that mainstreaming is not adequate to deal with concentrated pockets of urban disadvantage. Moreover, by taking the sparse territory out of mainstreaming it could become easier to persuade all departments that the objectives of rural mainstreaming can be met at a reasonable cost, because the incremental unit costs of serving people in less sparse regions should not be materially different from serving them in urban regions.

To date mainstreaming seems to be focused on defining equitable sets of services, but with limited consideration for service provision difficulties in sparse areas. For services that are either provided directly by the UK government or whose provision is influenced by the UK government, either by regulations, financial support or some other means, there will be tendency for the service to be designed in an urban-centric way. This simply reflects the fact that the rural population is small relative to the urban population and the sparse rural population is particularly small. As a result, designers will ensure that the programme works in an urban setting. Moreover in an urban society, it is increasingly unlikely that those charged with designing the service have any particular knowledge of actual rural conditions.

... Take better advantage of the option under mainstreaming to deliver services in different ways

Mainstreaming offers the opportunity to deliver services in different ways if circumstances differ, but this seems to be a seldom used approach. It appears to be a problem of the department providing a service failing to adequately incorporate the

principles of mainstreaming into its policy design and deployment strategies. Also, given fixed budgets and the cost-savings associated with adopting standardised approaches there has been reluctance by some departments to adopt the programme flexibility inherent in the idea of mainstreaming. At present there is little incentive for any government agency to be proactive in rural mainstreaming. Service delivery costs are higher in rural areas, identifying clients can be problematic in rural areas, and new mechanisms for delivering public services may have to be introduced. These factors have negative implications for the performance evaluation of an agency that tends to focus on increasing the number of clients served and low cost per client served. In addition, because mainstreaming combines rural and urban service delivery it is actually a more complex policy than traditional rural policy and to be effective requires a higher level of co-ordination. There is risk of a co-ordination capacity mismatch at the national and sub-national levels. By placing the responsibility on all departments to mainstream, the co-ordination framework is much wider than a traditional rural development policy. However, if resources, both physical and financial, continue to decline, the capacity to co-ordinate mainstreaming effectively will be undermined.

… high mobility of users and "bypass" complicate the design of service delivery

The high degree of rural-urban interaction results in fuzzy boundaries for service delivery centres. With high mobility in England people may choose to access services near where they live, near where they work or at some point in between. This makes it difficult to *a priori* identify the client population and their needs. The blending of urban and rural populations has important implications: for where service centres are physically located, the mix of services that are provided and co-ordination with public transport plans. Improving service quality in one place may lead to diminished demand in nearby communities if users "bypass" their local provider. When designing service delivery mechanisms it is crucial to look beyond the proximate users and identify potential impacts in adjacent places.

… For mainstreaming to be more successful the rural proofing process must be strengthened

Rural proofing is a tool that policy-makers are expected to use when designing and planning policies and programmes to help assess likely rural impacts and identify necessary adjustments to ensure equitable outcomes in rural areas. In essence, it is the mechanism by which the principle of rural mainstreaming should be implemented. However, there is clear evidence that rural proofing is in many cases either not being undertaken sufficiently well (if it is being undertaken at all) or not being undertaken early enough in the policy development process, which means that it is often being used as a means of evaluating rural impacts after the event. While it is useful to have evidence of whether policies as they are being implemented are meeting mainstreaming goals, and some form of ongoing monitoring of rural impacts is clearly necessary, there is a need to ensure that rural proofing is undertaken earlier and more systematically in the policy design process. This would improve policy-making by requiring those responsible for designing policies to give proper consideration to the spatial impacts of their schemes, and it would ensure that any extra costs that might arise in delivering the policy in rural areas are identified and built into the policy delivery plans from the outset.

… rural proofing should be better coupled to mainstreaming and to Defra's efforts…

The rural proofing process has to be better coupled to mainstreaming and to Defra's efforts to ensure that other departments fully consider mainstreaming in the policy design process. At present, the necessary link between the principle of mainstreaming and the proper application of the practice of rural proofing is not being made as regularly and systematically as it should. This is not helped by the separation of responsibilities between the CRC, which is charged with advising on and monitoring rural proofing, and Defra, which is responsible for encouraging and promoting rural mainstreaming overall. The current triple mandate of the CRC results in an inherent conflict of interest that could call credibility into question. The CRC has three distinct roles – to be the rural advocate, to provide objective rural analysis to government, and to act as a rural watchdog, which involves monitoring rural proofing. The rural advocate role is a significant policy innovation and one that has been beneficial for rural people and communities in England. However, an advocate is, by definition, not a neutral party, but one who takes the side of his or her client. Consequently, if the CRC is to provide unbiased analysis to the government, it should not be tainted with even the hint of an exaggerated "pro rural" perspective.

… and the separation of roles between Defra and the CRC should be revisited

The current separation of roles between Defra and the CRC is not desirable and weakens the capacity to implement both rural mainstreaming and rural proofing. While there is some merit in having an arm's length monitoring and evaluation process for rural proofing, this seems to be outweighed by the fact that CRC finds it difficult to gain access to government departments (perhaps because it is perceived as principally a rural advocate) and is not, consequently, well integrated into early discussions of incorporating rural interests into policy design. If the government is to achieve its goal of moving from an after the fact policy assessment to one where rural interests are part of mainstream policy design, then the two functions of design and evaluation should be better coupled. The obvious solution is for Defra to take over the rural proofing function and integrate with its mainstreaming responsibility. The new Rural Proofing Toolkit offers an opportunity for more consistent approaches to measuring the extent to which mainstreaming goals are being accomplished. The introduction of a more uniform way to go about the rural proofing exercise should improve its credibility. As long as rural proofing is seen as an *ad hoc* process it is easy to discount the conclusions drawn. The tool kit is not only useful for assessing programmes and policies, but it may be useful for those designing new programmes and policies because it offers a description of how rural proofing will be carried out.

4.5. Introducing rural to regional cities

A logical extension of the peri-urban nature of rural England is that a major portion of the rural territory is part of the hinterland of a major urban centre. In England there is a strong interest in extending the current Multi-Area Agreement (MAA) process to allow regional cities greater flexibility and greater self-direction over their development. At present the main thrust of the regional cities process is to identify ways in which the urbanised portions of the territory can better co-ordinate their policies and programmes. However, the fundamental nature of the regional city is that the majority of its territory is rural in nature and rural residents can account for a considerable minority of the population in the region.

… Consider the needs of rural citizens in regional cities…

As regional cities gain more autonomy, it will be important for the rural citizens within their reach to have their interests considered in the process. Without careful attention to ensure effective participation the combination of more professional city governments and the weight of majority voting could marginalise rural concerns and reduce the opportunity for rural areas to contribute fully to the regional economy. The main benefit to local authorities from entering into an MAA is increased flexibility in resource allocation and in setting policy targets. While the MAA process provides no new resources it does relax constraints on the use of existing resources so that local governments can use them in more effective ways. In a time of financial exigency, where new resources are unlikely to be available to any level of government, the best way to increase efficiency is to improve the allocation of existing resources. Thus, the introduction of Regional Cities, if it allows even

Box 4.2. **The Lübeck Bay Model Region: A regional city**

The Lübeck Bay Model Region (RALB) is based on the city of Lübeck and its surrounding hinterland in the two Länder of Schleswig-Holstein and Mecklenberg-Vorpommern. The Model Region was created as part of a rural regional development strategy (Regionen Activ) implemented by the government of Germany in 2002. The region has a population of 425 000 people with an area of 194 000 square kilometres. About half of the population is in the city of Lübeck, with the remainder in a number of small cities and towns and the open countryside. There are about 100 municipal governments in the region, but that in Lübeck is by far the largest and most professional.

The goal of the Regionen Activ programme was to build local capacity in rural areas in a manner similar to LEADER. To participate local governments had to agree to form a regional compact and had to submit an application detailing their development strategy to the national Ministry of Agriculture, which managed the programme. A fixed budget was available for the programme and only some of the applicants were chosen for funding.

The Lübeck Bay Model Region is essentially a "city region" that reflects the territorial reach of the old Hanseatic city of Lübeck, which existed as an independent city state up to 1937. After 1945 part of the region was in East Germany (Mecklenberg-Vorpommern) and part in West Germany (Schleswig-Holstein). Within Schleswig-Holstein there was limited collaboration between Lübeck and the other municipalities.

Funding allowed the RALB organising committee to engage in a number of projects designed to build local networks that would strengthen regional identity and increase employment. Specific projects undertaken focused on: improving agricultural production, including organic farming, strengthening the local tourism sector, and developing renewable tourism opportunities. These projects are all based in the rural part of the RALB and follow typical European Union Pillar II rural development activity.

However, the members of RALB also note that an important result from forming a regional partnership among the rural local governments was an improved ability to negotiate with the city of Lübeck on all issues. In the past each individual municipality had tried to deal with Lübeck on a case by case basis and generally had little influence. The RALB provided an organisational structure that both made it easier for small governments to first form a consensus and then negotiate with Lübeck, and conversely the RALB provided the city with a well-defined contact point when it wanted to discuss relations with surrounding local governments.

more flexibility in management at the local level, may be a key to improving public sector productivity.

An advantage of city regions is that they closely correspond to functional regions

England has introduced city regions in attempt to allow these functional regions to better manage their growth. By providing administrative coherence over a local labour market there is greater opportunity to increase private sector and public sector productivity. London, in particular, exerts a strong economic influence over most of the rural area in southern England and well into the Midlands. This means that planning for rural development in the area has to incorporate anticipated changes in the urban territory. Other large cities also have major hinterland effects, so that there is very little rural territory that is not part of some functional region that has a major city at its core.

… explore the opportunity under the city regions to manage the urban-rural interaction

City regions offer an innovative way to manage urban-rural interaction, but at present the rural component seems to be ignored. While the idea of city regions could be advantageous for rural areas that fall within a city region boundary it appears that there has been very little thought about how the introduction of the city region will affect the associated rural population. To a great extent city regions appear to be designed to allow urban growth management, with no thought for the potential consequences for rural communities and citizens. It is not clear whether rural areas will have a veto over plans that have adverse consequences for them, or whether they will even have significant input into plan formulation. Because urban rural flows are bi-directional it will be important to recognise all the linkages within a city region if the policy is to be broadly accepted.

Proximity to an urban place is generally beneficial for rural firms and households. Available evidence shows that rural communities, households and firms in close proximity to an urban centre take advantage of the broader array of goods and services available there. Moreover, in England there are already large flows of commuters both from proximate rural areas into urban areas, but also from urban areas into rural territory. The high degree of rural-urban interaction already in existence offers an opportunity for improved co-ordination. But to accomplish this, the concept of the regional city should explicitly recognise that rural territories, communities and populations are a distinct part of the region.

… introduce policies to support rural areas not part of city regions

If city regions are to be a major part of the spatial development strategy for England, then there has to be some policy put in place for those rural areas not part of a city region. Moreover, at present, it is not clear what happens to those rural territories that do not fall within a city region. This gap in thinking about spatial strategy has broader policy implications. For example, England sees mainstreaming as reducing, if not eliminating the need for specific rural policy. Within any given city region it may be the case that there are few significant gaps between the quality of life of urban and rural populations, and public services are appropriately delivered through mainstreaming. However, the larger the role played by city regions in organising the delivery of public services, the more important it becomes to determine how services are to be equitably provided to those in the sparse territory beyond the boundaries of city regions.

4.6. Ensuring equitable access to services

The growing pressure on all levels of government for cost control and efficiency plays a role in service delivery. Because it is cheaper to deliver urban services and because agencies are often evaluated on a cost per unit or total number of contact basis, there is an incentive to focus on urban and peri-urban clients because more can be achieved with a fixed budget than is the case with clients in more remote or sparse regions. Mainstreaming as a policy framework implicitly recognises the advantages to providers and users of a single system of service delivery that can meet urban and peri-urban needs. Linking these two sets of demand provides opportunities for scale economies and additional types of service. Residents in peri-urban areas may have to travel somewhat further to receive services than if they were provided locally, but they are compensated for their higher travel costs by: higher quality services than could be provided in a rural setting, lower unit costs of providing the service and a greater variety of service providers.

The delivery of services, whether public or private, is invariably more expensive in more sparse rural areas, and this must be taken into account in setting policy. Lower population density, longer travel distances and a small client base increase the unit costs of providing all services. However delivery costs are considerably lower in peri-urban areas where the rural population can potentially take advantage of service delivery systems put in place for urban populations. This is particularly likely to be the case for rural residents who commute to an urban job, or for those who have relocated from a city to the near countryside. In both cases the individuals are likely to be familiar with; and use, variety of urban options for virtually all services. The changing demographics of rural areas make it important for the UK government, the regional agencies, and county and local governments to think carefully about the mix of services that the population of the future will require. As demographics change, transportation choices are altered in response to climate change adjustments and new options for services become available, there is considerable opportunity to identify new ways to meet the goal of providing an equivalent quality of life in urban and rural areas.

Two groups are adversely affected by the current mainstreaming approach

The challenge for this approach comes in two parts. The first is the peri-urban resident who has limited capacity to reach urban service providers due to lack of access to transport or for health reasons. For this type of person a local service provider is highly preferred, even if it is higher cost and poorer quality. The second challenge is for those who live beyond travel limits to the urban service providers. They are completely unable to piggyback on the availability of services in urban centres.

Access to transport is often the single largest barrier to access to services

It is apparent that people in most rural areas have access to good public services; however, many rural dwellers even in peri-urban areas have difficulty accessing these services due to lack of a car or poor public transport. Transportation is thus a cross-cutting development issue and needs to be tackled on a partnership basis. This is where one would expect to find many innovative trials of new service provision strategies and programmes and expect to see considerable evidence and commentary on the virtues of rural proofing. There are indeed wonderful examples of this being attended to, and implemented, in rural England, but unfortunately a large number of these seem to be launched as pilots and then

to remain as such, rather than becoming core aspects of enduring system change that bubbles across rural regions. While increased pressure on budgets means that national government is less likely to fund new approaches than in the past, if there is more budget flexibility at the regional and local level there may be opportunities for some of these innovations to be more widely adopted.

To ensure that rural people receive adequate access some care has to be taken in determining appropriate locations for the service, co-ordination of operating hours with local bus schedules and co-locating services so that multiple activities can take place on a single trip. Where public service access is most problematic is where transport is not available or the distance to the service location is great. This is most common in sparse areas where there are few major towns and limited public transport. While lower income households in England are more likely to have a car than are urban households with similar income levels, there are still considerable numbers of the elderly and poor who have do not have car and live in regions with weak public transport systems.

… re-emphasise the importance of innovation in delivering services in sparse rural areas

Too often in sparse areas the search for efficiency is leading to consolidation of services in order to increase the number of users at any site. However the benefits of consolidation in rural areas are often less than anticipated. If the service provider pays any portion of the transport costs, the increased distances travelled offset some of the savings from consolidation. If the client pays the travel costs then the volume of customers is generally less than anticipated, because some users conclude that travel costs are too high to justify the trip. This suggests that different paths to efficiency should be explored – ones that deliver services in ways that do not rely upon scale economies. In more sparse areas the UK government should consider encouraging the use of alternative delivery options or even alternative types of services that provide equivalent outcomes. The most effective way to deliver a service in an urban or peri-urban setting may not be the most effective way to deliver it in a more remote rural environment. For example, school choice is relatively easy to achieve in a densely settled area because there are several schools within an easy commute. In a sparsely settled area there may only be one school and it is already a long commute for many of the students who attend. If the rationale for school choice is to assure children and parents that they have access to a good education, then for rural schools in remote areas an alternative approach that focuses on maintaining school quality may be needed.

Social exclusion can be hidden in some rural areas. Older people in rural areas are generally considered better off than their peers in urban areas. However, those who are vulnerable, or at risk of social exclusion, experience rates of disadvantage similar to their urban counterparts. In particular, they can experience unique challenges in accessing transport, health and social care, and social and civic activities, and are more likely to live in poor quality housing. Public service reform will be central to ensuring rural ageing is a positive experience. The government's principles of public service reform – citizen empowerment, new professionalism and strategic leadership – will be central to ensuring that older people who are at risk of social exclusion in rural areas stay healthier for longer and continue to lead productive and fulfilling lives as they age. Interviews and field visits detailed the problems and provided examples of innovative full and partial solutions. But

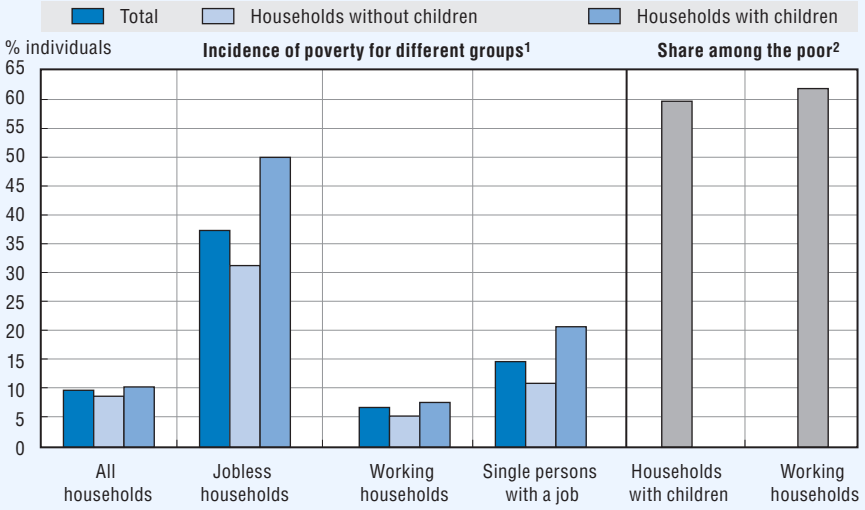
these solutions seem to be the exception rather than the norm, not easily moved from "pilot" to accepted and integrated practice and only achieved with great sustained determination and perseverance by local leaders and providers.

Box 4.3. **In-work poverty**

In England, rural poverty is scattered rather than concentrated. According to the Commission for Rural Communities 2.4% of deprived English areas are rural but 17% of all deprived households are rural households. Employment does not always guarantee an adequate living standard. In OECD countries most working-age persons living in poverty were part of a household containing at least one worker. The risk of poverty varies depending on an individual's history the labour market, their family situations and workforce group. In work poverty is largely a structural problem.

On average across OECD countries, 7% of individuals living in households with at least one worker are poor and more than 10% of the working population in Japan, Mexico, Poland, Portugal, Turkey and the United States are poor. The working poor constitute the largest target population for anti-poverty policies in all OECD countries; on average they account for more than 60% of all working age poor.

In work poverty is not only low-wage workers, in fact the overlap between low-paid employment and in-work poverty is low. Hourly wages of the working poor are not necessarily at the bottom of the wage ladder. On average, less than one in ten low-wage workers in 21 European countries, for which data is available, live in a poor household. Instead underemployment is a key determinant of in-work poverty. Time spent at work for the working poor differs from the rest of the employed population. More than half of the working poor in all countries work on average six months or less over the year.



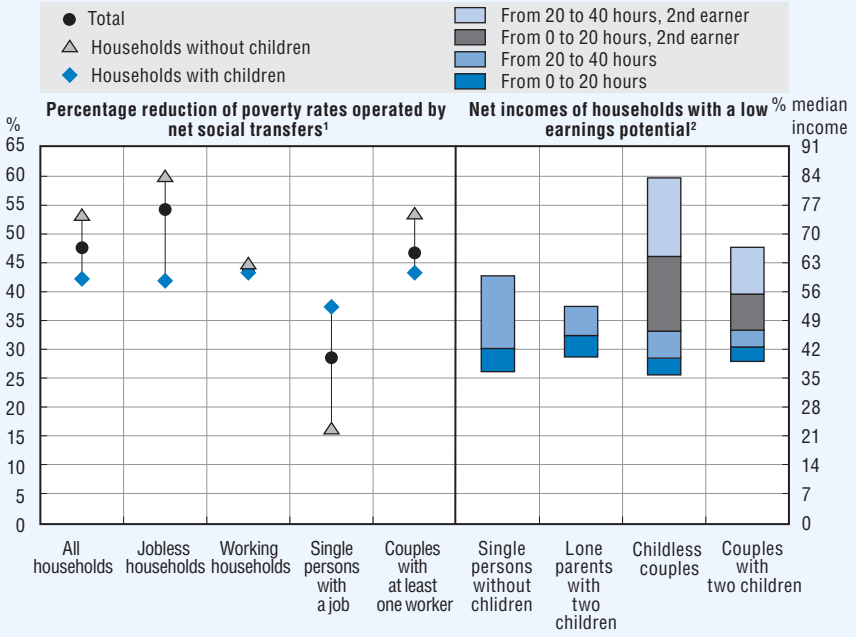
Notes: Unweighted averages over 28 OECD countries (Turkey and Switzerland are excluded).

1. The bars represent the percentage of individuals living in a household with disposable income below 50% of the median income, among all individuals living in a household with a head of working age (with/without children). Poverty rates are also calculated for 3 broad subcategories of households: jobless households (with/without children), households with at least one worker (with/without children), and single persons with a job (with/without children).
2. The bars represent the percentage of individuals living in a household with children and with at least one worker, respectively, among all individuals living in a poor household.

Box 4.3. **In-work poverty** *(cont.)*

Policy levers such as net social transfers and in-work benefits are providing some relief.

National systems of social transfers substantially affect comparison of poverty rates among different countries. Net social transfers – the combination of gross cash public transfers and household taxes, play a role in alleviating poverty in all OECD countries. The income support provided to jobless households with children, which reaches, on average, 40% of the median income in OECD countries, considerably reduces the depth of poverty, even if recipients still live below the poverty line. They can cut the poverty rate by almost half and can have more impact in households with children than childless households. However, it seems to benefit the jobless more so than people already employed. On average full time employment in a low paid job leaves the disposable income of one parent slightly below the poverty line, while it brings the incomes of two earner couples if there are children to only 65% of the median income.



Notes: Unweighted averages over 24 OECD countries.

1. The effect of net social transfers is measured by comparing poverty rates based on disposable income, that is, after gross transfers and taxes, with the incidence of poverty that would be observed in the absence of gross transfers and households taxes. More precisely, poverty rates before net social transfers refer to the share of people with market income (*i.e.* pre-transfer/tax income) below 50% of household disposable income.
2. Households with low earnings potential refer to households containing low-wage workers only, that is, workers paid 40% of the average wage on an hourly basis, or the minimum wage rate when the latter is higher than 40% of the average wage.

Many OECD countries offer in-work benefits (IWB), transfer payments to up the earnings of low income workers. They help redistribute resources to low income families, and make employment more attractive for workers with low earning potentials. IWB can be: targeted towards individual low-paid workers and provide stronger work incentives; or targeted towards low income families which is more redistributive in focus. OECD observed that IWBs that are means tested, based on the families income enjoy an advantage by making it easier to reach only low-income families. The effectiveness of IWB type policies varies substantially across countries. IWB schemes are found to be either ineffective or very expensive in countries where the distribution of in work earnings is relatively compressed at the bottom of the wage ladder.

Box 4.3. **In-work poverty** *(cont.)*

Because minimum wages are not designed to address specific family situation or specific employment conditions they are not regarded as an effective anti poverty tool. Usually high minimum wages tend to reduce employment among low productivity groups and compress the distribution of wages, making it difficult to implement IWBs schemes inexpensively. However if the minimum wage is reasonable, there could be synergies between IWBs and the minimum wage.

Source: OECD (2009), *OECD Employment Outlook, 2009, OECD Policy Brief* "In-work Poverty: What can governments do?", OECD Publishing, Paris.

4.7. Strengthening the rural economy

Currently rural England is highly dependent on various forms of public sector support. In the future rural prosperity will, more likely, be based upon a stronger private sector, because the capacity of the UK government to expand, or even maintain, current outlays is questionable. Thus, a key policy challenge is to find ways to enhance the competitiveness of the rural economy. To do this more than a focus on pure economic development approaches will be required. Success will involve finding ways to allow planning policy, housing policy and economic strategies to operate in harmony. The UK government has recognised the importance of increasing productivity in England at the national and regional levels (HM Treasury). There are strategies to increase the productivity of the lowest performing regions to the current national average as a way to increase economic welfare. However, the macroeconomic approach currently employed views regional economies as a decomposition of the national economy, and cannot provide a framework for actually improving regional economic performance. In reality, the national economy is a simple aggregation of the nine regional economies, just as the economy of each of the nine regions is an aggregation of its microeconomic units. For a region to have an improved economic performance, the productivity of individual firms has to improve. And, this requires a policy focus on firm level behaviour.

Even where rural productivity is lower than urban productivity because of a different industry mix or a different skill mix, there is still a great benefit from ensuring that the rural economy is performing at, or near, its potential. This was the fundamental message of the Burgess report on releasing the potential of England's rural economy. The economic structure of rural England differs from that of urban England in terms of: workforce skills, firm size, and industrial composition, once you get below the two digit NACE level. To improve performance these differences have to be taken into account in policy and practice. Several of the RDAs have determined that support for rural business requires a different approach; others have adopted a uniform business support structure across their territory. This creates a natural experiment on how to best deliver assistance to rural business, and the results should be examined.

... Reduce the number of government imposed restrictions on individual choice

In a period of fiscal constraint where government cannot provide as much direct financial support to local actors the best option for ensuring a stronger economy may be to find ways to selectively reduce the constraints that firms and local governments face. Assume for convenience that a firm or government has some objective. Its ability to achieve

the objective is a function of the resources it controls and the limitations it faces in taking action. In England there are numerous constraints on action that come in the form of national regulations and laws, each of which is developed to meet some particular policy objective. There are also regional policy directives and regulations, and there are district and county rules and regulations that affect firms. The multiple layers of regulation can combine to effectively constrain behaviour to a very narrow range of feasible alternatives, all of which result in low productivity. A basic principle of mathematics is that a constrained optimisation problem can never yield a higher optimum value than an unconstrained problem. And, as the number of constraints increases the maximum value of the objective function becomes ever more likely to be reduced. While laws, regulations and rules all have individual value, their cumulative effect may be to impose a major burden on productivity. In our visits we were told several times that there seems to be a shift in the planning system from an indicative role at the national level to a prescriptive role at the local level. It is our belief that this sense of a shift to prescription is largely the cumulative effect of local actors having to face a plethora of rules, each of which has some individual merit, but which cumulatively place so many restrictions on behaviour that planning is perceived at the local level as compelling particular actions that are undesirable.

… issue by issue approaches to policy analysis run the risk of missing important synergies

While there have been recent comprehensive reviews of planning policy and housing policy, and the government has moved enthusiastically to adopt many of the recommendations, our sense is that these changes are being individually introduced before fully examining how they impact upon each other, and, most importantly, before a full assessment of the links between housing supply, planning goals and economic activity in rural areas is undertaken. The basic unit of analysis for this type of assessment should be the local labour market. But, the availability of housing, the types of firms and their labour force requirements, and the capacity of the transport system, all condition the size of the local labour market. If any of these change significantly, the appropriate spatial unit of analysis will also change. For example, an area with a restricted housing supply and a planning regime that limits new housing and new sites for firms will likely have a geographically large local labour market with high rates of long distance commuting. This will reflect the difficulty households face in finding housing near job opportunities. In addition, there is likely to be significant underemployment, as individuals drop out of the labour force, because commuting costs are too high, and employers fail to expand because a site is not available or because there are too few workers with appropriate skills within a reasonable commuting distance. Lower levels of rural productivity can be explained in part by policy constraints that limit the options available to firms and workers, or which raise their costs. Suppose more housing is constructed near a major employer. This should encourage its workers to move closer and reduce their commute. The housing that these workers free up could allow other workers to relocate to reduce their commute. With less commuting required some people may choose to enter the labour market and employment could increase. As a result the physical size of the local labour market could shrink and output and employment expand.

… take advantage of the opportunity offered by the SRS to improve policy coherence

At the national level, and more recently with the introduction of the SRS at the regional level, there is clearly the intent to forge a strong degree of coherence among housing,

planning and economic development strategies. The national policy approach uses PSAs and DSOs to develop a comprehensive framework that recognises interdependencies among departments and programme areas. Similarly, the Single Spatial Strategy provides an opportunity for each RDA to identify how it will meet national objectives within the unique conditions of its geographic territory. But below this level of government there appears to be a degree of confusion and decoupling among the three broad objectives.

… community viability depends upon employment, either within a place or in neighbouring places

Ultimately the viability of a rural community depends upon its population having employment opportunity. If, in addition, society desires compact rural labour markets, where commuting is limited, then the planning process will have to ensure that sufficient housing is available in close proximity to employment opportunities, or vice versa. To the extent that in the future private sector employment plays a larger role in providing rural employment opportunities due to lower public sector outlays, it becomes even more important than in the past to ensure that planning and housing policy support employment creation. Further, for rural areas to increase their productivity and meet national targets it will be important to increase the efficiency of and competitiveness of private sector firms and better functioning labour markets can play a key role in this regard.

… local labour market areas offer an opportunity for implementing better approaches to planning

While there is a widely recognised rural housing problem that can only be resolved with the construction of additional housing units the plans for locating these units seem to be largely based on land characteristics with little attention to underlying economic activity or potential. Given the considerable degree of concern with the implications of increased commuting in England it would seem natural that there be more regard at the district level and below for addressing housing needs within the context of a local labour market. To do this will require a planning process that is sensitive to firm needs in terms of location. The ideal location will vary by type and size of firm but it will certainly be influenced by traditional location factors, such as, the price of land, transport routes, availability of labour, potential for expansion and business climate. The more the planning system constrains firm choices to specific locations that are chosen without regard for these attributes, the less likely it is that the firm will be profitable.

… a targeted rural policy for sparse areas could build upon existing initiatives for market towns…

A targeted rural policy for sparse areas could easily build upon existing market towns and seaside community programs. Parallel to the city region approach there may be a need for a targeted rural development policy. The current interest in revitalising market towns and seaside communities may offer a way for dealing with this problem. These local population concentrations provide essential economic and social services to their surrounding territory and create smaller functional regions. Policies to support these places as regional hubs could provide a useful complement to the city region approach, especially in those rural areas that lie outside a city region. While planning housing and economic development strategies are fundamentally linked issues it is the housing problem that has the most visibility. In part this reflects the influx of new rural residents

who compete for the existing stock of housing, but who are either commuters or are retired, and so have limited connections to the local labour market. While these people come to rural England because it is seen as a desirable place to live, ironically their arrival often has a deleterious effect on the community they move to.

Box 4.4. **Kentucky Entrepreneurial Coach Programme**

Active entrepreneurs are now seen as a crucial element in rural development. However few rural regions are able to sustain a significant level of entrepreneurship. While many regions provide support for small businesses in the form of funding and management and technical support for individuals who actually decide to start a new business, there has been little formal effort to support the initial decision to become an entrepreneur. Support is provided to those who self-select, but there are potentially many more individuals who have thought about becoming an entrepreneur, but who do not take that next step of actually starting a business.

Increasing the number of potential entrepreneurs is a useful strategy because it should increase the number of new businesses started and because it fosters a local environment where operating a small business is seen as a normal activity. The state of Kentucky has supported an Entrepreneurial Coaches Programme operated by the University of Kentucky for almost a decade. This programme was initially targeted on a region in the state where there had been a historic dependence on tobacco farming and limited interest in entrepreneurship. With the end of the tobacco programme most of the farmers in this region faced having to find another source of income. Some could shift to other crops, but many had farms that were too small to be economically viable with alternative agricultural products.

These farmers were seen as potential new entrepreneurs. But to become actual entrepreneurs they needed support, first in imagining a new career and then in taking a new business idea to a point that it had a reasonable probability of success. The University received financial support from the state to train entrepreneur coaches in all the counties in the region. The job of the coach is to provide advice and support to nascent entrepreneurs. Each coach was a local resident who had previously demonstrated engagement in community development. The coaches enrolled in a two year training programme in small business development. To reinforce the applied nature of the programme each participant was required to actually bring an individual from an initial idea to starting a business.

The programme is now training its third set of coaches and has received a number of national and regional awards for innovation in business development. Most importantly virtually all the coaches in the first two classes have been able to help multiple individuals start new businesses in their communities. While individually each business provides only a few jobs, collectively they make a useful contribution to the local economy and most importantly each new business demonstrates that it is possible for local people to start a successful new business venture.

Note: More information is available at: *www.uky.edu/Ag/CLD/KECI/*.

… Resolving the relative scarcity of social housing in rural England should be a priority

Resolving existing problems in the housing sector are central to keeping rural England a desirable and vibrant location. The UK government has thoroughly investigated all the dimensions of the rural housing problem. Unfortunately each of these assessments has both pointed out the necessity to improve housing markets and made clear the real challenges in finding a politically acceptable solution. There is a clear tension between the

desire of people to visit and live in an unspoiled pastoral environment and the obvious impossibility of this environment being maintained if large numbers of people actually try to do this. High housing prices slow the flow of people to the countryside, by only allowing the wealthy to purchase homes. But this leads to social exclusion and displaces long-time residents from their ancestral community. Restricting the supply of housing prevents the conversion of farmland, but need not improve farmers' incomes and wealth. Restricting the availability of rural housing enhances the viability of urban regeneration programmes, by strengthening the incentive to use often higher cost brownfield sites. A restricted housing supply provides opportunities for rural tourism based upon visual amenities, but it can preclude other economic options including manufacturing, a stronger retail sector and new types of active tourist attractions. It also contributes to the mismatch in local labour markets, because people are unable to move in to fill employment opportunities if there are no housing vacancies, and because people who have a residence but no job are unwilling to move away if they believe they will not find accommodation elsewhere. A rigid housing market also contributes to higher levels of commuting, which exacerbates emissions levels and makes it harder to achieve climate change targets.

A key challenge in the rural housing market is establishing an effective social housing policy. At one time there were large numbers of public housing units in rural England. Many of these were converted to private housing and this happened at the point in time when urban to rural migration accelerated. The result has contributed to the shortage of affordable housing. Moreover, given current fiscal constraints, no level of government appears to be prepared to directly fund major new investments in social housing to restore the earlier balance between the owner occupied and social housing stocks. Further contributing to the rural housing problem is a relative scarcity of private rental housing. Individuals with a home they could rent on an annual basis can typically make a better return by either selling it or by renting it in the seasonal holiday trade. Individuals wishing to build new units for rent face the same challenge in finding a parcel eligible for housing construction and getting planning approval as do developers building for resale.

Population projections for England suggest a larger rural population and a continuation of the trend toward smaller size households. This is effectively a forecast for increased demand for rural housing. If the demand curve for rural housing shifts out faster than supply the inevitable consequence is an increase in price. Higher prices will reduce effective demand, but there may be social preferences for an allocation of rural housing that is not driven primarily by the individual's ability to pay. Efforts should be made to show how England has the capacity to absorb more rural housing without compromising the nature of the countryside. While there is a popular belief that rural England is already overbuilt, this seems not to be the case. Indeed large parts of the rural countryside are effectively excluded from development, so the amount of land that is potentially buildable is much smaller than might be thought. New housing units could be added in rural communities in ways that do not detract from the existing *milieu*. And, in many ways it may be less disruptive to build a few housing units in many places than to build a large number of units in a few places. From a political perspective this results in the costs and benefits of new housing being broadly distributed, rather than concentrated on a few communities.

… consider including a broader set of objectives in the planning system

There has been a tendency for the planning system to see small rural communities as no longer being viable because their local economy has shrunk and their level of self-

supply is low. As a result there has been an unwillingness to allow new housing to be built, for fear it will soon be unused. This perspective ignores the fact that these small places are now part of a larger functional region, and it is the viability of that region which supports the individual communities. In essence a group of villages forms the same sort of cluster as a group of small enterprises. They can collectively mimic the function of a single large community. One community may have more employment opportunities than residents and others more housing than local jobs, but with close proximity workers can easily make the connection. While planning is vital in a complex society where there are competing demands for resources and potentially large externality impacts on the public, the structure of the planning process could be improved. Prescriptive planning approaches that set hard targets at a national level, such as, determining the number and regional distribution of new housing units, may be less appropriate than a more indicative planning system that provides incentives for local communities to determine individual housing targets. If these targets prove to be inappropriate it is possible to alter the incentives so that local targets are adjusted.

Box 4.5. **Planning and rural small business: the Innov-8 story**

At a Commission for Rural Communities meeting in York on 5 February 2009 the founder of Innov-8 discussed the difficulties he faced in initially getting planning permission to start his business in rural England and then the difficulties in expanding his business when it outgrew its initial building. Innov-8 was founded in 2003 to design, manufacture and distribute advanced off-road running and extreme sports products. This is a relatively small specialised and high value manufacturing enterprise that has an expanding demand.

Because of the nature of the product and owner's personal interest, a rural setting in the Pennines was selected as the location for the firm. The owner noted that opportunities for off-road running were important to him and his technical staff for business and personal reasons, and a remote rural area was ideal. However, approved sites for manufacturing enterprises were not readily available and it was difficult to gain approval for a site because the planning system assumed that manufacturing should be in larger centres, not small remote villages. While approval was eventually obtained the owner noted that it was a difficult process.

After several years the business became successful enough that a major expansion was needed. While the owner wished to remain at the initial site it proved impossible to gain planning approval for expansion, despite the possibility for increased local employment. As a result the firm relocated to a larger community in the region.

Innov-8 is the type of firm ideally suited to rural areas. While much of its manufacturing now takes place in China it offers both high paying and lower-wage employment opportunities. Moreover it is a business that has few negative environmental consequences, both because of its nature and because of the management practices. Consequently it would seem to be the type of business that should have been encouraged in rural England. Because small business location decisions are driven by the owners personal lifestyle interests as well as pure business needs, it is impossible for a planning system to establish fixed locations and be successful in capturing business. Flexibility in planning decisions could have helped make the Innov-8 start-up and expansion easier. While Innov-8 eventually started and expanded there are possibly other entrepreneurs that chose not to locate in rural areas or expand because of planning difficulties.

4.8. Expanding connectivity

The OECD countries are now part of a global network economy where those with high degrees of connectivity have a competitive advantage over those with fewer and weaker connections. While England has distinct advantages due to its small size, high population density, and relatively dense transportation systems, it is still true that many English rural areas, especially the sparse ones, are not full participants in modern society and the network economy. In a period where the UK government faces serious budget shortfalls it is more difficult to justify investments that may not appear to have an immediate payoff. However, if rural England is to be competitive in a global economy and to contribute fully to national wealth, it will require the full set of connectivity investments.

... More attention to improving connectivity would bring considerable benefits

The modern economy is increasingly being driven by dense networks for communication and the exchange of goods. The result of this is that successful places everywhere are connected to each other, and places that are not well connected are not successful. Networks within rural areas are inherently less dense than in urban places because there is a lower population density and fewer individuals and firms. However, rural areas rely on these networks both for internal linkages and for connection to the outside world. Because they are more limited there is less redundancy and any break in a rural network can have far greater consequences than a similar break in an urban place where duplicate connections exist. For rural areas to prosper they need stronger communication. Governments everywhere have recognised the importance of broadband Internet to rural areas, and in England there are ongoing efforts to finish connections for the last few rural places and to improve connection speeds across the country.

... Improvements to surface transport systems are vital for a better functioning economy

In particular the secondary road system in rural England can be a challenge, which increases the cost of connectivity and contributes to congestion. Growing populations and the higher incidence of commuting from urban to rural, rural to rural, and rural to urban places considerable strain on the existing network. While it might be better if people lived closer to their place of work, the decline of lifelong employment, the complexity of households with multiple workers, and the rigidities of the housing market virtually guarantee that commuting will continue to increase irrespective of climate change concerns. Better public transport is certainly a potential way to reduce the number of private vehicles but it will not reduce commuting and may increase it. In addition, a clear consequence of limited connectivity in rural areas is reduced choice. Where people are spatially constrained, they are restricted to local providers of goods and services. Typically there is only one provider of any given product or service and this conveys monopoly power and possibly lower standards of service. While the Internet and parcel delivery services have broadened choice in many ways, this is only effective for goods and services that do not require face to face contact.

... Efforts to improve rural broadband are a crucial way to improve connectivity

Better broadband connections in rural England offer the opportunity to improve connectivity and to achieve goals in enhanced service delivery and economic competitiveness. Broadband provides opportunities for cheap, quick and effective communication. It is the medium that underpins the vast majority of the ways that

modern society communicates, and weak broadband effectively limits how well people and firms can participate in the larger society and economy. But broadband offers more than just communication improvements. It can become the way that public services are provided – health care diagnostics and education, and the way that firms market their products – web sites and e-commerce. For rural areas where physical distance has been an impediment to productivity the benefits of broadband can be immense because of its distance defeating aspects.

The network economy has allowed new forms of business co-ordination to develop that could help some rural places in England. Improved communications and connectivity and global markets have resulted in firms developing extended supply chains that source materials from widely dispersed locations. This approach contrasts with "just in time" technology that emphasises geographic proximity, but for certain industries where components are small, high value and easily transported extented supply chains are a viable model. The approach works best for small volume, high value products where shipping costs are not a major factor. But for a firm to be able to participate in this type of supply chain it must have skilled labour, broadband Internet and access to good roads and international air freight connections.

Box 4.6. **The national programme for broadband deployment in rural and isolated areas in Spain**

Plan Avanza is Spain's umbrella strategy for the advancement of the Information Society. The plan is overseen by the Ministry of Industry, Tourism and Trade (MITT) under the State Secretariat of Telecommunications and the Information Society (SSTIS). The Plan's objectives are in line with the European Commission's *i2010 strategy: A European information society of growth and employment*. Plan Avanza's objectives include:

Digital Citizenship – policies to increase ICT competencies in the population and promote the use of digital services;

Digital Economy – promote the incorporation of ICTs in firms and business models;

Digital Public Services – the integration of ICTs in the production and delivery of public services across all areas of government; and

Digital Context – large scale projects to increase coverage (as well as improve accessibility, quality and speed) of mobile telephone networks, broadband Internet and digital terrestrial television.

Approximately 92.7% of Spain's territory can be classified as rural and is home to 42% of the country's population. Concerned about the growing digital gap between rural and urban areas (see Table) in Spain, a number of Plan Avanza initiatives targeted rural areas. One example is discussed below.

Digital Divide in sparsely populated areas of Spain

Population density	Percentage households with Internet access	Percentage households using a broadband connection	Percentage of individuals who access Internet on average, at least once a week
At least 500/km^2	58	52	56
100-499/km^2	50	43	47
Less than 100/km^2	38	31	38

Box 4.6. **The national programme for broadband deployment in rural and isolated areas in Spain** *(cont.)*

The PEBA Project

Implemented between 2005 and 2008 with a total budget of 90 million Euros (MiTT provided 18 million in zero interest loans and 8.4 million in grants to ERDF objective 1 regions), the National Broadband Extension Plan (PEBA) aimed to ensure broadband affordability in rural and isolated areas without distorting competition. Certain service requirements were mandated:

Minimum bandwidth: 256/128 Kbps.

Price caps: 39 EURO (one-off sign-up fee) plus 39 EURO (monthly fee) during the first 36 months.

Comparable technical characteristics to commercial broadband services.

Technology neutrality (any technology could in principle be deployed, although subject to the assessment of the Evaluation Committee).

Deployed infrastructures should be open to third parties for at least *three* years (*e.g.* DSL wholesale obligation on condition fixed by the telecoms regulator).

Deployment objectives were defined and a list of eligible population centres was included in the calls for proposals.

Only three Autonomous Communities did not participate and the technologies used were: ADSL (86.3%), WIMZX (5.1%), Satellite (8.4%) and HFC (.2%). To monitor the implementation and roll out, an evaluation committee was established comprised of the SSTIS, Autonomous Communities, local government and operators.

Over 8 million people gained broadband coverage through the PEBA project. And currently operators are offering download speeds of around 3 Mbps (for DSL technology) in line with commercial offers well above the initial 256 Kbps requirement. PEBA will be continues under Plan Avanza 2 an infrastructure subprogramme that is focussed on providing the remaining uncovered rural areas with broadband.

Sources: OECD (2009), *Information Society Strategies: From Design to Implementation: the Case of Spain's Plan Avanza*, OECD Publishing, Paris and EuroStat (2008), *Information Society Database*.

... There should be greater reliance on Public-Private Partnerships networks

There is a growing use of Public-Private Partnerships (PPP) as a mechanism for enhancing rural development. Partnerships involve collaboration between government agencies and either firms or non-profit organisations. While it is possible to have a PPP that involves only two partners, the complexity of rural problems and the necessity for actions by multiple parties to address the needs of rural places leads to complex partnerships. These partnerships are a network of themselves, but can only be created if strong communication networks exist within the region to allow connectivity. Other countries have relied upon PPPs as a way to foster locally based rural development. The advantage is that the process is owned by the participants and reflects their values, so it is likely to persist even without external government support. For England a renewed emphasis on PPPs would be a way to consolidate the resources of very small communities into an organisational structure that had critical mass and long term viability. It would also provide a way to continue to support development efforts in a period when national government funding is less generous.

... Find ways to link small settlements to improve their viability

An important dimension of this task is to find ways to better connect the large number of very small rural places that are individually too small to be able to approach self-sufficiency. In the past the planning system has seen these places as not viable and tried to restrict additional investments. However, an alternative approach is to see these places as part of a larger network or system. While each small village may have a distinct boundary and be some distance from the next settlement, the actual distances are not large and it is possible to see clusters of small places as jointly achieving minimum scale.

... improve the flow of communication between government and the rural population

A final important aspect of connectivity refers to the connections between government and its citizens. In rural areas there is a single important advantage that comes from rural citizens being much closer to their local government than is typically the case in highly urbanised environments. However, rural residents are often less well connected to higher levels of government, including district and county councils and the national government. As the population served by a level of government increases it becomes less likely to respond to small groups and individuals and more likely to focus on larger interest groups and national political agendas. In this environment a small community can easily become lost, especially when it lacks any meaningful knowledge of the rules of engagement with the government. Contributing to the problem of connecting citizens to government is the tendency of the UK government to engage in a process of continuous change. Policies, programmes and departments are all subject to "refreshment" that is supposed to keep them up to date, but inevitably leaves the average rural citizen confused as to who should be approached and what they can be asked for. Given the inevitable policy flux, it is even more important that citizens be confident that they are receiving timely information from the national and regional governments on recent changes. And, it is important that citizens believe that they have an effective mechanism, or mechanisms, for communicating the consequences of change back to policy makers.

4.9. Summary

In recent years rural England has largely benefitted from active public policy that has created jobs and provided benefits for the rural population. Consequently socio-economic conditions in rural England are generally better than in urban England. However, the trade-off has been a high degree of regulation. But now, with a greatly constrained budget, there will be less public money spent in rural England. While it is clear that new public policies will develop for rural England, the nature of those policies is not yet clear. This chapter provides five broad suggestions for consideration that are designed to further facilitate a transition towards a more investment oriented set of policies that will allow the private sector to play a stronger role in employment and in providing goods and services in rural England.

More effective governance structures can both set a framework for private sector decisions and continue to provide important public goods directly. The process of devolution must continue if rural places and people are to be able to play a lead role in shaping their future. Mainstreaming provides an important and powerful approach for the delivery of government services, but to be more effective, both mainstreaming and rural proofing will need further tuning to improve their uptake by all government departments. England has moved a long way in devolving responsibility for policy implementation away

from Whitehall, but has not moved nearly as far in terms of granting policy design and funding flexibility. Local governments remain constrained in terms of targets and are highly dependent upon grants and other conditional transfers for funding. Finally the number of rural policies and agents is distressingly large, and there appears to be considerable duplication in function. All of this leads to confusion, both within the government and in the rural populace about what rural policy is, and who carries it out.

The introduction of Regional Cities as a spatial organisation and management tool is an important innovation. Regional Cites are true functional regions and they allow the alignment of administrative capacity with local markets. Because of the high degree of rural integration with urban centres in peri-urban England there are great synergies in labour markets, housing markets, and markets for goods and services that can be tapped through the Regional City approach. But to be fully effective two important issues must be addressed. The first is to ensure that the rural portions of territory in each Regional City are full partners in the arrangement. The second is the necessity to find an alternate policy framework for the more sparsely settled rural areas that are remote from core cities and not part of any City Region.

The service sector is the largest part of the economy in OECD countries, and access to quality services is both a precondition for a good quality of life and a key contributor to economic growth. Mainstreaming is the mechanism for the public delivery of services in rural England, but there are also other important service providers. More attention should be paid to private and "third sector" options for service delivery. In rural England the main factor separating those with good access to services from those without is access to transportation. In particular, those without a car in rural areas are at a disadvantage, because of limited public transport. Expanding public transport is an option, but so too is identifying innovative ways to bring services to rural people. This is especially important in sparse rural areas where it is not possible to commute to an urban area to access public or private services.

With a diminished role to be played by government it will be important to strengthen market forces in the rural economy. While there is already evidence of a strong entrepreneurial culture in rural England it is presently hampered by a number of factors. In particular there must be a stronger effort to connect land use planning policy, housing policy and economic development policy as they affect rural England. Where the greatest need for this connection exists is at the local level in terms of decisions about specific land uses. At the national level there already seems to be a degree of coherence among the three policy sets, but at the local level it appears common to see more conflict than coherence. A crucial, but challenging, task will be to reshape the cultural stereotype of rural England captured in the rural idyll, to something that accepts that a far broader range of economic functions can be performed in rural England than those associated with pastoral landscapes.

A large part of the disadvantage found in rural England is associated with lack of connectivity. This manifests itself as: a lack of transport, weak broadband availability, long commutes to school and work, and more expensive goods and services because of high transport costs and limited competition. Modern economies are increasingly driven by dense networks that allow physical and electronic connections. The low population density of rural areas makes networks harder to establish and fewer in number. But relative to other OECD countries rural England has a great advantage, because its rural areas are far

more compact than is usually the case. But once again, the popular perception of rural as bucolic and traditional impedes needed improvements in road, rail and power grids and in telecommunications. Because so many settlements in rural England are very small, less than 300 people, it is crucial that ways to improve connectivity among these places is vital if they are to survive as viable places for people to live.

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Évaluation et recommandations

Examen de l'Angleterre rurale

Aucune région d'Angleterre ne peut être considérée comme majoritairement rurale au sens de la définition de l'OCDE

L'Angleterre se situe au-dessus de la moyenne de l'OCDE en ce qui concerne les régions intermédiaires et majoritairement urbaines en termes de territoire, de population et de part du PIB. Selon la définition de l'OCDE, environ 10 % de la population de l'Angleterre est considérée comme rurale. Dans les régions intermédiaires, la part de la population rurale représente 28 %, contre 4 % seulement dans les régions majoritairement urbaines. Suivant la typologie utilisée par les autorités britanniques, à peu près 80 % de la population est classée dans la catégorie « urbaine » (vivant dans un lieu de plus de 10 000 habitants) et 20 % est classée dans la catégorie « rurale ». Sur les 9.6 millions de résidents ruraux, seuls 600 000 (6 %) vivent dans des zones rurales « clairsemées » mais ils constituent l'essentiel de la population de ces zones, puisque l'on ne compte que 100 000 résidents urbains de zones clairsemées. En revanche, les quelque 9 000 000 résidents ruraux de zones « moins clairsemées » ne représentent que 20 % de la population totale. Un territoire moins clairsemé est en gros une zone adjacente à des peuplements urbains, ou sur laquelle ces derniers influent, tandis que le territoire clairsemé subit peu d'influences urbaines importantes.

Si le Royaume-Uni possède un assez grand territoire majoritairement rural, tel que défini à l'aide de la typologie de l'OCDE, on ne retrouve pas l'équivalent en Angleterre. Ainsi, au sein de l'OCDE, l'Angleterre se situe dans la même catégorie que les Pays-Bas, la Nouvelle-Zélande et le Luxembourg, qui ne possèdent pas de régions majoritairement rurales. En règle générale, l'analyse des conditions de vie en milieu rural et de la politique rurale au sein de l'OCDE a surtout mis l'accent sur les conditions de vie dans les zones majoritairement rurales. Ces zones se caractérisent par : de faibles densités de population, l'absence de grandes villes, des distances relativement longues qui les séparent de grands peuplements urbains et des liens économiques et sociaux internes limités. Si l'Angleterre possède des zones rurales, elles ne correspondent pas à ces caractéristiques et les difficultés que rencontre la politique rurale en Angleterre rurale sont donc quelque peu différentes de celles auxquelles sont confrontées les régions rurales dans la majeure partie de l'OCDE.

Étant donnée l'absence de régions majoritairement rurales, le présent rapport utilise la typologie rurale des autorités britanniques. Cette approche est plus adaptée dans le cas d'un pays densément peuplé où la majeure partie de la population rurale et du territoire rural se situent à proximité de centres urbains. L'idée d'absence de concentration est l'un de concepts clés de cette typologie, ce qui prend en compte les différences entre les régions rurales plus densément peuplées situées près de zones urbaines, et les régions rurales isolées, moins fréquentes. Puisque le territoire de l'Angleterre est relativement petit par rapport à la population, une grille spatiale fine est aussi nécessaire pour pouvoir identifier

les zones rurales. Les zones urbaines étant réparties dans toute la campagne, l'utilisation d'agrégations spatiales plus grandes, comme les districts, se traduit par des densités moyennes de population qui occultent leurs éléments ruraux, même si le territoire est en grande partie rural par nature.

En moyenne, l'Angleterre rurale a de meilleurs indicateurs démographiques et socio-économiques que les zones urbaines

Les zones rurales de l'Angleterre, comme celles de l'Écosse, remettent en cause le profil démographique typique d'autres zones rurales de l'OCDE. La population anglaise augmente au fil du temps et la population des zones rurales augmente plus rapidement, principalement du fait d'un afflux de retraités. La disponibilité de logements dans les zones rurales est ainsi un problème beaucoup plus important dans l'Angleterre rurale que dans la plupart des pays de l'OCDE, dont beaucoup voient leur population rurale diminuer. La hausse de la population rurale est due en grande partie à l'afflux de personnes plus âgées nées dans le pays en provenance de zones urbaines anglaises, en particulier des retraités et des navetteurs. La population rurale vieillit donc assez rapidement, même par comparaison avec les autres pays de l'OCDE. Cet afflux de résidents urbains plus âgés a fait vieillir et a enrichi les régions rurales, ces derniers amenant généralement avec eux une richesse considérable. À l'inverse, la hausse de la population urbaine est due en grande partie à l'immigration. Les taux de natalité dans l'Angleterre urbaine et rurale sont en baisse, comme c'est le cas dans la quasi-totalité des pays de l'OCDE et les taux de remplacement naturels ne sont plus suffisants pour soutenir la croissance de la population.

L'Angleterre rurale dans son ensemble affiche de bons indicateurs socio-économiques par rapport aux zones urbaines et présente un solde migratoire positif. Une différence essentielle entre les populations urbaines et rurales défavorisées est que ceux qui sont les moins bien lotis dans les zones urbaines sont généralement concentrés géographiquement dans des quartiers spécifiques d'une ville, alors que les personnes défavorisées vivant en zone rurale seront généralement dispersées sur tout le territoire. Cependant, il existe de grandes différences entre les ménages ruraux vivant dans des régions clairsemées et ceux qui résident dans des régions moins clairsemées. Tandis que les ménages qui vivent dans des régions moins clairsemées, et constituent la majorité des ménages ruraux, affichent un taux de pauvreté inférieur à celui des ménages urbains, l'inverse est vrai pour les ménages ruraux habitant des régions clairsemées. En 2006-07, la proportion de ménages vivant avec moins de 60 % du revenu moyen dans les zones urbaines était d'environ 19 %, alors qu'il était de moins de 18 % dans les régions moins clairsemées et de 26 % dans les régions clairsemées. Cette distinction entre les zones clairsemées et moins clairsemées est valable pour d'autres indicateurs socio-économiques. Si globalement les ruraux s'en sortent mieux que les citadins, c'est parce que la plupart des ménages ruraux vivent dans des territoires moins clairsemés, où les conditions sont meilleures que les moyennes urbaine et rurale. Cependant, en ce qui concerne la minorité de résidents ruraux qui vivent dans des territoires clairsemés, de nombreux indicateurs sont beaucoup plus mauvais que la moyenne urbaine.

En dépit de ces différences démographiques et socio-économiques, l'Angleterre rurale partage également un certain nombre de caractéristiques importantes avec les zones rurales d'autres pays de l'OCDE. Il s'agit notamment : d'un taux élevé d'émigration chez les jeunes ruraux, de taux de natalité très faibles au sein de la population rurale, d'un rôle

relatif diminué pour l'agriculture et d'autres industries primaires dans l'économie rurale, et de difficultés d'adaptation de l'économie rurale à un système d'échanges plus ouvert et à un avantage comparatif international changeant. Ce dernier point évoque des implications importantes pour la combinaison de compétences et de types d'entreprises qui seront nécessaires dans l'économie rurale future.

On trouve des quantités relativement importantes d'espaces verts dans toutes les régions d'Angleterre, y compris à Londres

Si le Grand Londres ne possède quasiment pas de terres rurales, il compte néanmoins une grande quantité d'espaces verts – 38 % du territoire, sans compter les jardins. Parmi les autres régions anglaises, c'est dans celles du Sud-Est que l'on trouve la proportion la plus importante de terres aménagées, avec 12.2 %, celles du Sud-Ouest affichant la proportion la plus faible, avec 7 %. Par ailleurs, une grande partie de la campagne anglaise a été réservée à un usage public. L'une des formes de restriction les plus visibles en matière d'aménagement du territoire est la ceinture verte. La plupart des terres de la zone périurbaine qui entoure les villes ont été désignées comme des espaces ouverts. L'objet principal de cette désignation est de limiter l'étalement urbain, mais elle a également pour conséquence de créer des espaces verts de proximité pour les citadins. Si certaines terres situées dans les ceintures vertes ont été cédées au titre de l'expansion urbaine, la quantité de terres non aménagées dans les différentes régions reste relativement constante. En 2006, l'Angleterre comptait 1.67 million d'hectares de ceinture verte, soit environ 13 % du territoire anglais.

L'Angleterre rurale possède une gamme variée de paysages naturels. Les grandes catégories de terres sont notamment : les parcs nationaux (8 %), les sites naturels exceptionnels (16 %), les sites d'intérêt scientifique particulier (8 %) et les zones écologiquement sensibles (9 %). 8 % sont en outre désignées pour d'autres types d'objectifs publics liés à l'environnement. Mais du fait d'une gestion extensive des terres, en Angleterre peu d'entre elles pourraient être qualifiées de sauvages. À l'heure actuelle, le territoire qui est le moins touché par l'activité humaine correspond approximativement aux zones qui sont les plus éloignées des zones urbaines aménagées. Une caractéristique importante du paysage anglais est le pourcentage élevé de terres à usage agricole, l'un des plus élevés de l'OCDE. Comparé à beaucoup d'autres pays plus grands, une proportion beaucoup plus importante des terres anglaises est adaptée aux cultures. Par le passé, l'un des axes principaux de la politique rurale en Angleterre était de veiller à ce que ces terres restent consacrées à la production agricole pour des raisons de sécurité alimentaire. Si la quantité de terres des exploitations agricoles a diminué au fil du temps, la baisse a été plus rapide dans le cas des terres non arables que dans celui des terres agricoles de meilleure qualité, et la terre agricole à diminué plus lentement que l'accroissement de la population rurale.

À bien des égards la gestion durable de l'environnement naturel est indispensable à la compréhension de la politique rurale en Angleterre. Il existe un attachement culturel fort à la « campagne anglaise », qui a conduit à mettre fortement l'accent sur la préservation de l'environnement. L'environnement joue depuis longtemps un rôle important dans le discours social et politique en Angleterre. Mais aujourd'hui, les inquiétudes liées au changement climatique ont ajouté une nouvelle dimension à un sujet déjà complexe. Les inquiétudes relatives à l'environnement incluent également : la gestion de la croissance démographique, la réduction de différents types de pollution, la protection des espèces, la

réduction au minimum des effets négatifs des systèmes de transport et la gestion durable de l'usage des sols. Tout cela a d'importantes incidences sur la qualité de vie des résidents ruraux et sur la structure économique de l'Angleterre rurale.

L'Angleterre faisant partie d'une île, l'écosystème marin joue un rôle presque aussi significatif que l'écosystème terrestre. De manière générale, la politique rurale anglaise n'a jamais accordé beaucoup d'attention aux questions côtières, néanmoins la majeure partie du littoral se situe hors des zones urbaines. Le changement climatique devrait en particulier accroître la vulnérabilité aux inondations dans de nombreux sites côtiers. En 2009-10, 56 % des EUR 1.24 milliard de budget de l'Agence de l'environnement ont été affectés à la gestion des risques d'inondation et des risques côtiers. Il est par conséquent important d'examiner l'interaction entre les stratégies d'atténuation des inondations et la politique rurale. Un second lien évident avec le littoral est le potentiel de l'énergie éolienne off-shore qui exigera la construction de nouveaux moyens de transmission dans les zones rurales proches.

La nature compacte de l'Angleterre se traduit par un degré élevé de connectivité entre les zones urbaines et rurales

Peu de régions rurales du pays sont à plus d'une demi-heure de route d'une ville de taille moyenne, ce qui rapproche l'Angleterre de pays de l'OCDE tels que les Pays-Bas, la Belgique et le Japon. L'une des conséquences est un niveau élevé d'interactions sous forme de couple région rurale-région urbaine. Ces interactions suscitent l'intérêt général du public pour la « campagne », ce qui est à la fois un avantage et une contrainte pour le développement rural. La plupart des politiques liées aux zones rurales sont influencées par ce degré élevé de connectivité. En particulier, la possibilité pour les populations urbaines de visiter facilement les zones rurales, et pour la plupart des populations rurales de visiter, de travailler, de faire des courses et d'avoir accès à des services publics dans les zones urbaines a conduit les autorités britanniques à adopter un cadre de politique rurale « *mainstreaming*[1] » qui met l'accent sur les similarités entre les zones rurales et urbaines.

Le mode d'implantation dans l'Angleterre rurale a donné lieu à une structure comprenant un grand nombre de très petites, voire de microcollectivités. L'Angleterre rurale est constituée essentiellement de villages et de hameaux. Une partie significative de la population anglaise (6.7 %) vit dans des collectivités de moins de 500 personnes. Seuls les lieux de 30 000 habitants et plus, qui représentent 71 % de la population, affichent une plus grande proportion. Ainsi, sur les 20 % de la population anglaise que l'on trouve dans les zones rurales, un tiers environ vit dans des lieux de moins de 500 habitants. En outre, quelque 6 % vivent dans des lieux comptant entre 500 et 2 500 habitants. Au total, ces deux groupes représentent environ deux tiers de la population rurale.

Le cadre de planification et les besoins de logement en milieu rural sont parfois incompatibles

La faible disponibilité et le coût élevé du logement dans de nombreuses régions de l'Angleterre rurale affectent à la fois la qualité de vie des résidents ruraux et la compétitivité de l'économie rurale. Le logement est le plus gros poste de dépenses pour la plupart des ménages et le coût du logement représente en moyenne une part du revenu

des ménages plus grande dans les zones rurales que dans les zones urbaines. Cela témoigne d'une population rurale en augmentation qui a constamment devancé le taux de croissance des logements ainsi que d'une tendance à la réduction de la taille des familles. Les prix du logement rural sont supérieurs aux prix urbains, aussi bien en moyenne qu'en ce qui concerne le plus bas quartile des prix. Dans les territoires clairsemés comme dans les moins clairsemés, les prix moyens des maisons dans les collectivités les plus petites (hameaux et résidences isolées) ont dépassé les prix des maisons dans les zones urbaines (population > 10 000) au cours de la période 2000-07. En ce qui concerne le plus bas quartile du parc de logements, cette tendance se poursuit. Si le prix des maisons a baissé lorsque la récession s'est déclarée, l'écart entre les prix des maisons urbaines et rurales semble demeurer considérable.

La question de logements abordables est un problème particulier dans l'Angleterre rurale où se conjuguent les prix supérieurs du logement et les revenus inférieurs des ménages. En 2007, un ménage rural à revenu moyen payait en moyenne une somme égale à 7.7 fois son revenu annuel pour une maison rurale de prix moyen, tandis qu'un ménage urbain à revenu moyen payait en moyenne 5.9 fois son revenu annuel pour une maison de prix moyen. Il existe d'importants écarts régionaux dans le pays, les maisons rurales dans le Sud et les Midlands qui subissent les effets du marché immobilier londonien se caractérisant par une plus grande difficulté à trouver des maisons abordables que dans le Nord. En dépit de prix du logement plus élevés, les mesures officielles du problème des sans-abri sont moins élevées dans les zones rurales que dans les centres urbains, mais dans une certaine mesure cela témoigne de l'incidence moindre des foyers et du fait que les gens ont plus de probabilités d'être hébergés chez des amis et des relations.

Un objectif reconnu du système d'aménagement du territoire était de limiter la construction de nouveaux logements dans les zones rurales. À l'origine, cela témoignait d'une volonté de maintenir des terres agricoles, mais plus récemment il s'est agi de préserver des espaces ouverts et de réduire la consommation énergétique associée à des implantations dispersées. Les objectifs de planification ont été contrariés par le désir de certaines populations de s'installer à la campagne, le souhait de logements plus spacieux et une diminution de la taille des ménages. Dans de nombreuses collectivités rurales, cela a engendré une concurrence croissante pour un parc de logements relativement statique. Ces mêmes restrictions en matière de planification ont eu tendance à imposer des limites à la quantité de terres rurales qui peuvent être utilisées à des fins commerciales. Les entreprises qui auraient pu vouloir s'installer dans une collectivité rurale tout comme les entreprises situées dans des collectivités rurales qui ont besoin d'espace supplémentaire ont été pénalisées par cette planification restrictive, de sorte que les débouchés professionnels ruraux sont moins nombreux que ce qu'ils auraient pu être.

Il existe des différences importantes entre les économies urbaines et rurales

D'un certain point de vue, l'économie rurale et l'économie urbaine en Angleterre sont peu différentes par nature. Sous l'angle général de la comptabilité nationale, la structure économique de l'Angleterre rurale est à peu de choses près la même que celle de l'Angleterre urbaine. C'est important, car on en déduit que l'existence de la politique rurale en tant qu'ensemble distinct de politiques et de programmes mettant uniquement l'accent sur les zones rurales du fait de leur caractère unique n'est plus aussi justifié. Si les

différences entre les secteurs en termes de nombre d'implantations dans l'Angleterre urbaine et rurale sont modestes, l'importance relative de ces derniers, en dehors de l'agriculture, est à peu près la même. Si l'on procède aux mêmes calculs pour les emplois, il apparaît également que les différences entre les zones urbaines et les zones rurales sont limitées. De plus, si l'une des plus importantes justifications de la politique rurale est de soutenir l'agriculture, la diminution continue du nombre d'exploitations agricoles et le recul de la part des emplois agricoles lui donnent moins de poids.

L'économie de l'Angleterre rurale n'est cependant pas homogène dans le sens où il existe des différences entre plusieurs communautés rurales. Si en moyenne les zones rurales peuvent avoir une structure économique qui n'est pas très différente de la structure urbaine moyenne, la grande variabilité d'une zone rurale à l'autre fait que la moyenne est peu utile à la compréhension des conditions économiques locales. Par ailleurs, puisqu'une région rurale est, par définition, une somme de petites implantations, la structure économique ne peut ressembler à celle d'une région urbaine autrement que dans les grandes lignes. Une méthode plus nuancée et désagrégée donne à penser que la structure économique de l'Angleterre rurale est assez différente de celle de l'Angleterre urbaine. Si les activités liées à la terre ne définissent plus l'économie rurale, la structure économique de l'Angleterre rurale continue néanmoins de se différencier de différentes façons de celle de l'Angleterre urbaine. Il s'agit notamment :

d'une combinaison différente d'industries ;

d'une combinaison professionnelle différente en termes de compétences ;

d'une fréquence de travail indépendant plus élevée ;

d'une répartition par taille des entreprises différente, les microentreprises et les entreprises individuelles étant plus courantes et les très grandes entreprises très rares dans l'Angleterre rurale ; et

une répartition par taille des lieux différente.

Comme nous l'avons remarqué plus tôt, l'Angleterre rurale est constituée de petites implantations dont les économies sont tronquées et dont la survie dépend largement d'entreprises « orientées à l'exportation » ; l'Angleterre urbaine, en revanche, se compose d'implantations beaucoup plus grandes dotées de structures économiques internes complexes qui favorisent un éventail plus large de biens et services et une plus grande autosuffisance.

Le travail indépendant et l'emploi dans les petites entreprises représentent une proportion plus importante de l'emploi total dans les zones rurales. Dans les zones rurales clairsemées, l'emploi dans les grandes entreprises est très limité, et dans les zones rurales de régions moins clairsemées, les grandes entreprises représentent à peu près la moitié du nombre d'emplois que ce qu'elles représentent dans les régions moins clairsemées. À l'inverse, dans les zones rurales les petites entreprises de différents types fournissent la majeure partie de l'emploi, les plus petites représentant de plus grandes proportions dans les territoires clairsemés et à mesure que la taille des lieux diminue. C'est le reflet logique de marchés du travail plus petits dans les zones rurales et aussi de la difficulté à obtenir l'autorisation d'aménager de grandes parcelles de terrain à des fins commerciales.

Les taux de chômage dans l'Angleterre rurale sont plus bas que dans l'Angleterre urbaine mais suivent les mêmes tendances. Avant la récession actuelle les taux de chômage dans les zones urbaines et rurales avaient baissé régulièrement pendant plus de dix ans, les taux de chômage de l'Angleterre rurale se maintenant néanmoins de manière assez stable à 2 points

de pourcentage en dessous de ceux de l'Angleterre urbaine. Que ce soit dans l'Angleterre urbaine ou dans l'Angleterre rurale, le taux d'inactivité économique – personnes se disant d'âge actif qui ne sont ni employées ni des demandeurs d'emploi actifs – est également relativement stable. Parmi les personnes économiquement inactives, 25 % environ, toutes régions confondues, souhaiteraient avoir un travail, la proportion étant légèrement supérieure dans les zones urbaines. Les travailleurs découragés représentent également à peu près les mêmes pourcentages de la main-d'œuvre dans les régions urbaines et rurales. Les taux d'emploi à temps partiel sont à peu près constants quel que soit le degré de ruralité, mais les travailleurs à temps partiel sont plus nombreux à indiquer préférer travailler à temps partiel dans les régions rurales que dans les régions urbaines.

En général, la main-d'œuvre rurale est moins qualifiée que la main-d'œuvre urbaine. Cela reflète des différences de structure professionnelle (par exemple, il y a peu de postes à pourvoir dans la banque d'investissement ou la neurochirurgie dans les zones rurales). Mais dans les zones rurales les chômeurs présentent les mêmes caractéristiques que ceux des zones urbaines, en dehors d'un pourcentage légèrement inférieur d'étudiants qui cherchent du travail et d'un pourcentage légèrement supérieur de personnes qui ont quitté la population active et ne sont pas à la recherche d'un emploi. De même, des qualifications inférieures débouchent sur des revenus inférieurs et les zones rurales témoignent de ce phénomène. L'incidence des emplois à bas salaire est supérieure dans les zones plus rurales de l'Angleterre. Les bas salaires peuvent indiquer que les marchés du travail ne sont pas compétitifs, où que les employeurs ont une position de négociation dominante, mais ils peuvent aussi refléter un éventail professionnel dans lequel une proportion plus grande de travailleurs apportent peu de valeur et de ce fait sont peu rémunérés.

La productivité est le principal moteur de la croissance économique

En général, les niveaux de la hausse de la productivité des zones rurales sont inférieurs à ceux des zones urbaines. Cependant, si l'on supprime l'effet de Londres, les différences diminuent fortement. Même si globalement le Royaume-Uni est à la traîne derrière d'autres pays de l'OCDE en ce qui concerne la hausse de la productivité, dans certaines régions du Royaume-Uni les niveaux de la hausse de la productivité sont relativement élevés, tandis dans d'autres ils sont faibles. De plus, dans les régions on observe des écarts de productivité entre les lieux qui sont encore plus importants que les variations entre régions. En moyenne la main-d'œuvre des régions rurales compte une proportion supérieure d'individus dotés de niveaux de compétence inférieurs, en termes d'éducation institutionnelle ou de formation liée au travail. Alors que de nombreuses industries rurales sont fortement consommatrices de capital, en particulier les entreprises fondées sur les ressources, il peut être plus difficile de financer l'investissement dans les zones rurales. Le réseau d'intermédiaires financiers est moins dense et étant donné que les entreprises de petite taille sont plus nombreuses, les finances se limitant essentiellement aux emprunts bancaires, les possibilités d'accès aux marchés d'actions ou d'obligations étant faibles ou nulles. Le résultat est parfois un rapport capital-travail et une productivité trop faible.

Les travaux réalisés par l'OCDE ont conduit à la conclusion que l'innovation est un moteur déterminant de l'amélioration de la productivité. Dans les zones rurales, l'innovation est particulièrement importante parce que les entreprises doivent souvent faire face à des contraintes qui n'existent pas dans les zones urbaines. Il s'agit notamment : d'un marché

local réduit qui peut limiter les possibilités de croissance et l'acceptabilité de nouveaux produits, de marchés du travail locaux de taille réduite qui peuvent engendrer des difficultés à trouver des travailleurs en nombre suffisant ou des travailleurs possédant les compétences requises, de coûts supérieurs d'identification et d'évaluation des marchés extérieurs et de réseaux plus fragiles de prestataires de services financiers et de services aux entreprises. Certaines formes d'innovation, en particulier celles qui reposent sur des activités de R-D, sont peu courantes dans les zones rurales. Mais l'on trouve de nombreux exemples d'autres types d'innovations tels que les entreprises rurales qui utilisent les idées de l'entrepreneur pour créer des produits novateurs ou pour adapter des technologies existantes à de nouveaux usages. Dans l'Angleterre rurale, les taux de création de nouvelles entreprises sont supérieurs à ceux des zones urbaines et l'économie rurale est dominée par des petites et moyennes entreprises. En principe, une proportion plus importante de PME devrait également donner naissance à une structure économique plus compétitive, parce que les grandes entreprises ont tendance à avoir un plus grand pouvoir de fixation des prix. Cependant les petites entreprises des zones rurales peuvent disposer de monopoles locaux, dans le sens où elles sont les seuls prestataires de biens ou de services spécifiques pour un large territoire. Par exemple, dans les petits villages, on trouve souvent un pub, une station d'essence et une superette, de sorte que les comportements sont moins concurrentiels.

Pour accroître l'innovation et la productivité, il est important de veiller à ce que les entreprises, en particulier les petites, aient accès à différentes formes d'aide à la gestion et de soutien technique. Dans l'Angleterre rurale, les services aux entreprises sont assurés : par des entreprises privées à but lucratif ; par les pouvoirs publics, que ce soit directement ou indirectement ; et par l'intermédiaire du secteur non gouvernemental. Parce qu'elles sont petites, les entreprises des zones rurales se tournent généralement davantage vers les prestataires de services extérieurs locaux que ne le font les grandes entreprises des zones urbaines, lesquelles ont les moyens de faire appel à des prestataires de services extérieurs situés hors de la région. L'accès à des capitaux d'emprunt est crucial et dans les zones rurales plus éloignées l'accès aux banques ou aux organismes publics qui s'occupent du financement des entreprises peut être moins aisé. La diminution régulière du nombre d'établissements bancaires et la hausse du nombre de distributeurs automatiques et de la banque en ligne nuisent aux entreprises rurales. Les entreprises sont aussi généralement plus tributaires de l'Internet haut débit que les utilisateurs privés, de sorte que le développement plus lent de l'accès haut débit et l'absence de professionnels des TIC dans les zones rurales sont de réelles contraintes.

Le rôle des petites et moyennes entreprises est crucial pour la prospérité rurale. Les entreprises rurales sont essentiellement des travailleurs indépendants et les petites entreprises. Les premiers représentent 30 % des entreprises rurales mais seulement 19 % des entreprises urbaines. De plus, 92 % des entreprises rurales comptent moins de dix employés, contre 14 % dans les zones urbaines. Étant donné que la plupart des nouvelles entreprises sont également de petites entreprises, il n'est pas surprenant que l'incidence de la création d'entreprises soit plus grande dans les zones rurales que dans les zones urbaines. En ce qui concerne les zones rurales, les créations d'entreprises, pour 10 000 habitants, se situent systématiquement au-dessus de la moyenne de l'Angleterre. Seuls les grands centres urbains se situent également à ce niveau élevé, ce qui reflète peut-être le fait que l'incidence de l'entrepreneuriat est généralement plus grande chez les immigrés que chez les autochtones.

Les entrepreneurs ruraux sont moins enclins à développer leur activité que leurs homologues urbains. En termes de développement économique local, on estime

généralement que la manière la plus simple de développer l'emploi et les possibilités de revenu dans l'économie locale est d'agrandir les entreprises existantes, plutôt que d'essayer d'attirer des entreprises extérieures ou de créer de nouvelles entreprises locales. L'économie rurale étant fortement tributaire des PME, la réticence des petits entrepreneurs existants à développer leurs entreprises peut donc constituer un obstacle à la croissance. Il est important de mieux comprendre les raisons pour lesquelles les entrepreneurs sont peu disposés à s'agrandir. Cela peut refléter un marché local limité et une difficulté à exploiter les marchés extérieurs. Cela peut témoigner d'une pénurie de travailleurs qualifiés ou de capital financier. Cela peut refléter des difficultés à étendre physiquement l'entreprise en raison de restrictions liées à l'occupation des sols. Ou cela tient peut-être simplement au fait qu'un entrepreneur se satisfait d'une entreprise d'une taille donnée.

L'Angleterre a depuis longtemps une politique rurale sophistiquée

La politique rurale a évolué depuis le début du XX^{e} siècle, à mesure que les zones rurales passaient du statut de sites de production agricole à celui de zones de loisirs, de conservation et de consommation ambitieuse. La période 1997-2001 se caractérise par une pléthore de nouvelles institutions, stratégies et priorités et d'examens en rapport avec la politique rurale. Les vastes changements institutionnels introduits au cours de cette période avaient autant pour objectif d'améliorer le développement économique dans les régions anglaises que de traiter des problèmes ruraux, et la création des RDA témoigne de ce souci. Un deuxième livre blanc sur les questions rurales a été publié en novembre 2000, parallèlement à un livre blanc sur les espaces urbains. Il a marqué une étape importante dans l'évolution du cadre d'action pour l'Angleterre rurale, avec ses 261 engagements visant à améliorer les services ruraux, les transports, l'économie rurale, la campagne, les villes et villages ruraux, et la manière dont les pouvoirs publics géraient la politique rurale.

À la suite de la création du ministère de l'Environnement, de l'Alimentation et des Affaires rurales (DEFRA), le secrétaire d'État à l'Environnement, à l'Alimentation et aux Affaires rurales a préconisé un certain nombre d'actions pour recentrer et améliorer l'exécution de la politique rurale. Face au constat que les structures d'exécution dans les zones rurales étaient peu claires, bureaucratiques et trop centralisées pour relever les défis futurs, les pouvoirs publics, DEFRA en tête, ont mis au point la Stratégie rurale de 2004. Elle identifiait trois priorités pour une Angleterre rurale durable – régénération économique et sociale, justice sociale pour tous, et valorisation de la campagne. Elle apportait également d'autres changements, y compris le démantèlement de la *Countryside Agency* (organisme consultatif pour les questions rurales) et le transfert de sa fonction consultative en matière rurale à un nouvel organisme, la *Commission for Rural Communities* (CRC). Le *Sub-National Review for Economic Development and Regeneration* (SNR) de 2007 est au cœur du dernier cycle de changements qui touchent non seulement la politique rurale mais le développement de l'action publique dans son ensemble en Angleterre aujourd'hui. Le SNR reconnaissait la nécessité de changements supplémentaires et suggérait des réformes dans les domaines suivants :

- gérer l'action publique aux niveaux spatiaux les plus appropriés ;
- veiller à ce que les rôles soient clairement définis ;
- permettre aux zones concernées d'atteindre leur potentiel ;

confier à l'ensemble des autorités locales la responsabilité de favoriser le développement économique et la régénération des quartiers ;

inciter les autorités locales à travailler ensemble au niveau infrarégional ;

renforcer le niveau régional ; et

réformer les relations de l'administration centrale avec les régions et les localités.

Les pouvoirs publics adoptent la méthode de mainstreaming *pour l'exécution de la politique*

L'Angleterre est un précurseur dans la mise au point d'un mode d'action publique qui s'efforce de relier les besoins en politiques rurale et urbaine, à savoir *le mainstreaming*. Le but du *mainstreaming* est de veiller à ce que les gens de chaque recoin de l'Angleterre reçoivent un traitement comparable de la part des pouvoirs publics. Par conséquent, la politique de développement rural prend la forme de *mainstreaming*. Au lieu d'identifier des politiques rurales spécifiques, les pouvoirs publics se concentrent sur la mise au point de politiques générales dans tous les départements et tous les organismes d'État dans le but d'apporter des avantages spécifiques à tous les habitants de l'Angleterre, où qu'ils vivent. Dans le cadre de cette approche, la difficulté est de veiller à ce que les résidents ruraux puissent bénéficier équitablement d'un ensemble commun de politiques et de programmes. Cette approche en matière de ruralité est unique dans les pays de l'OCDE. L'approche du *mainstreaming* rurale reconnaît que la réalisation de certains objectifs d'action dans les zones rurales peut présenter des aspects individuels. Cependant, au lieu de considérer qu'ils sont incompatibles avec le programme de *mainstreaming* des pouvoirs publics, on s'efforce de soutenir ce dernier en améliorant les connaissances sur les zones rurales et en les mettant à disposition pendant la phase de conception et de mise au point de l'action. De plus, le *mainstreaming* rural capitalise sur l'importance que les pouvoirs publics accordent à la délégation, avec une multitude de collaborations horizontales et verticales à tous les niveaux de l'administration. En outre elle favorise la prise en compte des besoins et préoccupations ruraux de manière précoce et à toutes les étapes de la mise au point de l'action par le biais d'une composante importante du *mainstreaming* rural, le *rural proofing*[2] (mise à l'épreuve en zone rurale).

Le Defra en tant que « défenseur de la cause rurale » s'efforce de veiller à ce qu'elle reste à l'ordre du jour et qu'elle ne soit pas négligée et noyée dans la multitude de priorités des départements sectoriels. Le Defra soutient le *mainstreaming* rural en affectant ses ressources de quatre manières précises : *i)* en agissant comme un défenseur de la cause rurale et en soutenant la représentation des intérêts ruraux dans l'élaboration et l'exécution de la politique générale ; *ii)* en maintenant et en développant de solides liens avec les réseaux ruraux ; *iii)* en améliorant la base d'informations sur le contexte rural et en la partageant avec d'autres services de l'État ; et *iv)* en finançant d'autres organismes, tels que la CRC. Cependant, dans le contexte des questions rurales, le mandat général de *mainstreaming* pose quelques problèmes. Si le Defra concentre son action sur les collectivités rurales et sur le programme rural général, d'autres départements, tels que le département des Communautés et des Administrations locales (CLG) et le ministère des Entreprises, de l'Innovation et des Compétences (BIS), jouent aussi un rôle principal dans la politique rurale, mais ils leur manquent l'accent rural.

Le cadre d'exécution simplifié introduit dans les zones rurales par le *mainstreaming* rural se traduit par un système de financement plus simple pour le Defra mais par un cadre financier globalement complexe pour l'Angleterre rurale. Les fonds du Defra en faveur du développement économique dans les zones rurales sont les suivants : contribution au pot commun des RDA ; programme de développement rural pour l'Angleterre (second pilier de la PAC) ; et fonds structurels européens. En Angleterre, les fonctions de l'administration locale se sont accrues régulièrement par le biais de la délégation, remettant en cause les capacités financières lorsque les responsabilités de l'administration locale excèdent les ressources disponibles. L'administration locale dépend largement de l'administration centrale pour son revenu ; elle a également ses propres sources de revenu sous forme d'impôts locaux et autres redevances et prélèvements. La relation entre les niveaux national, régional et infrarégional varie considérablement d'une région à une autre en termes de coopération et de négociation. Le conseil de paroisse ou le conseil municipal ne sont pas soumis aux mêmes restrictions d'ordre financier que le conseil de district et l'administration communale. Bien que leurs budgets soient beaucoup plus limités que ceux des conseils unitaires ils sont beaucoup plus libres de leurs dépenses.

Le *mainstreaming* et le « programme territorialisé » appliquent la politique rurale au niveau infranational par l'intermédiaire des agences de développement régional (RDA) et des *Government Offices for the Regions* (GO). Dans les années 90, les pouvoirs publics ont subdivisé l'Angleterre en neuf agences régionales, qui sont des acteurs intermédiaires en Angleterre et auprès des bureaux gouvernementaux. Même si elles ne constituent pas formellement un nouvel échelon de l'administration, elles disposent d'un certain degré d'autonomie. Les RDA et les GO apportent un point de vue régional dans le cadre de la mise au point de la politique nationale, travaillent avec des partenaires de niveau régional à la mise au point de stratégies régionales, et pilotent l'exécution des politiques nationales au niveau régional. Ils sont financés par les ministères chargés de la politique nationale qui leurs octroient des fonds en échange de la réalisation au niveau régional d'un ensemble convenu d'activités. Les stratégies de développement local offrent un cadre au sein duquel des projets et sources de financement spécifiques peuvent être optimisés. Elles contribuent également à l'exécution plus efficace des programmes et politiques régionaux et nationaux. Au niveau infrarégional on trouve le *Local Development Framework* (LDF), la *Sustainable Community Strategy* (SCS) et le *Local Area Agreement* (LAA). L'introduction des LAA et de la SCS a contribué à la combinaison en un seul lieu des différents thèmes et des différentes priorités des zones locales. Le LDF regroupe des documents de développement local qui ensemble représentent la stratégie de planification spatiale relative aux zones locales.

Les partenariats locaux sont déterminants pour le *mainstreaming* de la politique rurale lors de la phase de mise en œuvre et de conception au niveau local. Étant donné le nombre d'acteurs au niveau infrarégional et le fait qu'un organisme unique ne peut être chargé de veiller à ce que la prestation de services dans une zone réponde aux besoins et aux aspirations de la collectivité locale, des partenariats se sont développés pour remplir ce rôle aux niveaux du comté et du district. Les *Local Strategic Partnerships* (LSP) rassemblent les principaux prestataires publics, tels que les autorités locales, les organismes chargés de la santé, de l'éducation, la police, les pompiers et les services de secours, et des organismes nationaux intervenant au niveau local, tel le ministère du Travail et des Pensions, l'Agence de l'environnement, et les *Learning and Skills Councils,* ainsi que les secteurs privés et associatifs. L'un des rôles essentiels des LSP est de mettre au point et d'adopter une

stratégie viable pour la collectivité qui définisse un projet pour la région et les principales priorités à intégrer dans un *Local Area Agreement*.

Évaluation de l'action

La manière dont l'Angleterre envisage la politique rurale a beaucoup de points communs avec les principes du nouveau paradigme rural

La politique anglaise a beaucoup progressé en ce qui concerne les objectifs de territorialisation des choix publics, d'accroissement de la responsabilisation, et d'adoption de la prise de décision factuelle. La réorganisation de la gouvernance, l'évaluation de la planification et de l'action, et les améliorations de la coordination horizontale et verticale de l'administration sont en bonne voie. La délégation a fait descendre de nombreux choix publics aux niveaux régional et local. La décentralisation des fonctions de l'administration centrale a favorisé l'existence de flux d'information croissants entre les résidents et l'administration centrale. La métamorphose continue du cadre d'action de l'Angleterre au fil des ans a culminé en une approche qui :

élargit la politique rurale pour y inclure plus que l'agriculture ;

envisage une action axée sur l'investissement, plutôt que sur les subventions ; et

introduit des politiques économiques nationales territorialisées.

Le *mainstreaming* des zones rurales dans le contexte de l'Angleterre est aussi innovant que prospectif et, à bien des égards, représente l'avenir de la politique rurale, avec néanmoins quelques lacunes importantes.

Les fondements d'un *mainstreaming* efficace ne sont pas encore en place. La rapidité avec laquelle l'Angleterre est passée de politiques rurales spécifiques au niveau national à l'absence totale d'interventions spécifiques tel qu'exigée par le *mainstreaming* peut avoir empêché une adoption plus vaste. Cela tient en grande partie au fait que le *mainstreaming* est simple en théorie mais complexe dans la pratique. Le mandat du *mainstreaming* rural – pour assurer la prise en compte de la situation rurale dans le cadre de l'élaboration quotidienne de l'action – exige d'importants moyens de coordination et de contrôle allant au-delà de ce qui est visible. Il apparaît ainsi qu'à court et moyen terme le mainstreaming exige l'appui d'une *politique rurale spécialisée supplémentaire*.

La politique de *mainstreaming* crée la possibilité que les zones rurales et urbaines soient traitées de façon identique, alors que ça n'est pas le cas en réalité. L'idée le *mainstreaming* peut être interprétée, injustement, comme le le reflet d'une croyance implicite en l'homogénéité de l'Angleterre. Mais le processus de planification dément cette position et opère d'une manière complètement différente. Il sépare clairement les zones urbaines et rurales. De plus, la société anglaise semble considérer que l'urbain et le rural sont distincts et différents.

Le *mainstreaming* peut également laisser supposer que la coordination verticale entre les administrations fonctionnera aussi bien dans les zones rurales que dans les zones urbaines. De nombreuses raisons portent à croire que ça n'est pas le cas – densité de la population, problèmes différents dans les zones rurales (usage des sols et agriculture par exemple), différences démographiques, et facteurs déterminants de la réussite économique différents. Il est probablement crucial de remédier à ces incompatibilités pour que le *mainstreaming* atteigne son plein potentiel.

Les informations dont on dispose à travers l'OCDE donnent à penser que l'organisme en charge des affaires rurales devrait pouvoir se comporter en acteur *super partes*. En Angleterre, le Defra est l'acteur « *super partes* » pour les affaires rurales. Mais les réalignements réalisés au sein du Defra, ainsi que des responsabilités liées à des questions telles que le changement climatique et l'environnement menacent de détourner l'attention et les ressources des affaires rurales. De plus, si le Defra supervise l'essentiel de la politique rurale, le DCLG supervise la politique de planification rurale et le développement dans les régions. Ainsi, le développement rural relève de la responsabilité de deux Départements du gouvernement et des différents organismes connexes. La difficulté pour le Defra est de relier ces objectifs et/ou d'intégrer des « éléments » de ruralité dans le discours politique au moment approprié.

Si tous les ministères sont chargés de travailler dans l'optique de *mainstreaming*, ils ont peu d'intérêt à le faire à l'heure actuelle. Si la mise en œuvre d'une politique intégrée a un coût, le ministère l'assume. Si le ministère estime que le *mainstreaming* présentera peu d'intérêt pour ses fonctions principales, la présence de coûts supplémentaires fera qu'il sera probablement moins enclin à pratiquer le *mainstreaming*.

Enfin, les zones à faible densité de population ne profitent pas pleinement du *mainstreaming*. Au niveau infranational, la capacité locale de *mainstreaming* semble varier en fonction du type de région et de sa proximité avec des zones urbaines. Le *mainstreaming* devrait reconnaitre les différences entre les zones clairsemées et les zones moins clairsemées, et reconnaître en quoi les zones rurales éloignées diffèrent des zones périurbaines.

Pour que le mainstreaming porte pleinement ses fruits, le processus de rural proofing doit être renforcé

Le *rural proofing* est devenu un mécanisme déterminant qui agit de concert avec le *mainstreaming* rural ; tout porte à croire qu'il a eu un effet positif. En général, la réflexion sur l'impact sur les régions rurales a lieu *tôt* dans le processus d'élaboration de l'action. Le Defra, soutenu par le rattachement de la Commission pour les communautés rurales au niveau national et sa visibilité à travers une pléthore d'activités et de soutiens apportés à différents organismes locaux ont contribué ensemble à fournir davantage de connaissances sur la situation et les caractéristiques locales. Des documents d'orientation nationale comportant des références spécifiques aux questions rurales, la définition officielle du rural et de l'urbain, et le *mainstreaming* de préoccupations rurales dans la revue complète des dépenses publiques de 2007, sont des exemples probants de *rural proofing*.

Cependant, le processus de *rural proofing* doit être mieux rattaché au *mainstreaming* et aux efforts du Defra pour veiller à ce que les autres ministères tiennent pleinement compte du *mainstreaming* dans le processus d'élaboration de l'action. En fait, la séparation des rôles entre le Defra et la CRC pourrait saper la capacité à mettre en œuvre le *mainstreaming* tout comme le *rural proofing* . Cette dernière est le mécanisme qui sert à évaluer les résultats du *mainstreaming*. Elle est utilisée pour vérifier s'il existe une différence sensible entre les conditions de prestation de services en milieu urbain et en milieu rural. La CRC est chargée du *rural proofing* dans le cadre de son évaluation des conditions de vie dans l'Angleterre rurale, tandis que le Defra est responsable du *mainstreaming*. S'il est judicieux que le processus d'évaluation se fasse en toute indépendance dans le cadre du *rural proofing*, il semble que le fait que la CRC ne fasse pas partie des pouvoirs publics et qu'elle ne participe

pas aux premières étapes de l'élaboration de l'action soit plus important. De même, en dépit de la répartition des tâches entre le Defra et la CRC, les responsabilités en matière de *rural proofing* semblent d'une certaine manière être moins claires et moins fluides dans la pratique au niveau national.

En dépit des avantages évidents, la mise en œuvre du *rural proofing* continue d'être mitigée. Le *rural proofing* semble avoir réalisé des percées plus importantes avec les évaluations d'impact *ex post* de l'action qu'avec les évaluations *ex ante* au cours de la phase d'élaboration de l'action. Il semblerait qu'elle soit constamment contrariée par une compréhension inégale de la dimension rurale de l'action, et la confusion qui entoure les responsabilités en matière de *proofing* est également un obstacle évident à sa mise en œuvre effective. Quatre problèmes récurrents liés à l'action n'ont pas été réglés :

1. absence d'application systématique dans l'ensemble des ministères ;
2. manque de sensibilisation chez certains cadres supérieurs à la nécessité de procéder au *rural proofing* ;
3. absence d'un leadership cohérent pour défendre les besoins de la zone rurale dans toutes les administrations ; et
4. absence d'un suivi effectif de l'exécution des politiques dans les collectivités rurales.

Des sources plus riches d'informations rurales sont nécessaires

L'Angleterre a adopté une approche factuelle en matière de mise au point et d'évaluation de l'action publique. Les données sont développées à un niveau très pointu de détail géographique. Tout est prévu pour rendre ces données, informations et analyses largement disponibles. Le *Rural Evidence Hub* promet d'être un facteur déterminant dans la bonne exécution de la *Evidence Based Policy Making (EPBM)* (prise de décision factuelle). De plus, une autre innovation importante est la mise en place du *Rural Evidence Research Centre*. Les moyens cartographiques du centre sont une première étape positive.

Cependant, les avantages de la prise de décision factuelle dépendent de fondements théoriques solides et de la qualité des informations sur lesquelles elle s'appuie. Le *mainstreaming* et le *rural proofing* dépendent d'une évaluation correcte des besoins et possibilités locaux et d'une vision bien élaborée de la manière dont la politique influera sur la zone rurale. Peu de données collectées au niveau infranational ont une dimension territoriale, de sorte que l'on a du mal à décrire la situation rurale. De plus, les données de séries temporelles sont encore moins nombreuses ce qui fait qu'il est difficile de voir quels sont les impacts des politiques dans le temps. Même s'il existe une suite d'indicateurs socio-économiques (22 à l'heure actuelle) couvrant un large éventail de priorités de l'action publique, qui est utilisée pour mesurer les avancées, il est évident que les pouvoirs publics dans leur ensemble doivent améliorer leur base de renseignements. Le nombre limité de séries temporelles d'indicateurs statistiques, à une échelle spatiale suffisamment basse pour permettre une analyse rurale pour l'Angleterre est gênante. Il est certain que les données transversales fournissent un diagnostic instantané utile de la situation à un moment donné et peuvent suffire à mettre en évidence la nécessité d'une intervention de l'action publique. Mais, sans données de séries temporelles aux niveaux spatiaux détaillés, il est difficile de tirer des conclusions significatives sur l'efficacité de certaines politiques ou sur la manière dont les conditions rurales dans des régions spécifiques évoluent.

Sachant que l'agriculture continue d'occuper une place importante dans la politique rurale anglaise, les données statistiques sur ce secteur sont remarquablement réduites. Alors que les statistiques agricoles sont collectées au niveau du Royaume-Uni, en partie dans le cadre des obligations liées à la participation à la PAC, les données sur les conditions économiques de l'agriculture en Angleterre ou dans les régions d'Angleterre sont très limitées. À l'époque où le Royaume-Uni était géré comme une entité unique cela ne posait peut-être pas de problème particulier, mais maintenant que le pays se compose d'unités nationales distinctes, l'absence d'un ensemble de données désagrégées de la même façon est problématique pour chacune des quatre nations du Royaume-Uni.

Il faudrait s'attarder davantage sur les *possibilités rurales* et rassembler des informations pour les étayer. Il faut cesser d'associer le rural à des inconvénients et mettre en avant ses avantages. Pour adopter totalement le nouveau paradigme rural, l'Angleterre devrait mettre l'accent sur les possibilités de croissance et de développement dans les zones rurales. Au lieu de chercher à défendre les intérêts ruraux en fondant les politiques sur les besoins ruraux, il faudrait mettre en avant le fait que les zones rurales apportent une contribution positive à la santé globale – économique, environnementale et sociale – d'une zone et devraient donc toutes bénéficier d'interventions visant à améliorer la ruralité. Une grande partie de l'action de la CRC se concentre sur les inégalités et non sur les possibilités. Si le fait de mettre l'accent sur le positif plutôt que sur le négatif peut sembler quelque peu superficiel, c'est une bonne manière de combattre une vision qui considère à tort le monde rural comme étant à la traîne et arriéré.

Il est crucial de comprendre et d'étendre les liens urbain-rural pour une politique rurale efficiente. Avec un degré aussi élevé d'interaction entre les milieux urbain et rural, tout changement dans un environnement a un impact considérable dans l'autre. Londres, en particulier, exerce une forte influence sur la majeure partie des zones rurales dans le sud de l'Angleterre et une bonne partie des Midlands. D'autres grandes villes ont également d'importants effets d'arrière-pays, de sorte qu'une petite partie du territoire rural seulement n'est pas intégrée à une région fonctionnelle ayant à sa base une grande ville. L'Angleterre est en train d'introduire l'idée de « villes-régions » (*city-regions*) pour faire en sorte que ces régions fonctionnelles puissent mieux gérer leur croissance.

Il semble que l'action publique continue de favoriser les zones urbaines. En mettant au point une base de renseignements au niveau national qui réaffirme la similitude du rural et de l'urbain, justifiant ainsi l'absence de mesures spéciales pour les zones rurales, on risque de passer à côté des différences importantes entre zones rurales. Les principales sources d'emploi des districts ruraux se situent dans quatre secteurs communs aux zones rurales : la distribution et la vente au détail, les services aux entreprises et les services financiers, les services d'enseignement, de formation et de santé publics, et la fabrication. Cependant, les entrepreneurs dans les zones rurales sont confrontés à des problèmes différents de ceux de leurs homologues urbains. L'isolement et la faible densité de la population sont également un trait caractéristique essentiel de la perspective de développement des zones rurales. La base de renseignements devrait donc pouvoir différencier les zones rurales par types, afin que les politiques puissent être adaptées à leur situation. De plus, il semblerait que la manière dont les objectifs de l'action publique sont formulés défavorise les zones rurales.

Le cadre de gouvernance au niveau infrarégional se heurte à quelques difficultés

L'Angleterre est quasiment la seule à ne pas compter d'échelons d'administration intermédiaires formels entre les niveaux national et local. La plupart des pays de l'OCDE comptent au moins trois niveaux d'administration distincts. Dans les systèmes fédéraux comme dans les systèmes unitaires, on trouve généralement une forme d'administration régionale dotée d'une assemblée élue, de responsabilités clairement définies et de flux de recettes propres. Dans les systèmes fédéraux, les États ou les Provinces sont dotés de responsabilités clairement énumérées qui sont distinctes de celles de l'administration nationale et sont garanties par la Constitution. Dans les États unitaires, les responsabilités et les recettes du niveau intermédiaire peuvent être définies par la loi ou par des traditions bien établies. Au Royaume-Uni, seule l'Angleterre ne dispose d'aucun niveau intermédiaire d'administration élue. Cela pose un problème sérieux aux zones rurales. Dans un organe législatif national qui repose sur le principe de la représentation populaire, aucune zone rurale ne pourra jouer un rôle significatif en élisant un membre. De plus, aucun représentant élu ne se sentira tenu de rendre des comptes à une zone rurale quelconque ou même à un groupe de zones rurales si les districts législatifs englobent à la fois les zones rurales et les zones urbaines.

La décentralisation et la régionalisation de la gouvernance ont considérablement progressé au Royaume-Uni, y compris en Angleterre. Le contexte de l'exécution de la politique de développement rural en Angleterre a été revu ces dernières années à travers différentes initiatives, notamment l'adoption de l'aménagement de l'espace, de partenariats et du travail en collaboration ; l'accent mis sur les résultats et non plus sur la production ; l'introduction de nouvelles méthodes de suivi et d'évaluation ; et un accent mis sur la réorganisation de l'administration locale de façon à promouvoir un nouveau programme régional et la responsabilisation de la collectivité. Un cadre de gouvernance à plusieurs niveaux mieux bâti et plus intégré, qui s'appuie sur une multitude de programmes pilotes et d'évaluations, s'est dessiné en Angleterre. Dans les régions, les *Government Offices* offrent des possibilités de communication accrue dans les deux sens entre les zones rurales et l'administration centrale. La politique des villes-régions reconnaît les liens entre les composantes rurales et urbaines des économies régionales. Le programme *Multi-Area Agreement* reconnaît la nécessité de trouver un compromis entre l'autonomie et la souplesse locale d'une part, et la coopération et la coordination régionale de l'autre. Les décideurs sont maintenant confrontés à un certain nombre de dilemmes relatifs à la gouvernance de l'Angleterre rurale :

- Comment déléguer efficacement la gouvernance, et réaliser le mandat confié par l'administration centrale dans le but de donner aux zones locales le plus d'autonomie et d'autorité possible.
- Comment procéder à une réorganisation sans écarter les administrations publiques actuelles.
- Comment créer des administrations locales fortes tout en veillant à la collaboration aux niveaux régional et national.
- Comment renforcer les administrations locales et régionales lorsque la plupart des recettes proviennent des administrations centrales.

Par nature, la décentralisation morcelle l'élaboration et la mise en œuvre des politiques publiques, parce qu'elle délègue des responsabilités complexes et à forte intensité de

ressources aux niveaux inférieurs de l'administration. À travers l'OCDE, ces structures de gouvernance à plusieurs niveaux sont fortement sollicitées. En fait, un rapport récent de l'OCDE a constaté que les relations à plusieurs niveaux rencontrent des difficultés dues à une série de « défis » (d'information, de moyens, budgétaires, administratives et relatives à l'action publique) dans la relation mutuellement dépendante entre les acteurs publics aux différents niveaux de l'administration. Lorsque l'on analyse la relation de gouvernance à plusieurs niveaux observée en Angleterre à la lumière de ces défis, certaines difficultés se font jour.

Au niveau local, la délégation se met en place plus rapidement que l'autonomie budgétaire. L'un des aspects nécessaires de la délégation est le fait que la responsabilité et l'obligation de rendre des comptes sur les financements sont déplacées vers le bas au niveau où les décisions doivent être prises. Mais un fossé de taille demeure entre les administrations locales théoriquement nouvellement responsabilisées par l'État, et l'impact réel tel qu'on l'observe au niveau local. Cela donne le sentiment que le centre continue d'être le seul responsable de l'élaboration des politiques et de l'établissement des normes. Il existe des solutions pour assurer l'éventuelle perte des économies d'échelle et des effets de l'externalité associés avec la dévolution, sans recourir à une microgestion excessive de la prestation de services infranationaux par l'administration centrale. Le processus de prise de décision délégué et le programme territorialisé, sous la direction du CLG, ont déjà instauré une grande partie du cadre d'infrastructure, de gouvernance et de responsabilisation nécessaire.

En Angleterre, la volonté de déléguer les ressources est forte mais les pouvoirs publics résistent avec ténacité à un affranchissement radical de l'administration locale. Les tensions entre l'administration centrale et locale quant au degré d'intervention de la première ne sont pas propres à l'Angleterre ; on peut en observer dans d'autres pays de l'OCDE. En Angleterre, cette lutte acharnée s'établit dans trois domaines : les attentes du public, l'égalité sociale et la réforme financière. La volonté d'accroître l'autonomie infranationale et la démarche prudente, peut-être trop, adoptée pour ce faire est illustrée par les LAA/MAA. À bien des égards, le processus des LAA/MAA permet de mieux cibler l'argent sur les priorités locales, en revanche il semblerait que l'administration centrale continue d'orienter le choix des indicateurs – pesant ainsi sur les actions locales.

En règle générale, les RDA et les *Government Offices* (GO) sont des innovations importantes, qui ont fait sortir la prise de décision des bureaucraties nationales de l'État. Mais ce sont des créatures de l'administration centrale dotées seulement d'une responsabilité déléguée et soumises à un contrôle direct. S'agissant des RDA, il existe une tension permanente entre le désir d'un comportement uniforme dans le but de veiller à la cohérence avec la politique des pouvoirs publics et le postulat selon lequel la raison d'être des RDA est de mener des actions différentes, parce que la situation des régions est variable. De plus, on continue de s'interroger sur la nécessité même des RDA sur le plan politique, ce qui ne contribue sans doute pas à pousser le personnel des RDA à être proactif ou à planifier sur le long terme.

Les bureaux régionaux sont effectivement dotés de responsabilités importantes et de capacités inutilisées qui présentent de l'intérêt pour le développement rural. Chaque bureau régional étant chargé d'améliorer la performance économique d'un territoire spécifique, y compris sa composante rurale, il met assez clairement l'accent sur les possibilités et contraintes spécifiques de son territoire. Les autorités régionales reçoivent

des fonds octroyés au titre des programmes de développement rural et de développement régional par les départements nationaux responsables de ces politiques. Elles jouissent d'un degré considérable de liberté dans l'allocation des fonds une fois que leurs plans stratégiques et opérationnels ont été approuvés, ce qui leur permet de définir des interventions spécifiques à la région. Elles gèrent également les fonds de l'UE et si elles sont moins libres de l'affectation globale de ces fonds que dans le cas des ressources anglaises, elles ont néanmoins la possibilité d'adapter les allocations générales du programme européen à des projets locaux spécifiques.

Les rapports des pouvoirs publics sur le développement économique infranational (SNR) et sur l'administration locale auront une grande incidence sur la mise en œuvre par les RDA des objectifs de l'État dans les domaines ruraux. La fusion des stratégies spatiales régionales et des stratégies économiques régionales en une stratégie régionale unique (SRS) telle que recommandée par le SNR est judicieuse. Néanmoins, il est important que ces deux critères de qualité de vie déterminants soient totalement cohérents. Le développement économique de l'Angleterre rurale sera plus que jamais tributaire d'une planification spatiale judicieuse, tandis que l'environnement rural dépendra de la nature du développement économique encouragé et autorisé. Les plans spatiaux doivent être évalués en fonction de leurs effets sur des indicateurs de développement économique. Les stratégies de développement économique doivent être mesurées par rapport à des indicateurs d'usage judicieux des sols.

Les compétences et moyens des institutions chargées de coordonner les relations au niveau infranational sont variables. En premier lieu, les RDA doivent devenir plus aptes à trouver le juste équilibre entre les aspects économiques et les aspects de planification spatiale des stratégies. C'est un problème pour certains groupes de pression, tels que certains éléments des milieux d'affaires, qui préfèrent le programme traditionnellement axé sur les entreprises des RDA. D'autres, comme les autorités locales, appellent de leurs vœux des stratégies intégrées allant au-delà du seul développement économique. En tant que principaux représentants des pouvoirs publics dans les régions, les GO ont accumulé une expérience considérable de la gestion des relations complexes entre les politiques de ministères distincts et l'élaboration des politiques au sein des régions. À mesure qu'ils gagnaient en maturité, ils sont devenus de plus en plus experts dans la transmission des instructions de Londres à différents districts de comté et différentes administrations locales, mais ils le sont beaucoup moins pour ce qui est de transmettre des informations dans l'autre sens. Il y a trois raisons possibles à cela (qui ne s'excluent pas mutuellement). Premièrement, il est possible que les administrations locales ne parviennent pas à se faire entendre des GO ; deuxièmement, les GO ne leur accordent peut-être pas suffisamment d'attention et ne font peut-être pas remonter les idées ; troisièmement, il est possible que les dirigeants de Londres n'aient pas particulièrement envie de s'intéresser aux préoccupations locales. Les GO ont des responsabilités importantes qui peuvent renforcer le travail des RDA. Par exemple, la SRS implique des décisions importantes sur des questions telles que la politique des transports, la gestion des déchets, les minéraux, l'énergie renouvelable, les gitans et gens du voyage, autant de sujets sur lesquels les RDA n'ont pas ou peu d'expérience.

Faute d'une forte volonté de s'impliquer dans le soutien à des dirigeants locaux et de leur fournir les moyens nécessaires au lancement d'une stratégie à long terme digne de ce nom, il sera difficile d'instaurer une approche participative en matière de développement. Il faudra encore renforcer les capacités avant que les institutions locales et régionales ne

soient en mesure de démontrer pleinement les avantages d'une gouvernance variée et participative. Un élément déterminant du nouveau paradigme rural est un processus participatif qui est piloté par les citoyens et leurs institutions. Sans institutions locales solides, le nouveau paradigme rural ne peut fonctionner. Pour le moment, l'administration locale en Angleterre semble subir des réorganisations périodiques imposées depuis le sommet. De plus, la structure de l'administration locale est très hétérogène, les responsabilités au sein des comtés, des districts, et autres administrations locales étant variables. Cet ensemble mobile d'institutions ne peut que renforcer la confusion et l'impression d'une absence de contrôle au niveau local. La capacité des collectivités locales à agir de manière indépendante est fortement limitée par les directives de planification nationale, une assiette d'imposition locale limitée, et, surtout, l'absence de toute tradition d'administration locale forte. L'expérience du programme LEADER dans une grande partie de l'Europe et du Pacte rural au Québec montre que c'est possible, mais cela exige patience et engagement de la part des autorités nationales.

Même s'il est accueilli comme une avancée favorable à une véritable délégation, le processus des LAA est considéré par certains comme trop descendant alors qu'il pourrait constituer une véritable négociation entre partenaires égaux. La capacité de l'échelon local à négocier correctement des LAA, particulièrement dans des régions où la séparation urbain-rural tend à privilégier l'urbain, est remise en question face à des objectifs imposés au niveau national (qui ne sont parfois pas en phase) et à des projets d'entreprises qui limitent la capacité des partenaires à tenir compte de la composante rurale dans le processus d'entente. Il est difficile de se mettre d'accord sur des stratégies de développement rural dans un contexte général de conflit entre différents ministères fonctionnels et entre différents échelons de l'administration centrale et locale. Identifier et adopter des priorités communes lorsque des programmes institutionnels profondément ancrés s'imposent et lorsque la culture des travaux communs entre organismes est peu développée est une véritable gageure.

Les MAA, en permettant à la planification du développement économique de se faire à de multiples échelons locaux de l'administration, sont quant à eux une mesure offensive en faveur d'une « nouvelle gouvernance » et de la coordination horizontale de l'administration locale. Les avantages que les MAA pourraient apporter sont notamment les suivants : le partage des coûts du développement économique avec les juridictions voisines et la réduction ou l'élimination d'une concurrence stérile entre administrations locales. Cependant, il semble que les autorités locales ne soient pas très motivées pour rejoindre un MAA. Étant donné que les MAA sont volontaires, certaines autorités locales peuvent trouver un intérêt à rester en dehors des accords – le problème dit du « cavalier seul ».

Il est possible de permettre aux zones rurales de mieux se faire entendre

En Angleterre, le lobby rural semble s'affaiblir et non gagner en force. Au titre du « devoir de responsabiliser », la méthode de l'État pour améliorer la compétitivité des régions consiste à soutenir et renforcer le leadership régional en rassemblant les entreprises, le secteur public, les universités et les collectivités locales. Il est ainsi reconnu à tous les niveaux que la participation des citoyens et des parties prenantes est une condition préalable à des services réellement territorialisés. Cela offre la possibilité de galvaniser le large éventail d'acteurs ruraux en Angleterre. Une première manière de procéder consiste à tirer parti des

organismes déjà en place. Defra devrait envisager une révision des huit Forums des affaires rurales pour assurer une efficacité maximale dans le rassemblement des voix populaires rurales dans les régions. Le Royaume-Uni pourrait aussi envisager une meilleure utilisation des partenariats d'autorisation régionaux *Regional Empowerment Partnerships* (REP) qui sont un moyen clair et sans équivoque d'impliquer les autorités locales et à leurs partenaires pour les organismes nationaux qui souhaitent voir les résultats s'améliorer au niveau local. Ils occupent une position idéale pour assurer la mise en œuvre efficace et coordonnée du soutien car ils comprennent le lien qui existe entre les priorités nationales et les priorités locales, en particulier les résultats que les LAA doivent atteindre en priorité.

Les autorités doivent faire preuve d'ingéniosité pour trouver le moyen de permettre aux citoyens et au leadership local de mieux se faire entendre. La délégation de responsabilités aux conseils de paroisse (et à d'autres autorités locales), et l'amélioration de leurs compétences, est une autre pratique importante ; la population locale est la mieux placée pour savoir quelles sont les priorités de leurs collectivités locales. S'agissant de stratégies de prestation de services innovantes, créatives et localement nuancées, les dirigeants des collectivités locales ont beaucoup à dire et beaucoup à offrir. Selon eux, grâce aux connaissances et contributions locales, les solutions, la conception, la prestation et la dotation en personnel des services pourraient être considérablement améliorées et, si l'on devait appliquer la méthode du coût d'absorption pour la comptabilité, cela pourrait se faire sans hausses de coût importantes. Au Japon, le mécanisme de planification au niveau régional/local du plan d'aménagement de l'espace spatial japonais préconise également la coopération des acteurs nationaux et locaux dans le cadre de la formulation de l'action et institue des tables rondes entre les parties prenantes locales et l'administration centrale. Des réseaux sont également en place pour permettre aux acteurs et aux parties prenantes locaux de contribuer à la politique rurale.

Il faut davantage de synergies entre la politique du logement, de l'aménagement et la politique économique

Dans les zones rurales où les gens vivent dans de petites collectivités dispersées géographiquement, une certaine souplesse du marché du logement est nécessaire pour veiller à ce que les marchés du travail régionaux fonctionnent de façon efficace. Les collectivités rurales peuvent être comparées aux quartiers d'une ville – certaines personnes travaillent dans le quartier où elles vivent tandis que d'autres travaillent à l'extérieur de leur quartier. La combinaison de transports en commun efficaces et de la proximité permet à plus de travailleurs urbains que de travailleurs ruraux de vivre dans un quartier et de travailler dans un autre. Dans le milieu rural les distances entre les quartiers sont importantes, de sorte que le fait d'accepter un emploi qui ne se situe pas à l'endroit où l'on vit entraînera plus souvent un déménagement que ça n'est le cas en ville. Pour que les marchés du travail ruraux s'améliorent, il faut qu'il y ait la possibilité de trouver un logement à un prix raisonnable à proximité du lieu où se trouvent les emplois ou une offre adaptée de terrains affectés à des usages commerciaux dans des lieux où la main-d'œuvre est excédentaire. Ces situations sont rares en Angleterre. De plus, si les personnes sans emploi, mais possédant un logement, craignent qu'un déménagement dans une autre collectivité entraîne une dégradation de leurs conditions de logement, il y aura aussi

probablement un décalage entre l'offre et la demande d'emplois. Les prix élevés du logement sont probablement dus à l'une des causes suivantes :

Des restrictions à la modification de l'usage des sols limitent les terrains disponibles pour la construction de nouveaux logements, ce qui réduit l'offre totale de logements, en particulier dans les zones rurales, et entraîne une hausse des prix.

Les obligations en matière d'aménagement font augmenter le coût d'obtention des permis et autorisations requis, ce qui renchérit les coûts moyens de construction de nouvelles habitations, et entraîne une réduction de l'offre et une hausse de prix.

Les restrictions à l'adaptation du parc de logements existant pour répondre à des besoins de logements changeants font augmenter encore le prix du logement.

Le coût élevé et l'offre inadaptée de logements sont le plus fortement ressentis chez les familles à revenu faible à moyen et ont entraîné de multiples actions des pouvoirs publics. L'accroissement du parc de logements abordables par le biais de programmes de logement social est l'une de ces actions. Les programmes de logement social subventionnent les constructeurs de logements sociaux et les familles à revenu faible à moyen qui les occupent, ce qui permet à un plus grand nombre d'entre elles de se loger. Une autre réponse des pouvoirs publics a consisté à limiter les ventes et les locations de logements aux personnes qui ne résident pas dans les collectivités rurales.

Le processus de planification britannique présente quelques limites. Dans les zones rurales, la politique en matière d'usage des sols et la politique du logement deviennent des critères importants pour la croissance et le développement. Les coûts de gestion du processus, pour les promoteurs comme pour les autorités réglementaires, font que les petits projets sont assez peu attractifs. Cela engendre un parti pris inhérent contre le développement – terres et économie – dans les collectivités rurales, car la plupart des projets ruraux sont de petite échelle.

L'accroissement du parc de logements ruraux est de toute évidence dans l'intérêt public. Avec des frais de logement inférieurs, les employeurs ont plus de chances d'attirer de la main-d'œuvre de grande qualité à un coût raisonnable. Des frais de logement inférieurs font augmenter les revenus effectifs des consommateurs, ce qui entraîne une hausse de leur niveau de vie et relève la demande relative à la majorité des produits. Les propriétaires de biens résidentiels existants ont intérêt à ce que les prix immobiliers se maintiennent ou augmentent, mais ce qui est le plus profitable à la plupart des autres groupes de parties prenantes privées, c'est l'augmentation de l'offre de logement et partant la réduction des prix. La construction de logements accroît l'emploi à court terme.

La réforme des marchés fonciers serait globalement bénéfique, mais certains y perdraient et d'autres y gagneraient forcément. Le système actuel entraînant une hausse des valeurs des biens immobiliers, il génère d'énormes rentrées d'argent inattendues pour les actuels propriétaires de biens immobiliers et pour quelques propriétaires de terres agricoles. La réforme du système se traduirait pour les propriétaires actuels par une dépréciation inattendue de leurs biens. Ce sont des parties prenantes puissantes et bien établies qui pourraient faire en sorte que cette transition soit lente, douloureuse et coûteuse. De plus, il est important de reconnaître que, dans de nombreux cas, ce ne sont pas elles les bénéficiaires de politiques du *status quo*, puisque les rentes générées par ces politiques ont été en grande partie converties en biens *avant* que les propriétaires actuels n'en fassent l'acquisition. À l'heure actuelle, un certain nombre de collectivités rurales limitent la vente et le transfert de propriétés à des non résidents afin qu'un plus grand nombre des rares

logements soient à la disposition des résidents. On a tendance à penser que les non-résidents font peser un coût social sur les collectivités rurales, parce qu'ils se trouvent rarement dans la collectivité, ils ne font pas marcher les commerces locaux et ne contribuent pas au tissu culturel de la collectivité. Pourtant le nombre de propriétaires non résidents et de maisons secondaires continue d'augmenter, et les résidents de longue date continuent à avoir des difficultés à se loger dans la collectivité.

La prestation de services dans l'Angleterre rurale pose quelques problèmes

La capacité à fournir des services dans les zones rurales est compromise, en particulier dans les régions à faible densité de population. Les coûts des services sont plus élevés dans les zones rurales et les autorités locales peuvent ne pas avoir les ressources budgétaires suffisantes pour répondre aux attentes. Souvent les organismes centraux ne sont pas prêts financièrement à couvrir l'ensemble des coûts d'une prestation de services équitable dans les zones rurales et ces dernières jouissent de moins en moins de l'influence politique qui leur permettrait de mobiliser le soutien en leur faveur.

En Angleterre, les autorités nationales reconnaissent tout à fait l'importance d'une hausse de la compétitivité économique mais n'accordent que peu d'attention au rôle des zones rurales dans ces stratégies. Les pouvoirs publics britanniques ont mis au point un certain nombre de stratégies nationales conçues pour moderniser l'économie et ont mis au défi les RDA de rapprocher la productivité, l'emploi et le revenu de la moyenne nationale dans les régions à la traîne. Étant donné qu'une grande partie de l'Angleterre rurale est périurbaine et que les secteurs économiques à forte croissance ne se trouvent généralement pas dans le noyau urbain, mais aux abords des villes (comme dans la plupart des pays de l'OCDE), l'importance du milieu rural sera probablement encore plus grande que dans les pays où il a tendance à être plus éloigné.

Améliorer les liens entre la politique anglaise et la politique de l'UE

Il est à craindre que les pouvoirs publics britanniques aient réduit au-delà du raisonnable la place accordée à l'agriculture dans sa politique de développement rural. Il est certain que le rôle économique direct de l'agriculture a diminué au point de ne plus être un facteur important dans la plupart des collectivités rurales. Cependant, le rôle indirect de l'agriculture, en particulier de par ses effets sur l'environnement et la place que continue de lui accorder le processus d'aménagement du territoire, indique qu'elle devrait en réalité être pleinement intégrée aux travaux sur la politique rurale.

La transformation de la PAC, auparavant instrument de protection de l'agriculture et politique de subvention, en un instrument plus centré sur le développement rural et sur la protection de l'environnement, aura nécessairement des répercussions sur la politique de développement rural plus affinée de l'Angleterre. Tandis que les mesures de développement rural prévues par la PAC continuent de se concentrer avant tout sur les régions périphériques, éloignées et sous-développées, elles offrent tout de même davantage de possibilités pour l'Angleterre que les précédentes politiques. Mais pour profiter au mieux de la nouvelle orientation de la PAC, l'Angleterre devra adopter un comportement stratégique.

Un exemple de domaine dans lequel elle pourrait tirer parti des nouvelles priorités de la PAC est celui de la multifonctionnalité. Le soutien en faveur de stratégies destinées à accroître la nature multifonctionnelle de l'agriculture pourrait appuyer les objectifs de protection des terres et les objectifs environnementaux de l'Angleterre.

Dans le passé, l'Angleterre n'a pas pleinement profité du soutien de la politique régionale européenne. La politique régionale de l'UE est une composante secondaire mais néanmoins importante de la politique régionale anglaise. La politique régionale est avant tout mise en œuvre par le biais du Fonds européen de développement régional (FEDER). Les deux principaux programmes sont le programme intitulé Compétitivité régionale et emploi et le programme Convergence. Si toute l'Angleterre remplit les conditions pour bénéficier du programme Compétitivité et emploi, seules la Cornouailles et l'île de Scilly peuvent prétendre au programme Convergence ; le Merseyside et le Yorkshire du Sud font partie des régions en phase d'instauration progressive des aides. De plus, au titre de la politique régionale de l'UE, chaque État membre doit être doté d'un Cadre de référence stratégique national (CRSN) pour pouvoir prétendre aux fonds européens. Les autorités anglaises sont encore en train de conceptualiser la manière dont elles vont organiser leurs activités de manière à profiter au mieux des financements disponibles.

Recommandations

Les contraintes budgétaires actuelles exigent une nouvelle manière d'envisager le développement rural en Angleterre

L'effet de la récession sur le budget du Royaume-Uni remet en question la possibilité de maintenir les niveaux de dépenses publiques élevés actuels dans de nombreux domaines d'action. Étant donné que le budget du Royaume-Uni sera probablement plus restreint à l'avenir qu'il ne l'était ces dernières années, les recommandations d'orientation suivantes sont élaborées dans l'optique d'une période d'austérité publique. Mais si les contraintes budgétaires peuvent limiter certaines formes d'action publique, la politique publique nationale a encore des rôles importants à jouer pour contribuer au bon développement de l'Angleterre rurale.

Les pouvoirs publics britanniques devraient résister à la tentation de remplacer les incitations existante par davantage de réglementation. Au lieu de cela, ils devraient envisager d'élaborer des politiques incitant davantage les acteurs locaux à agir en faveur du développement rural tout en respectant les objectifs d'action nationaux et exploitant davantage les forces du marché que par le passé. L'État devrait continuer de jouer un rôle structurant dans cet environnement d'action publique, mais il faudrait que le rôle de l'administration nationale dans la fourniture directe de biens et services et dans la définition des différents paramètres selon lesquels des économies locales spécifiques fonctionnent soit plus limité.

Les pouvoirs publics devraient d'abord rechercher des solutions s'inspirant du marché aux problèmes de la politique rurale et s'orienter vers une intervention directe uniquement en dernier ressort. Selon certains, cette méthode se caractérise par le fait que le rôle principal des pouvoirs publics est de piloter et non de faire avancer. C'est un rôle stratégique qui est tributaire des signaux positifs du marché pour assurer des incitations opérationnelles au

jour le jour mais utilise les politiques publiques pour définir les conditions qui favorisent des marchés propices. Si les pouvoirs publics ont de nombreux rôles à jouer dans l'Angleterre rurale, les recommandations en matière d'orientation fournies ici se concentrent sur cinq domaines clés qui sont déterminants pour la poursuite de l'amélioration des conditions socioéconomiques et peuvent jouer un rôle crucial en faisant augmenter la productivité des entreprises ainsi que celle des travailleurs ruraux. Il s'agit :

1. d'introduire une composante rurale distincte dans la stratégie des villes régionales ;
2. d'améliorer le *mainstreaming* pour assurer un accès équitable à un ensemble adapté de services aux consommateurs/ménages dans l'Angleterre rurale ;
3. de renforcer l'économie rurale en coordonnant la politique du logement, la politique d'aménagement et les stratégies de développement économique au niveau local ;
4. d'étendre la connectivité locale en développant de solides réseaux ; et
5. de poursuivre les travaux actuels pour parvenir à des structures de gouvernance plus efficaces.

Élargir l'approche des villes-régions pour y inclure une composante rurale

Si l'on veut que les villes-régions constituent un élément important de la stratégie de développement spatial de l'Angleterre, il faut donc une politique relative aux zones rurales qui ne font pas partie d'une région urbaine. À l'heure actuelle, la stratégie des villes-régions semble ignorer la composante rurale. L'Angleterre est en train d'introduire l'idée de villes-régions pour tenter de permettre à ces régions fonctionnelles de mieux gérer leur croissance. Le fait d'assurer une homogénéité administrative sur un marché du travail local augmente les chances d'accroître la productivité du secteur privé et du secteur public. Les renseignements disponibles montrent que les collectivités, les ménages et les entreprises des zones rurales qui se situent à proximité d'un centre urbain profitent du large éventail de biens et services qui s'y trouvent.

Améliorer le mainstreaming

Il faudrait renforcer le *mainstreaming* à l'aide d'autres mesures à court terme et les mandats de *mainstreaming* et de *rural proofing* doivent être mieux intégrés, et les responsabilités clarifiées. Si les pouvoirs publics veulent atteindre leur objectif, à savoir passer d'une évaluation *ex post* de l'action à une démarche dans laquelle les intérêts ruraux sont intégrés à la conception de la politique générale, il faudrait alors que les deux fonctions de la conception et de l'évaluation soient mieux combinées. Pour ce faire, on pourrait par exemple confier au DEFRA la fonction de *rural proofing* et la combiner avec sa responsabilité en matière de *mainstreaming*. On peut avancer que le triple mandat de la CRC – défendre la cause rurale, fournir des conseils sur le milieu rural aux pouvoirs publics et faire office d'organisme de surveillance/de *rural proofing* – présente un conflit d'intérêt inhérent. Le rôle de défenseur de la cause rurale est une innovation significative sur le plan de l'action qui a été profitable aux populations et collectivités rurales en Angleterre. Cependant, la position d'un défenseur n'est pas neutre. Si la CRC doit fournir des conseils aux pouvoirs publics en toute impartialité, il ne faut pas qu'elle soit soupçonnée du moindre parti pris « prorural ». En

revanche, la séparation actuelle des rôles entre le DEFRA et la CRC n'est pas souhaitable et affaiblit la capacité à mettre en œuvre le *mainstreaming* rural tout comme *le rural proofing*.

Envisager des interventions plus spécifiques aux zones rurales, en particulier en ce qui concerne les régions à faible densité de population où le *mainstreaming* pose plus de problèmes. On pourrait par exemple utiliser les programmes existants pour les bourgs et des collectivités côtières. Ces concentrations de population locale fournissent des services économiques et sociaux essentiels au territoire qui les entoure et constituent des régions fonctionnelles plus petites. Des politiques destinées à favoriser le rôle de plates-formes régionales de ces zones pourraient constituer un complément utile à l'approche de la ville-région, en particulier dans les zones rurales situées en dehors d'une région urbaine.

De plus, dans les zones rurales anglaises où les solutions de prestation de services urbains se sont avérées les moins efficaces, les autorités devraient envisager :

d'encourager les minorités à s'exprimer plus et créer des liens entre les autorités d'une juridiction à l'autre. Il faut pour cela des mécanismes garantissant aux populations rurales une possibilité de se faire entendre et assurant la transparence de la prise de décision à tous les niveaux de l'administration ;

de ne plus se contenter de la planification de services uniques mais de concevoir une combinaison intégrée de services, et de veiller à une certaine souplesse dans la mise en œuvre des mandats. Il faut pour cela des mécanismes transversaux ne se cantonnant pas à un seul ministère et mettant à l'épreuve les décisions en matière de services dans un contexte général. Cela peut impliquer différents modèles de services, des prestataires inhabituels, et ainsi de suite. Cela peut également exiger la capacité à rassembler des financements au niveau local pour accroître les moyens budgétaire nécessaire au lancement d'initiatives en matière de services ;

d'adopter une optique axée sur les atouts, reconnaître et s'occuper des inconvénients cachés ou dispersés. Il faut que la fourniture de subventions aux zones rurales cède la place dans le discours à la réalisation d'investissements ruraux dans la nouvelle économie verte, dans l'économie créative, etc., de façon que les zones rurales soient vues comme des moteurs actuels ou potentiels de la croissance ;

d'innover en matière de structures de gouvernance et de méthodes de responsabilisation. En particulier, les objectifs et les mesures doivent être repensés pour mettre l'accent sur les résultats, en particulier lorsque la production des modèles de services ruraux est quelque peu variable. En parallèle, des informations plus transparentes sur les niveaux de financement faciliteraient le suivi des transferts et les décisions de dépenses en matière de services ruraux ;

d'élargir le débat sur la question de savoir qui doit financer les services. À ce jour, le *mainstreaming* a mis l'accent sur l'identification d'un ensemble équitable de services, sans s'intéresser suffisamment au mécanisme qui permettrait de les financer. Dans les zones rurales, la recherche d'efficacité entraîne des regroupements destinés à accroître le nombre d'usagers sur un même site. Cependant, les avantages du regroupement dans les zones rurales sont souvent moins importants que prévu. Si le prestataire de services finance une partie des frais de transport, les plus grandes distances à parcourir annulent certaines des économies réalisées grâce au regroupement. Si le client finance les frais de transport, le volume d'usagers est généralement inférieur aux prévisions parce que ces derniers en viennent à la conclusion que les frais de transport sont trop élevés pour justifier le voyage. En ce qui concerne les services qui sont fournis directement par l'État

britannique ou dont la fourniture est orientée par ce dernier, par le biais de la réglementation, d'un soutien financier ou de toute autre manière, le service sera généralement axé sur les zones urbaines. Cela témoigne simplement du fait que la population rurale est réduite par rapport à la population urbaine, et que la population rurale de faible densité est particulièrement limitée. De ce fait, les créateurs du programme s'assureront qu'il fonctionne dans un cadre urbain. De plus, dans une société urbaine, il est de plus en plus improbable que ceux qui sont chargés de concevoir le service aient une quelconque connaissance de la situation rurale réelle ;

de considérer le règlement du problème des transports publics comme une priorité. De nombreux habitants des zones rurales ont du mal à accéder à certains services du fait de transports publics médiocres. Il s'agit d'un problème de développement transversal qui doit être réglé dans le cadre du partenariat. C'est dans ce domaine que l'on pourrait s'attendre à assister à de nombreux essais innovants de nouvelles stratégies et de nouveaux programmes de prestation de services et à relever un grand nombre de renseignements et d'observations sur les vertus du *rural proofing*. Des exemples de ce type sont en effet étudiés et mis en œuvre à l'heure actuelle, mais malheureusement ils semblent être lancés sous forme de projets pilotes et s'en tenir là ensuite au lieu de constituer des aspects fondamentaux d'une évolution systémique durable gagnant les différentes régions rurales ;

d'identifier de nouvelles manières d'atteindre l'objectif consistant à assurer une qualité de vie équivalente dans les zones rurales et urbaines. Dans d'autres pays de l'OCDE où l'on trouve d'importantes proportions de la population rurale dans des régions majoritairement rurales, les services publics doivent être fournis sur le lieu de résidence car les frais de déplacement sont très élevés. En Angleterre, où la majeure partie de la population rurale vit dans des régions périurbaines, il est souvent possible de combiner la demande urbaine et périurbaine de services dans des lieux uniques, ce qui favorise des économies d'échelle dans la prestation de services. Cependant, si l'on veut que les populations rurales aient accès aux services de manière adaptée, il faut déterminer avec soin des lieux qui conviennent, il faut coordonner les heures d'ouverture avec les horaires des bus locaux et installer plusieurs services au même endroit afin que de multiples démarches puissent être réalisées en un seul voyage.

Renforcer l'économie rurale

Pour mieux identifier de nouvelles manières d'accroître la compétitivité de l'économie rurale, il faudra élargir la réflexion au-delà des *simples* méthodes de développement purement économique. Pour réussir, il faudra trouver le moyen de faire fonctionner en harmonie la politique d'aménagement, la politique du logement et les stratégies économiques. Les pouvoirs publics britanniques ont reconnu qu'il est important d'accroître la productivité en Angleterre au niveau national comme au niveau régional, et il existe des stratégies dont le but est d'accroître la productivité des régions les moins performantes. Cependant, l'approche macroéconomique actuelle considère les économies régionales comme une sous-partie de l'économie nationale ; tandis qu'en réalité, l'économie de chacune des neuf régions est une addition d'unités microéconomiques. Pour que les résultats économiques d'une région s'améliorent, la productivité des entreprises individuelles doit augmenter.

Le gouvernement doit réduire le nombre de restrictions imposées par les pouvoirs publics sur les choix individuels, car ils génèrent une productivité accrue sans dépenses

supplémentaires. Dans une période de restrictions budgétaires où l'administration ne peut pas fournir beaucoup de soutien financier direct aux acteurs locaux, la meilleure solution pour assurer une économie plus solide consiste peut-être à trouver comment réduire de manière sélective les contraintes auxquelles sont confrontées les entreprises et les administrations locales. En Angleterre de nombreuses contraintes pèsent sur l'action, lesquelles prennent la forme de réglementations et de lois nationales, chacune étant mise au point pour répondre à des objectifs d'action particuliers. Il existe également des directives et réglementations en matière de politiques régionales, et certaines règles de districts et de comtés ont des répercussions sur les entreprises. Les multiples niveaux de réglementation peuvent se combiner pour limiter l'action à un éventail très réduit de possibilités viables, ce qui se traduit par une productivité plus faible. La suppression de quelques contraintes pourrait favoriser des gains significatifs sur le plan de la production et de la productivité.

Veiller à ce que les synergies entre les moyens d'action soient envisagées à l'avance. Alors que la politique d'aménagement et la politique du logement ont été complètement revues, et que les pouvoirs publics ont décidé avec enthousiasme d'adopter nombre des recommandations, certains de ces changements sont introduits individuellement avant que ne soit examinée en détail la manière dont ils influent les uns sur les autres, et, surtout, avant que ne soit réalisée une évaluation des liens entre l'offre de logement, les objectifs d'aménagement et l'activité économique dans les zones rurales. L'unité d'analyse de base pour ce type d'évaluation devrait être le marché du travail local. La disponibilité de logements, les types d'entreprises et leurs obligations en matière de main-d'œuvre, ainsi que la capacité du système de transport, sont autant de facteurs qui conditionnent la taille du marché du travail local. Si l'un ou l'autre de ces facteurs évolue significativement, l'unité spatiale d'analyse appropriée change également. Par exemple, une zone où l'offre de logements est restreinte et où le régime d'aménagement limite les nouveaux logements et les nouveaux sites pour les entreprises aura probablement un marché du travail local géographiquement étendu avec des taux élevés de navettes longue distance, qui témoignera de la difficulté des ménages à trouver un logement à proximité de possibilités d'emploi.

Une autre priorité devrait consister à remédier à la rareté relative de logements sociaux en Angleterre. Pour résoudre le problème du logement, il faut modifier le système de planification pour le moderniser et y inclure un ensemble plus vaste d'objectifs. Les pouvoirs publics britanniques ont étudié en profondeur toutes les dimensions du problème du logement rural. Malheureusement, chacune de ces évaluations a à la fois mis en évidence la nécessité d'améliorer les marchés du logement et démontré clairement la réelle difficulté à trouver une solution politiquement acceptable. Il existe un conflit évident entre le souhait des populations de visiter un environnement champêtre vierge et d'y vivre et l'impossibilité évidente de préserver cet environnement si de grands nombres de personnes s'efforcent de le faire. La planification est vitale dans une société complexe où les demandes de ressources s'opposent et où l'externalité peut avoir une incidence importante sur le public, et la structure du processus de planification pourrait être améliorée. Les méthodes de planification prescriptive qui fixent des objectifs fermes au niveau national, comme la définition du nombre et de la répartition régionale de nouveaux logements, sont peut-être moins adaptées qu'un système de planification plus indicatif dans lequel les collectivités locales fixent des objectifs de logement individuels. Si ces objectifs s'avèrent inadaptés, il est possible de modifier les incitations de façon à ce que les objectifs locaux soient ajustés.

Des efforts devraient être faits pour montrer en quoi l'Angleterre a la capacité d'absorber davantage de logement rural sans compromettre la nature de la campagne. Si la croyance populaire veut que l'Angleterre rurale soit déjà trop construite, il semble que cela ne soit pas le cas. En effet de grandes portions de la campagne rurale sont littéralement exclues du développement, de sorte que la quantité de terrains potentiellement constructible est bien plus réduite que ce que l'on pourrait penser. De nouveaux logements pourraient être ajoutés dans les collectivités rurales de façon à ne pas porter atteinte au milieu existant. À bien des égards il peut être moins perturbateur de construire quelques logements dans de nombreux lieux que de construire un grand nombre de logements dans quelques lieux seulement. D'un point de vue politique cela se traduit par une large répartition des coûts et bénéfices des nouveaux logements, au lieu que ces derniers se concentrent dans quelques collectivités.

Étendre la connectivité

Une attention plus grande accordée à l'amélioration de toutes les formes de connectivité apporterait des avantages considérables au niveau local comme au niveau national. L'économie moderne repose de plus en plus sur des réseaux denses destinés aux communications et à l'échange de biens. Il en résulte que les lieux florissants où qu'ils soient sont connectés les uns aux autres et que les lieux qui ne sont pas bien connectés ne connaissent pas la réussite. Par nature les réseaux au sein de zones rurales sont moins denses que dans les lieux urbains, en raison d'un moins grand nombre d'individus et d'entreprises. Cependant, les zones rurales ont besoin de ces réseaux à la fois pour les liens internes et pour être raccordés au monde extérieur. Du fait qu'ils sont plus limités, il y a moins de redondance et toute rupture dans un réseau rural peut avoir des conséquences bien plus grandes qu'une rupture similaire dans un lieu urbain où il existe des connexions de substitution.

Les pays de l'OCDE font maintenant partie d'une économie mondiale en réseau où ceux qui affichent des degrés élevés de connectivité ont un avantage concurrentiel sur ceux dont les relations sont moins nombreuses ou moins solides. Si l'Angleterre jouit d'avantages distincts en raison de sa petite taille, de la densité élevée de sa population et de systèmes de transport relativement dense, il est vrai que de nombreuses zones rurales anglaises, en particulier celles de faible densité de population, ne participent pas pleinement à la société moderne et à l'économie en réseau. Dans une période ou les pouvoirs publics britanniques sont confrontés à de graves déficits budgétaires, il est plus difficile de justifier des investissements pour lesquels on ne prévoit pas de rendement immédiat. Cependant, pour que l'Angleterre rurale soit compétitive dans une économie mondiale et contribue pleinement à la richesse nationale, il faudra pour cela qu'elle investisse dans la panoplie de connectivité complète. Pour que les zones rurales prospèrent il leur faut des moyens de communication plus solides. Partout les gouvernements ont reconnu l'importance pour les zones rurales de l'accès Internet haut débit, et en Angleterre des efforts sont en cours pour achever les connexions dans les quelques derniers lieux concernés et pour améliorer les vitesses de connexion dans tout le pays.

Mettre au point des structures de gouvernance plus efficaces

Lorsqu'ils sont confrontés à des ressources budgétaires en baisse, les gouvernements nationaux ont tendance à transférer les responsabilités en matière de prestations aux

échelons inférieurs de l'administration. Généralement, ce transfert est formulé en termes de subsidiarité, alors qu'en réalité il s'agit simplement d'une activité mandatée qui n'est pas assortie de ressources supplémentaires pour la réaliser. En Angleterre ces dix dernières années, des efforts considérables ont été déployés pour décentraliser une structure administrative très unitaire. La création de régions a permis l'introduction de politiques qui n'apportent plus les mêmes choses partout dans le pays.

L'absence d'une politique rurale nationale peut être plus que compensée par la possibilité de politiques régionales plus adaptées. L'Angleterre est passée d'une « politique rurale » à une « politique régionale » pour gérer les différences spatiales. Si l'on estime que les zones rurales n'ont plus besoin d'une « politique rurale » spécifique, ce qui peut être interprété comme la perte de la possibilité d'appliquer des types de soutien différents de ceux qui sont disponibles dans les zones urbaines, l'introduction des régions offre potentiellement la possibilité pour chacune d'entre elle de mettre au point des interventions qui sont adaptées à son territoire rural spécifique.

Les neuf régions anglaises offrent la possibilité de pondérer à nouveau les objectifs nationaux établis par le biais des conventions de service public et des objectifs stratégiques des ministères d'une manière mieux adaptée aux possibilités sous-jacentes de chaque territoire. La délégation des responsabilités aux RDA est une innovation importante. Elle symbolise la reconnaissance du fait que des lois et politiques nationales ne peuvent donner que les grandes lignes du contexte d'action. Les résultats nationaux sont en fin de compte une addition d'actions individuelles, et le message clé de la délégation est qu'il est crucial d'améliorer l'environnement local. Un engagement constant en faveur d'une double délégation concrète devrait se traduire par une compétitivité accrue au niveau local, qui elle-même conduira à une compétitivité régionale accrue et pour finir à une compétitivité nationale accrue.

Il faudra du temps pour que tous les acteurs comprennent la nouvelle structure, en particulier au niveau local. La tendance dans les pays de l'OCDE, y compris dans ceux qui sont dotés de gouvernements unitaires, est à accroître les responsabilités et les souplesses accordées aux régions. En Angleterre, la mise en place des RDA, l'utilisation des LAA et des MAA et l'introduction des villes-régions sont autant d'indices d'un système de gouvernance qui fait sortir la prise de décision de Whitehall. Ce processus a inévitablement engendré un environnement d'action instable à mesure que la nouvelle structure prend forme. Il semble maintenant que les réformes réalisées soient suffisantes pour permettre de nouveaux modes d'action au niveau local. Mais si l'administration nationale veut obtenir des preuves pour vérifier si ces changements sont souhaitables, il faudra qu'elle assure une période de stabilité de la gouvernance.

Synthèse

Des conditions spécifiques ont conduit la politique rurale anglaise à adopter une forme qui est différente des approches adoptées dans d'autres pays. En particulier, l'absence d'un territoire majoritairement rural concentre l'examen des questions rurales sur ce qui pourrait être considéré comme des zones périurbaines dans d'autres pays. Par conséquent, l'Angleterre a adopté une méthode d'action qui combine les milieux rural et urbain par le biais du *mainstreaming*. De plus, confronté à des demandes non traditionnelles croissantes relatives à la campagne, l'Angleterre a été en mesure de maintenir une agriculture arable

très productive. Comme nous l'avons vu plus haut, il y a encore des possibilités importantes d'amélioration de la politique rurale et du développement rural en Angleterre. Mais il y a également d'importants enseignements à tirer pour d'autres pays de l'OCDE, car ils commencent à reconnaître que la portée de leur politique rurale doit être étendue de régions majoritairement rurales seulement à des régions intermédiaires et majoritairement urbaines également. En particulier, l'approche de la ville-région, et le *mainstreaming* des services publics peuvent être des modèles utiles à d'autres pays.

Notes

1. Mainstreaming est l'approche à la politique rurale au Royaume-Uni. Pour une explication plus complète, voir l'encadré 2.2.
2. Le *rural proofing* ou « étanchéité rurale » est une expression utilisée pour décrire un processus de vérification de l'effet que les politiques et les projets individuels pourraient avoir sur les communautés rurales.

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OECD PUBLISHING, 2, rue André-Pascal, 75775 PARIS CEDEX 16
(04 2010 10 1P) ISBN 978-92-64-09442-0 – No. 57629 2011

OECD Rural Policy Reviews

ENGLAND, UNITED KINGDOM

Rural England plays a significant role in the economy of the United Kingdom, but an even larger social and cultural role. And it is unique among OECD regions, in that it is geographically compact, with rural inhabitants generally no more than a half hour's drive from an urban area. There is thus a vast amount of interaction between rural and urban populations in England.

England's rural population is, on average, doing better than the urban population across a broad range of socio-economic indicators. Nevertheless, rural England is also struggling with pockets of poverty and social exclusion, difficulties in maintaining access to high-quality public services, an ageing population, and, most importantly, a widespread shortage of affordable housing.

The government has adopted mainstreaming as its rural policy strategy. The objective of mainstreaming is to ensure that people in rural England have access to the same policies and programmes as those available in urban England. While mainstreaming is an attractive policy approach, especially in a country with strong rural-urban interactions such as England, it has proved challenging to implement for different reasons. This report examines the mainstreaming policy response as applied to rural England and suggests ways to increase its effectiveness.

The report will interest academics and policy makers alike as it includes a discussion on governance structures and decentralisation; delivering public services; economic development; and the importance of improving connectivity in the context of rural areas. While the focus is on rural England, other OECD member countries will also benefit from the insights provided.

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Please cite this publication as:

OECD (2011), *OECD Rural Policy Reviews: England, United Kingdom 2011*, OECD Publishing.
http://dx.doi.org/10.1787/9789264094444-en

OECD*publishing*
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ISBN 978-92-64-09442-0
04 2010 10 1 P