

Resilience and Opportunity:

# The Government's Response to the report of the Rural Advocate:

England's rural areas:  
steps to release their  
economic potential

February 2009

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Enterprise & Regulatory Reform



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Published by the Department for Environment, Food and Rural Affairs

PB13203

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## Ministerial Preface

On behalf of the Government, I welcome the publication of the report from the Prime Minister's Rural Advocate Stuart Burgess, which demonstrates the significant contribution made by businesses in rural areas to the national economy. In recent years rural areas have supported the highest rates of employment and the highest levels of growth in new firm formation as well as significant growth in the Knowledge Intensive Business sector.



Of course, much has changed since the Prime Minister asked Stuart Burgess to report on measures to strengthen economies in rural areas. The past year has seen significant global economic shocks leading to an exceptionally difficult fiscal climate. The Government's immediate priority is to continue to support the economy, families and businesses – in all areas - through these difficult times. The evidence is that the economic downturn is likely to have impacts across both urban and rural areas. Therefore, it is vital that Government is able to quickly identify any particular rural issues that may be less obviously apparent because of the nature of these areas but which may require specific action. And we need to ensure that the measures designed to support the economy are having an impact in rural as well as in urban areas. To this end we are working closely with the Regional Development Agencies and the Commission for Rural Communities to make sure that the National Economic Council has access to high quality intelligence regarding the economic situation in rural areas.

I have been delighted by the constructive partnership that has come together under Defra's chairmanship to address the points raised in Stuart's report. This is an example of joined-up Government in action, involving Defra, BERR, CLG, DIUS, HMT, and DWP, the Regional Development Agencies and the Regional Rural Affairs Forums.

We are better informed about the scale and nature of economic activity in a rural context than ever before. New measures of productivity developed by Defra and the Office for National Statistics (ONS) show that rather than being the poor relation to urban areas in terms of productivity, rural areas are in fact major contributors to the national economy on a par with all urban areas outside of London. The evidence also shows clearly that there is no such thing as a separate 'rural economy' – the economies in rural and urban areas are similar, in terms of the mix of businesses and employment and are closely inter-related.

One reason for the economic resilience of our rural areas is the Government's approach to rural development. The economic potential of rural areas should not be artificially constrained by out-dated assumptions about their role and contribution, and as the Rural Advocate's report has shown, rural areas are already making a major contribution to the national economy and in many places are punching significantly above their weight. Our approach to rural economic development needs to recognise this strength and to focus on capitalising on the business opportunities offered by rural areas and the people who live and work in them.

**Hilary Benn**

## a. Context

- a.1 In the summer of 2007, the Prime Minister asked Stuart Burgess, the Rural Advocate to advise on how rural economies might be further strengthened. In the summer of 2008 Stuart set out a package of proposals designed to improve support for people and enterprises in rural areas, '[England's rural areas: steps to release their economic potential](#)'. His report forms part of a growing consensus which recognises the economic resilience of our rural areas, emphasising the opportunities they offer and the contribution they make to the economy at large.
- a.2 In order to respond most effectively to the wide-ranging recommendations of the Rural Advocate, the Government established a cross-Whitehall working group, under the chairmanship of Defra to co-ordinate a joined-up response. The group included Defra, BERR, CLG, DIUS, HMT, and DWP. Views and contributions were also sought from the Regional Development Agencies and from the Regional Rural Affairs Forums. This response sets out the Government's analysis of the economic picture in rural areas, our approach to supporting communities and businesses in rural areas and reports on the progress that has been made against the recommendations set out in the Rural Advocate's Report.
- a.3 Over the past year, major shocks have hit the economies of every country in the world. And the Government's immediate priority is to continue to support the economy through these difficult times. The economic downturn is likely to have impacts across all regions and spread across both urban and rural areas. So, for rural areas, 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.

## b. What does the Evidence show?

- b.1 Understanding the economic performance of rural areas is an important part of the Government's economic policy. Our knowledge in this area has recently been enhanced by work undertaken as a result of collaboration between the Office of National Statistics and Defra comparing productivity in the rural and urban areas of England and re-evaluating the picture once the skewing impact of London is isolated. These developments have produced better measures of the economic performance of rural areas than those which were previously available leading to a better understanding of their performance relative to the rest of the country.
- b.2 The evidence tells us that most of rural England is well-connected with strong links to nearby towns and cities and good access to local markets and job opportunities. That is why most of our rural areas have been performing well in both economic and social terms. The economies in rural areas are diverse and closely interconnected with those in urban areas, nationally and internationally. Economic development in a rural context needs to be based on an up-to-date, 21st century understanding of business in rural areas – one that is not constrained by a nostalgic view of the past but recognises the dynamism, interconnectedness and value of our current rural businesses and communities.

- b.3 However, the evidence also shows that there are some rural areas where levels of economic performance are below average and prospects for growth are more limited. This was highlighted powerfully in the Rural Advocate's report. These areas share a number of characteristics: often described in aggregate as 'peripherality'. Furthermore, in addition to their economic contribution, our rural areas are frequently home to landscapes of national importance, high levels of biodiversity and provide a range of public benefits and amenity value that are not recognised in a straightforward analysis of economic productivity. In seeking to support the optimum level of sustainable economic growth in all localities, we must not lose sight of the features that make rural areas unique.
- b.4 Perhaps most importantly, and not surprisingly, the evidence tells us that all rural areas are not the same. There is significant variation across rural England, both within and between regions. It is important that in thinking about the impact on rural areas policy makers, at all levels, recognise the significant strengths of our rural areas but do not assume that all rural communities or rural people enjoy the same positive outcomes.
- b.5 That is why the Government's focus is on mainstreaming rural policy and delivery. Mainstreaming is about understanding the needs of rural people and places within a national policy framework which recognises that all communities are different; and which is increasingly designed to give local areas the flexibility to respond in a tailored way to local circumstances. It is important in this context that we are able to distinguish between localised issues and concerns and evidence of any systemic challenges associated with rural areas.
- b.6 The Government welcomes the recognition in the Rural Advocate's report of the significant economic contribution already made by rural areas as well as the potential for their continued growth. Of course, we need to ensure that we have realistic aspirations about the potential to narrow the "gap" between, for example, the most remote rural areas and the City of London. The Rural Advocate's Report posited a potential productivity 'gap' of up to £347 billion. However, the detailed analysis we have carried out, based on improved measures of productivity<sup>1</sup> developed in partnership with the ONS; coupled with the isolation of the 'London Effect' suggests this concept of a 'rural gap' is misleading.
- b.7 Given that there is a range of rural areas performing both above and below the national average in terms of productivity we do not believe that it is most useful to view rural economies in terms of 'unfulfilled potential'; particularly when that potential is measured against a baseline which is artificially inflated by the performance of London. It is undeniable that some rural areas will have unfulfilled economic potential, as indeed will many urban areas. Determining the extent of that potential is a very complex business that needs to take into account those factors, including provision of public goods, that might constrain economic performance. The relative similarities between aggregate performance across the various urban and rural geographies outside of London, suggest that the current policy focus on regional and local delivery mechanisms (set within a framework of national policy) will be much more appropriate than differentiated urban/rural policies. Further analysis on this issue is set out in section 2 of this response.

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<sup>1</sup> Productivity is measured as Gross Value Added (GVA) per workforce job by LA/district, aggregated to the LA classification. More detail is available on the Defra Website at: <http://www.defra.gov.uk/rural/pdfs/dso/annex2.pdf>

- b.8 This is why we very much welcome the Rural Advocate's challenge to everyone to recognise the potential of rural areas and to focus on the opportunities they offer. And the new data we now have available to us supports this call for policy makers at all levels to re-evaluate the significant national contribution made by firms in rural areas. Building on this, we believe that our focus should not be on making rural areas more like urban ones or on pushing remote areas to emulate London but on ensuring that we provide the support structures and leadership to enable businesses and local economies in both rural and urban areas to contribute effectively to sustainable economic growth.

### c. Progress to date and next steps

- c.1 Section Four of this report sets out in detail the key policy and delivery mechanisms at national, regional and local levels that support rural economic development. Section Five focuses on the support available to businesses in rural areas, whilst Section Six addresses some of the key policy areas identified in the Rural Advocate's report to the Prime Minister. The annex to this response sets out in detail how the recommendations made by the Rural Advocate will be taken forward under a number of broad themes: analysis; recognising potential; rural proofing; best practice/knowledge transfer; business support; investment; and managing risk.
- c.2 Since the Rural Advocate published his report last summer much progress has been made under each of these themes.
- Our **analytical** ability will be further improved through our new partnership with the Spatial Economic Research Centre based at London School of Economics.
  - We have strongly welcomed the emphasis this report places on **recognising the potential** of rural areas. The programme of regional events that CRC are developing with the RDAs will help to continue to highlight the important contribution that rural areas make. The cross Whitehall working group that came together to consider the recommendations demonstrates the recognition across Government of this contribution.
  - **Rural proofing** is a long-standing commitment by the Government to ensure that all domestic policies fully take account of rural circumstances and needs. But we need to continually consider how we can most effectively deliver on this commitment. Defra is working closely with the CRC on a new joint approach to the mainstreaming and rural proofing of policy and delivery at national, regional and local levels. This will involve the publication of revised rural proofing materials and the provision of additional advice and support to individual departments.
  - Our response sets out how we will ensure that rural areas are able to benefit from **best practice/knowledge transfer**. The Technology Strategy Board have committed to working with the CRC to ensure businesses in rural areas are able to effectively engage with the Knowledge Transfer Networks and regionally funded networks.
  - **Business support** will benefit from the Government's announcement in October 2008 to offer a long term, sustainable, streamlined package of 30 publicly-funded business support products accessed via Business link. In addition and building on the announcements in the Pre budget report in November 2008 the Secretary of State for Business Enterprise and Regulatory Reform announced a package of support measures consisting of loan guarantees and an Enterprise Fund. From April this year Train to Gain brokerage will be integrated with the wider Business Link service offering a nationally consistent service available to all employers regardless of location. The brokers will be backed up by a range of specialists with the knowledge and understanding of all sectors of the economy.

- In terms of **investment** in rural areas we set out proposals for reforming the Local Authority Business Growth Incentives scheme (LABGI) in August 2008. The proposals are designed to encourage authorities to work together to promote economic growth in their sub-region. This sub-regional focus could help rural authorities who did not experience major economic growth in their own areas but contributed to economic growth elsewhere in their sub-region.
- Finally, the Government response to Sir Michael Pitt's review of the widespread floods of summer 2007 sets out how we will **manage risk** going forward.

## 1. Background

- 1.1 In summer of 2007, the Prime Minister asked Stuart Burgess, the Rural Advocate to undertake an analysis of the impact of flooding and foot and mouth disease on the rural economy and to advise on how rural economies might be further strengthened. In compiling his report, Stuart Burgess analysed the rural economy as a whole and in the summer of 2008 he published his recommendations in 'England's rural areas: steps to release their economic potential'. He set out a package of proposals to improve support for people and enterprises in rural areas to help them realise their potential.
- 1.2 The Government welcomes the publication of this report which demonstrates the significant contribution made by businesses in rural areas to the national economy. The report rightly stresses the importance of recognising this contribution at all levels in Government and the private sector and sets out a range of recommendations for both building on success and for tackling any weaknesses. The Rural Advocate helpfully identifies the breadth of interest in this issue - across Government at local, regional and national levels. In responding, therefore, as well as the role of central Government, we have sought to reflect the crucial role of regional and local delivery mechanisms.
- 1.3 In order to respond most effectively to the wide-ranging recommendations of the Rural Advocate, the Government has drawn together a cross-Whitehall working group, under the chairmanship of Defra to co-ordinate a joined-up response. The group included Defra, BERR, CLG, DIUS, HMT, and DWP. Views and contributions were also sought from the Regional Development Agencies and from the Regional Rural Affairs Forums.
- 1.4 Over the past year, major shocks have hit the economies of every country in the world. While commodity prices have recently eased, the credit shock has intensified into the worst global financial crisis for generations, a crisis that is being addressed by a global policy response of unprecedented scale and scope. These developments mean economic prospects are subject to exceptional uncertainty, but it is clear that the UK, like many advanced economies, has moved into recession. Asset markets and the financial sector have been severely affected, with persistent implications for the public finances.
- 1.5 The economic and fiscal climate is exceptionally challenging, but because of the macroeconomic framework introduced in 1997 the UK is facing these shocks from a solid foundation. The Government remains committed to the macroeconomic framework and the objectives enshrined within it. Credible medium-term objectives and mechanisms for short-term flexibility mean that the Bank of England and the Government can deliver the necessary support to the economy without compromising their respective commitments to low inflation and sound public finances.
- 1.6 The Government's immediate priority is to continue to support the economy through these difficult times. The Pre-Budget Report, published on 24 November 2008, announced that the Government will support families and businesses, including by:
  - temporarily reducing the Value Added Tax (VAT) rate to 15 per cent with effect from 1 December 2008 to 31 December 2009; and
  - bringing forward £3 billion of capital spending from 2010-11 to 2008-09 and 2009-10, the years when the impact of the shock is likely to be the strongest.

- 1.7 The Government's central economic objective is to achieve high and stable rates of economic growth and employment. Productivity is the key determinant of long-run growth, which when coupled with employment growth leads to higher prosperity. The Government's framework for raising productivity is based on two objectives:
- Maintaining macroeconomic stability to ensure certainty around long-term investment decisions for both businesses and individuals.
  - Microeconomic reform to tackle market failures around the five inter-dependent drivers of productivity: competition, innovation, skills, enterprise and investment.
- 1.8 As with all areas of policy, the economic outcomes sought by Government apply equally to all areas whether urban or rural. This mainstreamed approach to policy and delivery reflects the fact, highlighted in the rural Advocate's report, that there is no such thing as a distinctive 'rural economy' – the economies in rural and urban areas are very similar, in terms of the mix of businesses and employment.
- 1.9 The Government is fully aware that the economies in rural areas are diverse and closely interconnected with those in urban areas, nationally and internationally. Our vision for economic development in a rural context needs to be premised on an up-to-date, 21st century understanding of business in rural areas – one that is not constrained by a nostalgic view of the past but recognises the dynamism, interconnectedness and value of our current rural businesses and communities.
- 1.10 In addition to their economic contribution, our rural areas are frequently home to landscapes of national importance, high levels of biodiversity and provide a range of public benefits and amenity value that are not recognised in a straightforward analysis of economic productivity. Such features can act as drivers of the local economy but they also bring responsibilities that can act as a constraint on economic growth. In seeking to support the optimum level of sustainable economic growth in all localities, we must not lose sight of the features that make rural areas unique.

## 2. National and Regional Rural Analysis

### Key Facts about Rural Economies<sup>2</sup>

*The urban/rural classifications used in this section are explained in detail in Annex 2*

People who live in major urban areas, which includes London, have higher median residence-based earnings<sup>3</sup> than other types of area, which are otherwise quite similar:

Major Urban	£21,790
Large Urban	£18,840
Other Urban	£19,340
Significant Rural	£20,300
Rural 50	£20,030
Rural 80	£18,990
<b>England Average</b>	<b>£19,850<sup>4</sup></b>

The unemployment rate is lower in rural England than in England as a whole:

Major Urban	5.8%
Large Urban	5.9%
Other Urban	4.0%
Significant Rural	4.9%
Rural 50	3.0%
Rural 80	3.9%
<b>England Average</b>	<b>5.4%</b>

The employment rate<sup>5</sup> is higher in all types of rural area than in urban districts and than the national average:

Major Urban	70.2%
Large Urban	73.8%
Other Urban	75.2%
Significant Rural	77.6%
Rural 50	77.9%
Rural 80	78.6%
<b>England Average</b>	<b>74.3%</b>

A greater proportion of pupils in rural England achieve five or more A\* to C grades by the end of Key stage 4 than in England as a whole:

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- 2 Taken from Defra's Socially and Economically Sustainable Rural Communities Departmental Strategic Objective (DSO). For more information see: <http://www.defra.gov.uk/rural/dso/index.htm>
- 3 Earnings are measured in two different ways. Residence based earnings are the average earnings for people living in a given district. These people might work in this district or somewhere else. Workplace based earnings, on the other hand, are the average earnings of people who work, but do not necessarily live, in a particular district.
- 4 2006 figures Source: median earnings, ASHE (ONS); weighted by employee numbers, Labour Force Survey (ONS)
- 5 The employment rate is the proportion of the working age population that are in employment, which according to the Annual Population Survey (APS) includes anyone who undertakes at least one hour of paid work in the week prior to the APS interview, or has a job from which they are temporarily away.

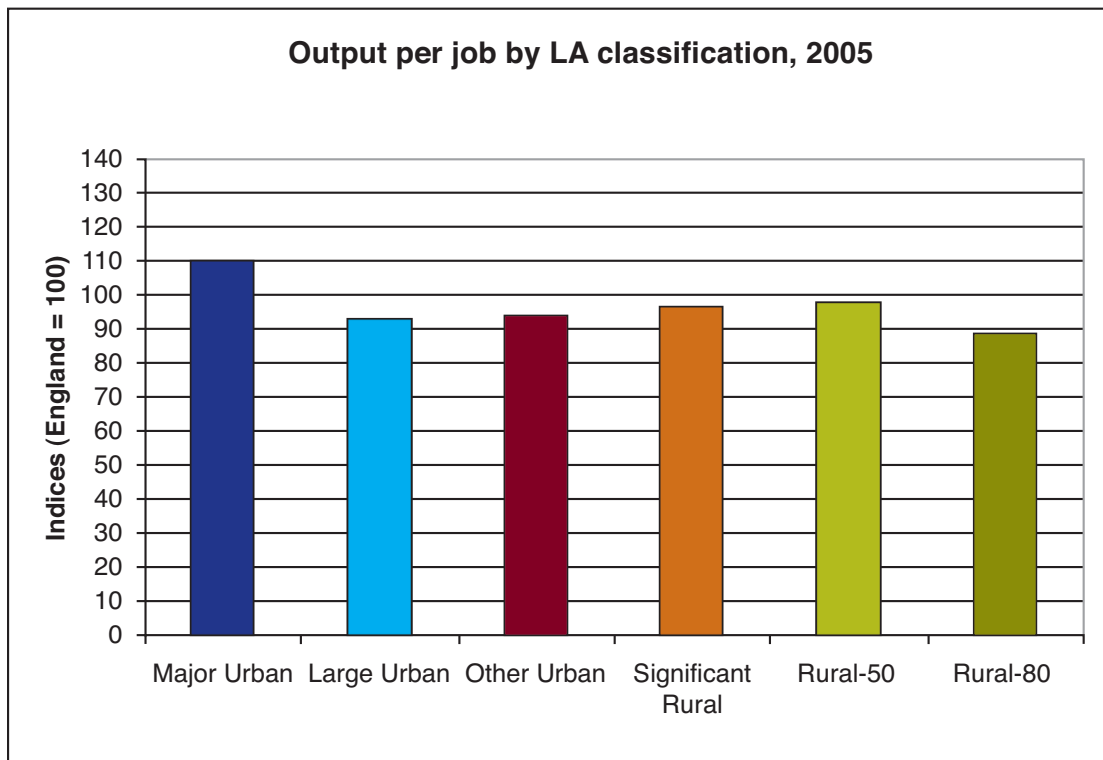
# National and Regional Rural Analysis

Urban > 10k – Less Sparse	58%
Urban >10k – Sparse	53%
Town & Fringe – Less Sparse	63%
Town and Fringe – Sparse	58%
Village – Less Sparse	68%
Village – Sparse	63%
Hamlet & Isolated Dwelling – Less Sparse	71%
Hamlet & Isolated Dwelling – Sparse	69%
<b>England</b>	<b>59%</b>

Productivity is lowest in the most rural areas but is at a similar level for all other non-Major Urban categories of the classification (see following section).

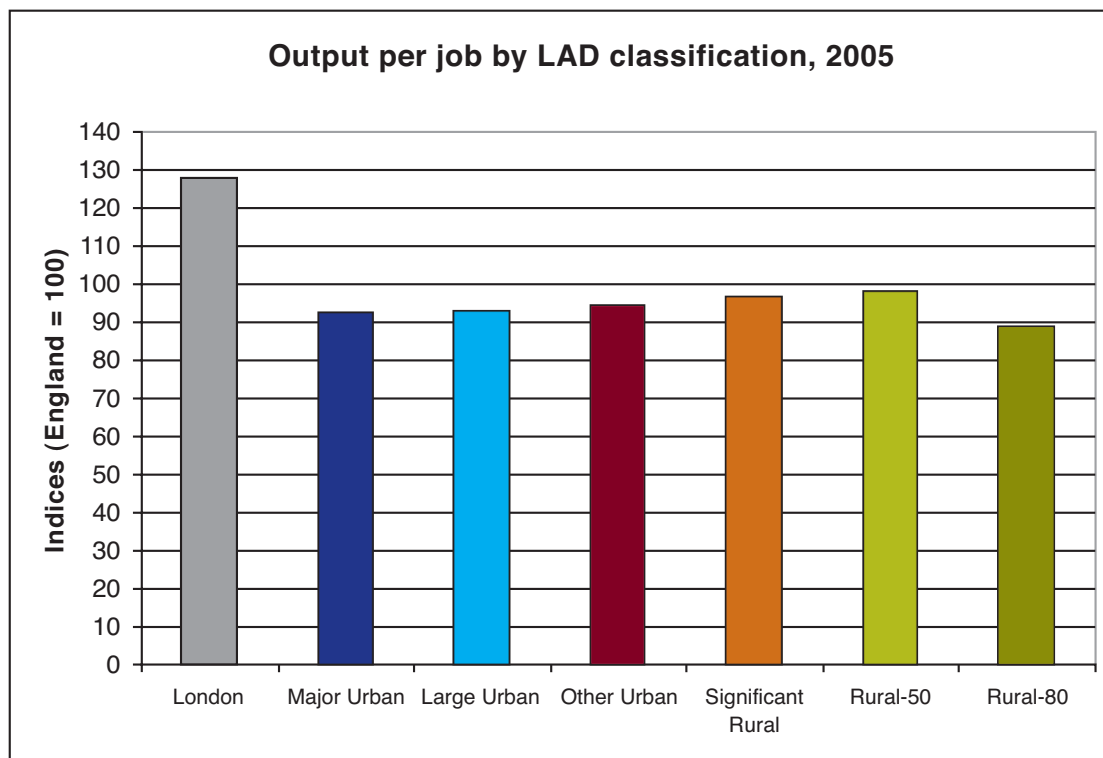
- 2.1 Understanding the economic performance of rural areas is an important part of the Government's economic policy. This section presents an analysis of the issues relating to productivity in a rural context, building on work undertaken as a result of collaboration between the Office for National Statistics (ONS) and the Department for Environment, Food and Rural Affairs (Defra) comparing productivity in the rural and urban areas of England. These data have been developed to allow policy analysts and others to better measure the economic performance of rural and urban areas in England and are used to underpin the economic element of Defra's Strong Rural Communities Departmental Strategic Objective.
- 2.2 **Figure 1** shows estimates of output per job for 2005 for the six way classification of districts. This shows that whereas there is a significant productivity gap between Major Urban areas and England as a whole (and likewise between Rural-80 LADs and England) it is not possible to distinguish productivity levels for the other four categories of the LA classification. This suggests that there is no significant productivity gap, except at the extreme ends of the LA classification (Major Urban and Rural-80 districts).

**Figure 1: Output per job by LA Classification, 2005**



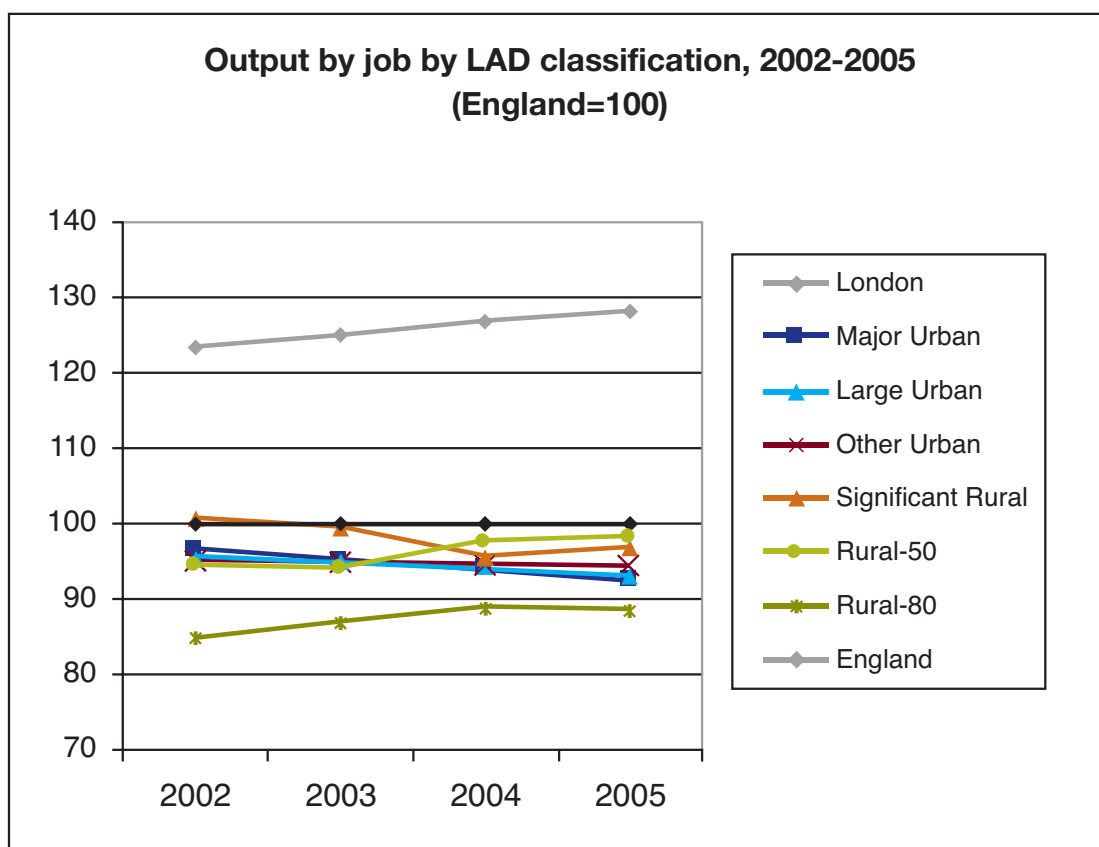
2.3 However, if we separate out the London-based Major Urban districts from the rest of the Major Urban districts, we begin to see a different picture. The results are summarised in **Figure 2**.

**Figure 2: Output per job, 2005, treating London-based Major Urban LADs separately**



2.4 This clearly shows that the most important factor behind the apparent rural/urban productivity gap seen earlier is the performance of London, which forms a significant proportion of the Major Urban LADs in England (33 out of 76 in total). So rather than below average productivity being related to rurality, the evidence shows that being *outside London* is a large factor in lower productivity, regardless of whether the district is classified as rural or urban. London is a global financial centre and this sector has performed extremely well in recent years. So while some literature on the subject suggests it is *agglomeration effects* i.e. the densities of people and businesses, that enhance productivity, this analysis highlights a “London effect” rather than significantly higher productivity in Major Urban areas in general.

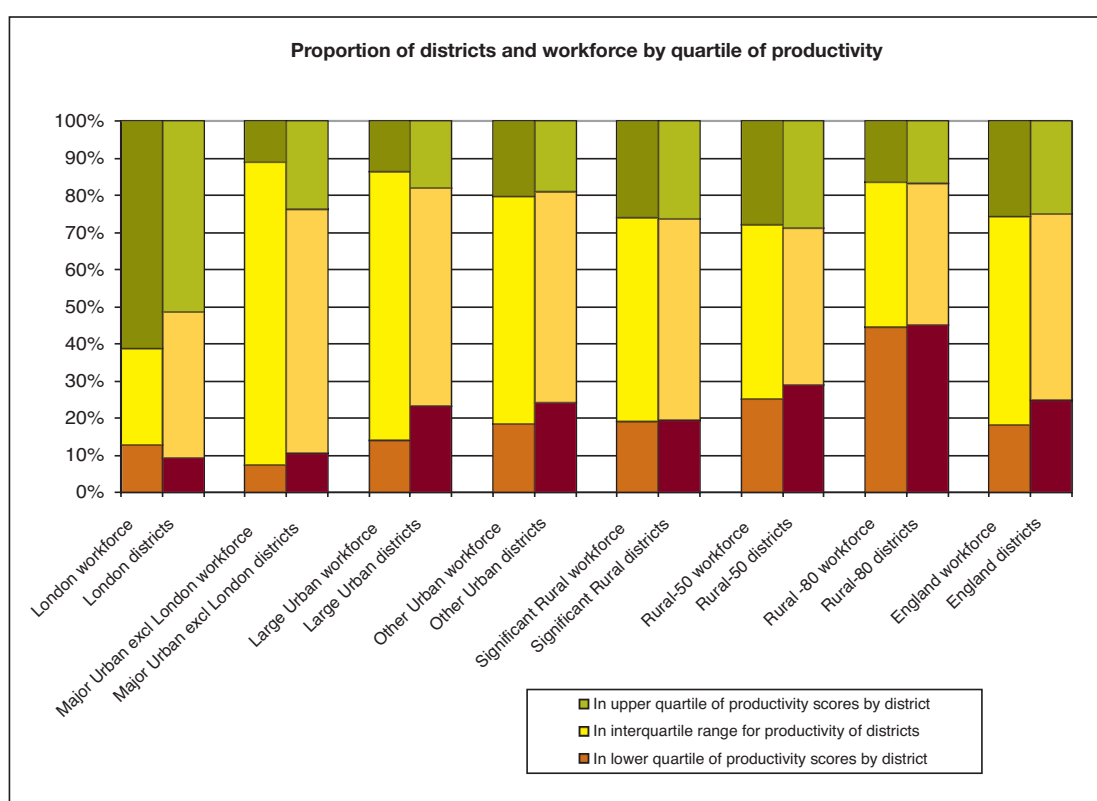
**Figure 3: Output per job by LA classification, 2002 – 2005**



2.5 **Figure 3** shows that *all* categories of the urban/rural classification demonstrate below average productivity due to the influence of London on the England average. This chart shows that the observable ‘gap’ between London and the rest of the country appears reasonably consistent over the time series. It is important not to over-state small apparent differences, as it is not possible to say whether these represent statistically significant improvements in productivity. In order to carry out a more meaningful analysis, a longer time series is required. This is currently being investigated.

2.6 Looking at this in more detail, **Figure 4** below shows the proportion of the districts with productivity in the lower and upper quartile and within the inter-quartile range<sup>6</sup> in each category of the Local Authority classification, and the same for the workforce within those districts. It shows over 40% of the workforce of Rural-80 districts working in lower quartile districts. This compares to 18% for England as a whole. At the other end of the scale, 17% of the Rural-80 workforce live in districts with upper quartile productivity compared to 23% for England as a whole. The graph shows that a worker in a Rural-80 district is more likely to be in a lower quartile district than a worker in any other category of the classification. However, a Rural-80 worker is also more likely to be in a high performing area than one from a Large Urban or Major Urban district outside of London.

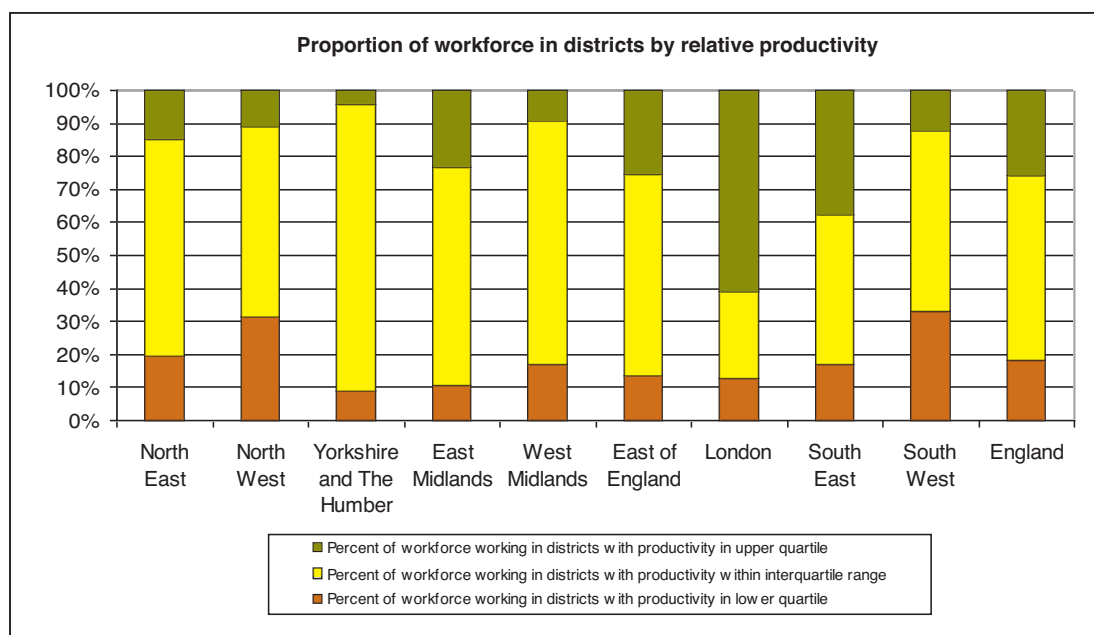
**Figure 4 – Proportion of workforce and districts by relative productivity**



<sup>6</sup> Districts in the lower quartile have productivity in the bottom 25% of scores. Districts in the upper quartile have productivity in the top 25% of scores. The inter-quartile range is the range of values that falls between the upper and lower quartiles and is in the middle 50% of values.

- 2.7 There is also significant variation in the picture between regions. Further analysis of the lowest performing quartile of productivity shows a greater concentration in some regions of England than others, see **Figure 5**. Over 30% of the workforce of the South West and North West work in districts with lower quartile productivity.

**Figure 5 Proportion of workforce in districts by relative productivity (regional breakdown)**



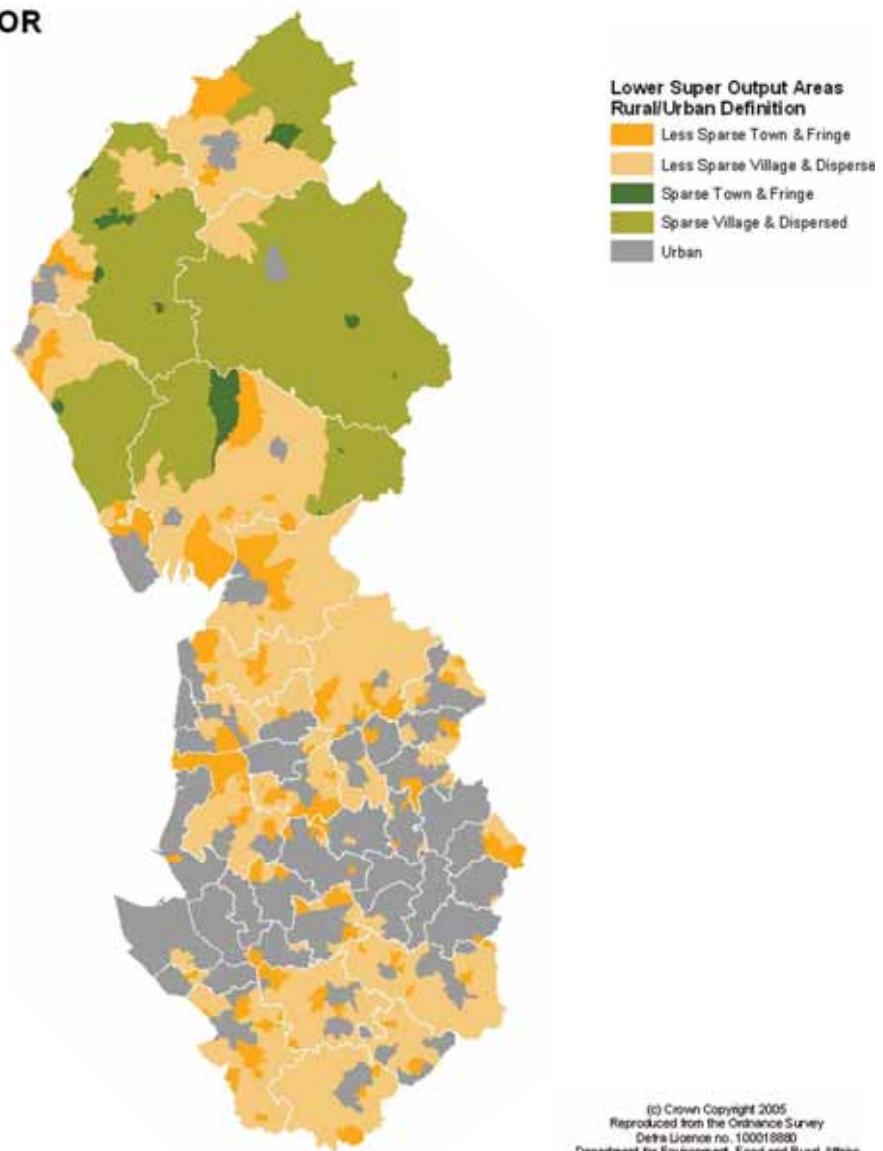
- 2.8 So, looking in detail at the relative performance of different areas when compared to the national average, we find a complex, nuanced picture which is not easily explained by simplistic rural/urban distinctions. One of the two rural classifications, Rural-50, is on average performing well on these indicators. Even within the Rural-80 category there are a number of high performing districts. And there are poor performing districts in all Urban Classifications. Understanding the underlying factors behind such variations in performance and the extent to which policy can address any imbalances is critical to answering the most important question of all – are these areas performing as well as they can?
- 2.9 This is really the key question – how can we measure the true potential of individual places, rather than making a simplistic comparison with performance elsewhere. It is undeniable that some rural areas will have unfulfilled economic potential, as indeed will many urban areas. Determining the extent of that potential is a very complex business that needs to take into account those factors, including provision of public goods, that might constrain economic performance.
- 2.10 The relative similarities between aggregate performance across the various urban and rural geographies outside of London, suggest that the current policy focus on regional and local delivery mechanisms (set within a framework of national policy) will be much more appropriate than differentiated urban/rural policies. In this context sub-regional and local-level data is at a premium. CLG have established a cross-government group to look at the feasibility of producing a sub-NUTS3 (District level) measure of Gross Value Added (GVA), as well as considering other measures of economic growth for local areas. HMT, BERR, CLG and ONS are taking this work forward.
- 2.11 The case studies below demonstrate some of the key factors influencing economic growth in 3 of the English regions.

## CASE STUDY:

### The Rural North West

Each region has a distinctive rural profile which shows the relationship between rural places and economic growth. The diagram below highlights the rural profile of the North West. The city-region corridor between Liverpool and Manchester is the main generator of economic growth in this region. To the south is Cheshire which benefits as a result of much of this growth in terms of resident population and earnings. To the north of this city corridor are Lancashire and Cumbria which become increasingly remote from growth. Whilst some of the rural local authority districts appear to be performing well in terms of GVA, remote rural districts situated in Lancashire and Cumbria, such as the Ribble Valley, Eden, South Lakeland and Allerdale, are lagging behind. This demonstrates the importance of tackling mainstreaming from a regional perspective to understand the nuances and geography of rural places.

### NORTH WEST GOR



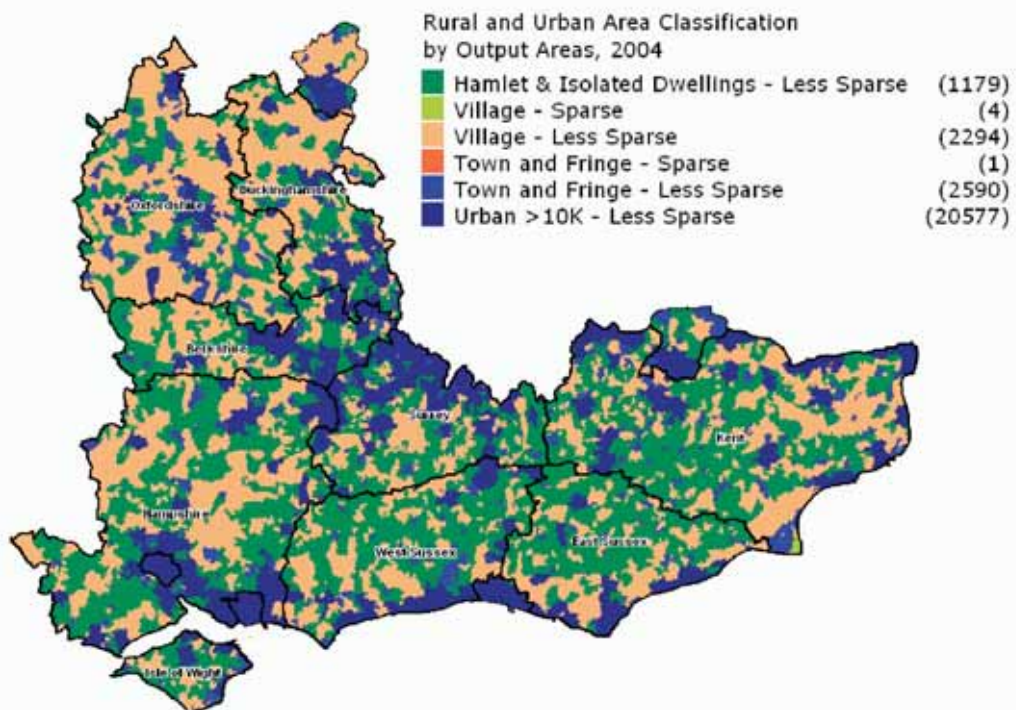
## CASE STUDY:

### The Rural South East

Being in the shadow of a world city in the shape of London, the South East's rurality sometimes gets overlooked. The region has a total population of 8.1 million with nearly one in four living in 170 small rural towns, and 1400 villages the countryside. Fourteen of its 55 districts are rural-50 and six are rural-80.

The region is home to around 106,000 businesses in rural areas, amounting to over 40% of the region's total businesses. The majority of these are in manufacturing, services, the visitor economy or leisure, with less than a quarter being farms. Agriculture accounts for 2% of the region's GVA.

Some 40% of the region's area is the subject of protective designation with almost a third designated as nationally important landscape. This comprises one National Park in the New Forest, 10 Areas of Outstanding Natural Beauty, and the four most wooded counties in England – giving real competitive advantage in terms of Quality of Life.

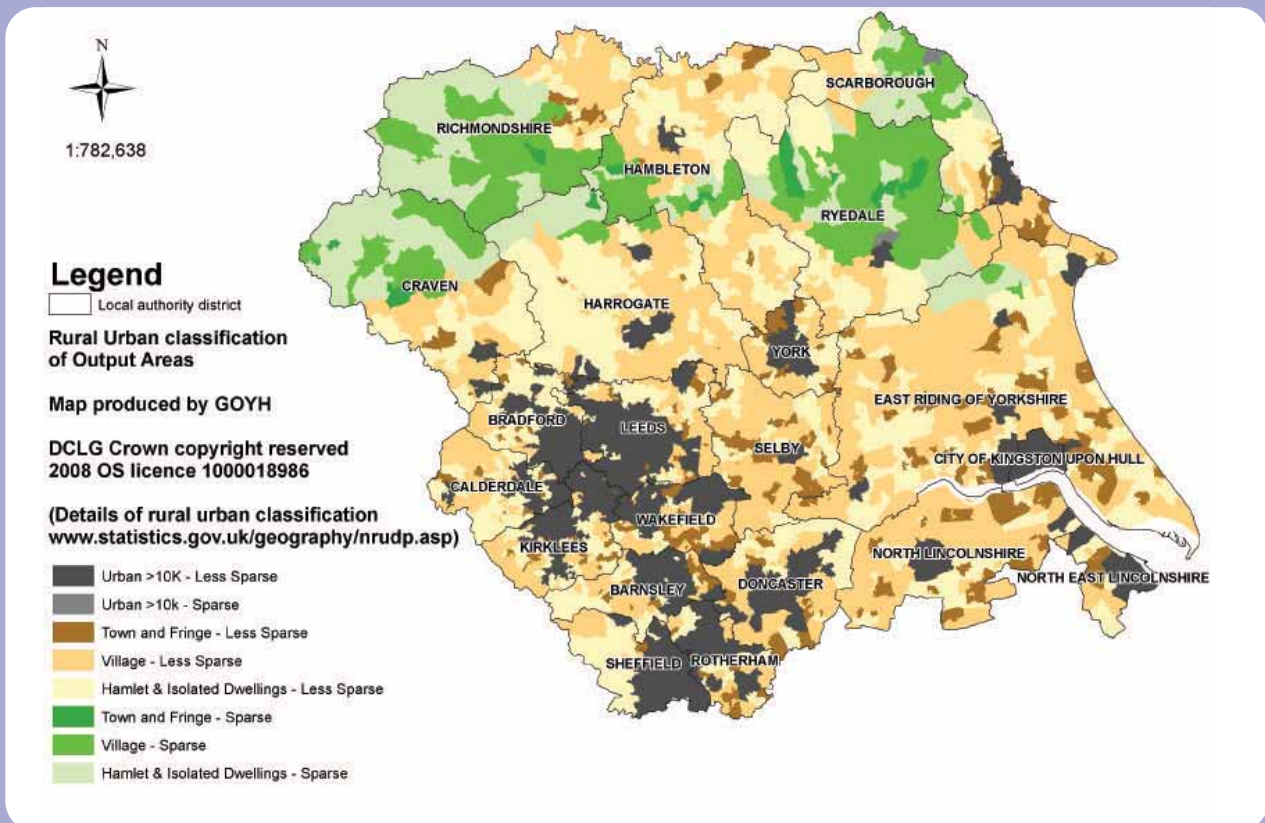


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## CASE STUDY:

### Yorkshire and the Humber

The Yorkshire and Humber region covers an area of 15,512 km<sup>2</sup>, 11.7% of England's land mass, making it the fifth largest of the nine English regions. The region has a population of approximately five million, with nearly 20% of people living in rural areas detailed in the map below.



The region's Rural Evidence Bases in 2006 and 2007 suggest that rural Districts have higher Gross Value Added per head than urban Districts. However, many Districts classed as urban also have substantial rural areas.

Yorkshire Forward has developed a model for tracking the progress of the economy in rural parts of the region, called the Health of the Rural Economy. This provides a sub-regional analysis, which shows that despite West Yorkshire being the principal regional economic driver, rural businesses in West Yorkshire are not performing as well as those in North Yorkshire, which is more remote from urban parts of the region. This is likely to be a legacy of the textile industry which declined more gradually than the South Yorkshire coalfields and thus had less immediate, obvious impact. This demonstrates that there are a wide variety of economic circumstances affecting businesses in rural areas, and that proximity to principal urban areas is not always a strong economic driver.

## 3. Fulfilling the Economic Potential of Rural England

- 3.1 The Government welcomes the recognition in the Rural Advocate's report of the significant economic contribution already made by rural areas as well as the potential for their continued growth. Of course, we need to ensure that we have realistic aspirations about the potential to narrow the "gap" between, for example, the most remote rural areas and the City of London. And, as the Rural Advocate makes clear, we also need to beware of making blanket assumptions about the wide diversity of rural experiences. All rural areas are not the same and it is important that we have tailored responses to different economic circumstances at the regional and sub-regional levels.
- 3.2 The evidence tells us that most of rural England is well-connected with strong links to nearby towns and cities and good access to local markets and job opportunities. That is why most of our rural areas have been performing well in both economic and social terms. However, it also shows that there are some rural areas where levels of economic performance are below average and prospects for growth are more limited. These areas share a number of characteristics: often described in aggregate as 'peripherality'.
- 3.3 The key features of peripheral rural areas are traditionally understood to include distance from urban areas; scattered populations and low densities of businesses and potential employees. Some of these factors such as distance cannot easily be addressed without impacting upon those features of rural areas that many value most. However others can – for example, access to broadband and other new technology is beginning to address some of the constraints on business often associated with rural areas such as difficulties in accessing banks or other services. The influence of these technological advances can be seen in the quiet revolution in home working that can be seen across the country but which is twice as common in rural areas compared to urban<sup>7</sup>.
- 3.4 Perhaps most importantly, all rural areas are not the same. There is significant variation across rural England, both within and between regions. It is important that in undertaking their rural proofing responsibilities policy makers, at all levels, recognise that the relative strength of many rural communities does not preclude the existence of wide divergences from the average at local level. Whilst recognising the significant strengths of our rural areas, we do not assume that all rural communities or rural people enjoy the same positive outcomes.
- 3.5 That is why the Government's focus is on mainstreaming rural policy and delivery. Mainstreaming is about understanding the needs of rural people and places within a national policy framework which recognises that *all* communities are different; and which is increasingly designed to give local areas the flexibility to respond in a tailored way to local circumstances. It is important in this context that we are able to distinguish between localised issues and concerns and evidence of any systemic challenges associated with rurality.
- 3.6 As explored above, there is a range of well-established economic reasons for relatively lower levels of growth in some rural areas. These reflect the reality of greater distances between people and markets in rural areas; which may result in relatively fewer opportunities to do business. In addition, some (although by no means all) rural areas create a natural advantage for businesses in certain key sectors, such as agriculture and tourism, which derive value from (and frequently help to sustain) the natural environment but which typically have lower levels of productivity than, for example, the financial sector.

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<sup>7</sup> Taken from the ONS Annual Population Survey 2007.

- 3.7 However, here too it is important not to make sweeping assumptions, the case studies above demonstrate the significant diversity of rural experiences both within and between regions. Norfolk for example is the largest and most rural County in the East of England and has more businesses in financial services than in any other sector.
- 3.8 The Rural Advocate's Report posited a potential rural productivity 'gap' of up to £347 billion. However, the detailed analysis we have carried out, based on improved measures of productivity<sup>8</sup> developed in partnership with the Office for National Statistics; coupled with the isolation of the 'London Effect' suggests this concept of a 'rural gap' is misleading. The diversity of rural areas means that simple comparisons between urban and rural levels of productivity are unlikely to be an helpful starting point in developing policies that meet the needs of businesses on the ground. There is a range of rural areas performing both above and below the national average in terms of productivity; we will not enhance the development of individual rural areas by viewing them as a group in terms of 'unfulfilled potential'.
- 3.9 Nevertheless, we very much welcome the Rural Advocate's challenge to everyone to recognise the potential of rural areas and to focus on the opportunities they offer. And the new data we now have available to us supports this call for policy makers at all levels to re-evaluate the significant national contribution made by firms in rural areas. Building on this, we believe that our focus should not be on making rural areas more like urban ones or on pushing remote areas to emulate London but on ensuring that we provide the support structures and leadership to enable businesses and local economies in both rural and urban areas to contribute effectively to sustainable economic growth.

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<sup>8</sup> Productivity is measured as Gross Value Added (GVA) per workforce job by LA/district, aggregated to the LA classification. More detail is available on the Defra Website at: <http://www.defra.gov.uk/rural/pdfs/dso/annex2.pdf>

## 4. Policy and Delivery Mechanisms

- 4.1 The Government is committed to raising productivity and prosperity in every region of England and reducing the gap in economic growth rates between regions. In taking this forward we have committed to devolving and decentralising functions to the English regions and to developing and strengthening the democratic oversight of those functions. A regional approach is necessary to analyse and address the causes of economic disparity; to ensure planning and investment decisions are properly integrated; and to coordinate sub-national issues that extend beyond the boundaries of even the largest local authority or sub-regional groupings of local authorities.
- 4.2 The Department for Business, Enterprise and Regulatory Reform (BERR) has a strong interest in regional economic policy through sponsorship of the Regional Development Agencies in England, managing the Regional Economic Performance PSA and jointly leading implementation of the review of sub-national economic development and regeneration with the Department for Communities and Local Government.
- 4.3 Strong regions and sub-regions are a vital component of a strong national economy. The Government's approach to regional policy is designed to build the capability of regions, putting greater emphasis on growth within all regions and strengthening the building blocks for economic success and addressing market failures in the drivers of growth (skills, innovation, enterprise, competition, employment and investment). It is recognised that economic performance varies across and within areas of the UK and we need all regions to maximise their comparative advantage to reach their economic potential.
- 4.4 The Government's approach to achieving this is to support and strengthen regional leadership, bringing together business, the public sector, universities, and local communities. This will help to empower regions to generate their own solutions, in the light of their particular strengths and weaknesses. The review of sub-national economic development and regeneration, published in July 2007, set out how Government intends to strengthen economic performance in regions, cities and localities throughout the country, as well as tackling persistent pockets of deprivation where they remain. Government is now focussed on implementing its recommendations. BERR leads on the Regional Economic Performance (REP) PSA. HMT, CLG, DWP, DIUS, DfT and Defra are all official contributors to the delivery of the PSA. Government works closely with the RDAs and other regional and local partners to deliver the PSA for the Comprehensive Spending Review 07 period which is to "Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions".
- 4.5 Closely linked to the review of sub-national economic development and regeneration is the separate programme, announced by the Chancellor, to simplify the provision of business support, with the aim of reducing the number of schemes from over 3000 to about 100 by 2010, and also drastically simplifying the delivery and branding of the publicly funded business support offer.
- 4.6 The National Economic Council has been established to help people and businesses to deal with the current economic uncertainties. It will coordinate efforts to help families deal with higher food and energy prices as we work with our International partners in managing the world's scarce natural resources, and provide the forum on how to equip the country for the future by making the right investments in education, skills, science and infrastructure.

- 4.7 The Council meets frequently to assess:
- the implications of the ongoing challenges in the financial markets for the wider economy globally and nationally;
  - the latest developments in global commodity markets and their impact on the UK economy; our objective to promote sustainable and secure energy supplies;
  - the impact of global economic developments on the skills and employment that the UK needs;
  - the remaining barriers to entrepreneurship, innovation, and the opportunities for small business growth;
  - our housing and planning needs; and
  - the impact across every part of the UK.
- 4.8 The job of the National Economic Council is to frame and coordinate the appropriate departmental and cross-Governmental policy responses. It takes advice from external experts from across different sectors of the economy. In addition, Regional Economic Fora have been established in each region to ensure that the issues and concerns of each region are heard and acted upon across Government. Regional Ministers will come together with RDA chairs and representatives of business, trade unions and Local Government for quarterly meetings chaired by the Chancellor and the Secretary of State for Business, Enterprise and Regulatory Reform. In addition a Regional Council made up of the Regional Ministers will meet weekly chaired by Liam Byrne, Chancellor of the Duchy of Lancaster and Yvette Cooper, Chief Secretary of the Treasury.
- 4.9 The National Economic Council will receive regular intelligence reports from each region, co-ordinated by RDAs. The economic downturn is likely to have impacts across all regions and spread across both urban and rural areas. So, for rural areas, 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.
- 4.10 BERR, Defra, the CRC and the RDAs are working together to ensure that intelligence received by the Government on the impact of the current economic situation on different places is effectively rural-proofed. This will be done through the regional state of the economy reports that RDAs have been commissioned to produce by the National Economic Council. Together we will maintain an overview of the intelligence - with a particular focus on any risks that may be particularly relevant to rural areas such as issues affecting Small to Medium sized enterprises or those on low wages or in seasonal or part-time work. This is an area that will continue to remain under close scrutiny.

### Review of sub-national economic development and regeneration (SNR)

- 4.11 The Government's review of sub-national economic development and regeneration (SNR)<sup>9</sup> was published in July 2007. The review focused on improving the economic performance of England's regions, cities and localities, as well as tackling persistent pockets of deprivation. It was based on the principles of 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. 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.
- 4.12 The Government published a consultation on how to implement some of the review's key recommendations on 31 March 2008<sup>10</sup>. The consultation closed on 20 June 2008 with over 500 responses having been received, which on the whole supported the principles and reforms contained in the SNR as well as a number of the particular proposals.
- 4.13 The Government published a formal response to the consultation on 25 November 2008<sup>11</sup>. It explains that 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; and
  - that further legislation to allow delegation of decision-making by RDAs to local authorities is not needed.
- 4.14 The Local Democracy, Economic Development and Construction Bill will be used to make the legislative changes required.

### The Role of Regional Development Agencies

- 4.15 The role of the RDAs is to further economic development and regeneration at a regional level and to promote business efficiency, investment and competitiveness. In addition they promote employment and work to enhance the development and application of skills relevant to employment in the region as well as contributing to the achievement of sustainable development.

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9 The review of sub-national economic development and regeneration was published on 17 July 2007:  
[http://www.hm-treasury.gov.uk/d/subnational\\_econ\\_review170707.pdf](http://www.hm-treasury.gov.uk/d/subnational_econ_review170707.pdf)

10 Prosperous Places: taking forward the review of sub-national economic development and regeneration was published on 31 March 2008  
<http://www.berr.gov.uk/files/file45468.pdf>

11 Government response to consultation published on 25 November 2008  
<http://www.communities.gov.uk/publications/citiesandregions/pdf/1073344.pdf>

## The Role of Government Offices

4.16 The Government Offices represent the Government in the regions. They exist in order to connect central government with local people and organisations, to enhance national policy, integrate regional strategies and drive local delivery. The GOs are also responsible for overseeing and negotiating the Local Area Agreements in their regions. Each year, Government agrees with the GOs what they will do on its behalf. This includes ensuring that rural interests are heard in regional policy making and that rural needs and interests are effectively mainstreamed within the GOs' activities.

## The Role of Local Authorities

4.17 Local Area Agreements (LAAs) are an important integral part of the sub-national machinery. They set out the priorities for a local area agreed between central government, the local authority, Local Strategic Partnership and other key partners at the local level.

4.18 LAAs are the place where central government will agree targets with local authorities and their partners on outcomes delivered by local government on its own or in partnership with others. The process for agreeing LAAs will ensure that they properly consider the needs of the rural areas within their boundaries. For example, Defra have been working with Government Offices to ensure the process for negotiation of LAAs includes due consideration of any rural dimension.

4.19 Some issues do not respect local authority administrative boundaries. Local economies or travel to work areas often cross boundaries. Tackling issues to increase economic growth and prosperity for local people and communities is often best done at a sub-regional level. Multi-Area Agreements (MAAs) seek to facilitate this. In return for co-ordinated and coherent action by local partners to deliver ambitious targets and tackle entrenched pockets of deprivation, Government will seek to remove barriers that prevent the delivery of economic growth and better outcomes for local people. MAAs are equally relevant to both rural and urban areas.

4.20 The downturn in the economy means that economic issues are assuming even greater significance, both within LAAs and also as part of the wider local performance framework. The LAA refresh will mean completing unfinished business as well as refining particular targets in light of new evidence. One of the key aspects of the refresh is ensuring each LAA is resilient and responsive to the economic downturn. This offers us a good opportunity to show how LAAs are flexible and responsive to the downturn, with revised targets that remain ambitious yet realistic. In some cases, this may mean reassessing the level of target, whilst in others it will be looking at what more can be done.

### CASE STUDY:

#### Innovative delivery through Cornwall's LAA – Cornwall Works

Cornwall was successful in its application to become one of the 'round two' LAA authorities. Its first LAA focused on the three-year period between April 2006 and March 2009. Through the LAA process, Jobcentre Plus and the county council 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 for the Economy and Enterprise theme of the LAA. This LAA target is 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 per cent in the employment rate for people with disabilities;
- 1000 very long-term Incapacity Benefit customers engaged, 23 per cent into jobs with a 97per cent sustainability rate; and
- an increase of 2.7 per cent in the 50+ employment rate.

## CASE STUDY:

### Invest to save

A key element of the Cornwall Children and Young People's Partnership's Transformation Programme is to build an integrated services framework for the delivery of services to Children, Young People and Families:

- That shapes a new approach to service delivery focused on a community network model, through integrated front line delivery.
- That establishes common thresholds of need, referral and assessment processes, sustained by a common language and joint planning arrangements.
- That shapes appropriate integrated and responsive services that focus on prevention and early identification.
- Through the "Real Choices – Tackling Child Poverty in Cornwall Project funded through HM Treasury Invest to Save – Inclusive Communities Budget until March 2010. A Child Poverty Co-ordinator has been employed to work collaboratively across the totality of the Cornwall LAA acting as an interface between LAA service delivery, agencies working on the ground and families in the target communities.

The project is also providing some additional resources to pilot the use of flexible enabling funds capable of making one-off payments that can narrow inequalities and improve life chances for children and young people living in poverty. These funds are administered by third sector partners with delegated responsibilities. Helping to minimise bureaucracy, increase flexibility and take budgets closer to the families and communities who need support.

There is a real commitment from stakeholders to reshape their services and address the cultural change necessary to effectively engage with and support Cornwall's most vulnerable families.

## CASE STUDY:

### Local Authority Support for Enterprise – Stokesley Springboard Centre

Stokesley is an old market town in North Yorkshire, with a population of around 5,500. It is located on the edge of the North York Moors National Park and is popular with visitors from Teesside and further afield. This project was initiated by Hambleton District Council and funded by Yorkshire Forward, as both partners identified the need for a business incubator, comprising managed workspace linked to the on-site provision of advisory support.

**Springboard Business Centre** is a boldly designed managed workspace project on an industrial estate in the North Yorkshire town. From the outset the ambition was to “incorporate world class design of a high standard with an environmentally friendly and sustainable requirement”. The quality of the design was intended to inspire the calibre of new businesses Hambleton wished to attract to the new workspace. The final design is the result of an international RIBA competition. The design is innovative and highly sustainable in both servicing and construction. The client wanted a landmark building to attract and promote young innovative new businesses. The winning design so captured their imagination, they raised additional funds to deliver the scheme without compromise. The building is curvilinear in contrast to the prosaic rectangular forms of a typical industrial park, with a distinctive aluminium mesh louvered screen façade and a striking white floating atrium roof, creating a strong visual identity for the new centre.



The Business Centre covers a total of 6 700 sq ft of lettable office space in the form of 20 office units of 335 ft<sup>2</sup>. Small inter-connecting units permit businesses to accumulate space as they grow during their maximum 3-year tenancy from 350 sq ft to 700 sq ft to 1050 sq ft.

Following on from the success of the Springboard Centre, Hambleton District Council identified that businesses that had completed their allotted three years needed further business space to move onto. The market had not addressed the needs of these sorts of knowledge based businesses. Hambleton Council worked with Yorkshire Forward to develop the **Momentum business centre**, situated close to, and jointly managed with, Springboard. This provides seven larger units making up a total of 12,000 sq feet of business space. The Momentum Centre opened in the summer of 2008 and there has been strong interest shown by businesses.



## 5. Support for Rural Businesses

- 5.1 The public service needs of people living and working in rural areas are addressed by the same parts of the public sector that work for all of us. In general, the advice, information, incentives and regulation that serves to support business in rural England is the same as that which serves businesses operating in all parts of the country.
- 5.2 In October 2008, Government announced “Solutions for Business – funded by government” a streamlined package of 30 publicly-funded business support products accessed via Business Link to help companies start, survive and succeed. This simplified system will make it easier for all business, including those based in rural areas, to find the right products to help them with common business issues such as finance, innovation and skills. It is estimated that tighter targeting of higher impact schemes will benefit business by up to £1.4bn per year. In January this year building on the announcements in the Pre budget report in November 2008, the Secretary of State for Business, Enterprise and Regulatory Reform (BERR) announced a package of support measures including an Enterprise Finance Guarantee scheme securing up to 1.3 billion of additional bank loans to small firms with a turnover up to £25 million. And a £75 million Capital enterprise Fund to invest in small businesses which need equity.
- 5.3 The single portfolio of support products and services will be shared across government to achieve consistency at national, regional and local level and have a uniform look and feel for instant customer recognition. By March 2009 all products will be in place. Local authorities and others will be able to jointly commission and procure business support delivered in their areas by regional or national bodies to enable enhanced provision to meet local priorities, including the needs of rural areas.
- 5.4 As well as accessing the “Solutions for Business” products, Business Link network can also provide a wealth of information from how to start a business, employing staff, tax, sales and marketing or growth strategies for more established business. The Business Link (which is managed by the RDAs) offers a tailored service that will diagnose customers’ needs and helps them to identify solutions that match their needs in both the public and private sector. Business Link is available to all businesses and can be accessed through the website [www.businesslink.gov.uk](http://www.businesslink.gov.uk), by telephone on 0845 6009006 or through the network of advisers based in England. At a national level, Business Link makes no distinction between rural and urban businesses. However, because it is delivered at the local level advice can properly reflect local circumstances.

## CASE STUDY:

### **Business Link Tailoring Services to meet the local needs of specific business sectors**

In the East of England, as a result of increasing regulation mainly from the European Union, smaller and specialist farmers are finding it harder to locate abattoirs to slaughter their livestock. Movement restrictions during recent disease outbreaks have also meant that a number of abattoirs have closed. Small and specialist farms often have to book animals in to the abattoirs up to six months in advance, which means that it is hard to judge if the animals will be in prime condition by that date, so farmers then do not get the best price.

A group of farmers, headed up by Martin Towler of Scald End Farm, contacted Business Link to take action, pooling their share of the East of England Development Agency's (EEDA) Emergency Fund to commission a major study into the issue.

After meeting with the farmers, Diane Budd, Business Link Specialist Adviser for Rural and Land-Based Business, used the brokerage service to put the group in touch with a specialist consultancy with extensive experience of work in the farming and food sector. For Martin there were two key questions: what are the options to improve the situation, and are those options sustainable over the long-term?

The farmers received the report at the beginning of July and convened a meeting at Scald End Farm to discuss it in December. They are now planning on creating a more formal group of farmers in partnership with two local abattoirs. Currently Andrew Davies from Woburn Country Foods, which has recently received a grant from EEDA for a cutting room, is interested in helping the group. The new cutting facilities opened in early December, and already production has doubled.

"The results should lead to us being back in control of our farms, businesses and markets," says Martin. "We identified the problem but Business Link has been the driving force behind finding a solution."

The farmers will continue to work with Business Link to set up the new arrangement and explore opportunities arising from it.

## **Support for Skills and Training**

- 5.5 Train to Gain, part of the Solutions for Business portfolio, is the Government's premier skills service to support employers in England. It is available to businesses of all sizes, in all sectors, and all locations to help improve the skills of their employees, unlock talent and drive improved business performance.
- 5.6 Through Train to Gain, rural employers can access:
  - Government funding, to sit alongside their own financial contribution, including a subsidy of up to 100% for certain training;
  - Quality-assured, impartial advice from brokers with expertise in those sectors that are important to rural economies, to help them identify their skills needs at all levels;
  - Help from the brokerage service to identify and source the training and qualifications that will best address those needs;

- High-quality, vocational skills training, delivered at a time and place to suit them, from a wide range of further education and other training providers;
  - Advice on wider business needs, provided by the Business Link network, into which the Train to Gain brokerage service will be integrated from April 2009.
- 5.7 Additional flexibilities have recently been announced for the next 2 years to begin from January 2009 to support SMEs through the current difficult economic climate. These include funding for short courses or units for subjects such as business improvement techniques which are proven to increase productivity; funding for level 2 qualifications even when the employee has qualifications at that level and more funding for level 3. This new offer will also provide help for clusters of SMEs located together in business parks, or in supply chains, to improve their access to the training they need to develop their businesses.
- 5.8 It is recognised that each region has its own unique Higher Education needs. RDAs work closely with HEFCE (Higher Education Funding Council for England) and with individual institutions on a range of issues. The Government, recognising the need to meet local Higher Education needs, has worked with the sector to:
- establish two new Universities (University of Cumbria and Combined Universities of Cornwall) which filled geographical 'gaps' in HE provision in rural areas; and
  - put into development the planned introduction of, subject to high quality bids, up to 20 local HE centres over the next 6 years which, when fully operational, will have places for around 10,000 students. This "University Challenge" initiative aims to help in unlocking the talents of local people and drive local regeneration.
- 5.9 Many Universities are already actively engaged in providing training / upskilling / education opportunities specifically developed to meet local needs. Examples of these, with a rural focus, include:
- a) work led by the South West Lifelong Learning Network (SWLLN) on a project to create innovative opportunities and improved quality of choice for learners to engage with higher education. SWLLN, working with the Western Vocational Lifelong Learning Network led by the University of Bath, will operate in Cornwall, Devon, Somerset, Dorset and South Wiltshire to develop and pilot:
- common curriculum frameworks focusing on small businesses/public services/heritage/tourism/retail and hospitality
  - progression agreements between awarding institutions
  - an enhanced information, advice, guidance and learner support system.
- The pilot will provide opportunities for further engagement with employers, work-based learners and rural and coastal communities.
- b) The 'Blended Learning Development for Employer Engagement' project, led by Harper Adams University College (HUAC), the output of which will be a series of accredited programmes. The project aims to address the needs of the land-based business and professional sector – typified by a high proportion of micro-businesses and sole traders - as for many, traditional patterns of delivery constitute a major barrier to participation, where staff and time release is difficult.

## Support for Innovation

- 5.10 The Government wants to ensure that Britain is the best place to run an innovative business or service – this is critical to the UK's future prosperity, our quality of life and future job prospects. Innovation is no longer simply about science or hi-tech industries, but happens across the board in the private, public and voluntary sectors.
- 5.11 "*Innovation Nation*"<sup>12</sup> was published to help Britain to be the best place in the world to run an innovative business or service. Government cannot achieve this on its own but has an important role to play and the Annual Innovation Report published in December 2008 documents progress<sup>13</sup>.
- 5.12 Department for Innovation, Universities and Skills' (DIUS) programmes to support business innovation are primarily delivered through intermediaries such as the Technology Strategy Board, Regional Development Agencies, National Endowment for Science, Technology and the Arts, The Design Council, British Standards Institute, the National Measurement Laboratory, the Manufacturing Advisory Service, the Carbon Trust, the Research Councils and Universities.
- 5.13 The Technology Strategy Board<sup>14</sup> was established in July 2007 as a business focussed organisation encouraging and supporting technology-enabled innovation. Its first strategic plan Connect and Catalyse was published in May 2008 and describes three main areas for investment: challenge-led innovation (delivered through the current 6 Innovation Platforms; technology-inspired innovation (focusing on core technologies); and innovation climate (supporting networking activities through Knowledge Transfer Networks and Knowledge Transfer Partnerships).
- 5.14 In 2008-2011 the Technology Strategy board will coordinate a £1billion programme in partnerships with the RDAs and Research councils. Projects involve 3000 businesses and 98 Higher Education Institutions.
- 5.15 The Government announced 'Solutions for Business - funded by government', a streamlined package of 30 publicly-funded business support products accessed via Business Links to help companies start, survive and succeed in October 2008. Business wanted simpler government support. Simpler business support underpins the Government's strategies for innovation and enterprise and the new products will be in place by March 2009.
- 5.16 DIUS during the past year has worked with SEEDA and other key stakeholders to successfully lead the development of six publicly funded business support products for innovation. These were announced in October 2008. The Department is working to ensure that there are appropriate opportunities open to all businesses, regardless of place.
- 5.17 Innovation and how a place can benefit from it differs from place to place. Different places in the UK innovate in different ways. RDAs provide the strategic framework for economic growth and regeneration in their regions and science and innovation plays an important role. They play a leading role in strengthening the innovation infrastructure within their regions, developing strategies and bringing together partnerships to deliver. This requires an understanding of all sections and sectors of the economy, including where a rural dimension exists.

12 "Innovation Nation" can be found at: <http://www.dius.gov.uk/publications/ScienceInnovation.pdf>

13 Annual Innovation Report published in December 2008:

[http://www.dius.gov.uk/publications/documents/Innovation/Innovation\\_Strategy\\_Reports/21390%20AIR%20Report%20NAV%20v7.pdf](http://www.dius.gov.uk/publications/documents/Innovation/Innovation_Strategy_Reports/21390%20AIR%20Report%20NAV%20v7.pdf)

14 The Technology Strategy Board website is found at: <http://www.innovateuk.org/>

- 5.18 In 2007/08 it is estimated that RDAs spent over £260 million on innovation infrastructure and schemes similar to the seven innovation products in the Solutions for Business portfolio.
- 5.19 Innovation support delivered by the RDAs as part of Solutions for Business includes:
- the national Grant for Research and Development scheme
  - the Grant for R&D product
  - a range of knowledge transfer activities between businesses and the knowledge base, such as networking for innovation, innovation vouchers and collaborative research and development
  - provision of specialist business expertise
  - innovation infrastructure including campuses, demonstrators and facilities

## CASE STUDY:

### **The National Rural Knowledge Exchange, led by Harper Adams University College**

An open-access Knowledge Exchange service to enhance rural technology and business support activities. NRKE will signpost access to academic sources of technology, innovative ideas and business advice in assisting the growth of a rural economy. The initial 14 institutions will develop the NRKE which will then be open to other academic and business network participants. Partners: University of Birmingham, Bournemouth University, University of Central Lancashire, University of Gloucestershire, University of Hull, Keele University, Newcastle University, University of Reading, Royal Agricultural College, University of Warwick, UWE, University College Worcester, Writtle College.

## CASE STUDY:

### **First woodchip boiler under South West scheme**

In December 2008 Lanoyce Horticultural Nurseries, based near Saltash in Cornwall, 'switched on' the first biomass woodchip boiler in the South West of England, funded by the South West Bio-Heat Programme.

Lanoyce Nurseries grow cut-flowers, mainly for UK supermarkets such as Sainsbury's. The installation of the 500kW woodchip boiler, supplied by Wood Energy, will use some 500 tonnes of wood and save around 400 tonnes of CO<sub>2</sub> a year, reducing their heating costs from the previous oil-fired boilers by some £40-45K annually.

The South West Bio-Heat Programme was launched in 2007 with £650,000 funding from the South West RDA and £10,000 from the Forestry Commission is being run by Regen SW. The programme advised business and organisations on the practicalities of installing a biomass boiler which uses woodfuel from sustainably managed woodland and other biodegradable crops, wastes and residues to create green energy. The programme was such a success that the South West RDA was awarded £3 million in April 2008 by Department for Environment, Food and Rural Affairs (Defra) to invest in 30 bioheat projects across the region, including Lanoyce.

## Knowledge Transfer Networks

5.20 The Rural Advocate recommended that there should be:

*“an examination initiated by a Technology Strategy Board/CRC-led group of rural and innovation representatives of how national Knowledge Transfer networks and regionally-funded networks could engage more effectively and fully in rural areas”*

5.21 The Technology Strategy Board has agreed to take forward this recommendation; working with the CRC to ensure businesses in rural areas are able to effectively engage with the Knowledge Transfer Networks and regionally-funded networks. The Technology Strategy Board, working with the CRC, will work with representative groups to look at how best to engage businesses in rural areas and to put plans in place by May 2009.

### CASE STUDY:

#### Northern Rural Network

The Northern Rural Network (NRN), funded by the Northern Rock Foundation and One North East, is a learning network extending across the north of England that is facilitated by the Centre for Rural Economy at Newcastle University. The Network has grown rapidly since its inception in 2000 and now has more than more than 1000 members, including from rural businesses, local authorities, public agencies and the voluntary sector, as well as academic researchers.

The NRN provides an independent forum to promote learning and understanding of contemporary rural development issues and challenges in the North, as well as providing opportunities for networking amongst rural development practitioners and exchanging best practice. It also showcases applied research that informs analysis of the state of rural economies and communities and uses the dialogue within the NRN to shape new research agendas in the North and beyond. A key function of the NRN is to engage businesses in a two way process of knowledge exchange: a new survey of rural micro-business is underway that will inform future policy development and investment, and provide an important snapshot of the health of rural businesses in the North East.

## Rural Development Funding

5.22 The Rural Development Programme for England 2007-13 is an EU investment programme funded through the EU Agriculture and Rural Development Fund and Defra supporting rural areas. The RDPE 2007-2013 aims to build profitable, innovative and competitive farming, food and forestry sectors; to improve the environment and countryside; and to enhance opportunity in rural areas, in a way that delivers sustainable development.

5.23 The RDPE 2007-2013 has a total budget of £3.9 billion<sup>15</sup> – more than double the budget available for the previous programme which ran from 2000-2006. The overall design of the RDPE encourages integration between social, economic and environmental objectives, and the RDPE measures targeted towards socio-economic development (managed by the RDAs) complement other domestic and EU funding streams to support rural businesses in generating higher quality employment opportunities.

<sup>15</sup> £3.3 billion allocated to agri-environment and other land management schemes. £600m to make agriculture and forestry more competitive and sustainable and to enhance opportunity in rural areas.

- 5.24 Whilst much of the £3.9 billion will fuel agri-environment schemes, around £600 million will be specifically targeted to support the delivery of economic and social outcomes. This is the responsibility of the RDAs. The RDPE programme finally received EU approval in December 2007 and the RDAs were therefore permitted to start approving new projects from January 2008<sup>16</sup>.
- 5.25 Around £140m of the RDPE funds managed by the RDAs will be delivered through a community-led “bottom-up” approach designed to ensure programme integration at the local level, known as the Leader approach. It is not a separate fund or set of objectives: rather, RDAs will be building capacity in Local Action Groups and empowering them to identify the local solutions to key rural development priorities identified in the RDPE Regional Implementation Plans.
- 5.26 In addition to the RDPE, over the same 2007-13 Programme period the European Regional Development Fund and the European Social Fund should have significant impacts in rural areas through their contribution to regional economies. In particular, the ERDF and ESF Convergence programmes will provide targeted support to the local economy of Cornwall and the Isles of Scilly (€458 million and €196 million respectively).<sup>17,18</sup> We have worked hard to ensure complementarity between RDPE and the Structural Funds (ERDF, ESF) and the European Fisheries Fund.

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<sup>16</sup> There is considerable diversity in the needs and priorities of the different English Regions. RDAs and their partners have developed regional approaches to identify priorities and solutions in Regional Implementation Plans within the national framework of priorities, set out in RDPE. RDAs will be operating a strategic investment-led approach to delivery. This means that the RDAs will be taking a proactive approach to project development under the new programme and may well be working through commissioning projects or working with groups of key businesses and/or community partners to develop projects that deliver multiple outcomes, as well as discussing projects with individual enterprises and training providers.

<sup>17</sup> Details of the allocation of ERDF and ESF funding for the 2007-13 programming period can be found at:  
<http://www.berr.gov.uk/whatwedo/regional/european-structural-funds/index.html>

<sup>18</sup> The RDPE will also provide £55 million to support the Convergence Objective in Cornwall and the Isles of Scilly.

## 6. Mainstreaming Rural Policy and Delivery

6.1 The outcomes sought by Government apply equally to all areas both urban and rural. 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. This is not about making blanket, prima-facie assumptions about the differences between rural and urban areas; nor is it about a crude one-size-fits-all approach to policy and delivery. Mainstreaming is about working constructively within a national policy framework which recognises that *all* communities are different; and which is increasingly designed to give local areas the flexibility to respond to local circumstances and needs. This section addresses some of the key policy areas identified in the Rural Advocate’s report to the Prime Minister and contextualises them within our mainstream policy and delivery frameworks.

### Tackling unemployment – addressing areas with high levels of worklessness

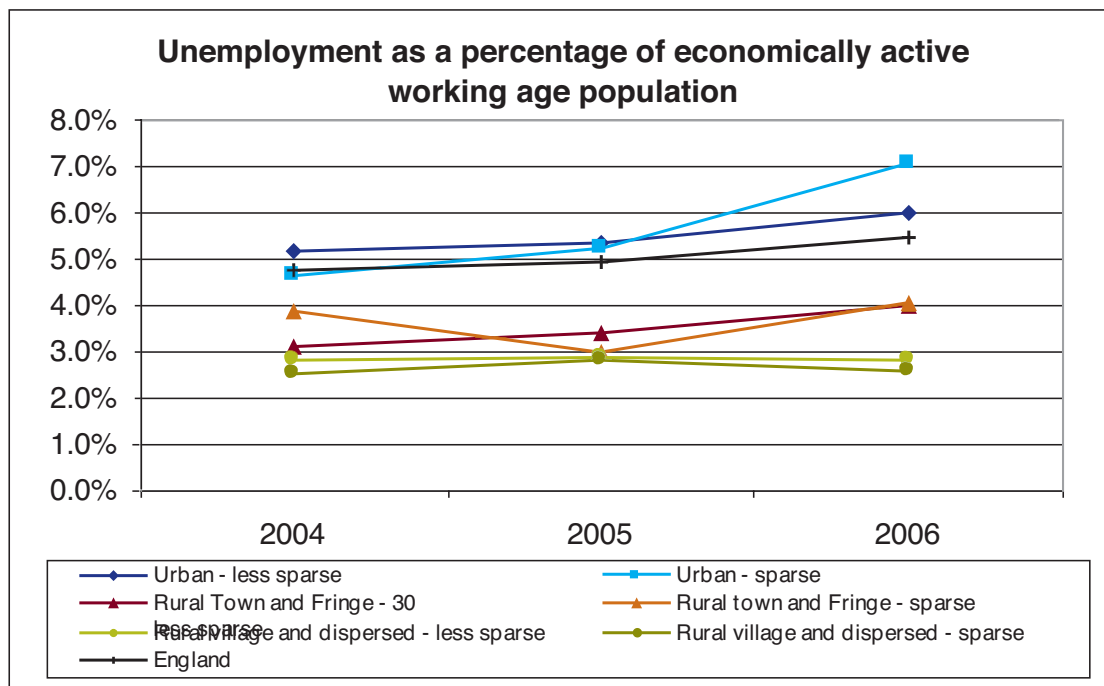
6.2 The Government takes two distinct approaches to tackling worklessness. The first is aimed at those specific **areas** that suffer from high levels of unemployment compared to the rest of the country. The delivery mechanism for addressing these area-based challenges is the Working Neighbourhoods Fund (WNF). In his report the Rural Advocate calls for this fund to be extended to rural areas. It is important to stress the fact that WNF is *already available* to all those rural areas that meet the criteria for intervention. The aim of the WNF is to tackle the highest concentrations of worklessness and lowest levels of enterprise and skills, wherever these may exist. With limited resources, we are required to focus our efforts on those areas where the problems are most severe.

6.3 The review of sub-national economic development and regeneration recommended that to maximise the impact of area funding, the Government should focus on a smaller number of areas where deprivation is most acute. In pursuit of this recommendation government has targeted both rural and urban authorities which the evidence indicates face concentrated pockets of worklessness. We do not deny that worklessness and/or low levels of enterprise and skills exist outside the current WNF areas in both urban and rural places. However, in these cases we would expect this to be addressed through mainstream programmes and through the resources of the local council.

6.4 The majority of rural areas have historically had relatively low levels of unemployment as **Figure 6** shows. The unemployment rate is lower in rural areas than in urban areas and in England as a whole. While the national level of unemployment went up between 2004 and 2006, the level in rural areas stayed the same.

<sup>19</sup> This is based on Lower Super Output Areas in the most deprived 10% of the Overall IMD (2007) and the Employment domain of the IMD (2007), as well as the typology of urban and rural areas used is the ONS Urban and Rural areas classification 2004.

**Figure 6 Unemployment as a percentage of economically active working age population**



6.5 However, there is no difference in the proportion of the most deprived rural and urban areas captured by WNF. In both urban and rural areas, around 75% of the most deprived areas are also in receipt of WNF<sup>19</sup>. A number of rural areas are in receipt of WNF including Easington, Sedgfield, Blyth Valley, Copeland, Derwentside, Wear Valley and Wansbeck.

## Tackling unemployment – addressing the needs of individuals

6.6 The most significant investment by Government in addressing unemployment is focused on people rather than places so people on benefits in rural areas can be effectively targeted as well as those in urban areas. For example, Jobcentre Plus is committed to providing all jobseekers with the help they need to find work as quickly as possible and provides a national service to jobseekers country-wide.

6.7 Jobcentre Plus and its partners are working closely with employers through Local Employment Partnerships (LEPs) to help disadvantaged people access local job opportunities. LEPs are agreements where the government through Jobcentre Plus agrees to provide suitable candidates for work; in turn the employer agrees to carry out a series of measures which can include pre employment training, help with recruitment procedures, work trials and a commitment to in work training. Progress towards the target of 250,000 disadvantaged people into work through LEP by the end of 2010 has been made. Early indications are that elements of LEP such as Pre Employment Training are proving effective in helping people move from benefits into work.

6.8 Furthermore, efforts are being made to engage with employers and workers affected by redundancies. Jobcentre Plus is strengthening and expanding its Rapid Response Service which makes services and extra funding available early on for those who lose their job in group redundancies of 20 or more and for communities where there is a cluster of job losses. By responding quickly Jobcentre Plus and its partners will enable advice, guidance and support to be provided earlier, speeding up the transition to a new job. Support can include help with job searches, job focused training, new skills training and a flexible fund to help with return to work expenses, all specific to demand in the local labour market.

## CASE STUDY:

### Jobcentre Plus Working in Rural Areas

Examples of rapid response support in rural areas include a food manufacturing company located in Maryport (Cumbria) that notified 23 redundancies also in November 2008. Jobcentre Plus met employees on site and provided advice on searching for jobs and making benefit claims.

Another example is a manufacturing company in Flint (Wales) who made 60 people redundant in November 2008. Jobcentre Plus visited the company premises and provided staff with Job Kits and information on Careers Wales and the Welsh Assembly Government 'ReAct' support programme.

## Rural Broadband Availability

- 6.9 The UK has had one of the fastest growing broadband markets in Europe and continues to have the most extensive DSL availability, with over 99% of UK households able to **access** broadband. The remaining households are typically in rural villages and remote rural areas and are unable to receive broadband due to technical difficulties. Historically all RDAs have worked to stimulate broadband availability in rural areas.
- 6.10 Regional Development Agencies and Local Authorities continue to work to address the gaps of broadband access in their regions. For example, Yorkshire Forward has been involved in interventions to encourage broadband supply and take-up in its region, including rural North Yorkshire through its NYnet project.

## CASE STUDY:

### North Yorkshire network (Nynet)

Nynet is a public and private sector commercial venture created in order to provide a communications network that is capable of delivering new communications network to deliver high speed broadband to the citizens, business and public sector bodies in North Yorkshire.

By creating a world class, high-speed communications infrastructure across North Yorkshire, NYnet will offer Companies selling communication Services like broadband the opportunity to supply high-speed broadband services to approximately 330,000 households and 50,000 Small & Medium Enterprises and Small Offices & Home Offices in North Yorkshire. These services will enable North Yorkshire to offer services comparable to, or better than those on offer elsewhere in the UK helping to transform the economy of the County. This represents new thinking in the UK about the role of the public sector in providing leadership in harnessing the capability of advanced broadband to stimulate economic regeneration, deliver services to citizens and gain greater public sector efficiencies.

Benefits to small business have already been realised following the broadband enablement of all the telephone exchanges in North Yorkshire, which has resulted in the sub region achieving a broadband take-up rate that is higher than the national average. The next step was to create a collaboration between public sector and commercial partners to deliver a visionary venture that will benefit everyone in North Yorkshire.

## CASE STUDY:

### Derbyshire Well connected

Derbyshire Well connected' was set up to provide a free to access Information & Communications Technology (ICT) and Broadband support service, for local businesses, facilitated through the Business Link single gateway: [www.derbyshire-wellconnected.co.uk](http://www.derbyshire-wellconnected.co.uk) and telephone line. This service provides impartial support to Derbyshire businesses seeking to access business broadband and seeking to effectively exploit the business benefits from ICT and broadband applications.

Broadband has also been provided to those businesses that cannot currently access a reliable broadband service, for example in the Peak Forest Village, where local businesses and home workers who couldn't get broadband, grants were made available for installation and equipment costs and a month's subscription to broadband. A wider fund was also established, managed by the Business Link, which provides matched funding for small to medium businesses for investment in technology to allow staff to work at home, or other locations with mobile devices. The fund has also helped development of electronic working capability, and online booking systems for tourist businesses.

- 6.11 Across the UK there has been a significant increase in broadband take-up over the last 12 months. Nearly 6 in 10 homes (58%) in the UK now have a broadband internet connection (with just 15% on a narrowband dial up internet connection). The UK's rural areas have seen the biggest increases in broadband take-up and people living in rural areas are now equally or more likely than those in urban areas to have broadband at home (59% and 57% respectively) however, this fails to account for quality of service and cost on which there are remaining inequalities.
- 6.12 A greater demand for more services that require higher bandwidth is being made by both consumers and businesses. The move to next generation broadband will require significant upgrade to elements of the existing infrastructure and considerable investment. In February 2008, BERR announced an independent review into next generation high speed broadband involving relevant Government Departments (including Defra) and other key players such as Ofcom and the Broadband Stakeholder Group. The review, led by Francesco Caio, (ex CEO Cable and Wireless), looked at how Government can help pave the way for the UK to move to next generation broadband networks and investigated what are considered to be the potential barriers to the mass roll out of next generation technology. Francesco Caio published his report on September 12<sup>th</sup>.
- 6.13 The report concludes that the case for large scale public investment in next generation access now is weak at best, but that Government should instead adopt an approach that supports continued private investment, whilst remaining vigilant that the pace of development continues. There is much within the report to discuss and the Government is considering its response. Caio suggests that one way to deliver high speed broadband to rural areas is to use overhead deployment over poles which would considerably reduce the cost of deployment. However he recognises that there is a trade off to be made between broadband provision and the environmental impact. He also looked at the potential for supporting the development of local networks.

- 6.14 In the initial rollout, broadband was introduced more slowly in rural areas but rural areas did catch up. We will do all we can to ensure that the needs of rural areas are taken into account as Next Generation Networks emerge. CLG and Defra intend to commission research work to conduct an analysis of the potential benefits emerging from access to high speed broadband and highlight any disadvantages for communities from not having access to new services and applications. The research will determine what can be done at local level to address the problems identified.
- 6.15 On 17 October Government launched Digital Britain, which will present a plan to secure the UK's place at the forefront of innovation, investment and quality in the digital and communications industries. The Digital Britain Report will create a unified framework to help maximise the UK's competitive advantage and the benefits to society that the digital age brings. It will build on wide-ranging work from government, industry and regulators, and bring together extensive expert analysis to develop a strategy for a fully digital Britain. Broadband, and Next Generation Access, will play a key part in this process, in terms of both exploring options for maximising broadband participation, and the level of service expected, as well as looking to the future, ensuring the UK has a communications infrastructure to remain at the forefront of innovation and competitiveness.

## **Rural Affordable Housing**

- 6.16 The Government believes that everyone should have the opportunity of a decent home at a price they can afford, in a place in which they want to live and work. Of course, that goes for rural areas too. Provision of sufficient quantities of good quality housing in the right places plays an important part in delivering improved outcomes for people and places: helping to improve the local economy, strengthen community cohesion, regenerate disadvantaged communities, improve the environment and reduce homelessness.
- 6.17 Housing supply, and the provision of affordable housing is at the top of the political agenda, and a key element of the Local Authority Strategic Housing Role. The Prime Minister made a clear statement that 'putting affordable housing within the reach of not just the few but the many is vital both to meeting individual aspirations and a better future for our country'. In recent years, demand for housing has increased significantly in England, mainly due to increasing longevity combined with a sharp rise in the number of people living alone. In England, the number of households is projected to grow by 223,000 on average per annum to 2026, over two thirds of which will be single person households. By taking a strategic approach to housing, all local authorities should be planning how to address the housing needs of all residents across all tenures, so that they can meet future demand, reflecting demographic and economic change. They should also work with a wide range of partners and stakeholders to facilitate new homes, make the best use of existing housing stock, and commission appropriate housing support services.
- 6.18 A long term gap between supply and demand for housing has led to high levels of house price inflation, with the result that many people who would like to access the housing market are unable to. It is vital for the future of the country that housing supply is significantly increased. The annual rate of new housing supply has increased by over 50% since 2000/01 and by 2006/7 had reached its highest level for around twenty years (approaching 200,000 new additional homes).

- 6.19 In July 2007, the Government published a Housing Green Paper, '*Homes for the future: more affordable, more sustainable*'. This set out a clear vision to tackle the issue of affordability, at the centre of which is a target to increase housing supply to 240,000 additional homes a year by 2016. The Green Paper also announced plans to provide at least 70,000 more affordable (social, shared ownership and shared equity) homes a year by 2010-11, and to ensure that our house building protects the environment, and meets the challenges posed by climate change.
- 6.20 In July and September 2008, the Government announced a series of further measures and reforms designed to help alleviate the current challenges in the housing market and to support the delivery of more homes over the long-term. These including new schemes to support first time buyers into affordable home ownership
- 6.21 The Prime Minister asked Matthew Taylor, MP for Truro and St Austell, to conduct a review on how land use and planning can better support rural business and deliver affordable housing. The review which was published in July 2008 highlighted the fact that many rural communities are faced by a combination of higher than average house prices and lower than average local wages. Matthew Taylor found that this can create challenges for individual families, the local economy and the wider sustainability of the community and set out a range of recommendations seeking to address these issues – within the context of existing protection for the natural environment – through the application of land use and planning policy. The Government will shortly be making a full response to the Taylor Review.
- 6.22 We have already undertaken significant work to put in place the framework to deliver affordable housing in rural communities. Though changes to the planning system, a commitment to increased house building and a prioritisation of resources in the recent Comprehensive Spending Review. Relatively recent changes to the planning system are a real result for rural areas. The Planning Policy Statement 3 (PPS3) sets out a range of policies to ensure the needs of rural communities are considered as part of mainstream policy. This has established a framework that fully supports local authority discretion in providing rural housing
- 6.23 The Government has already set out proposals to increase the supply of housing and will be allocating £8 billion across the regions over the next three years – which the new Homes and Communities Agency (HCA) will be tasked with spending most effectively. The Government's long-term housing supply and affordability PSA target specifically covers rural as well as urban affordability.
- 6.24 Ministers have established a national target for affordable housing in rural areas. That target commits the Housing Corporation to deliver at least 10,300 affordable home completions in settlements of less than 3,000 inhabitants over the period 2008-11. Initial numbers on completions in the period 2008 – 2011 have been promising, with with over 5,550 now scheduled for completion. However, given current market conditions, it is too early to predict outputs with certainty over this time period. In 2006-08, the Housing Corporation made allocations for affordable housing in settlements of less than 3,000 inhabitants totalling 5,194 units.
- 6.25 The target also represents a significant challenge for several other reasons: – through its focus on completions not allocations it focuses fairly and squarely on delivery of affordable housing in rural areas rather than just promises to deliver. By specifying delivery in smaller rural settlements (those with fewer than 3,000 inhabitants) it tackles head on the especial difficulties which have been experienced in delivering in those settlements.
- 6.26 As mentioned above the current economic situation is obviously a challenge to the delivery of the target for rural, as it is in urban areas. However, recent announcements around increased flexibility around grant rates provide an opportunity for rural areas, where land has come forward on rural exception sites.

- 6.27 The HCA has demonstrated its commitment to rural areas through the appointment of a rural champion in each of its regional offices to drive forward its programme.
- 6.28 In order to support continued delivery against this challenging target Defra and CLG are jointly sponsoring a research and good practice project which will support the HCA to:
- Identify, contact and encourage poorly performing Local Authorities to 'up their game' on delivery of rural housing.
  - Encourage high performing LAs to maintain performance and deliver even more quickly.
  - Identify gaps in knowledge and commission research or carry out work to fill these gaps.
  - Identify, evaluate and disseminate good practice relating to rural delivery.

## CASE STUDY:

### Chiddingstone Rural Housing Scheme

West Kent Housing Association (West Kent) completed 10 new homes on a rural exception site in May 2008. The larger family houses are for rent but there are three smaller homes for shared ownership. Chiddingstone is a very high cost area where affordability is a major issue so the tenure mix was determined by the outcome of the independent housing needs survey carried out by Action with Rural Communities in Kent in 2004.

Throughout the development and planning process West Kent worked closely with the Parish Council who supported the planning application and facilitated a pre-planning public consultation exercise that influenced the design and layout of the scheme to reflect residents' wishes. The relative speed of realising this rural project in just four years from inception to completion is largely due to the extent of local community involvement in the scheme.



All the homes meet Eco Homes Very Good rating despite the fact that there is no gas in the village. They were constructed using timber frame system and have electric heating. A recent Housing Corporation Impact Assessment of the project confirmed just how much the new homes in the village have improved the new residents' quality of life.

## 7. Taking the Work Forward

### Action taken since publication

- 7.1 As the background to this Government response makes clear, the global economic situation has changed dramatically since the Rural Advocate produced his report. A wide ranging policy response has been required as a result of the major shocks that have hit economies around the world. A number of the actions that Government has taken to address these new challenges in all areas of the country rural and urban have been outlined in section one of this response. A number of further steps have also been taken that directly address the recommendations set out in the Rural Advocate's report. These are elaborated on in annex one but are summarised below.
- 7.2 Since the Rural Advocate produced his report the Government has:
- Established a cross-Whitehall working group to consider and discuss the report's conclusions in order to provide a co-ordinated response.
  - Set up a National Economic Council to help people and businesses to deal with the current economic uncertainties and set up a mechanism with the help of CRC and the RDAs to ensure intelligence reports submitted to the NEC contain details on issues affecting businesses in the rural parts of their regions.
  - Entered into a partnership with the Spatial Economic Research Centre based at London School of Economics in order to expand their work programme to look into the relative performance of rural areas.
  - Published its response to Sir Michael Pitt's review of the 2007 summer floods setting out how it will take the recommendations forward.
  - Worked closely (through Defra) with the CRC on a new joint approach to the mainstreaming and rural proofing of national, regional and local level policy and delivery, which will involve the publication of revised rural proofing materials and the provision of additional advice and support to individual departments.
  - Agreed to work (via the Technology Strategy Board) with the CRC to ensure that businesses in rural areas are able to effectively engage with the Knowledge Transfer Networks and regionally funded networks.
  - Launched five successful pathfinders under the Further Education Special Innovation Fund led by Barnfield College, Cornwall College, City of Bristol College, West Nottinghamshire College, and the National Skills Academy for Financial Services.
  - Developed (through The Department for Innovation, Universities and Skills) a Prospectus for New Partnerships for Innovation, part of the criteria for which will be an appropriate consideration of the rural dimension in partnerships determining their appropriate scale and relationship with other localities.
  - Announced how it is simplifying publicly funded business support to make it more effective, easier to access and value for money. The measures contained within "Solutions for Business – funded by Government" offer a simplified, long-term, sustainable remedy to publicly funded support and sets out the Government offer to business.
  - Announced a range of financial support packages designed to address cash flow, credit and investment needs of small businesses.

- Set out how from April 2009 Train to Gain brokerage will be integrated with the wider Business Link service which will be the primary access channel to Government's business support. This will be a nationally consistent service available to all employers regardless of location. The brokers will be backed up by a range of specialists with the knowledge and understanding of all sectors of the economy.
- Consulted on reforms to Local Authority Business Growth Incentives scheme. The Government is seeking to make the scheme simpler and more transparent. The proposals are designed to encourage authorities to work together to promote economic growth in their sub-region. This sub-regional focus could help rural authorities who did not experience major economic growth in their own areas but contributed to economic growth elsewhere in their sub-region.
- Proposed a new local authority **economic assessment duty** which will provide local authorities with a clear understanding of economic conditions at all spatial levels, from urban through to rural areas. Local authorities will essentially have the freedom to determine how best to carry out their assessments. However, there are a number of broad principles that the Government believes should be common across all assessments. A CLG policy statement published on 26 January 2009, sets out the Government's views on how the assessments should be taken forward. The policy statement stressed the Government's view that good assessments should be place specific. In that context, assessments are likely to assess the specific barriers to economic growth in rural areas, such as peripherality and sparsity. The duty to undertake a local economic assessment falls to counties in two-tier areas, however the duty to actively engage lower tier authorities, should help to ensure that assessments take into account the needs of the rural economy. Many authorities are already working on this, but they will need to begin preparations by April 2010, when the duty would come into force. The Government is proposing to publish draft guidance to local authorities on how best to take forward local economic assessments in the near future, which is likely to pick up these issues.
- Advocated a more flexible, outcome-based approach to regeneration through CLG's new **regeneration framework**. This will make it easier for local and regional partners to focus on the outcomes that really matter for communities rather than focusing on delivering against output based targets such as land remediated. 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.
- Agreed to reflect the findings of this report in delivering DWP's area based policies and initiatives.

## I Analysis

### Recommendation 1.

***Central to the report is an analysis of the unfulfilled potential of rural businesses. This analysis concludes that the unfulfilled potential or additional output from rural firms could reasonably fall between £236 and £347 billion pa.***

- Our analysis shows that most of rural England is well-connected with strong links to nearby towns and cities and good access to local markets and job opportunities. However, there are also rural areas where levels of economic performance are below average and prospects for growth are naturally more limited.
- Given that there is a range of rural areas performing both above and below the national average in terms of productivity we do not believe that it is most helpful to view rural economies in terms of ‘unfulfilled potential’; particularly when that potential is measured against a baseline which is artificially inflated by the performance of London .
- However, we do believe that it is very important that we better understand the reasons why some areas, both urban and rural, perform less well than others, including the spatial dimensions to any differences. For this reason Defra is working with the London School of Economics to expand the work programme of the Centre for Spatial Economic Research to look into the relative performance of rural areas.

### Recommendation 2.

***The development and regular publication of reliable GVA data for lower tier (district) local authorities, and the application of rural:urban definition or classification, would ensure greater accuracy and awareness of the performance of rural economies.***

- Defra and ONS have established a measure of labour productivity based on GVA per workforce job to support Defra’s Strong Rural Communities Departmental Strategic Objective. The estimates are based on Local Authority level data and show the labour productivity broken down by Defra’s Local Authority rural-urban classification, both nationally and at a regional level for more information please see: <http://www.defra.gov.uk/rural/dso/index.htm>

### Recommendation 3.

***The Department of Innovation, University and Skills should ensure that direction and measures set out in its new Innovation White Paper; Innovation Nation has clearly identifiable relevance to rural economies and communities. This applies equally to regional and sectoral strategies and measures as to national schemes. I ask that the strategy should open the door for central Government and RDAs to encourage innovative thinking and solutions to boost economic growth in rural businesses and economic well being of rural communities***

- Innovation Nation, published in March 2008, recognises the variable spatial scales and complexities of innovation systems and partnerships in the UK, including the rural dimension. The Department will commission research to better understand these spatial complexities.
- The Department promotes the consideration of spatial dimensions to innovation e.g. city, city-region or rural. We look to our partner organisations to recognise all spatial dimensions as appropriate to their objectives and strategies, and ensure that there is equality of opportunity regardless of place.

- The Department look to the Technology Strategy Board to recognise the rural dimension where appropriate in national technology issues and RDAs to recognise the different spatial dimensions to innovation in their regions. We look to them to develop strategies and prioritise investments based on detailed analysis and intelligence. Where a rural dimension emerges from this analysis we expect these organisations to develop appropriate responses.

## II Recognising potential

### Recommendation 4.

***Ensure that your Government convene a national Summit and a short series of regional summits to focus attention and activity of your Government and its agencies, with regional, city and local leaders, on releasing the potential of rural economies.***

- In launching this report Ministers met with a range of rural economic experts and business leaders to discuss the issues raised in the report and explore the best ways to support the diverse economies in rural areas to release their significant potential.
- The Commission for Rural Communities is working with the Regional Development Agencies to prepare a programme of regional events. The first of these takes place on 5 February under the theme of innovation with two further events to follow which pick up the other two themes in the Rural Advocate's report: **Inspiration and Investment**. The national summit will draw together the debate from the regional events.

### Recommendation 5.

***Initiate a programme under a senior Economic Minister to examine the proposals set out in my advice, and allow this Minister and me to report back on progress for the Budget 2009.***

- Recognising the cross-cutting nature of the recommendations made in this report the Government established a Cross-Whitehall Working Group to consider and discuss the report's conclusions in order to provide a coordinated response. This Group, chaired by Defra, involved representatives from HMT, BERR, DIUS, CLG, DWP and Cabinet Office. Jonathan Shaw and later Huw Irranca-Davis Minister for Rural Affairs took the Ministerial lead, drawing in Ministerial colleagues from each of the appropriate Departments as required.
- This report represents the Government's formal response to the recommendations made by the Rural Advocate.

### Recommendation 6.

***Adopt other steps and signals, to raise the profile of rural economies including perhaps the appointment, networking and promotion of rural champions within prominent forums such as your Business Council, the UK Commission for Employment and Skills, and RDA Boards.***

- The original White Paper "Building for Prosperity" published in 1998, Chapter 10, states that there is an expectation that the RDAs should draw a member from the rural area. Traditionally the RDAs have ensured that at least one of their Board members has the experience to represent rural issues, usually this is either in the business category, or in the local authority councillor category. Candidates apply for one of the 5 categories – business, voluntary, local authority councillors, education and trade union. As long as they have the skills as identified in the specifications there is nothing stopping a 'rural champion' putting themselves forward for consideration.

- Government would encourage all such groups to seek to engage with a range of relevant rural interests. It is worth noting that the Regional Rural Affairs Forums are made up of representatives from the public, private and third sectors who ‘champion’ the rural interest at regional level. The RRAFs work increasingly closely with the Commission for Rural Communities and meet regularly with the Minister for Rural Affairs.

### **Recommendation 7.**

***I ask the Government to encourage City Region authorities to strengthen shared decision making and joint investment with neighbouring rural authorities. CLG could invite those developing Multi-Area Agreements (MAAs) to explore how Joint Investment Strategies can acknowledge the interdependencies between rural areas and city nodes.***

- Multi-Area Agreements (MAA) are agreements between two or more top-tier or unitary local authorities and their partners (including district councils) and Government to achieve collective outcome-based targets to improve economic prosperity in their area. Government could in turn agree greater influence over sub-regional expenditure and changes to policy which will assist partnerships to meet these targets. The themes to be covered in each Multi-Area Agreement are a matter for local partners and Government will not seek to prescribe how partnerships work towards the targets or the policies that they should adopt.
- In developing an MAA, Government will probe how key actions are to be funded so joint investment strategies could have a role to play. However, agreements within a sub-region about how to facilitate transfer of funds and capacity between urban and rural areas is not something that Government need be involved with - it is a matter for local partners to decide themselves. Where inclusion within an MAA might be important is where there is a potential barrier or impediment to joint investment strategies that Government might be able to help alleviate through mitigating action in the MAA.

## **III Rural proofing**

### **Recommendation 8.**

***Direct your Government to demonstrate a greater and more transparent commitment to ‘rural proofing’ relevant policies, research, evaluations, speeches, consultations and so on. As you will know, it is our job in the CRC, to advise you in this work.***

- Rural proofing is a long-standing commitment by the Government to ensure that all its domestic policies take account of rural circumstances and needs. It is a mandatory part of the policy making process, which means that, as policies are developed, policy makers should systematically:
  - consider whether their policy is likely to have a different impact in rural areas, because of particular rural circumstances or needs;
  - make a proper assessment of those impacts, if they are likely to be significant.
  - adjust the policy, where appropriate, with solutions to meet rural needs and circumstances.
- Rural proofing applies to all policies, programmes and initiatives and it applies to both the design and delivery stages.

- The Commission for Rural Communities provides expert, independent advice to Government to help us ensure that policies reflect the real needs of people living and working in rural England, with a particular focus on tackling disadvantage, and has, in the past, published annual assessments of the rural proofing of central Departments and Government Offices for the Regions. Defra is working closely with the CRC on a new joint approach to the mainstreaming and rural proofing of national, regional and local level policy and delivery, which will involve the publication of revised rural proofing materials and the provision of additional advice and support to individual departments.

### IV Best practice/knowledge transfer

#### Recommendation 9.

***Encourage and resource the creation of strong sharing networks to support “Improvement and Efficiency” for rural and sub-regional authorities on local economic development. This will increase the prospects for successful devolution of the economic agenda following your Review of sub-national economic development. The Local Government Association (LGA), CRC and IDeA have made a start on this and we should be challenged and supported by CLG to make this happen more widely.***

- Central and Local Government will work within the National Improvement and Efficiency Strategy to provide support for regional and sub-regional authorities on local economic development. Regional Improvement and Efficiency Partnerships (RIEPs) take the lead for identifying priorities for support in their region and are responsible for co-ordinating and commissioning support to meet these priorities. CLG will work with the LGA, IDeA, CRC and RIEPs to ensure that there are sufficient resources available to RIEPs to build and develop their current support arrangements for local economic development.

#### Recommendation 10.

***I would recommend an examination initiated by a Technology Strategy Board/CRC-led group of rural and innovation representatives of how national Knowledge Transfer networks and regionally-funded networks could engage more effectively and fully in rural areas.***

- The Technology Strategy Board is content to take forward this recommendation working with the CRC to ensure businesses in rural areas are able to effectively engage with the Knowledge Transfer Networks and regionally-funded networks.

#### Recommendation 11.

***Rural areas need support to pioneer forms of brokerage and create virtual clusters or networks to access such services and share good practice. The LSC and DIUS should establish rural pathfinders under the Further Education Special Innovation Fund, as proposed in Innovation Nation, the Innovation White Paper.***

- DIUS is working with SEEDA, the lead Regional Development Agency for innovation, to develop the innovation products within the Business Support Simplification Process. The Department is working to ensure that there are appropriate opportunities open to all businesses.

- A prospectus was issued in July 2008 by the LSC seeking proposals from specialist FE networks for FE KTT projects by 17 September. Sion Simon launched the five successful Pathfinders on 11th December 2008 and these pathfinders will be funded for 12 months. The successful pathfinders are led by Barnfield College, Cornwall College, City of Bristol College, West Nottinghamshire College, and National Skills Academy (NSA) for Financial Services. Further details are available at [www.lsc.gov.uk/Innovation](http://www.lsc.gov.uk/Innovation). The outputs from the FE KTT pathfinder projects will be delivered in September 2009, with interim findings delivered April 2009 – these will be expected to signpost the best ways to build FE KTT capacity and then mainstream business innovation/knowledge transfer services within other specialist FE networks.
- DIUS is looking to unlock the talent in the Further Education (FE) system to drive business innovation through knowledge transfer and exchange. The FE Specialisation and Innovation Fund will support a small number of Pathfinder Projects in order to find ways to align FE support mechanisms and funding regimes behind that effort. This is stakeholder-led work. DIUS will not be prescriptive about the types of pathfinder project that come forward, although we are particularly interested in NSA-led Specialist Networks, and projects which focus on the business bottom line impact through the Training Quality Standard. By the end of June 2009 DIUS hopes to be in a position to call for expressions of interest from existing networks, including in rural areas.
- BERR is working closely with DIUS, RDAs, and LSC on the transition to an integrated brokerage service and would not wish to see another separate brokerage established.

### **Recommendation 12.**

***Working with BERR, DIUS, the Technology Strategy Board, Nesta and OECD, I want to explore a Rural Innovation Initiative to tackle technology and policy challenges of peripheral/sparse areas.***

- Clarity is required on the nature and scale of the technology and policy challenges and the extent to which there is a role for each of these partners. Government will work with the CRC to further understand the proposal and its application.
- DIUS is developing a Prospectus for New Partnerships for Innovation, part of the criteria for which will be an appropriate consideration of the rural dimension in partnerships determining their appropriate scale and relationship with other localities.

## **V Business support**

### **Recommendation 13.**

***Financial assistance, information and imaginative schemes are needed to encourage rural firms to commit to employee recruitment and training. We need to raise the number of rural firms who commit themselves to training their workforce. Funds and imaginative ways of promoting and providing training may help offset extra costs and difficulties faced by rural employers to access more distant training institutions, or create accredited courses of in-house training.***

- As the main channel for business to access Government support for skills and business development, the integrated brokerage service will be in place from April 2009 in all regions, managed by RDAs. Brokers working as part of the service will be supported in reaching out to employers by Sector Skills Councils, including those with particular experience of rural issues such as LANTRA. They will be able to use this sector knowledge and expertise to promote access to government support for skills, including through Train to Gain.

### **Recommendation 14.**

***As well as working to reduce confusion and overlap in Government's support programmes for businesses, the Business Support Simplification Review, should work to increase longevity of products. I have heard repeatedly from rural leaders and agencies about the effect of short term, changeable nature of some funding streams. The Review must successfully reduce such concerns.***

- The Government announced in October 2008 how it is simplifying publicly funded business support to make it more effective, easier to access and value for money.
- “Solutions for Business – funded by Government” offers business a streamlined package of 30 publicly-funded business support products accessed via Business Link to help companies start, survive and succeed. Business wanted simpler Government support
- These measures offer a long term, sustainable remedy to publicly funded support and sets out the Government offer to business. The products will be tightly managed, monitored and evaluated to ensure they continue to meet business needs and are effective.

### **Recommendation 15.**

***Brokerage services based around expanded networks of locally-based brokers and agents should be funded to operate within rural districts to improve access of firms and employees to Government's employee and business development programmes.***

***Programmes from which rural firms might gain additional access include, for example, Train to Gain, Pathways to Work, Apprenticeships for Adults, Knowledge Transfer Networks and Partnerships, R+D grants and tax credits. Brokers could also help Government departments and agencies to ensure that Government-led initiatives such as Local Employer Partnerships are tailored and adopted in rural areas.***

- From April 2009 Train to Gain brokerage will be integrated with the wider Business Link service which will be the primary access channel to Government's business support. This will be a nationally consistent service available to all employers regardless of location. The brokers will be backed up by a range of specialists with the knowledge and understanding of all sectors of the economy.
- Pathways to Work has been available across the country since April 2008 and delivered by Jobcentre Plus in 40% of the country through our network of jobcentres. Where customers are unable to attend a jobcentre for a work-focused interview, there is provision for interviews to be conducted in a place more convenient for the customer. There is also provision made to deliver the Condition Management Programme remotely via telephone or video link in areas where customers are living in remote locations. In addition, Provider-led Pathways to Work is available in 31 Jobcentre Plus Districts, which includes rural areas, and is primarily for customers on Incapacity Benefit and Employment and Support Allowance. The eleven providers that deliver the programme work closely with local partnerships and employers to help customers find and retain suitable employment. In rural areas, there is a particular focus on securing local jobs as much as possible. Whilst there is no direct support for employers through Pathways to Work, some customers may be helped to return to an existing job more quickly through the help given by Pathways.

- Local Employment Partnerships were announced in the 2007 Budget and now involve employers from all sectors throughout the UK. LEPs are based on a simple 'deal' with employers (public and private) where the Government ensures that disadvantaged jobless people get the preparation and support that enables them to meet employers' needs and expectations; employers with vacancies agree to give disadvantaged people a fair shot at the job – through revised recruitment methods, interviews, work placements, mentoring and other measures. LEP will be evaluated in the 2009-11 period. DWP WWEG Skills Division will publish evaluation findings from autumn 2009 reporting the implementation and early operation of LEP in the UK, analysis will include urban and rural areas in England, Scotland and Wales.

## VI Investment

### Recommendation 16.

***The successor to LABGI (Local Authority Business Growth Initiative) should be designed to provide a meaningful and reliable reward scheme for all local authorities – rural as well as urban – that invest to strengthen their economies.***

- The current Local Authority Business Growth Incentives scheme (LABGI) has been designed to give all local authorities – both rural and urban – an incentive to encourage local economic growth. LABGI rewards, in the form of non-ring-fenced grants, have reflected business growth achieved, rather than investment in the economy.
- The Government published its proposals for a reformed scheme, for consultation on 28 August 2008. The consultation closed on 20 November 2008 and the Government's response to the consultation will be announced in due course.
- The Government is seeking to make the scheme simpler and more transparent. The proposals are designed to encourage authorities to work together to promote economic growth in their sub-region. This sub-regional focus could help rural authorities who did not experience major economic growth in their own areas but contributed to economic growth elsewhere in their sub-region.

### Recommendation 17.

***Rural local authorities and sub-regional partnerships that can show good progress in tackling high levels of worklessness and improving enterprise levels should be able to draw down resources from the new £1.5 billion Working Neighbourhoods Fund, or its successor or a similar Working Areas Fund.***

- The aim of the Working Neighbourhoods Fund (WNF) is to tackle the highest concentrations of worklessness and lowest levels of enterprise and skills, wherever these may exist. With limited resources, we are required to focus our efforts on those areas where the problems are most acute ( see paragraph 6.4).
- The Sub-National Review on Economic Development and Regeneration (SNR) recommended that to maximise the impact of area funding, Government should focus on a smaller number of areas where deprivation is most acute.
- In pursuit of this recommendation Government has targeted both rural and urban authorities which the evidence indicates face concentrated pockets of worklessness. We do not deny that worklessness and/or low levels of enterprise and skills exist outside the current WNF areas. However, in these cases we would expect this to be addressed through mainstream programmes and through the resources of the local council.

### Recommendation 18.

***I recommend that a Rural Finance Forum is established of property, finance and investment, accountancy and business support professionals, supported by representatives of RDAs, the LGA, BERR and CLG, to examine the nature and causes of lower capital investment and access to finance by rural firms, and lower external funding to rural local authorities. I would be pleased to be asked to lead this Forum and report back with proposals to HM Treasury, BERR and CLG by the end of 08/09 Financial year.***

- This recommendation was discussed at length with key delivery partners including the RDAs and the Regional Rural Affairs Forums (which include rural business interests and Local Authorities in their memberships). The consensus amongst those partners was that such a Forum would duplicate existing national regional and local structures, would run the risk of imposing an additional layer of bureaucracy which would not be likely to add significant value.
- Details of the new structures put in place to help people and businesses to deal with the current economic uncertainties – and how these will be rural-proofed are given in the body of this report (page 22).
- This recommendation seeks to address two very separate issues, firstly levels of capital investment in and access to finance by businesses based in rural areas and secondly levels of funding from central to local Government.
- On this first point, RDAs have mechanisms in place to address access to finance for businesses, irrespective of their location.
- At a national level, capital investment and access to finance are recognised as market failures which affects multiple sectors, so schemes have been designed to address this on a nationwide level. Three tax-based venture capital schemes exist to overcome the market failure faced by smaller, higher-risk, unquoted trading companies in trying to obtain finances in order to grow. These schemes are:
  - Enterprise Investment Scheme (EIS);
  - Venture Capital Trusts (VCTs); and
  - the Corporate Venturing Scheme (CVS).
- Tax reliefs are available to a variety of investors to encourage equity investment in small, high-risk companies. The schemes are not specifically targeted at rural economies as they address a national market failure rather than specific sectors, particularly because of the state aid issues which arise from sectoral measures. The rules of this scheme ensure those companies genuinely in need are assisted.
- On the second issue, the distribution of Formula Grant to local authorities is regularly reviewed. CLG run the Settlement Working Group as a forum for this purpose. The Group includes representatives of central Government Departments and local authority groupings, including SPARSE. The current review is intended to produce, in 2010, options that could be implemented for the next three year settlement, starting in 2011-12.

## VI Managing risk

### Recommendation 19.

***In the Pre Budget Report 2007, RDAs were given the lead on handling economic shocks. I welcome this, but would ask your Government to make it clear that this should include recovery of businesses from environmentally-led emergencies or shocks.***

- The Government fully recognises that the RDAs have a key role in bringing together partners, due to its wide range of areas of responsibility, its strategic leadership role and its position as a private-sector led public body. The RDA is better positioned to look at linkages between the specific areas of responsibility of bodies such as Jobcentre Plus (JC+) and the Learning and Skills Council (LSC), and to take a wider view of the impact on the region as a whole (for example through the supply chain) than any individual local authority. The RDA's financial resources are also likely to be more flexible in application than any of these bodies. RDAs therefore have the primary role in forging links, establishing strategic direction and initiating action. RDAs should also network between themselves to share good practice and market intelligence in these areas and, where there are similar closures in more than one region, or widespread supply chains, to co-ordinate action.
- As well as economic shocks such as the current credit crises RDAs with other national and local agencies are best place to manage business recovery support in response to natural disasters. Indeed, the RDAs have already demonstrated their willingness to do this in their response to the floods of 2007 and 2008. In the floods of summer 2008, the North East was particularly badly affected. One NorthEast provided £0.5m of support funding to SMEs affected to help with immediate recovery needs, that was administered by Business and Enterprise North East.

### Recommendation 20.

***I encourage and support recent moves to reach a common and shared basis for contingency planning (and costs) for future animal and plant diseases. Our initial discussions with representatives of the farming and insurance industries suggests that there is a willingness to constructively enter such a dialogue, and to explore the development of wider insurance products to address weather-related damage on land and produce. I would like to work with Defra to take forward these issues during 2008.***

- Considerable work has already been undertaken in relation to these issues as part of Defra's Animal Health Responsibility and Cost Sharing Programme. The issues are also relevant to the parallel work being developed on plant health. We agree that the time is right to consider new approaches to risk management in farming and raise awareness of new and existing risk mitigation tools including for extreme weather events such as flooding or drought. Defra welcomes the support voiced by the Rural Advocate and looks forward to working with him on these issues.

### **Recommendation 21.**

***I recommend that the proposed Defra ‘Environmental Transition Fund’ should allow small rural communities to adequately assess and inform mainstream and alternative flood protection infrastructure.***

- The Environmental Transformation Fund was created specifically to accelerate the commercialisation and deployment of low carbon technologies and so is not appropriate for this purpose. However, the Environment Agency consults widely with communities on its flood and coastal erosion risk management strategies and plans, and is publishing a new external contributions policy that will allow communities to have an influence over local flood risk management in return for payment towards the costs of the solution.
- Defra also sees a key role for county and unitary local authorities in their new local flood risk leadership role, as announced recently in the Government response to Sir Michael Pitt’s review of the widespread floods of Summer 2007. County and unitary authorities are well placed to work with communities and the Environment Agency to help determine whether there would be local benefit derived from projects that cannot be afforded by the Environment Agency, and help decide how they should be funded from local beneficiaries.
- In addition, Defra recently announced £5m funding will be made available to encourage individual householders to fit flood protection measures such as flood boards and air brick covers in areas that are unlikely to benefit from community defences, such as in rural areas where the relatively low housing densities mean community –level defences can be prohibitively expensive. This scheme is open to local authorities who should apply to their local Environment Agency Offices on behalf of their communities. Further information, including guidance for local authorities, is available on the Defra website at: <http://www.defra.gov.uk/environ/fcd/adaptationandresilience/propertyresilience.htm>.

### Defining 'rural'

- 9.1 The Urban/Rural Definition, an official National Statistic introduced in 2004, defines the rurality of small census geographies such as census output areas and wards. Areas forming settlements with populations of over 10,000 are urban, while the remainder are defined as rural town and fringe, village or hamlet and dispersed. This rural definition is useful when analysing data at very small spatial levels. For more details on the Urban/Rural Definition see: <http://www.defra.gov.uk/rural/ruralstats/rural-definition.htm>
- 9.2 Where data is available for larger geographies, such as districts, the rural definition cannot be used. Instead, it forms the basis of the Local Authority District Rural Urban Classification, constructed by the Rural Evidence Research Centre at Birkbeck College. The categories of the classification and criteria for identifying them are as follows:
- Major urban (MU) – districts with either 100,000 people or 50 per cent of their population living in urban areas with a population of more than 750,000.
  - Large urban (LU) – districts with either 50,000 people or 50 per cent of their population living in one of 17 urban areas with a population between 250,000 and 750,000.
  - Other urban (OU) – districts with fewer than 37,000 people and less than 26 per cent of their population living in rural settlements and larger market towns.
  - Significant rural (SR) – districts with more than 37,000 people or more than 26 per cent of their population living in rural settlements and larger market towns.
  - Rural-50 (R50) – districts with at least 50 per cent but less than 80 per cent of their population living in rural settlements and larger market towns, and
  - Rural-80 (R80) – districts with at least 80 per cent of their population living in rural settlements and larger market towns.

More information is available at:

<http://www.defra.gov.uk/rural/ruralstats/rural-definition.htm>

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for uncoated paper and 75% recycled fibre for coated paper.

Nobel House, 17 Smith Square  
London SW1P 3JR

[www.defra.gov.uk](http://www.defra.gov.uk)

PB13203 January 2009