

Chapter 3

Assessment of England's Rural Policy

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

3.1. Key points

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

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

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

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

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

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

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

3.2. Introduction

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

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

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

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

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

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

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

Enhancing the competitiveness of rural regions.

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

Shifting from a sectoral to a place-based approach, including attempts to improve coordination and to integrate various sector policies at regional and local levels.

Promoting framework conditions to support or attract enterprises indirectly.

Enhancing business assistance and network of knowledge and expertise to diffuse new technologies.

Developing human resources through vocational training and capacity building for policy actors at local levels.

Ensuring new ways of providing public services in scarcely populated areas.

Table 3.1. **The New Rural Paradigm**

	Old approach	New approach
Objectives	Equalisation, farm income, farm competitiveness	Competitiveness of rural areas, valorisation of local assets, exploitation of unused resources
Key target sector	Agriculture	Various sectors of rural economies (ex., rural tourism, manufacturing, ICT industry, etc.)
Main tools	Subsidies	Investments
Key actors	National governments, farmers	All levels of government (supra-national, national, regional and local), various local stakeholders (public, private, NGOs)

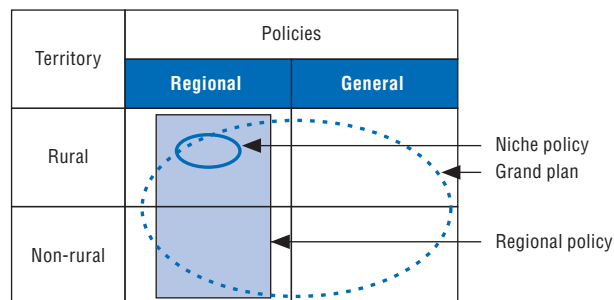
Source: OECD (2006), *The New Rural Paradigm: Policies and Governance*, OECD Publishing, Paris, France.

... types of rural policy that flow from NRP

Within this context, determining the appropriate role for rural policy within the wider public policy space can be paradoxical, particularly when the focus of regional policy is on

regional competitiveness. Analysis of several OECD countries evidence rural policy characteristics that can be categorised in two dimensions: narrow rural policy or broad rural policy. Broad rural development policies are those that adopt a grand overarching design – a cross sectoral policy in practice, one that attempts to integrate all policies. Included in this frame are those policies and programmes that were designed with other objectives in mind (perhaps without a rural focus or consideration) but which have intended or unintended impacts on rural dwellers and places. In contrast, the more “niche” or “narrow policy” approach is policy designed specifically to address the needs of rural communities (Figure 3.1). Often with the grander scheme, the effort to “address all areas through a rather broad policy framework” such as agricultural policy, transportation policy, or energy policy outdistances capacity. As such, the push to co-ordinate *all* actions and bridge *all* gaps tends to yield more inertia and inaction than concrete results (OECD, NRP, 2006). The too narrow rural policy delivers results, but also policies that risk being too disconnected from other regional, sector or national policies.

Figure 3.1. **OECD matrix for rural policy analysis**



Source: OECD (2006), *The New Rural Paradigm*, OECD Publishing, Paris.

The OECD has found that “somewhere in-between” approaches offer advantages in addressing both market and policy failures affecting rural areas (OECD, NRP, 2006). Spain illustrates this well. The government of Spain recently introduced the Law on Sustainable Development of Rural areas. This law extends the responsibility of rural policy from a sole actor, the Ministry of Agriculture to the government at large (OECD Spain Rural Review 2009). By creating the *politica rural de estado* or a “rural policy of state” they have enabled a way to better co-ordinate the efforts of the regional administrations and better link them with the national government. The national body tasked with overseeing this effort is comprised of representatives of different ministries and one representative from each region, the *consejero* in charge of rural development in each region. Mainstreaming rural policy at the national level was key because Spain has a highly decentralised governance structure with extremely autonomous regions. Each region has extensive experience with rural development policy garnered through the LEADER programmes and Local Action Groups (LAGs). But the approach to rural governance policy framework was often disconnected at the regional and the national level and yielded suboptimal results (OECD, *Spain Rural Review* 2009). The law essentially formalised much of what already existed in Spain, as well as creating a rural policy with oversight at the national level.

... England reflects aspects of the New Rural Paradigm

England has adopted a multi-sectoral approach to rural policy that goes well beyond the traditional land based industries and recognises the broader value of rural areas to the

national economy. For example, the current approach recognises that: tourism plays a major role in the rural economy, that commuters bring their urban pay to rural areas where they live, that the non-commodity benefits of agriculture can be significant, and that the underlying structure of the rural economy has changed in crucial ways. Moreover, despite its somewhat urbanised landscape, rural England is home to many important historical sites and recreational amenities vital for the rural economy. Accordingly, the rural policy approach significantly impacts land management and must also consider a range of environmental and economic development issues. There is also acknowledgement that urban and rural places play different roles in a prosperous economy, and that they will face different challenges. For example, “The productivity benefits from knowledge spillovers means that the highly skilled will tend to be more concentrated in those areas where knowledge-intensive industries cluster. Given the increasing returns to skills, this will further increase the likely growth of these areas relative to other areas. While cities offer opportunities for growth, this will have implications for disparities and differential rates of growth across the country” (HM Treasury, 2007, p. 20).

Further, the rural policy approach in England has considerable consistency with the tenets of the NRP. The continuous morphing of England’s policy framework over the years has culminated in an approach that:

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

In addition, the Sub-National Review of 2007 with its emphasis on: managing policy at the right spatial level; ensuring clarity of roles for those bodies acting sub-nationally; and enabling places to reach their full potential codified this movement. The recommendations contained in the report to refocus powers and responsibilities of delivery and governance structures at the regional, sub-regional and local levels to deliver economic improvements in all areas – urban and rural capture a place based methodology.

3.4. The challenges in mainstreaming rural

The fundamentals of the NRP are present but there is scope to go further in key areas. First, England does have a mixed approach to rural policy: the broad (mainstreaming) and the narrow (the RDPE). But, there are gaps between the two that if shrunk would better serve rural areas. Put simply, in the context of the NRP, mainstreaming rural is almost too broad and too narrow, placing it in a space that needs further clarification and support. Second, the current array of policies influencing rural England is broad, from competitiveness policy, to territorial policy, to transport and housing policy. There are opportunities for the various policies to be made more consistent. Rationales for these policies are generally well reasoned. The policies frequently cross-reference each other and seem well joined up. The objectives of these policies, if achieved, are welcome. Creating incentives and flexibility for change is certainly what is necessary for aggregate economic success. However, recent policy changes have led to large number of new schemes and agencies, as well as new responsibilities for old agencies. There are dangers and costs involved in rapid, unpredicted and volatile change. These two aspects are discussed further below.

... Mainstreaming rural is complex; it requires wide co-ordination capacity and oversight that...

Through mainstreaming the government is pursuing a multi-faceted agenda with many multi-stakeholder objectives. Numerous departments at the national level have important roles to play in improving the responsiveness of policies. Mainstreaming rural makes it more, rather than less, dependent on existing common understandings about rurality, at the national and sub-national level, and on an interconnected framework at the national level beyond what is now visible. This is largely because mainstreaming is simple in theory, but more complex in relation to rural (Figure 3.2, p. 162). Placing the responsibility on all departments to mainstream rural is conceptually elegant. But ensuring that the needs of rural areas are understood and considered as part of day-to-day policymaking can be a challenge when Defra does not control or dictate the work of these departments or organisations. This puts Defra in a “difficult position” because “it has a DSO that cannot be achieved without significant assistance from other departments and bodies” (Government Response, 2009). Further, co-ordination and oversight of a diverse group of stakeholders that impact rural policy at the national, regional and sub-regional levels is required. This supporting characteristic was noted by the EFRA Parliamentary Committee in its 2008 hearings on rural areas. According to the report, “mainstreaming as it stands requires strong reinforcement to ensure adoption of the principles at all governance levels” (EFRA, 2008).

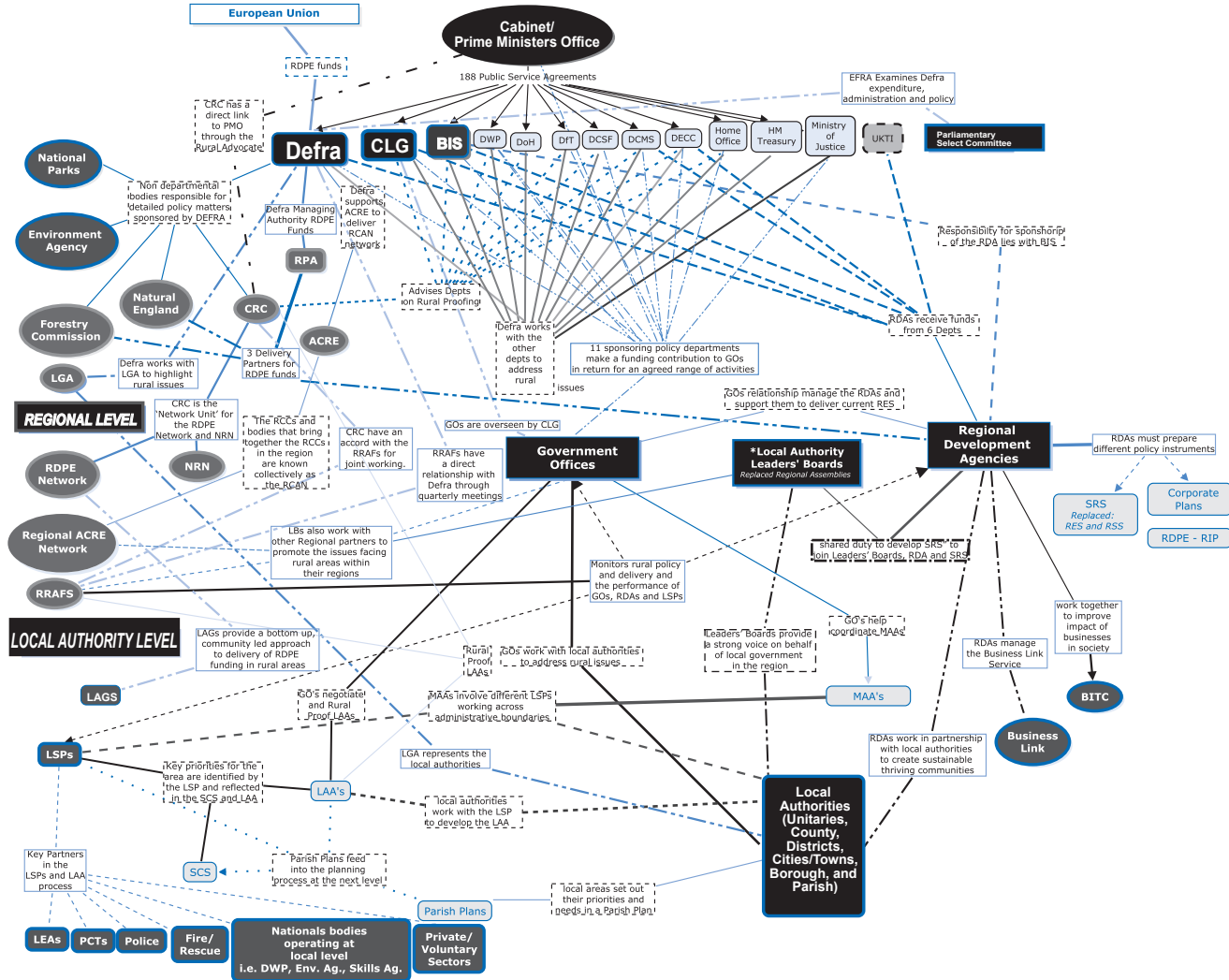
... is hampered by varied levels of implementation and take-up

Despite great effort, rural is not yet well mainstreamed in England. The discussions as part of this review with the different stakeholders involved in rural policy, as well as the testimonies and submissions for the 2008 EFRA Parliamentary Select Committee process, made this abundantly clear. In fact, in relation to building on the economic success of rural areas, the memorandum from the Lancashire Rural Delivery Pathfinder stated succinctly, “... it has not been possible, or in any way advisable, to rely upon mainstream interventions”. Since the government is committed to mainstreaming rural spending, some additional time exploring the implementation aspects may be warranted. It would seem then that one consistent challenge for mainstreaming continues to be inconsistent implementation. A 2008 OECD report, *Making Local Strategies Work: Building the Evidence Base*, observed that strategies may be conceptually sound but lack follow through at a practical level because there is lack of consideration of “issues of implementation and the interplay of many small, but often sensitive and significant, local considerations” (OECD, Leed 2008). Arguably, some of these aspects are at work in relation to mainstreaming rural at the different levels of government. Although the Leed report was conceived as guide to local economic development strategies, its salient point on implementation woes, specifically the failure to give sufficient weight to local implementation issues which could result in these issues being transformed from potential drivers of the strategy into barriers, is relevant.

... requires continued support for rural affairs...

Evidence across the OECD countries suggests that the body in charge of rural affairs should be able to act as a *super partes* actor. This entity, among other things, is expected to be in a position to ensure the integration of urban and rural policies and to: address urban-rural linkages; broaden the scope of support for rural communities to a whole government perspective; and, create a climate of support for legitimate rural concerns (OECD, *Finland Rural Review* 2008). In England, Defra is the *super partes* actor for rural affairs. But

Figure 3.2. OECD schematic of key actors and mechanisms in English rural policy as of 2009¹



1. This excludes housing and planning actors.

- ACRE: Action with Communities in Rural England
- BIS: Department for Business
- BITC: Business in the Community
- CRC: Commission for Rural Communities
- DCFS: Department for Children, Schools and families
- CLG: Department for Communities and Local Government
- DCMS: Department for Culture Media and Sports
- DECC: Department for Energy and Climate Change
- DfT: Department for Transportation
- DoH: Department of Health
- DWP: Department for Work and Pensions
- EFRA SC: Environment, Food and Rural Affairs Select Committee
- LAAs: Local Area Agreements
- LAGS: Local Action Groups
- LEAs: Local Education Authorities
- LGA: Local Government Association
- LSPs: Local Strategic Partnerships
- MAA: Multi-Area Agreements
- NRN: United Kingdom National Rural Network
- PCTs: Primary Care Trusts
- RCANs: Rural Community Action Network
- RCC: Rural Community Councils
- RES: Regional Economic Strategy
- RIP: Regional Implementation Plan
- RIS: Regional Integrated Strategy
- RSS: Regional Spatial Strategy
- RDPE: Rural Development Programme for England
- RPA: Rural Payments Agency
- RRAFS: Rural Regional Affairs Forums
- SCS: Sustainable Community Strategy
- UKTI: United Kingdom Trade and Investment

realignments within Defra as they relate to rural affairs, as well as Defra's responsibilities for other key government agenda items, such as climate change and the environment, threaten to divert attention and resources from rural affairs. The Department began as an entity meant to forestall inaction or inertia on rural policy with expanded scope and jurisdiction over rural development policies. "The creation of Defra was partly aimed at raising the profile of rural affairs within government" (Atterton, 2008).

But that tide has seemingly turned, and, in the last few years, the rural affairs division within Defra has been reduced in form and function. Moreover, the "Department's" attention has become ever more focused on climate change and environment sustainability, a focus, confirmed in a statement by the Parliamentary Under Secretary of State (Marine Landscape and Rural Affairs). This has fed perceptions of rural affairs at the national level being "downgraded" or "becoming politically marginalised and being allocated ever diminishing staff and financial resources" (Atterton, 2008). In its 2008 submission to the EFRA Select Committee the RDAs described mainstreaming as "vital at national government level" because it provides the "underpinning policy framework support needed to ensure that government's sub-national partners can provide adequate and appropriate support to rural areas". The report also notes that while "Defra's decision to restructure and focus on the two PSAs", is understood. It "effectively reduced their explicit commitment to rural affairs within their agenda and reduced their rural team resources by half". Thus, the submission questioned if this was concurrent with effective cross-government rural proofing and if it would leave a "substantive gap in the explicit rural proofing coverage of key Whitehall departments" (EFRA, 2008 Ev. 66, 3.3).

Defra is the government department responsible for co-ordinating and overseeing rural policy within government, and for promoting the needs and interests of rural people, businesses and communities across government (OECD England Background Report). But CLG plays an equally important role as it oversees rural planning policy and local government functions in the regions. With important aspects of rural development within the realm of two government departments and the various agencies linked to them, the challenge for Defra lies in corralling these objectives and/or inserting the "evidence" of rurality into the policy discourse at the appropriate time. For example, in the south of England, policy makers pointed to the division of policy delivery on rural housing at the national level between Defra and CLG as one area that sometimes yields miscues in objectives and expectations. Further, while all departments are charged with adopting a mainstreaming approach, there is little incentive for them to actually do so. If there are costs to delivering mainstreamed policy then the department absorbs it. If the department sees little benefit from mainstreaming in terms of its core function, then the presence of additional costs is likely to weaken its commitment to mainstreaming. In principle Defra can ask for policy change, but Defra is unable to compel a change if the department fails to comply. If Defra has responsibility for ensuring that departments act to deliver on mainstreaming objectives, it should have some ability to compel altered behaviour, or the resources to subsidise change. Mainstreaming would work better if, for example, Defra or some other agency has the authority to require action or the ability to cover incremental costs associated with mainstreaming.

... requires more rural specific policy support beyond RDPE

On the whole, it appears that in the short to medium term rural mainstreaming needs additional specialist rural policy support, beyond RDPE, to ensure that it delivers to rural communities what is desired. Undoubtedly, by rejecting specific rural policies England

inherently refocuses its support for rural areas away from the sectoral approaches, explicit subsidies, and narrow client groups that are criticised as the Old Rural Paradigm. Similarly, it is agreed that “effectively delivered mainstream policies and programmes will almost always be more successful and sustainable compared to short-term, stand-alone, rural specific interventions” (Moor, 2008). But the central government role in managing rural policy requires ground rules to manage complexity in the form of plural and tangled hierarchies characteristic of most modes of co-ordination (Figure 3.2). Finland stands in direct contrast to England in size and scope. It is a sparsely populated country with an average population density of 17.1 inhabitants/km². But, the need to define rural policy in a way that balanced co-ordination between sectoral policies and attended to rural needs resulted in a similar dual rural policy approach. Unlike England, Finland took advantage of EU funds to foster its narrow approach to rural development. In their words, “the EU programmes, contained the funding, but the national narrow rural policy creates the content” (OECD, *Finland Rural Review*). However, Finland’s narrow rural policy approach is different in that it is a combination of different programmes (*e.g.* village action, the work of the Local Action Groups (LAGs) EU instruments, and the Regional Strategic Programmes) all partly funded through RDP Finland (Box 3.1). At present England seems to lack an effective strategy to link RDPE to national rural policy objectives. In England’s case, the extra support could take many forms, perhaps a lead department with a senior Cabinet Minister ensuring that the potential of rural areas is fully realised and an acceptable level of service delivery is achieved.

Box 3.1. Finland’s rural development policy

The National Rural Policy Programme (*Maaseutupoliittinenkokonaisuohjelma*) is drawn up by the Rural Policy Committee and is one of the four Special Programmes derived from the Regional Development Act (602/2002). It is the main instrument of broad rural policy and as such aims at providing coherence to the different sectoral policies oriented towards rural areas. Revised every four years, the programme contains both a strategic perspective and concrete proposals carried forward by the Rural Policy Committee. The Rural Policy Programme includes a special Rural Policy Programme. The narrow rural policy refers not only to EU programmes but also to other activities of the national rural policy and the main instrument of the narrow rural policy is the Rural Development Programme for the Mainland Finland 2007-13. Thus, Finland has successfully integrated EU programmes at the core of its “narrow rural policy” and is considered a “model” in many respects for other EU countries, especially its LEADER method and its approach to mainstreaming national funds and other EU funds in order to cover the entire countryside.

Broad		Narrow
Work of the Rural policy Committee and its Action Programme: Special programmes of the government including the Rural Policy Programme.		
Labour Policy	Environment, community planning and housing policy	Village Action
Tax. Policy and budget	Regional and municipal policy	Work of LAGS
Social and Health Policy	Agriculture, forest and natural resources policy	EU Instruments <i>e.g.</i> Rural Development Programme and Structural Fund Programmes
Industrial and Energy Policy		Regional Strategic Programme of Region Councils
Education, culture and know-how		

Box 3.1. Finland's rural development policy (cont.)

Local Action Groups (LAGs) are entities created when Finland joined the EU and the LEADER II Programme and corresponding national Rural Programme Based on Local Initiative (POMO) were launched (most were created in 1996-97, and the rest by 2003). The LAGs have both a board where citizens, municipalities, local organisations and enterprises participate and paid staff to manage LEADER projects. The LAGs cover the whole rural territory of Finland, an area range of 1 000 to 49 000 square kilometres and the number of people in these from 14 000 to 95 000. At present there are about 3 900 villages in Finland and about 2 800 of them have a registered village association. Finland has strong tradition in village action. More than 1 900 village associations have a village development plan which is implemented by associations, enterprises, municipality and other organisations. The Village Action Association of Finland is an umbrella organisation for Residents' Associations, village coalitions, LAGs and national central organisations. At the end of 2007 it had 129 member organisations. The Village Action Association of Finland promotes and develops village action and locally initiated rural development on the national level. This association provided the services of the LAG Network Unit until 2007 and gathered and distributed information about the work and development projects of the LAGs.

Source: OECD (2008), *OECD Rural Policy Reviews: Finland*, OECD Publishing, Paris.

... is particularly challenging in an environment of frequent policy change...

The frequency of policy change in England threatens to undermine the uptake of mainstreaming. An important role of policy is to create a regime of incentives for both private and public decision makers, and this requires stability. A policy to promote regional governance, for example, provides incentives for existing local governments to invest in collaborative relationships and new institutions that didn't exist previously. These kinds of processes require the investment of time and resources. OECD work on strengthening governance has demonstrated that reforms of complex systems that are cross sectoral in nature often take many years to implement (OECD, 2008, Ireland). But political systems tend to focus on short-term results whereas administrative systems must focus on longer-term interests. Policies and programmes that are not performing should be changed, and creating incentives and flexibility for change is certainly necessary for economic success. But, while political actors can help to ensure responsiveness and political accountability, this has to be balanced with the provision of a long-term integrated perspective that better meets the demands of the public-at-large.

There are clear costs involved in a continually shifting policy environment. Rapidly shifting policy creates several problems for decision makers. First, policy changes make investments (of financial capital, human capital, social capital and political capital) in old policy strategies obsolete. Again using policy to promote regional governance as an example, policy that changes too quickly also makes investments in relationships with other governance leaders and institutional arrangements obsolete, at significant cost to local governments and officials. Secondly, and perhaps more importantly, rapidly changing policy erodes the incentive to make the appropriate future investments, since certainty around the new policy is reduced. At a minimum, investments are delayed while the parties wait to see if the policy will be amended, or replaced with a new one. Finally, policy uncertainty invites obstructionist behaviour and lobbying by special interest groups that

perceive that they can simply “wait out” the current policy regime, or perhaps influence the next policy shift to be more advantageous to them.

There are several examples of policy that are perceived to be in a state of constant flux. First, regional assemblies were initially envisioned as elected and powerful institutions which could directly influence economic development and public service delivery. This concept was subsequently abandoned in favour of a less influential Council of Governments. While it is quite likely that given other policy changes the “Council of Government” approach was more workable than an elected assembly, it is nevertheless true that the decision making environment for local governments was, and is, quite uncertain because of the series of policy changes involved. Another example is the uncertainty around the spatial policy and the development policy. Discussions in England in 2009, during site visits, revealed a considerable amount of frustration, uncertainty, and even cynicism about the policy that was emerging. In 2004 the Planning and Compulsory Purchase Act replaced local plans with local development frameworks and Regional Planning Guidance with Regional Spatial Strategies. The Planning Act of 2008 laid out a new process for national infrastructure development. The goals of these changes are very good in principle. They are designed to bring planning, sustainability and economic development into the same process. But in 2009, the Regional Spatial Strategies had been in development for multiple years, and were only then being completed in most regions. As a result there was still a great deal of uncertainty about their implications.

From the perspective of local decision makers, the national spatial policy was a long time in coming, following the commencement of the process to develop it. This created uncertainty itself. Again the ultimate policy may very well be the best outcome, but the lengthy and circuitous course that led to the policy created significant uncertainty among public and private decision makers. Yet another example of policy uncertainty was the series of reorganisations of several agencies involved in rural policy. In 2007 the Department of Business, Enterprise and Regulatory Reform (BERR) was created from the Department of Trade and Industry (DTI). Just two years later, BERR was merged with the Department of Innovation, Universities and Skills to become the Department of Business Innovation and Skills (BIS). Meanwhile, in 2008 the Department of Energy and Climate Change was created by combining components of BERR and Defra. These changes were not mere cosmetics. They moved certain functions among departments, affecting stakeholder relationships and adding uncertainty to the decisions made by both private and public decision makers. Again, these changes may be necessary, and desirable, but it is important to recognise the unintended effects they have on incentives.

... needs more clarification of the urban-rural gap...

Understanding and expanding urban-rural linkages is crucial for effective rural policy in England (Box 3.2). Thus the evidence as to what constitutes a meaningful urban rural gap needs to be further clarified. A particular challenge for mainstreaming is determining what constitutes a meaningful urban rural gap. The simplest test is to require identical services in all parts of the territory. This has the virtue of simplicity of measurement, but it is expensive, and it may not result in rural people receiving the right mix of services. The ideal approach would be to require equivalent outcomes in terms of quality of life. But this approach raises impossible measurement burdens and strong interpersonal welfare comparisons. As a result, there is no clear sense of how urban rural gaps are to be measured.

Box 3.2. Rural-urban links in England

In a globalised and urbanised world there is a need to overcome the divide of rural and urban. Rural-urban interactions can be defined as linkages across space (such as flows of people, goods, money, information and wastes) and linkages between sectors (for example, between agriculture and services and manufacturing). In broad terms, they also include “rural” activities taking place in urban centres (such as urban agriculture) and activities often classified as “urban” (such as manufacturing and services) taking place in rural settlements. In a polycentric model of an urban agglomeration, urban-rural interaction takes on the following five types of interactions.

1. Demography – including bi-directional commuting, second homes, retirement strategies, etc.
2. Economic Linkages – these include traditional flows of primary products and the outflow of manufacturing and logistics functions to rural areas, as well as key transport connections like airports.
3. Public Service linkages – with strong connections from flows of people and economic activity there is corresponding need/opportunity to co-ordinate public services so that people have better opportunities for receiving services than might be available from their immediate locality.
4. Environmental services – rural areas provide core environmental services to urban centres including water, waste disposal, recreation space, visual amenities
5. Multilevel governance – in a regional city there are multiple levels of local government that have varying powers and overlapping authorities. In addition any one government can take decisions that have effects on others. Consequently new forms of managing government are needed that reflect urban and rural conditions.

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

... reflects an implicit belief in the homogeneity of England not reflected in all aspects of policy...

The idea of mainstreaming can be perceived as reflecting an implicit belief in the homogeneity of England. As explained in the England Background Report to the OECD, mainstreaming rural is appropriate because there are few significant differences between the urban and rural populations in terms of their needs and the two economies. But the planning process belies this position and operates in a completely different way. It maintains a bright line between urban and rural. Moreover, English society seems to see urban and rural as distinct and different. An important consequence of considering the “rural” economy to be the same as the “urban” economy is the impact on the capacity to develop a distinct set of rural policies that focus on the *uniqueness* of rural England. Land based activities no longer define rural England, but there are still a number of important ways in which the economic structure of rural England is different than that of urban England. A more nuanced and disaggregated approach would reveal these differences. Some factors for consideration include:

(1) A different mix of industries that becomes apparent when NACE categories at a lower level of aggregation than national account data are employed...

While on average rural areas may have an economic structure that is not very different than the average urban the high degree of variability across rural areas makes the use of this average of limited value in understanding local economic conditions (Box 3.3). Table 3.2 shows this in terms of business numbers. Rural England is defined at a low level of spatial aggregation; as such, it is important that a similar low level of aggregation be employed when discussing economic structure. Once the diversity within rural areas is recognised there may be reason to reconsider the value of relying on comparisons made at a high level of aggregation to frame policy.

Box 3.3. Location quotients and economic activity

A common measure of economic structure is the location quotient which provides a measure of the share of employment or output in one particular territory relative to another. Location quotients provide a summary measure of differences in economic structure by industry type. The industry types are based upon a standard classification system (NAICS in North America and NACE in the European Union). These classification system classify every type of firm in a nested hierarchy with more specialised categories at the base and culminating in a small number of very broad categories at the top.

For example, category 23 of NACE is the manufacture of machinery and equipment. Within category 28 are four subcategories each of which can have multiple subcategories of its own. For example, 28.9 is manufacture of other special purpose machinery, which includes as a subcategory 28.93, the manufacture of machinery for food beverage and tobacco processing. In 28.93 one finds: cream separators, milk processing machinery, machinery to produce flour and meal, bakery ovens, machinery to make cigarettes and a host of other types of very specialised machinery. Some types of machinery can be produced by small firms, such as cream separators, while other types of equipment are highly sophisticated with only a handful of companies in the world having the capacity to produce the equipment, cigarette rolling machines. Similar detail exists in the other NACE categories.

At the most aggregate level, used in national accounts, there are ten categories. However using the data at this level of aggregation to describe sub-national economic structure provides limited useful information. This is especially true if the two regions have very different settlement structures – that is the size distribution of communities is not similar.

Suppose two regions have the same share of employment in finance and insurance, This really tells you little if one region includes the national capital and the other is quite rural. Finance and Insurance has four major subcategories and over 30 categories below this. Category 64.1 includes central banking as a subcategory, but also would include the branches of banks in a small villages that take deposits and makes small loans to consumers but do not handle any commercial lending. Moreover, the region with the national capital will include bank branches that make sophisticated commercial and international loans as well as providing consumer finance. To conclude that because the Location Quotients are the same in the two regions that this means that finance and insurance activities play identical roles in the local economy is not justified.

Box 3.3. Location quotients and economic activity (cont.)

To properly understand the economic structure of the two regions location quotients have to be constructed at a more disaggregate level. Once this is done it becomes apparent that the previous similarities in economic structure between different regions can be a statistical artefact. At a more disaggregated NACE level there are multiple categories and in many cases only one of the regions will have firms in that category. And, even when firms in the two regions are in the same category they may still perform different functions. Thus while location quotients provide a useful way to compare economic structure it is important to use the right level of disaggregation when calculating them in order to get meaningful results for forming policy.

Source: OECD Rural Programme.

Table 3.2. Business stock 2005

Industrial class	Rural 80	Rural 50	Significant rural	Other urban	Large urban	Major urban	England
Agriculture; forestry and fishing	16.9	10.8	6.8	2.0	2.0	0.8	5.8
Mining and quarrying; Electricity, gas and water supply	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Manufacturing	7.7	8.5	8.4	9.3	10.3	8.4	8.6
Construction	11.8	12.6	12.3	12.8	12.9	8.9	11.2
Wholesale, retail and repairs	18.9	19.8	20.4	22.6	23.5	22.3	21.4
Hotels and restaurants	7.2	6.5	6.6	7.7	7.5	6.6	6.9
Transport, storage and communication	4.3	4.6	4.4	5.1	4.4	4.2	4.4
Financial intermediation	0.6	0.7	0.9	1.0	0.9	1.7	1.1
Real estate, renting and business activities	23.8	27.5	30.9	30.2	29.4	35.9	30.8
Public administration; other community, social and personal services	7.2	7.4	7.7	7.5	7.2	9.8	8.2
Education; health and social work	1.4	1.5	1.6	1.8	1.7	1.5	1.5
Total stock (number of businesses)	241 455	206 120	223 230	171 935	180 335	530 710	1 553 785
Working age population (millions)	3.4	3.5	4.0	4.2	4.5	10.0	30.4
Stock per 10 000 people	703	593	565	411	403	286	511

Note: The stock of VAT registered enterprises is the number of enterprises registered for VAT at the start of the year. This is an indicator of the size of the business population. Since over 99 per cent of registered enterprises employ fewer than 50 people, it is also an indicator of the small business population. However it should be noted that only 1.8 million of the estimated 4.3 million UK businesses are registered for VAT.

Source: CRC, 2006 State of the Countryside.

(2) a different size distribution of firms with mainly micro firms and sole proprietorships, and

In particular, in more remote rural (sparse) regions, agriculture, forestry and fishing play a much larger role and real estate renting and business activities are less important. While there are far more businesses in large urban areas than in other types of territory, there is a much higher stock of businesses per 10 000 people in the most remote rural regions, reflecting the prevalence of smaller firms, and rural businesses are on average much smaller than those in urban areas.

(3) a different occupational mix in terms of the skills that are present in urban and rural jobs.

Occupation categories also vary once a more detailed classification is employed. The occupational breakdown shown in Table 3.3 seems to suggest the skill mix between urban

Table 3.3. **Distribution of jobs across sectors, 2004**

Industry	Percentage					
	Rural 80	Rural 50	Significant rural	Other urban	Large urban	Major urban
A: Agriculture, hunting and forestry	0.8	0.5	0.3	0.1	0.1	0.1
B: Fishing	0		0	0	0	0
C: Mining and quarrying	0.4	0.3	0.1	0.1	0.1	0.1
D: Manufacturing	14.7	15.4	13.5	12.8	12.3	9.4
E: Electricity, gas and water supply	0.3	0.4	0.4	0.5	0.5	0.3
F: Construction	5.5	5.4	4.8	3.9	4.5	4.1
G: Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	19.1	18.4	19.1	19.7	18.7	16.8
H: Hotels and restaurants	9.0	7.2	7.2	6.2	6.3	6.4
I: Transport, storage and communication	5.2	5.4	5.3	7.1	5.2	6.7
J: Financial intermediation	1.5	2.2	3.3	3.6	4.1	5.7
K: Real estate, renting and business activities	12.6	13.6	15.5	15.5	15.4	19.6
L: Public administration and defence; compulsory social security	5.0	5.3	4.9	5.1	5.4	5.7
M: Education	9.3	9.9	9.0	9.4	10	8.6
N: Health and social work	11.0	11.3	11.7	11.7	12.7	10.7
O: Other community, social and personal service activities	5.3	4.8	5	4.3	4.5	5.8

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

and rural is similar. But the higher share of managers and senior officials in urban and rural locations reflects the higher stock of businesses per capita. Moreover a senior manager for a firm employing ten people is unlikely to be equivalent in terms of skills or income to one in a firm employing 10 000 people. The similarity in skill mix is also an artefact of collecting data on the basis of place of residence instead of place of employment. The table shows that the rural catchment area of city regions explains a lot of the relatively high performance of rural England. While higher skill people may choose to live in rural England the fact that they work in urban England suggests that there are still structural differences between the economies of urban and rural places.

Because the settlement structure of rural areas is made up of small communities it is improbable that the rural economy resembles the urban economy in a meaningful way. Basic theories of urban economics demonstrate that larger places offer higher order goods and services than smaller places. While a small community and a large city may have the same percentage of their population in some sector, say education, in the small place the only schools will be at the primary and secondary level, while in the large place there will also be continuing and further education facilities. Banks may make consumer and small business loans in small places, but in large places they will also make larger loans and offer a broad range of financial services that appeal to larger firms. In large centres we find tertiary care hospitals that provide specialised treatments to a large region that covers the city and a large surrounding rural territory, while in a rural community there may be only a primary care centre.

Finally, since a rural region is, by definition, an aggregation of only smaller settlements, otherwise it would be an urban region, it is impossible for its economic structure to resemble that of an urban region at anything other than a broad brush level. While the relative share of firm numbers may be similar across broad sectors, the size distribution of the firms within a given sector varies considerably by urban region and size

of rural region. Similarly, the employment share by broad economic sector may look the same, but both the skill composition and the levels of specialisation of workers will differ significantly by type of region. This inevitably leads to a different mix of goods and services being produced by any sector depending on the size of the region where it is located.

(4) The local economy in rural areas is more open and more specialised

A different settlement structure exists, with rural England being made up of small settlements that have truncated economies that are highly dependent upon “export-oriented” businesses for their viability; and with urban England having much larger settlements that have a complex internal economic structure that allows a broader range of goods and services and greater self-sufficiency. Rural communities have a limited number of economic functions and a limited mix of firms. This reflects their small size in terms of labour force and local market potential. Many goods and services cannot be profitably produced in a small community and have to be imported from a larger place (Box 3.4). While small communities in very remote regions where transport costs are high may have a broad range of locally produced goods this is uncommon in most rural areas of the OECD. Specialisation allows the community to produce a small number of items at competitive prices and export them to the rest of the country and to other countries. The earnings from exports are in turn used to buy the goods and services that are not produced locally. Where small local economies have difficulty identifying activities in which they are competitive, their ongoing survival hinges on public transfers and they tend to have high shares of employment in the public sector and a large share of households with high levels of unearned income from transfer payments.

Mainstreaming also creates the expectation that vertical co-ordination between governments will work as well in rural areas as in urban areas. There are numerous reasons to believe that this is not the case – population density, different issues in rural areas (land use, and agriculture are examples), demographic differences, and different determinants of economic development success.

Box 3.4. Export base models

While export base or economic base models are often criticised they remain an important tool for regional economics. In particular they can play an important role in thinking about the nature of local economies in rural areas in identifying strategies for economic development. The fundamental assumption of export base models is that there are two types of economic activity in a community. Some part of the local economy is oriented to creating goods or services that are sold to other regions, while other parts of the local economy are oriented to providing goods and services to be consumed within the region. While both types of activity are important the distinction is central to the logic of the model.

Few economies are able to produce locally all the goods and services that the residents want or firms need as inputs. These have to be purchased from an external source. For example, in England a large amount of tea is consumed, but no tea is grown in England. For the English population to be able to consume tea there has to be some revenue to purchase it. Ultimately this revenue has to come from selling something produced in England outside the country, either directly to tea producers or to a third party. The basic sector of the local economy is the part that sells its output externally and generates the revenue for the community to buy imports.

Box 3.4. **Export base models** (cont.)

The idea is particularly powerful in rural communities because they tend to be small specialised in the production of a limited number of goods and services and hence in apposition where much of what resident firms and families consume has to be imported. Unless the community receives ongoing income transfers it has to generate enough export revenue to pay for its imports. In urban areas, by contrast, a far higher share of final demand can be met from local sources so the internal dynamics of the economy are both more complex and more dominant.

The second part of export base theory deals with the role of the non-basic, or local, component. Production sold for local demand is important because it may be an intermediate input in the production of an export good, or because it is consumed by workers in an export activity. Thus, a firm producing lumber that is sold to another firm that produces chairs for sale overseas is a key part of the production process. But export base theory differentiates the two functions. If there was no demand for chairs there would be no demand for lumber. Conversely it may be possible for the chair manufacturer to import wood. Most importantly if chair sales increase or decrease there is a direct effect on the sales of the lumber firm.

The share of basic and non-basic activity can be determined in a number of ways. Some sectors such as tourism are inherently basic, because by definition tourism involves customers from some other place who buy a tourism experience. Other sectors such as dry cleaning are almost entirely non-basic, because it is unusual for someone from another community to bring their clothes to another community to be cleaned. Other sectors may be harder to classify. Retail establishments may sell some of their goods locally while some are exported. By segmenting economic activity on the basis of sales or employment into the two categories it is possible to determine the share of non basic and basic activity.

The ratio of non-basic to basic activity provides a simple multiplier. If exports increase by some amount, then total economic activity will increase by the multiplier times the increase in exports. The simple development strategy for a rural community consists in the first place of increasing exports and in the second place in ensuring that there is adequate capacity in the non-basic sector to support the economic base. The logic of the model suggests that some sectors/firms are more important than others, because in a sense they are the locomotives that power the local economy. Other firms, while important, are more like rail cars in that they are a vital part of the train, but do not cause it to move.

... reflects a bias in setting policy targets that favours urban areas...

Notwithstanding the aims of mainstreaming, there appears to be a policy bias in favour of urban areas and this is reflected in the way policy performance is measured. The performance indicators for LAAs, described in Chapter 2, that are derived from PSAs and DSOs have specific metrics that are used to assess how well a local government has fulfilled its tasks. Often departments are challenged to lower the unit cost of delivering services or to expand the number of individuals or firms served. Such a metric has an inherent policy bias because it is always easier to meet this sort of target in urban areas, simply because travel costs are lower and population densities are higher.

This urban bias can also be seen in the way evidence based decision making is implemented in the UK. Building an evidence base at the national level that reaffirms the sameness of rural and urban and thereby justifying no special measures for rural areas could overlook the differences in rural areas that make special interventions necessary. A House of

Commons report acknowledged this aspect indicating that, while rural districts key sources of employment were in four sectors common to urban areas: distribution and retailing; business and financial services; public administration education, training and health; and manufacturing, business owners in rural areas encounter different problems than their urban counterparts. In addition, isolation and population sparsity is also a “crucial distinctive feature of the development prospect for rural areas”. Thus the evidence base should be able to distinguish between different types of rural areas, so that the policies can be tailored.

... is challenged by a new emphasis on urban regions...

MAAs are an aggressive step toward “new governance” and horizontal co-ordination of local government. They allow two or more jurisdictions that have LAAs to join forces and leverage the local government’s strategic planning efforts to a larger area. There are at least two potential benefits of planning for economic development at a multi-local government level. First, it is likely that the benefits and costs of economic development will spill over into neighbouring jurisdictions. By developing a MAA local governments can more equitably share in these costs and benefits. Second, a MAA may reduce or eliminate wasteful competition among local governments, without stifling the beneficial effects of a pro-business development attitude.

While in principle the MAA process is open to any group of local authorities that already have LAAs with similar objectives, in practice the formation of MAAs is mainly driven by a large urban local government. For a larger local government the benefits from increased resource flexibility can be significant, but this is less likely to be the case for smaller government because their existing resource base is both small and mostly allocated to core functions that cannot be reduced. When rural local governments become part of an MAA they are in effect “junior partners” if only because their ability to negotiate and deliver resources is smaller than the urban government leaders.

In addition to the existing macro-regions, England is introducing “city-regions” as another form of functional region. There is a growing interest by the UK government in using city-regions as a building block for local development and public policy implementation. These sub-regions link a major urban centre with surrounding urban places and a rural hinterland. The policy recognises that in many parts of the country there is such a close coupling among adjacent places of differing size that for planning and implementation purpose the various pieces have to be treated as a whole. This phenomenon is clearest in the case of London where its economic and cultural shadow extends well into surrounding regions, with many villages more than an hour away by train now largely occupied by London commuters. However it is an equally clear situation for Manchester, Birmingham, Newcastle, Bristol and other English urban centres.

The idea of a regional city offers both threats and opportunities for rural areas that become part of one of these regions. Currently the main focus of the model is a city-led development policy that presumes that future growth will come out of the urban core of the main city. This suggests a fairly minor role for rural territory, as it is likely to be seen as providing a reserve of land and a portion of the local labour force. However if the government of the city region is able to see rural playing a larger role then it is possible that the introduction of city regions as a meaningful sub-national unit of government can offer better development opportunities for the rural parts of the territory. This of course begs the question of what happens to those rural areas outside the boundaries of the identified city regions.

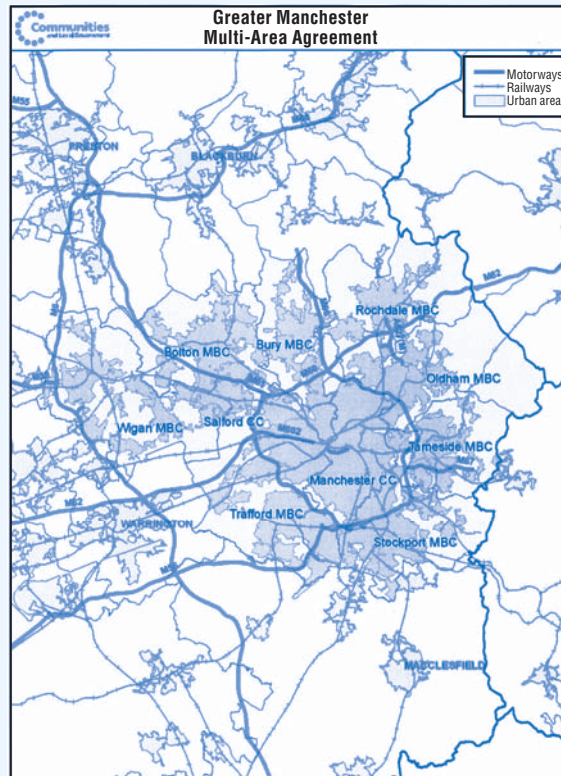
Box 3.5. City region: Greater Manchester

Greater Manchester is an amalgamation of central Manchester and surrounding boroughs. It represents one of the more advanced city efforts to integrate urban and rural territories in England and recently the existing Multi-Area Agreement was used to successfully apply for status as one of two pilot city regions. This should allow Manchester a greater autonomy in its use of national and local funds and a greater ability to develop its own local development strategy. While Manchester is a major urban centre it also has a considerable rural territory as is shown in the map.

The local government recognises the importance of managing the region in a way that takes advantage of its rural area, rather than simply seeing it as a land reserve for future

urban needs. Manchester participates in an EU programme PLUREL that is developing a spatial strategy for peri-urban areas. The rural areas of Manchester experience two-way commuting provide an important leisure and tourism resource and retain a significant agricultural sector. Manchester is also exploring ways to invest in the rural areas, especially peat bogs as an effective carbon sequestration strategy. Restoring peat bogs may allow the city region to meet its climate change targets in the most cost-effective way.

If city regions do not fully integrate their rural areas into a regional development strategy it is possible that these territories will fall between the cracks. In the case of Manchester this happened during the foot and mouth crisis in England in the early part of the decade. The UK government provided assistance to farmers who lost their herds and flocks, but the mechanism of distributing support was through the shire county structure. But in Manchester the more rural boroughs that were part of the city were no longer part of a county system, so the farmers were technically ineligible for support. When farmers first appealed to the local government for assistance there was no agency that was responsible for agriculture. While the problem was eventually resolved, it does point out the importance of recognising that adding rural territory to an urban government structure requires adjustments in how that government operates.



Produced by the GI Team analytical Services



City regions offer an innovative way to manage urban-rural interaction, but at present the rural component seems to be ignored. While the idea of city regions could be

advantageous for rural areas that fall within a city region boundary it appears that there has been very little thought about how the introduction of the city region will affect the associated rural population. To a great extent city regions appear to be designed to allow urban growth management, with no thought for the potential consequences for rural communities and citizens. It is not clear whether rural areas will have a veto over plans that have adverse consequences for them, or whether they will even have significant input into plan formulation. Because urban rural flows are bi-directional it will be important to recognise all the linkages within a city region if the policy is to be broadly accepted. Moreover it is not clear what happens to those rural territories that do not fall within a city region. England sees mainstreaming as reducing, if not eliminating the need for specific rural policy. Within any given city region it may be the case that there are few significant gaps between the quality of life of urban and rural populations, and public services are appropriately delivered. However the larger the role played by city regions in organising the delivery of public services, the more important it becomes to determine how services are to be equitably provided to those in the sparse territory beyond the boundaries of city regions.

... focuses too little on rural opportunity...

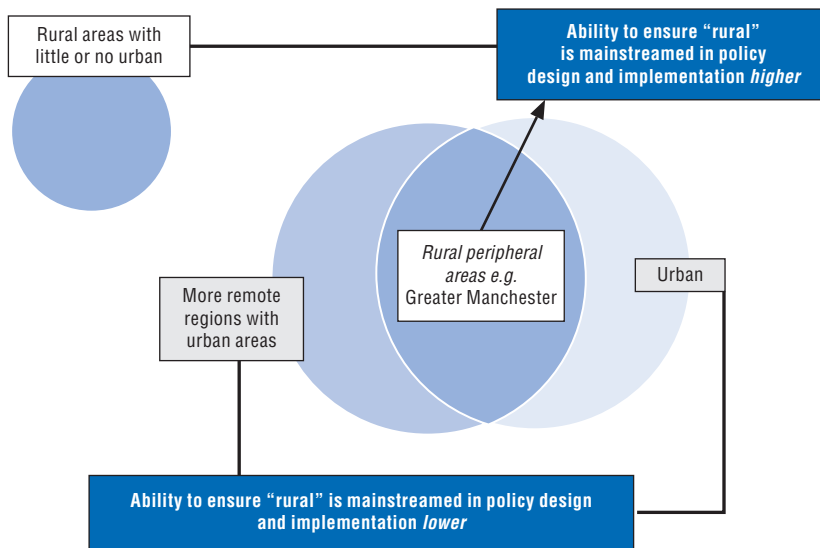
There is a need in England to change the argument on rural from disadvantage to advantage. Even Defra has acknowledged a concern that rural areas, and what makes them distinctive, risk being ignored if current policies and programmes are not explicitly examined and modified (Pathfinder Report, Defra 2008). Rather than seek to defend rural interest by basing policies on rural need or disadvantage, the argument should be that rural areas make a positive contribution to the overall health – economic, environmental and social, of an area, and intervention should be directed at improving this overall health. For example, the focus of CRC is on “tackling rural disadvantage” and not taking advantage of rural opportunities. Admittedly the CRC was established with this approach mandated by the government, but the fact that this was the mandate speaks to how the national government perceived rural England.

To fully embrace the NRP England should continue to emphasise the opportunities for growth and development in rural areas. When constraints exist they should be identified in a way that shows that they inhibit development rather than as contributing to disadvantage. While this sort of emphasis on the positive rather than the negative may seem somewhat superficial, it is an important way to counteract common perceptions of rural as being lagging and backward. This may be especially important in England where another common perception of rural areas is defined in terms of the “rural idyll” which carries connotations of a bucolic countryside where the pace of life is slower and modern society and the modern economy is kept at bay. Certainly this image has positive implications for some types of tourism, but too wide an adoption may condemn much of rural England to the role of national park or museum.

... and is more difficult to implement in sparsely populated areas

At the sub-regional level the local capacity to implement mainstreaming in a manner that fully benefits rural areas seems to vary depending on the type of region and its proximity to urban areas. This is a particularly acute problem in sparsely populated areas where the potential for providing public and private services is very different than in urban and peri-urban England. Some services that are available in the majority of the English territory, such as, proximity to a major hospital, ready access to further and continuing

Figure 3.3. Proximity and ability to mainstream



education, or access to a major retail complex, are simply not possible in a small community in a sparsely settled region. A comparison of sparse and less sparse rural areas reveals that there are clear differences in service access. On the one hand, there are cases of great uniformity of access in sparse regions. This was observed in the Northumberland region, one of the least populated parts of England. The relative homogeneity of the area makes it possible that the entire population receives the same type and level of services, albeit at a lesser level, and this is properly reflected in the choosing of performance measures for the LAAs. Conversely, in peri-urban areas the majority of the rural population benefit from the nearby urban centres (Figure 3.3), but there are fringe groups (those without cars and the handicapped) who lack access. This leads to a situation where high average performance masks pockets of weakness. Within these regions, implementing mainstreaming becomes more problematic – in the sense of people in the same region receiving markedly different services – in two distinct situations: 1) *the more remote regions that include a large urban area*, and 2) *urban centres*. In the case of the urban centres, specific urban policies help fill the gap in performance. An urban example is the Working Neighbourhoods Fund (WNF) through which the government tackles worklessness in urban areas with the highest concentration of unemployment and lowest levels of enterprise. But there are no parallel rural specific stop-gap mechanisms. Fundamental to the preference for mainstreaming rural across all policies instead of rural-specific policies is that mainstreaming moves rural out of the realm of “special pleading for rural areas” critique, and puts rural on par with urban in the framework of policy development. The thought is that “basing policies just on rural needs” could shadow this view and cause “policy makers to see delivery to rural communities as a marginal activity” and possibly “raise unrealistic expectations” (Atterton, 2008).

One factor impacting the performance of mainstreaming in sparsely populated areas could be the LAA process. There is often a challenge in OECD countries to find holistic policy interventions at the local level that address multiple diverse problems simultaneously, are well targeted and have sufficient resources to accomplish the objectives (OECD, Leed, 2009). Typically what are visible are interventions with “unexplored synergies between different actions” and “unexploited local resources”. In this vein,

England is no different. Despite being welcomed as a “genuinely devolutionary development” the LAA process is considered by some to be “top down rather than a genuine negotiation between equal partners”. According to the GHK Consulting Report on Rural Proofing, policy makers believe that rural proofing is unnecessary because the ability to adapt policies locally is built in for the delivery agents. However based on discussions with local representatives during the review site visits, the contrary seems to be the case. To be precise, the scope for adapting the policy is more limited particularly for the LAAs. A DCLG report observes this in some respects, when it described the LAA process as having not “yet developed a true partnership with sufficient flexibility to register local priorities as well as minimum central requirements”. The report goes on to note that this could hinder the development of more tailored local solutions” (CLG Committee Report). There are other impediments that must also be considered. A Memorandum submitted by the Chief Economic Development Officer’s Society (CEDOS) to the EFRA Committee identified more what it referred to as “key barriers” interfering with the effectiveness of local authorities. These include:

Resource constraints – The way resources are managed and spent by the RDAs;

Multi-layered bureaucratic channels – Too much filtering of funding through too many layers of bureaucracy the inhibits the local solution for local problems approach;

Partnership Fatigue – Too many partnership requirements impose upon local authorities, leading to an over complex partnership landscape;

Requirements Overload – Having to jump through too many hoops to gain access to different funding streams with different application processes, criteria and performance monitoring arrangements;

Distance – National and regional decision-making on rural issues is too remote and may not take into account the special circumstances that apply to a locality.

In this setting, while the hesitancy to introduce more rural specific policies is understood, there may be scope to consider other stopgap mechanisms to assist sparsely settled areas in England while the LAA process finds its rhythm. Further, no matter the degree of co-operation and partnership taking place between stakeholders, less than optimal results will be achieved if the scope for adapting the LAAs to local priorities is not expanded.

3.5. Strengthening rural proofing

There is clear evidence that rural proofing has had a positive impact. In general, thinking about rural implications is more frequently taking place early in the policy process. The CRC connection at the national level and its visibility through the different activities and support provided to different local bodies has combined to provide greater knowledge of rural circumstances and characteristics. National policy guidance documents with specific references to rural, the official rural and urban definition, and the inclusion of rural in the 2007 comprehensive spending review are examples of successful rural proofing. Further, the New Build Home Buy Scheme Shared Ownership is an example of effective rural proofing, as are the amendments to the Housing and Regeneration Bill. The amendments allow the Secretary of State for Housing to designate areas where shared ownership properties will be exempt from leasehold enfranchisement. Although this has taken a long time to come to fruition, the change to legislation and the consultation papers demonstrate how Government Departments can successfully rural proof their policies. Similarly the Lancashire LAA which covers

Box 3.6. What constitutes policy flexibility, factors for consideration

Governments limit the flexibility of local offices for different reasons but often to achieve national objectives and accountability. The hesitancy surrounding increased manoeuvrability at the local level is usually related to concern over likelihood of meeting national objectives, increased situations of funding misallocation or in ability to audit. Arguably a policy is more for local actors if a mix of the below factors are visible:

Programme design: Do sub-regional offices have any input into the design of policies and programmes? Are they consulted? Are they free to determine the programme mix and even adapt design features of programmes, including target groups, or are these largely centrally determined? May local public employment service (PES) offices implement innovative programmes outside the standard programme portfolio? Do they design local employment strategies?

Financing: Do sub-regional actors have flexible global budgets or line item budgets for active measures? Are they free to allocate resources flexibly between budget items for active measures?

Target groups: Are local offices free to decide on the target groups for their assistance locally or do programmes already specify particular target groups?

Goals and performance management: To what extent are organisational goals and targets centrally determined? Do they allow room for sub-regional goals and hence flexibility in adapting goals to local circumstances? Are targets and indicators hierarchically imposed or negotiated with regional and local actors? Is performance assessment based solely on quantitative criteria? Are sanctions imposed if targets are not met?

Collaboration: Are local offices free to participate in partnerships and do they collaborate with other actors? Can local offices decide who they collaborate with locally?

Outsourcing: Are local offices responsible for outsourcing services to external providers?

Source: OECD (2009), *OECD Policy Brief "Breaking out of Silos: Joining Up Policy Locally"*, OECD Publishing, Paris.

Lancashire County Council plus its 12 District Councils and has only 27% of the population in rural areas – ranging from around 6% in Burnley to around 92% in the more rural Ribble Valley, was successfully rural proofed. To ensure that the LAA delivers for rural and urban Lancashire, the Pathfinder Task Group identified the LAA performance measures with the most rural impact and identified “rural tags” to data collection so the impact on rural areas could be monitored and assessed.

But, as a key mechanism working in concert with rural mainstreaming, certain aspects of rural proofing need to be strengthened. The process has to be better coupled to mainstreaming and to Defra’s efforts to ensure that other departments fully consider mainstreaming in the policy design process. Some noticeable challenges to be addressed include:

... the separation of roles between Defra and CRC ...

The current separation of roles between Defra and the CRC is not desirable and weakens the capacity to implement both mainstreaming and rural proofing. At present the CRC is charged with rural proofing as part of its assessment of conditions in rural England, while Defra is responsible for rural mainstreaming. While there is some merit in having an arm’s length process for rural proofing, this seems to be outweighed by the fact that CRC is not part

of the government and cannot be fully involved in the early discussions of incorporating mainstreaming into policy design. Consequently, it appears that CRC, because of its outsider status, is left to come up with somewhat arbitrary measures for rural proofing that are not tightly coupled to mainstreaming. If the government is to achieve its goal of moving from an after the fact policy assessment to one where mainstreaming is part of policy design, then the two functions of design and evaluation should be better coupled.

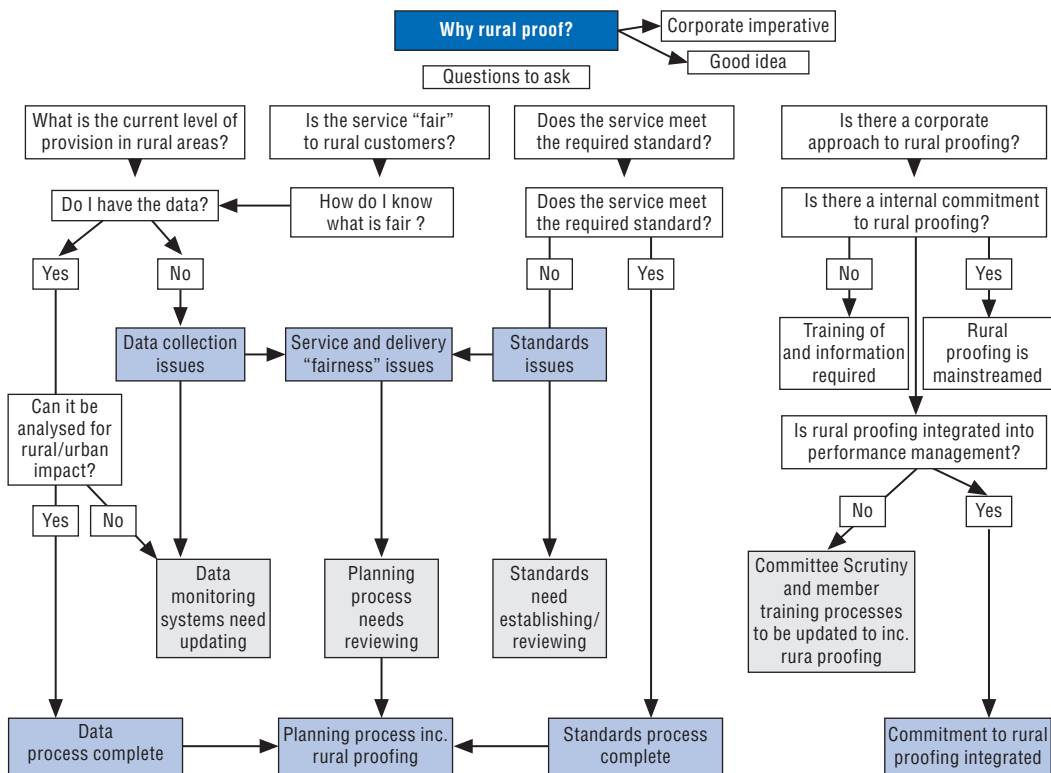
... rural proofing seems to happen more after the fact...

Despite the clear benefits from rural proofing, the take up and implementation of rural proofing continues to be mixed. To date, rural proofing seems to have made greater inroads with *ex post* impact assessments of policy than with *ex ante* impact assessments during the policy design phase. Timing is important as it allows for an opportunity to adjust policy when a less than desirable impact on rural communities is projected. In 2007 CRC noted that “the systematic consideration of rural areas as a place where policy may play out differently is *unusual*, although not wholly absent, at the early stages of policy development” (2007 CRC Monitoring Report). These sentiments were echoed again in CRC’s 2008 submission to the EFRA Parliament Select Committee: “The term ‘rural proofing’ has traditionally been used to describe a process where the impact of a policy decision on rural communities is considered *after* the policy has been developed.” The 2008, GHK report commissioned by CRC to analyse rural proofing, counts “lack of understanding about ‘the need for (or when to) rural proof’ as one of the factors still impeding rural proofing success”. In many instances, the early consultative phase represents the critical moment when information about rural is most needed, and yet is to a certain extent unknown. Moreover, it is particularly important if, as is sometimes the case, “rural areas are treated as “one uniform area for statistical purposes” (Ernst & Young, 2008). At an event evaluating the impact of the 2008 Budget on rural areas, it was noted that early engagement with policy makers during the committee consultative and issue debating stages would have provided an opportunity to mitigate a number of measures with disproportionate impacts on rural areas in the budget. Examples include: the removal of allowances for small business (Agricultural Buildings Allowances), and the increase in fuel duty and changes to vehicle excise duty (Ernst & Young, 2008). It is clear that rural proofing assessments in the initial stages of the policy design stand to yield greater benefits for rural communities and better support the mainstreaming process. But the current assignment of responsibilities is an impediment to this happening. On this point CRC itself seems to concur: “As we move to mainstreaming of rural needs into mainstream policy making, we want to see consideration of rural impacts, needs and solutions embedded into policy development during the process, rather than at the end, or as an afterthought” (Memorandum, EFRA). Figure 3.4 provides an example of the rural proofing process.

... the definition and responsibilities for rural proofing still seem unclear...

There still seem to be lingering issues around the definition of, and responsibilities for, mainstreaming and rural proofing. Given the diversity of rural populations and the contexts within which they reside, rural proofing is not a straightforward endeavour. It is truly challenging, complex, “hard-to-get-right” and requires substantial place-based sensitivity and understanding. But throughout the review process, very different interpretations of mainstreaming and rural proofing were offered. A 2008 report analysing rural proofing noted the following: “many admit to not understanding rural proofing as a concept and finding it to be yet another impact to assess” (GHK, 2008). The report also indicated that the “patchy”

Figure 3.4. The rural proofing process: an example



Source: Improvement and Development Agency.

understanding of the rural dimension of policy, and confusion surrounding responsibilities for proofing as barriers to rural proofing. Similarly, despite the delineation of tasks between Defra and CRC, the responsibilities for rural proofing seem somehow less clear and fluid in practice at the national level. In fact there were instances where the role and responsibility for rural proofing was not easily articulated by sub-national level actors. Regarding the definitions, both the Minister for Defra and the Secretary of State for Rural Affairs are on the record criticising the terminology (although not the concept), and calling for something better. To ensure effectiveness, it is really important that people have a common understanding of the terminologies being applied and if the terms themselves are barriers to achieving their objectives then perhaps they should be revisited for greater clarity.

In particular, the definition of mainstreaming, which sets the overarching framework, is less than straightforward. The Defra document entitled, *Mainstreaming Rural Policy* sets out the following statement:

“When we talk about Mainstreaming we are talking about ensuring that the policies and processes we develop to deliver our desired outcomes are designed effectively to meet the needs of people living throughout the country.”

The document goes on to say that mainstreaming is a critical component in the process of devolution, since it gives local governments the flexibility to design their own programmes. Later the document states:

“[...]Government recognises that there is a place for specific rural policies and programmes in some cases where the evidence and outcomes are clearly defined.

However, we must also recognise that effectively delivered mainstream policies and programmes will almost always be more successful and sustainable than short-term, stand-alone, rural-specific interventions.”

... the commitment to rural proof is low...

OECD analysis shows that the commitment of various stakeholders (other sector departments) to prior impact assessments (e.g. rural proofing) is a prerequisite to success (OECD Leeds). In England, the commitment to successful rural proofing is mixed, and despite solid examples, as a whole rural proofing consistently underperforms. According to the 2009 CRC National Audit Report, while “50% of CRC recommendations have been acted upon” there are four “reoccurring” unaddressed policy recommendations:

1. rural proofing is not being applied systematically across all departments;
2. some senior staff are not aware of the need to carry out rural proofing;
3. there is a lack of leadership in place to champion the needs of rural communities across governments; and
4. delivery of policies on rural communities is not being effectively monitored.

A cause for concern is noted by the Audit Commission, in the consistency of these barriers. Some of these factors were noted in the first CRC monitoring report, and their persistence implies a risk of stagnation.

... the refreshed rural proofing toolkit needs more...

The refreshed toolkit streamlines the process, but it is not enough by itself. The kit offers an opportunity for more consistent approaches to measuring the extent to which mainstreaming goals are being accomplished. The introduction of a more uniform way to go about the rural proofing exercise should improve its credibility. As long as rural proofing is seen as an *ad hoc* process it is easy to discount the conclusions drawn. The toolkit is not only useful for assessing programmes and policies, but in its revised form it may be more useful for those designing new programmes and policies, because it offers a description of how rural proofing will be carried out. In this way, it provides policy makers at all levels with a better understanding of rural proofing and its importance within mainstream policy making. Arguably, an important part of the 2009 toolkit rollout, which received minimal attention, are the factors needed to further embed rural proofing. These include:

Designating “rural champions” at official and non-executive level, who are not to become solely responsible for conducting rural proofing, but are also to champion the sector’s interest and support others to build their knowledge and awareness.

Setting up rural advisory groups to be responsible for raising awareness of rural issues within departments and organisations, and to provide expert advice to mainstream policy processes.

Bringing in short term expert advice and support from relevant organisation, such as CRC, to provide specific, tailored, expertise to inform the development of particular policies and initiatives.

Holding briefing and training opportunities for policy-making staff to build knowledge and capacity.

Making use of the extensive data, research, evidence and advice the organisations can offer.

It is evident that with all things in place the “rural champion” element will still be necessary in the short term to help stimulate interest and commitment. Defra’s project, run by CRC, to place experts in Whitehall departments may go a long way to bridging this gap.

3.6. Improving the evidence base, strengthening the case for rural policy

England has adopted an “evidence-based” approach to developing and assessing public policy (EBPM). According to Sanderson evidence based policy making “EBPM” is an important part of public sector reform in all OECD countries (Sanderson, 2002, p. 2). He also suggests that there are two distinct elements to the effort to increase government effectiveness in the UK (Sanderson, 2002, p. 3). The first is a focus on accountability to show that government is working effectively. PSAs and DSOs are part of the performance management evidence. The second element is evidence to promote improvement, and this requires evaluation to show how policy leads to improvement. Essentially, evidence based decision making relies upon objective external information to inform the policy process.

The benefits of evidence based policy making depends on how well it is grounded in theory and the quality of the information upon which it is based. Information is produced from data, thus the quality of the data collected, and the care with which data are analysed determine the success of evidence based policy making. Since in England the government is deliberately devolving responsibility to regions and localities it is important that data, information and analyses are relevant and accurate at the lowest possible geographic level. It is also important that the data and analyses are accessible and affordable (preferably free) to the general public so that the public feels confident in its veracity, and can use it in innovative ways to advance the goals of evidence based policy making. DCLG makes the point that community empowerment can only take place if communities both understand their place and understand how to bargain effectively with national government (DCLG, 2009). Having strong evidence is a crucial part of both requirements.

An example of how this might be carried out is the Community Accounts data system put in place by the Newfoundland and Labrador provincial government in Canada to facilitate local decision making capability (Box 3.7). In addition, UK policy makers make extensive use of pilot projects. Pilot projects can be an ideal basis for evidence based policy making, but only if the pilot projects are designed to provide reliable information. For example, communities that host pilot projects must be compared to similar communities without the projects to establish “treatment” effects. Following the collection and analysis of data, the conclusions drawn should inform policy makers whether the programme or policy has merit and what adjustment should be made to improve its performance.

Successful “local” and “rural” development strategies are best built on evidence of development needs. Indeed effective building and use of evidence at the outset of designing rural development strategies not only identifies problems and deficiencies but can help address them and improve delivery. The concept is certainly well understood in England and is a visible characteristic of the policy development process. The reliance on evidence-based policy making as official policy in the United Kingdom seems to date back at least to the *Whitepaper on Modernisation of Government* and coincides with efforts to make government more efficient and effective (Solsbury, 2001). Evidence is an essential part of both *ex post* and *ex ante* policy assessment (Johnson *et al.*, 2010). *Ex post*, evidence allows programme assessment for the purposes of accountability and comparison against targets. *Ex ante*, evidence of previous programme and policy effectiveness allows comparisons between alternatives and the

Box 3.7. **Community accounts: Providing community level data in Canada**

The OECD New Rural Paradigm argues for locally led development strategies as the best way to identify local capacity and bring about sustainable development. But for local communities to be in a position to drive their future development they have to have accurate information both about their community and how it relates to other rural places. Much of this information is routinely assembled by national statistical agencies, but it is rarely made available in a way that local leaders can use.

In Canada this gap has been addressed by a number of ways. The initial version, Community Accounts, was developed by Newfoundland and Labrador Statistics Agency in 2002. Community Accounts has been in operation for *eight* years and provides a graphical and tabular interface for a wide range of community level data. Individuals select a level of geography and a category of data, and are presented with tabular or chart based results. Other communities can be selected to allow comparisons to see where any place stands relative to its peers. Because time series data is available it is possible to see how conditions have changed over time.

Community Accounts is accessible by anyone with a connection to the Internet and there is no charge for using the data. The Statistics Agency maintains the site, and provides on-line tutorials and formal training sessions on a semi-regular basis. While the data is largely from other federal and provincial sources, the value-added by the Statistics Agency comes from aggregating the various series into a coherent and user friendly data base.

Wide spread use of Community Accounts in Newfoundland attracted the attention of officials in Nova Scotia. In 2005 the Department of Finance created Community Counts to provide the same basic comprehensive community level data base of demographic and socio-economic indicators for Nova Scotia. In 2009 The Rural Secretariat of Agriculture and Agri-Food Canada introduced the Community Information Database to provide essentially the same information for any community in Canada.

By providing a user-friendly, well-maintained, comprehensive set of local indicators the provincial government in Newfoundland provided communities with an important tool for understanding their condition. Moreover, they are able to see how other places compare to them on a variety of measures. This, in turn, provides useful information for undertaking the next step of creating a locally based development strategy.

For more information see:

Community Information Database, www.cid-bdc.ca.

Community Counts, www.gov.ns.ca/finance/communitycounts.

Community Accounts, www.communityaccounts.ca.

identification of best practices. Measured against these goals, England has made much progress toward effective evidence based policy making, but there is scope to go further.

... data availability is improving, but it is not very user friendly...

Despite the existence of a suite of socio-economic indicators covering a wide range of government policy priorities (currently 22), used to measure progress, it is clear that government as a whole could usefully improve its evidence base. EBPM is defined as using, "...the best available evidence from research at the heart of policy development and implementation" (Davies, 1999). It is not simply amassing data. Data must be organised into information and then analysed. Analysis must be based on sound theories regarding causal relationships between policy instruments and policy goals. It is only at this stage

that evidence is produced. Effective EBPM not only requires good research but it also requires proficient users of research. Decision makers must be able to distinguish good analyses from junk science. Users must also be able to distinguish meaningful findings from insignificant and spurious relationships. This is especially important as devolution increases the number of policy makers involved in EBPM, and as the policy focus moves from national aggregates to conditions in specific places.

There are limitations in how the Rural Evidence Hub and the Rural Evidence Research Centre now gather evidence. Evidence based policy making has been adopted by many agencies at all levels of English government and data is now being developed at very fine grained geographical detail. Plans are in place to make these data, information, and analyses available very broadly. The Rural Evidence Hub (REH) promises to be a critical component in the successful execution of evidence based policy making. The Hub collates data from numerous agencies including: the Office of National Statistics (ONS), Commission for Rural Communities, and from private sectors sources such as CACI Ltd. However, much of the data on this site seems to be based on the decennial census. Decennial data is of limited use for policy assessment. More importantly, the REH seems to be limited to the exposition of data organised into information. But, as noted above, information does not rise to the standards of evidence without the application of theory and rigorous analysis. However, making information available to analysts is a necessary first step. Another important innovation is the establishment of the Rural Evidence Research Centre (RERC). The Centre's mapping facility is a good first step but there is much more that can be done in this regard. The RERC's link to the interactive mapping features on the Office of National Statistic's website is also helpful since much more data is available on this site, but more analytical work would make a significant contribution to EBPM.

In comparison to some other OECD countries the mapping technologies used by both the RERC and the ONS are limited in several ways. First they are simple mapping processes rather than true Geographic Information Systems. Second, they do not support relational databases. Relational data bases are important since they allow users to better understand the spatial relationships between multiple variables. How is poverty related to health indicators for example? Third, the availability of spatial data on the sites is somewhat limited. There is a wide variety of variables but many include data for the most recent census year only. Effective EBPM requires time series to accurately reflect turning points in the indicators. The state of the art in interactive mapping is advancing rapidly. Many very attractive and valuable products can be offered by exploiting the web's satellite imagery (Google maps for example). As one example of the possible value-added information services that are possible, consider the Rural Policy Research Institute's Community Issues Management CIM project (www.cim-network.org/default.aspx). CIM allows individuals and local or regional groups to "... frame, manage and take action on complex issues". CIM not only provides users with instant access to over 500 national data series, but it allows groups to add their own unique, place-based data, and to merge these data for analyses of their unique issues. The data is relational so that any number of data series can be overlaid and cross-tabulated. The data can be mapped, or downloaded to files for further analysis.

... ensuring that data is readily available at varying geographic scale is important

Currently there seems to be limited data at the sub-national level with a territorial dimension. Mainstreaming and rural proofing relies on a proper assessment of local needs and opportunities and a well thought out vision of how the policy will impact the rural area.

This evidence must be used systematically in the strategy building process and shared with all interested parties. For rural areas, the government must be able to quickly identify any particular rural issues that may require specific or targeted action and to ensure that the mainstream measures designed to support the economy are having a proportionate impact in rural as in urban areas – evidence base. However, there is little data collected at the sub-national level that has a territorial dimension which makes it hard to describe the rural condition. Further, there is even less time-series data which makes it difficult to see the impacts of policy over time. The consultation process is a key part of evidence gathering as it affords interested stakeholders a say, is currently regarded by some rural citizens as top down one-way communication. In such an environment the quality of the evidence is suspect. Further, there are real challenges in developing indicators that can reflect the fine grain of place, which is what is necessary for a local authority to plan interventions. For instance if the district measure is used as an indicator, it will help to comprehend the area at the top level. However, if this measure is used as a performance measure, at the local level, it will be too crude and will fail to reflect the subtleties of the place.

Evidence based decision making should also include, both information on how conditions are evolving and evaluation of programme performance over time. While the UK collects an impressive volume of rural statistics, there are some significant gaps. At the NUTS2 level (national) there are typically comprehensive statistics available for each part of the UK, except England. Perhaps more importantly, the limited number of time series of statistical indicators for England and the RDAs is troubling. Certainly cross-sectional data provides useful snapshots of conditions at a point in time and may be sufficient to point up the need for a policy intervention. But, without time series data it is difficult to draw meaningful conclusions about how well particular policies have operated or how rural conditions are changing.

Moreover, given the still significant role of agriculture in English rural policy, there is limited statistical information on farming in England. Public policy in England is meant to be evidence based. This suggests that a comprehensive a comprehensive set of economic statistics should be readily available. While these statistics are collected at the UK level, in part as a requirement for CAP participation, the data are not readily disaggregated spatially. It is possible to extract general trends in England's agriculture from UK statistics, because England has the largest share of farm income, farm land, farm output and farm numbers in the UK, so the UK aggregate accounts are dominated by conditions in English agriculture, especially for crop production. But these trends are crude indicators that lack the precision needed to fully develop rural policy in England that integrates the roles of agriculture with the other aspects of rural development.

3.7. Decentralisation in England

Decentralisation is a management tool used by governments to prompt better public spending effectiveness and service provision. The decentralisation and regionalisation of governance has progressed significantly in the United Kingdom, and within England. The adoption of: place shaping, partnerships and joint working, that involve moving from a focus on outputs to one on: outcomes, new approaches to monitoring and evaluation, and emphasis on local government reorganisation in a manner that promote a new regional agenda and community empowerment, all create a backdrop for the delivery of rural development policy in England. Based on a multitude of pilot programmes (e.g. Rural Pathfinders) and assessments (e.g. the sub-national economic development and regeneration review), a more robust and streamlined multilevel governance framework is visible in England. The Government Offices in

the regions offer opportunities for increased communication in both directions between rural areas and the central governments. The regional cities policy recognises the linkages between rural and urban components of regional economies. The Multi Area Agreement programme recognises the need to strike a balance between local autonomy and flexibility on the one hand, and regional co-operation and co-ordination on the other. They also provide opportunities and incentives for local governments to relinquish certain powers to regional authorities in return for the power of greater scale and influence.

... there are still some roadblocks to realising devolution in England

Policy makers face a number of dilemmas regarding the governance of rural England. They include: how to effectively devolve governance; how to reorganise without alienating current governmental bodies; how to create strong local governments while ensuring collaboration at regional and national levels; and, how to strengthen local and regional governments when most revenue flows down from central government. It is the expressed policy of central government to provide local areas with as much autonomy and authority as possible; this is the essence of double devolution. But in many respects the UK remains a strikingly centralised structure (Figure 3.5). A recent OECD report, *Public Administration after New Public Management* captured the rates of government centralisation for a number of OECD countries. In the OECD the UK as a whole is in an intermediate position, but is much closer to the Netherlands, in being centralised than are the Nordic countries (Table 3.4). Moreover the decentralisation largely reflects devolution to Scotland, Wales and Northern Ireland, while no such process has occurred for England. The RDAs were originally designed to provide a level of governance below the central government, but above the local governments. But this is a notion that has been deemed unpalatable by a large part of the English population.

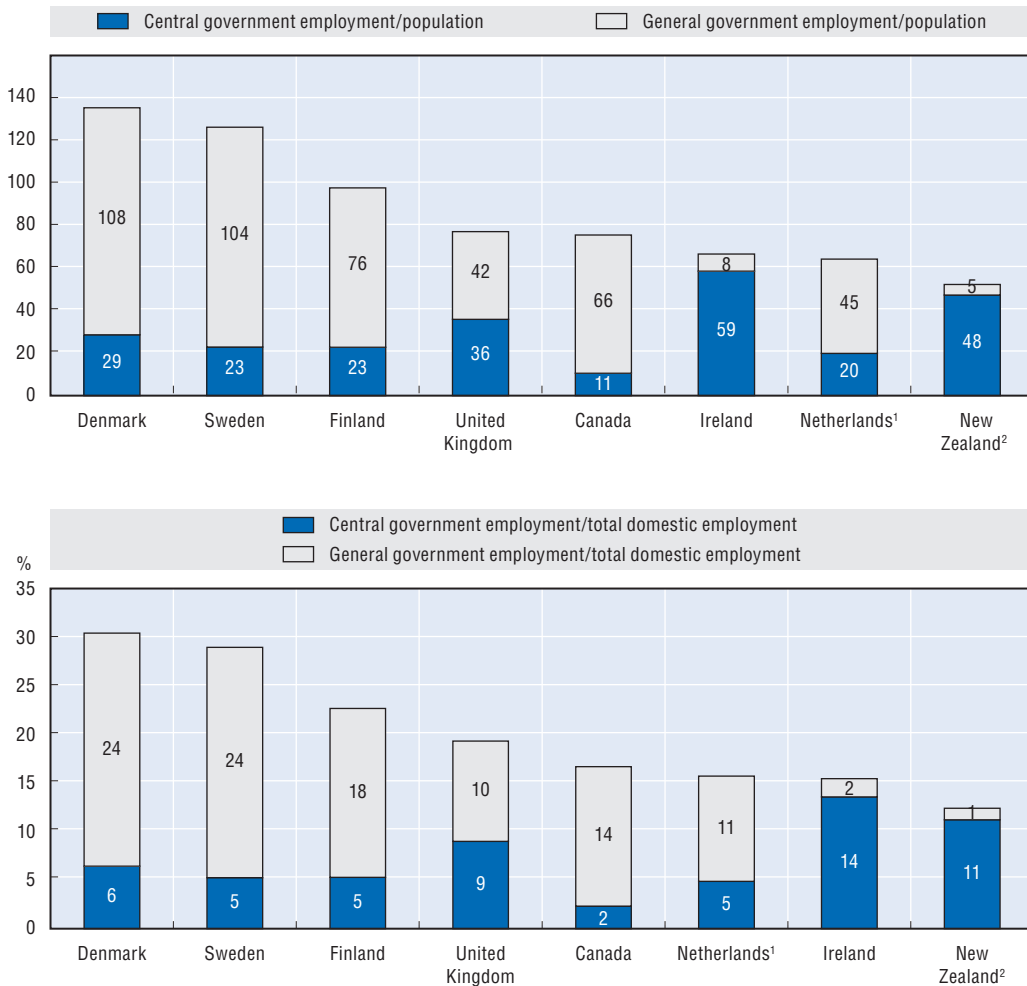
By its nature, decentralisation fragments public policy making and implementation, because it devolves complex and resource intensive responsibilities to lower levels of government. The devolved framework that emerges from a decentralised approach typically gives rise to mutually dependent relationships vertically and horizontally across all public actors at the central, regional and sub-regional level that require close co-ordination. In a recent OECD Working Paper, *Mind the Gaps: Managing Mutual Dependence in Relations among Levels of Government*, the authors note that multi-layered relationships across OECD countries are fraught with a series of “gaps” in the mutually dependent relationship between public actors at the different levels of government (Charbit and Michalun, 2009). And, these multi-level governance structures are under stress. And to realise better outcomes in decentralised structures these so-called “gaps” in information, capacity, fiscal, administrative, and policy have to be better reinforced (Table 3.5).

... a weak sub-national fiscal capacity maintains national government focus

The importance of decentralisation in England is reflected in the vast landscape of stakeholders and partnerships guiding local development. However, one of the necessary aspects of devolution is moving responsibility and accountability for funding down to the level where decisions must be made. And in England, there remains a sizeable gap between the newly empowered local government that the government established in principle, and the actual impact as witnessed at the local level (*House of Commons Report*, 2009). This leaves the impression that the centre is still solely responsible for designing policies and setting standards. But, there are options for overcoming economies of scale and externality effects, without resorting to excessive micro-management of sub-national service delivery

Figure 3.5. **Size of government in the years leading up to the recession**

Full-time equivalents per 1 000 inhabitants (2006) and per cent of domestic employment in full-time equivalents (2006)



1. 2005.

2. 2004.

Note: Employment in general and central government relative to population and domestic employment. The Nordic Countries followed by the Netherlands and the United Kingdom have the large general governments when the health and education sectors are excluded the size decreases to 14% and 22% respectively.

Source: OECD (2010), *Public Administration after New Public Management*.

by the centre. Spending power refers to the ability of the sub-national level to shape, determine and change their spending policy. The major facets of autonomy included: policy, budget, input, output and monitoring and evaluation. The devolved decision making process and the places agenda, led by CLG, has established the necessary infrastructure, governance and accountability framework.

To be effective, public policy makers, public managers, and citizens must view funding as if it were their own. They must bear the opportunity costs when they allocate public funds to various uses. Thus far devolution has not delivered any substantial financial rebalancing. Local government is dependent upon central government for the vast majority of its revenue (*House of Commons Report 2009*). The assignment of fiscal competency depends on the institution in place to manage the co-ordination, and so financing arrangements need to be consistent with spending assignments. A seeming

Table 3.4. Rates of centralisation per policy area excluding health and education
Full-time equivalents (2006)

		Denmark	Finland	Netherlands ¹	Sweden	United Kingdom
Collective goods in Kind	Central government services	0.35	0.28	n.a.	0.32	0.39
	Basic research	1.00	1.00	n.a.	1.00	1.00
	Defence	0.98	1.00	n.a.	0.99	1.00
	Public order and safety	0.91	0.77	n.a.	0.78	0.25
	Infrastructure and network services	0.20	0.68	n.a.	0.67	0.53
	Environmental development and community services	0.34	0.30	n.a.	0.06	0.17
	Service regulation	0.16	0.44	n.a.	0.44	0.36
Individual goods in kind	Non-market recreation, culture and religion	0.37	0.05	n.a.	0.14	0.32
	Social services	0.03	0.08	n.a.	0.08	0.21
	Market subsidies	0.00	0.00	n.a.	0.00	0.00
Total central government employment/total general government employment		0.23	0.36	0.42	0.28	0.39

1. The rate is defined as central government employment as a share of general government employment per policy areas, excluding health and education noted

Source: OECD (2010), *Public Administration after New Public Management*.

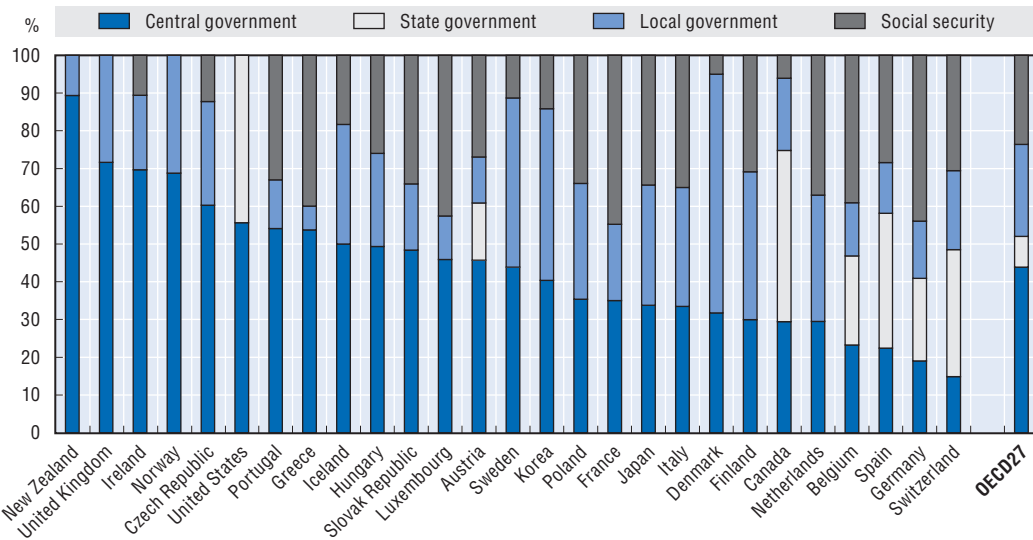
Table 3.5. Five dominant gaps that challenge multilevel governance relationships

Information gap	Information asymmetries, between levels of government when designing, implementing and delivering public policy.
Capacity gap	Created when there is a lack of human, knowledge (skill-based), or infrastructural resources available to carry out tasks, regardless of the level of government.
Fiscal gap	Is represented by the difference between sub-national revenues and the required expenditures or sub-national authorities to meet their responsibilities. The existence of a fiscal gap between the revenues and required expenditures of sub-national government results in financial dependence by the sub-national level on the central level. Regardless of the transfer type, the sub-national level remains dependent on the national level for funding and for a fiscal capacity to meet its obligations. While the central government depends on the sub-national level to deliver more and increasingly costly public services and meet both national and sub-national policy priorities.
Administrative gap	Arises when administrative borders do not correspond to functional economic areas at the sub-national level. The implementation of effective programmes requires a minimum scale that can sometimes only be obtained through specific policies favouring horizontal co-operation.
Policy gap	Results when ministries take purely vertical approaches to cross sectoral policy. Policy initiatives that begin at the central level for application at the sub-national level are symbolic of the necessary co-ordination between ministries. Overcoming this gap requires co-ordination at the central level and ongoing consultation with the sub-national level to determine needs, implementation capacity and to maintain open channels of information exchange in order to monitor and evaluate policy.

Source: OECD (2009), *Working Paper on Multi-Level Governance*. Charbit, C. and M. Michalun (2009), "Mind the Gaps: Managing Mutual Dependence in Relations among Levels of Government", *OECD Working Papers on Public Governance*, No. 14, OECD Publishing, Paris.

hesitancy to loosen the hold on the "purse" at central level was acknowledged in the House of Commons 2009 inquiry *the Balance of Power: central and local government*. There the Committee noted that "central government continued to hold the purse strings, evidenced by local governments' reliance on central government for 75% of its total expenditure". The degree of fiscal decentralisation between central and local government is not unique to England. The responsibility for financing goods and services fall to different levels of government across OECD member countries and the level of fiscal decentralisation across countries varies (OECD 2009, *Government at a Glance*). In some countries (*e.g.* New Zealand), central government spend the largest proportion of total government resources accounting for 90% while in Switzerland a federal state, the central government accounts for less than 15% of total expenditures (Figure 3.6).

Figure 3.6. **Distribution of general government expenditures by level of government (2006)**



Notes:

1. Excluding the transfers paid to other levels of government.
2. Excluding transfers received from other levels of government and including tax sharing arrangements.
3. Or earliest year available: 1996 for Japan, Netherlands and Norway, 1997 for the Czech Republic, 1998 for Iceland; 2000 for Greece, Korea and Hungary.
4. Or latest year available: 2005 for New Zealand.
5. Unconsolidated data (only in 1995 for Poland).
6. For the United States, no breakdown between state and local governments is available.

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

England is small in size, by comparison with many OECD countries but it does have a high degree of regional diversity. Government offices in the regions have some important responsibilities and latent capacities that are relevant for rural development. Because each regional office is charged with the responsibility for enhancing the economic performance of a specific territory, including its rural component, it has a relatively clear focus on the specific opportunities and constraints within its territory. Although Regional authorities receive funding for rural development and regional development programmes from national departments responsible for these policies, they have considerable discretion in how the funds are allocated once their strategic and operational plans are approved, so they can define region specific intervention. They also administer EU funds, and while they have less discretion in the global allocation of these funds than is the case with English resources, they do have the ability to fit broad EU programme allocations into specific local projects. Moreover, the figures for 2007-08 show that 27% of all RDA outputs were delivered in rural areas while 19% of the population of England lives in a rural area. However, this reveals little about the true impact of the RDAs in rural areas. This is because RDAs are no longer required to provide rural specific outcome data. Up until April 2008, the RDAs were obliged to report against a number of outputs (number of jobs created or safeguarded number of new businesses created and demonstrating growth after 12 months, etc) and disaggregate them on a rural/urban basis.¹ Under the new reporting framework, RDAs are required to produce an annual report, to be laid before Parliament, which must:

report on progress against the RDA's corporate objectives;

demonstrate how their activities have contributed to supporting regional growth; and,

demonstrate how the cross-cutting principles have been applied to the RDA's business and what effect their application has had on the way in which the RDA has developed and delivered its corporate objectives in support of regional growth.

The greater emphasis on outcomes means that the job of assessing wider impact is now both easier and harder. It is easier because in trying to evidence outcomes, RDAs will need to alter their monitoring practices, which in turn should support better monitoring of wider impacts. However, it is harder because the shift away from outputs will lead to more qualitative, narrative styles of reporting, which is less useful in establishing value for money. In reality, it is likely that the RDAs will use a combination of quantitative data where it exists and narrative text. In addition, the sponsorship framework provides for additional work to assess the impact of RDAs, and independent performance assessments (which assess organisational capacity). Neither of these provides analysis of RDA performance specifically in rural areas.

... and while there are formal methods to support decentralisation the commitment is subpar

Thus in England there is a *marked will* to devolve resources, but also an “enduring government resistance to radical enfranchisement of local government”. OECD analysis reveals that there are degrees to decentralisation ranging from complete devolution – full sub-national autonomy to delegation – minimal autonomy (Table 3.6). The tug-of-war in England is rooted in three areas: public expectations, unequal society and financial reform.

Table 3.6. Degrees of decentralisation

Key features distinguishing degrees of decentralisation (from Evans and Manning, 2004)			
	Political features	Fiscal features	Administrative features
Deconcentration (minimal)	No locally elected governmental authority. Local leadership is vested in local officials, such as a governor or mayor, who are appointed by and accountable to the central government.	Local government is a service delivery arm of the central government, and has little or no discretion over how or where service is provided. Funding is provided by central government through individual ministry budgets.	Staff working at the local level are employees of the central government, and fully accountable to the centre, usually through their respective ministries.
Delegation (intermediate)	Government at the local level is lead by locally elected politicians, but they are accountable, or partially accountable, to the central government.	There are no independent revenue sources. Spending priorities are set centrally, as well as programme norms and standards; local government has some management authority over allocation of resources to meet local circumstances. Funding is provided by the central government transfers usually a combination of block and conditional grants.	Staff could be employees of the central or local government, but pay and conditions of employment are typically set by the centre. Local government has some authority over hiring and location of staff, but is less likely to have authority over firing.
Devolution (substantial)	Government at the local level is lead by locally elected politicians who are fully accountable to their electorate.	There are no independent revenue sources. Subject to meeting nationally-set minimum standards, local government can set spending priorities and determine how to best meet functional obligations. Funding can come from local revenues, revenue sharing arrangements and transfers (possibly with broad conditions) from central government.	Staffs are employees of local government. Local government has full discretion over salary levels, staffing numbers and allocation, and authority to hire and fire. (Standards and procedures for hiring and managing staff, however, may still be established within an overarching civil service framework covering local governments generally).

The demands for fair treatment and expectations regarding equivalent services are high. As such, the “electorate” is less likely to support greater devolution if it means service delivery standards will vary (Box 3.8). But despite these intrinsic barriers, the UK government is being urged to “take a more flexible view of decentralisation and to deliver on its promises of earned autonomy” (CLG Committee Report). The will to increase sub-national autonomy and the “cautious, possibly over-cautious approach” to doing so is evidenced by the LAA/MAAs. In many respects, the LAA/MAA process offers greater ability to target money to local priorities, but on the other hand, there are indications that the central government continues to influence the choice of indicators – thereby influencing local actions. In the Northeast, for example, there is a sense at the GO that there are too many streams of initiatives from too many departments.

... England is virtually unique in having no formal intermediary layers of government

In most OECD countries there are at least three distinct levels of government. In both federal and unitary systems there is typically some form of regional government that has an elected assembly and clearly specified responsibilities and self-determined revenue streams. In federal systems of government the states or provinces have clearly enumerated responsibilities that are distinct from those of the national government and are constitutionally guaranteed. In unitary government countries the responsibilities and revenues of the intermediary level may be specified through law or through well-established traditions. In the United Kingdom, only England has no intermediate level of elected government. In Scotland, Wales and Northern Ireland there are legislative bodies with enumerated powers and responsibility, but no similar body exists for England, nor is there an intermediary level of government above the county within England. This is a particular issue for rural areas. In a national legislature with membership based upon representation by population, no rural place will be able to play a significant role in electing a legislative member. Further, no member is likely to feel much responsibility to any particular rural place, or even to any group of rural places if legislative districts encompass both rural and urban areas. Conversely, a city may be able to elect a member who largely represents just that city and large cities will have multiple members who represent that place. Where there are formal sub-national regional assemblies with specific powers there is greater possibility for a rural voice, since the geographic scale for each electoral district is reduced.

... the sub-national government is constrained by weak capacity

However, the institutions – GOs, RDAs, etc., tasked with co-ordinating the relationships at the sub-national level competencies and capacities vary. In general, while the RDAs and the GOs are important innovations that have moved decision making out of national government bureaucracies in London, they remain creatures of the UK government, with delegated responsibility and are subject to direct oversight. To manage the new responsibilities the RDAs must become more adept at balancing the economic and the spatial planning. This new role could undermine the traditional business agenda; this is the view of certain constituencies (e.g., Business Community) hesitant to embrace the expanded RDA portfolio. While others, like the local authorities, are “keen to see integrated strategies that moved beyond “only” economic development (House of Commons Business and Enterprise Committee 2008-09). No matter the view of the new tasks, of concern, to some witnesses before the Business Enterprise Committee is the lack of RDA expertise in spatial planning.

Box 3.8. Barriers to increasing “localism” or the autonomy of local government in England

A recent inquiry by the Communities and Local Government Committee found that there are three main barriers to increasing localism in England: public expectations, unequal society and financial reform.

1. Public expectations

The CLG Committee inquiry found that the public remains unconvinced of the value of greater autonomy for the local authorities if it results in varied service delivery standards. To them, variation of service is an unacceptable standards or service. The body observed that “the British electorate appears to have unusually strong expectation about equal treatment of people in different parts of the country and in different circumstances” (CLG Committee Report 2008). Nonetheless, when local authorities engage deeply with the public they can shift attitudes. The Lyons inquiry found that once the concept of successful public consultation was introduced, two-thirds agreed that it did not matter if local councils provided different levels of services.

2. An unequal society

Local authorities are responsible for so many services and are linked with local matters. The demand for fair treatment and the level of inequality in Britain creates pressure on local authorities that can result in pressure from the central government to deliver outcomes that exceed plausible expectation. Research shows that where income inequality is relatively high, this increases the challenge faced by local authorities, and others to deliver services of acceptable standards to all. The harder it is for local councils to convince the local population that they are performing well, the harder it is to make the case for localism.

3. Financial reform

In England, local councils raise their own revenue by property tax – council tax. But most authorities are able to fund only a minority of the spending requirements from local revenue. In 2006-07 across local government 75% of revenue expenditure was funded from government grant and only 25% from local taxes. The government grant included general revenue support grant and specific (ring-fenced) grants as well as revenue from the non-domestic rate (business tax) levied by the central government and redistributed to local government on a per capita basis. The proportion of income raised locally by individual councils varies from 13% to 69%. One of the challenges faced by the council is the “gearing effect” of council tax. Because the grant from central government is fixed, any increase in council spending above the level assumed by the government falls disproportionately on council tax. Thus, the councils at the lower end face a challenge if they wish to raise spending above the level set by the central government.* The higher the gearing ratio, the more sensitive council tax levels are to local spending decisions and the harder it is for the local authority to provide additional funding to support projects which are a specifically local priority.

* For example, a council which finances 25% of its spending from council tax and has a formula spending share calculated at GBP 100 million would need to raise GBP 25 million in council tax, and would received GBP 75 million from central government. If it wished to increased its spending by 15 (GBP 1 million), it would have to increase council tax receipts by GBP 1 million – an increase of 4% – so the percentage increase in council tax is four times the percentage increase in spending. Conversely, a council which finances 75% of its spending from council tax and has a formula spending share calculated at GBP 100 million would need to raise GBP 75 million in council tax, and would received GBP 25 million from central government. If it wished to increases its spending by 1%, it would still have to increase council tax receipts by GBP 1 million – but in this case the increase would be only 1.3% – so the percentage increase in council tax is much nearer the percentage increase in spending. This is the gearing effect, a ration of two different percentages – the percentage change in local authority expenditure and the percentage change in council tax required as a result.

Source: House of Commons, Communities and Local Government Committee, *The Balance of Power: Central and Local Government*, Sixth Report of Session 2008-09, London: The Stationary Office Limited.

The GOs were conceived as the regional agency of the various ministries and to act as conduits for information flows from the top down and the bottom up. As central government's key representatives in the regions, GOs have considerable experience managing the complex interrelationships between the policies of separate government departments and policy making within the regions. As they matured, they became increasing deft at providing directions from London to various county district and local governments, but are far less so in moving information in the other direction. There are three possible, and not mutually exclusive, causes for this. The first is that local governments are not making their case to the GOs; the second is that the GOs are not paying adequate attention and are not moving the ideas back up to Whitehall; and of course, the third is that the leadership in London is not particularly interested in responding to local concerns. GOs have important capabilities that can reinforce the work of the RDAs. For example, the SRS involves important decision on matters such as transport policy, waste management, minerals, renewable energy, and gypsies and travellers, topics on which the RDAs have limited, to no, experience.

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

3.8. There is room to further elevate the visibility of the rural voice

The rural lobby in England seems to be decreasing rather than increasing in strength. Devolution, regionalisation and the attempts to integrate rural and urban policies signpost a shift from treating the countryside as a singular political unit. In addition, the influx of new residents from urban areas has significantly reduced social cohesion in many rural communities. Collectively, this is producing policy divergence and may undermine the momentum for the rural voice. Under the "duty to empower", the government approach to improving the competitiveness of regions entails supporting and strengthening regional leadership by bringing together business, the public sector, universities and local communities. This provides scope to galvanise the wide array of rural actors in England to ensure the needs of rural areas are well integrated.

... take advantage of rural bodies already in place

There are different ways to strengthen the visibility of the rural constituency in England. One way could be exploring and recalibrating the Regional Rural Affairs Forums

Box 3.9. Effective rural governance: A perspective from RUPRI

In 2004, a study on *Effective Rural Governance* was undertaken by the Rural Governance Initiative (a programme of the Rural Policy Research Institute – RUPRI) in the United States. RUPRI sought to identify the principles that underlie good governance at the community level and to test the findings in different communities. The study determined that effective governance is a broad inclusive framework that is more about government practice than just the government system. Specifically, effective rural governance is “an amalgam of specific practices that makes the difference between stagnating and flourishing communities” that is linked to rural prosperity. The difference between “practice” and “system” lies largely in responsibility: when citizens look solely to government to make critical decisions they disregard their own decision making power and potential as well as that of other organisations. In the broader framework, responsibility is shared across the continuum of stakeholders. Based on this definition the study derived *eight* principles of effective rural governance. The principles are summarised in the table below:

Collaboration	Cross border/cross political sectors	Forming a regional collaborative that crosses geographic borders (towns, cities, or counties) and institutional fault lines (private, public, and philanthropic sectors).
Sustained Citizen Engagement	New, inclusive leadership	Bringing forward new voices, including ethnic minorities, newcomers, youth, and others, who are typically absent or marginalised from the community's leadership.
	Grassroots visioning	Undertaking a collective, pro-active visioning process to generate ideas, surface and address conflicts, and start building trust among diverse participants.
Leveraging Regional Resources	Investing local capital	Investing in the region and leveraging additional capital.
	Analysis of competitive advantages	Examining the region's competitive advantages using current, reliable, and intelligible data.
	Involvement by key intermediaries	Engaging at least one intermediary institution that can act as an honest broker, facilitate dialogues, and catalyze action.
	Public entrepreneurial development	Enriching the capacities of local elected officials and helping them to grow from caretakers to public entrepreneurs.
	Solid achievements and celebrations	Tackling a few concrete projects with identifiable and measurable outcomes and celebrating these first achievements before embarking on new efforts.

Source: Stark, N. (2005), *Effective Rural Governance: What Is It? Does It Matter?*, RUPRI's Rural Governance Initiative Briefing Paper, published in June 2005 (RUPRI).

(RRAF) to ensure greater consistency in terms of their influence and effectiveness. The RRAFs are a network funded by Defra and overseen by the GOs, to bring together and represent to local, regional and national government, and the views and concerns of grassroots rural stakeholders. They vary considerably in size, structure and membership, and some appear to be more effective at influencing local and regional policy and delivery than others. Similarly, the Regional Improvement and Efficiency Partnerships (RIEPs) offer a clear, unambiguous route to local authorities and their partners for national bodies wishing to see improved outcomes at a local level. They are uniquely placed to ensure the effective and joined-up delivery of support because they understand how national priorities relate to local priorities, particularly LAA priority outcomes.

There is recognition at all levels that citizen and stakeholder engagement is a prerequisite for truly place-based services. From the three England OECD missions it was

evident that local community leaders had much to offer about innovative, creative, locally nuanced, service delivery strategies. Indeed, local knowledge and local input, service options, design, delivery, and staffing, could be significantly improved, and, if full account costing were to be undertaken, this might be achieved without great cost increases. This sentiment resonates with experience elsewhere in OECD countries. The ability to engage meaningfully in service co-production tests the capacity of small rural communities and their often overextended stakeholders (Box 3.10). Authorities need to be resourceful in finding ways to develop and sustain citizen voice and local leadership. The planning

Box 3.10. Developing a rural delivery strategy for Hampshire

Hampshire is situated mid way along the south coast of England and is one of the largest non-metropolitan or “shire” counties in England. It has a population of over 1 240 000 (2001 census) and covers an area of almost 368 000 hectares. 85% of Hampshire’s land area and 23% of the population are defined as rural. The rural delivery strategy aims to address issues of rural deprivation, isolation, poor accessibility, and higher costs in service delivery. The county council’s elected Cabinet made these issues a key priority. The process was led by the newly created post of Executive Member for Rural Affairs and shaped by the County Council’s Cabinet. Developed in a targeted way, the county council focused only on improving services under its direct control or those services the council could influence. In seeking to identify the needs of the rural dwellers in Hampshire with respect to these services, they prepared a structured consultation paper. This began first with a diverse group of HCC staff portfolio holders from different strands within HCC, identifying the “key” priorities for rural Hampshire. This formed the foundation for the consultation document that was developed and used for external dialogue with stakeholders.

Public consultation is the norm in England. However, because it is done so frequently and extensively, some policy makers worry about “consultation fatigue”. Add to this the “time consuming” and “cumbersome” technical aspects that lead to a time lag that impacts the value and implementation feasibility of the initiative. In a unique approach, HCC chose to forego the typical public consultation for a “targeted” public consultation. Thus, instead of the Hampshire county constituency at-large being engaged directly, HCC targeted 250 stakeholders, a mix of public bodies, community organisations, pressure groups and volunteer groups they felt would represent well the views of residents in the county. There was also a general public engagement process via the Internet and a consultation seminar which provided people with an opportunity to discuss key issues around rural service delivery in the county. The consultation responses were used to develop “action plans” to improve rural service delivery in the county. In March 2009, these plans were adopted and later approved by Cabinet in April 2009.

Based on the results of the consultation the priorities for rural Hampshire services are as follows:

Supporting sustainable rural communities; including affordable housing, rural broadband, access to services, supporting volunteering, and community engagement.

Providing effective rural transport.

Farming food and access.

Economic Development.

Climate change, including renewable energy and making better use of the country’s wood fuel resource.

Sources: Tickle, J. and D. Hobson (2009), “Supporting Hampshire’s Rural Communities: Developing a Rural Delivery Strategy for Hampshire”, case study prepared for the OECD CRC Workshop: *Designing Services for Rural Communities: The Role of Co-design and Co-delivery*, 12 June 2009.

mechanism at local regional bloc level of the Japan spatial plan also calls for the co-operation of national and local stakeholders in policy formulation and mandates round table discussions between local stakeholders and central government. There are also networks in place to enable local actors and stakeholders to contribute to rural policy.

... encourage the minority voice and link authorities across jurisdictions

As noted above, rural services require strong rural input and often “co-production”. This requires mechanisms that assure rural populations a voice, and ensure transparency of decision-making at all levels of government. The CRC is a good rural advocate and well connected with the rhythm and challenges of the countryside and of those who live there. But, it cannot replace, or serve the same function as, vibrant community-based development organisations. Increasingly service provision is not confined to one locality, but must be considered within an increasingly complex rural-urban ecology. Therefore, there needs to be a chain that links co-ordinated policy and programmes locally, regionally, and nationally. Unless these are well-aligned, services are undermined.

The devolution of responsibility to, and up-skilling of, Parish Councils (and other local authorities) is an important practice; local people should best know the priorities for their local communities. But it is essential that each council learn from the best practice and mistakes of others. Councils cannot afford to be continuously reinventing the wheel. Knowledge synthesis and exchange is an important support to service co-production (Box 3.11).

Box 3.11. Colorado, United States

“Economic gardening” began in Littleton, Colorado to support local entrepreneurs in rural areas. As much as three-quarters of staff time available for business support is used to provide tactical and strategic information. They have developed sophisticated search capabilities using tools often only available to large corporations. They subscribe to ten different database services and CD-ROMS which provide them with access to over 100 000 publications worldwide, and they use these tools to develop marketing lists, competitive intelligence, industry trends, new product tracking, legislative research and to answer a number of other custom business questions. They also monitor all new construction through Dodge Construction Reports so that local contractors can bid on projects. In addition, they track real estate activity and have access to the market reports of national consulting firms. Their Geographic Information Systems (GIS) software can plot customer addresses as well as provide demographic, lifestyle and consumer expenditure information. They also monitor local businesses and vacant buildings and projects. Finally the information component also includes training and seminars in advanced management techniques such as systems thinking, temperament, complexity theory and customer service strategies

Sources: www.uwex.edu/ces/cnred; www.casimir.org; www.fusionlinking.co.uk/TOP.html; www.littletongov.org/bia/economicgardening/default.asp.

3.9. Housing policy and rural England

Housing policy for rural England is widely perceived as needing reform. Two basic problems exist with rural housing. The first, and most common, is a *shortage of housing given the local demand*, while the second is a problem of an *inferior housing stock*. Problems with the quantity and quality of housing are largely seen within England as an issue of social equity, but in reality they have major implications for the rural economy. A major consequence of a

housing market where people cannot readily relocate and find accommodation leads to employment mismatch. In many rural communities there are too few jobs for available workers, while in other places there are unfilled employment opportunities, but insufficient housing. If the two types of community are within reasonable commuting distance then workers are able to live in one place and work in another. However, this has well recognised adverse environmental consequences and also reduces the effective wage earned by the amount of commuting costs. For low wage occupations the cost of commuting may make it irrational to take a job when commuting costs are high. This is especially likely if there are high levels of support for the unemployed.

... problems in rural housing influence other aspects of the rural economy

In rural areas where people live in small communities that are geographically dispersed, there is a need for housing market flexibility to ensure that regional labour markets work efficiently. Rural communities can be thought of as being analogous to neighbourhoods in a city – some people work in the neighbourhood where they live but others work outside the neighbourhood. The combination of effective public transit and proximity allow more urban workers to live in one neighbourhood and work in another than is the case in rural areas. In a rural context there are large distances among neighbourhoods, so taking a job outside one's home location is more likely to involve relocation than is the case in a city. For rural labour markets to clear there has to be either the opportunity to find reasonably priced housing near where jobs are available, or an adequate supply of land zoned for business uses in places with excess labour. Neither of these situations is common in rural England. Further, if those currently without work, but with a home, fear that relocating to another community will leave them with a worse housing situation, there is also likely to be an employment mismatch.

As described in chapter one shortages of rural housing have led to high prices. It is likely that the causes of high housing prices include the following factors:

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

Planning requirements that increase the cost of gaining required permits and approvals raising the average costs of building new homes, thus reducing supply and increasing prices.

Restrictions on the adaptation of existing housing stocks to meet the changing demands for housing, which further increases the price of housing.

The high cost and inadequate supply of housing is most acutely felt among low to moderate income families and has resulted in multiple policy responses. Increasing the stock of affordable housing through social housing programmes is one response. Social housing programmes subsidise home builders who construct social housing and those low to moderate income families who occupy it, making it possible for more families to afford housing. Another policy response has been to limit the sales and rental of housing units to non-residents of rural communities. This is achieved in a number of ways, most of which limit the rights of home owners and renters, and create inflexibilities in the housing market. Another consequence of English housing policy is a large gulf between the cost of social housing and the cost of market housing. Policies to increase the supply of social housing that require developers to produce a portion of new housing to be allocated as social housing effectively increase the cost of the remaining market housing, exacerbating the gap in prices and increasing the number of people that can only afford social housing.

... the English planning process presents some limitations on rural housing provision

In rural areas land use policy and housing policy have become a significant determinant of economic growth and development. The costs of navigating the process, both by developers and regulators, means that small projects are made infeasible, at least in comparison with larger projects. This creates a built in bias against development – land and economic – in rural communities, because most rural housing projects are small scale.

It appears that planning objectives now conflict with housing objectives. There is a clear public interest in increasing the stock of rural housing. The public has a stated interest in increasing housing stocks especially in the affordable ranges. The public also has an interest in reducing overall housing costs as a way of increasing effective incomes and improving the competitiveness of businesses. Given the public responsibility for providing social housing, lower housing costs would reduce the cost of achieving this responsibility, since fewer residents would require social housing, and the cost of closing the gap between need and ability to pay would be reduced for the rest. The interests of most private stakeholder groups are also served by increasing housing supply and thus reducing prices. Housing construction increases short run employment. Lower housing costs increase the ability of employers to attract high quality labour and reasonable costs. Lower housing costs increase the effective income of consumers increasing their standard of living thereby increasing the demand for most products. Conversely owners of existing residential property have an interest in maintaining or increasing housing prices.

English society and the overall economy would benefit from the reform of land markets, but there would be clear losers as well as winners. Because the current system inflates property values it generates huge windfall gains for current property owners and for a few farm land owners. Reform of this system would mean that current land owners and property owners would experience windfall losses in asset values. These are well established and powerful stakeholders who could make such a transition slow, painful and expensive. An example of the type of reform that would change the future of rural areas follows. At present a number of rural communities limit the sale or transfer of property to non-residents in order to make more of the limited number of housing units available to residents. The belief is that non-residents impose a social cost on the rural communities because they are seldom in the community, do not support local shops, do not take part in the cultural fabric of the communities. Yet the number of non-resident owners and second home owners continues to rise and residents continue to have difficulty finding homes in the community. To the extent that owners of second homes do create external costs for rural communities, they could be required to pay these costs. If special rates, or levies were implemented to replace the systems of *ad hoc* restrictions on home ownership and the funds used to help residents purchase or rent homes markets would create incentives to supply the types of homes demanded in the places where they were needed.

Another example of a land use policy that has been proven to allow market forces to work to the advantage of home owners, home buyers and home builders is a system of transferable development rights (TDR). Under a TDR system, land owners in at region all receive explicit TDRs on their undeveloped land. Developers (of residential, commercial or industrial land) are required to aggregate enough development rights to commence development. They do this by purchasing TDRs from land owners that do not wish to have their land developed, or from owners of land that is less suitable for development. The

number of development rights necessary to develop an acre or hectare of land is some multiple of the number of TDRs granted to the land owners. In this way development is concentrated on a fraction of the total land. Development is subject to certain restrictions deemed necessary to assure quality development. The rate of development is allowed to proceed according to the forces of supply and demand. A TDR system allows the public to ensure a more orderly process of development but it injects competition into the process of land conversion. It also reduces the transactions costs. Together these features of the TDR system tend to reduce the costs of the final housing, commercial and industrial property.

Box 3.12. **Transferrable Development Rights (TDR) systems**

A potentially useful way to supplement planning regulations that allows market forces to help allocate parcels of land for conversion of use is a system of transferrable development rights (TDRs). It requires that government create development rights for all parcels of land that can then be sold or used. Planning systems continue to determine which particular areas of a territory can be developed and which cannot.

The policy innovation is that land owners in areas where development is allowed can purchase supplemental development rights from owners of land in regions where development is not permitted. The additional rights can allow higher density development than would otherwise be permitted. The property developer has to weigh higher returns from more intensive development against the cost of purchasing development rights. This creates a market test. Landowners who have lost the right to develop land in zones where planning restricts development have the potential to be compensated for the restrictions imposed on them.

In addition, groups that might like to see less development in a region where it is nominally allowed to purchase development rights from landowners and hold them off the market. Those opposed to changes in land use are able to achieve their objective, but only by compensating others whose property they wish to influence.

In the United States more than 20 states have introduced TDRs as a supplement to the planning process and allow the benefits from land conversion to help compensate those whose property has restrictions on use.

For more information see: <http://ohioline.osu.edu/cd-fact/1264.html>.

Source: Timothy Lawrence (1998), *Transfer of Development Rights*. Factsheet CDFS -1264-98, Ohio State University, Columbus Ohio.

3.10. Service delivery – the challenges and opportunities in rural England

Most of rural England is a relatively densely populated area. As a result, travel times from most rural areas to urban service centres are relatively short compared to other OECD countries. And, as in most OECD countries, rural residents with easy access to urban centres tend to vote with their feet by consuming the services they need in larger centres where economies of scale permit greater selection and lower prices. Thus one would expect that rural English residents, as a group, will get a lower portion of their services locally than urban residents. If it is an English goal to increase service access in rural regions and to reduce the level of commuting to urban areas, then policy must tackle this issue. From discussions in England it appears that mainstreaming has created an expectation that equivalent services will be available everywhere. While this is not the intent of mainstreaming the perception does point to a problem in implementation.

... the elderly, the poor and those in remote places face problems...

In England, most services are generally available to urban residents in all income classes. Although some urban residents do not have access to specific services, particularly if they are provided through the market on a user-pay basis, there is general proximate availability. On the other hand, in many rural areas, especially the more remote, certain services are not available, or are available at considerably higher cost and/or lower quality than in urban locations. Although very few national governments explicitly guarantee that public services should be uniformly available across their territory, there remains a growing perception by portions of the public that spatial equality of access should be part of the statutory rights of citizens.

Box 3.13. Key trends in the design, composition, infrastructure and offering of services

Services are increasingly specialised with special technologies and equipment. Professional staff are accustomed to working in groups with differing spheres of specialisation and to being interconnected with professional colleagues. Opportunities for continuous learning and for consulting with experts are close at hand in urban settings. In rural England, a specialist will typically experience a reduced market and may need access to new technologies and process designs in order to gain a critical mass and market share.

Technological change in services has often led to larger minimum efficiencies of scale in service delivery which conflicts with smaller or shrinking rural demand. The service sector has also seen rapid technological changes. Computerisation has been common and many professional services now use advanced technologies. A characteristic of these technologies is a high fixed cost and a relatively low variable cost. This results in economies of scale over a significant range of production. In urban areas where there are large numbers of users the new technologies tend to reduce the unit cost of providing services. But in rural areas, because of the underlying geography that limits the number of users, these cost savings do not necessarily occur, and indeed unit costs may go up with the adoption of new technology.

If governments mandate, through national standards, that specific technologies be used for a given service and that all providers have minimum skill sets, professional training and experience, then rural areas have to adopt them even though an older technology or a rural volunteer may deliver a roughly equivalent service at lower unit cost.

There are problems in adopting modern technologies in rural settings with less than optimum technological capacity. If a service provider has specialised equipment that needs repair, where will they access the expertise to provide the necessary repairs? There is a dependency on supportive infrastructure that is sometimes not immediately at hand in rural areas.

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

Rural areas are becoming more diverse and home to migrants from urban areas who are accustomed to a high level of services and amenities. Indeed, the expectation of choice among services as an entitlement is becoming more general. The capacity to provide services at this level is compromised in rural areas, and particularly in sparsely populated ones by a variety of factors, such as: distance, lack of critical mass and density, weaker transportation and communications networks, and greater difficulty in recruiting and retaining providers. Service costs are higher in rural areas and local authorities can lack the

fiscal resources to meet expectations. At the same time, central governments are increasingly financially unprepared to underwrite the full costs of equal service delivery in rural areas. Increasingly, rural areas lack the political leverage to mobilise support in their favour. In general, governments are content to show that they are ensuring equal levels of funding and leave it up to rural authorities to find ways of absorbing higher costs.

... but a number of approaches to improve rural service delivery exist

To improve service delivery in rural areas England should consider:

Moving beyond planning single services to designing an integrated mix of services and providing flexibility in delivering on mandates. Mainstreaming and rural proofing may work for developing and delivering particular services suited to the local rural context. However, central to rural vitality is balancing the whole mix of services that enhance quality of life. That requires cross-cutting mechanisms that go beyond any single department and test service decisions in a broader context. In this regard, there is a need to clarify the roles of Defra as convenor, facilitator, or monitor. Rural proofing means acknowledging that the particularities of place need to be taken into account in developing and delivering services. This may mean different service models, unconventional providers, and the like. It may also require the ability at the local level to pool funding to increase fiscal capacity to undertake service initiatives.

Adopting a strength-based perspective and recognise and attend to hidden or dispersed disadvantage. Rural England's assets need to be better articulated and brought to the fore in policy debate which needs to address the vitality and potential of rural England. The benefits of rural areas for living, working and investment need to be better understood and championed. The discourse needs to shift from ideas about subsidising rural areas to making rural investments: in the new Green Economy, in the Creative Economy, etc. so that rural areas are seen as current or potential engines of growth. England is relatively unusual in OECD terms in that, on average, rural areas face proportionally lower levels of disadvantage than urban ones. On most indicators, rural disadvantage is found at rates of roughly two-thirds to three-quarters of that for the national level. However, while disadvantage in some rural areas is not as marked as in urban areas, where it might be concentrated, it does still exist – and may in fact be growing – and has a similar impact on the availability of opportunity for the people and communities concerned as in urban areas.

Innovating in governance structures and accountability approaches. Devolution to local authorities and flexibility in service provision pose challenges to existing governance and accountability approaches. In particular, targets and reporting metrics have to be rethought to focus on outcomes, especially where rural service models produce somewhat different outputs. In parallel, more transparent information on funding levels would make it easier to follow transfers and rural service spending decisions.

... consider a more nuanced discussion of rural disadvantage

Currently the CRC's main mandate is to point out rural disadvantage, but in general rural England is not particularly disadvantaged. Thus, the disadvantage focus has two weaknesses. First it draws attention away from the wide array of opportunities that exist in rural England, As such it paints an inaccurate picture of the rural condition, and implicitly overstates the magnitude of the problems. To be sure, if public policy is largely driven by a focus on redistribution the approach may not be a problem. But if the broad thrust of public

policy is oriented to taking advantage of opportunities and strengthening efficiency disadvantage can be the wrong message. This leads to the second disadvantage of the approach. When examples of rural disadvantage are set out, they are readily countered by examples of where rural is doing well. This can call credibility into account, because the CRC story does not appear consistent with the experience of the people receiving it.

A more balanced approach by the CRC may actually make any discussion of disadvantage more compelling. If only part of the CRC message is about disadvantage, then the CRC is more likely to be seen as an honest broker of information. Further, by recognising that only part of rural England is disadvantaged two consequences are, first that the magnitude of the problem becomes smaller and perhaps more manageable, and second, the argument for actually resolving the problem becomes more compelling because it is now no longer the normal rural condition, but an aberration to the rural condition.

While many rural people experience a lower quality of life than is socially desirable, they are a minority of the rural population. The CRC's Disadvantage Study²⁰ identified three critical factors that singly, and in combination, contribute to rural disadvantage: financial poverty – relating to income and employment; access poverty – relating to access to transport and other services; and network poverty – relating to contact with, and help from, friends, neighbours and others. Innovative rural policy should work on all three of these factors, and the latter two, in particular, demand substantial place-based sensitivity in order to ensure appropriate programme design and service delivery. For example, access poverty occurs because distance and limited mobility may preclude eligible individuals from receiving a service, even though it is nominally available. An individual without a car and no practical access to public transportation has limited ability to access any service that is not within walking distance. This means that efforts to improve the quality of, or reduce the cost of, providing services by consolidating them in regional centres may have the effect of effectively reducing eligibility by reducing access.

Better information will be required to identify where rural disadvantage is to be found. Information for place-based planning, decision-making and programme review becomes more and more important as rural services evolve. The need is for small-area data that is fine-grained and allows comparison across multiple service domains at different levels of aggregation. For example, while in the more peripheral areas, it is apparent that many people are not well-off and policy may take account of this, in more geographically central areas and those closer to cities where commuting predominates, disadvantage also exists but tends to be masked by the averages used in area-based statistics. An example of this is in the finding that, while about 2.5% of small areas with the highest levels of deprivation are found in rural areas, by most measures of deprivation 15-18% of people suffering deprivation are found in rural areas. Unless improved data make such issues evident, poor rural people's needs will not be adequately recognised in policy.

... and, improve business advisory services

An important way of increasing innovation and productivity is to ensure that firms, especially small firms, have access to various types of management and technical support. In rural England business services are provided by: private firms on a for-profit basis; by government action, either directly or indirectly; and through the non-government sector. Because firms in rural England are mainly small and medium size they are more reliant on local external providers of services than are larger firms that can afford an internal service provider or can draw on external providers from outside the immediate region. Access to

debt capital is a major issue for small firms, and in more remote rural areas there may be less immediate access to a bank or government agency that deals with business finance. The steady reduction in bank locations and the increase in cash terminals and Internet banking adversely affect rural business because its needs are too complex for these new approaches.

A second broad issue in terms of business services is access to Internet and computer technologies (ICT). Businesses are typically more dependent on high speed Internet than are residential users, so slower broadband access in rural England may be a significant impediment to firms. Similarly, the absence of ICT professionals in rural England to provide maintenance, technical support and training functions can also reduce the productivity of rural firms. This issue carries into other basic business services, such as, accounting, legal advice and management support. Rural areas often have few of these professionals and those that are located in rural areas typically are generalists who lack training in specific areas that may be vital to a particular firm.

England provides a national business advisory service, Business Link, to assist new entrepreneurs and existing small businesses. Since 2005 Business Link has been managed at the regional level by the RDAs, with each region defining how it wants the core set of Business Link functions to be structured and delivered. While the RDA sets the general framework for the service actual delivery is provided under contract by an independent firm, through a contract that establishes performance targets. In general, Business Link is staffed by individuals with specific fields of expertise that correspond to different aspects of a business, such as, marketing, finance or manufacturing production systems.

The regions differ somewhat in how they deal with rural firms. Business Link absorbed the old Farm Business Advisory Service and its functions are now integrated in the more general structure. In all regions farmers still have access to traditional services, although in some cases not from specific farm specialists. In some regions the main way rural enterprise is perceived is as advice to farmers. That is, only farm businesses are treated as a distinctly rural enterprise. Other businesses in rural locations receive support from the same individuals as serve non-rural firms. In other regions there is a small team of rural generalists who act as first contacts and who recruit appropriate specialists after making initial contact with the firm and identifying the key issues.

While there have been important changes to Business Link in recent years it remains recognised as an important source of support for small business and entrepreneurs. Users of the services in rural areas recognise the advantages of having access to specialists who have the technical knowledge to deal with their issues, but in those RDAs where rural users do not perceive a well-designed entry point there may be gaps in services. Because rural culture remains different from urban, it is as much how meetings evolve as the actual content of the discussion that establishes sufficient trust for the firm owner to fully engage with the service provider.

3.11. Linkages between English policy and EU Policy

... agriculture should in fact be an integral issue in considering rural Policy

There is a risk that the UK government may have deemphasised agriculture in its rural policy beyond a level that is prudent. Farming has been decoupled from rural development approaches by virtue of the adoption of a mainstreaming focus. It is certainly the case that the direct economic role of agriculture has been diminished to the point that it is no longer a major factor in most rural communities. However the indirect role of farming, especially as

it conditions the environment and the persistence of an agricultural focus in the planning process, mean that agriculture should in fact be an integral issue in considering rural policy.

As the CAP is transformed from an instrument of agricultural protection and subsidisation policy to one focused more on rural development and environmental protection objectives, it will necessarily affect England's more mature rural development policy. While the rural development measures in the CAP are still primarily focused on peripheral, remote and underdeveloped regions, they do offer more opportunities for England than previous CAPs. But in order to benefit from the shift in CAP to the fullest, England will have to act strategically. As an example of an area where England could benefit from the emerging priorities of CAP consider multifunctionality. Support for strategies to enhance the multifunctional nature of agriculture could support the land protection and environmental goals of the English. Multifunctionality recognises that agriculture and other rural land uses provide a wide array of services, (food quality, landscape management, environmental amenities, enhancement of biodiversity, agritourism, etc.), many of which are non-market in nature. More than most places, England has historically viewed and treated its rural areas as a source of non-market services. Traditionally these services have been encouraged and assured in England by regulation and the planning process. Multifunctionality provisions in the CAP would monetarily reward farmers for producing these non-market goods. By fully exploiting these CAP measures; England may be able to produce more and better multifunctional services, at lower overall cost.

Box 3.14. Agriculture policy in England is formed at the European level

As the United Kingdom is a member of the European Union, agricultural policy in England is largely determined in Brussels. While the UK has input into the formation of the Common Agricultural Policy it is only one country among many and the resulting policy framework is a compromise that is acceptable to all members. Consequently there is little reason to believe that the CAP is the optimal policy for the UK. Moreover because agricultural conditions vary considerably among the four constituent countries of the UK there is little reason to believe that the UK position within the EU is optimal for England. Thus, unlike those countries which can independently set their agricultural policy on the basis of national priorities, while respecting international obligations, and arguably choose policies that are best suited to their national interests; in the case of England agricultural policies will reflect a broader set of interests and may well not result in policy signals that are fully congruent with national objectives for agriculture.

When the UK joined the EU the CAP emphasis on increasing domestic food production was largely congruent with then existing UK agricultural policy. Moreover the protection afforded to agricultural land in the UK under planning regulations gave farming a dominant position in rural areas. Higher levels of support under CAP provided an incentive for increased production in agriculture.

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

Marsden and Sonnino argue that multifunctionality is viewed very differently by different stakeholder groups. It is sometimes seen as a way of enhancing farm income and helping to support agricultural survival. This is the *agro-industrial paradigm*. An opposing view is that multifunctionality is a way of replacing agricultural land uses with more environmentally sustainable land uses – the *post productivist paradigm*. They argue in favour of a third perspective – the *rural development paradigm* – in which multifunctionality is viewed as an opportunity to help rural areas develop into more liveable, successful and sustainable economies. The rural development paradigm for multifunctionality requires three conditions:

[...] it must add income and employment opportunities to the agricultural sector; it must contribute to the construction of a new agricultural sector that corresponds to the needs and expectations of the society at large; it must imply a radical redefinition and reconfiguration of rural resources, to varying degrees, in and beyond the farm enterprise (Marsden and Sonnino, p. 423).

The three paradigms lead to divergent policy strategies. Agro-industrial paradigm policies tend to have little influence on the nature of more successful farms and focus instead on pluriactivity of the least successful farms. In contrast, post productivist paradigm policies restrict the activities of agricultural firms, marginalising their role in the rural system. Only the rural development paradigm tends to stress the integrative role of agriculture in the rural socio-economic system.

... and there is an opportunity to further the goals of multifunctionality in rural regions...

Given the process of devolution in the UK and in England, the perception and reality of multifunctionality is likely to be somewhat different in each of the regions. However, the evolution of EU agricultural and rural policy is an opportunity to further the goals of multifunctional rural regions through a system of incentives for farmers, agribusiness, and regional policy makers. Two examples of multifunctionality policies with pro-rural development features are local foods and distributed renewable energy. Local foods systems, while already an important part of some rural areas of England, have great potential of integrating the goals and interests of farm and non-farm residents of rural areas. Nutrition, food safety, environment, and social dimensions become intrinsically related when producers and consumers are reconnected. While local food systems may not produce the lowest cost product, they may produce the highest valued products.

England has been relatively aggressive in taking advantage of the evolving CAP programme. A good example has been the rate of voluntary modulation that England has introduced, which is significantly higher than most other member states. As the level of mandatory modulation increases between 2008 and 2013 this voluntary portion is being reduced but is still significant. Over time, the more support that can be moved into Pillar II programmes, the greater the possibility for meaningful and sustainable rural development. But as is often the case, the “devil is in the details” when it comes to policy. How effective has English policy been in exploiting EU policy to achieve sustainable rural development goals? Overall, England’s relatively mature rural development policy has probably meant that it has been quite effective. The single farm payment has been applied regionally rather than on a farm by farm basis, which could result in an easier transition to “a new agricultural sector”. England has taken full advantage of the voluntary modulation option in the new CAP. This has increased the level of English financial responsibility because of the matching requirement for Pillar II schemes. England has largely devolved responsibility

for the approval of Pillar II applications to the regions. Watts *et al.* (2009) conclude that this policy has led to quite different types of schemes in the various regions. This in itself is desirable if the differences reflect the different needs and constraints in the regions.

... European regional policy seems to be a secondary component of English regional policy

As in the case of certain other policies areas, EU regional policy is a secondary, but still significant, component of English regional policy. The European Union's regional policy is a more recent policy innovation than the CAP. EU regional policy was designed to increase social and economic cohesion through the reduction in regional disparities, to increase the competitiveness of businesses through regional development strategies, and to increase cross-border co-operation. Regional policy is primarily delivered through the European Regional Development Fund (ERDF), which includes programmes designed to address each of the objective. The two primary programmes are the Regional Competitiveness and Employment (RCE) programme and the Convergence Programme. While all of England qualifies for the Regional Competitiveness and Employment programme, only Cornwall and the Isles of Scilly qualify for the Convergence Programme, although Merseyside and South Yorkshire qualify as phasing in regions. Further, under EU regional policy each member state is to have a National Strategic Reference Framework (NSRF) in order to qualify for EU funding. The UK's NSRF summarises its development strategy as follows:

[...] the government's overall approach to increasing growth in the UK economy is based on maintaining macroeconomic stability and driving forward lasting improvements focused on employment and the five drivers of productivity: competition, enterprise, innovation, investment and skills.

This generic statement suggests that England has not fully thought through how to organise its activities in ways that can take best advantage of the funding that is available.

England seems to be taking better advantage of RCE funds. These programmes require at least a one to one match by member state governments. Together the EU and UK funds amount to significant resources to support regional development. A cursory review of recently funded projects under the Regional Competitiveness and Employment programme suggest that much of these funds are allocated to research and infrastructure, rather than to direct support of entrepreneurs and businesses. In general this seems a prudent strategy since it tends to most directly address issues of market failure, and provision of public goods. On the other hand, it is essential that investments of this nature be submitted to the most strenuous *ex ante* evaluation available to assure that the projects have the highest possible rate of return.

... Energy policy in rural England could also become more consistent with EU actions

While not dictated by EU policy, UK and English energy policy is influenced by EU energy policy. In response to rising energy dependence, the threats of global climate change, and its historic interest in continental energy supplies, demands and trade, the EU has rather ambitious goals and aggressive policies related to energy, especially renewable energy. The EU goals for renewable energy production represent a very significant challenge for England, especially rural England. Given the high population density in rural England, the high levels of demand by all citizens for rural amenities, the opportunities for local food systems, agritourism, and other diversified activities, the opportunity cost of renewable energy production in rural England will be high. Current waste streams can be converted to energy without incurring significant opportunity costs. However, opportunity costs will arise as scenic

assets are disturbed by wind, solar or mono-species silvi-cultural energy activities and by the resulting need for power transmission lines and more lorries on the roads. Dedicated energy crops will displace current crops leading to price increases for the consumers of traditional crops. Agricultural production contributes a very small amount to GVA in most years. These levels may be enhanced by renewable energy production (if energy can be produced profitably), but other sources of farm income, such as agritourism may be reduced.

On the other hand, distributed renewable energy production could reduce or reverse the rural “energy poverty” situation. Rural areas, as the source of energy could potentially enjoy lower prices for energy. This would partially offset the opportunity costs discussed above. Thus energy policy will play an important role in the future of rural England. A policy based on waste stream energy production would have advantages for rural areas. Policies regarding wind, solar and dedicated energy crops should be carefully developed with opportunity costs in mind. Distributed energy systems would generally be preferable to a concentrated system which would require more investments in transmission and transport systems.

3.12. Summary

English rural Policy is consistent with the NRP in many ways. England has adopted abroad rural policy that goes beyond support for agriculture and England has moved to adopt an investment based approach based upon evidence-based decision making. However there are aspects of the NRP that are not fully embraced, including a “bottom-up” decision making process and an integrated and comprehensive place-based rural development strategy.

Rural policy in England is mainly rural mainstreaming and is based upon the observation that rural and urban societies and economies are not very different. Mainstreaming features the important principle of treating rural and urban people and regions equivalently. Mainstreaming also cuts across all government agencies and programmes. However mainstreaming has not been fully embraced by all departments and despite major efforts is not well understood.

Further, the premise that rural and urban England are alike is debatable. At the local level, rural England differs considerably from urban England in terms of economic conditions and opportunities. However, it is true that in terms of public service needs, which is the focus of mainstreaming, there are great similarities between less sparse rural areas and urban England, that create opportunities for synergies in public service delivery. These synergies do not exist for the minority of the rural population living in sparse areas.

Rural proofing is used in England to assess the efficacy of rural mainstreaming efforts. Despite the fact that responsibility for rural proofing lies with the individual Government Departments and Defra it appears as if to some degree rural proofing has been outsourced to CRC. This is most likely because a number of initiatives that relate to rural proofing including 2009 rural proofing toolkit seemingly come from CRC. This agency has the advantage of independence, but it has difficulty influencing the design of policy to make it more compatible with rural mainstreaming. Despite a number of efforts to improve the rural proofing process it remains poorly understood and has limited impact.

England has moved to devolve policy delivery responsibility to the sub-national level. But this effort is quite limited. The main policy instruments are Regional Development Agencies (RDAs) and Government Offices (GOs). These entities are still part of the UK government but operate as semi-autonomous delivery agents for Whitehall departments. While each region is meant to develop a specific strategy geared to local needs, the amount

of actual flexibility in the system is limited, if only because the RDAs and GOs receive their funding from Whitehall.

England has tried to foster more independent behaviour at the local government level through the use of Local Area Agreements (LAAs) and Multi Area Agreements (MAAs), which offer local governments more policy flexibility if they agree to a GO approved multi-year strategy. In reality the policy flexibility is constrained, because the LAAs and MAAs require the local government to choose the majority of its objectives from a list of options derived from National policy objectives and because virtually no net new financial capacity is created.

Housing policy in England has a large effect on the rural population. There is a longstanding housing shortage in rural England that is exacerbated by housing policy and land use policy. These two instruments make the construction of new housing in England difficult. In addition the weakness of the rural housing market has important consequences for labour immobility, community viability and rural business creation and expansion.

Rural service delivery in England is dominated by the mainstreaming approach. There are important opportunities for improving service delivery that go beyond mainstreaming. These include greater reliance on other delivery mechanisms than the government, better co-ordination of different services from multiple agencies, and a greater ability of service users to influence the mix and delivery mechanics for services.

Note

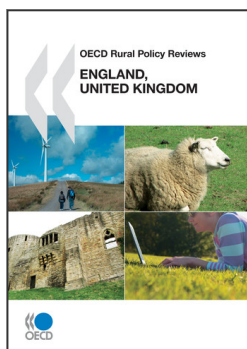
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