

Local Government Association

productivity and place

economic performance in remote areas



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**Local Government
Analysis and Research**

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1. Preamble

It has been recognised nationally that a number of low productivity districts outside of major cities face structural economic weaknesses. This recognition has been most sharply expressed through the current Department of Environment Food and Rural Affairs (DEFRA) Public Service Agreement (PSA) target on the productivity of rural economies at the District Council level. There are, however, currently a number of national developments underway which are producing a changing emphasis. This report examines the characteristics of the 44 low productivity districts defined as a priority for DEFRA sponsored intervention, looks in some detail at the issues “on the ground” within a 25% sample of those districts and offers some observations about the possible direction of future policy in relation to those areas outside the economic reach of city regions. Its conclusions, in seeking to establish a new way of thinking about those areas at the fringes of the economic radar, are deeply rooted in the new insights into the economic geography of England arising from the new LGA study “Prosperous Communities II.”¹

It is particularly important to look at these issues now against the background of the debate around the future of local government and approaches to economic development arising from the confluence of a range of activities including²:

- the impending Comprehensive Spending Review;
- the white paper on local government;
- a range of consultations and analyses on new approaches and vehicles for economic development based on the concept of cities and city regions
- the roll out of the next generation of European funding in the context of the Rural Development Programme for England.
- the review of sub-national economic development and regeneration³

“The impression that the earnings for males are higher than both GB and the North West is skewed by the much higher than average salaries/wages paid to the workers at BNFL. We have quite a low level of unemployment but the wages are very much lower than normal. Compounded by the rurality of our area and poor access to public transport.”

Allerdale District Council

Defra has a key target focusing on rural economic development within its public service agreement 2005-8.⁴

¹ Prosperous Communities II Local Government Association. January 2007

² Strong and prosperous communities - The Local Government White Paper – October 2006, Defra Rural Development Programme for England Plan – see Written Statement from David Miliband on Voluntary Modulation and the New Rural Development Programme for England 2007-2013 - 20 March 2007 Defra, “The Role of City Development Companies in English Cities and City Regions” Communities and Local Government December 2006.

³ Review of sub-national economic development and regeneration – H M Treasury – July 2007

⁴ For further background to this target and the broader issue see: “Productivity in rural England” – Defra 2005

PSA 4. *Reduce the gap in productivity between the least well performing quartile of rural areas and the English Median by 2008, demonstrating progress by 2006, and improve the accessibility of services for people in rural areas.*⁵

Progress in relation to this target is measured with reference to average incomes. Lead responsibility for addressing it has been delegated to the regional level through the delegation of Defra funding to Regional Development Agencies.⁶

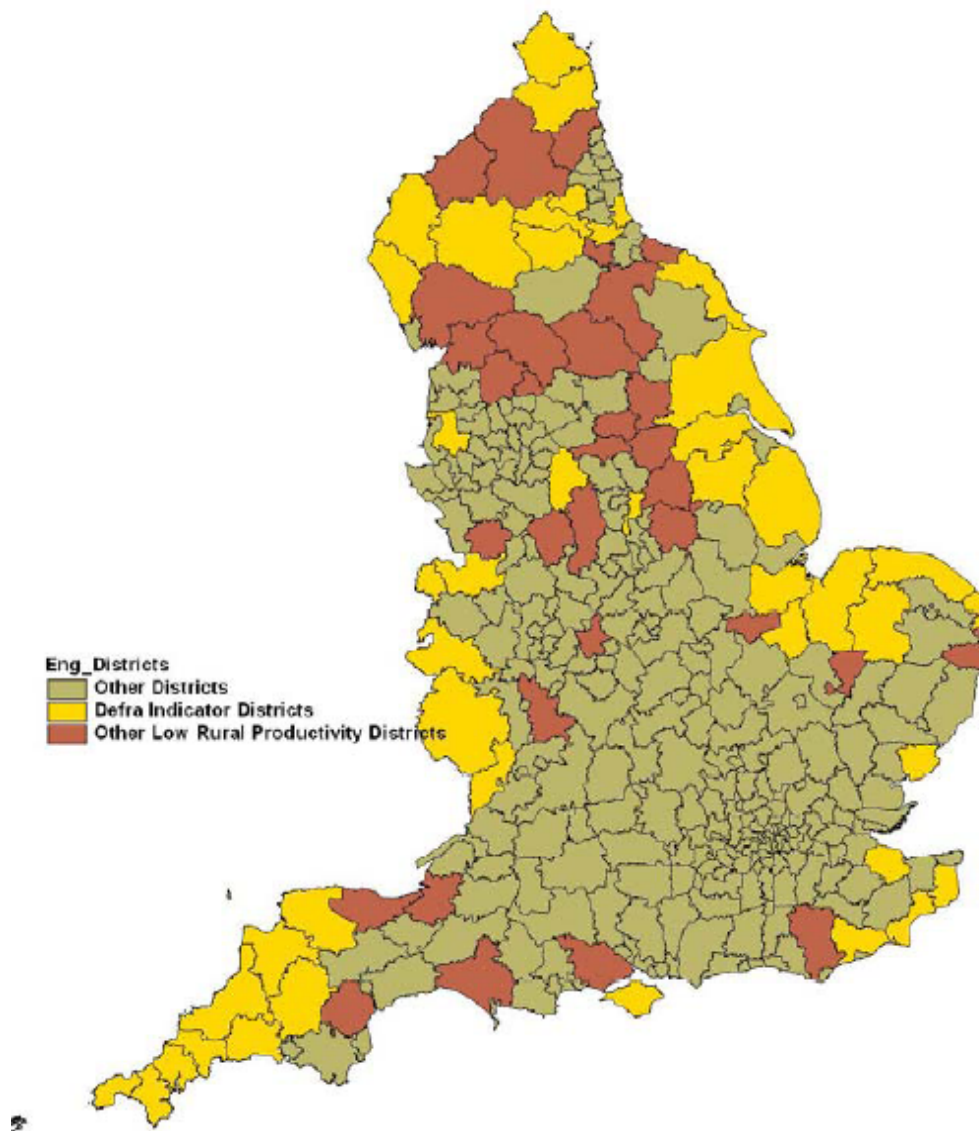
Using this income definition 44 local authority districts have been identified as the key focus for Defra/Regional Development Agencies (RDA) intervention with a further 22 districts identified as less severely challenged but still have some low productivity wards. Their geographical distribution is set out on the map below. This map shows those districts with average incomes in the lowest quartile of rural authorities in yellow and those just above the bottom quartile in brown. The following quotes from survey respondents give a flavour of the diversity of these areas.

“North Cornwall is the largest district in Cornwall covering approximately 460 square miles and has a resident population of 83,600 people...the district is characterised by having a very insular local economy in terms of markets for products and services offered by local companies, it remains a low wage/low skill economy, seasonal part time employment remains high and the growth of ‘quality jobs’ remains low.”

⁵ See Defra Public Service Agreement 2005-8

⁶ A recent National Audit Office report identified some of the challenges inherent in tracking the impact of funding allocated to this agenda to the point of delivery - “Third Validation Compendium Report: Volume 2” – National Audit Office December 2006

Low Productivity Districts



Low Productivity Districts are a group of 76 Local Authority Districts defined as having low economic performance. 44 of these are Indicator Districts used to measure progress toward achieving Defra's PSA 4 (Productivity) target. See DEFRA (2006) Addendum to the Public Service Agreement Target Technical Note 2005-2008 for PSA 4 (Productivity) for further details.

2. Context

2.1 Performance management challenges

There is, in addition to the NAO report referred to above, a significant weight of opinion that future implementation of rural productivity interventions could be strengthened. It is worthy of note that a number of the district authorities surveyed were not even aware that they were in the current DEFRA PSA4 'envelope'.

Most strikingly the recent EFRA select committee report (Feb 2007) has drawn attention to the need to strengthen delivery of DEFRA PSA targets;

"We believe that several of the department's current Public Service Agreement (PSA) targets are inappropriate, and we have made similar criticisms in the past few years. Many of the targets are too vague. We recommend that careful consideration be given to the formulation of new PSA targets for the next Comprehensive Spending Review period. The new targets should have much clearer outcomes and performance indicators, and be able to be measured appropriately. We look forward to receiving draft copies of the targets for comment."

When questioned about the department's current PSA targets, the permanent secretary acknowledged they were a "slightly strange" set of PSA targets. She was particularly concerned that the "levers" and spending for some of the targets were not in the hands of the department. Many aspects of spending relating to PSA target 4 on rural affairs, for example, were not controlled by the department. The permanent secretary wanted the new PSA targets for the upcoming Comprehensive Spending Review period to be improved in two ways: first, "much clearer outcomes" and information about the levers to achieve such outcomes; and, second, a wide consensus that the particular performance indicators are the "right ones"

"We wanted to know how the department could further improve its relationships across government. The permanent secretary said it was particularly important that the department improved its relationships with local government, Regional Development Agencies (RDAs) and the Department for Communities and Local Government (DCLG) in the near future, in order to deal with some "very tricky" issues relating to the appropriate use of land and the rural services and economy. The permanent secretary also wanted the department to be "even more engaged in the local government agenda", with a "greater knitting together" of policies being developed by the DCLG around city regions, local area agreements and for economic development with RDAs"
(EFRA Select Committee Report (Feb 2007))

The quotes above indicate the range of current challenges including better delivery, clearer accountability and improved governance arrangements, and are very much in line with the results of our survey of the districts. Indeed some of our findings detailed below may begin to indicate how some of these aspirations can be realized. It will be interesting to see if the EFRA review of rural regeneration which commenced in Autumn 2006 picks up these issues in detail and develops some proposals for the future.⁷

2.2 Comprehensive Spending Review of sub-national economic development and regeneration

The Treasury is currently conducting a review of sub-national economic development. The review is focusing on the current PSA target detailed below.

⁷ EFRA Select Committee Terms of Reference "The Potential of England's Rural Economy" announced July 2006

“Make sustainable improvements in the economic performance of all English regions by 2008, and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006”. *Joint target held by HM Treasury, the Office of the Deputy Prime Minister and the Department of Trade and Industry.*⁸

2.3 Local government white paper

The local government white paper raises the issue of local authority boundaries and cooperation against the background of a burgeoning debate about the importance of cities as engines of economic growth.

“The government is clear that to meet its economic objectives it is necessary to devolve greater power and resources down to regional and local level to foster economic growth throughout the country. In cities in particular, local authorities have a vital role in collaborating to enable decisions to be taken at an appropriate economic scale, working closely with RDAs and other regional institutions to deliver regional economic aims. This role forms part of a wider change that is happening within local government as councils and local partners look to develop a much broader place-shaping and governance role.”⁹

The reference to cities in the above excerpt from the white paper acknowledges a significant body of work, which has been undertaken by the English cities and national government¹⁰ since the urban white paper in 2000 to establish their roles as the engines of national economic growth and development.

Additionally the LGA response to this debate “Prosperous Communities II” highlights that the economic realities of modern England are based on sub-regional economies:

“The economic arguments strongly suggest that sub-national economic decision-making in England needs to focus on sub-regional economies, which are the country’s real functional economic areas.”¹¹

The reference within the LGA response to the local government white paper is important because it recognizes the economic dynamics of *shires* and *districts* alongside *cities*. This helps maintain a profile for those areas (many within the Defra lagging district categorization), which represent a significant challenge in terms of economic growth often being outside the economic reach of their nearest city or principal urban settlement.

2.4 Environment Food & Rural Affairs (EFRA) select committee

The Environment, Food and Rural Affairs select committee began an inquiry in Autumn 2006 into the impact of Defra in relation to rural regeneration generally and progress in relation to the PSA4 target specifically its terms of reference being to consider¹²:

1. Defra’s objectives for economic development in rural areas, including the relevant Public Service Agreement (PSA) target, and the funding available to achieve them.
2. The role of Regional Development Agencies (RDAs) in unlocking the economic potential of rural areas, and the effectiveness of Defra’s relationship with RDAs.
3. Agricultural and non-agricultural providers of rural employment, for example horticulture, and possible barriers, including the structure of the retail food sector, to their further development.

⁸ For an indication on progress overall see “Regional Economic Performance – Progress to date.” HM Treasury, DTI and DCLG December 2006

⁹ “Strong and prosperous communities - The Local Government White Paper” – October 2006

¹⁰ See: “Devolution Decision Making: 3 – Meeting the Economic Challenge: The importance of cities to regional growth. HM Treasury DTI, ODPM March 2006; A Framework for City Regions” – ODPM March 2006

¹¹ “Prosperous Communities II” LGA January 2007

¹² EFRA Select Committee Terms of Reference “The Potential of England’s Rural Economy” announced July 2006

4. The effectiveness of rural proofing arrangements in ensuring that the rural aspects of economic development are properly reflected in national and regional policy, including planning policy.
5. The role of Natural England and the Commission for Rural Communities and their effectiveness in taking forward the work of their predecessor bodies.

2.5 Remote peripheral areas and economic productivity

DEFRA has commissioned Segal Quince Wicksteed and Cambridge Econometrics to look into the implications of city regions¹³.

The conclusions of this research indicate that economic development in rural areas within city region envelopes is likely to be faster than in rural areas outside city region however this is only modestly dependent on that designation. Presence within a city region accounts for as little as 5% of overall growth. This then suggests that there may be a wider disparity in economic productivity in future than currently exists. 55% of the current DEFRA PSA 4 districts are outside the city regions.

“Defra can largely ignore the policy emphasis on city regions; its effect on rural areas is neutral. Instead, Defra needs to instigate a positive and distinctive policy in order to enhance productivity in rural areas”¹⁴”

Some work has been undertaken to look at approaches to spreading the benefit of city centre renewal but it has not yet built up enough momentum to drive any detailed policy proposals which give a significant underpinning to the “ripple out” concept identified within the city region model.¹⁵

3. Research purpose

The core function of this report is to look at the 44 low productivity districts through the filter of this new emphasis on the role of cities and local government in relation to economic development, to provide some detailed views from the districts themselves about the issues they face. The report will then proceed to look at areas of both best practice within districts, as to what to do in the face of the scale of the challenge of achieving a good level of economic productivity.

We began our thinking about the 44 lagging districts by looking at their spatial distribution and this suggested some interesting characteristics and commonality which we have set out below in the map developed by Professor John Shepherd from Birkbeck College, University of London.

This distribution shows a clear series of correlations between landscapes and lagging districts and highlights the significant coastal component of many lagging districts. We develop these themes further in section 6 of the report.

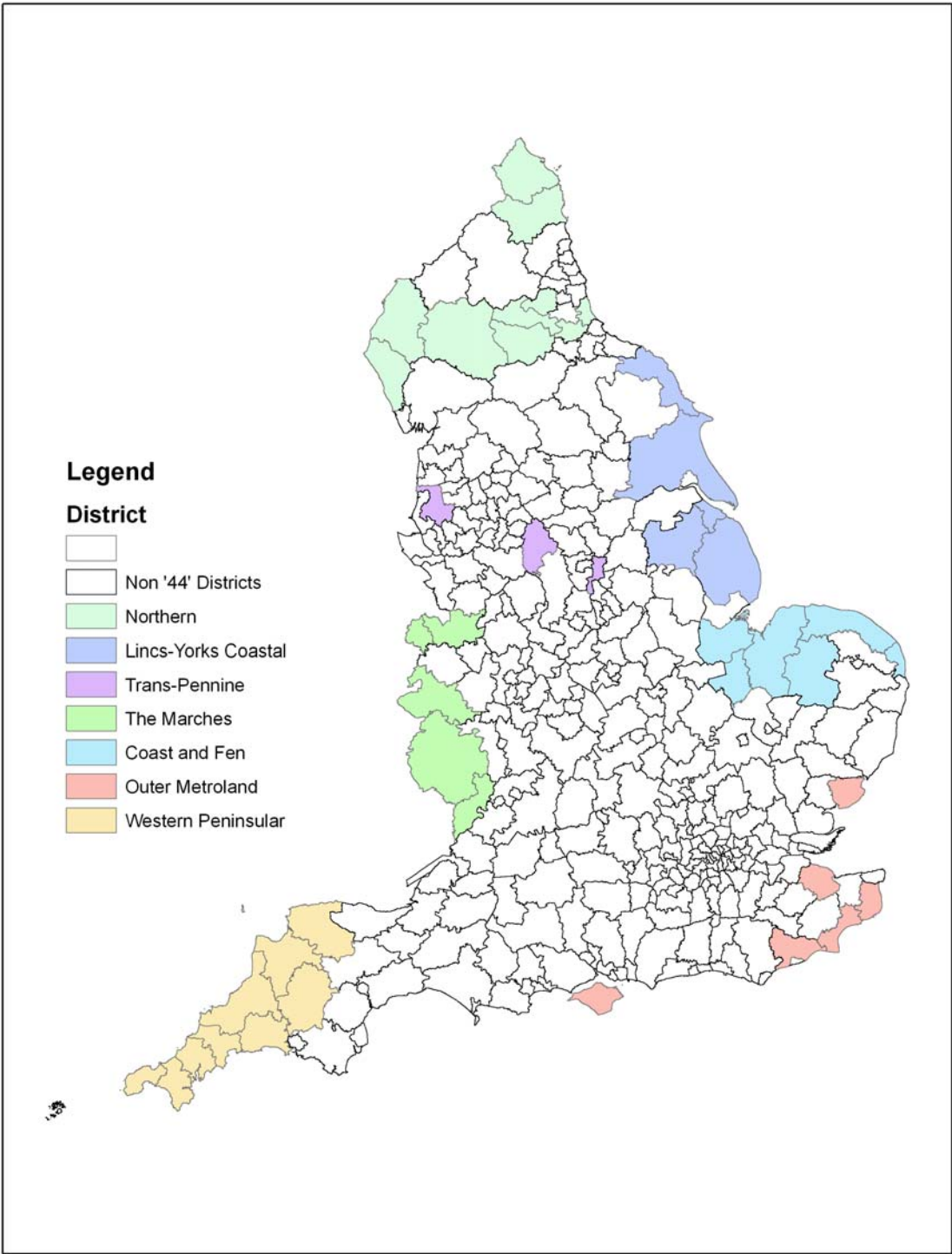
We have also sought to flesh out some of the other key common statistical characteristics of the lagging districts (over and above the incomes definition which underpins the PSA target) as a means of building a rounded profile of the challenges they face in economic terms.

We then set out some thoughts about the future in relation to how Defra, RDAs and local government might work together to address the challenges of low rural productivity.

¹³ “Economic Performance of Rural Areas Inside and Outside of City Regions – Final report to Defra.” Segal Quince Wicksteed & Cambridge Econometrics – September 2006

¹⁴ Ibid

¹⁵ “Spreading the benefits of town and city centre renewal” – LGA/SIGOMA July 2005



4. Our approach

We began our survey by contacting the 44 lagging districts (all 44 districts are listed at Appendix A) and seeking their support in responding to the questions set out below: This methodology was unique in this context as there had been no active involvement of these districts in the implementation of the PSA4 programme, some districts indeed never having heard of it.

1. What are your district council's experiences of issues facing your communities as a result of below average household incomes?
2. What success stories do you have about tackling these challenges? – examples may include: improving skills/wage levels; creating a supportive climate for inward investment; addressing issues to do with rural infrastructure: eg transport, workspace, key worker housing etc, improving business support and development systems
3. What barriers do you face in achieving all or any of the above?
4. What other needs do your rural communities face: eg housing, health access to services?
5. In your district experience how supportive and effective are local agencies eg (Learning & Skills Councils, Business Links, RDAs) in identifying and tackling needs?
6. In terms of the development of the Local Area Agreement process has the issue of rural productivity been recognised both in terms specifically of block 4 but more generally across all 4 blocks?
7. What is your experience of the rural proofing activities of sub-regional, regional and national agencies and departments – do you also apply rural proofing in terms of your own policy and practice?
8. What current support networks are available to you and how might you like to see them strengthened and improved?
9. To what extent does the existing rural policy framework at regional level work for you?
10. What opportunities currently exist for you to share information and best practice amongst the other 43 districts in the Defra PSA definition – eg would regular seminars/workshops to disseminate best practice be of help; would a regular email information exchange/newsletter have any merit?
11. How do you think your geographical location in terms of distance from your nearest principal service centre impacts on the level of productivity/household income in your district?

In parallel with the collection of this information from the districts we commissioned some basic data analysis from Professor John Shepherd at the Rural Evidence Research Centre (hosted within Birkbeck College – University of London)¹⁶ to look at the similarities and differences between the districts in respect of the following variables:

- Proximity to a city/principal urban settlement
- Commuting patterns
- Household income
- % of population on Incapacity Benefit
- Long term unemployment
- Skills levels
- Access to services
- Company VAT registration/deregistration
- Population change over the last 10 years
- Sparsity (people/hectare)
- Housing costs
- Seasonal employment patterns

This was considered against the most definitive collection of statistics on the countryside “The State of the Countryside 2006”¹⁷

This approach has enabled us to seek to link the statistical context of the 44 lagging districts to their applied experience of the impacts of low productivity and their efforts to address it.

We held a seminar to discuss the emerging outcomes of the research with representatives from local authorities covering the 44 district areas to provide a further context for the research and give us a “reality check” for our work.¹⁸

5. Findings from lagging districts

We surveyed 25% of the lagging districts. The actual districts within the sample were: Allerdale, Breckland, East Lindsey, East Riding, High Peak, Penwith, North Cornwall, North Shropshire, South Holland, Swale and West Lindsey. They cover 7 of the 8 regions outside London.

5.1 Summary

A number of interesting insights emerge from the sample, districts finding themselves tackling the following challenges;

- low pay, low skills
- low aspirations
- lack of affordable housing¹⁹
- in less well connected districts seasonal and part time patterns of employment are a major challenge to service provision. A number have a high proportion of migrant workers
- the growth of two speed economies.

¹⁶ See “Rural Evidence Research Centre” at www.rerc.ac.uk

¹⁷ “The State of the Countryside 2006” – Commission for Rural Communities

¹⁸ This was held on 20 April 2007 and included representatives from: Durham and Lincolnshire County Councils, East Riding Council, High Peak Borough, Swale District Council and the Improvement and Development Agency for Local Government.

¹⁹ These issues are consistent with the key determinants of productivity identified by Defra – see “Determinants of the relative economic performance of rural areas – Rural and Tourism Research Group and Countryside and Community Research Unit – Defra 2004”

“Issues facing communities include restricted access to higher grade jobs, the main barriers being low level skills and knowledge compounded by access to appropriate education and training. More than three quarters of companies in the district recruit staff locally but more than half of these are experiencing difficulties in recruiting people with the right experience and skills.”

Survey Respondent

A wide range of examples of innovative projects seeking to tackle productivity challenges were cited, however, across the board, there was a feeling that notwithstanding the rhetoric of partnership too few resources were available to tackle the challenges faced and that the decision makers on the deployment of them were often too remote.

Looking more broadly than straight economic issues respondents were concerned about the viability of market towns and in most cases cited limited facilities, in relation to significant distance to travel to access both primary and acute services, in terms of health provision as a key issue.

There is significant evidence to suggest that the critical mass of county councils and rural unitaries as well as districts is very important in underpinning service delivery at the local level²⁰ and very good evidence in two tier authorities of partnership working between districts and counties around rural service delivery has been forthcoming. A strong case can be made for the sub-region²¹ being the level at which integration between the policy capacity of larger units of local government most effectively complements the local delivery of services. There is very positive evidence of engagement in LAA planning in this context.

Developing insightful interventions at the regional tier was seen as more challenging and there was a broad consensus that whilst rural proofing would work best at this and the national level there was very limited evidence of it happening and less of it having any impact.

A significant number of respondents felt that the creation of discrete rural strands within programmes at the regional and sub-regional tier would be useful. For example some districts felt that LAAs should have a rural governance/planning component. Regions, sub-regions and city regions all put urban areas at their heart. They are organised around cities. Many rural areas, especially peripheral rural areas are not part of a city hinterland or are influenced by more than one urban area. The nature of problems can be different due to scale and distance.

Most districts acknowledge capacity problems within their own organisations in terms of staffing and funding and there is a strong feeling that networking and more central support particularly from the regional tier downwards would be helpful.

It is interesting that no respondents mentioned the narrowing of focus of national and regional funds on achieving direct economic outcomes. Regeneration of rural areas requires a broad and long term approach, preferably integrating social and environmental with economic interventions²². This is important because in areas with small populations it is only the pooling of resources to generate synergy and develop a bigger “bang for the buck” that sufficient funds can be focused on delivery to make an impact. This is possible through these strategies where for example shared premises

²⁰ For further analysis in relation to the sub-regional rationale see: “Making the Most of Our Economic Potential – Looking Beyond the Core Cities” – CSS/CEDOS April 2007 and for an argument around the benefit of creating greater capacity in rural areas through the development of rural unitary authorities “Shire local government – time for change?” – Commission for Rural Communities – June 2006.

²¹ For a parallel rationale see “Making the Most of our Economic Potential – Looking Beyond Core Cities” – CSS/CEDOS April 2007

²² The new guidance for the areas to be included in the revised Block 4 of Local Area Agreements which introduces a requirement for targets on transport, housing, planning and child poverty in addition to economic and environmental targets suggests a growing recognition by Government that this joining up is important for all areas – Departmental priorities are still to be finalised for block 4 but their broad shape is now clear and their agreement is imminent- pending final discussion between HM Treasury and other Government Departments.

and multitasked staffing approaches reduce the fixed costs of service delivery leaving more to be spent on front line services.

Examples include the development of multi-use buildings which can be used by a number of agencies in one locality; post buses which deliver the post and people and in some fire services staff also trained in the use of defibrillators.

There is also a perception from a number of county councils commenting on the first draft of this report that rural areas have lost out by splitting up the funding pots for social, economic and environmental activities, through the way that Modernising Rural Delivery (funding from DEFRA for the regeneration of areas with low economic productivity) has been implemented in practice. RDAs for example are perceived to have applied just an economic rationale to the use of their allocation of funding from this source by adding it into their mainstream funding activities.

5.2 Responses

The responses of the districts to each of the questions can be summarised as follows:

What are your district council's experiences of issues facing your communities as a result of below average household incomes?

A wide range of responses were offered in relation to this question. A number of respondents, mostly those who were relatively better served in terms of transport routes, felt that developing economic trends within their district, mostly linked into macro economic growth, were reducing the level and impact of low incomes. A second group of respondents found it hard to offer a straightforward response on the basis that low incomes were not evenly distributed across their areas but existed in pockets. Some of this appears to be driven by commuting where there is a dislocation between the earning potential of those who live and work in the district compared to those who live in the district and work elsewhere. In one case the predominance in a largely rural and remote area of one very large employer skewed the impact of low incomes overall.

Six of the respondents identified low skills, largely arising from a lack of demand for higher skills as an issue and in all cases they identified low aspirations arising from this. Three respondents identified seasonality as an issue with fluctuating incomes causing problems around unemployment and providing services on a consistent basis for residents- for example the school roll in some coastal settlements waxes and wanes significantly around the holiday season as incoming workers move their families into and out of resorts²³. Three respondents drew attention to affordable housing

What success stories do you have about tackling these challenges?

A number of respondents (Breckland, High Peak, Swale, North Shropshire) drew attention to a trend of inward investment driven predominantly by the "halo effect" of individuals moving out of adjoining cities. Both respondents from Cornwall drew attention to innovative actions to address affordable housing. In both Cornwall and East Lindsey there were significant expectations of further benefit arising from specific developments namely, respectively, the development of the new University and the recommendation of the casino licensing panel that a small casino should be located on the East Lindsey coast. In Lincolnshire the county council has been a partner in 2 of the districts developing a branding and lobbying approach to raising awareness of the issues arising from low productivity through the creation of resource sharing partnerships in the most acute pockets of deprivation called "Action Zones". Surprisingly only 2 respondents referred directly to work to underpin the role of their market towns as key economic drivers. In the workshop held on 20 April this emerged as a more significant challenge and theme and was acknowledged as key by all

²³ There is a significant body of evidence about this in "Coastal Towns" Second Report of Session 2006-07 House of Commons – Community and Local Government Committee March 2007

participants. 2 authorities also identified innovative business support measures to help drive diversification and business development in relation to their food and farming sectors.

What barriers do you face in achieving all or any of the above?

There was a clear two fold distinction in the experiences of respondents in this area.

Those districts that had significant out commuting of the resident population drew attention to an indigenous economy which was narrowly focused, still in the process of structural adjustment away from land based and other forms of primary production, but which in some cases appeared to be growing around trends to relocate out of Cities (High Peak, North Shropshire, Breckland). In a number of cases these areas were becoming two speed economies²⁴ with traditional modes of employment juxtaposed against new higher value activities. In a number of these areas the economic geography was becoming increasingly at odds with the historic and regional “fit” they had been given. South Holland has an economy increasingly influenced by Peterborough and High Peak has an economy increasingly influenced by Manchester. In both cases these cities are in different regions from the districts.

Those districts which were more remote from main transport routes cited challenges still rooted in economies dependent on natural resources. Issues were raised concerning the seasonal challenges of tourism and agriculture/food production as sources of employment. In these districts low aspirations and weak supply side issues linked to both sites and premises and skills levels were cited as major challenges. In the workshop on 20 April the issue of low critical mass as an impediment to economic stability was discussed – there is a strong feeling that remote economies are unable to generate their own dynamism and face leakage around key service areas, for example many are unable to generate their own consumer markets and in terms of retail are characterised by convenience shops.

A number of authorities across the board drew attention to a lack of local discretion over significant funding which restricts their ability to have an impact themselves and cited low critical mass and capacity, in terms of professional resources, as an issue in addressing economic challenges.

What other needs do your rural communities face: e.g. housing, health or access to services?

There was a broad commonality of response in relation to this heading across all participants to the survey except in one area. In relation to this area, a number of growing rural districts identified challenges around their two speed economies where it was becoming increasingly difficult to provide a coherent response to tackling pockets of deprivation within the broader context of an economy which in some other parts of the district was growing rapidly. At the workshop on 20 April delegates discussed the negative impact of being a dormitory settlement and cited the conversion of key former business sites into housing as a major factor in challenging their distinctive economic vitality within their broader city region. This led to a debate about the level of connectivity within city regions in both physical and social terms and highlighted this as an issue for potential further consideration.

Affordable housing and market town viability were cited as the key challenges in a number of authorities and across the piece small scale and limited service provision, particularly in the context of health care and education, were cited as key issues.

²⁴ There is considerable reference to this phenomenon in relation to rural districts within city regions in “Economic Performance of Rural Areas Inside and Outside of City Regions – Final report to Defra. Segal Quince Wicksteed & Cambridge Econometrics – September 2006”

In you district experience how supportive and effective are local agencies eg LSC, Business Link, RDAs in identifying and tackling needs?

It was absolutely clear from responses that all districts are well embedded in regeneration partnerships²⁵. A very substantial amount of networking and joint working is happening across the piece.

There was evidence however that partnership and collaborative dialogue was not being translated into action. In a number of cases districts felt that they were given too junior a role. Some respondents felt that regional bodies were too distant and worked too much through third party funding of projects, rather than generating real engagement, to understand the challenges of rural productivity. Artificial boundaries which do not reflect the reality of economic geography were also cited as reasons for a lack of coherent engagement between major cities and some of the survey respondents where they were based in different regions and counties. A significant number of respondents were most positive about the impact of local partnerships with: county councils, business link and community councils. Districts were less positive about engagement at the regional tier.

"There is a sense that sometimes the guiding principles for RDAs in delivering programmes and resources is more a question of geo-political pragmatism rather than intelligence led strategy. Where issues are spatially concentrated, then resources should follow suit. This might upset those that miss out, but if there is a clear justification braver decisions should be taken."

Comment from one of the 44 low productivity districts

In terms of the development of the LAA process has the issue of rural productivity been recognised both in terms specifically of block 4 but more generally across all four blocks?

Eight of the 11 respondents felt that the development of the LAA, particularly in relation to block 4 – the employment and enterprise block – had taken account of the economic productivity challenges faced by their district. In a number of cases there were strong indications that the whole LAA process (across all 4 blocks) had provided a holistic approach to setting targets for tackling low productivity and incomes. Some districts expressed a concern that they had not been given a sufficiently large role in the development of the LAA, however overall the district experience of LAA partnership formation was probably the most positive aspect of their feedback.

What is your experience of the rural proofing activities of sub-regional, regional and national agencies and departments – do you also apply rural proofing in terms of your own policy and practice?

The majority of districts did not see any significant benefit in rural proofing in relation to their own activities. A number felt that on the whole the concept was flawed and did not offer them any key solutions to their practical problems. This seemed to be particularly the case where districts with two speed economies felt it masked a subtler understanding of the economic realities of their areas. There was a general feeling that the higher up the "food chain" one progresses ie at county and regional level, the more valid rural proofing became, however there was widespread concern that it was not working and not embedded within such bodies effectively.

²⁵ This is deemed in relation to the 8 indicators of productivity by Defra to be an important issue – described by them as "institutional effectiveness" see: "Determinants of the relative economic performance of rural areas – Rural and Tourism Research Group and Countryside and Community Research Unit" – Defra 2004

What current support networks are available to you and how might you like to see them strengthened and improved?

There was no consistency to the responses offered by districts in relation to this question. The unique organisational characteristics, particularly driven by individual organisational priorities, appear to determine how effectively districts engage in support networks. More interestingly two respondents drew attention to the potential benefits of creating a rural component within county and regional areas of policy (ie LAAs) as a means of sharpening up support for the issues of low productivity. This was supplemented by a general feeling that at the regional and county level there was very little evidence of mutual support and networking opportunities. This appears to be a strong area for potential development in terms of networking and best practice activities.

These comments reinforce the benefit of networking as an activity across the board. Districts frequently don't have the resources to engage with networks. Regionalisation - giving more responsibilities to the regions by government - tends to put the focus on cities and make it more difficult to maintain awareness of rural issues, especially those of sparse and peripheral areas. These two factors mean that local, regional and national networks are necessary to share good practice across regions and to maintain a rural lobby.

To what extent does the existing rural policy framework at a regional level work for you?

Responses to this question build on the issues raised around organisational networking. Most of the respondents, particularly those remotest from transport corridors felt that rural organisations were not sufficiently accessible and clued into the detail of the challenges they faced in the context of productivity. There were some bright points within responses however and a number of larger authorities within the sample (East Lindsey, East Riding) felt that their relationships with their RDA were positive and had a useful element linked to delegation of funding. There was a broad view across a number of respondents that more effective delegation to the local tier would have a positive impact on tackling the issues of productivity. There is however a natural tension in this analysis in that in many cases local initiatives and actions are only likely to have a modest impact, whilst macro economic changes are required to make a real difference. In the East Midlands there was a very positive response to the fact that the RDA was using the lagging district map as a means of focusing its response to the roll out of the Rural Development Programme for England.

What opportunities currently exist for you to share information and best practice amongst the other 43 districts in the DEFRA PSA definition – eg would regular seminar/workshops to disseminate best practice be of help; would a regular email information exchange/newsletter have any merit?

The idea of creating enhanced networks amongst the 44 lagging districts as a discrete group was not as popular as networking across a wider range of types of predominantly rural authorities and of the creation of enhanced regional networking opportunities. Other positive examples of networking were cited, but within the context of a view that generally there were not sufficient opportunities for exchange of best practice, these included beacon activities. One interesting comment centred on the potential to look at networks and connections amongst authorities in the same "audit" family group.²⁶

How do you think your geographical location in terms of distance from your nearest principal service centre impacts on the level of productivity/household income in your district?

A number of interesting responses arose from this question. Those authorities with 2 speed economies identified that the major issue for them was commuting and the consequent in balance between those who lived and worked in the

²⁶ The Improvement and Development Agency for Local Government sponsored "Rural Excellence Programme" which was independently evaluated by Centre for Rural Economy at the University of Newcastle provides some insights into the challenges and benefits of rural local authority networking. See Rural Excellence Evaluation – Centre for Rural Economy – University of Newcastle 2006.

district as opposed to those who only lived there. A number of those authorities which were more distant from major transport routes cited more severe and structural challenges linked to narrowly focused economies, seasonality, low skill and wage patterns of employment. Most authorities, whether more or less well connected cited their economies as being largely undynamic and insular – although in the better connected economies there was evidence of growing dynamism around the outward investment trend from cities. There was a strong view that those better connected districts needed more support to benefit from the economic clout of their adjoining cities and a broader policy which did not see Cities in the same region as in competition.

"An approach based upon competing and semi-autonomous city regions is unlikely to assist the North East region in achieving its economic aims. Rather, a favoured approach would be to focus upon collaboration and maximising capacity through developing the potential of all areas of the region": be they rural or urban."

North Eastern local authority

5.3 Spatial issues

From the survey sample it is possible to discern two broad categories of respondent²⁷:

Better connected districts, where adjacent economic forces are impacting on low incomes and beginning to drive up productivity. The problems faced by these districts relate to managing a two speed internal economy balancing pockets of deprivation arising from their geographical circumstances with areas of growth. At the most acute in High Peak one might cite the dual challenges of maximising the impact of the new investments relating to the University of Derby whilst tackling the decline of more traditional activities within the rural economy such as hill farming. It is clear that in a number of these districts their administrative geography is at odds with their economic geography and administrative boundaries are clearly impacting on their ability to integrate with the external cities driving their development. This strongly reflects the fact that the district is a convenient but often not very practical way of geographically defining rural economies and in some cases where policy follows administrative boundaries it can be an unhelpful designation. Few district councils have self contained economies.

"Our location between Manchester and Sheffield, and within easy reach of towns such as Stoke-on-Trent has a major bearing on the access to employment and income levels of the District. Whilst this supports a growing professional and mobile workforce, this then disguises a more needy local population that are over-reliant on manufacturing, agriculture and tourism which is either in decline or heavy seasonal."

High Peak Borough Council

Less well connected districts, where long term structural decline in terms of primary production is still an issue. These districts tend to have more self contained and simple economies. They appear to be the toughest nuts to crack however in terms of tackling low incomes. Without some form of intervention over and above local and perhaps even regional resources the negative development equations they face are sufficiently acute that there is little prospect of them being regenerated. A high proportion of this second category of districts are coastal and/or upland areas.

This broad division of the lagging districts within the sample not only raises the question of how well district boundaries work as a designation of need but raises the more fundamental question of whether a focus on incomes is the sole way of identifying those places where the challenge of productivity is greatest. It seems that the spatial characteristics of non

²⁷ There are a significant number of taxonomies of rural economies see particularly "Understanding Rural Peripheral Rural Areas as Contexts for Economic Development – Ferrao and Lopes – The Future of Europe's Rural Peripheries (Lois Labrianidis - Business & Economics – 2004)

urban places have a much more significant impact on their economies than has been allowed for hitherto in the use of rural incomes as a proxy and it could be a future focus of policy should prioritise less well connected districts.²⁸ The analysis of the impact of city regions on rural areas by SQW and Cambridge Econometrics also identified these as key issues.²⁹

6. Statistical insights

Professor John Shepherd of Birkbeck College provided a range of data sets for the profiling work set out at section 4 above. Proxy sources of information for each of the key indicators were collected as follows:

Proximity to a city/principal urban settlement	Distance based proximity index to areas of town centre activity
Commuting patterns	2001 percentage of people aged 16 to 74 in employment in area traveling greater than 20km
Household income	2002 average household income in £ per year
% of population on Incapacity Benefit	2005 Incapacity Benefit claimants as a percentage of 2003 mid-year population estimates
Long term unemployment	2001 percentage of people 16-74 economically active unemployed who are long-term unemployed
Skills levels	2001 percentage of people aged 16-74 with highest qualification attained level 4 / 5
Access to services	2004 average of the SOA indicator distances sum in km to nearest GP practice, school, post office, store, which lie within the district
Company VAT registration/deregistration	2005 Ratio of VAT registrations to de-registrations for all industries
Population change over the last 10 years	Percentage change in population 1991-2001
Sparsity (people/hectare)	2001 population per hectare
Housing costs	2005 mean house prices £
Seasonal employment patterns	2004 percentage of all employment in agriculture and fishing & 2004 percentage of all employment in distribution, hotels and restaurants

It is important before offering any analysis for these districts to identify the fact that the data sets used are not comparable straightforwardly over time and have not been originally collected for the purposes of this study. It is possible however to draw inferences from the data, which give a good starting point for policy considerations

²⁸ For a recent discussion of the relationships between rural and urban economies in England see "Rural Development and the Economies of Rural Areas" N Ward in "A New Rural Agenda" ippr North May 2006

²⁹ "Economic Performance of Rural Areas Inside and Outside of City Regions – Final report to Defra. Segal Quince Wicksteed & Cambridge Econometrics – September 2006"

6.1 Remoteness

The lack of a clear measure of remoteness makes it difficult to straightforwardly create an index within the 44 districts of remoteness. Using proximity to a major service centre as a proxy for remoteness it is clear that those districts which are less well connected have the lowest incomes: with the top quartile of the 44 (the best connected) having an average income figure of £22,745 and the bottom quartile (the least well connected) having an average income figure of £21,772. The full span of incomes across all 44 districts is £18,900 to £26,500.

6.2 Economic Vitality

Economic vitality was considered in terms of skills levels and company vat registrations. We also looked at the percentage of employment in agriculture and distribution as a proxy for seasonal employment.

Interestingly those better connected districts within the sample start from a lower base in terms of skills and company vat registrations than those less well connected areas. This is likely to be as a consequence of their proximity to areas of urban deprivation. In terms of skills both Bolsover and Easington, which have a previously heavy industrial background have over 40% of the population with no qualifications and less than 10% with NVQ4/5 level qualifications. This mirrors trends in their nearest cities of Sheffield and Durham respectively.

Overall the top and bottom quartile comparisons for economic vitality are:

	No qualifications	NvQ4/5	VAT
Well connected	34.74	14.18	1.18
Less well connected	33.09	17.68	1.17

In terms of the ratio of vat registrations to de-registrations the figures are almost the same for well and less well connected districts.

A higher proportion of the workforce, were employed in agriculture and distribution in less well connected districts, suggesting both more seasonal employment and possibly (as both are low pay sectors) accounting to some degree for the lower average incomes in the less well connected districts.

	% in agriculture	% in distribution
Well connected	1.95	24.16
Less well connected	3.62	33.74

6.3 Social infrastructure

In terms of this factor we looked at house prices, access to services and proximity to main service centre

Mean house prices were significantly lower in the best connected districts than in the less well connected districts suggesting that the legacy of industrial housing in those well connected districts such as Easington, Bolsover, Wear Valley and Scunthorpe has led to a much lower starting base than those properties in attractive and remote tourist areas in settlements such as: Torridge, North Cornwall, Penwith and Berwick.

The difference for 2005 in terms of mean house prices between the top and bottom quartile of the sample in relation to remoteness was

Well connected	£141,194
Less well connected	£203,541

More work needs to be done in relation to this aspect of the indicators to look at geography within districts and other local factors which may be masked by using districts as a standard boundary.

6.4 Population dynamics

The population of the less well connected areas is projected to grow far more rapidly than that of the better connected areas however there are significantly higher proportions of the elderly in the less well connected areas, which impacts on their economic vitality, particularly in terms of household incomes and productivity in relation to employment, as set out below:

	Projected popn rise 2004 -2029	% Popn over 65
Well connected	11.18%	18.14%
Less well connected	19.79%	21.51%

6.5 Summary

This analysis suggests distinctly different characteristics within the 44 lagging districts. It identifies less well connected districts which have lower incomes, less dynamic and more seasonal employment, more expensive house prices driven by in-migration of the elderly and tourism and growing but elderly populations.

Building on the local authority findings section of this report which suggested an approach of looking at differences between better and less well connected districts; the statistical analysis suggests a further division in terms of better connected districts based on the relative dynamism of their adjacent urban hinterland. Old fashioned industrial settlements like Bolsover and Easington exhibit all the challenges of adjoining urban settlements in South Yorkshire and County Durham. They are the poorest and have the cheapest housing of all districts within the 44. Other well connected settlements however are clearly beginning to benefit from adjacency to dynamic cities: South Holland in terms of Peterborough and High Peak and West Lancashire in terms of Manchester.

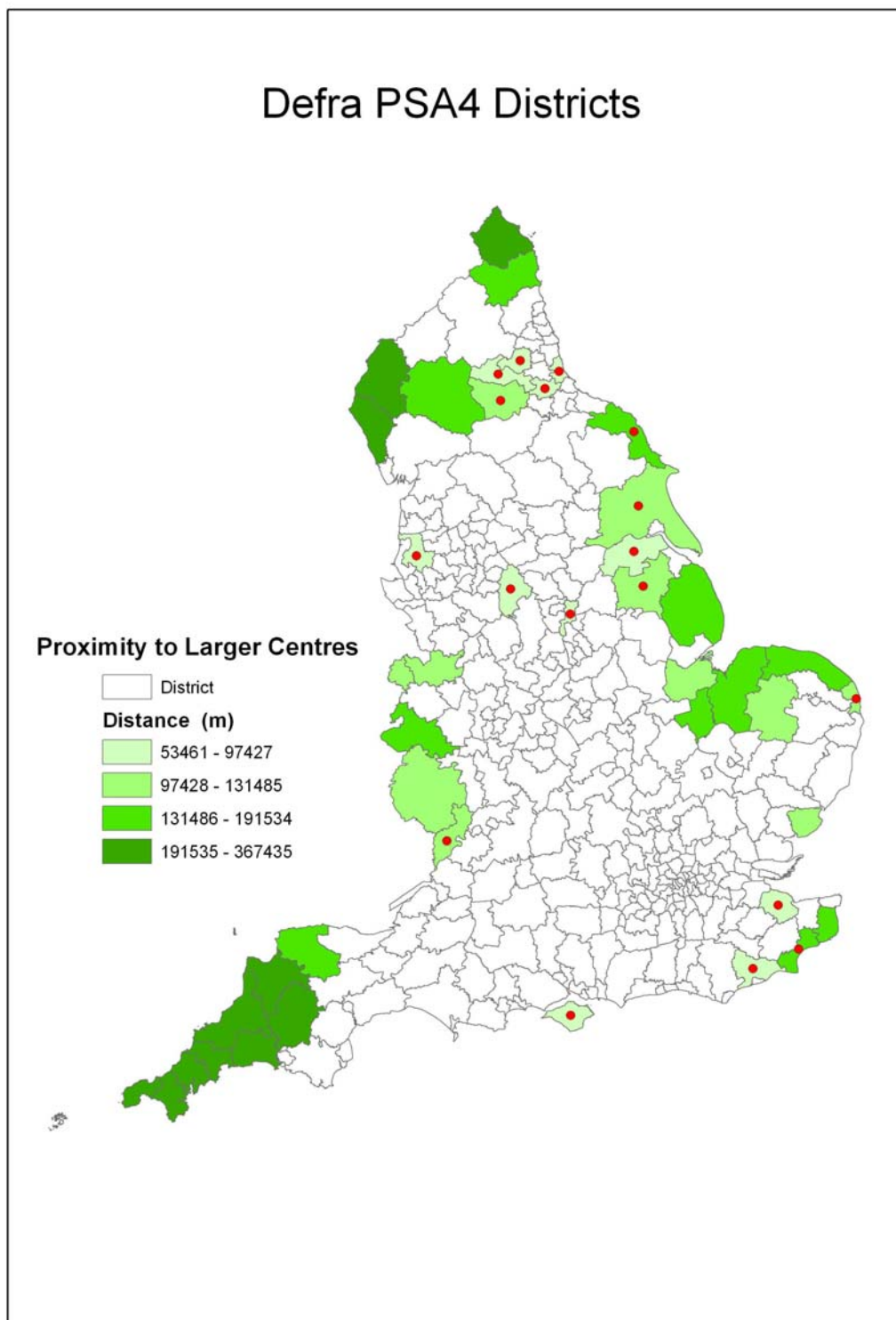
This analysis demonstrates that there are clearly different dynamics at play within the group of low productivity districts. We have formed a set of assumptions based on what respondents have said works best at different spatial levels in terms of policy, commissioning and delivery. A clear case can be made for intervention in remote areas which need a set of policy approaches:

- designed at the national level as a means of ensuring a coherent and equitable distribution of resources.
- commissioned at the regional level which is deemed to be the most meaningful tier to plan delivery and join up funding streams.
- implemented at the sub-regional level where the greatest understanding of local circumstances and needs and scope for innovation exists.

Better connected districts exhibit the characteristics of their urban neighbours and should form part of a planning agenda for those areas in the context of cities as engines of growth. In the South East and North West this is likely to be mainly about managing growth as prosperous city dwellers increasingly choose to move into rural areas bringing with them development pressures. In the North East and South Yorkshire it will be around stimulating economic development as these city regions which have low productivity overall strive to establish strategies to drive up the dynamism of their economies.

In considering the planning issues however it is important to recognize that city regions as presently defined are not fully coherent and integrated economic entities and it appears from the feedback received from both our survey cohort and those who attended the April 20 seminar that more work needs to be done to consider how to most effectively connect the edges of city regions to their core.

The map below – which was developed by John Shepherd of the Rural Evidence Research Centre – shows the distribution of the 44 Districts in relation to their proximity to larger centres. The red dots indicate those districts with better connectivity.



7. Conclusion

A number of key observations arise from this study:

A clear identification of less well connected small settlements can be established and common features ascribed to them. These arise from their spatial circumstances in terms of remoteness and there is a real likelihood that the impact of the present policy framework focused on city growth will not stretch to them³⁰.

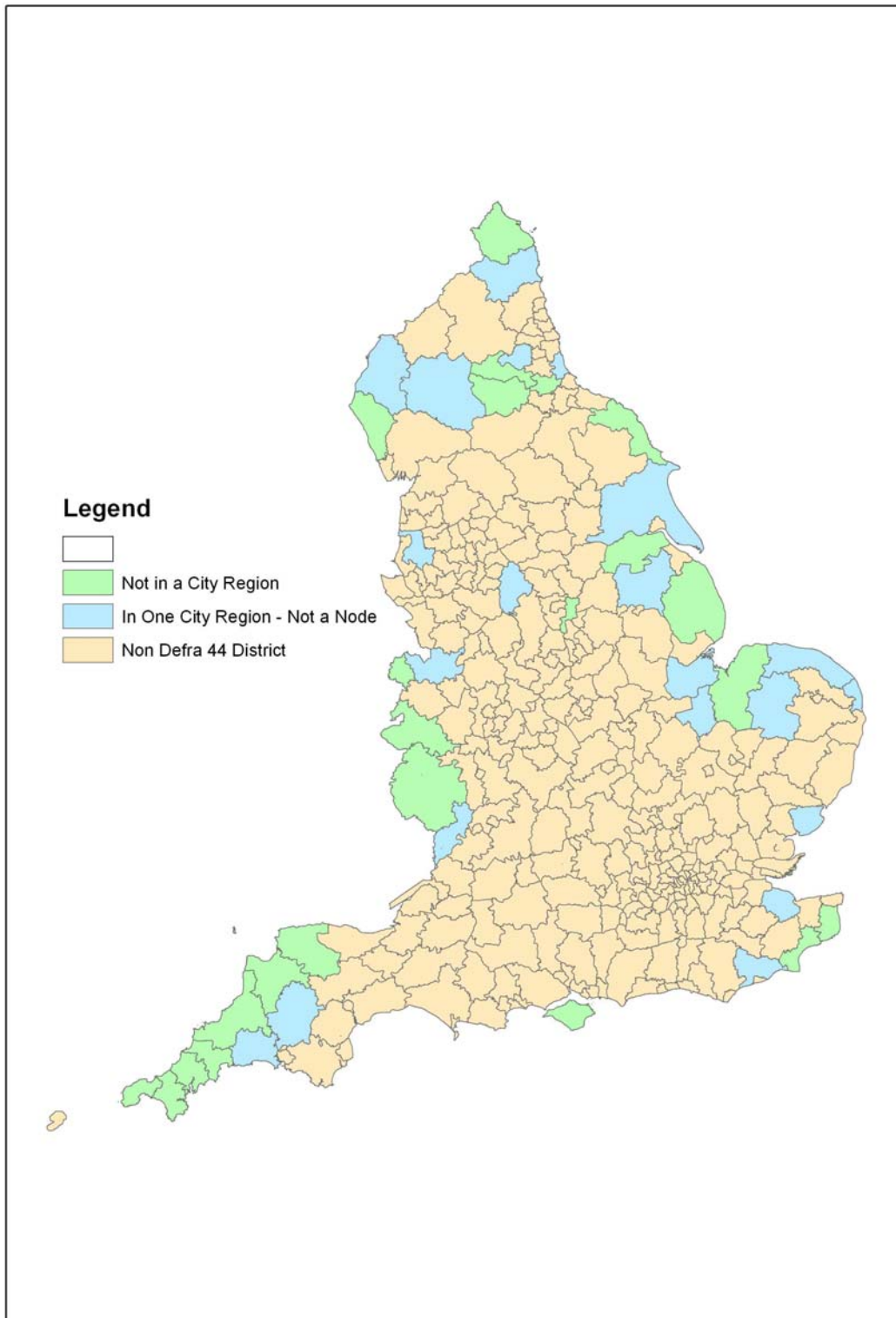
The present Defra list of lagging districts based on incomes helpfully focuses attention on the need for a “whole England” approach to economic policy – ensuring we do not forget about those places with low economic critical mass.

Average income is not the only instrument however in relation to identifying those areas which have a unique case for specific policy intervention outside of cities. It is clear that within this grouping the better connected districts should be linked into the broad policy agenda for their nearest major urban settlement. This is not straightforward because of administrative boundaries, which mask subtle differences within districts. It is hard for South Holland to develop a dialogue with Peterborough about key policies, which affect it and the same is true of High Peak and Manchester. The recent LGA document “Prosperous Communities II” makes this point very powerfully with its definition of self-contained sub-regional economies. In the case of both the examples above key parts of the rural district are shown to be in the economic sphere of Peterborough and Manchester respectively.

We need, then, to move the focus, if the significant market failure in remote districts is to be cracked, away from incomes as the sole proxy for productivity at the district level and look instead at the spatial characteristics of remote settlements. It is clear that business and market town structure are the key economic drivers of productivity in non urban areas and that proxies for the un-sustainability of such areas include issues of accessibility, skills and affordable housing where huge disparities in local incomes and house prices restrict the potential for these areas to retain local skilled workers and key workers who are crucial to underpinning local services and choices.

³⁰ See also significant evidence to this effect in “Economic Performance of Rural Areas Inside and Outside of City Regions – Final report to Defra. Segal Quince Wicksteed & Cambridge Econometrics – September 2006”

The map below shows the relationship between city regions and the Defra defined low productivity districts and demonstrates very clearly that rural incomes do not map straightforwardly onto one type of economy (either remote or city region peripheral) more than the other. The map helps demonstrate the case for a more detailed and subtle approach to the challenge of tackling low productivity and sustainability outside of major urban centres. The map shows an almost even distribution of the 44 low productivity districts between city regions and non city regions.



This report suggests that it would be more meaningful, in taking forward future policies, which seek to ensure all of England is covered by the prosperity agenda, to look at a discrete set of policy approaches focused on those sub-regional economies such as those identified in “Prosperous Communities II”, where there is no dominant urban centre and which are remote from other economically successful sub-regions. It will be equally important within city regions to look at the connectivity of urban centres and their hinterlands as a means of understanding and maximising the positive potential of “ripple out” from those cities.

Local government has a key role to play in this agenda as a leader and facilitator³¹. It needs to be freed up and supported by central government through increased devolution to make this difference.

8. Issues for further consideration

There are a number of key developmental issues which are worth consideration in the context of this study.

The key challenge is to ensure that the regeneration impact arising from the city region agenda reaches all those peripheral areas which are economically challenged. To achieve this, the following actions should be considered:

1. A means of mapping peripheral economies in more detail and setting out their characteristics should be developed supplemented by further interaction with their local authorities and other key players in their areas to refine the messages coming out of this initial signposting report. It is also clear that not enough information presently exists to interpret and tackle the dynamics between peripheral and central areas in city regions and more work to map this relationship and understand its dynamics is an important component of future economic development policy.
2. It is clear that the most effective interface between delivery and strategy is at the sub-regional level. At this level an enhanced premium should be placed on policy developments which focus attention on peripheral economies. Local and multi-area agreements and other key policy documents which direct resources at the sub-regional tier should be proofed to ensure that they focus on the challenges of peripheral settlements in terms of productivity.
3. It is clear that at district level identification of economies within administrative boundaries does not give a complete picture. It is also clear that a significant number of district councils need financial and capacity support to play a fully effective role in addressing economic development at the local level. To guarantee the most effective connection between local actions and sub-regional and regional policy planning in those economies categorized as peripheral, district councils particularly, alongside their first tier authorities, should be encouraged, working with their requisite RDA, to produce a statement of their economic impact, challenges and planning on an annual basis.
4. RDAs currently receive significant annual funding from Defra to tackle low productivity in those authorities defined as being in the bottom quartile of incomes. A very modest top slice of this funding could be deployed to develop a capacity building programme to enhance the role of those authorities, particularly at the district level, where the greatest capacity challenges exist, in playing their part in tackling low productivity. The successful rural excellence programme run by the Improvement and Development Agency for local government could be a good starting point for the development of such a programme.

³¹ In addition to the agenda set out in Prosperous Communities II see “City Regions and Beyond” LGA 2006 for an indication of the roles Local Government could play

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Written Statement from David Miliband on Voluntary Modulation and the New Rural Development Programme for England 2007-2013 - 20 March 2007 Defra

Appendix A - the lagging districts

Breckland Council
West Lancashire District Council
North Cornwall District Council
Eden
North Shropshire District Council
Rother
West Devon Borough Council
Caradon District Council
Restormel Borough Council
Wear Valley District Council
Torrige District Council
Berwick-upon-Tweed Borough Council
Scarborough Council
Penwith District Council
Isle of Wight
North Devon
Carrick District Council
Kerrier District Council
Dover
East Lindsey District Council
East Riding of Yorkshire Council
Herefordshire Council
High Peak Borough Council
North Norfolk
Borough Council of Kings Lynn & West Norfolk
Great Yarmouth
North Lincolnshire Council
South Holland
Fenland District Council
Bolsover District Council
Copeland Borough Council
Swale
Oswestry Borough Council
Shepway
Forest of Dean
Tendring District Council
West Lindsey
Alnwick District Council
Derwentside District Council
Teesdale District Council
Sedgefield Borough Council
District of Easington
South Shropshire District Council
Allerdale Borough Council

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