



Our response to “prosperous places: taking forward the review of sub national economic development and regeneration”

1. Introduction

- 1.1 The Commission for Rural Communities (CRC) has the following three roles:
 - Listening to and representing the views of rural communities
 - Giving expert advice
 - Acting as an independent watchdog.
- 1.2 Our job is to provide independent advice to government and others to make sure that policies reflect the real needs of people living and working in rural England, with a particular focus on tackling disadvantage and economic under performance.
- 1.3 We are pleased to contribute to the consultation on the review of sub national economic development and regeneration (SNR), issued jointly by CLG and BERR. The CRC has an important role to play in supporting and advising government departments as new policy initiatives are developed, to help ensure that these policies can be applied and delivered to all communities and localities regardless of where they are in England. Our particular interest is in ensuring that *rural* communities can benefit from and contribute to the ambitions of any new policy directives. It is vitally important that the changes proposed as a result of the SNR give due consideration to the different circumstances and needs of rural communities. This consideration should be given during the process of developing and implementing changes, not at the end.
- 1.4 As such we welcome the helpful rural proofing impact statement developed on the approach to the local authority economic assessment duty included in the consultation (p73). In fact, we were pleased to advise CLG colleagues on its content. Rural Proofing is a specific impact test that is included in the Impact Assessment and we are pleased to see that it has been addressed. The statement shows a headline appreciation of the issues within the SNR that will impact on rural communities. But this statement could have gone further. And through this consultation response, we hope to further inform how the ambitions of the SNR will need to take account of the particular circumstances of rural communities if they are able to contribute to achieving the ambitions set out by CLG and BERR.
- 1.5 We have just published and launched a report, commissioned directly by the Prime Minister, that sets out how rural areas can be supported to release their economic potential¹. Our research shows that if rural businesses generated turnover levels comparable to the rural share of employment or enterprise in England, the currently unfulfilled potential growth in output may achieve between £236 and £347 billion per year more. We go on to make a number of recommendations as to how this potential can be unlocked.

The SNR clearly therefore has a role in helping to unlock this potential for the greater benefit of England. We attach a copy of the report to the Prime Minister with this consultation response (see footnote 1).

- 1.6 In addition, we will shortly be launching our new report where we have analysed the latest statistical evidence of the scale and depth of rural financial poverty². For example, the research shows that the proportion of rural households experiencing relative poverty rose from 16% to 18% between 2004 and 2007. The report identifies priority areas for those working to tackle financial poverty and highlights examples of best practice in rural areas.
- 1.7 Overall we welcome the ambitions of the SNR and are pleased to support much of the content of the proposals. In this consultation response we set out some broad comments and recommendations and where relevant, relate these to the specific questions posed in the consultation document. To begin with, we set out the two key comments that provide the overall context for the detailed comments we make.

2. Main messages

- 2.1 Much of our commentary and response focuses on the need for "rural proofing" the new structures, processes and arrangements. Rural Proofing was introduced by the Government in 2000 and remains a Government commitment today. As a process, that all Government departments and Government Offices for the Regions must undertake, rural proofing seeks to ensure that as policy is developed and delivered, appropriate account is taken of rural needs and circumstances. As such, our comments on the SNR relate to ways of ensuring that *rural* communities can benefit from and contribute to the ambitions of these new policy directives. Indeed, we are supportive of the move for integration, through the new integrated regional strategy, and the principles of delegation and devolution. It is vitally important that the changes proposed as a result of the SNR give due consideration to the different circumstances and needs of rural communities and we make suggestions, where appropriate, on how this can happen.
- 2.2 We are however, disappointed that this SNR consultation document focuses on economic growth and places a sole focus on Gross Value Added as a target for RDAs. This was not the case in the paper published on the outcome of the SNR in July 2007. In that paper, we welcomed the recognition given to the diversity of the economy and its various drivers and the stated position that consideration of issues around economic *well being* need to be integrated with the more traditional drivers of economies.
- 2.3 We note the footnote on p.15 of the consultation that states "sustainable growth here and throughout refers to economic growth that can be sustained...also enhances the environment and social welfare...". We welcome this focus on economic *wellbeing*. However, the current consultation focuses on GVA as a driver for RDAs. GVA, as an output based measurement, does not take into account the wider costs of such growth to the socio-environmental landscape; the well being agenda. This focus will make it impossible for anyone to deliver your ambition to enhance the environment and social welfare.
- 2.4 Local authorities have a statutory responsibility to promote the concept of economic wellbeing that was first set out in the Local Government Act 2000. We want this statutory responsibility to cascade *up* to RDAs to support them in delivering their broader remit that is set out in the SNR.

3. **Subsidiarity (reference to question 1)**

3.1 We note, and welcome, the implicit support for the principle of subsidiarity within the consultation document. This direction of travel that we observe across government is important for a host of reasons and will help to achieve government's ambitions for active and empowered communities, strong local democracy, appropriate local solutions and inclusive decision making. It was a feature we observed during our recent inquiry into the role of rural councillors³. Subsidiarity is about ensuring the devolution of decision making responsibility as a matter of practice, and that only matters that should be the concern of central government should be addressed at this level. We want to see a constitutional settlement that gives people the power, with parliament devolving decision making to the level of government best able to deliver the best solution. We are disappointed that the opportunity to clarify this relationship between central government and local government in relation to policy making and delivery decision making was not fully addressed and formalised by the draft Constitutional Renewal Bill.

3.2 We fully support the assertion that RDAs should delegate funding to those best placed to deliver economic improvement where capacity exists. We propose that there should be a presumption that the capacity for programme management and delivery at sub regional / local *does exist* and that the onus of proof should be on the RDA to prove otherwise if necessary. If this presumption is not the driver, there is a risk that it will be all too easy to assume that capacity does not exist or make weak justifications for where it is felt not to be strong enough. The RDA must be willing to step back to allow those best place to deliver to do so and be willing to extend trust to local partnerships and where appropriate, using existing structures and partnerships who can demonstrate a track record in delivery. Where there is concern about capacity, the RDA should set out how they will help build the capacity needed in order to meet the presumption to devolve. The degree to which RDAs have extended this trust must be part of their accountability responsibilities back to Government.

4. **Local Authority Leaders' Forums (reference to question 2)**

4.1 We wholeheartedly support the proposal that local authorities should determine how they set up a local authority leaders' forum for their area and that Government should only intervene where they fail to operate or meet required criteria. However, it is important that such a structure is equipped to ensure appropriate rural representation – effectively rural proofing its structure and operation. This point is further explained and argued in the next section.

5. **Accountability and scrutiny (reference to question 3)**

5.1 We support the case for strengthened local and regional accountability as set out in the consultation document. Our particular interest lies in ensuring that the new accountability arrangements are robust in structure and process to ensure that there can be appropriate rural representation, at all levels necessary. This includes considering rural representation within RDAs, the new integrated regional strategies, regional scrutiny committees and the leader's forums.

5.2 For example, given their enhanced role and responsibilities, we would recommend clear and transparent lines of accountability from RDAs to central Government and to Parliament.

But this accountability should also translate down; and there should be clear lines of accountability to rural representatives and interests as part of this.

- 5.3 One way to achieve this is to strengthen the capacity within RDAs to understand and therefore be accountable for the rural agenda. This needs to be achieved consistent with the government's ambitions to embed rural policy into mainstream policy thinking. We are not suggesting new rural teams, priorities or focus. But strengthening the capacity of existing mechanisms, such as RDA Rural Board Members, to champion on rural issues, both within the RDA and with other organisations. Strengthening the capacity of rural champions and their networks is something we specifically advocate in our report to the Prime Minister. In particular relation to the SNR, well networked rural champions need to have a voice and representation in most of the mechanisms defined and resourced by the RDAs, including local employment and skills boards and Business Links.
- 5.4 Furthermore, an important element of accountability is being able to demonstrate delivery to all communities and localities within an area. As such, RDAs must be required to report on their delivery to rural areas and economies; *not* deliver separately to them, but be able explain clearly, where delivery has benefited rural communities. This, in part, can be achieved by disaggregating of appropriate data and evidence to the Super Output Area level. We are keen that in due course, rural interests and representatives, including CRC, are given opportunity to advise on and help shape the revised RDA tasking Framework, including adoption of their new responsibilities (including for spatial planning). We provide further details on this at paragraph 6.3 and 6.4 below.
- 5.5 We are keen to understand how the breadth of rural partners (social, economic, environmental and health) currently represented on the Regional Assemblies will be able to make their voices heard in future structures. Perhaps there is a case for county (and district) level rural forums and committees (usually involving business and third sector and other partners) being part of the new scrutiny process. There will clearly also be the need to make links with the proposed Leaders' Forums. And we advocate for an appropriate rural dimension on the new Leader's Forums to ensure that this new structure is able to take decisions that will benefit all communities, regardless of their geography.
- 5.6 There is also clearly a need for the Regional Rural Affairs Forums (RRAFs) to consider the role they could play in regional rural scrutiny, in support of the new structures. Particularly in relation to the examinations in public of the new Integrated Regional Strategies. The RRAFs do provide national coverage of regional forums that brings together rural interests to help inform delivery. In our response to the Governance of Britain Green Paper, we proposed that the Regional Minister should reinforce rural proofing, working with RRAFs, particularly when developing the new integrated regional strategies. We commend this approach through this consultation.
- 5.7 To find a legitimate locus and input in the new regional landscape the RRAFs will need to make new connections to the Leaders' Forums and the regional parliamentary committees, as well as the RDAs. Such linkages may imply greater consistency in structure and approach than is currently the case. If so, there are resource implications and this needs to be considered. One option is to realise some of the savings from abolition of Regional Assemblies and redirect some to support the RRAFs – working with the Leaders' Forums – to undertake a formal rural scrutiny function.

- 5.8 In relation to the accountability and scrutiny of the new Integrated Regional Strategies, Government Offices also have an important place in rural proofing the new arrangements; as long as the commitment remains from government to a formal proofing process, it should be their job to ensure it is applied. Government Offices increasingly take a facilitative, rather than prescriptive, approach to this, and as long as strategy owners (in particular, the RDAs) are willing to engage, this can be successful. If they are not, then it surely must be the job of the Government Offices to encourage them to do so.
- 5.9 We would also suggest that Defra ministers are included as part of the sign off process for the integrated regional strategy as they can provide an important rural proofing safeguard. Their remit however must be to consider both sustainability aspects and also their ambitions for strong rural communities as set out in the Departmental Strategic Objective. Indeed all government departments that call upon performance management information identified by the local government performance framework, to deliver their departmental strategic objectives, should have a role in formal sign off of the strategies. Linked to this, we also highlight the need for rural proofing thinking/approaches in relation to the proposed regional parliamentary (scrutiny) committees.

6. **Regional strategies (reference to questions 4 -6)**

- 6.1 We strongly support the assertion that the new regional strategies be founded on a "robust evidence base" (p 30 para 4.12), and to ensure these strategies are sensitive to the needs of rural communities, there must clearly be a strong rural evidence base within this. The needs of rural communities, particularly the nature of rural disadvantage is often hidden amongst conventional statistics. Deprivation is not easy to classify on a geographic basis as deprived people do not always live in deprived areas. Conversely, many residents of deprived areas are not deprived themselves. Deprivation is also seen as a predominantly urban issue and to a certain extent the data supports this. Although relatively few rural areas are identified as extremely deprived, there are a large number of deprived people living in rural areas. This is highlighted by the recent production of *The Rural South East: An Evidence Base*⁴ that illustrates the 532 Super Output Areas in the most deprived 10% across the South-East (based on the Indices of Multiple Deprivation 2004), only 12 (2%) are in rural areas. Nevertheless, of the 427,455 people of working age receiving DWP benefits across the South-East, 75,260 (15%) live in rural areas. Furthermore, 280,426 adults with no qualifications live in the region's rural areas. This is around one fifth of over one million such adults in the South East. 256,065 people in rural areas of the region have a limiting long-term illness, again around a fifth of the South East total.
- 6.2 The new Regional Strategies will set the overarching investment context (public and private). It will, therefore, be critically important for those interested in securing proportionate impact from investment for rural areas, and ensuring a viable future for rural people, places and businesses, that they are effectively rural proofed. We wish to see the new Regional Strategies embed a clear and positive rural dimension, recognising specific rural issues and responding to key rural challenges (for example, with regard to housing), accessing strong evidence of where these challenges are most felt. Regional Rural Affairs Forums are well placed to play a key role in this process, provided they have sufficient capacity and continue to be given room around the regional table.

- 6.3 From recent CRC research work⁵, we know that previous regional strategy processes (to create Regional Housing Strategies and Regional Spatial Strategies) have often failed sufficiently to reflect rural needs. The challenge, looking forward, is to ensure that the new integrated regional strategies do not repeat this pattern.
- 6.4 We support the proposed broader role for the RDAs in the future, specifically their responsibility for the integrated regional strategy. To allay public perceptions that RDAs overlook the rural interest, we suggest RDAs should demonstrate in their planning how their programmes will improve economic performance and well being of all areas in their regions, including those rural ones. This could be achieved by tasking RDAs to produce a formal rural proofing statement in the same way that Government requires this of Government Departments and Government Offices for the Regions. We would be pleased to advise on this. Furthermore, we also suggest RDAs be required, as part of their delivery framework, to report on their delivery to rural areas and economies; perhaps as part of a report on differences in delivery across the different places within each region.
- 6.5 We must reiterate our disappointment that this SNR consultation document focuses on economic growth and places a sole focus on Gross Value Added as a target for RDAs. The ambitions set out in the footnote on p.15 of the consultation (that states “sustainable growth here and throughout refers to economic growth that can be sustained...also enhances the environment and social welfare...”) cannot be met when GVA remains the sole target.
- 6.6 We have already raised the issue of how the rural socio economic interests will be represented in the new structures proposed. One element of this is clearly for RDAs to reflect on their engagement with rural interests and voices following the demise of the social and economic partners within the Regional Assemblies. We have made suggestions as to how this could be arranged in section 5.

7. Local and sub regional levels (reference questions 7-10)

- 7.1 We were pleased to advise CLG on the rural proofing impact statement developed for the local authority economic assessment duty, as part of the SNR. Such consideration of rural structures and circumstances is required at both national policy development level and regional / sub regional policy delivery level. As such we would emphasise the need for local authorities to rural proof the new economic assessments. There is much good practice of local authority rural proofing that already exists, for example <http://www.idea.gov.uk/idk/core/page.do?pageId=623654>. In addition, we would also like to highlight the emerging learning from joint CRC/LGA project on productivity and place. This will advise how local authorities can address their responsibilities supporting rural economic development and economic wellbeing. This project is shortly to report and we will send a copy of the report and recommendations to the SNR team.
- 7.2 We have already mentioned the importance of a strong and robust rural evidence base and clearly, the new local authority economic assessment duty will require strong rural evidence base (where appropriate).
- 7.3 Linked to the economic assessment duty are the importance of LAAs in helping to achieve the ambitions of the SNR.

We have previously offered rural proofing advice in relation to LAAs, making the case for:

- Dedicated rural *issue* targets in either the LAA or the follow up delivery plans, where there is a distinct rural *issue* across the LAA territory (such as access to services); or
- Dedicated rural *area* targets in either the LAA or the follow up delivery plans, where there is a distinct rural area within the LAA territory that has a particular need for improvement (such as regeneration or flood management).

7.4 Most commonly, however, rural proofing LAAs should be about trying to ensure equitable delivery of area wide targets in rural as much as in other areas. This is about 'the mainstreaming of rural'. Mainstreaming involves ensuring that LAA delivery plans consider the risks of unequal access and take mitigating action. It will require monitoring on a very local and neighbourhood level, in order that differences in delivery within the LAA territory can be monitored and then managed as necessary.

8. Conclusion

8.1 The CRC commend this response to CLG and BERR and hope that it helps inform thinking on the implementation of the Sub National Review. We would be very pleased to meet with CLG and BERR to discuss our response in more detail and to consider how we may look to support the implementation of the SNR. In particular we would welcome the opportunity to provide further information on both our report to the Prime Minister on Rural Economies⁶ and our forthcoming report on rural poverty and how this information can help inform the development of the SNR implementation.

8.2 For further information, please contact Laura Jacobs.

CRC
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¹ England's rural areas: steps to release their economic potential. Advice from the Rural Advocate to the Prime Minister, see http://www.ruralcommunities.gov.uk/files/crc67_englands_rural_areas1.pdf

² The Rural Financial Poverty report will be launched on 16 July 2008, see www.ruralcommunities.gov.uk

³ Participation Inquiry: Strengthening the role of rural councillors, CRC 2008

⁴ <http://www.see-in.co.uk/downloads/Publications/Rural%20South%20East%20full%20report.pdf>

⁵ <http://www.ruralcommunities.gov.uk/files/REPORT%20FINAL%20CRC%201211LC.pdf>

⁶ http://www.ruralcommunities.gov.uk/files/crc67_englands_rural_areas1.pdf