



House of Commons

Environment, Food and Rural  
Affairs Committee

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**The potential of  
England's rural  
economy: Government  
Response to the  
Committee's Eleventh  
Report of Session  
2007–08**

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**First Special Report of Session 2008–  
09**

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## Environment, Food and Rural Affairs Committee

The Environment, Food and Rural Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Environment, Food and Rural Affairs and its associated bodies.

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### Powers

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### Committee staff

The current staff of the Committee are Richard Cooke (Clerk), Nerys Welfoot (Second Clerk), Sarah Coe (Committee Specialist—Environment), Joanna Dodd (Inquiry Manager), Andy Boyd (Senior Committee Assistant), Briony Potts and Mandy Sullivan (Committee Assistants).

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# First Special Report

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The Environment, Food and Rural Affairs Committee reported to the House on *The potential of England's rural economy* in its Eleventh Report of Session 2007–08, published on 29 October 2008 as HC 544-I. The Government's response to the Report was received on 29 December 2008.

## Government response

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### Introduction

1. The Government welcomes the Report of the Environment Food and Rural Affairs Committee on the Potential of England's Rural Economy. We welcome the work that has gone into producing a report into such a wide ranging subject and the ideas it brings to the Government's efforts to strengthen rural communities. The current economic climate and its potential effects on rural areas makes this report all the more timely. The economic downturn is likely to have impacts across all regions and spread across both urban and rural areas. So, for rural areas, Government must be able:

- to quickly identify any particular rural issues that may require specific or targeted action;
- to ensure that the mainstream measures designed to support the economy are having a proportionate impact in rural as in urban areas

The intelligence received by the Government on the impact of the current economic situation on different places does, therefore, needs to be effectively rural-proofed. Defra, BERR and the RDAs are putting in place a mechanism to ensure the effective rural-proofing of the regional state of the economy reports that RDAs have been commissioned to produce by the National Economic Council. And the Commission for Rural Communities (CRC) has been asked to contribute too at national level. So far (December 2008) the hard evidence is patchy and is not indicative of any particular rural effects. But rural economies are heavily dependent on small and medium sized businesses and this is one of the sectors thought to be most under threat. So this is an area that will remain under scrutiny.

2. Government responses to the Committee's individual recommendations are set out below, but at the outset it might be worth putting the Defra strong rural communities Departmental Strategic Objective in the context of broader Government policy towards and aspirations for rural areas.

3. The needs of rural people are the same as those of people living in inner cities and suburban areas. The Government seeks the same positive outcomes for rural people as for those living in non-rural areas. We seek equity and fairness for rural people. For that reason, those needs will be largely addressed by the same parts of the public sector—although the challenges posed by geography and demography create the need for some

Careful and specific thinking about delivery of outcomes for rural communities and businesses.

4. Defra is responsible for taking a coordinated view of the Government's policies in relation to rural areas, but not for the development or implementation of those policies, which remain the responsibility of other Government departments. Defra itself holds few of the policy levers. Its role is one of promoting the interests of rural people, businesses and communities within Whitehall and with regional and local government, and using evidence to influence policy development and delivery. Most delivery, whether urban or rural is through national and regional programmes or via local authorities. Defra's role is to listen and promote action at the appropriate level to ensure the rural voice is heard and specific rural needs are addressed.

5. At the national level Defra works with other Government Departments and the Commission for Rural Communities (CRC). Defra adds value by helping those Departments understand the rural dimension of their responsibilities. Defra does this through:

- improving the evidence base (including specially commissioned R&D);
- maintaining effective two-way links with groups representing rural issues and with those responsible for policies;
- using that evidence and the links with rural communities to help advise and inform other departments whose focus might otherwise naturally fall on those urban areas which contain the highest population concentration—some examples are included in this response to illustrate this role; and
- sponsoring the CRC which acts as a rural adviser, advocate and watchdog.

6. We agree with the Committee that Government policies and interventions must be designed effectively to meet the needs of people living throughout the country. The Intermediate Outcome on rural economic growth was designed to assess the performance of the Government's social and economic policies in rural areas by comparing outcomes and trends in rural areas to the national picture. To better understand and influence economic performance of rural areas Defra developed a new measure of rural productivity in conjunction with the Office for National Statistics. This evidence base will be used to inform the delivery of economic support for all rural areas and to encourage a particular focus on those rural areas with the lowest levels of performance.

## Committee Recommendations and Responses

The Government's response to the Committee's individual recommendations are set out below.

### *The potential benefits*

**1. We recommend that Defra economists make an effort to quantify the potential of the rural economy as this would assist in making a case for the necessary use of resources to fully address the challenges arising from the rural economy that this report and others identify. (Paragraph 1)**

During oral evidence, the Committee was particularly interested in obtaining from Defra an estimate of the value of the economic potential of rural areas to compare with that contained in the Rural Advocate's report. As outlined below, a full response to that report, including an analysis of the estimated 'value' of rural economies will be published shortly. However, we do have reservations regarding the basis for the estimates used. In developing the response to the Rural Advocate's report, Government has carried out a thorough analysis of the issues raised.

We do agree that it is important that all levels of Government have an effective understanding of the reasons why some areas, both urban and rural, perform less well than others, including the spatial dimensions to any differences.

Defra is a joint delivery partner for PSA7 "Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions". Our contribution to this PSA focuses on the following question; "*Analysis of trade-offs: can the risk of increased intra-regional disparities, with particular regard to peripheral rural areas, be minimised?*".

This work builds on the evidence that, whilst most rural areas are performing quite well, there are rural areas where levels of economic performance are below average and prospects for growth are more limited. These tend to be in areas more distant from economic mass. The aim is to provide the evidence base suitable to support action at the appropriate level to limit intra-regional disparities based on geography. A key element of this work involves making sure that the relevant players understand the effects on rural areas of economic interventions so that the potential of peripheral rural areas to contribute to regional economic performance can be recognised and realised.

Defra is working with the London School of Economics to expand the work programme of the Centre for Spatial Economic Research to look into the relative economic performance of rural areas.

### *The Burgess and Taylor reviews*

**2. The Burgess and Taylor reviews are an indication of the Government's willingness to consider what further measures could be taken to strengthen the rural economy and address the continuing problem of housing availability for those on low incomes. What are needed are innovative schemes such as Community Land Trusts to build upon the**

**exceptions policy in local development frameworks and to kick start these initiatives. We urge the Government to publish detailed responses to both reviews, setting out whether it agrees with their findings, what specific actions it intends public bodies to take as a result, and an implementation timetable. (Paragraph 6)**

The Government will be responding to both reviews shortly. Defra and CLG are working together to respond to the recommendations made by Matthew Taylor. A cross Whitehall working group has been brought together under the chairmanship of Defra to develop a joint response to the recommendations made in the Burgess Review. This group includes HMT, BERR, CLG, DIUS and DWP.

### ***Understanding the rural economy***

**3. Based on the concerns put to the Committee, we recommend that Defra carry out a review of whether planning decisions by National Park Authorities reflect the correct balance between protecting the natural environment and ensuring that communities located within national parks are sustainable and will survive. (Paragraph 9)**

The Government's planning policies for development in National Parks are contained in Planning Policy Statement 7 which encourages policies in Local Development Documents (and Regional Spatial Strategies if necessary) to support suitably located and designed development necessary to facilitate the economic and social needs of National Parks. There is no presumption against development in National Parks although, naturally, stricter policies apply to major development proposals. Government keeps all of its planning policies under review but has no reason to believe that those for National Parks in PPS7 are working in any way other than as intended.

In pursuing the National Park statutory purposes of conservation and recreation, the National Park authorities have a duty to foster the economic and social well-being of their local communities. The Government does not consider the authorities are failing to do this or that it is necessary to review the planning decisions taken by them. It is the responsibility of every local planning authority to take into account all material considerations when deciding a planning application and this would include the environmental, economic and social sustainability of the proposed development. Local planning authorities, including National Park authorities, are best placed to consider the various issues raised by each planning application and the implications for their area. It is considered inappropriate for the Government to second guess any decisions reached by a National Park authority, unless, of course, it came before the Secretary of State for Communities and Local Government as an appeal or called-in application.

In any case, the Government does not accept that the National Park authorities have failed to correctly balance the need to protect the natural environment with the need to ensure that park communities are sustainable and survive. The National Park authorities have done an excellent job at conserving the high environmental quality of the Parks but this has not been at the expense of the communities and businesses within them. Research shows that National Parks help businesses to prosper and that a healthy natural environment and a healthy rural economy go together. To lay a greater emphasis on the economic development of National Parks would threaten the very qualities of natural beauty and

opportunities for sustainable recreation which attract people to them - and which attract businesses to relocate in or near them.

The planning application in the Yorkshire Dales National Park referred to in the report was one that was made in 1990 and permitted in 1991. It is difficult to see what lessons could be drawn from such an old case. But it is notable that the application site was on land owned by the National Park authority which was gifted to the business. The site was a sensitive one which fronted the Dales Countryside Museum, a traditional building of considerable character. That is why the permission was conditioned to ensure traditional materials appropriate to such a site were used.

Socio-economic projects funded by the National Parks include:

The New Environmental Economy Programme ran from 2002 to March 2008 in the Peak District National Park and offered grants to businesses developing new products and services based on using the high quality environment of the Peak District as a business asset.

Several Authorities are involved in projects to revive rural skills, for example the 'Traditional, Boundaries Traditional Skills' project in the Northumberland National Park and the bursary scheme to support the training of reed and sedge cutters and millwrights in the Broads.

The Parks' Sustainable Development Funds (SDF) have been used to support many local businesses for example, in the Exmoor National Park SDF grant was used to help a micro-brewery enterprise with the additional costs of converting a disused agricultural building.

**4. The differences between running a business in a market town and a smaller rural community seem to us at least as significant as the differences between running a business in a market town and a city. Defra should ensure that its rural affairs targets take this into account and that its data enables it to distinguish between different types of rural areas, so that its policies can be tailored accordingly. (Paragraph 11)**

We agree that all rural places are not the same. Indeed there may be significant diversity between the issues faced not only by different types of rural settlement e.g. markets towns and smaller rural communities but also between similar types of settlement in different parts of the country. We fully recognise that all places are different, that is why Government policy is increasingly designed to create the regional and local flexibility to respond to the specific needs of specific places.

The Government's review of sub-national economic development and regeneration (SNR)<sup>1</sup> was published in July 2007. The review focused on improving the economic performance of England's regions, cities and localities, as well as tackling persistent pockets of

1 [http://www.hm-treasury.gov.uk/sub-national\\_economic\\_development\\_regeneration\\_review.htm](http://www.hm-treasury.gov.uk/sub-national_economic_development_regeneration_review.htm)

deprivation. It was based on the principles of managing policy at the right spatial level; ensuring clarity of roles for those bodies acting sub-nationally; and enabling places to reach their full potential. Defra is working with other departments to ensure the guidance for single regional strategies draws out the need to rural proof these strategies.

In October 2008, Government announced “Solutions for Business—funded by government” a streamlined package of 30 publicly-funded business support products accessed via Business Link to help companies start, survive and succeed. This simplified system will make it easier for all business, including those based in rural areas, to find the right products to help them with common business issues such as finance, innovation and skills.

### *The marginalisation of rural affairs?*

**5. We are concerned that the decision to have a rural affairs target that is a Departmental Strategic Objective, rather than a cross-government Public Service Agreement, means that less attention will be focused on realising the potential of the rural economy, both across Government and within Defra. The environment has clearly been Defra’s number one priority, and rightly so. However, this should not mean that rural affairs struggle to attract the attention they deserve. We urge that, in the next Comprehensive Spending Review, consideration be given to making the rural affairs target a cross-government Public Service Agreement. In the meantime, there is, at the very least, a strong perception amongst those involved that rural affairs are being marginalised in Defra and the Department should set out how it intends to address this concern. (Paragraph 18)**

The Government remains firmly committed to strong rural communities. This is one of the eight key objectives (DSOs) for Defra agreed with Treasury. The DSO is already cross government in the sense that:

- the monitoring indicators for the DSO reflect the breadth of Government policies few, if any, of which are the direct responsibility of Defra;
- the programme board for delivery of the DSO is cross –Departmental;
- rural mainstreaming of policy is a concept that is accepted across Government already; and
- rural proofing is the responsibility of all government Departments.

So all departments are engaged in the delivery of the DSO in the same way they would be for a PSA.

We agree that the way the DSO works across departments and the role that Defra plays may not be fully and widely understood. Defra is currently considering ways to publicise more widely and effectively information about the Strong Rural Communities Programme.

The question whether a formal PSA is appropriate and would deliver anything different is an issue for the next Comprehensive Spending Review.

### ***What is a “Strong Rural Community”?***

**6. We are unconvinced that “Strong Rural Communities” is the most appropriate title for Defra’s Departmental Strategic Objective and are encouraged by the Minister’s willingness to consider alternatives. We recommend that Defra adopt the term “Socially and Economically Sustainable Rural Communities”. (Paragraph 21)**

We are grateful to the Committee for this helpful suggestion and as the then Minister for Rural Affairs Jonathan Shaw indicated in his evidence, we are happy to respond on this point. We believe that the suggested change is a constructive one which reflects the strategic aims underpinning the DSO. We agree with the Committee that this better description should help in engaging external organisations in the delivery of the outcomes sought under this DSO.

### ***Intermediate Outcome No. 1: needs of rural people and communities***

**7. We are concerned that having a mainstreaming target that is part of a Departmental Strategic Objective, rather than a cross-Government Public Service Agreement, will mean that other departments will be less engaged in trying to achieve it. We commend the good examples of rural proofing that we encountered during this inquiry. However, we are not convinced that the approach to rural proofing adopted by the Government and Defra is sufficiently rigorous or systematic. The CRC already publishes an annual report on rural proofing. To complement this, and to improve the mechanics of rural proofing, we recommend Defra set out in its annual report what work it does, on a department by department basis, to ensure that rural affairs are factored into policy development, how it monitors progress, and what criteria it uses to judge whether rural proofing has been successful. Defra should be proactive about approaching other departments to offer advice and should not simply wait for them to contact it. (Paragraph 27)**

The Government is clear that it is the responsibility of individual policy departments to ensure that their policies and delivery arrangements are equally applicable to people in rural and urban areas.. We do, recognise that some support can be beneficial and that a degree of monitoring can help to provide rural people, communities and businesses with reassurance that their interests have been taken fully into account. Defra supports the Commission for Rural Communities which is already charged with providing a challenge function for Government departments (and others) on the extent to which policies are rural proofed. Defra and the CRC are currently working together to improve the rural proofing support available to departments. And both are looking at ways in which they can adopt a more proactive approach towards assisting other Government departments.

The following are examples of Defra’s work with Whitehall Departments over the past few months:

#### ***Broadband***

Defra has continued to work with BERR and CLG on the Digital agenda, ensuring that rural areas are taken into account in broadband policy development. This has included working on a specification for a research project into communities likely to be left behind

as the next generation of broadband rolls out. This will also identify the existing 'not spot' areas and identify possible solutions for action at community level, The Invitation to Tender is due to be issued shortly, the contract to be let in January, with the project report expected in May.

### *Affordable Rural Housing*

Work is continuing on the response to the Taylor report with the aim of publication shortly. This work is led by CLG at whom the majority of the recommendations were aimed with support from Defra. A major focus of our contributions has been around recommendations relating to supporting delivery of the Government's target of 10,300 affordable homes in settlements of under 3,000.

Working in partnership with CLG Defra is funding a research and good practice project which will support the new Homes and Communities Agency to:

- a) Identify, contact and encourage poorly performing Local Authorities to 'up their game' on delivery of rural housing.
- b) Encourage high performing LAs to maintain performance and deliver even more quickly.
- c) Identify gaps in knowledge and commission research/carry out work to fill these.
- d) Identify, evaluate and disseminate good practice relating to rural delivery.

Throughout the course of the project, HCA will keep the current target under review and will provide advice on target setting to feed into the next spending review. We The HCA aims to recruit for the two specialist posts supporting this project before Christmas and is planning a major event to engage local and regional stakeholders before the end of the financial year.

### *Rural buses*

Defra has continued to engage with DfT on its plans to make changes to the Bus Subsidy Operators Grant (BSOG), which currently provides £413m a year to support marginal bus services, many of them in rural areas, DfT is keen to adjust the BSOG, which is currently linked directly to fuel usage, in order to improve value for money and energy/emissions efficiency, Defra accepts the need to improve the current subsidy arrangements, but has been clear that any changes should not adversely affect people living in rural areas.

### *Community Empowerment*

Defra is actively working with CLG on participatory budgeting issues. It sits on the cross government working group. Parish councils in rural communities raise a precept which must be spent locally. It is an ideal candidate for participatory budgeting. It is also working with NALC (the National Association of Local Councils) and ACRE (Action with Communities in Rural England) on a package of proposals to support the empowerment agenda to complement funding provided by CLG.

### *Rural Culture*

Defra has worked closely with DCMS on developing the Government's response to the case put forward by the Rural Cultural Forum for greater Government engagement with and support for rural-based arts, media and other creative organisations. Ministers have confirmed that they recognise the social and economic value of the arts and creative industries in rural areas and have indicated that they would be happy to meet with the Rural Cultural Forum to explore how rural interests can be better reflected in mainstream arts and cultural policy making.

### *Intermediate Outcome No. 2: rural economic growth*

**8. Focusing the economic intermediate outcome solely on low-performing areas is a wasted opportunity. Although it is important to improve poor economic performance, the DSO should not ignore rural areas that are performing well, but could perform even better with more support. We urge Defra to adopt a broader intermediate outcome to support economic growth in all rural areas. (Paragraph 30)**

The Government's Rural Strategy 2004 set out our three key priorities for rural policy. On Economic and Social Regeneration our priority is—'supporting enterprise across Rural England, but targeting greater resources at areas of greatest need'.

Essentially the DSO is about using Defra's resources and rural expertise to be able to identify whether and to what extent there are systemic issues in relation to the delivery of Government policy in rural areas. By definition this will tend to point up any areas where there is disadvantage not just economic underperformance.

The Government does want to see all rural economies fulfilling their realistic economic potential within environmental limits. Defra works closely with colleagues across Whitehall and in the Regional Development Agencies to ensure that the mainstream mechanisms designed to support businesses are effectively rural-proofed.

The evidence shows that most of rural England is well-connected with strong links to nearby towns and cities and good access to local markets and job opportunities. That is why most of our rural areas are already performing strongly in terms of economic growth.

However, the evidence also shows that there are some rural areas where levels of economic performance are below average and prospects for growth are more limited. It is right therefore that the principle focus of the DSO should be on those areas where rurality is generally understood to place a constraint upon the potential for growth. Our greatest challenge is those areas which are remote from major urban centres.

### *The data*

**9. We are concerned about the level at which the indicators operate. We agree with Defra that, for some indicators, it is not meaningful to compare data at a very local level. However, for the majority of indicators, comparing data at a district level will not enable Defra or other agencies to identify specific problems and target interventions accordingly. Our experience suggests that remote rural communities and market towns**

**are encountering different problems, but we cannot see how the majority of indicators would pick up on this, or any of the other location-specific problems we encountered. We recognise that Defra is dependent on other departments and the Office for National Statistics for much of its data. We recommend that it identify the indicators for which it would be useful to have more detailed results and set out how it intends to work with its data providers to obtain this level of information in future. (Paragraph 37)**

Defra has no particular difficulty in identifying or obtaining the data it requires in order to undertake an effective assessment of the outcomes in rural areas. It has an excellent working relationship with the Office for National Statistics who were collaborators in developing the sub-regional rural/urban analysis of Gross Value Added (GVA) used as our measure of productivity in the DSO. These data sets, like all of the DSO indicators utilise the lowest level data currently available for any area urban or rural.

It would be a misapprehension to conclude that it is more challenging to access data at the right level for rural areas than it is for any other areas. The whole of Government is committed to improving the quality of the data we use to inform policy and Defra works closely with colleagues from across Whitehall to achieve this aim.

It remains the case that a significant amount of administrative data is available only at District level which makes it less useful in assessing the needs of individual communities, whether rural or urban. This tends to be for practical reasons of data collection or ethical ones relating to the potential for disclosure of personal information.

It was previously the case that a certain amount of administrative data was gathered at spatial scales against which it was not possible to apply either the rural definition or the Local Authority District Classification. However, recent work by the Government Statistical Service Regional and Geography Group (GSSRG) comprising representatives from Defra, Birkbeck College, CLG, Government Office Network, CRC and the Association of Regional Observatories has applied the rural definition to higher administrative geographies, including counties, police, and fire, waste and transport authorities. Over the coming months the rural definition will be applied to Primary Care Trusts, crime and disorder partnerships and parliamentary constituencies. So this is an area where improvement and refinement is currently being sought. More details can be found on the Defra Rural Statistics webpage:

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

### ***The missing pieces***

**10. Although it is encouraging that rural areas are performing well according to the criteria and measures Defra has selected, we see little value in having a Departmental Strategic Objective until 2011 that Defra has already largely achieved. We recognise that maintaining success is important, but we question whether this should be the focus of Defra's only rural affairs DSO. We acknowledge that no target or set of performance indicators can be all-encompassing. However, we are concerned that there are significant gaps in what Defra is measuring in its rural communities DSO. We would like to see a DSO that is sufficiently flexible and fine-grained, to enable the problems in different communities to be recognised and tackled. We recommend that Defra consult**

**the Commission for Rural Communities on whether the indicators for the DSO represent the best practicable way of identifying the issues affecting rural communities. Defra should revise its indicators in the light of this advice. (Paragraph 41)**

It is important that we retain continuity in measuring performance against the DSO across the spending period. For that reason any changes at this stage would probably be unhelpful.

But in any event the DSO indicators have been chosen to reflect the Government's overarching priorities for all communities rural and urban. They were not chosen as 'easy targets' against which we could show early success. Whilst we are pleased that the Committee considers that we have already largely achieved our objectives we feel that there is much still to be done. This is not just in the areas which are not yet 'green' on the traffic light system, but also in areas where there is apparent success. Even here, Defra is working to get behind the indicators to see if the headlines are masking any issues. However, Defra does not seek to undertake detailed work on every one of the diverse issues affecting people living in rural places. This would duplicate activity undertaken elsewhere in Government and represent poor value for money. As the DSO documentation makes clear, the public service needs of people living in rural areas are addressed by the same parts of the public sector that work for all of us. Our objective is not different or better outcomes for people living in rural areas than those enjoyed by people living elsewhere but equity and fairness for people where ever they live. The purpose of the DSO indicator set, therefore, is to identify any systemic issues that appear to be related explicitly to rurality.

It is equally important that we are clear about the distinct roles and responsibilities of Government at all levels. It would be neither feasible nor appropriate for Defra to develop an indicator set designed to performance-manage outcomes at the level of individual communities. Addressing such issues at the community level is the role of Local Government who do this within the context of the Local Area Agreement framework and the National Indicator Set on which this DSO has been based.

The Commission for Rural Communities remains closely involved both in the formal monitoring of the DSO, via the DSO Partnership Group, but also informally through its close involvement with Defra on all rural issues.

**11. If Defra does decide to proceed with the current indicators, it should be careful to treat its indicators as no more than that: indicators of success. Defra must recognise that some important aspects of life in rural communities, such as transport, communications, planning and further education, are not covered by its mainstreaming indicators. It should also recognise that there may be problems that are not reflected by a simple comparison with the national average. It should set out how it intends to identify and tackle these problems. (Paragraph 42)**

Defra is aware of the diversity of rural experiences and fully recognises that the relative strength of many rural communities does not preclude the existence of wide divergences from the average at local level. We do not assume that all rural communities or rural people enjoy the same outcomes. That is why the Government's focus is on mainstreaming rural policy through local delivery mechanisms which recognise that *all* communities are different.

However, it is important in this context that we are able to distinguish between localised issues and concerns and evidence of any systemic challenges associated with rurality. This is what the indicators underpinning the DSO are designed to do. This baseline of information is not an end in itself; it helps us to prioritise our activity to ensure that we are focused on those issues where there is greatest evidence of need. The DSO highlights two particular areas for specific focus: affordable housing and economic productivity. These reflect the issues raised most frequently with the committee during its inquiry.

We recognise that there are aspects of rural life that are not covered by these indicators, which were specifically chosen to focus on outcomes rather than inputs or outputs. We continue to work closely with our partners in the Commission for Rural Communities who produce a wide range of complementary data—such as the regular State of the Countryside Report which addresses many of the issues raised by the Committee. The joint Defra/CRC work on rural proofing and mainstreaming, mentioned above, will also help to ensure that Defra and the CRC are plugged into the activities of Government Departments and others who are developing policies or delivering services which impact upon people in rural areas.

In respect of further education we would reiterate the statements made by Jonathan Shaw in his response to Michael Jack's letter of 21 July 2008 in which he noted that "Skills and education post-19 are indeed included in the performance indicators for the Departmental Strategic Objective". Educational attainment is covered under IO (intermediate objective) 1 which includes data on full time entrants to higher education. Further education and skills are also included, under IO 2, including: the percentage of the working age population with no qualifications; the proportion of the working age population with NVQ2+; the percentage of the working age population with higher qualifications; and on the job training.

### **Defra's resources**

**12. We accept that the reduction in the number of people working on rural affairs in Defra should be viewed in the context of a paring back across the civil service. We also agree that Defra should be judged on outputs not inputs. However, there must be some link between the two. Defra should acknowledge that there are concerns about its capacity to deliver on its rural affairs commitments. If it believes that these concerns are unfounded, it should explain why. Its delivery plan for its DSO should indicate how it will make best use of the resources at its disposal. In the light of these observations, Defra should publish in the next six months a detailed commentary on its current rural affairs work. This would provide greater insight into its rural development role than that afforded by the limited commentary in its departmental annual report. (Paragraph 44)**

As indicated in the evidence given by Jonathan Shaw, Defra believes that the current level of resources devoted to rural issues is sufficient to deliver against its functions and priorities. Rather than a six month review of its rural work, Defra will seek opportunities to publicise the work that it has been doing, particularly in partnership with others.

### *Key delivery bodies*

**13. Defra is in a difficult, although hardly unique, position: it has a DSO that cannot be achieved without significant assistance from other departments and bodies. Its success in achieving its rural affairs target will depend heavily on its ability to influence these key players. To this end, it should produce a strategy for working with RDAs, local authorities and rural community councils to ensure that it achieves the best possible outcomes for rural areas. The strategy should set out what assistance Defra requires from these bodies, how it will communicate these needs, when it will require feedback and how this will be provided. (Paragraph 45)**

Whereas Defra is finalising a strategic partnership agreement with the RDA network and has a funding agreement with Rural Community Action Network that describes the work RCCs will do on its behalf, the Government agrees that there is room for greater clarity in defining the role that Defra plays in relation to the work that the RDAs, local authorities and Rural Community Councils undertake on behalf of rural people, communities and businesses. Defra does not control or dictate the work of these organisations, nor does it have direct responsibility for most of the policy areas that will be of interest but it does work with them to support their rural activities. However under the RDA sponsorship framework, RDAs are required to apply the cross-cutting principle of economic opportunities for all (which includes rural areas) to all their business. RDAs are required to set out in their annual reports how they have applied the cross-cutting principle and what effect it has had. In addition the regional economic performance PSA provides a forum for cross-Whitehall discussion about the economy, and the consideration of rural economic performance as part of that mainstream discussion. Alongside the joint Defra/CRC rural proofing and mainstreaming work, mentioned earlier, Defra will be looking at ways to further define and maintain key working relationships with the agencies the Committee mentions.

### *Regional Development Agencies*

**14. RDAs are doing some good work in rural areas, but there is still a perception that they are urban-focused and uninterested in small-scale projects. The extent to which this view is justified is certainly debatable. However, the opinions that were expressed to us indicate that RDAs are having difficulty communicating what they are doing in rural areas and we recommend that the East of England Development Agency, as the lead RDA for rural affairs, set out what action it intends to take to address this. (Paragraph 49)**

The RDAs welcome the Committee's acknowledgement that RDAs are doing some good work; a significant number of businesses in rural areas have been assisted to improve their performance. The percentage of firms getting business support in rural areas As part of its lead role, East of England Development Agency (EEDA) recognises the need to better communicate the work that RDAs are undertaking in rural areas to partners and stakeholders. It is working across all RDAs to showcase RDA activity better to a wider range of stakeholders. EEDA is reviewing its current communication mechanisms and is developing a practical and effective communication strategy with a range of mechanisms that will both address this issue in both the short and longer term and integrate both

national and regional dissemination of information. The cross RDA Rural Affairs Network has already discussed the communication strategy at its meeting on 12<sup>th</sup> November.

*Examples of work undertaken by RDAs in rural areas include*

A site in Okehampton in West Devon (one of the 60 most rural authorities in England) was acquired by SWRDA to secure grow on space for the adjacent industrial park. The centre itself is being targeted at businesses looking for their first commercial premises and easy in/easy out terms. The development as a whole is enabling local people to work closer to home as opposed to commuting to Exeter.

EEDA funded a rural gateway project to test and demonstrate how to deliver to rural areas. Once the methodology had been proven it was mainstreamed as the Business Link Gateway. A specific Partnership Manager is now funded within Business Link to promote generic Business Link services to business located in rural areas or businesses rural by nature.

RDAs are delivering £554m of Rural Development Programme for England (RDPE) into rural areas. The funding is being used to make strategic investments in line with regional priorities, identified by partners and stakeholders working together to produce Regional Implementation Plans. RDAs have also approved around 60 Local Action Groups which will be investing funds, using a bottom-up approach, to meet identified local needs.

**15. We do not want to add unnecessarily to the reporting burden of the RDAs and agree that there should be no additional formal mechanism to report separately to Defra on activity that may contribute to the DSO. However, such information should form part of the single reporting framework, and Defra and the RDAs should discuss progress against the DSO informally at the quarterly meetings that take place between the Minister and the chairs of the RDAs. Defra should include in its departmental annual report an assessment of the RDAs' success in delivering the rural aspects of their responsibilities. (Paragraph 52)**

The RDAs are represented on the external-facing Partnership Group established to support the delivery of the DSO, and will be able to report on their activity in support of the DSO at the Group's regular meetings. In addition, Defra and RDA officials have established close working relations while agreeing the rural components of RDA Corporate Plans. In addition to the RDA sponsorship framework reporting arrangements mentioned above. There are also many informal mechanisms where progress is discussed, for example during the recent round of strategic visits to all RDAs by members of Defra's Management Board and the regular one to one meetings between Defra's Secretary of State and EEDA's Chair.

As has already been noted, responsibility for providing an external challenge to all levels of Government in their rural proofing efforts rests with the CRC. The joint Defra/CRC project on rural proofing and mainstreaming will build on these relations and cover the RDAs' activities in rural areas. As noted, the outcomes of this project will be published, and will be summarised in the Departmental annual report.

## **Local Authorities**

**16. The changing map of local government, with more unitary authorities, will have a profound effect upon rural areas. It is vital that Defra works with the Department for Communities and Local Government to conduct research into the impact on the delivery of services in rural areas. (Paragraph 54)**

The 'places agenda' led by Communities and Local Government (CLG) has established the infrastructure (e.g. Local Area Agreements and Local Strategic Partnerships), governance (e.g. performance framework and inspection regime) and accountability (e.g. citizen information, engagement and means of redress) needed for local areas to identify and respond to local priorities.

Defra has developed a range of approaches to respond to this changing landscape. These include:

- working closely with CLG, in particular, to ensure that the guidance on Local Area Agreements to both Local Strategic Partnerships; and to Government Offices in their challenge role reflects the requirement to evaluate rural needs as part of this process. To this end Defra is also looking to improve contact with the Local Government Association and other Local Government representatives, such as Rural Services Network and County Councils Network.
- funding ACRE (Action with Communities in Rural England) and the RCAN network of RCCs with £3.4m a year to undertake strategic influencing to promote the interests of rural people and communities at county and community levels.
- Funding Regional Rural Affairs Forums to work with their local GO and RDA to provide a rural voice at the regional level. Each works in a way that best reflects regional needs and priorities, but is expected to meet a baseline set of roles and responsibilities to ensure consistency. The 8 Chairs meet quarterly with the Rural Affairs Minister and the Local Government Association (LGA).
- Resourcing the Commission for Rural Communities to play a role in supporting and encouraging the effective rural proofing and through identifying and championing key areas where rural people and communities may need particular support.

Defra's 2005 Local Authority District (LAD) Classification was developed to allow rural proofing of the wide range of statistics available at this geographic level. In April 2009 significant changes in the structure of local government come into force. Nine new unitary authorities will be created to replace 37 district authorities (and 7 county councils) resulting in a new total of 326 LADs in England.

These changes have necessitated an update to the classification. The Government Statistical Service Regional and Geography Group (GSSRG) commissioned a working group comprising representatives from Defra, Birkbeck College, CLG, Government Office Network, CRC and the Association of Regional Observatories to look at this issue.

The Unitary Authorities which will come into effect in April 2009 have been categorised using this 'new' LA classification. An overview of these changes has been circulated to regional partners including the Government Office Rural & Intelligence networks and the

Association of Regional Observatories. The DSO indicators will be revised so that the baseline and reporting years use a consistent classification. This will avoid a break in the time series during the CSR period.

**17. Defra must ensure that the knowledge that was accumulated during the Rural Delivery Pathfinders project does not go to waste. It should not be solely up to individual authorities involved to disseminate best practice; Defra should provide support. We are particularly interested in the suggestion in the Rural Delivery Pathfinder report that there should be a Defra/local government rural policy group and we urge Defra to consider whether such a group could be used to help it achieve its rural communities DSO. (Paragraph 56)**

Defra agrees that the Rural Delivery Pathfinders project has been of considerable value and that its messages do need to continue to be properly promoted. Whilst those in the best position to do this are the participating authorities themselves, Defra is providing support to those authorities to disseminate the messages from the programme. Defra launched the national report “Rural Challenges, Local Solutions” at the LGA Improvement Conference in February 2008 where an exhibition stand and briefing session gave the opportunity for all local authorities present to find out more about the programme and its outcomes. A series of regional press notices, targeted to the regional audience, was issued at the same time.

Defra worked closely with the pathfinder authorities and IDeA to create over 40 best practice case studies to showcase the work of the programme. These case studies are available on the IDeA website at

<http://www.idea.gov.uk/idk/core/page.do?pageId=7921369> .

At the time of the conference, an e-mail alert drawing attention to this resource was sent to IDeA members to coincide with the launch of the report.

Defra continues to ensure that the best practice and messages arising from the pathfinder programme are disseminated. Over the summer, Defra invited the pathfinder authorities to submit suggestions to further promote the pathfinder work at the local level. As a result, some additional projects to disseminate the learning during 08/09 have been agreed with funding from Defra.

In line with the recommendation in the national report, Defra is in the process of establishing a Defra/Local Government rural policy group. This will be an informal, official-level sounding board for policy discussions on matters of particular importance to local authorities. It will include representatives from the LGA, local authority practitioners, CRC, CLG, Rural Community Action Network, Government Offices and the Regional Development Agencies. The aim is to provide a strong network that will meet initially in early 2009. One of the aims of the sounding board will be to consider the progress of mainstreaming rural needs and interests into local policy-making and delivery. This will include tracking progress on the recommendations in the pathfinder report—recognising ownership of the recommendations at the appropriate level.

### ***The Commission for Rural Communities***

18. Although we accept that the PSA/DSO process was conducted largely within the civil service, we are both surprised and disappointed that the CRC was not invited to provide Defra with advice on the development of the rural communities DSO, given that this target will be central to Defra's approach to rural affairs until the next Comprehensive Spending Review. We recognise that the CRC has limited resources, but we urge it to do all that it can to advise Defra on how best to implement its DSO in the light of the concerns expressed by the witnesses in this inquiry. We seek its assurance that it will play a key part in monitoring Defra's success in achieving the DSO. We are concerned that the CRC's budget has almost halved since its creation in 2006. If the CRC is to be an effective adviser, advocate and watchdog, the Government must ensure that it has sufficient resources to carry out these tasks. (Paragraph 58)

The Commission for Rural Communities remains a vital partner for Defra and the whole of Government in delivering the right outcomes for rural areas. Defra has, in particular, involved the CRC closely in its DSO governance arrangements and is working with the CRC on a number of initiatives e.g. rural proofing where CRC acts as a statutory adviser to Government. The issue of resources is one that is kept under review against other priorities.

**Department for Environment, Food and Rural Affairs**

**December 2008**