

State of the Rural North West 2008

Executive Summary

September 2008

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Executive Summary

Introduction

Purpose and audience

1. In May 2008, SQW Consulting and Pion Economics were commissioned by the North West Development Agency to produce an assessment of the State of the Rural North West. In part, this study was intended to refresh the State of the Rural North West report published in 2005, but in addition, a more in-depth analysis was required in order to develop a better understanding of the drivers underpinning performance in rural areas, and the implications of this for policy.
2. The study explores the important role and contribution of rural areas in the region's economic, social and environmental development as a whole, and will therefore be of interest to a range of policy-makers and stakeholders across the region - particularly as rural issues are mainstreamed and the region moves towards a Single Regional Strategy.

The report

3. The report is divided into two volumes. **Volume One** provides a concise summary of economic, social and environmental performance across the rural North West in 2008 (benchmarked against other regions for a selection of key indicators) and makes an assessment of progress since 2005. Building on this, it then teases out key messages, challenges and opportunities in achieving sustainable economic development in rural areas, and the implications for policy. **Volume Two** presents an extensive data bank of indicators analysed for the study which readers can dip into, alongside a technical methodological note and monitoring framework for the Regional Rural Delivery Framework.
4. Advances in data availability have enabled a more sophisticated analysis of different types of rural area in this report, based on varying degrees of rurality (using Defra's rural classifications¹) and functional relationships with urban areas. Whilst the focus has been on the economic performance of rural areas, the report also explores social and environmental issues (and the inter-play between the three).

Key findings

The evidence base – the state of the rural North West in 2008

5. At present, the districts which are defined by Defra as rural generate 20.5% of the region's economic output, punching above their weight compared to urban areas given their share of population (19.5%) and employment (20.3%), and these districts are home to 27% of the region's businesses. However, the clear message emerging from the evidence is that there is

¹ Please refer to Annex or Main Report for Defra's classification of rural areas.

not one homogenous 'Rural North West'. The picture is complicated, with economic, social and environmental performance varying considerably across rural areas within the region.

6. To use Defra terminology, whilst many 'Significant Rural' districts make a notable contribution to the regional economy, some 'Rural 80' districts are lagging behind and residents are at risk of falling into (often working) poverty. Rural areas close to cities² tend to perform well in terms of earnings (due to the commuting effect), but the differential between resident and workplace earnings in these rural areas is huge compared to rural areas that are more self-contained³. Factors causing these differences include the nature and quality of jobs, the nature and competitiveness of businesses, commuting effects and access to markets – and these differences are often consistent with long-established specialisms and place-specific.
7. The table below provides a short overview of key messages emerging from the evidence base, and point (where possible) to variations across different types of rural area. However, to avoid misleading generalisations, it is important to bear in mind that underpinning these headlines is a good deal of local variation; readers are advised to refer to the main report to understand performance in specific types of rural area.

Table 1 Headline messages from evidence base

Overarching economic performance

- Share of regional economic output generated by rural areas is slightly higher than share of population and employment.
- GVA per capita varies considerably across different types of rural area, from £21,300 in Significant Rural Accessible Areas to £12,800 in Rural 80 Remote LADs.
- Productivity (GVA per person in employment) in the rural North West is slightly higher than the regional average but there is considerable variation across different types of rural area, with some rural LADs lagging behind.
- GVA growth in rural LADs is expected to grow more slowly than regional average through to 2016, and contribution of rural LADs to regional GVA is projected to fall.

Business

- The rural North West has a higher share of micro-businesses (0-4 employees) than the regional average, particularly in Rural 80 LADs.
- Employment is concentrated in other services, distribution/hotels, financial and business services and manufacturing businesses – a structure which is broadly similar to the North West average.
- VAT registration and deregistration rates are lower (as a proportion of business stock) in the rural North West (although this does not account for many businesses in rural areas which are below the VAT threshold), and businesses are more likely to survive than the regional average. According to GEM, adults in the rural North West are more likely to be in the process of trying to start a business.
- ICT adoption rates by rural businesses are broadly similar to urban businesses, but rural firms are less intensive users of ICT and therefore do not use ICT applications to their maximum potential.
- Workers in the rural North West are much more likely to be self-employed.
- Farm incomes across the North West are below the national average, and have grown more slowly in recent years.
- Tourism contributes around £2.6bn to the rural economy per annum, and tourists to the rural North West are likely to spend more than those in urban areas.

Skills

- The rural North West has a highly skilled resident population. Around 33% of those of working age in 2006 had at least NVQ Level 4 qualifications - equivalent to education to degree level - across the rural North West, some 8pp above the region as a whole.

² Examples of rural LADs close to cities include Macclesfield, Chester, Congleton and Ribble Valley

³ Examples of rural LADs which are considered more self-contained include South Lakeland, Crewe & Nantwich and Copeland.

- The occupational breakdown of the *residents* of the rural North West reflects this positive skills performance, with high a high proportion of managerial and professional occupations amongst those living in rural areas of the region.
- Engagement in work-based training across the rural North West in 2007 was above the regional average, yet broadly in line with the level across England as a whole. However, particularly in the most isolated and remote areas of the region (Rural 80 and Remote) participation in work-based training reduced dramatically between 2005 and 2007.

People and Jobs

- The rural North West, with a total population of 1.3 million accounts for around one fifth of all residents in the North West. However, the 65+ age group is over-represented compared to England and the region, and the proportion broadly increases with increased levels of rurality and remoteness.
- The data suggest that the rural North West is performing strongly in labour market terms with high levels of economic activity and employment. However, there are important differences across the area, with high levels of part-time and low knowledge based employment in sparsely populated areas.
- Average earnings across rural LADs are well above the regional average. However, there are major mismatches in residential and workplace earnings in accessible rural areas, compounded by high levels of out-commuting from these areas of managers and professionals to urban employment centres.

Infrastructure

- House prices in the rural North West are well above the regional average. Though reflective of the area as a desirable residential location, this has major affordability implications, especially in Accessible rural areas.
- The rural North West has an under-representation of office space (with slow relative growth in floorspace over recent years) and over-representation of factory and warehouse space compared to the region as a whole, despite a broadly similar employment profile across the sectors. On average, rural premises are smaller than the North West average.

Quality of Life

- Access to financial services, medical services and job centres has fallen between 2004 and 2007 – especially in sparse rural areas.
- Fuel poverty is broadly similar to the regional average, but above the national average – and is particularly high in sparse villages.
- On the whole, rural residents have better health than the regional average, and are more likely to exercise.

Environment

- The rural North West has above average end user carbon emissions per capita, although this varies considerably across different types of rural area. This is predominantly driven by the sectoral distribution of the economy with high industrial usage, especially in the most rural areas.
- Levels of waste are higher than the average (although again, this varies considerably across different types of rural area) – yet rural areas perform well in recycling rates. Rural areas are slightly more likely to use renewables and waste as fuels than the North West average – although the region as a whole performs poorly compared to the national average.
- The rural North West contains a diverse natural environment, supporting both on-going land-based economic activity and crucial for biodiversity and environmental protection. Significant woodland and important Sites of Special Scientific Interest are contained within its boundaries.
- The rural North West has witnessed a major growth in the bird population, with growth of around one third over 1994-2006 well above the national rate.

Source: SQW & Pion

Implications – so what does this mean for rural areas and the region more widely?

8. Building on the evidence-base, the study considers the implications of these findings for sustainable economic development and policy, particularly around the following issues:
 - The existence of **twin-track rural economies**, where some rural areas make a considerable contribution to the regional economy (presenting opportunities to be harnessed) and others lag behind (where low workplace earnings, linked to the nature and quality of jobs, present issues around working poverty).

- The implications of **high differentials between workplace and resident earnings**, especially for housing affordability. Differentials are often highest in accessible rural areas (i.e. areas in which there is a good deal of out-commuting to larger urban areas). Within these rural areas, those who work locally are at greater risk of (often hidden) financial and social exclusion.
 - The importance of **micro-businesses and homeworking** to rural economies, both for employment and rural community sustainability – and the knock-on implications for the ability of micro-businesses to participate in training, ensuring the effective use of ICT to enable productive homeworking, the carbon footprint of homeworkers, enabling business that wish to grow to do so, and challenges associated with selecting appropriate delivery mechanisms for business support (due to the volume and sparsity of micro-businesses in rural areas).
 - A continued **ageing of the rural population**, and associated implications for housing supply and affordability. Furthermore, this puts increased pressure on local services to serve a population which often experiences greatest barriers to access, and the consequence is that many people may find it difficult to access the services they need.
 - The increasing challenge of **access to services**, especially those provided by the private sector and relating to financial services, with implications for social and financial inclusion, and the need for alternative delivery mechanisms (such as taking services to users, users to services, or a mix of physical and virtual services) and initiatives to ensure alternative options are effective.
 - The need to strengthen further the **relationship between environmental assets, economic prospects and community sustainability/wellbeing** – and crucially, enabling those who manage the assets (such as farmers) to realise an economic return which is more reflective of the true value (economic, social and environmental) of the asset. Climate change presents new opportunities for rural areas, with an associated need for training and flexibility in planning to enable rural areas to respond quickly and realise the economic benefits presented by these opportunities.
 - The challenge to **improve the environmental sustainability in rural areas with high carbon footprints, without constraining economic growth**, especially in Rural 80 districts where high CO2 emissions are driven largely by the current sectoral make-up of these areas.
9. Often these issues pull in different directions, and progress in one area (e.g. economic performance) might create tensions and trade-offs in another (e.g. carbon footprints) – and challenges and opportunities in rural areas vary depending on their rurality and location. Developing the Single Regional Strategy will be a balancing act, and awareness of the challenging questions raised in this report will be critical, not only for rural areas but for the region as a whole.

Annex A: Defra Rural-Urban Definition

- A.1 Defra's definition of rural areas is available at both Local Authority District (LAD) and Super Output Area (SOA) level.
- A.2 At LAD level, rural areas have been classified in this report according to Defra's 2005 six-way typology as detailed in Table 0-2, which is based on settlement morphology and population density.

Table 0-2 Defra's rural/urban classification at Local Authority District level

Classification	Definition	North West LADs
Major Urban	Districts with either 100,000 people or 50% of their population in urban areas with a population of more than 750,000	Bolton, Bury, Knowsley, Liverpool, Manchester, Oldham, Rochdale, Salford, Sefton, St. Helens, Stockport, Tameside, Trafford, Wigan
Large Urban	Districts with either 50,000 people or 50 of their population in one of 17 urban areas with a population of between 250,000 and 750,000	Blackpool, Chorley, Ellesmere Port & Neston, Fylde, Preston, South Ribble, Wirral, Wyre
Other Urban	Districts with fewer than 37,000 people or less than 26% of their population in rural settlements and larger market towns	Barrow-in-Furness, Blackburn with Darwen, Burnley, Halton, Hyndburn, Pendle, Rossendale, Warrington
Significant Rural	Districts with more than 37,000 people or more than 26% of their population in rural settlements and larger market towns	Carlisle, Chester, Crewe & Nantwich, Lancaster, Macclesfield
Rural 50	Districts with at least 50% but less than 80% of their population in rural settlements and larger market towns	Vale Royal, West Lancashire
Rural 80	Districts with at least 80% of their population in rural settlements and larger market towns.	Allerdale, Congleton, Copeland, Eden, Ribble Valley, South Lakeland

Source: Defra

- A.3 At SOA level, rural areas have been classified according to Defra's 2004 eight-way rural-urban typology in order to achieve a finer-grained assessment of rural areas. This classification is based on physical form (urban, town/fringe, village, dispersed) and geographical characteristics (sparse and less sparse).
- A.4 It is important to note that the definitions used in this report vary from those utilised in the 2005 State of the Rural North West. Whilst the Super Output Areas based data geographies are consistent, in 2005, the LAD based Defra definitions had not yet been developed and a group of 15 LADs was designated as 'rural' in nature by the Study Steering Group at the time⁴.

⁴ Eden, Allerdale, Ribble Valley, Copeland, South Lakeland, West Lancs, Vale Royal, Carlisle, Lancaster, Chester, Crewe, Wyre, Fylde, Congleton and Macclesfield.

Figure 0-1 : Defra's Rural-urban definition at LAD and SOA level

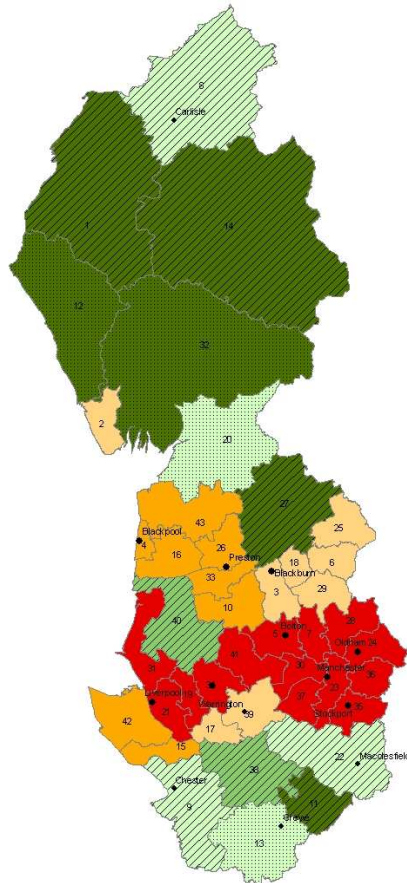
LAD definition

- Rural / Urban Classification**
- Major urban
 - Large Urban
 - Other urban
 - Significant rural
 - Rural 50
 - Rural 80

Functional city-region geographies

- Remote rural LAD
- Accessible rural LAD

District	Number
Allerdale	1
Barrow-in-Furness	2
Blackburn with Darwen	3
Blackpool	4
Bolton	5
Burnley	6
Bury	7
Carlisle	8
Chester	9
Chorley	10
Conington	11
Copeland	12
Crewe and Nantwich	13
Eden	14
Ellesmere Port & Neston	15
Fylde	16
Halton	17
Hyndburn	18
Knowsley	19
Lancaster	20
Liverpool	21
Macclesfield	22
Manchester	23
Oldham	24
Pendle	25
Preston	26
Ribble Valley	27
Rochdale	28
Rossendale	29
Salford	30
Sefton	31
South Lakeland	32
South Ribble	33
St. Helens	34
Stockport	35
Tameside	36
Trafford	37
Vale Royal	38
Warrington	39
West Lancashire	40
Wigan	41
Wirral	42
Wyre	43

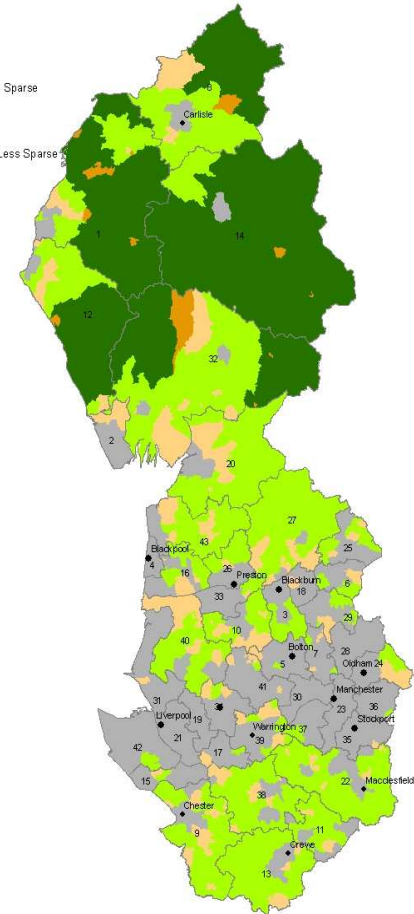


SOA definition

Defra's Rural/Urban Definition at SOA level

- Urban >10k Sparse
- Town & Fringe - Sparse
- Village, hamlet & isolated dwelling - Sparse
- Urban >10k Less Sparse
- Town & Fringe Less Sparse
- Village, hamlet & isolated dwelling Less Sparse

District	Number
Allerdale	1
Barrow-in-Furness	2
Blackburn with Darwen	3
Blackpool	4
Bolton	5
Burnley	6
Bury	7
Carlisle	8
Chester	9
Chorley	10
Conington	11
Copeland	12
Crewe and Nantwich	13
Eden	14
Ellesmere Port & Neston	15
Fylde	16
Halton	17
Hyndburn	18
Knowsley	19
Lancaster	20
Liverpool	21
Macclesfield	22
Manchester	23
Oldham	24
Pendle	25
Preston	26
Ribble Valley	27
Rochdale	28
Rossendale	29
Salford	30
Sefton	31
South Lakeland	32
South Ribble	33
St. Helens	34
Stockport	35
Tameside	36
Trafford	37
Vale Royal	38
Warrington	39
West Lancashire	40
Wigan	41
Wirral	42
Wyre	43



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