

Summary

- Regional imbalances are one of the most significant issues facing the UK, dampening national growth and productivity, and creating a sense of 'left behind places'. National policy has concentrated policy and resource in the middle of the country, especially in London and the South East, thereby limiting the potential of other areas. Moreover, city-weighted agglomeration-focused policy has disadvantaged rural areas.
- Many of the most significant imbalances are only perceptible below the NUTS1 level. Sub-NUTS1 levels therefore provide a much more appropriate focus for regional policy.
- Disparities exist between urban and rural areas, and effective rural policy – including rural proofing policy during its development, not just retrospectively – will be essential for adequate regional policy. But interpretation of spatial disparities must also acknowledge the diversity of rural geographies, particularly for areas without major cities who are less likely to benefit as hinterlands.
- A significant imbalance exists between upper-tier rural local authority areas without major cities and other areas across various indicators. This distinction is a useful frame for interpreting imbalances, alongside simple 'North-South' and 'Urban-Rural' framings.
- Key opportunities exist to redress the balance, including decentralisation through rurally-suitable devolution; a needs-sensitive Shared Prosperity Fund based on a simple, fair and transparent allocation mechanism with a view to rebalancing the economy; and Local Industrial Strategies that harness the distinctive contribution of rural areas for a sustainable, inclusive and resilient future economy.
- Regional data at sub-NUTS1 level, its more regular and prominent reporting and use by national policy-makers, and greater local data and analysis provision will enable more evidence-led and place-based interventions.

Introduction

This submission is made on behalf of Britain's Leading Edge, a collaboration of 12 upper-tier rural local authorities without major cities. Regional inequality is one of the most significant issues currently facing the country, with the UK one of the most spatially imbalanced countries in the OECD. We strongly believe that effectively tackling these imbalances must involve approaches to development which maximise

¹ A collaboration of 12 upper-tier rural local authorities without major cities: Cornwall Council, Cumbria County Council, Dorset Council, Durham County Council, East Riding of Yorkshire Council, Herefordshire Council, Isle of Wight Council, Council of the Isles of Scilly, Lincolnshire County Council, North Yorkshire County Council, Rutland County Council, and Shropshire Council.

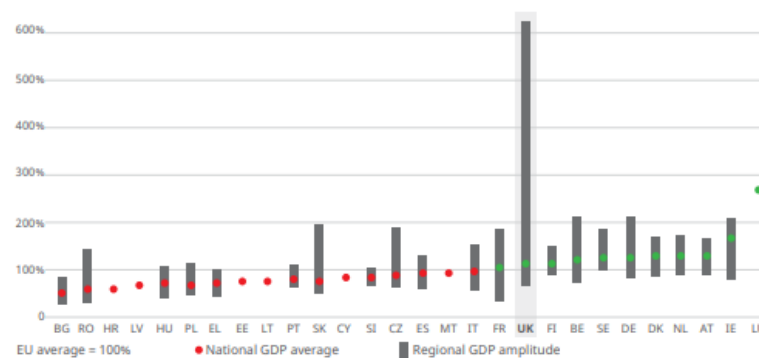
the distinctive contribution of diverse rural economies. Analytically, this must involve provision of adequate data and analysis at sub-NUTS1² levels, and utilise a plurality of interpretive frames to fully capture the diverse experience of rural and non-metropolitan areas. Common framings of the challenge, such as the ‘North-South divide’, are not without merit at the NUTS1 scale – but the categories of ‘North’, ‘South’, and even ‘Rural’ and ‘Urban’ denote very heterogeneous sets of sub-NUTS1 geographies. In particular, they often stylise and oversimplify nuances salient only at lower scales, especially for rural areas without big cities across the North, Midlands, and South alike. Building a decentralised, sustainable, resilient and less imbalanced national economy requires adequate rural policy (including adequate rural proofing), in order to enable place-based local interventions.

Section A: Regional imbalances and the policy response

1. Analysing regional imbalances – preliminary notes on methodology

- 1.1. The UK is one of the most spatially imbalanced countries in the OECD across a range of indicators and, according to McCann (2019), is the most interregionally unequal large high-income country.³ This divergence is growing according to some measures.⁴ Research from the CPMR dramatically visualises the UK’s regional GDP disparities relative to the EU (for NUTS2 regions):

Regional disparities in the EU



Source: Conference of Peripheral Maritime Regions (2019)
(Based on 2014, 2015 and 2016 regional GDP average, expressed as a % of the EU28 average)

² The Nomenclature of Territorial Units for Statistics, or ‘NUTS’, is a geographical classification which subdivides countries for statistical purposes. The UK is divided into 12 NUTS1 areas – which in England equate to the familiar Government Office Regions (South West, South East, West Midlands etc.). NUTS2 and NUTS3 regions are finer grained, with the UK divided into 40 NUTS2 areas or 174 NUTS3 areas.

³ McCann, P. (2019) [Perceptions of Regional Inequality and the Geography of Discontent: Insights from the UK](#), UK 2070 Commission

⁴ See Figure 4 in: Martin, R., Pike, A., Tyler, P & Gardner, B. (2015) [Spatially Rebalancing the UK Economy: The Need for a New Policy Model](#), Regional Studies Association

- 1.2. Understanding the full complexity of these imbalances requires surveying a variety of appropriate indicators (economic, social and environmental), geographical scales, and interpretive area attributes (city, town, urban, rural etc.). A full description must avert to multiple measures, using a variety of these.
- 1.3. Whilst often discussed at large scales – such as NUTS1 regions – many of the more significant imbalances are discernible only at lower scales, such as at NUTS2, NUTS3, or Local Authority levels. Moreover, the NUTS1 level can indeed obscure the more complex spatial picture by averaging over significant differentials within NUTS1 regions themselves, as well as the shape of divergence nationally.⁵ Sub-NUTS1 units also do a better job of corresponding to meaningful variation in some plausible *drivers* of these imbalances, such as policy, governance or investment differences – and as such may thereby inform more local, place-based interventions.⁶ This presents both an analytical imperative (to ensure that there is sufficient data at lower scales to understand spatial complexity more adequately), as well as a policy imperative (to ensure place-based and needs-sensitive approach to investment and governance fully enables those areas least likely to benefit from agglomeration effects or metropolitan-weighted policy).
- 1.4. In addition to the descriptive question of scale, there is an interpretive question about the role of potential geographical area attributes (such as North/South, City/Town, Urban/Rural) in helping to account for the spatial patterns.⁷ Which of these sorts of frames are most useful is very contingent on which scales and indicators are used, and none is individually adequate. That is, any one of these attributes alone can yield only a partial and incomplete interpretation of current imbalances, and analysis should instead adopt a pluralistic approach which incorporates a typology of multi-dimensional area categories.⁸
- 1.5. Moreover, many of the aforementioned categories are plausibly too coarse. A ‘North/South divide’ stylisation, for instance, oversimplifies the position of

⁵ For example, 2017 regional productivity (per filled job, relative to the UK average) in the South West region aggregates areas as diverse as Cornwall and the Isles of Scilly (69.2%) and Bristol (91.8%).

⁶ For example, the recent release of trade data at NUTS2 levels enable an understanding of local trade deficits or surpluses.

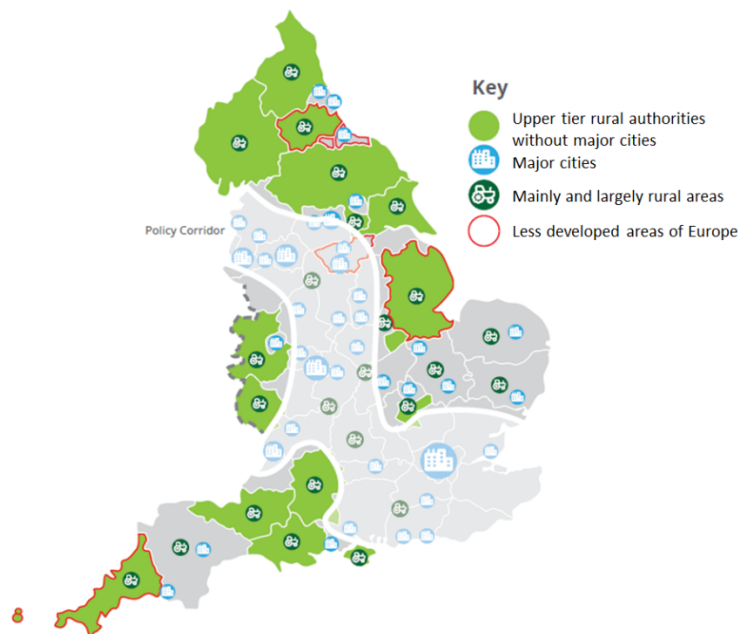
⁷ These are *interpretive* rather than mere descriptive categories in that they are often deployed to partially explain spatial patterns by describing, or being proxy for, plausible causative factors (such as agglomeration or levels of investment).

⁸ As an example of this approach for rural areas specifically, IPPR analysis develops three-dimensional rural area categories in terms of their population distribution, coastal/inland status, and hinterland/independent status. Their analysis shows important differentiation between these types of rural on various indicators. See: Cox, Murray and Round (2017), [Forgotten Opportunities: The Dynamic Role of the Rural Economy in Post-Brexit Britain](#), IPPR.

much of the South West or the differences between metropolitan and non-metropolitan Northern areas. Adequate analysis should therefore defer to more fine-grained categories, including for rurality. For example – as the ONS definition acknowledges – rural areas are very heterogeneous in respects of density and settlement composition & proximity, as are their economies, with complex drivers for success. A vital distinction between rural areas also pertains to their inclusion of, or proximity and connectivity to, large cities – an important determinant in whether they are likely to benefit from agglomeration effects as hinterlands of cities. We believe that this is an important analytical category that accounts for some significant imbalances, as outlined below.

2. What are the significant regional imbalances in the UK?

- 2.1. As noted above, the most significant regional imbalances in the UK are perceptible only below NUTS1 scales. In interpreting the spatial pattern that emerges at these lower scales, we believe that some significant imbalances exist between rural upper-tier local authorities without major cities⁹ (as a sub-category of rural areas) and other areas.



- 2.2. These areas are a mix of coastal and inland authorities located around the edge of England. Across a range of indicators, they typically contrast with areas that comprise a ‘policy corridor’ running down the middle of the country. As with other interpretive distinctions, such as the ‘North-South divide’, this divide is stylised and provides only a partial but nevertheless

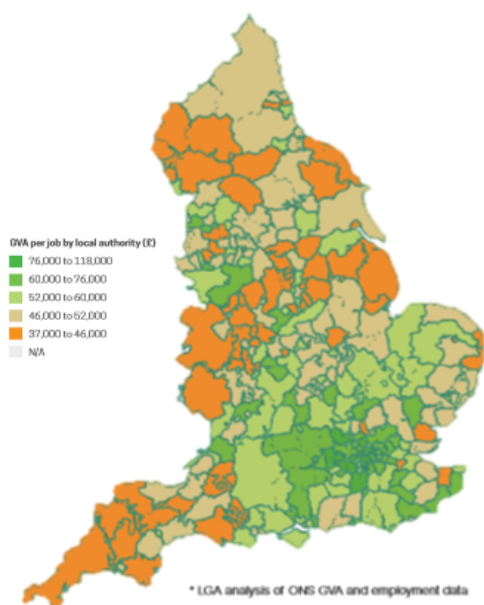
⁹ This does not coincide with the category of ‘mainly rural’. It is understood here as (mainly or largely) rural upper-tier local authority areas that lack a built up area with a day time population of over 145,000. A distinct, but similar, category of ‘independent’ rural areas is described in Cox, Murray and Round (2017) *ibid*.

important aspect of the spatial story. Importantly, it is not an arbitrary geography, in corresponding to some important explanatory factors – including rurality, relatively lesser hinterland benefits, and greater susceptibility to the effects of metropolitan-weighted investment and poor rural-proofing.

- 2.3. A range of indicators show important differentiation between these areas and national averages – such as a projected 65+ population to 2041 of 31.8%, versus 24% for England. Here we will highlight some of the headline economic divergence. The following provides a sample of some economic examples at Local Authority level.

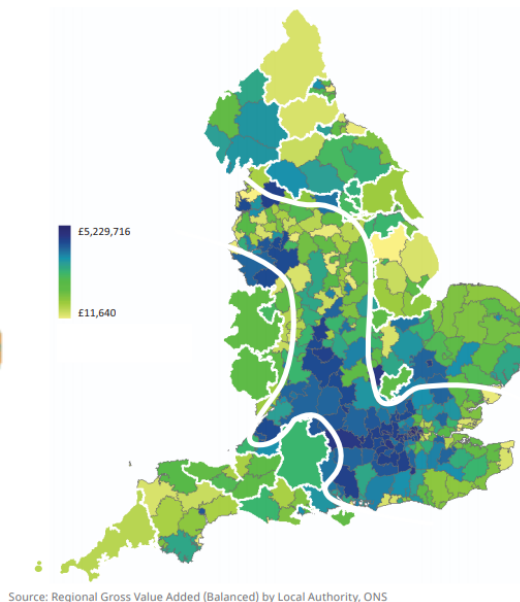
GVA per job

by local authority (£), 2017¹⁰



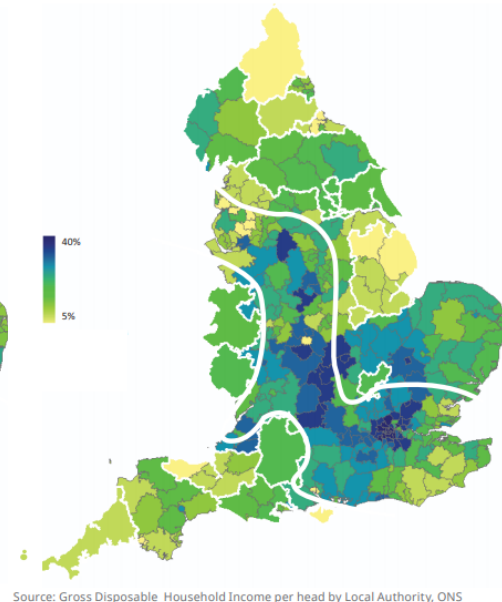
GVA per Capita

by local authority (£), 2016



Gross Disposable Household Income Growth

per head by local authority, 2010-2016

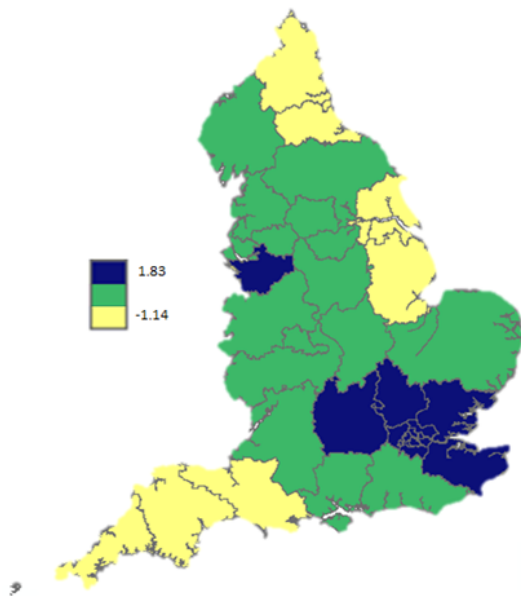


- 2.4. As the first map above shows, these areas overlap significantly with those areas of England with the lowest productivity. This pattern is perhaps unsurprising given analysis by Defra which identifies a range of productivity drivers relevant to this spatial pattern – including the number of employees per business unit, investment per workforce job, proximity to the City of London, the percentage of population living in villages, and the car accessibility of employment centres.¹¹ Furthermore, it is plausibly also partially reflective of the connectivity infrastructure challenges for these areas:

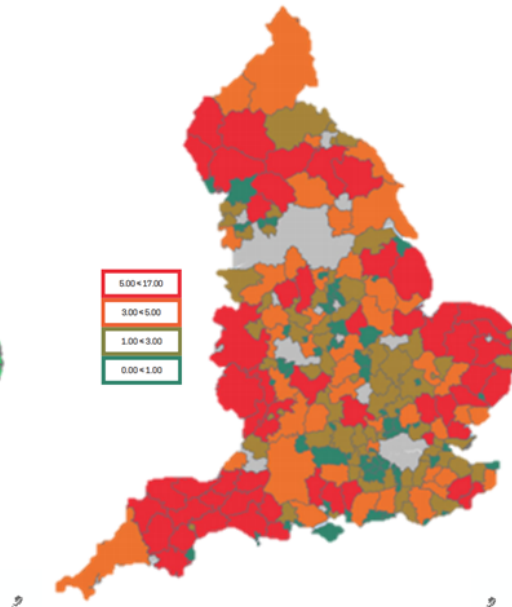
¹⁰ The Post-Brexit England Commission Final Report (2019) [The future of non-metropolitan England: moving the conversation on](#), LGA

¹¹ Defra (2011) [Understanding the drivers of productivity through Regression Analysis](#)

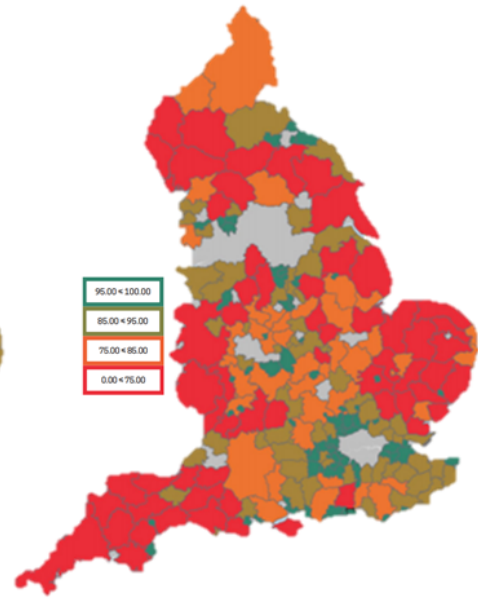
**EU Regional Competitiveness Index:
Transport infrastructure scores
by NUTS2 region, 2016¹²**



**% of homes in non-metropolitan
England unable to achieve
10mbps download speeds
by local authority¹³**



**% of homes in non-metropolitan
England with
an outdoor 4G signal from
all operators
by local authority¹⁴**



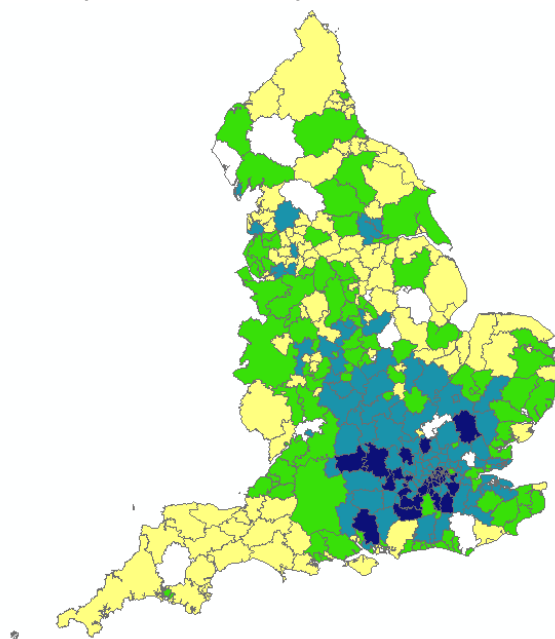
- 2.5. These connectivity issues may also frustrate the potential of residents to benefit from employment and earnings opportunities through travelling to neighbouring cities, with inter-Local Authority migration for work also relatively lower in these areas. This may be a contributory factor to the lower earnings across most of these areas, with the average median earnings around £2,600 less than the England median. As with the variations in Gross Disposable Household Incomes, and in its growth since 2010 as illustrated above, these spatial patterns provide evidence that regional inequalities are also a factor in interpersonal income inequalities at the national scale.

¹² [EU Regional Competitiveness Index 2016](#). The infrastructure scores here pertain to four indicators for transport infrastructure: motorway potential accessibility, railway potential accessibility, number of passenger flights within a 90 minute drive, and intensity of high speed rail. The NUTS2 classifications merge Shropshire and Hampshire into broader areas within the West-Midlands.

¹³ The Post-Brexit England Commission Final Report (2019) [The future of non-metropolitan England: moving the conversation on](#), LGA

¹⁴ *ibid*

***Median Gross Annual Pay
by local authority (£), 2018¹⁵***



- 2.6. Moreover, these variations are not lessened by various policy and investment decisions. The challenges for local authorities are already clear thanks to the work of the County Councils Network and the Rural Services Network – with RSN, for example, highlighting how rural areas receive less per head in Settlement Funding Assessment grant whilst rural residents pay more in Council tax.¹⁶ And many services evidently cost more to deliver; compounding the disparity. But the challenge is broader with, for example, much Innovate UK and Research England spending, Enterprise Zones, and Catapult Centres highly concentrated outside of these areas.¹⁷ Efforts to effect regional rebalancing cannot neglect the need to redress national rural policy, through national action on issues such as those outlined by the recent Lords Rural Economy Committee report. At a minimum, rebalancing will be frustrated unless Government adequately reforms its approach to rural proofing, fully acknowledges rural delivery cost-pressures, and invests in physical and digital connectivity.
- 2.7. Beyond the transparent impacts for local areas, these imbalances reduce the UK's overall economic performance and dampen UK productivity, and local income and wages, whilst also thereby entailing foregone revenue for the

¹⁵ Annual Survey of Hours and Earnings, 2018. Data gaps within this map are due to areas where local estimates are considered unreliable.

¹⁶ <https://www.rsnonline.org.uk/fairer-funding-campaign>

¹⁷ Analysis by the Communities in Charge campaign has shown that government economic affairs spending is also heavily weighted towards London. It shows, moreover, how a replication of this approach for Shared Prosperity Fund allocations would significantly disadvantage areas currently in receipt of EU Structural Funds, resulting in 'poorer regions getting poorer'. See: Locality (2019), [Communities in Charge](#)

Exchequer.¹⁸ Socially, this also risks a consequent sense of places as being ‘left behind’ or ‘taken for granted’. Economically, the UK is consequently failing to harness the potential of all areas to contribute to a vibrant, resilient and sustainable economy through the realisation of their capacity for innovation, productivity and greater export performance – especially the distinctive contribution of rural upper-tier authorities without major cities.

- 2.8. Centralisation of policy and funding has been a key driver of regional inequality in the UK, and the devolution of powers and funding to local areas can play a vital role in addressing regional imbalances. The forthcoming Common Devolution Framework provides an opportunity to avoid a one size fits all model and adopt approaches more suitable for rural areas. Moreover, a UK Shared Prosperity Fund also has a vital role to play in addressing regional disparities, through a needs-based allocation that supports those regions furthest behind; a simple, fair and transparent mechanism (such as one based on local productivity); and freedom, flexibility, and local autonomy to set priorities.
- 2.9. Local Industrial Strategies will provide local areas with a vital opportunity to maximise on the unique potential of local areas to contribute to an inclusive, resilient and sustainable national economy. Where possible, this should account for the role of hinterlands in supporting growth – but more broadly the opportunities of distinctive and diverse rural geographies must be understood and maximised within all LEP areas. Rural upper-tier authorities without major cities are collectively well-placed to meet all four Grand Challenges, so rural development and an understanding of the importance of SMEs in driving growth should be embedded within LIS development.

3. Section B: Regional economic data and forecasting

- 3.1. Nationally, persistent (and in some cases widening) disparities indicate that policy makers are not adequately using existing local data to redress current imbalances. Routine reporting of regional (including sub-NUTS1 level) data in the Budget, Spring Statement and the OBE’s Outlook would enable a higher profile and recognition of spatial disparities.
- 3.2. Local policy makers already utilise available evidence, with highly localised (including postcode-level) data invaluable. However, a greater availability of data and analysis below NUTS1 level would strengthen rebalancing and facilitate better rural proofing by national and local actors through more

¹⁸ The Disunited Economy: The Left Behind Places, Why They Matter, and What Can be Done About Them, Professor Ron Martin (University of Cambridge), Presentation to Chief Economic Development Officers’ Society, London, 8 July, 2019

evidence-led and place-based interventions. This is especially so in the context of ambitions for greater devolution and Local Industrial Strategies. For example, Public Expenditure Statistical Analyses, tax revenue, and a range of sector data – including earnings by sector, labour market statistics by sector, productivity by sector, and sectoral trade – would enable significant insights at sub-NUTS1 levels. Localised forecasts (for growth, employment and unemployment) would also be invaluable, enabling consistency and comparability through an officially produced and endorsed model. To enable policy interventions at multiple spatial levels, regional statistics should also be available for a variety of geographical scales.

- 3.3. A basket of indicators should be used to enable a full understanding of local areas in order to effectively describe and interpret spatial challenges and enable adequately place-based interventions. A mix of clear, simple and transparent measures are vital, and preferable to complex and composite measures of need, such as the IMD, which have underestimated need in rural contexts.¹⁹

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¹⁹ On issues with the IMD for rural areas, see Fecht D, *et al.* (2018), [*Inequalities in rural communities: Adapting national deprivation indices for rural settings*](#), Journal of Public Health, Vol: 40, Pages: 419-425, ISSN: 2198-1833