

Economic Growth Strategy for Cornwall & Isles of Scilly

Cornwall and Isles of Scilly LEP

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Contents

Contents.....	1	
Introduction	1	
Part A – The economy of Cornwall& Isles of Scilly: current performance and future prospects		3
The economy of Cornwall & Isles of Scilly today	4	
A view to the future: key trends and drivers	10	
From analysis to strategy.....	16	
Part B – Economic Growth Strategy for Cornwall & Isles of Scilly	17	
Vision and Strategy	18	
Priority 1: Inspiring businesses to achieve their national and global potential	20	
Priority 2: Creating great careers here	22	
Priority 3: Creating value out of knowledge	24	
Priority 4: Using the natural environment responsibly as a key economic asset	26	
Part C – Implementation and monitoring	28	
How we will work	29	
Measuring progress	30	

Introduction

This document provides the “long version” of the **Economic Growth Strategy for Cornwall & Isles of Scilly**. It has been prepared by the **Cornwall and Isles of Scilly Local Enterprise Partnership** (the LEP) with support from SQW (a firm of independent analysts and advisers in sustainable economic development).

Context for, and the LEP’s approach to, this Strategy

Cornwall and Isles of Scilly LEP was one of the “first 24” announced by government within the *Local Growth White Paper* (October 2010). The White Paper attached great importance to LEPs, but it was not prescriptive in terms of what they might actually “do”: it simply tasked LEPs with listening to businesses and then spearheading economic recovery in a way that was locally appropriate.

The Board of the Cornwall and Isles of Scilly LEP first met in summer 2011. Subsequently it has achieved much – notably a successful bid for an Enterprise Zone at Newquay; the securing of significant resources through the Regional Growth Fund; the provision of support to private sector initiatives focused on geothermal power and space science; and the distillation of a shared business position on key infrastructure issues (such as Falmouth Harbour and the Great Western rail franchise). Over the last few months it has also devoted time and effort to the development of this Strategy.

Throughout, the LEP’s approach to this Strategy has been characterised by:

- a focus on the **evidence** relating to the economic character and performance of Cornwall & Isles of Scilly, and an attempt to understand causes as well as symptoms
- a determination to **look forward rather than back**, positioning Cornwall & Isles of Scilly in relation to trends and future drivers that are defined, increasingly, on an international stage
- a commitment to **working closely with others**, particularly the business community, but also stakeholders and partners from across the voluntary/community and public sectors, both to define the Strategy and then, crucially, to spearhead its implementation.

Purpose and aim of the Strategy

This Strategy is concerned, first and foremost, with **securing future economic growth** in Cornwall & Isles of Scilly. This is not “growth at any price”, but growth that is **sustainable** – in all senses of the word.

Growth of this nature is essential. Young people in Cornwall & Isles of Scilly need more and better opportunities locally; those in employment need to be able to command higher wages and salaries, but this can only be achieved if productivity also increases; economic activity in Cornwall & Isles of Scilly needs to be more resource efficient, particularly given the threat from ever-rising fuel prices. These are not “nice-to-haves”; these

are absolute imperatives for Cornwall & Isles of Scilly and this document explains how the LEP intends to make progress in achieving them.

This Strategy is ambitious. It will need to be delivered over the next 8 years, but delivery must start now, using the whole range of resources that are available, both those that already exist within Cornwall & Isles of Scilly, and those that might be attracted from outside.

Structure of this document

This document is divided into three parts:

- **Part A** distils the evidence to draw out the opportunities and threats facing the economy of Cornwall & Isles of Scilly
- **Part B** presents the Strategy, which includes a Vision, Guiding Principle and four Strategic Priorities
- **Part C** sets out the LEP's proposals for implementation and monitoring.

This document is underpinned by an evidence base which has materially informed the development of the Strategy. Key working papers and a note on 'process' are available on the LEP's website at:

<http://www.cornwallandislesofscillylep.com/strategy.html>

These are as follows:

Evidence Base Papers 1 – Headline Economic Indicators

Evidence Base Papers 2 – Emerging issues from detailed consultations with businesses from Cornwall and the Isles of Scilly

Evidence Base Papers 3 – Horizon Scanning

Evidence Base Papers 4 – Employment and GVA projections for Cornwall and the Isles of Scilly

Evidence Base Papers 5 – Emerging themes from the LEP Road shows

Evidence Base Papers 6 – Sectors across Cornwall and the Isles of Scilly

Process Note

**Part A – The economy of Cornwall
& Isles of Scilly: current performance
and future prospects**

The economy of Cornwall & Isles of Scilly today

Together, Cornwall & Isles of Scilly is home to over 530,000 people and more than 20,000 registered businesses. Among those who are resident locally, over 245,000 are in employment (and of these, around 53,000 are self-employed). Overall, the Gross Value Added of Cornwall & Isles of Scilly's economy sums to about £7bn (in current prices); this is similar in scale to areas like East Sussex and Cumbria.

The spatial context

It is impossible to make sense of the economy of Cornwall & Isles of Scilly without reference to its geography. The LEP has responsibility for a territory of some 3,500 km² which extends from the Isles of Scilly in the west through the Cornish Peninsula to the border with Devon and Plymouth in the east. Throughout, it is overwhelmingly rural and – consistent with its peninsular/island character – much of it is also coastal. The quality of the natural environment is exceptional: the Isles of Scilly and over a quarter of the territory of Cornwall (including, for example, Bodmin Moor) are designated Areas of Outstanding Natural Beauty.

Across the LEP area, the largest settlements include St Austell, Truro, Falmouth, Redruth, Pool, Camborne, Bude, Newquay, Bodmin, Saltash and Penzance. Although they differ substantially from each other in character and economic function, none of these towns has a population in excess of 30,000 (and most are a good deal smaller). Transport

linkages between the main towns are variable. The A30 is the main east-west route through Cornwall (linking Launceston in the east through Bodmin and Redruth to Penzance in the west) while the mainline railway connects Penzance, Truro, St Austell and Saltash; but away from these two main arteries, connections are less good, including those between some key hubs (e.g. Newquay Airport and Truro). The Isles of Scilly and the mainland are connected by sea and air services; these are crucial to the Scillonian economy, but fares are high, creating real challenges for the business community.

Overall then, Cornwall & Isles of Scilly has a polycentric urban form and for the most part, sparsity of population defines the canvass for economic activity; in defining appropriate processes of – and opportunities for – economic growth, this spatial backdrop is really very important.

Structure of the economy

Against this backdrop, it is not surprising to observe that most businesses in Cornwall & Isles of Scilly are small: 90% of VAT and/or PAYE registered businesses have fewer than 10 employees (which is similar to the national average) but in Cornwall & Isles of Scilly, almost a quarter of businesses have an annual turnover of less than £50k (compared to 19% nationally). In addition, around 14% of the working age population is self-employed (compared to a national average of about 9%). In many cases, there is a “fuzzy line” between self-employment and micro-businesses – hence the “real” number of enterprises could be a good deal higher than the 20,000 or so suggested by the official statistics, particularly when the substantial numbers of home-based businesses are taken into account.

Within the economy, some sectors are bigger than others. In absolute terms, the largest sector (in terms of employee job numbers) is “wholesale and retail” (38,000) followed by “human health/social work” (27,000). However these service sectors tend to be major employers everywhere and their prospects for growth are linked to growth in the resident population and/or public sector spending decisions. The sector which stands out differentially as being most strongly represented is actually “mining and quarrying”, reflecting aspects of Cornwall’s industrial heritage: although the number of employee jobs is modest (just over 1,000), it is five times more than is typically the case across England. “Accommodation and food services” – with clear links to tourism – accounts for around 25,000 employee jobs in Cornwall & Isles of Scilly; compared to the national average, this is double the number that might typically be expected in an economy of this scale.

The official statistics suggest that business birth rates (when measured per head of working age population) are slightly lower than the national average but five-year survival rates are higher. Overall business density is similar to the national average.

Businesses within Cornwall & Isles of Scilly

Official data provides a useful insight, but only a partial one, into the nature of the business base. Across the 20,000-plus businesses that define the economy of Cornwall & Isles of Scilly, there is an array of different circumstances. Whilst developing this Strategy we have met with businesses based in Cornwall & Isles of Scilly which are – by any

yardstick – impressive. Moreover, these firms are competing successfully in national and international markets.

Typically, these businesses do not fall neatly into pre-defined sectors and they defy easy measurement through official statistics. Illustratively – and this list is by no means exhaustive – they include:

- **marine-based businesses**, most of which are clustered in and around Falmouth, including Pendennis (which builds superyachts) and Fugro Seacore (which specialises in marine civil engineering and operates globally); overall, the marine cluster is estimated to account for around 14,000 jobs in Cornwall & Isles of Scilly
- major **food producing businesses** like Samworth Bros. (including Ginsters), Tulip Foods, Kelly’s of Cornwall, and Dairy Crest Davidstow, which have significant local supply chains (linked especially to agricultural producers) and tend to be located in the east of Cornwall; and **high value/premium food and drink producers** such as Lynher Dairies (Cornish Yarg), St Austell Brewery (beer), and Rodda’s (clotted cream and other dairy products) which are located across Cornwall & Isles of Scilly
- businesses with a focus on **digital/new media and creative activities**, many of which are currently quite small in terms of local employment but nevertheless globally networked and growing quickly; they include animators, software developers, etc., and they are found across the geography of the LEP (Spidereye Animation, for example, is based at St Just near Penzance)

- businesses with a focus on **advanced manufacturing/engineering** with a raft of different applications – some linked to renewable energy, some to medical technologies, some to security, and some to defence and aerospace; examples include Pall (in Redruth and Newquay) and Flann Microwave (in Bodmin)
- businesses in the “bedrock” sector of **tourism and leisure**, many of which have “contemporised” over recent years to develop high profile brands whilst retaining a significant relationship to the natural environment of Cornwall & Isles of Scilly; examples include Rick Stein’s restaurants at Padstow and Falmouth, and the Eden Project near St Austell.

This list is not exhaustive and other businesses could be added to it. The point is though that within Cornwall & Isles of Scilly there are already some world class businesses. This Strategy must support their continuing growth. It must also encourage the emergence of more firms of similar quality, ambition and potential that can benefit from – and contribute to – the economic endowment provided by Cornwall & Isles of Scilly.

The economic challenges

But why? Why does Cornwall & Isles of Scilly need more internationally competitive businesses?

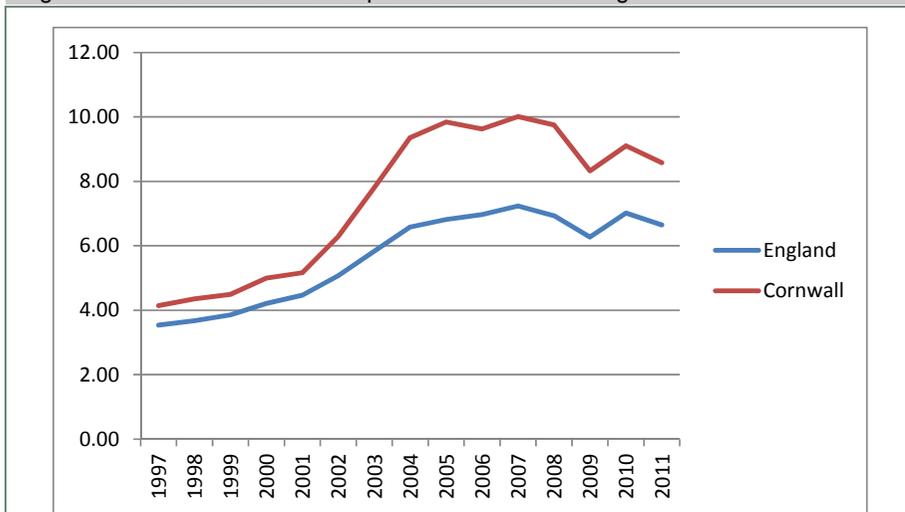
At the level of the LEP area as a whole, there are some major challenges that need to be addressed. Even in a period of recession, the key issue facing Cornwall & Isles of Scilly is, arguably, not just jobs: rates of unemployment (measured in terms of out-of-work benefits claimants) are below the national average. For those employed in Cornwall and the Isles of Scilly, the bigger issue relates to earnings; as a recent report observed, *“returning Cornwall to a county that is prosperous and brimming with better-paid employment opportunities would be the stuff of dreams for many local people; it would be transformational”*¹. This in turn links fundamentally to overall economic performance. On the composite UK Competitiveness Index (UKCI), Cornwall ranks as the 314th most competitive local authority district among 379 nationally (no composite rank is provided for the Isles of Scilly). It is important to understand why this matters, and what explains it.

According to data from the Annual Survey of Hours and Earnings, in 1997, median gross weekly workplace-based pay (for full time employees) in Cornwall & Isles of Scilly was 77% of the national average. By 2011, it had improved, but only to 81% of the average. Over the same period, the affordability of housing in Cornwall & Isles of Scilly became a major problem as the chart below demonstrates: earnings are a crucial part of

¹ *New Work Cornwall*, completed by Sea Communications

the equation and they must be taken seriously in the context of an Economic Growth Strategy.

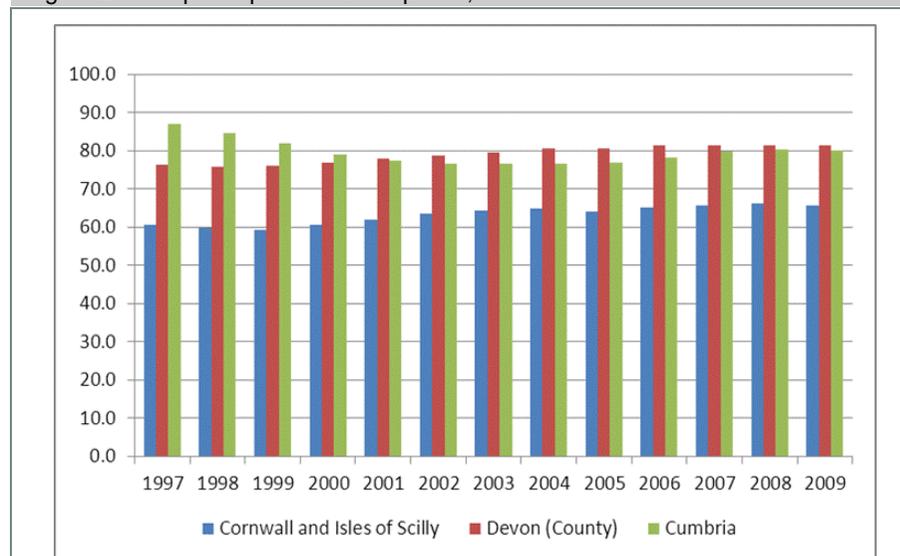
Figure 1: Ratio of median house prices to median earnings



Source: CLG – based on data from ONS/ASHE and HM Land Registry (Note that these data are for Cornwall only)

Earnings are intrinsically linked to productivity which is, essentially, a measure of economic efficiency. It can be defined in various ways (per capita, worker, hour, etc.). But whichever metric is used, the headline data portray the same challenging picture, as depicted in Figure 2. The London economy has an enormous impact on national patterns but comparisons with broadly similar non-metropolitan areas – like Devon and Cumbria – ought to be valid. Between 1997 and 2009, the gap between Cornwall & Isles of Scilly and Devon was doggedly persistent; and this was despite the fact that Cornwall & Isles of Scilly benefitted differentially from significant investment through the Objective 1 and Convergence programmes.

Figure 2: GVA per capita at current prices, UK=100



Source: ONS

In 2010, Cornwall Council completed a thorough analysis of economic productivity and it sought to investigate the underlying causes of underperformance. It concluded that although the picture is complicated, the prevalence of small employers, the high incidence of part time employment, and the skills profile – which, despite improvements, continues to be weak – all play a role. More generally the challenges are compounded by weak agglomeration processes which are exacerbated by a location that is, simply, a long way from London and other major hubs of economic activity.

Why businesses invest in Cornwall & Isles of Scilly...

The analysis of economic performance summarised above clearly points to some challenges. Yet within Cornwall & Isles of Scilly there are – as illustrated above – some world class businesses. Why then do these firms *choose* to invest and “do business” in and from the LEP area?

For some, the environmental assets of Cornwall & Isles of Scilly are crucial in relation to the business activity itself – essentially a “factor of production”. This argument relates to a range of activities; important examples include the potential of geothermal and wave power, horticulture on the Isles of Scilly, tourism and leisure across the board, and marine-based activities in and around Falmouth.

For rather more businesses, the key factor seems to be that from Cornwall & Isles of Scilly, it is possible *both* to run a world class business *whilst also* enjoying an outstanding quality of life (defined most commonly in relation to the area’s landscape, its coastline, its schools, its cultural assets and its communities). And in many instances, this possibility is being made real through the roll-out of superfast broadband. For these businesses, acknowledging the central importance of “lifestyle” does not signify any lack of “ambition”: these are world class firms and the fact that those who run them can also enjoy a high quality of life is all the more reason to succeed. More generally, it points to the inherent strengths and potential of Cornwall & Isles of Scilly as a business location, particularly as business leaders increasingly reflect on “*what they are working for*”.

Of course, within Cornwall & Isles of Scilly – like any local area – there are businesses that are content with the lifestyle it supports and with little desire to grow further. There are also firms that would like to grow but lack the skills, resources, confidence and/or networks to do so. For this Strategy, the second group is particularly important.

...and what frustrates business growth

Why then are there not more world class businesses in Cornwall & Isles of Scilly – and, in essence, what are the “business problems” that this Strategy needs to address? The evidence points to four groups of issues:

- First – and despite significant improvements over recent decades – there remain concerns relating to **skills and the labour market**. Finding staff for production and/or lower level jobs is generally possible (although some sectors, notably food production, depend significantly on migrant workers); but recruiting staff with high level and specialist skills locally is difficult. Recruiting from national and international labour markets may be part of the solution and many mid-career professionals are attracted by the Cornwall & Isles of Scilly “package”. However the availability/affordability of housing can be a problem. There is also a concern about the “depth” of labour market opportunity across the area (“*what is my next job?*”; “*what will my spouse do?*”); this in turn relates fundamentally to the challenges linked to **critical economic mass**
- Second – and again despite the very considerable investments that have been seen over the last decade – links between

businesses and the knowledge base are under-developed. Elsewhere, these links – and/or the potential for these links – are a driver for business investment and growth: research by the **National Endowment for Science, Technology and the Arts** (NESTA), for example, has shown that nationally, innovative high-growth companies – many of which will have a strong knowledge-based dimension – contribute disproportionately to new private sector jobs growth and overall economic dynamism. In Cornwall & Isles of Scilly – through the Combined Universities in Cornwall and the institutions linked to it – these connections are emerging. However at the level of the local economy as a whole, relationships of this nature take decades to gain critical mass/momentum; compared to elsewhere, the judgment must therefore be that they are currently still relatively “thin”

- Third – and despite the roll-out of superfast broadband – **perceptions of distance** can be a concern, and one which persists despite the globalisation of business activity. But in addition, with **ever-escalating fuel prices**, “distance” is becoming a very significant **cost** for some businesses, particularly those producing physical products (whether cut flowers, food products or engineering components) which need to be transported
- Fourth – and again despite significant investments over the last decade – various aspects of the **business environment** have been raised as an issue. One dimension relates to the availability of appropriate **premises**, particularly for growing businesses. Another – which is certainly not unique to Cornwall & Isles of

Scilly – relates to **access to finance**, especially for firms which are seeking to grow and/or to effect ownership succession.

Conclusions

Cornwall & Isles of Scilly is a place – or, more precisely, a collection of places – from which businesses can and do find ways of competing with the best in the world. Overall though, there are not enough businesses of this nature. This is not a statement about “sectors”; it is an observation about ambition and aspiration, together with the underlying conditions for business growth. This Strategy needs to address these issues, building on, and inspired by, the “success stories” that already exist.

Linked to this, if the Strategy has one aim, it needs to be defined in relation to productivity which links fundamentally to business efficiency and competitiveness,

A view to the future: key trends and drivers

This is a Strategy for Cornwall & Isles of Scilly's *future* economic growth. It must therefore be informed by, and anticipate, the trends and drivers that are creating, destroying and shaping markets, nationally and internationally.

Informed by a review of literature – including that produced through government's Foresight programme – the paragraphs below summarise key trends and drivers that are especially relevant to Cornwall & Isles of Scilly's economic future.

Social trends and drivers

Population projections produced by ONS (2008-based) suggest that between 2008 and 2031, the population of Cornwall and the Isles of Scilly will increase by about 20% – to almost 650,000. Over the same period, the number of people aged 65 or more is projected to increase by over 80%, resulting in one in four people being aged 65 or more (and over 15% being aged 75 or more). The **ageing of the population**, therefore, will constitute a major social change over the next 20 years in Cornwall and the Isles of Scilly (and, indeed, elsewhere).

In economic terms, this presents a wide range of opportunities. Research suggests that older people will increasingly influence consumer demand – and the preference is likely to be for services rather than goods. It also anticipates that “Mature Entrepreneurs” will emerge, with individuals

harnessing all their experience to “strike out on their own”, spurred in part by changing pension provision. At the same time, for the “old old” and those in poor health – and in the context of burgeoning healthcare costs – there will be opportunities linked to technologies and innovations which might enable independent living.

Another major social trend relates to **patterns of work**. One dimension concerns homeworking. This is already well-established in Cornwall & Isles of Scilly and it is becoming commonplace elsewhere; done well, evidence suggests that it can increase productivity and in this context, Cornwall & Isles of Scilly should be “ahead of the curve”. In addition, profound changes are anticipated in relation to the nature of “rewards” from work. For many, earnings, increasingly, are not the only concern: increasingly, “choice” and “experience” (including through remote working in a high quality environment) are also holding sway, facilitated by broadband connectivity. Again, Cornwall & Isles of Scilly has much to offer – and to gain.

A third social consideration relates to **young adults and their relationship to the housing market**. Evidence suggests that the age at which people buy their first home is rising rapidly – from 29 in the 1980s, to 35 currently and a projected age of 41 by 2025. The implication is that different choices will be made which will impact on migration and the labour market; specifically, young people may rent property in town/city centres for longer and this in turn will affect labour supply.

Technological trends and drivers

Over the last 20 years, technological changes have had an enormous impact on the structure of economic activity and a similar quantum shift is anticipated looking forward. The Foresight Horizon Scanning Centre² has examined this issue in detail and it has identified seven cross-cutting developments that are likely to be transformational in their impact over the next two decades. Most of these have resonance and relevance across Cornwall and the Isles of Scilly:

- **manufacturing on demand**, which is described as a “manufacturing revolution”. This relates, fundamentally to manufacturing becoming an increasingly bespoke service. One implication is that some level of manufacturing capability ought to be linked to research institutions
- **smart infrastructure**, which includes the development of a smart electricity grid that is capable of dealing efficiently with micro-generation. In addition, the capacity and efficiency of all existing infrastructures ought to be capable of being improved through the application of new information and communication technologies
- the **second internet revolution**, which will be defined around the use and meaning of data. Specifically, the expectation is that search processes will be capable of understanding semantic

² *Technology and Innovation Futures: UK Growth Opportunities for the 2020s* Foresight Horizon Scanning Centre, 2010

meaning and hence the internet will provide a route into a web of linked intelligence

- the **energy transition** – away from fossil fuels towards sustainable energy – will be a major driver. This is likely to include the continuing development of renewable energy sources and the emergence of hydrogen as a fuel
- the emergence of **light and strong materials**, which are likely to be developed and ought to contribute significantly to improving the efficiency of resource use (including energy)
- the possibilities linked to **regenerative medicine**, many of which relate to stem cell research
- the value and potential of **intellectual property** as an economic asset in and of itself.

Economic trends and drivers

Overall, economic growth forecasts across the UK economy are currently quite cautious, particularly in the short term. Nationally, the Office for Budget Responsibility’s central forecast – published late in 2011 – is for GDP to grow by 0.7% in 2012, 2.1% in 2013, 2.7% in 2014 and 3% in 2015 and 2016. In the accompanying narrative, OBR states that:

Our central forecast assumes that the euro area finds a way through the current crisis and that policymakers eventually find a solution that delivers sovereign debt sustainability. A more disorderly outcome is clearly possible. This poses a significant downside risk to the

central forecast, but one that cannot be quantified in a meaningful way given the numerous ways in which it might unfold. Suffice to say, even though we believe there is an equal chance that growth will come in above or below our central forecast, the probability of a much worse outcome than the central forecast is greater than the probability of a much better one³

Baseline projections for Cornwall & Isles of Scilly were prepared in March 2012 by Cambridge Econometrics. These were modelled projections – not a calibrated forecast – but in headline terms, they suggest that

- Employment grew steadily prior to the recession (there were almost 100,000 more jobs in 2007 (peak year) as compared to 1983), but from 2007 to 2012, the number of jobs is projected to fall by over 27,000; although jobs growth is projected from 2012, the total number of jobs is not expected to return to pre-recession levels until 2024
- GVA peaked pre-recession in 2007 at £6.59bn (in 2006 prices) but the economy contracted subsequently: it is not expected to return to pre-recession GVA levels until 2015
- In 2010, GVA per job (at 2006 prices) was estimated to be £26.9k in Cornwall & Isles of Scilly compared to £37.0k in the UK. Historic data and future projections suggest that relative to the UK, the performance of Cornwall & Isles of Scilly:
 - deteriorated sharply in the 1980s and early 1990s

³ *Economic and fiscal outlook – November 2011*, Office for Budgetary Responsibility – para 1.21

- improved (although erratically) between the mid 1990s and late 2000s
- is projected to decline relatively in the 2010s and 2020s.

Ensclosed within these projections are a number of structural economic trends and drivers. The Strategy needs to be alert to these:

- first, there is intensifying cost-based competition in commodity markets of all forms, particularly from the BRIC countries (Brazil, Russia, India, China): increasingly, businesses in the UK will struggle to compete on these terms
- second, the rising price of inputs, particularly energy, is causing the balance of production economics to shift: businesses will need to respond
- third – and in the context set out above – the importance of competing on the basis of knowledge, service and value-added – rather than simple measures of price – is becoming increasingly important.

In addition, one much more general trend – which is broadly “economic” – needs to be noted. It concerns models for “doing business”. Partly because of the structural issues mentioned above, business models are changing. The vertically integrated monoliths of the past – epitomised by the likes of Ford and IBM – are fast disappearing and instead, business models are becoming more “networked”. Formal and informal collaborations and alliances – including with the research community – are creating the “ecosystems” through which value and competitive

advantage is gained. The functioning of these ecosystems is facilitated by broadband connectivity but they depend fundamentally on new approaches to “doing business”. Specifically the boundaries between clients, collaborators, competitors and suppliers are thoroughly blurred, and these relationships increasingly provide the route to innovation and competitive advantage. Often the ecosystems – and the relationships which define them – are international in scope.

Environmental trends and drivers

Many of the principal environmental trends and drivers are related, directly or indirectly, to climate change – in all its guises – and the measures needed to mitigate and manage the surrounding effects. These measures are potentially very significant indeed and over the next 20 years, the ramifications could be substantial. Three aspects of particular relevance to Cornwall & Isles of Scilly are discussed briefly below.

Precipitated in part by the challenges of climate change – but also by the escalating costs of fossil fuels and concerns about the security of energy supply – government has committed the UK to fundamental changes in the production and use of **energy**. These measures may be traced to the *Kyoto Protocol* (signed in 1997). Subsequently, government established its *Climate Change Programme* which drew on a range of instruments, including Renewables Obligations, the Climate Change Levy, Energy Efficiency Commitments, and the UK and EU Emissions Trading Schemes.

More recently, the *2009 Renewable Energy Directive* set a target for the UK to achieve 15% of its energy consumption from renewable sources by 2020 from a baseline of 1.5% in 2005. By any yardstick, this will be a

substantial stretch. The accompanying *Framework for Action* committed to three sets of interventions: financial support for renewables; unblocking barriers to delivery (e.g. the grid); and developing emerging technologies (including in relation to offshore wind and marine energy).

Another resource which is likely to be in short supply is **water**. Earlier this year, Defra published a *Climate Change Risk Assessment* and issues relating to water supply featured prominently. In essence, Defra’s view was that without action to improve the use of water resources, there could be major supply shortages by the 2050s in parts of the north, south and east of England with the greatest challenge in the Thames River basin. Relatively, Cornwall & Isles of Scilly should be well placed – and in the medium term, this arguably presents something of an opportunity, albeit a double-edged one.

A third important environmental driver relates to patterns of **land use**. Over recent years, government has rediscovered the importance of food production; *Food 2030* – the UK’s first food strategy for 50 years – was published shortly before the change in administration and although its initiatives were not identified as an immediate priority by the Coalition government, there is nothing to suggest that the central thesis is disputed. At the same time, however, given the scale of renewable energy commitments, some land is going to be needed for energy crops. The implication is increasing demand for land and competition in terms of the uses to which it is put. For an overwhelmingly rural area like Cornwall & Isles of Scilly, issues relating to the future use of land are important.

Political trends and drivers

Finally, it is important to take account of major political trends and drivers, recognising that these bite at a range of spatial scales.

At a **local level**, a key theme is one of localism – as legislated for through the *Localism Act, 2011*. The Localism Act is complicated and its likely impact is uncertain, but potentially at least, it could change the premises of development processes fundamentally. Specifically, the Act makes provision for new rights and powers for communities and individuals; the “democratisation” of spatial planning; and more local control in respect of housing.

Nationally, the central tenet of the Coalition Agreement was one of deficit reduction and looking ahead, this is unlikely to change quickly. Government has published a raft of White Papers, all of which set policy direction and most of which will be important for Cornwall and the Isles of Scilly over the years ahead. Immediately relevant statements include: the *Local Growth White Paper, 2010* (which launched LEPs) and the *Plan for Growth*, which was published alongside the 2011 budget. Within the *Plan for Growth*, commitments that are – perhaps – especially important in relation to the LEP’s Strategy and Business Plan include:

- the provision of finance for new and growing businesses
- further investment in innovation and research (including through nine new university-based Centres for Innovative Manufacturing; the launch of a Technology and Innovation Centre in high-value manufacturing; investment in facilities to support the commercialisation of research).

At a **European** level, the future of the eurozone constitutes a major uncertainty currently and one that could have widespread ramifications across the political economy. In terms of policy, further reforms to the Common Agricultural Policy are on the cards – and these will impact on agricultural, horticultural and other businesses, and have a major bearing on patterns of land use. In addition, *Europe 2020* sets the EU’s growth strategy for the next decade. It identifies three main priorities, each of which embraces priority themes as well as quantified targets (at an EU level): smart growth, sustainable growth, and inclusive growth. *Europe 2020* will provide the key reference point for all European funding post-2013, including that which might be invested in Cornwall & Isles of Scilly.

Conclusions: the future-facing context for economic growth in Cornwall & Isles of Scilly

The trends and drivers outlined above are very significant. Together, they provide something of the future-facing context for economic growth in Cornwall & Isles of Scilly, and this Strategy must anticipate and respond to them.

In practice, some will be more important than others, and quite how they will play out in reality remains to be seen. In addition, it is likely that the points of intersection are of greatest potential significance, particularly where these co-incide with underlying strengths and weaknesses (as described earlier in “*The economy of Cornwall and the Isles of Scilly today*”). For Cornwall & Isles of Scilly, these present a range of opportunities and/or threats (and frequently, they can be seen as both). Important overarching examples include:

- links between the ageing population and, potentially, the second internet revolution with all sorts of possibilities in terms of remote healthcare in the context of continuing public sector spending restraint
- links between the energy transition (which is a necessity), the commitment to develop smart grids, the investment that has been made in research linked to renewable energy in Cornwall & Isles of Scilly (e.g. through the Peninsula Research Institute for Marine Renewable Energy (PRIMaRE)) and the scope and potential to produce significant renewable energy within Cornwall & Isles of Scilly, some of it offshore
- the increasing recognition of the competitive advantages deriving from changing models of both “working” (at the level of individuals) and “doing business” (for companies as a whole) that are far more flexible, permeable and networked than previously, and that are genuinely global in their scope.

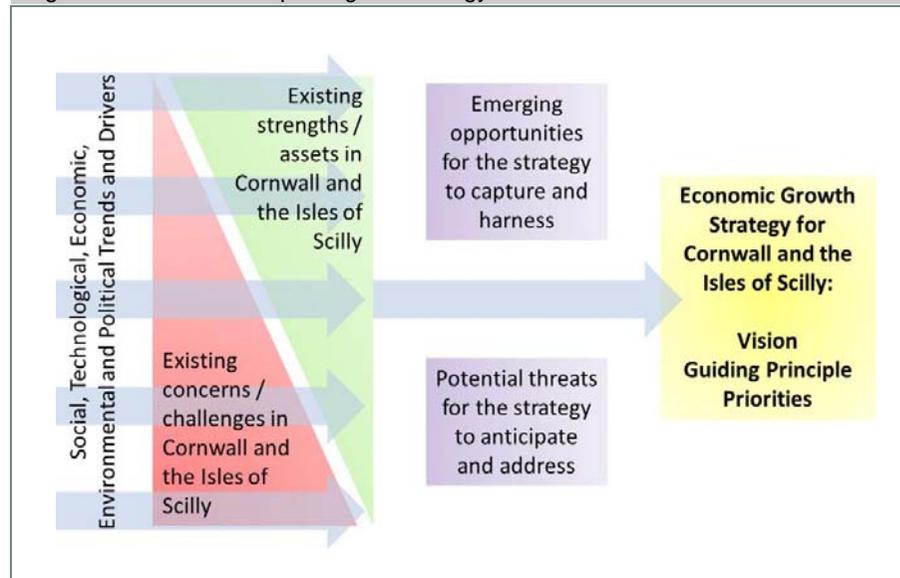
From analysis to strategy

The economy of Cornwall & Isles of Scilly currently has a distinctive character – underpinned by its peninsular/island geographies. There are also some genuine strengths within Cornwall & Isles of Scilly, many of which relate to the outstanding natural environment, and there is also a growing cadre of businesses competing effectively in global markets. However there are also some clear economic challenges and concerns – notably continuing low wage levels, weaknesses in workforce skills, poor productivity performance and issues around key infrastructure.

Looking ahead, there are a range of wider social, technological, economic, environmental and political drivers that will shape business life within Cornwall & Isles of Scilly.

The Economic Growth Strategy needs to build on the strengths and address key remaining weaknesses, but to be forward-looking and with medium term currency, it must do so in a way that is shaped fundamentally by wider trends and drivers. The figure below summarises the key relationships which define, fundamentally, the basis for this Strategy.

Figure 3: Themes underpinning the strategy



Source: SQW

The LEP Board has reviewed the evidence with regard to each aspect of Figure 3. In the light of this, it identified its overall Vision for economic growth in Cornwall & Isles of Scilly. It also defined an overarching Guiding Principle together with four specific Priorities. These were tested and developed through a consultation process in May/June 2012. The resulting Economic Growth Strategy is set out in the pages which follow.

See also: Process Note

(<http://www.cornwallandislesofscillylep.com/strategy.html>)

2.

Part B – Economic Growth Strategy for Cornwall & Isles of Scilly

Vision and Strategy

Vision

Our Vision is that through the implementation of this Strategy over the next 8 years, Cornwall & Isles of Scilly will remain geographically and culturally distinct, respected as a unique blend of “people and place”, where the environment is valued both as a business asset and as an inspiration for life. Where businesses and individuals can work as communities and thrive to reach their full potential; confident, outward-looking, connected to each other and to the world. Cornwall & Isles of Scilly will be a place where ideas are nurtured and have the opportunity to flourish – the value of knowledge is realised and applied with understanding.. Home to competitive aspiring businesses; a natural magnet for the ambitious, creating sustainable rewards.

Consistent with this Vision, this Strategy must:

- focus on measures linked to GVA and productivity growth, recognising that the performance of Cornwall & Isles of Scilly is currently underperforming
- adopt a strong market focus throughout, anticipating and preparing for likely global market changes over the next 8 years
- reflect and respect the specificities of Cornwall & Isles of Scilly’s geography and natural environment, and respond to the competitive advantages linked to particular places

- contribute positively to the overall sustainability of the Cornwall & Isles of Scilly economy

Guiding Principle

In responding to these imperatives, we will respect one overarching Guiding Principle: **that the culture, communities and environment of Cornwall & Isles of Scilly will remain special and unique.**

Cornwall & Isles of Scilly is an incredibly special place. This is partly down to our outstanding natural environment and partly down to our people and heritage. There has been a spirit of innovation and inventiveness that has thrived here for centuries, including famous pioneers such as Trevithick. We want to build on that proud tradition and make sure that our bedrock industries, such as food, farming and tourism, remain leading industries in the 21st Century, taking advantage of new technologies and new market opportunities.

As well as building on our traditional strengths, we want to pioneer new industries that make the most of our special environment. We want to promote new ways of working so that businesses can compete and reach their potential whilst enjoying everything that is special about living in Cornwall & Isles of Scilly. We are guided by the principle that Cornwall & Isles of Scilly must retain and build on its special and unique assets. Perhaps more than at any time in our history, technology and global trends are conspiring to make our natural assets a genuine source of competitive advantage.

Priorities

Our proposed approach is based on four cornerstones – Business Growth, Skills, Knowledge and the Environment - which combine in a way that builds on everything that is already special about Cornwall & Isles of Scilly and maximises the potential for our businesses and our economy long into the future.

Informed by the “bottom-up” and “top-down” analyses in Part A, the four priorities are:

- Priority 1: Inspiring businesses to achieve their national and global potential
- Priority 2: Creating great careers here
- Priority 3: Creating value out of knowledge
- Priority 4: Using the natural environment responsibly as a key economic asset

Our Strategy is summarised in the graphic opposite. The four different Strategic Priorities are explained in outline in the pages which follow.

Figure 4: Cornwall & Isles of Scilly Economic Growth Strategy: Guiding Principle and Priorities



Priority 1: Inspiring businesses to achieve their national and global potential

What is the evidence base and rationale for this priority?

Research by London Business School has shown that business models are changing, as are individuals' patterns of work. Boundaries are dissolving while innovation – and the ability to compete – is relying on the capacity to combine and connect know-how, competencies and networks. These networks may be local, but often they are global, facilitated by virtual and physical connectivity. At the same time, networked and virtual models allow individuals to make choices, including in relation to where they live and work. In many situations, productivity and overall competitiveness can be enhanced by embracing these changing practices.

In an overwhelmingly rural area which is peripherally located vis-à-vis the UK's principal markets, networked and virtual business/working models offer a substantial opportunity. Through them, there ought to be scope to secure the benefits of “virtual agglomeration” – i.e. the advantages of critical mass in a context that is, for the most part, intrinsically rural. Through this way of working, the attractions of living in Cornwall & Isles of Scilly to those who are absolutely committed to growing their businesses and/or furthering their own careers ought to be significantly increased. This can, literally, provide the “best of all worlds”: the economy of Cornwall & Isles of Scilly ought to benefit from it.

Why does this matter?

Cornwall & Isles of Scilly have many great businesses but many others who are yet to realise their full potential. This gives a great opportunity for economic growth through increasing aspirations, and helping these aspirations to be achieved. The image of Cornwall & Isles of Scilly held externally does not reflect ‘today’s Cornwall and Scilly’. It is essential that this is addressed since attracting inward investment will also be critical in achieving our growth ambitions.

Superfast broadband and the internet are changing the way we all live and work. It is increasingly possible to trade internationally from a base in Cornwall & Isles of Scilly, talking to customers and colleagues around the globe using the latest technology. Technology now enables us to live where we want to live and trade where we want to trade. At the same time, technology is making it easier for small businesses and the self employed to work in partnership with other businesses so they can compete for larger contracts in collaboration. Customer focussed business support tailored to the individual firm and facilitating access to the best advisors in the world will become part of this dividend.

What does the LEP want to see happen?

- Every business, including social enterprises, aspiring to be the best they can be whether aspiration is local, national or global
- More businesses connecting with each other so that they can punch above their weight

- More businesses making use of superfast broadband to work flexibly and create 'virtual teams' including people working from home and remotely
- More businesses connecting and trading in the rest of the UK and internationally, leading to increased profitability, greater resilience, more and better paid jobs
- The emergence of a fresh perception of Cornwall & Isles of Scilly as one of the best connected places in the world and part of the global mainstream

Working with partners, the LEP will:

- Build on the success of existing bedrock and new industries and key sectors whilst attracting businesses from elsewhere to locate all or part of their business in Cornwall & Isles of Scilly
- Raise awareness of how other Cornish and Scillonian businesses have grown nationally and internationally by shining the spotlight on success stories, using this to change perceptions and promote an image of 'real Cornwall & Isles of Scilly'
- Help get rid of the obstacles that can stop businesses growing or exporting such as infrastructure and transport links and 'business aware' planning strategies that also protect the special nature of our environment by influencing decision-makers.
- Make it easier for our SME businesses to find the right kind of business support including access to finance, and influence the

provision of that support to ensure that it is valued by the business community.

- Champion the resolution of the long term transport links between Cornwall & Isles of Scilly.
- Champion the opportunities presented by the latest developments in communications technology
- Establish a successful Enterprise Zone at the Newquay Aerohub and promote the establishment of other Enterprise Zones.

Priority 2: Creating great careers here

What is the evidence base and rationale for this priority?

In seeking to effect accelerated economic growth, the skills and attributes of the workforce are absolutely crucial. As the UK seeks to compete more on knowledge and service – and less on price (given fierce competition from low wage locations for commodity production) – the strength of this relationship will increase.

Within Cornwall & Isles of Scilly, labour market/skills issues are complex. Both demand- and supply-side weaknesses need addressing.

With regard to the latter, levels of attainment at school are good. Overall, however, the working age population is much less well qualified than the national average, despite the fact that through Combined Universities in Cornwall, participation rates in further and higher education have improved. Nevertheless firms still comment that they cannot find the skills they need and that provision should be more closely aligned with demand.

However, in terms of demand, the perception is that currently there are insufficient “good” jobs – of the type that attract and retain well-qualified people. From the perspective of individuals, the view is that “building a career” in Cornwall & Isles of Scilly is difficult and high risk.

Why does this matter?

There is a strong correlation between the quality of the workforce and how well an economy performs. Yet although the majority of young people do well in our local schools, the working age population in Cornwall is less well qualified than the national average. There is a ‘Catch 22’ situation at present, as businesses say they cannot find the skills they need locally and yet many individuals have the perception there are not enough ‘good’ jobs in Cornwall & Isles of Scilly, of the type that attract and retain well qualified people. So businesses struggle to attract the best possible talent because subsequent career progression is sometimes seen as uncertain and risky. The Isles of Scilly have the highest skills levels in the country; the issue here is that those with the highest skills tend to be under-employed.

It is vital that Cornish and Scillonian businesses can be staffed by talented and ambitious people, with the skills that are needed to anticipate and exploit new market opportunities, so businesses can grow and achieve their full potential. Allowing existing workers to re-skill is a fundamental means of supporting the emerging sectors such as marine renewables or aerospace. Graduates seeking to return to Cornwall & Isles of Scilly will benefit from the development of greater career choices.

What does the LEP want to see happen?

- Demand for skills and the supply of skills brought into sync
- Better jobs being created with higher salaries for a workforce that merits this

- Local talent being retained and nurtured further
- A new appetite for lifelong learning that means skills are constantly updated and improved to meet changes in demand and emerging opportunities
- Recognition that Cornwall & Isles of Scilly is a great place to live, work, build a career

Working with partners, the LEP will:

- Identify future market opportunities and therefore future skills needs, so it is easier for employers and employees to keep their eyes on the horizon and plan ahead
- Broker a stronger dialogue between the business community and training providers so that businesses get the training they need and want
- Develop the skills of all workers to match local job opportunities – now and in the future
- Advocate the benefits of training to employers and work with them and training providers to make Cornwall & Isles of Scilly a great place to build a career irrespective of starting point

Priority 3: Creating value out of knowledge

What is the evidence base and rationale for this priority?

Over the last decade, there has been significant investment in our knowledge base, including University College Falmouth, Exeter University's Environmental and Sustainability Institute at Tremough, the Peninsula Research Institute for Marine Renewable Energy, the European Centre for Environment and Human Health at the Peninsula College of Medicine and Dentistry as well as three new innovation centres supported by Plymouth University. Effective links to this knowledge base now need to be nurtured and embedded.

Businesses that genuinely make use of leading-edge knowledge and research should be competitive globally. If Cornwall & Isles of Scilly genuinely aspires to have more world class businesses, it must invest in its knowledge-based assets and exploit them fully. This in turn should lead to embedded and sustainable forms of economic growth with high local multipliers and significant economic impacts.

Why does this matter

Knowledge means more than IT or technology. It means any business where knowledge can provide a competitive edge whether this is simply information or supply chain or market intelligence. Businesses that make good use of leading edge knowledge and research are more likely to be competitive globally. With a business community that is largely SME-

based it is important to continue to foster links between academia and business and encourage businesses to develop leading edge knowledge and technologies that give future commercial opportunities and enable businesses to compete in a progressively global marketplace. This is essential if we are to attract inward investment.

Small businesses require support to work with higher education, over and above workspace and finance, particularly to de-risk the first step a business might take into collaborative research and development. It is important to realise that knowledge and innovation can be used within non-knowledge based businesses to create a competitive advantage.

What does the LEP want to see happen?

- Businesses taking full advantage of leading edge knowledge and turning it to commercial advantage
- Knowledge based enterprises finding easy access to the right business advice and the finance they need to grow
- Entrepreneurship and inventiveness becoming widespread so that businesses are encouraged to spot opportunities and innovate
- Opportunities in growing global markets such as renewable energy, healthcare, space/aerospace, digital and creative industries being seized and fully exploited
- Quality work space / infrastructure available for businesses at every stage – including incubators for start up, innovation centres

for early stage and space for growing businesses to expand into and cluster.

- Development of strong research links between our exceptional academic institutions and the business community particularly our micro and small enterprises

Working with partners, the LEP will:

- Promote and broker world class research in key centres – a ‘living laboratory’ – so that we become an exporter of knowledge, with a growing reputation which will in turn also help the image of businesses based here
- Identify any knowledge-based resource where there is untapped potential
- Ensure that work space that is available is fully geared to the needs of knowledge based businesses at every stage
- Make it easier for enterprises to find sources of finance, including investment and also help businesses get ‘investor-ready’.

Priority 4: Using the natural environment responsibly as a key economic asset

What is the evidence base and rationale for this priority?

Cornwall & Isles of Scilly has substantial environmental assets.

Through the Objective One and Convergence programmes, there has been significant investment in these assets; examples include the Wave Hub, a major grid-connected facility located offshore from Hayle in the west of Cornwall. Cornwall & Isles of Scilly now needs to scale up these foundations into economic drivers of growth whilst respecting the link to the natural environment. This involves realising commercial opportunities in established sectors and technologies (e.g. solar, wind, value-added food), gaining a technological edge and creating value in developing areas (e.g. geothermal and marine renewables).

Why does this matter?

Nationally and globally, there is a growing emphasis on renewable energy and on healthy natural lifestyles that respect the natural environment. These trends are creating rapidly growing markets and new business opportunities. Cornwall & Isles of Scilly is the best endowed area in Europe when it comes to renewable energy potential – geothermal and wave as well as solar and wind. We also have food, farming and fisheries businesses as well as a thriving economy based on marine businesses. The

links between the environment and business will continue to grow closer and our unique environment can increasingly be used responsibly as a business asset. It is what makes Cornwall & Isles of Scilly attractive as a place to live, work, visit and play and in the light of current global trends; it is now opening new and exciting business opportunities. However, developing supply side initiatives is only part of the story. Ensuring energy demand is as efficient as possible is also critical.

There may be little the LEP can do itself in this area but we will champion and challenge where relevant and influence planning decisions to ensure that these reflect this desire. Changes in behaviour will be a key aspect of managing our environmental responsibilities.

What does the LEP want to see happen?

- A growing reputation nationally and worldwide as a ‘green and marine’ region which delivers resource-efficient, low carbon solutions
- All businesses reducing their impact on the environment, lowering energy costs and carbon emissions where possible, to the point where we have a reputation as a resource-efficient, low carbon business community and all new building demonstrates best practice in sustainable construction
- More business activity in renewable energy production
- Recognition of the environment, culture and communities as important economic assets in food, fishing, farming, tourism and

maritime industries to create growth where feasible and sustainable.

- All new-builds, including housing and other major developments, to be leading edge environmentally.

Working with partners, the LEP will:

- Work to attract investment to grow renewable and marine sectors
- Support businesses that also contribute towards protecting our environmental assets, for example sustainable construction and the built environment, use of brown-field sites as in the Eco-town, transport and waste management
- Support the development of high value markets for sustainable local food, farm, fisheries and eco-tourism products and services
- Ensure all businesses can easily find advice and any incentive support to reduce their impact on the environment.
- Promote Cornwall & Isles of Scilly as a 'green exemplar' developing a concept of 'environmental growth', using economic prosperity to enhance the environment

Part C – Implementation and monitoring

How the LEP will work

The LEP is a small organisation, part-time and strategic by nature. It will need to use other bodies to help deliver the vision. It will draw on experts from the business community to develop sub-strategies for sectors and key enablers and to implement the associated Business Plan. Specialist teams will be assembled to monitor each priority. Specific Projects will be commissioned and delivered by specialist bodies such as the Cornwall Development Company, or other competent organisations as we have done with the Enterprise zone and the UK grants.

It will work with the Local Nature Partnership, the Health and Wellbeing Board and others to broker dialogue and ensure that the economic, social and environmental aspects of all key initiatives are properly considered early in the process. Where necessary it will seek to resolve conflict, working with our partners and stakeholders to ensure that we have one vision and jointly ensure that it is put in place.

Where appropriate, it will work with other LEPs, both within the South West and nationally, where there is a shared agenda item or where working together will bring greater benefits than working individually

Cornwall Council will review its own Economic Development strategy in the light of the LEP strategy and these documents will be the driving forces to inform the prioritisation and resource allocation for the European funding programmes.

The LEP's limited resources make it essential that this strategy, and its delivery, is embraced by the business community, specialists and experts from industry and by the two Councils so the LEP is the partnership it was intended to be.

Measuring progress

In implementing this Strategy, the LEP will need to measure its progress.

Within the Business Plan, a number of actions with immediate milestones and outputs are set out – the Board will receive regular updates in relation to these.

Two headline targets have been identified based on evidence. The first of these measures the performance of Cornwall & Isles of Scilly relative to the EU average. It is therefore influenced by many factors, including the performance of areas across the EU – and given the issues facing the Eurozone currently, it is possible that we could achieve it without improving in absolute terms. As a target, it therefore has its limitations. For this reason, it is supplemented by a second target which relates only to Cornwall & Isles of Scilly; this too will still be challenging to achieve, by our performance in relation to it will be an absolute statement about our area. The reason for adopting these two metrics is explained below.

Target 1: By 2020, Cornwall & Isles of Scilly's GDP per head will be above the 75% average for the European Union

In March 2012, Eurostat published data on GDP per head for areas within the European Union (measured using the Purchasing Power Standard). GDP per head in Cornwall & Isles of Scilly was estimated to be 71.9% of the EU average in 2009; in the UK, the only area with a weaker performance was West Wales and the Valleys, while across the EU, areas

with similar performance to Cornwall and the Isles of Scilly included Vzhodna Slovenija (in Slovenia) and Thessalia (in Greece).

If GDP per head in Cornwall & Isles of Scilly exceeds 75% of the EU average, the area will cease to qualify for regional assistance. Hence the target is that by 2020, we should have grown our economy to the point that we cease to be an “underperforming area” in an EU context.

Target 2: By 2020, we will have exceeded the expected growth, in terms of GVA, of the overall Cornwall & Isles of Scilly economy by an additional £338m (measured in 2006 prices); this equates to an additional £1,450 per annum per person employed

The LEP's intention is to grow the overall economy of Cornwall & Isles of Scilly at a rate of 3% per annum from 2012 – this is faster than the underlying growth rate (which is projected to be about 2.5% per annum over the period 2013-2020).

Over this period, baseline projections suggest that GVA per person employed may increase by about £3,000 (measured at constant 2006 prices). If we can achieve the accelerated growth in GVA without increasing the number of jobs, GVA per person employed will rise by a further £1,450 over the period 2013-2020.

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