

Cornwall and the Isles of Scilly LEP: Strategy and Business Plan

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

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Introduction

- In building up the evidence base for Cornwall and the Isles of Scilly's economic strategy, the LEP Board was keen to see an assessment of the area's key sectors
- To inform this review, we completed three strands of work. Specifically, we:
 - analysed secondary data sourced from the Business Register and Employment Survey (BRES)
 - reviewed entries for Cornwall and the Isles of Scilly sourced from one of the major business databases
 - consulted with key sector/networking groups from across Cornwall and the Isles of Scilly
- Each of these sources provides a different vantage point on the area's business community. Hence although all have their limitations, taken in the round, they provide some important insights and evidence
- The principal findings from these different workstreams are reported in this document

Section 1: Insights from BRES

Understanding the scope (and limitations) of BRES

- BRES publishes employee and employment estimates at detailed geographical and industrial levels. It is regarded as the **definitive source of official Government employee and employment statistics by industry**
- BRES is a sample survey (based on a survey of 80,000 businesses nationally). It produces **estimated** employment figures
- Inevitably, the quality of the estimates deteriorates at smaller geographical scales. This must be taken into account when reviewing data for Cornwall and the Isles of Scilly (and especially for sub-areas within it)
- To minimise the chances of statistical error, the analysis which follows is based on figures which are averaged over the last three years of the survey (2008, 2009 and 2010): although available, data showing year-on-year variation are far more likely to reflect survey issues than “real” changes in the economy
- It is important to note that BRES:
 - focuses on workers paid through payroll; it does not therefore include data on self-employed or agency workers which may, for some firms, be significant
 - is weak in relation to estimates of agricultural employment

Headlines from BRES for Cornwall and the Isles of Scilly, 2008-10 (1)

- The **average number of employee jobs** recorded by BRES across Cornwall and the Isles of Scilly was around **192,000**
- At a disaggregated level, seven sectors accounted for **over 25% of all employee jobs**. In descending order:
 - non-specialist retail: 11,200 jobs
 - hospital-related: 8,000 jobs
 - primary education: 7,800 jobs
 - hotels (and related): 7,300 jobs
 - public houses and bars: 5,500
 - secondary education: 5,500 jobs
 - other social work activities: 4,800 jobs
- As elsewhere, the largest employment sectors are mainly concerned with providing **local services for local people** (health, compulsory education, retail)
- **Location Quotients (LQs)** are a device for identifying patterns of **specialisation** – i.e. a sectoral profile that is different from what might be expected in the “average” local economy. A LQ of 2.0 signifies twice as many employee jobs in a given sector than we would “typically” expect to see, given patterns of employment across a given comparator location

Headlines from BRES for Cornwall and the Isles of Scilly, 2008-10 (2)

- For Cornwall and the Isles of Scilly, the ten sectors with the **highest LQ** relative to England (in employee job numbers) *and at least 50 employee jobs* are:
 - portrait/photographic activities (LQ=34.4)
 - marine fishing (LQ=16.3)
 - other holiday/short stay accommodation (LQ=14.3)
 - gravel/sand and mining of clays/kaolin (LQ=13.6)
 - repair/maintenance of ships/boats (LQ=11.8)
 - camping grounds (LQ=10.6)
 - other mining and quarrying (LQ=9.2)
 - manuf. rusks/biscuits/preserved pastry/cakes (LQ=8.9)
 - wholesale of meat/meat products (LQ=8.5)
 - botanical/zoological gardens (LQ=8.1)
- From these data, the “specialist” picture across Cornwall and the Isles of Scilly appears to be one that emphasises:
 - marine activity
 - tourism/leisure
 - food production
 - mining/minerals
- In employment terms – and assuming the BRES data are accurate – these sectors are the area’s most **distinctive**: they may not be the biggest sectors or the sectors with the greatest growth potential, but their incidence in Cornwall and the Isles of Scilly is high relative to elsewhere, and the strategy ought to take note

Digging deeper into BRES

- Although it needs to be approached with caution, it is possible to dig deeper into BRES to understand sectoral patterns **within** Cornwall and the Isles of Scilly
- Previously, the unit of analysis would have been local authority districts. However since Cornwall Council became a unitary authority, data have ceased to be routinely produced at a level below that of Cornwall as a whole (and the Isles of Scilly)
- Instead, Cornwall Council downloaded the BRES data for Travel to Work Areas (on 2001 boundaries)
- TTWAs are defined through commuting flows – they approximate to self-contained local economies
- Eight TTWAs are wholly or partially within the LEP area
- For that part of the TTWA which is within the LEP geography, the tables that follow identify:
 - the total number of employee jobs
 - the five largest sectors (in terms of overall employee job numbers)
 - the seven sectors in which the TTWA is most specialised relative to Cornwall and the Isles of Scilly as a whole
- All absolute numbers are rounded to the nearest 100; and LQs are quoted only where employee job numbers are > 50

Digging into BRES: Bude and Holsworthy TTWA

	Bude and Holsworthy TTWA (excl. areas in Devon)
Total number of employee jobs	5,300
Five largest sectors in terms of employee job numbers	<ul style="list-style-type: none"> • non-specialist retail – 500 jobs • hotels, etc. – 300 jobs • public houses and bars – 200 jobs • primary education – 200 jobs • secondary education – 200 jobs
Seven most specialist sectors in terms of employee job numbers (LQs) relative to LEP area	<ul style="list-style-type: none"> • manufacture of parts/accessories for motor vehicles (LQ=36.2) • private security activities (LQ=6.0) • other holiday/short stay accommodation (LQ=4.0) • activities of membership organisations (LQ=3.3) • operation of sports facilities (LQ=3.0) • specialist retail (LQ=2.6) • other residential care (LQ=2.6)
Comments	This is a small local economy and therefore, the scope for error in the BRES data is large. Areas of specialism relate to tourism/leisure but with some manufacturing activity

Digging into BRES: Falmouth and Helston TTWA

	Falmouth and Helston TTWA
Total number of employee jobs	21,400
Five largest sectors in terms of employee job numbers	<ul style="list-style-type: none"> • non-specialist retail – 1,400 jobs • hotels, etc. – 1,000 jobs • primary education – 900 jobs • secondary education – 800 jobs • residential care for elderly/disabled – 700 jobs
Seven most specialist sectors in terms of employee job numbers (LQs) relative to LEP area	<ul style="list-style-type: none"> • manufacture of pumps (LQ=8.9) • marine fishing (LQ=8.9) • repair/maintenance of aircraft/space (LQ=8.9) • installation of industrial machinery/equipment (LQ=8.9) • renting and leasing of personal/household goods (LQ=8.9) • building of pleasure and sporting boats (LQ=7.5) • repair and maintenance of ships and boats (LQ=7.5)
Comments	Whilst the large employment sectors in Falmouth and Helston are similar to elsewhere, the pattern of sectoral specialisation is distinctive, especially in terms of marine activities

Digging into BRES: Penzance and Isles of Scilly TTWA

	Penzance and Isles of Scilly TTWA
Total number of employee jobs	22,300
Five largest sectors in terms of employee job numbers	<ul style="list-style-type: none"> • non-specialist retail – 1,200 jobs • hotels, etc. – 1,200 jobs • portrait photographic activities – 1,000 jobs • primary education – 1,000 jobs • licensed restaurants – 1,000 jobs
Seven most specialist sectors in terms of employee job numbers (LQs) relative to LEP area	<ul style="list-style-type: none"> • portrait photographic activities (LQ=8.6) • museum activities (LQ=8.6) • processing and preserving of fish (LQ=8.6) • manufacture of sugar confectionary (LQ=8.6) • casting of steel (LQ=8.6) • retail sale in commercial art galleries (LQ=8.6) • sea and coastal passenger water transport (LQ=8.6)
Comments	The sectors which stand out in relation to Penzance and the Isles of Scilly TTWA are those linked to tourism and creative/cultural activities

Digging into BRES: St Austell TTWA

	St Austell TTWA
Total number of employee jobs	55,600
Five largest sectors in terms of employee job numbers	<ul style="list-style-type: none"> • non-specialist retail – 3,700 jobs • hotels, etc. – 2,700 jobs • primary education – 2,000 jobs • public houses and bars – 1,700 jobs • secondary education – 1,500 jobs
Seven most specialist sectors in terms of employee job numbers (LQs) relative to LEP area	<ul style="list-style-type: none"> • other activities auxillary to insurance/pension funding (LQ: 3.5) • publishing consumer, business, professional journals (LQ: 3.5) • passenger rail transport (LQ: 3.5) • wholesale of clothing/footwear (LQ: 3.5) • manufacture of games and toys (LQ: 3.5) • manufacture of ready-mixed concrete (LQ: 3.5) • manufacture of other glass (LQ: 3.5)
Comments	This TTWA is relatively large. Its sectoral specialisms are wide-ranging but include activities linked to china clay (mining-related activities rank within 12 ten highest LQ sectors)

Digging into BRES: Truro, Redruth and Camborne TTWA

	Truro, Redruth & Camborne TTWA
Total number of employee jobs	56,300
Five largest sectors in terms of employee job numbers	<ul style="list-style-type: none"> • hospital activities – 5,700 jobs • non-specialist retail – 2,300 jobs • primary education – 2,300 jobs • technical and vocational secondary education – 2,200 jobs • other social work activities – 2,200 jobs
Seven most specialist sectors in terms of employee job numbers (LQs) relative to LEP area	<ul style="list-style-type: none"> • specialist medical practice activities (LQ: 3.4) • travel agency activities (LQ: 3.4) • business and domestic software development (LQ: 3.4) • removal services (LQ: 3.4) • three different specialist retail sectors (LQ: 3.4)
Comments	This is a large TTWA and its specialisms tend to reflect the role of Truro as the administrative centre of Cornwall. The high incidence of medical jobs reflects the presence of a major hospital

Digging into BRES: Wadebridge TTWA

	Wadebridge TTWA
Total number of employee jobs	9,000
Five largest sectors in terms of employee job numbers	<ul style="list-style-type: none"> • non-specialist retail – 700 jobs • hotels, etc. – 700 jobs • licensed restaurants – 500 jobs • public houses and bars – 400 jobs • primary education – 400 jobs
Seven most specialist sectors in terms of employee job numbers (LQs) relative to LEP area	<ul style="list-style-type: none"> • casting of light metals (LQ=21.4) • manufacture of other organic basic chemicals (LQ=21.4) • quarrying of ornamental and building stone, etc. (LQ=10.7) • other research and experimental development on natural science/engineering (LQ=5.3) • manufacture of rubber products (LQ=5.3) • holiday centres and villages (LQ=5.3)
Comments	This is a small local economy and therefore, the scope for error in the BRES data is large. Areas of specialism appear to relate to tourism/leisure but with some manufacturing activity and some research-based activities

Digging into BRES: Launceston TTWA

	Launceston TTWA (excl. areas in Devon)
Total number of employee jobs	8,000
Five largest sectors in terms of employee job numbers	<ul style="list-style-type: none"> • manufacture of bread, fresh pastry, etc. – 800 jobs • non-specialist retail – 500 jobs • freight transport by road – 300 jobs • primary education – 300 jobs • processing and preserving of meat – 200 jobs
Seven most specialist sectors in terms of employee job numbers (LQs) relative to LEP area	<ul style="list-style-type: none"> • other transportation support activities (LQ: 24.0) • butter and cheese production (LQ: 24.0) • manufacture of paper/paperboard (LQ: 24.0) • manufacture of bread, fresh pastry, etc. (LQ: 12.8) • wholesale of agricultural machinery, etc. (LQ: 12.0) • processing and preserving of meat, etc. (LQ: 6.0) • wholesale of other machinery and equipment (LQ: 4.8)
Comments	This is a small local economy and therefore, the scope for error in the BRES data is large. Areas of specialism relate to strongly linked to the production and distribution of food products

Digging into BRES: Plymouth TTWA

	Plymouth TTWA (excl. areas in Devon/Plymouth UA)
Total number of employee jobs	14,400
Five largest sectors in terms of employee job numbers	<ul style="list-style-type: none"> • manufacture of rusks, biscuits, preserved pastry – 900 jobs • non-specialist retail – 900 jobs • primary education – 700 jobs • secondary education – 600 jobs • public houses and bars – 500 jobs
Seven most specialist sectors in terms of employee job numbers (LQs) relative to LEP area	<ul style="list-style-type: none"> • retail sale of hearing aids (LQ=13.3) • building of ships and floating structures (LQ=13.3) • manufacture of rusks, biscuits, preserved pastry (LQ=8.0) • combined facilities support activities (LQ: 6.7) • other accommodation (LQ: 6.7) • wholesale of dairy, eggs, etc. (LQ: 6.7) • treatment and disposal of non-hazardous waste (LQ: 6.7)
Comments	This is a small local economy and therefore, the scope for error in the BRES data is large. Areas of specialism appear to relate to food production and aspects of the marine sector

Digging into BRES – Implications

- Local economies within Cornwall and the Isles of Scilly are very varied
- In the east of the area, the importance of large scale food production is apparent through the data
- St Austell and Truro/Camborne/Redruth TTWAs comprise the largest local economies, with the latter appearing to be dominated by area-wide administrative activities
- Further west, the importance of tourism/leisure and some creative/cultural activities is clear
- However, there is a need to be careful with small-area statistics: there can be data anomalies
- Also, some sectors are very poorly represented through the data (e.g. renewable energy)
- Most especially, it is important to recognise that current patterns of concentration say nothing at all about growth prospects.... although they do say something helpful about the existing economic make-up (including with regard to workforce structure, etc.)

Section 2: Insights from business databases

Introduction and overview

- In building up the evidence base for its strategy, the LEP was keen to understand which are the **largest businesses** within Cornwall and the Isles of Scilly and which have the most **growth potential**
- Assessments of this nature are very difficult to make robustly
- However we sought to glean an insight into some of the surrounding issues by referring to one of the major national databases of companies
- This relies on comprehensive information gathered from Companies House
- The difficulty with this dataset however rests in attaching information about employment and turnover to particular locations: many of the data are aggregated to the level of head offices and/or holding companies and hence **substantial operations in Cornwall and the Isles of Scilly may not be captured**

Headlines from the business database

- Nevertheless, some 1,253 companies posted a return for turnover with an address in Cornwall and the Isles of Scilly (although from other sources, we know there are well over 20,000 companies in Cornwall and the Isles of Scilly overall)
- Among the 1,253 companies:
 - total employment numbered 34,278 (but this may not all be local) – this compares to 192,000 employee jobs across Cornwall and the Isles of Scilly
 - total turnover: £4,304m
 - total profit after tax: £125m
- The biggest companies registered in Cornwall and the Isles of Scilly in terms of employees (in descending order, all >400) were
 - Cornwall Care Limited
 - Imerys Minerals Limited
 - H. Tempest Limited
 - St.Austell Brewery Company Limited
 - Helston Garages Group (Management) Limited / Helston Garages Group Limited
 - Infoteam Group Limited / Infoteam International Services Ltd
 - WCP Company A Limited / West Cornwall Pasty CO Ltd.
 - W.C. Rowe (Falmouth) Limited
 - Eden Project Limited / The Eden Trust
 - Gillett's (Callington) Limited
 - West Pharmaceutical Services Cornwall Ltd

Section 3: Qualitative insights from the sector networks and/or bespoke research

Introduction and overview

- In order to generate more qualitative insights into the character of sectors within Cornwall and the Isles of Scilly, a programme of consultations was completed with representatives from sector networks and other key stakeholders
- The networks varied greatly in their character, size and form:
 - some were well-supported membership bodies with substantial private sector representation
 - some were very embryonic with few (if any) formal members and relying instead on the commitment of a few individuals
 - some had been established with public sector backing and played a role in relation to programme delivery
- Consultations with sector networks and representatives) were completed in January 2012
- These consultations followed a similar format and they sought to consider key issues relating to the character, performance and prospects of relevant businesses in Cornwall and the Isles of Scilly
- In addition, we sought to review reports on key sectors in Cornwall and the Isles of Scilly (where these were available)
- Some of the principal findings are summarised in the pages which follow

Agri-food sector

- Agri-food continues to be an important, but varied, sector across Cornwall and the Isles of Scilly
- The core agri-food sector is estimated to account for about 25,000 jobs in the LEP area of which around half are in agriculture; across the wider industry, the total number of jobs is over 60,000 in Cornwall and the Isles of Scilly
- There are some major food manufacturing companies, mainly in the east of the area: these are now very efficient production units but they rely heavily on migrant workers
- In terms of primary production
 - the dairy sector is important, but margins are under pressure
 - the livestock sector is sizeable with well-developed supply chains although margins are again under pressure
 - horticulture is a major area of activity: apart from large scale growers, this is mainly focused on local customers
- Across the agri-food sector, there is a mix of mass market and niche producers and for the latter, there is a strong link with tourism
- In the main, margins are under considerable pressure, particularly as the cost of key inputs rises
- Skills and transport (especially with regard to A30 dualling) are key issues for the sector

Creative industries sector

- The creative industries sector is not easy to “measure” but it does appear to be significant across Cornwall and the Isles of Scilly
- Research by University College Falmouth estimated that the sector accounted for 8,000-9,000 jobs (taking into account freelance activity)
- Evidence suggests some loss of employment in the context of recession although parts of the sector have continued to grow – including TV and radio, film and performing arts, and computer games (which overlaps with the digital sector)
- Businesses in the creative industries sector are generally very small and they are scattered across the LEP area
- The University College Falmouth study found that
 - there are high levels of collaboration in sub-sectors with a high incidence of freelancers
 - competition is becoming increasingly fierce
 - whilst the LEP area attracts creative people, there are challenges linked to distance and transport costs
- UCF is itself an important hub and focus for the creative industries across Cornwall and the Isles of Scilly

Digital and ICT sector

- Digital Peninsula Network was founded in 1999 in the west of Cornwall
- DPN has grown as a membership organisation for the digital and ICT sectors – it now has over 200 members across the LEP area
- There are two spatial hubs for the sector:
 - Falmouth / Truro with a strong link to creative activities
 - Penwith area in the west of Cornwall
- Most businesses within the sector are very small and many have been formed by people who were attracted to live in the area
- Looking ahead, there are various skills issues that need to be addressed – e.g. there is a shortage of programmers, website designers, etc.
- In the main, these are national issues – but in a local context, lower level skills are important too and should not be overlooked
- The roll-out of superfast broadband ought to create new possibilities in terms of the growth of the sector
- The formation of small, new digital companies in Cornwall and the Isles of Scilly looks set to continue at pace

Renewable energy sector

- This is a wide-ranging sector which is seen as full of long term potential given the UK government's legal commitments
- Within Cornwall and the Isles of Scilly, the number of sources of renewable energy is substantial – wind and solar are relatively mature but long term, there is also potential from wave and geothermal power
- Substantial investments have been made to encourage the sector's growth. These include:
 - investment in the Wave Hub offshore from Hayle
 - the creation of the Peninsula Research Institute in Marine Renewable Energy (PRIMaRE)
 - the formation of the South West Marine Energy Park which is intended to accelerate the development of marine power
- As marine renewable energy develops, the links with the wider marine sector ought to be highly synergistic
- However, renewable energy is still an “infant industry” in Cornwall and the Isles of Scilly, and although there are opportunities, it is not a major employer
- The sector is though strategically important in respect of sustainable energy supply

Marine sector

- Cornwall Marine Network is well-established with 350 members
- The marine sector is difficult to define in standard SIC-code terms and it covers a wide range of activities. However across Cornwall and the Isles of Scilly, it is estimated to account for at least 14,000 jobs
- Falmouth Docks is a major hub for employment and it defines the heart of the sector: 40% of marine/maritime activity is within a 5-mile radius
- Other centres include: Isles of Scilly; Penzance/Newlyn; Fowey/St Austell; Looe/Saltash; and Wadebridge/Padstow
- World class companies in the sector include Pendennis (super yachts) and Fugro Seacore (marine drilling and engineering)
- For the sector's continuing development, the dredging of Falmouth Docks is crucial, linked to the Port of Falmouth masterplan
- Recruitment to the sector can be challenging, but there are some important initiatives underway, linked to apprenticeships
- In addition, the South West Marine Energy Park venture should be important for the marine sector

Manufacturing sector

- Within Cornwall and the Isles of Scilly, there are some important manufacturing companies, but these are often “under the radar”
- In the past – encouraged in part by the availability of incentives – there has been inward investment in the sector, but a number of large plants have disappeared and hence the composition of the manufacturing sector has changed
- For the larger firms, transport and skills continue to be identified as key issues
- For branch plants, long term prospects frequently however depend on decisions taken elsewhere
- Amongst smaller and/or locally owned manufacturing businesses, different processes are at play
- There are small manufacturing firms with local markets – many are in the Camborne-Redruth-Pool area but they are not well networked to each other
- In addition, there are a number of small manufacturing firms with links into the marine supply chain
- The supply of appropriate employment land and premises is a concern for these businesses
- Access to capital is also a continuing issue, particularly for the smaller firms

Tourism sector

- Around five million tourists visit Cornwall and the Isles of Scilly each year and hence tourism forms a substantial part of the local economy
- The tourism “product” is varied and key destinations/attractions include:
 - Newquay, particularly for surfing
 - Eden Project near St Austell
 - Isles of Scilly
 - Many coastal locations with an outstanding natural and cultural environment (e.g. Padstow, Newlyn, etc.)
 - Historic towns (e.g. Truro)
- It is estimated that tourism accounts for about 25% of the economy
- Research commissioned by Visit Cornwall suggests that the “staying visitor” economy accounts for 17% of all employment
- The sector is dominated by small and micro-businesses, and there are important links with added value food production and also with the cultural sectors
- Looking ahead, the importance of customer service skills has been recognised
- There are still challenges, however, relating to the seasonality of employment and wage levels within the sector

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